changing THE FORMULA FOR BUSINESS

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2000 ANNUAL REPORT

AMTRAK

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The Symbols Have Transformed. New Shapes Are Evolving.

THE FORMULA IS NOT THE WAY IT WAS.

Whatever your images were of Amtrak, prepare for an awakening. While we are the nation's intercity passenger rail provider, Amtrak is more than simply an operator of trains. Certainly, we've set new records for ridership and ticket revenue. But we're also setting records in lines of business you'd probably never associate with Amtrak. The fact is, we've been on the track of diversifying our business for some time, leveraging all of our resources to improve the return on our investments.

Modifying business models. Turning under-utilized machinery into moneymaking machines. Forming cooperative partnerships. Doing things differently than we used to. And differently than many other companies still do today. It's unexpected. Imaginative. And it's smart business. We're unlocking the enormous value within the corporation to create a new Amtrak.

Discovering new areas for growth – and making the most of the resources we already have. In all, the year 2000 has been our time for transformation – **to change the formula for business.**

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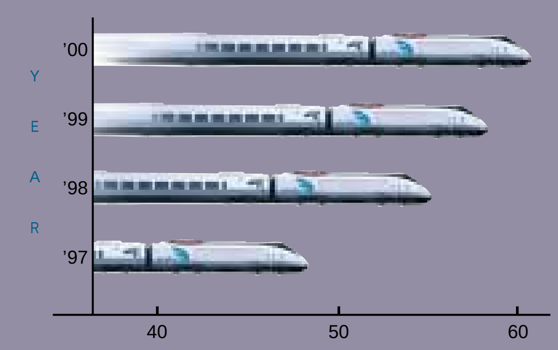
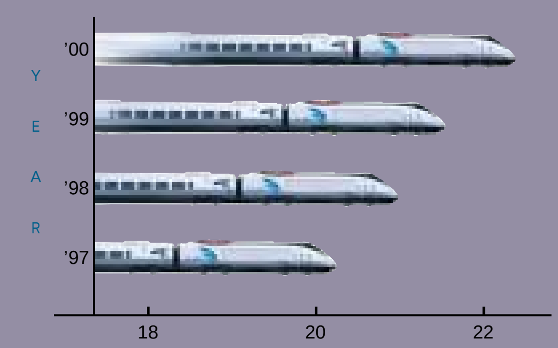
2000 Performance Highlights

CONTRACT COMMUTER PASSENGER TRIPS
FISCAL YEARS 1997–2000 (In Millions)



RIDERSHIP
FISCAL YEARS 1997–2000 (In Millions)



PASSENGER-RELATED REVENUES
FISCAL YEARS 1997–2000 (In Millions)

Amtrak Board of Directors

FROM BOTTOM TO TOP:

Mr. George D. Warrington
President and Chief Executive Officer

The Honorable Mortimer L. Downey
Deputy Secretary of Transportation
(For The Honorable Rodney Slater,
Secretary of Transportation)

The Honorable John Robert Smith
Mayor of Meridian, Mississippi

The Honorable Linwood Holton

Ms. Jolene Molitoris
Administrator,
Federal Railroad Administration

The Honorable Michael S. Dukakis
Vice Chairman of the Board

The Honorable Tommy G. Thompson
Governor of Wisconsin
Chairman of the Board

Ms. Amy M. Rosen

Sylvia de Leon, Esq.

Letter from the Chairman and President

Two thousand was an historic year of transformation for Amtrak – a year in which we changed the way we run our company. We've reshaped every aspect of our company's business, from passenger services to commercial enterprises and our Mail and Express business.

How do you turn a company around? In Amtrak's case, our new business formula focuses on investment.

We're investing in new partnerships – by expanding our Mail and Express business, by implementing our Network Growth Strategy, and by diversifying our business and leveraging our resources through innovative public and private commercial partnerships.

We're investing in new products – by launching America's fastest passenger train, Acela Express, between Boston, New York and Washington, and by introducing the new Pacific Surfliner passenger rail service along our San Diego-Los Angeles-San Luis Obispo rail corridor in California.

We're investing in a new level of quality service for all our guests through our unconditional Service Guarantee. We promise our guests a safe, comfortable and enjoyable travel experience – and we'll compensate them with free future travel if we don't live up to our promise. No other national transportation provider offers this kind of no-questions-asked guarantee.

Most importantly, we're investing in people – by providing all of our 25,000 employees with the tools they need to put our guests at the center of everything we do, every train, every day.

Indeed, these investments have had such a profound impact on our company that replacing the old Amtrak arrow with a bold new identity was essential. Our new look signals the major changes underway at Amtrak.

We'll continue making these critical investments in the years ahead, because we're determined to offer America a real alternative to endless highway gridlock and growing airport congestion with a safe, comfortable and enjoyable experience.

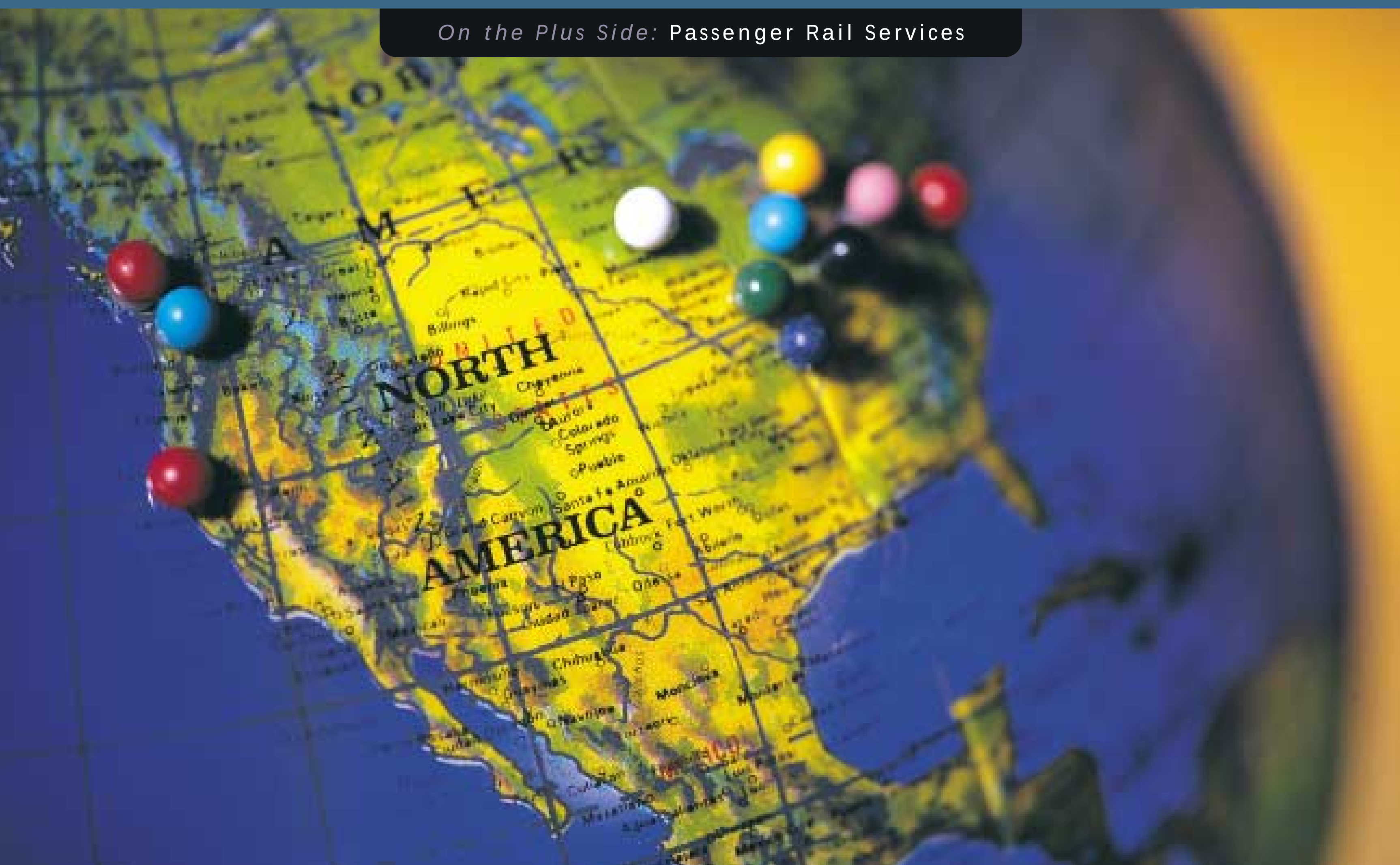
We know that changing the formula for business is changing Amtrak for the better.

Sincerely,

Governor Tommy G. Thompson
CHAIRMAN OF THE BOARD

George D. Warrington
PRESIDENT AND CHIEF EXECUTIVE OFFICER

On the Plus Side: Passenger Rail Services



Combining Service and Business Savvy

Even with 22,000 miles of rail serving more than 500 communities in 45 states, Amtrak's plan is to aggressively seek opportunities to expand service throughout the nation. By optimizing equipment use, cultivating partnerships, improving and guaranteeing customer service, and enhancing Amtrak's image, the company made FY2000 a record-setting year of increased ridership and ticket revenues.

PASSENGER RIDERSHIP AND REVENUE

▪ Ridership grew to 22.5 million, increasing ticket revenue to $1.1 billion – an all-time record and a 10% increase over FY1999. This marks the fourth consecutive year of ridership and revenue increases. ▪ The new all-electric Acela Regional service between Boston and New York brought 45% more riders on board, resulting in a jump of 77% in ticketed revenues over the trains it replaced. ▪ A new unconditional Satisfaction Guarantee was introduced, promising every guest a safe, comfortable and enjoyable experience aboard Amtrak. Comprehensive employee training and commitment to superior guest service are the foundations of the Satisfaction Guarantee. ▪ Amtrak's reliance on federal operating support was the lowest in its 30-year history.

TODAY'S NETWORK AND HOW WE'RE EXPANDING IT

▪ Amtrak introduced its Network Growth Strategy, which started the company's passenger rail expansion in 21 states and sharpened its competitive edge in the mail and express business. In total, the Strategy is expected to add as much as $229 million in revenue by 2003. ▪ Additionally, Amtrak worked to further develop a national high-speed rail system. Alliances with 36 state and local authorities continued, supporting improved rail service in key corridors across the country including California, Washington and the Midwest. ▪ The company's capital investments with states, alone, resulted in more than $218 million in matching state funds.

YIELD MANAGEMENT

▪ By combining Amtrak's Revenue Management and Capacity Management departments, the company positioned itself to optimize passenger equipment allocation and the prices it charges for travel. As a result, Amtrak increased ticket revenue and is poised for accelerated growth. ▪ In the last six months of FY2000, yield (total annual revenue divided by total passenger miles) was up 9% over the same time period in 1999. The estimated bottom-line impact: an incremental increase in ticket revenue of $10 million over the previous year. ▪ A special committee, led in part by Revenue and Capacity team members, re-allocated passenger equipment. The result: over $6 million in incremental revenue.

AMTRAK WEBSITE

▪ Online passenger ticket sales grew to $63 million – 116.2% over FY1999. This accounted for 5.1% of total automated passenger sales – almost double the number from 1999. As Amtrak continues to increase its Internet ticket sales, overall ticket sales costs are significantly reduced. ▪ Monthly visitor sessions nearly doubled by year's end, jumping from 1.3 million in the beginning of the year to an average of 2 million sessions. ▪ In the spring of 2000, www.amtrak.com was named by HotLinks as one of the 100 most popular (bookmarked) sites on the Internet.

NEW BRAND IDENTITY

A bold new logo replaced Amtrak's arrow. The new design captures the spirit of Amtrak and the excitement of the passenger rail experience, and reinforces Amtrak's revitalized image and values.

In all, the new brand identity signals the major changes happening at Amtrak. It reflects a renewed commitment to guest satisfaction and makes a confident statement about the company's presence in the marketplace.

GUEST SATISFACTION

Amtrak unveiled the first unconditional Satisfaction Guarantee in the U.S. travel industry. The Guarantee empowers everyone in the company to carry out Amtrak's commitment to high-quality customer service. This investment in customer satisfaction was a wise one: For every one-percent improvement in Amtrak's guest-retention rate, the company estimates an addition of $13 million to its annual revenues.

Making a Difference Across the Country

Eight regional commuter rail systems now rely on Amtrak for a variety of services, ranging from operations to maintenance of equipment, tracks and signals. From delivering on-time performance and safety to providing cost-savings and ridership growth, in FY2000, Amtrak met and many times exceeded the needs of commuter rail agencies and their customers.

CALTRAIN (NORTHERN CALIFORNIA)

Amtrak's Role: Operations and Maintenance ▪ Amtrak earned gross revenue of $34 million in FY2000, including enhanced revenue from special service for 80 San Francisco Giants games. Caltrain carried an estimated additional 320,000 passengers as a result of the service. ▪ With the Caltrain operating agreement up for renewal in June 2001, Amtrak staff continued to work on a competitive proposal.

COASTER (SOUTHERN CALIFORNIA)

Amtrak's Role: Operations and Maintenance ▪ Ridership rose to 1.2 million, growing over 200% since the inception of service in 1995. At almost 100% (99.6%), Amtrak's on-time performance record for Coaster exceeded the contract goal of 95%. ▪ As the fiscal year came to a close, Amtrak aggressively pursued a 5-year renewal of the Coaster contract.

SHORE LINE EAST (CONNECTICUT)

Amtrak's Role: Operations and Equipment Maintenance ▪ Amtrak generated an increase in both revenue and ridership. Shore Line East revenue rose 11.2% over the previous year, while ridership grew by 6.8%, to 288,814. ▪ At 96.8%, the company bettered on-time performance by nearly 6% over FY1999.

MARYLAND MARC SERVICE

Amtrak's Role: Operations and Maintenance ▪ With the addition of bi-level cars in February, seating capacity was increased for MARC. The new equipment also provided new customer amenities and safety features. ▪ By implementing the Metrochek transit subsidy program in August, Amtrak envisions a future increase of MARC ticket sales and revenue.

MBTA (MASSACHUSETTS)

Amtrak's Role: Operations and Maintenance ▪ Revenue increased to $67.5 million in FY2000 – a boost of over 3% from 1999. Ridership grew as well, maximizing capacity at 36.4 million passengers (an increase of 2%). The operation of special trains for concerts, shows and sporting events helped to contribute to the record revenue and ridership figures. ▪ The MBTA extended its contract with Amtrak for an additional three years – a value of $450 million. Amtrak also generated $11.6 million in additional revenue from billable work performed outside the scope of the contract. ▪ On-time performance (OTP) clocked in at 95%, true to Amtrak's contractual commitment.

METROLINK (SOUTHERN CALIFORNIA)

Amtrak's Role: Operations ▪ Ridership totaled over 7.9 million, an 11.7% increase over FY1999. Amtrak operated the 416-route-mile system with a contract on-time performance of 99%. ▪ Amtrak continued to support the growth of the Metrolink system, which was initiated by the Southern California Regional Rail Authority in 1992, and now comprises 47 stations over six routes. Staffing has expanded as the number of trains has grown, and this year Amtrak opened a state-of-the-art, earthquake-proof dispatching center – without delay to a single Metrolink train.

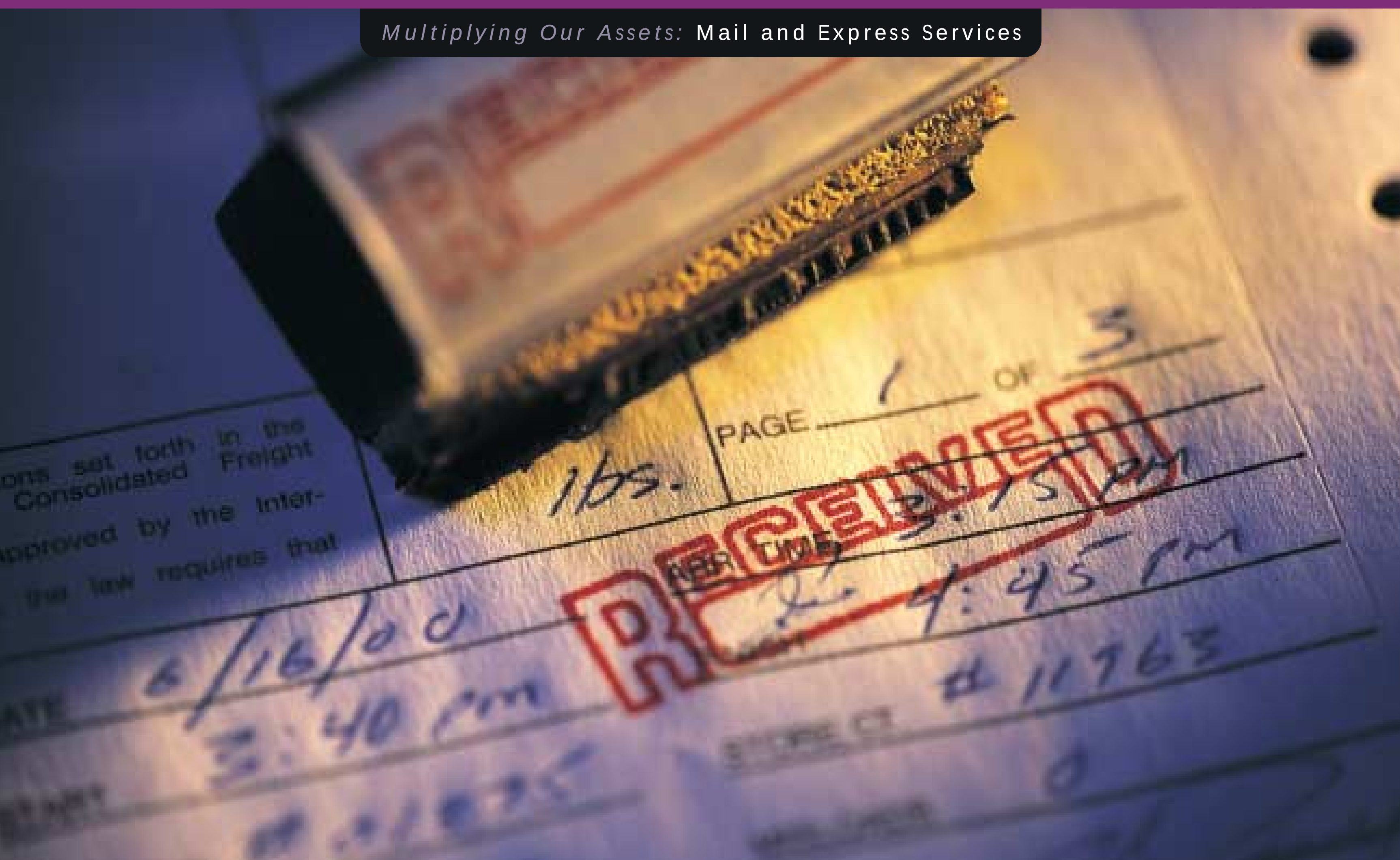
SOUNDER (WASHINGTON STATE)

Amtrak's Role: Maintenance ▪ In September, Amtrak signed a fixed-price, long-term (10-year) maintenance agreement with Sound Transit, the operator of Sounder. ▪ When Sounder service is in full operation, Amtrak will maintain a fleet of 11 locomotives and 58 bi-level passenger coaches.

VIRGINIA RAILWAY EXPRESS

Amtrak's Role: Operations and Maintenance ▪ To meet growing demand and further expand ridership, Amtrak began operation of the bi-level VRE cars in January. Daily ridership reached 10,000 by the end of the fiscal year. ▪ In a survey of customers, 95% rated overall crew performance "good to excellent," and 93% rated train cleanliness "good to excellent." ▪ Amtrak invested $25 million in Amtrak and VRE capital funds to improve the lower-level platforms at Washington Union Station.

Expect Nothing Less than Expertise: Commuter Services



Multiplying Our Assets: Mail and Express Services

Factoring In Speed and Efficiency

The FY2000 re-launching of Amtrak's Mail and Express operation as a separate business unit was an important step in the company's commercial strategy. The new Mail and Express business unit was and continues to be a win-win-win – for Amtrak, the commercial shipping market, and – importantly – Amtrak's freight railroad and motor carrier partners.

RIGHT ON TRACK WITH BUSINESS GROWTH

▪ By providing commercial shippers with both high speed and precise delivery times at an economical price, Amtrak solidified new relationships and added significant revenue. ▪ Revenue totaled $122 million, a 24.7% increase from FY1999. That amount is expected to grow to $180 million in FY2001. And, by the year 2003, it is anticipated that Mail and Express revenue will more than triple – to $390 million. ▪ Shipping revenue from the United States Postal Service alone, increased almost 12 percent. The average annual increase has been 10 percent over the last ten years. ▪ The Mail and Express marketing and sales teams leveraged trains for ultimate profitability. These efforts resulted in certain trains running at maximum capacity of up to 30 cars. ▪ The company shipped the widest variety of goods in its history, including fresh fruits and vegetables, periodicals, mail, canned goods, and a variety of expedited shipments for various parcel carriers and trucking companies. ▪ To keep the pace with growth, Amtrak opened or expanded the following Mail and Express facilities: Chicago, Oakland, Louisville, Detroit (in partnership with the Canadian Pacific Railway and the State of Michigan) and Jeffersonville, IN. The company upgraded facilities in Desoto, KS/Kansas City, MO, Dallas, and Harrisburg. ▪ Included as part of the Network Growth Strategy, and supported by revenue from Mail & Express shipments, service was inaugurated on the following routes: the Lake Country Limited (service between Janesville, WI, and Chicago), the Kentucky Cardinal (service between Chicago, Jeffersonville, IN, and Louisville), and daily service on the Texas Eagle.

PROFITING FROM BUSINESS RELATIONSHIPS

▪ Burlington Northern Santa Fe Corporation and Swift Transportation – the nation's third-largest publicly-held truckload carrier – teamed up with Amtrak to provide expedited rail shipments between Seattle, WA, and the Bay Area in California. This relationship brings new revenue and customers to Amtrak and provides shippers with faster, more economical service than previously available from motor carriers operating over I-5 in the Pacific Northwest. ▪ The addition of Triple Crown Services RoadRailers® to Amtrak's existing trains generated increased revenue for Amtrak by utilizing available capacity. The relationship provides faster transit times to Triple Crown customers between the Midwest and East Coast and demonstrates Amtrak's ability to serve specific customer requirements. ▪ TemStar, a subsidiary of Mark VII, expanded its temperature-controlled service with expedited transportation from Burlington Northern Santa Fe and Amtrak. By providing the Chicago-East Coast leg of the transportation, Amtrak has shown its capability to handle high-value, time-sensitive traffic.

EXPRESSTRAK

ExpressTrak, LLC, signed a 15-year contract with Amtrak, providing up to 350 refrigerated railcars over the next several years. The partnership may become one of the most powerful business relationships for Mail and Express. It will allow the company to take another step in its strategic business plan, and is projected to add revenues of $31 million a year once the full ExpressTrak fleet is in place.

Modern 60-foot Express Cars outfitted with high-speed passenger trucks and tight-lock couplers can handle as much as three standard highway trailer loads at speeds up to 90 miles per hour. Shippers of time-value goods receive fast, reliable service and economical rates, and Amtrak adds revenue to existing trains. Other equipment in the Mail and Express fleet includes 53-foot and 48-foot bi-modal RoadRailers (which operate in both railroad and highway modes) as well as 50-foot Express Cars and Mail Handling Cars. The fleet is being expanded in FY2001 with new refrigerated Express Cars, standard Express Cars and RoadRailers.

Resourcefulness As the Common Denominator

From leasing equipment and grounds for parking to providing Amtrak's mechanical expertise and manpower to other companies, the company aggressively pursued all opportunities to make the most of its resources in FY2000.

EQUIPMENT MAINTENANCE: LEVERAGING FACILITIES AND EXPERTISE

▪ Amtrak provided $14.4 million in services to external clients. Services included equipment design and engineering services, major locomotive and passenger car overhauls, production and sale of specialized components, wreck repairs and equipment refurbishment, and cab signal system installation and upgrades. ▪ The company generated $2.2 million in revenue from long- and short-term equipment leases. These transactions included locomotives and cars not needed for daily Amtrak operations. ▪ Clients included three railroads, six commuter rail authorities, a state department of transportation, two private rail tour companies, and five corporate entities.

ENGINEERING: PARTNERSHIPS, PRIDE AND RESULTS

▪ Newark Airport: Under a unique contract with New Jersey Transit, Amtrak earned $35 million for track, signal communications, electric traction and other work for the new intermodal connection facility scheduled to open in mid-2001. ▪ Lancaster Communications & Signals Repair Shop: Combined revenue from insourced business and construction services totaled more than $1.36 million. Amtrak also took a proactive role in prospecting for business in Mexico, leading to the first RFP from the country's largest freight railroad, Transportation Ferroviaria Mexicana (TFM). ▪ W.W. Hay Award: Amtrak Engineering was awarded this prestigious award in September for infrastructure improvements in support of the Northeast High-Speed Rail Project. The company was chosen as the recipient from among 10 freight and passenger railroads.

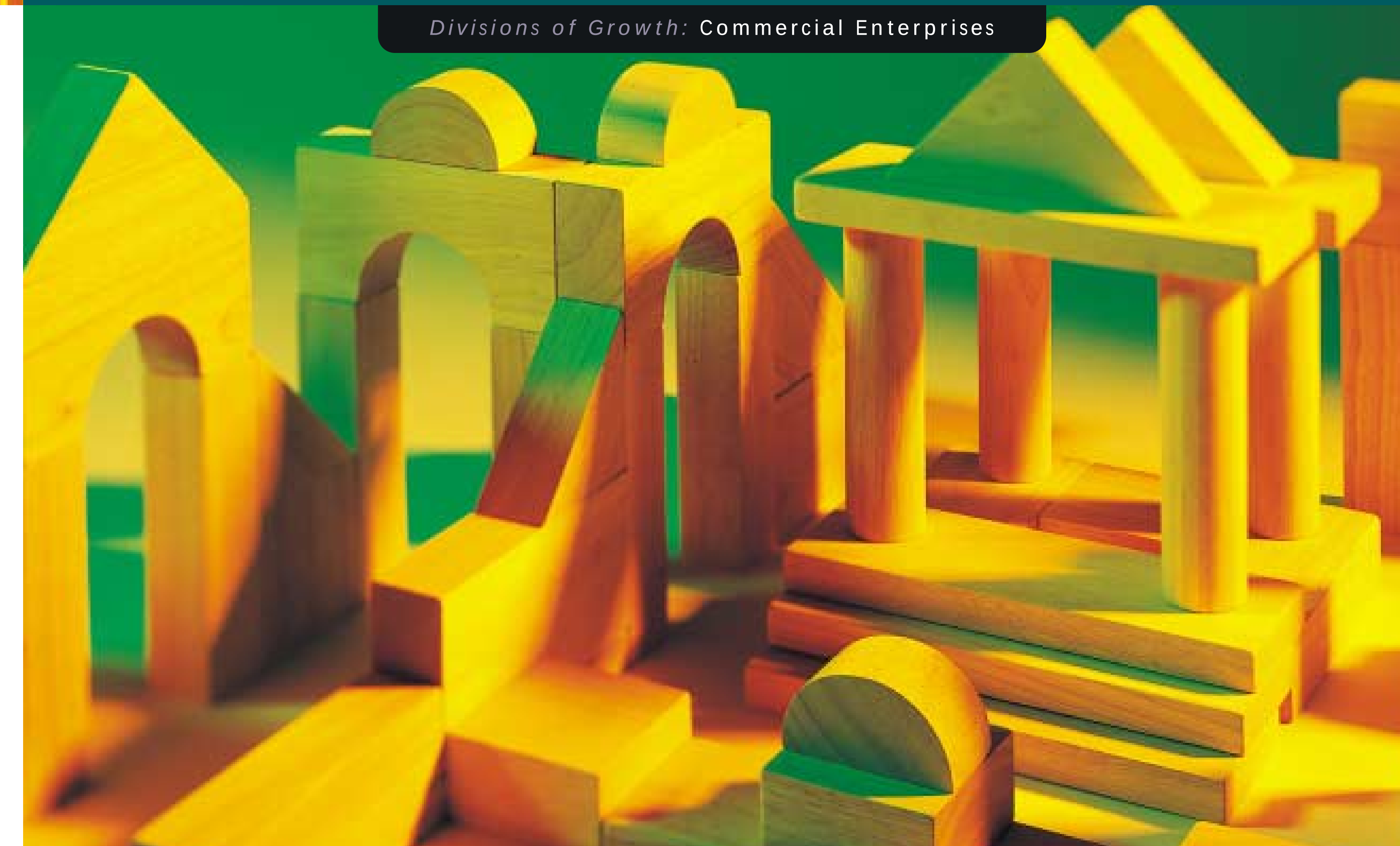
OTHER AMTRAK ENTERPRISES: PAVING THE WAY FOR GROWTH

▪ In Baltimore, the company made plans to lease the upper floors of Penn Station to a private developer to construct, operate and manage a 70-room hotel within the station. Amtrak also finalized negotiations with Greyhound to lease 57,000 square feet of land for an intercity bus terminal, a 350-car parking garage, and a pedestrian skybridge connecting the garage to Penn Station. ▪ In Philadelphia, Amtrak opened a 100-car valet-parking garage in January, projected to exceed investment within 24 months of its opening. The company also selected a developer for a 1,700-car self-park garage. ▪ In Chicago, Amtrak pursued further development of Union Station. The company issued an RFP in July, selected a developer, and initiated negotiations. ▪ In Telecommunications (the company's Right-of-Way business sector), Amtrak completed 13 major transactions in the Northeast Corridor which will generate unadjusted revenues of over $29 million. These transactions will also enhance Amtrak's railroad communications along Pennsylvania's Harrisburg Line.

BEAR MAINTENANCE FACILITY

In FY2000, the staff at Bear overhauled Amfleet II cars with Concept 2000 interiors while continuing the conversion of Amfleet I cars for Acela Regional service. Bear's workforce of approximately 330 also performed federally-mandated maintenance on major systems as well as numerous heavy overhauls and wreck repairs.

Amtrak's other maintenance facilities are located in Wilmington, DE, and Beech Grove, IN.



Divisions of Growth: Commercial Enterprises

Adding it All Up

Changing the formula for business means setting a new standard of success at Amtrak. It means changing the pace, rising to the challenge, and exceeding expectations.

The work we've accomplished in 2000 has only taken us part of the way.

As we move boldly into the future, Amtrak will continue to maximize all of its resources, as it makes the journey to become a growing, profitable and self-sustaining enterprise.

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Meet the Management Committee

FRONT ROW *(left to right)*:

Stewart G. Simonson	Corporate Secretary
Arlene R. Friner	Chief Financial Officer
George D. Warrington	President and Chief Executive Officer
Barbara J. Richardson	Executive Vice President
Lorraine A. Green	Vice President – Human Resources

SECOND ROW:

Sandy J. Brown	Vice President – Government Affairs
Michael J. Rienzi	Vice President – Procurement

THIRD ROW:

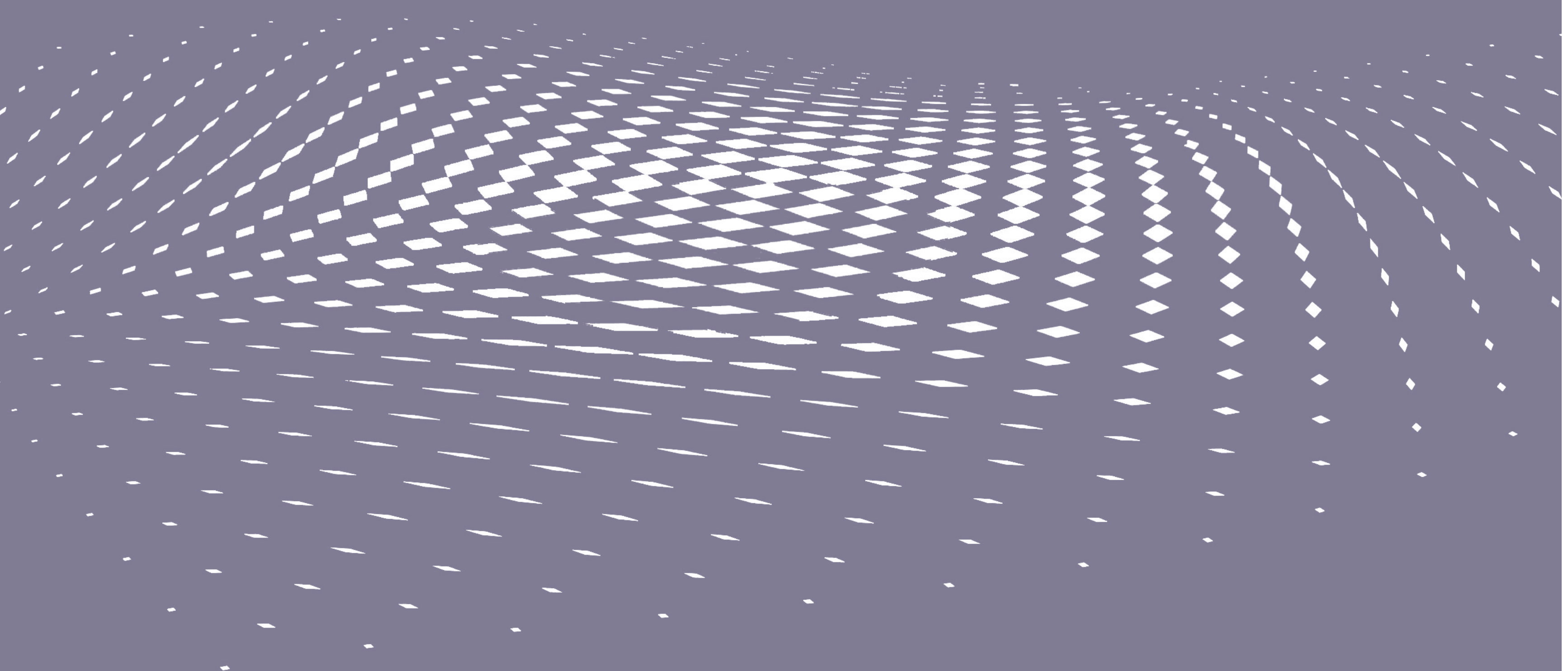
Anne W. Hoey	Vice President – Service Operations
Lee H. Sargrad	President – Amtrak Mail & Express
Joseph M. Bress	Vice President – Labor Relations

BACK ROW:

James T. Lloyd	Senior Vice President & General Counsel
Edward V. Walker	President – Amtrak Intercity
E.S. Bagley, Jr.	President – Northeast Corridor

NOT PICTURED:

Lee W. Bullock	Vice President – Freight Railroad Affairs
Wanda Morris Hightower	Vice President & Counsel – Business Diversity & Strategic Initiatives
David J. Carol	Vice President – High-Speed Rail Development
Gilbert O. Mallery	President – Amtrak West



RESULTS OF OPERATIONS

While Amtrak saw business growth in 2000, it also dealt with the financial challenges associated with the delayed receipt of high-speed rail equipment. Amtrak's 2000 budget result was negative $109.5 million, which includes federal payments which support operations and excludes significant charges which do not require funding in the current year, principally depreciation. Despite this negative budget result, Amtrak was still able to reach the glidepath goal of using only $362 million of federal funds for operating purposes.

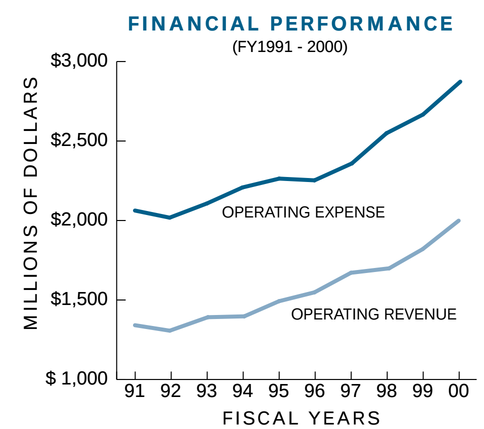
Amtrak reported a 2000 net loss of $768.0 million compared to a 1999 net loss of $702.2 million. The 2000 net loss includes a $50.7 million net gain ($51.8 million gain less a $1.1 million loss) associated with the cumulative effects on prior years of accounting changes pertaining to state capital contributions and start-up costs. Also included are the current year effects of these accounting changes. Additionally included in the 2000 net loss are Taxpayer Relief Act (TRA) payments and related investment income of $100.9 million and $12.1 million, respectively. The 1999 net loss includes $191.3 million and $23.1 million of TRA payments and related investment income, respectively. These TRA payments derive from $2.2 billion in funds provided to Amtrak under the Taxpayer Relief Act of 1997, for use toward qualified expenditures. Excluding all state capital payments, as well as TRA payments and related investment income results in a 2000 net loss of $944.0 million compared to a 1999 net loss of $916.6 million.

Excluding state capital and TRA payments, total operating revenue grew 9.8% from $1,819.6 million in 1999 to $1,998.7 million in 2000. All revenue categories (passenger related, mail and express, commuter, and other) improved over 1999 levels. Including state capital and TRA payments, total operating revenue improved by 5.0% to $2,110.8 million in 2000 compared to $2,010.9 million in 1999.

Total operating expense increased by 8.1% to $2,875.3 million compared to $2,659.7 million in 1999. The overall increase was largely due to increases in salaries, wages, and benefits; train operations; fuel, power, and utilities; and depreciation.

Net non-operating expense (total non-operating expense less non-operating income) increased by 1.5% to $54.2 million versus $53.4 million in 1999.

CHART A



Note 1: FY94 operating expense excludes $243.8 million in one-time charges. FY98-00 operating revenues exclude federal and state capital payments, totaling $542.1 million, $191.3 million, and $112.1 million in each year, respectively.

ACCOUNTING CHANGES

In 2000, Amtrak changed its methods of accounting for state and state agency capital contributions, and start-up costs. Historically, capital contributions received from states or state agencies to perform capital activities were recorded as other paid-in capital. Effective October 1, 1999, Amtrak defers and subsequently amortizes state capital contributions received into revenue over the life of the related asset. This change resulted in a $51.8 million cumulative gain associated with prior years. The current year effect of this change was an $11.2 million increase to operating revenue. This change is in accordance with the provisions of the Securities and Exchange Commission's Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements".

Prior to 2000, Amtrak initially capitalized and subsequently amortized to expense project start-up costs. Effective October 1, 1999, Amtrak expenses start-up costs as incurred, in accordance with the provisions of the American Institute of Certified Public Accountants' Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities". This change resulted in a $1.1 million cumulative charge associated with prior years.

Chart A displays Amtrak's financial performance from 1991 to 2000.

Effective 2000, Amtrak revised the format of its Consolidated Statements of Operations and Comprehensive Loss, segregating non-operating income and expense from operating revenue and expense, as well as modifying the presentation of revenue and expense categories. Accordingly, 1999 amounts have been reclassified to conform to the new format. A more detailed discussion of operating revenue and expense, and non-operating income and expense follows.

OPERATING REVENUE

Chart B displays the sources of Amtrak operating revenue in 2000.

Passenger related revenue which includes state operating contribution revenue increased 10.3% to $1,277.1 million in 2000 from $1,158.1 million in 1999. Transportation, food, and beverage revenue alone increased by 10.1% to $1,165.6 million in 2000 from $1,058.2 million in 1999. This improvement reflects a 4.7% ridership increase (from 21.5 million to 22.5 million), coupled with a 7.4% ticket yield increase. On a dollar basis, the greatest growth in 2000 occurred in the Northeast Corridor, followed by Amtrak Intercity, and Amtrak West. On a percentage basis, the Northeast Corridor achieved the greatest growth in 2000 at 13.5%, followed by Amtrak West at 10.9% and Amtrak Intercity at 5.5%. The product lines with the most significant ticket revenue growth were Northeast Corridor's *Metroliner* (13.1%) and *NortheastDirect* (13.7%) product lines; Amtrak West's *Cascades* (26.9%) product line; and Amtrak Intercity's Eastern (13.9%) and Western (6.5%) product lines.

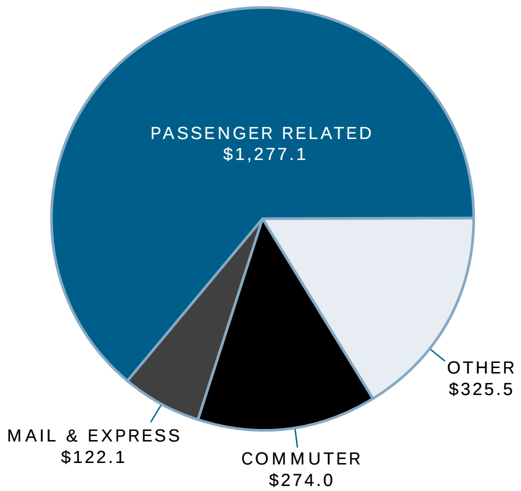
State operating contribution revenue grew 11.6% to $111.5 million in 2000 compared to $99.9 million in 1999. Those states comprising the majority of this growth include Missouri, California, Washington, and Oklahoma.

Mail and express operating revenue increased by 24.8% to $122.1 million in 2000 from $97.8 million in 1999. Mail revenue alone increased by 19.2% to $96.1 million in 2000 compared to $80.6 million in 1999. Increased bulk mail activity as well as the 2000 census mailing were key contributors to this improvement.

Express revenue increased by 51.2% to $26.0 million in 2000 from $17.2 million in 1999 as out-of-service express cars were returned to service at the end of 1999, increasing capacity for 2000.

CHART B

OPERATING REVENUE
(FY2000)
TOTAL $1,998.7 MILLION



Note 1: FY00 operating revenue excludes federal and state capital payments totaling $112.1 million.

Commuter operating revenue increased by 5.1% to $274.0 million in 2000 from $260.6 million in 1999, reflecting increased base operating payments received under existing commuter contracts.

Other operating revenue (from reimbursable activities, commuter fees, freight railroad access fees, real estate operations and development, and miscellaneous other) increased 7.4% to $325.5 million in 2000 from $303.1 million in 1999. Those categories contributing the most to this increase were reimbursable activities and commuter access fees, offset by a decrease in real estate operations and development.

Reimbursable revenue increased by 33.7% to $126.1 million in 2000 from $94.3 million in 1999, reflecting increases in maintenance of way and maintenance of equipment activities. Additional maintenance of way billings related to projects performed for the Delaware and Rhode Island departments of transportation, as well as the Long Island Railroad. Increased maintenance of equipment revenue reflects work performed for the California department of transportation, and commuter equipment rebuilds performed for Fort Worth, Texas.

Commuter fees paid for use of Amtrak's right-of-way increased by 3.7% to $76.1 million in 2000 from $73.4 million in 1999.

Freight railroad access fees increased by 3.7% to $19.4 million in 2000 from $18.7 million in 1999.

Real estate and development revenues decreased 29.0% to $36.9 million in 2000 from $52.0 million in 1999, as 1999 included one-time real estate sales in the Northeast Corridor.

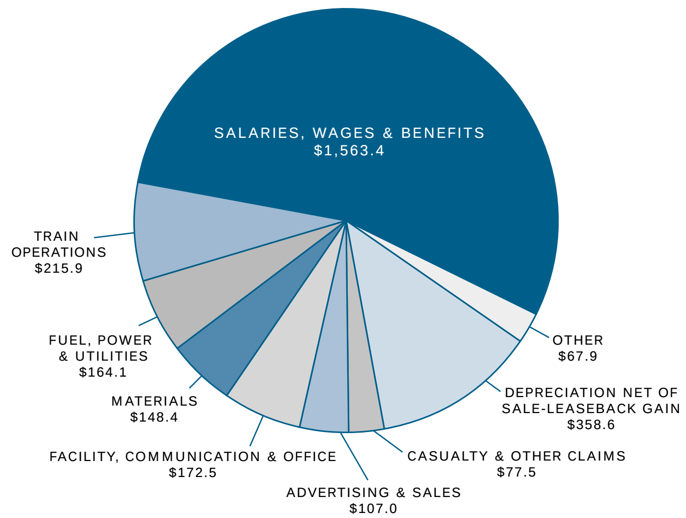
Miscellaneous other operating revenue increased by 3.6% to $67.0 million in 2000 from $64.7 million in 1999.

OPERATING EXPENSE

Chart C displays the categories of operating expense for Amtrak in 2000.

CHART C

OPERATING EXPENSE
(FY2000)
TOTAL $2,875.3 MILLION



Salaries, wages, and benefits increased 7.3% to $1,563.4 in 2000 from $1,456.8 million in 1999. This increase reflects higher wages, Railroad Retirement taxes, and employee health insurance.

Approximately 90% of Amtrak's railroad employees are represented by labor unions under collective bargaining agreements with 13 different labor unions and two councils made up of some of those unions. All labor agreements currently in force were amendable as of January 1, 2000, and will remain in effect until new agreements are reached or the Railway Labor Act's procedures are exhausted.

Non-labor train operations expense increased 11.5% to $215.9 million in 2000 from $193.6 million in 1999. Schedule adherence costs were higher in 2000. Costs associated with a food and beverage services contract reflect a full year of service in 2000 compared to a partial year's service in 1999.

Fuel, power, and utilities expense rose 24.1% to $164.1 million in 2000 compared to $132.2 million in 1999 due to fuel market price increases.

Materials expense increased 13.5% to $148.4 million in 2000 from $130.8 million in 1999 as a result of right-of-way maintenance activities.

Facility, communication, and office related expense increased 11.0% to $172.5 million in 2000 from $155.4 million in 1999, resulting from increases in facility material usage and maintenance services. In addition, communications costs increased in 2000 from 1999 levels.

Advertising and sales expense fell by 1.6% to $107.0 million in 2000 from $108.7 million in 1999.

Casualty and other claims expense increased 4.7% to $77.5 million in 2000 from $74.0 million in 1999.

Depreciation expense net of amortization of gain on sale-leasebacks increased 9.7% to $358.6 million in 2000 from $326.9 million in 1999, resulting from new equipment acquisitions. During 2000, Amtrak engaged in four major sale and leasebacks of passenger cars. The cars were sold at a gain and simultaneously leased back under capital leases. This gain is being deferred and amortized into income as an offset to depreciation expense over the leaseback terms.

Other operating expense declined by 16.5% to $67.9 million in 2000 from $81.3 million in 1999, as 1999 included costs associated with making operating systems year 2000 compliant.

NON-OPERATING EXPENSE AND INCOME

Non-operating expense and income includes interest expense, and interest and investment income associated with equipment financings and the investment of TRA funds.

Excluding investment income from TRA funds, interest income increased by over sixfold to $41.2 million in 2000 compared to $6.4 million in 1999. This increase is associated with interest earned on set-aside deposits designated toward satisfying Amtrak's rent payment obligations under sale and leaseback transactions involving passenger cars. The deposits represent a component of the proceeds Amtrak received from the sales portion of the transactions. Including TRA investment income, interest income increased by 80.7% to $53.3 million in 2000 compared to $29.5 million in 1999.

Interest expense increased by 29.7% to $107.5 million in 2000 from $82.9 million in 1999. This increase relates to the sale and leaseback transactions discussed above, under which Amtrak has leased back the passenger cars under capital leases. During 2000, interest expense was recorded relating to these capital leases.

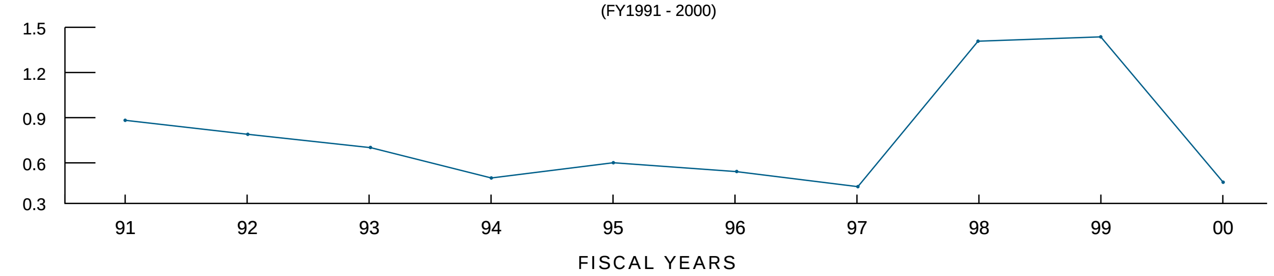
FINANCIAL CONDITION AND LIQUIDITY

Amtrak ended 2000 with $50.0 million of short-term borrowings under its lines of credit, as anticipated in the business plan.

At September 30, 2000, Amtrak had cash and cash equivalents of $98.7 million. The working capital ratio decreased to 0.45 in 2000 from 1.43 in 1999. Current debt and capital lease obligations increased by $46.5 million, reflecting additions associated with the scheduled maturing of long-term debt components in 2001. Chart D displays Amtrak's working capital ratio from 1991 to 2000.

CHART D

WORKING CAPITAL RATIO
(FY1991 - 2000)



Long-term debt and capital lease obligations increased $1,005.5 million, mostly related to the sale and leaseback of passenger cars during 2000. In exchange for selling title to a portion of its passenger car fleet, Amtrak received $124.2 million of cash and $791.0 million of interest-earning set-aside deposits. Amtrak simultaneously leased back the cars over terms ranging from 23 to 28 years. The leasebacks qualify as capital leases. The set-aside deposits together with future interest earned are designated toward satisfying Amtrak's rental obligations under the capital leaseback arrangements. Consequently, although not legally defeased, the obligations under the leasebacks are economically defeased as no cash rental payments will be required of Amtrak.

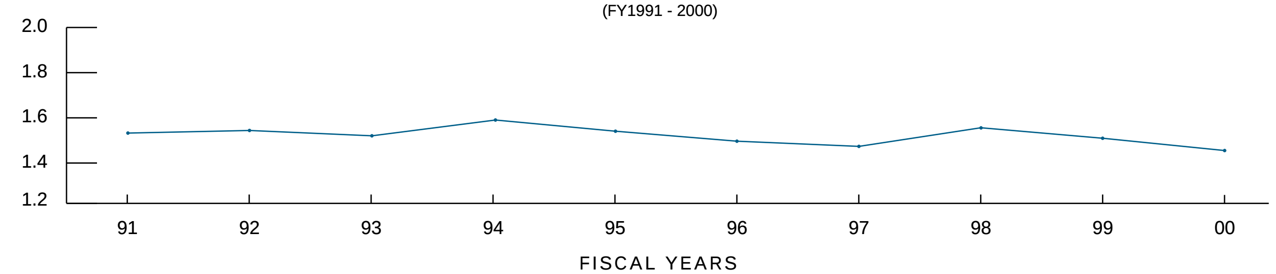
Other additions to long-term debt during 2000 include amounts related to equipment purchases and investments in high-speed trainsets and maintenance facilities. High-speed borrowings outstanding at year end totaled $550.6 million.

Amtrak has a $150.0 million unsecured bank credit facility scheduled to expire in November 2001. Borrowings under this agreement will bear interest based on the London Interbank Offered Rate, certificate of deposit rates, or prime rate, and are subject to certain conditions. Amtrak pays various fees on its credit lines.

As shown in Chart E, Amtrak has improved its operating ratio (the ratio of total expense to total revenue) from 1.53 in 1991 to 1.46 in 2000. The 1998-2000 operating ratios exclude revenue associated with federal operating payments, state capital payments, and TRA payments along with investment income earned on TRA funds.

CHART E

OPERATING RATIO
(FY1991 - 2000)



Note 1: FY94 total expense excludes $243.8 million in one-time charges. FY98-00 total revenues exclude federal and state capital payments, and investment income earned on TRA funds. These amounts total $576.7 million, $214.4 million, and $124.2 million, respectively.

OUTLOOK

The Taxpayer Relief Act of 1997 (TRA) (Public Law 105-34) provided Amtrak with $2.2 billion in funds to be used, along with interest earned, for qualified expenditures as defined in the TRA. Qualified expenditures include equipment and facility acquisitions and improvements, as well as any interest and debt associated with these purchases. Qualified expenditures also include those related to maintenance of equipment. Amtrak expects that it will always require federal capital support. Although the TRA funding significantly improved Amtrak's ability to achieve its goals in the near term, it did not address Amtrak's longer-term needs for a dedicated capital funding source. Through fiscal year 1999, Amtrak had received $2.3 billion of TRA funds, of which $139,380,000 had been paid to states not served by Amtrak.

The Amtrak Reform and Accountability Act of 1997 (the Act) (Public Law 105-134) provided Amtrak access to $2.2 billion that was included in the Taxpayer Relief Act of 1997, and authorized operating and capital grants for 1998 through 2002. Significant components of the Act also included the repeal of the requirement for Amtrak to operate a federally-mandated basic route system for passenger service, the elimination of the statutory prohibition on contracting work out, and the appointment of a new Board of Directors. In addition, the Act provided for the establishment of a Reform Council, responsible to Congress, to review, evaluate, and recommend changes to improve Amtrak's financial performance. The Council is required to provide reports to Congress. If at any time after October 2000 the Council finds that Amtrak will not meet the goal of operating self-sufficiency by fiscal year 2003, plans for Amtrak's restructuring or liquidation must be prepared. Congress has no obligation to act or respond to such a finding or such plans. The Council has not made such finding, however it is critical for Amtrak to continue its efforts to improve operations, further reduce costs, and increase revenues. To this end, Amtrak continues to generate ridership increases. In July 2000, Amtrak augmented its customer service efforts by enacting its service guarantee program. Also in December 2000, Amtrak commenced high-speed rail operations through its *Acela* product line. Amtrak continues to implement an expansion of the national passenger rail network, and the mail and express business. These growth initiatives will be balanced with a cost management program that is focused on systems and process re-engineering, organizational restructuring, and back-office cost reductions.

RESULTS OF MAJOR BUSINESS UNITS

Table 1 shows the 2000 and 1999 operating results for Amtrak's three strategic business units—Amtrak Intercity, Northeast Corridor, and Amtrak West—and for the corporate service centers and offices (Corporate) which collectively serve all three units. This data is supplemental, unaudited information. Certain reclassifications have been made to the prior year's amounts to conform with the 2000 presentation. Revenues for 2000 and 1999 include federal payments consisting of TRA payments (including the related investment income), as well as state capital payments. These amounts are excluded for purposes of computing each unit's and Amtrak's restated operating loss and budget result, under "Less Federal & State Payments". These amounts are also excluded for purposes of discussing revenues. Expenses incurred by Corporate on behalf of the units are allocated across units, and shown as "Corporate Allocation".

TABLE 1.

$ Millions	Intercity		Northeast Corridor		West		Corporate		Total	
	FY 00	FY 99	FY 00	FY 99	FY 00	FY 99	FY 00	FY 99	FY 00	FY 99
Revenues	$ 626.0	$ 577.0	$1,074.2	$ 984.3	$ 270.8	$ 240.3	$ 139.8	$ 209.3	$2,110.8	$2,010.9
Expenses	799.2	750.4	1,226.7	1,124.3	319.6	310.7	529.8	474.3	2,875.3	2,659.7
Operating Loss	(173.2)	(173.4)	(152.5)	(140.0)	(48.8)	(70.4)	(390.0)	(265.0)	(764.5)	(648.8)
Other Income (Expense) - Net	(58.5)	(60.8)	(11.7)	(7.6)	(12.5)	(13.0)	28.5	28.0	(54.2)	(53.4)
Cumulative Accounting Changes	-	-	(1.1)	-	-	-	51.8	-	50.7	-
Loss	(231.7)	(234.2)	(165.3)	(147.6)	(61.3)	(83.4)	(309.7)	(237.0)	(768.0)	(702.2)
Less Federal & State Payments	-	-	-	-	-	-	(176.0)	(214.4)	(176.0)	(214.4)
Loss Restated	(231.7)	(234.2)	(165.3)	(147.6)	(61.3)	(83.4)	(485.7)	(451.4)	(944.0)	(916.6)
Federal Support	169.8	218.3	231.0	273.2	49.4	84.2	2.1	11.6	452.3	587.3
Net Income (Loss)	(61.9)	(15.9)	65.7	125.6	(11.9)	0.8	(483.6)	(439.8)	(491.7)	(329.3)
Noncash, Principally Depreciation	105.0	110.4	222.4	187.3	20.2	22.3	34.6	17.3	382.2	337.3
Net Intercompany Results	(113.2)	(121.6)	32.9	28.7	12.6	16.2	67.7	76.7	-	-
Corporate Allocation	(171.0)	(173.1)	(162.0)	(138.3)	(48.3)	(34.4)	381.3	345.8	-	-
Budget Result	$(241.1)	$(200.2)	$ 159.0	$ 203.3	$ (27.4)	$ 4.9	$ -	$ -	$ (109.5)	$ 8.0

In the above table, Amtrak Intercity's loss excluding federal and state payments was favorable in 2000 as compared to 1999. These results primarily reflect increased passenger related revenues associated with increased ridership and improved ticket yields. Mail and express revenues were higher resulting from increased bulk mail activity, the 2000 census mailing, and increased express capacity. These revenue improvements were offset by increased wages and benefits, and higher fuel costs.

The Northeast Corridor's 2000 loss excluding federal and state payments was unfavorable compared to 1999, reflecting higher wages and benefits, higher fuel costs, and higher depreciation. These expense increases were offset by improved passenger related revenue in 2000, due to higher ridership and ticket yield. Other revenue associated with reimbursable maintenance of way activity also increased over 1999's level.

Amtrak West's loss excluding federal and state payments was lower than 1999. This favorable variance was due to higher passenger related revenues, specifically ticket revenue and state operating contribution revenue in 2000. Commuter revenue in 2000 also exceeded 1999's level resulting from extra contractual work. Expenses were higher in 2000, primarily related to wages and benefits, fuel costs, and materials usage.

Compared to 1999, Corporate expenses in 2000 reflect higher wages and benefits, an increase in communications related expenses, and higher depreciation. This increase in expense in part reflects the transfer of certain functions from the strategic business units to Corporate. Revenues excluding federal and state capital payments and investment income earned on TRA funds were higher than 1999, reflecting increased reimbursable revenue associated with maintenance of equipment activities.

REPORT OF INDEPENDENT ACCOUNTANTS

THE BOARD OF DIRECTORS
NATIONAL RAILROAD PASSENGER CORPORATION:

We have audited the accompanying consolidated balance sheets of National Railroad Passenger Corporation (Amtrak) and subsidiaries as of September 30, 2000 and 1999, and the related statements of operations, comprehensive loss, cash flows, and changes in capitalization for the years then ended. These consolidated financial statements are the responsibility of Amtrak's management. Our responsibility is to express an opinion on these consolidated financial statements 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 Amtrak and subsidiaries as of September 30, 2000 and 1999, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 4 to the consolidated financial statements, the Amtrak Reform and Accountability Act of 1997 (the Act) reinforced the requirement for Amtrak to achieve operating self-sufficiency (as defined in the Act) by fiscal year 2003 and provided for the establishment of a Reform Council. If the Reform Council, at any time after October 2000, finds that Amtrak will not meet its goal of operating self-sufficiency by fiscal year 2003, plans for Amtrak's restructuring or liquidation must be prepared.

As discussed in Note 2 to the consolidated financial statements, effective October 1, 1999, the Company changed its methods of accounting for start-up and organization costs and for capital contributions received from states and state agencies.

KPMG LLP

McLean, Virginia
December 1, 2000

CONSOLIDATED BALANCE SHEETS

ASSETS	**September 30, 2000**	September 30, 1999
	(Thousands of dollars)	
Current Assets:		
Cash and cash equivalents	**$ 98,735**	$ 143,450
Short-term investments	**-**	593,694
Accounts receivable, net of allowance for doubtful accounts of $5,000 and $3,687 in 2000 and 1999, respectively	**115,946**	84,528
Materials and supplies	**110,583**	103,102
Other current assets	**15,052**	11,874
Total current assets	**340,316**	936,648
Property and Equipment:		
Locomotives	**1,233,823**	1,148,731
Passenger cars and other rolling stock	**3,219,067**	2,804,037
Right of way and other properties	**6,870,872**	6,288,196
Leasehold improvements	**219,191**	218,892
	11,542,953	10,459,856
Less—Accumulated depreciation and amortization	**(3,344,039)**	(3,431,383)
	8,198,914	7,028,473
Other Assets, Deposits, and Deferred Charges:		
Escrowed proceeds on sale-leasebacks	**806,204**	-
Deferred charges, deposits, and other	**132,850**	129,850
	939,054	129,850
Total assets	**$ 9,478,284**	$ 8,094,971

The accompanying notes are an integral part of these consolidated financial statements.

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NATIONAL RAILROAD PASSENGER CORPORATION AND SUBSIDIARIES

LIABILITIES AND CAPITALIZATION	**September 30, 2000**	September 30, 1999
	(Thousands of dollars)	
Current Liabilities:		
Accounts payable	**$ 295,057**	$ 282,495
Accrued expenses and other current liabilities	**235,426**	208,238
Deferred ticket revenue	**78,860**	70,999
Current maturities of long-term debt and capital lease obligations	**141,430**	94,972
Total current liabilities	**750,773**	656,704
Long-Term Debt and Capital Lease Obligations:		
Capital lease obligations	**2,145,886**	1,220,999
Equipment and other debt	**651,857**	571,226
	2,797,743	1,792,225
Other Liabilities and Deferred Credits:		
Deferred federal and state capital payments	**219,974**	755,373
Casualty reserves	**121,346**	119,402
Deferred gain on sale-leasebacks	**570,514**	-
Postretirement employee benefits obligation	**130,994**	122,381
Environmental reserve	**27,978**	36,028
Other	**4,457**	5,159
	1,075,263	1,038,343
Total liabilities	**4,623,779**	3,487,272
Commitments and Contingencies		
Capitalization	**4,854,505**	4,607,699
Total liabilities and capitalization	**$ 9,478,284**	$ 8,094,971

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED	September 30, 2000	September 30, 1999
	(Thousands of dollars)	
Revenues:		
Passenger related	**$1,277,099**	$1,158,069
Mail and express	**122,055**	97,834
Commuter	**274,034**	260,643
Other	**325,526**	303,047
Federal and state capital payments	**112,063**	191,261
Total revenues	**2,110,777**	2,010,854
Expenses:		
Salaries, wages, and benefits	**1,563,443**	1,456,804
Train operations	**215,875**	193,647
Fuel, power, and utilities	**164,061**	132,159
Materials	**148,365**	130,827
Facility, communication, and office related	**172,470**	155,387
Advertising and sales	**106,967**	108,754
Casualty and other claims	**77,551**	73,972
Depreciation	**370,550**	328,816
Amortization of gain on sale-leasebacks	**(11,916)**	(1,965)
Depreciation net of amortization of gain on sale-leasebacks	**358,634**	326,851
Other	**67,915**	81,291
Total expenses	**2,875,281**	2,659,692
Loss from operations	**764,504**	648,838
Other (Income) and Expense:		
Interest income	**(53,266)**	(29,510)
Interest expense	**107,493**	82,890
Other expense — net	**54,227**	53,380
Loss before cumulative effect of accounting changes	**818,731**	702,218
Cumulative effect of accounting changes	**(50,735)**	-
Net loss	**$ 767,996**	$ 702,218
Pro forma net loss assuming accounting changes are applied retroactively	**$ 818,731**	$ 693,569
Net loss	**$ 767,996**	$ 702,218
Other comprehensive (income) loss:		
Unrealized (gain) loss on short-term investments	**(5,108)**	5,108
Comprehensive loss	**$ 762,888**	$ 707,326

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED	September 30, 2000	September 30, 1999
	(Thousands of dollars)	
Cash Flows From Operating Activities:		
Net loss	**$ (767,996)**	$ (702,218)
Adjustments to reconcile net loss to net cash		
(used in) provided by operating activities:		
Cumulative effect of accounting changes	**(50,735)**	-
Depreciation net of amortization of gain on sale-leasebacks	**358,634**	326,851
Other	**10,233**	11,297
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	**(31,418)**	4,180
Increase in materials and supplies	**(7,481)**	(11,478)
Increase in other current assets	**(3,178)**	(8,493)
Increase in other assets, deposits, and deferred charges	**(20,256)**	(9,269)
Increase in accounts payable, deferred ticket revenue,		
accrued expenses and other current liabilities	**47,611**	22,321
(Decrease) increase in deferred federal and state capital payments	**(112,063)**	900,549
Decrease in other liabilities and deferred credits	**(684)**	(8,504)
Net cash (used in) provided by operating activities	**(577,333)**	525,236
Cash Flows From Investing Activities:		
Purchases and refurbishments of property and equipment	**(798,647)**	(819,222)
Proceeds from disposals of property and equipment	**125,617**	2,172
Purchase of short-term investments	**(142,589)**	(1,670,815)
Proceeds from dispositions of short-term investments	**731,158**	1,470,453
Net cash used in investing activities	**(84,461)**	(1,017,412)
Cash Flows From Financing Activities:		
Proceeds from federal paid-in capital	**593,438**	277,090
Proceeds from federal and state capital payments	**44,776**	56,230
Proceeds from borrowings	**76,917**	177,497
Repayments of debt and capital lease obligations	**(98,052)**	(149,856)
Net cash provided by financing activities	**617,079**	360,961
Net decrease in cash and cash equivalents	**(44,715)**	(131,215)
Cash and cash equivalents—beginning of year	**143,450**	274,665
Cash and cash equivalents—end of year	**$ 98,735**	$ 143,450

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITALIZATION

	Preferred stock	Common stock	Debt & other paid-in capital	Accumulated deficit & comprehensive loss	Totals
			(Thousands of dollars)		
Balance at September 30, 1998	$10,939,699	$93,857	$6,471,279	$(13,125,351)	$ 4,379,484
Federal paid-in capital	–	–	879,311	–	879,311
Federal and state capital payments	–	–	56,230	–	56,230
Net loss	–	–	–	(702,218)	(702,218)
Unrealized loss on short-term investments	–	–	–	(5,108)	(5,108)
Balance at September 30, 1999	10,939,699	93,857	7,406,820	(13,832,677)	4,607,699
Federal paid-in capital	–	–	1,225,067	–	1,225,067
Federal capital payments	–	–	7,974	–	7,974
Cumulative effect of accounting change	–	–	(223,347)	–	(223,347)
Net loss	–	–	–	(767,996)	(767,996)
Unrealized gain on short-term investments	–	–	–	5,108	5,108
Balance at September 30, 2000	**$10,939,699**	**$93,857**	**$8,416,514**	**$(14,595,565)**	**$ 4,854,505**

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND 1999

NOTE 1: NATURE OF OPERATIONS

The National Railroad Passenger Corporation (Amtrak) is an operating railroad, whose stock is primarily owned by the United States government through the United States Department of Transportation. Its principal business is to provide national rail passenger transportation service in the major intercity travel markets of the United States to the general public. The corporation is grouped into three strategic business units organized along geographic and market segment lines. The Northeast Corridor primarily serves the region stretching from Virginia to Maine. The West serves the California-to-Washington State region. The Intercity serves regions between the two. Based on total revenues, the Northeast Corridor is the largest of the three, followed by the Intercity, then the West.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements reflect the consolidated operations of Amtrak, its wholly-owned subsidiaries Chicago Union Station Company, Washington Terminal Company, and Passenger Railroad Insurance, Limited (PRIL); and its 99% interest in 30th Street Limited, L.P. (TSL). All significant intercompany transactions have been eliminated.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements and footnotes to conform with the 2000 presentation.

Cash Equivalents

Amtrak considers all financial instruments purchased with an original maturity of three months or less to be cash equivalents.

Short-Term Investments

During 1999 and much of 2000, Amtrak held short-term debt securities with original maturities ranging from 3 months to almost 6 years. These instruments were accounted for as available-for-sale securities. The investments were carried at fair value with the unrealized gains and losses reported as a separate component of equity. The chart below summarizes short-term investments by security type as of September 30, 1999 (in thousands):

	1999			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury debt securities	$270,008	$ 46	$(1,162)	$268,892
Corporate debt securities	129,470	17	(2,768)	126,719
Mortgage backed debt securities	78,908	220	(119)	79,009
Asset backed debt securities	120,416	3	(1,345)	119,074
	$598,802	$286	$(5,394)	$593,694

Gross realized gains and losses on sales totaled $224,000 and $10,578,000 during 2000, respectively. Gross realized gains and losses on sales totaled $3,071,000 and $7,925,000 during 1999, respectively. The cost of securities sold was determined on a specific identification basis. During 2000 and 1999, proceeds from the sales of short-term investments totaled $731,158,000 and $1,470,453,000, respectively. The net unrealized loss of $5,108,000 at September 30, 1999, was included in accumulated comprehensive loss. This amount was subsequently reclassified to gross realized losses during 2000.

Materials and Supplies

Materials and supplies, which are stated at lower of weighted average cost or market, consist primarily of items for maintenance and improvement of property and equipment. An allowance for obsolescence is provided for materials and supplies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND 1999

Property and Depreciation

Property and equipment are stated at cost, and are depreciated over their estimated useful lives using the straight-line composite group method. Under this method, ordinary gains and losses on dispositions are recorded to accumulated depreciation. Property acquired through capital lease agreements is recorded as an asset and is amortized over the shorter of its estimated useful life or the lease term. Expenditures that significantly increase asset values or extend useful lives are capitalized. Repair and maintenance expenditures are charged to operating expense when the work is performed. The cost of internally developed software is capitalized and amortized over its estimated useful life.

Properties and other long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets, and include cash funding received from federal grants. Where impairment is indicated, the assets are evaluated for sale or other disposition, and their carrying amount is reduced to fair value based on discounted net cash flows, or other estimates of fair value.

Casualty Losses

Provision is made for Amtrak's portion of the estimated liability for unsettled casualty and other claims. The current portion of this liability is included in the Consolidated Balance Sheets under "Accrued expenses and other current liabilities". The non-current portion is classified as "Casualty reserves". As of September 30, 2000 and 1999, the current claims liability included in accrued expenses and other current liabilities was $80,300,000 and $79,800,000, respectively.

Revenue

Passenger related revenue includes ticket revenue, food and beverage revenue, and state contribution revenue associated with request-ed service provided by Amtrak beyond that included in the basic route system. These revenues as well as mail and express revenues are recognized as operating revenues when the related services are provided. Tickets which have been sold but not used are presented as "Deferred ticket revenue" in the Consolidated Balance Sheets.

Commuter and other revenues include the gross revenues earned under contractual arrangements to operate various commuter rail services, to provide access to the Northeast Corridor and other Amtrak-owned facilities, and to perform reimbursable services for freight railroads and others.

Federal and state capital payments recognized as revenue include federal funds used for qualified expenditures other than to acquire depreciable assets; and the amortization of state capital payments.

Change In Accounting for Start-Up Costs and State Capital Payments

Effective October 1, 1999, Amtrak adopted the provisions of the American Institute of Certified Public Accountants' Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities". SOP 98-5 provides guidance on the financial reporting of start-up and organization costs and requires such costs to be expensed as incurred. The cumulative effect on years prior to fiscal year 2000 as a result of this accounting change was a $1,121,000 increase to net loss.

Amtrak changed its method of accounting for capital contributions received from states and state agencies, effective October 1, 1999. Historically, Amtrak had accounted for contributions received from states or state agencies to perform capital activities, as other paid-in capital. The Securities and Exchange Commission's Staff Accounting Bulletin No. (SAB) 101, "Revenue Recognition in Financial Statements", established that depending upon specific circumstances, deferral and subsequent amortization to revenue of up-front non-refundable fees is more appropriate. Accordingly, effective October 1, 1999, Amtrak defers state capital contributions received and sub-sequently amortizes them to revenue over the life of the related asset. The cumulative effect on years prior to fiscal year 2000 as a result of this accounting change was a $51,856,000 reduction to net loss. In addition, all $223,347,000 of state capital contributions received to date as of October 1, 1999, were reclassified out of "Debt & other paid-in capital" in the Consolidated Statements of Changes in Capitalization to "Deferred federal and state capital payments" in the Consolidated Balance Sheets.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Amtrak has accumulated a net operating loss (NOL) in excess of $5 billion as of September 30, 2000, that is avail-able to offset future taxable income. Amtrak has not recognized a deferred tax asset, as the tax benefit of the NOL carryforward is unlikely to be realized in future years. During fiscal year 1999, Amtrak's NOL balance was reduced by $3.3 billion for funding received under the Taxpayer Relief Act of 1997 (see Note 4).

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.

NOTE 3: ACCOUNTING AND REPORTING FOR FEDERAL PAYMENTS

Prior to fiscal year 1999, funds were provided to Amtrak through federal and state payments for operations and for capital acquisitions and improvements. Beginning in fiscal year 1999, funds are provided to Amtrak through federal payments for qualified capital expen-ditures, which include capital improvements and maintenance of equipment. These federal capital payments are recorded to other paid-in capital when received, and totaled $593,438,000 and $242,692,000 in 2000 and 1999, respectively. Public Law 106-346 approved on October 23, 2000, provides $521,476,000 in federal funds to Amtrak for fiscal year 2001, for qualified capital expenditures, of which $208,590,000 can be obligated in fiscal year 2001.

The Taxpayer Relief Act of 1997 (TRA) provided Amtrak with $2.2 billion in funds to be used, along with interest earned, for qualified expenditures as defined in the TRA (see Note 4). TRA payments received that are used to acquire depreciable assets, are recorded as other paid-in capital. Such acquisitions totaled $631,629,000 and $602,221,000 in 2000 and 1999, respectively. Payments used for other qualified expenditures are recorded as revenue, with $100,896,000 and $191,260,000 recognized in 2000 and 1999, respectively, as "Federal and state capital payments" in the Consolidated Statements of Operations and Comprehensive Loss. Unexpended TRA payments are included in the Consolidated Balance Sheets as "Deferred federal and state capital payments", which totaled $22,848,000 and $755,373,000 at September 30, 2000 and 1999, respectively.

Debt & other paid-in capital, included in the Consolidated Statements of Changes in Capitalization, includes certain funding received from the federal government to finance acquisition of and improvements to property and equipment. In exchange for past and prospective funding, Amtrak issued two promissory notes to the United States. The first note with a balance of $1.1 billion matures on November 1, 2082, with successive 99-year renewal terms, and is secured by all rolling stock owned by Amtrak. The second note with a balance of $4.0 billion matures on December 31, 2975, and is secured by all real property originally conveyed to Amtrak in 1976, plus subsequent improvements thereon. Neither of the notes bears interest, unless prepaid (which Amtrak does not intend to do). The federal government's security interest in Amtrak's real property and rolling stock entitles it to repayment plus interest in the event Amtrak ceases operations, is acquired by another entity, or seeks relief under bankruptcy or insolvency laws.

NOTE 4: BUSINESS CONDITION AND CASH FLOW

Under the Rail Passenger Service Act of 1970, Amtrak was created in 1971 and authorized to operate a nationwide system of passenger rail transportation. To operate the national passenger rail system and maintain the underlying infrastructure of that system, Amtrak relies on grants from the federal and state governments to supplement passenger and other revenues generated from operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND 1999

In August and December 1997, federal legislation was passed that (i) provided Amtrak access to $2.2 billion to fund capital and other qualified expenditures, (ii) authorized significant reforms to Amtrak operations, (iii) specified a goal of operating self-sufficiency in the next five years, and (iv) established new and additional oversight processes.

The Taxpayer Relief Act of 1997 (TRA) (Public Law 105-34) provided Amtrak with $2.2 billion in funds to be used, along with interest earned, for qualified expenditures as defined in the TRA. Qualified expenditures include equipment and facility acquisitions and improvements, as well as any interest and debt associated with these purchases. Qualified expenditures also include those related to maintenance of equipment. Amtrak expects that it will always require federal capital support. Although this funding significantly improved Amtrak's ability to achieve its capital goals in the nearer term, it did not address Amtrak's longer-term needs for a dedicated capital funding source.

Through fiscal year 1999, Amtrak had received $2.3 billion of TRA funds, of which $139,380,000 had been paid to states not served by Amtrak. At September 30, 2000 and 1999, "Cash and cash equivalents" and "Short-term investments" in the Consolidated Balance Sheets include $48,712,000 and $704,751,000 of unspent TRA funds, respectively, including accrued interest. Investment income earned on TRA funds during 2000 and 1999 amounted to $12,049,000 and $23,111,000, respectively, and is included in "Interest income" in the Consolidated Statements of Operations and Comprehensive Loss.

The Amtrak Reform and Accountability Act of 1997 (the Act) (Public Law 105-134) provided Amtrak access to $2.2 billion that was included in the Taxpayer Relief Act of 1997, and authorized operating and capital grants for 1998 through 2002. Significant components of the Act also included the repeal of the requirement for Amtrak to operate a federally-mandated basic route system for passenger service, the elimination of the statutory prohibition on contracting work out, and the appointment of a new Board of Directors. In addition, the Act provided for the establishment of a Reform Council, responsible to Congress, to review, evaluate, and recommend changes to improve Amtrak's financial performance. The Council is required to provide reports to Congress. If at any time after October 2000 the Council finds that Amtrak will not meet the goal of operating self-sufficiency by fiscal year 2003, plans for Amtrak's restructuring or liquidation must be prepared. Congress has no obligation to act or respond to such a finding or such plans. The Council has not made such finding, however it is critical for Amtrak to continue its efforts to improve operations, further reduce costs, and increase revenues. While Amtrak saw business growth in 2000, it also dealt with the financial challenges associated with the delayed receipt of high-speed rail equipment. In 2000, Amtrak did not meet its planned budget result. Budget result is Amtrak's net loss reduced by federal payments which support operations and also excludes significant noncash charges, principally depreciation. Amtrak did achieve its planned use of federal funds for operating purposes.

NOTE 5: PREFERRED AND COMMON STOCK

For funds received from the federal government prior to December 2, 1997, the Rail Passenger Service Act (49 U.S.C. 24304) required Amtrak to issue to the United States Secretary of Transportation preferred stock equal in par value to all federal operating payments and most federal capital payments received subsequent to October 1, 1981, as well as capital and certain operating payments received prior to that date. At September 30, 2000 and 1999, 109,396,994 shares of $100 par value preferred stock were authorized, all of which were issued and outstanding. All issued and outstanding preferred shares are held by the Secretary of Transportation for the benefit of the federal government. The Amtrak Reform and Accountability Act (the Act) (see Note 4) resulted in significant modifications to Amtrak's capital structure. Prior to the Act, dividends were to be fixed at a rate not less than 6% per annum, and were cumulative. No dividends were ever declared. The Act abolished the voting rights and the liquidation preference of the preferred stockholder and the 6% minimum annual cumulative preferred stock dividend; and established that no additional preferred stock be issued by Amtrak in exchange for federal grants received.

At September 30, 2000 and 1999, 10,000,000 shares of $10 par value common stock were authorized, of which 9,385,694 shares were issued and outstanding. The common stockholders have voting rights for amendments to Amtrak's articles of incorporation proposed by the Board of Directors. The Act also requires Amtrak to redeem at fair market value the shares of common stock outstanding as of December 2, 1997, by the end of fiscal year 2002.

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NATIONAL RAILROAD PASSENGER CORPORATION AND SUBSIDIARIES

NOTE 6: DEBT

Total debt presented in the Consolidated Balance Sheets consisted of the following at September 30, 2000 and 1999 (in thousands):

	2000		1999	
	Current	Long-term	Current	Long-term
Equipment obligations	$32,610	$590,020	$ 7	$509,259
Credit agreements	50,000	–	50,000	–
Notes payable	–	20,000	1,504	20,000
Bonds	–	30,000	–	30,000
UDAG loan	130	11,837	130	11,967
	$82,740	$651,857	$51,641	$571,226

Under separate financing arrangements, Amtrak may borrow up to $870 million toward the construction of high-speed rail locomotives and trainsets, and related maintenance facilities which are included in property and equipment in the Consolidated Balance Sheets. As of September 30, 2000, outstanding advances made on Amtrak's behalf totaled $550,647,000. Interest charged on outstanding advances is based on the London Interbank Offered Rate (LIBOR) and is being capitalized during the construction phase. Final delivery of all locomotives and trainsets is expected by September 2001, while substantial completion of the maintenance facilities is expected by January 2001. Semi-annual principal plus interest payments on all these borrowings will commence 12 months after final delivery of the equipment/completion of the facilities, and continue over 20-year terms. All outstanding advances are secured by the locomotives, trainsets, and maintenance facilities.

Amtrak has $130,000,000 available under loan agreements to fund the overhaul and refurbishment of certain locomotives. Amounts borrowed incur interest, based on the LIBOR, which is payable semi-annually and being capitalized during refurbishment. The $32,608,000 outstanding balance at September 30, 2000 is due in full in September 2001.

Amtrak has $156,107,000 available under promissory notes to fund certain facility construction activities. Amounts borrowed incur interest, based on the LIBOR, which is payable semi-annually and being capitalized during construction. The $39,366,000 outstanding balance at September 30, 2000 will be repayable in 30 consecutive semi-annual installments commencing no later than February 2003.

Amtrak had a $120,000,000 revolving credit facility with a consortium of banks which was scheduled to expire in November 2000. Borrowings under this agreement bear interest based on the LIBOR, certificate of deposit rates, prime rate, or federal funds rate. Amtrak pays various fees on these credit lines. As of September 30, 2000, Amtrak had drawn $50,000,000, which was repaid in October 2000. In November 2000, Amtrak replaced the $120,000,000 credit facility with a new $150,000,000 credit facility with a consortium of banks under substantially the same terms, expiring in November 2001.

Amtrak acquired a parking facility located in Chicago in exchange for a $20,000,000 promissory note bearing a fixed rate of interest and due in full in December 2003. The seller has secured the note with the parking facility as well as an irrevocable unconditional $4,000,000 letter of credit as collateral.

Included in TSL's long-term debt at September 30, 2000, are $30,000,000 of Philadelphia Authority for Industrial Development tax exempt private-activity bonds (Bonds) issued for the benefit of TSL's rehabilitation of 30th Street Station (Station) in the city of Philadelphia, Pennsylvania (City). The Bonds were issued on December 30, 1987, mature on January 1, 2011, and bear interest at a fixed or variable rate as stipulated in the bond indenture. Interest is payable until maturity at intervals determined under provisions in the bond indenture. No amortization of bond principal prior to maturity is required. Amtrak is periodically required to make annual deposits into a sinking fund to be used to pay off the bonds when they mature. As of September 30, 2000, Amtrak's aggregate deposits into the fund were $5,257,000. Since the Bonds are subject to optional tender by the bondholders under certain circumstances, TSL has executed a Liquidity Facility which provides funds to purchase the Bonds surrendered under the optional tender provisions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND 1999

TSL has an obligation of $11,967,000 to the City under an Urban Development Action Grant (UDAG) loan agreement as of September 30, 2000. Principal is being repaid in $130,000 annual installments each November through 2011, with the balance due in November 2012. The City's rights under the UDAG loan agreement are secured by a leasehold mortgage. The UDAG loan bears no interest.

The weighted average interest rate on all interest-bearing borrowings was 7.7% and 6.2% per annum at September 30, 2000 and 1999, respectively. Interest capitalized during 2000 and 1999 totaled $30,016,000 and $8,827,000, respectively.

At September 30, 2000, scheduled maturities of debt over the next five years are as follows:

Year Ending September 30	Amounts *(In Thousands)*
2001	$ 82,740
2002	16,474
2003	50,289
2004	30,289
2005	30,287
Thereafter	524,518
	$734,597

NOTE 7: LEASING ARRANGEMENTS

Capital Leases

Amtrak leases items of equipment, primarily passenger cars and locomotives, under capital leasing arrangements. At September 30, 2000 and 1999, the gross amount of assets recorded under capital leases was $2,272,122,000 (28% for locomotives, 69% for passenger cars, and 3% for other assets), and $1,327,851,000 (46% for locomotives, 49% for passenger cars, and 5% for other assets), respectively, with accumulated amortization of $361,508,000 and $284,154,000, respectively.

During 2000, Amtrak entered into four separate sale and leaseback transactions collectively involving 355 Amfleet and 270 Superliner passenger cars. In exchange for $124,171,000 of net cash proceeds and $790,984,000 of set-aside deposits, Amtrak sold the cars having a net book value of $334,690,000, resulting in a gain of $580,465,000. The deposits are held by the buyers, and Amtrak is credited with interest at fixed rates of approximately 6.8% to 8.8% per annum. Simultaneously, Amtrak has leased back the cars over terms ranging from 23 to 28 years. The leasebacks qualify as capital leases resulting in $928,686,000 of total capital lease obligations recorded to the Consolidated Balance Sheet. In addition, the set-aside deposits together with future interest earned are designated toward satisfying Amtrak's rent payment obligations under the capital leaseback arrangements. The deposits economically defease, but do not legally defease Amtrak's obligations under the leasebacks. Consequently, the set-aside deposits plus interest earned are not netted against the capital lease obligations, but instead are presented as “Escrowed proceeds on sale-leasebacks” in the Consolidated Balance Sheets. The $580,465,000 gain on the sales is being deferred and amortized into income as a reduction to depreciation expense over the terms of the capital leasebacks. During 2000, $9,951,000 of this gain was amortized.

At September 30, 2000, future minimum lease payments under capital leases were as follows:

Year Ending September 30	Amounts *(In Thousands)*
2001	$ 182,717
2002	190,116
2003	191,556
2004	191,523
2005	190,236
Thereafter	2,910,564
	3,856,712
Less amount representing interest	1,652,136
Present value of minimum lease payments at September 30, 2000	$2,204,576

During October and November 2000, Amtrak entered into three more separate sale-leaseback transactions involving four locomotives, one high-speed trainset, and four high horsepower locomotives.

Operating Rights and Leases

At September 30, 2000, Amtrak was obligated for the following minimum rental payments, principally for station and office space, under operating leases that have initial or remaining noncancelable lease terms in excess of one year:

Year Ending September 30	Amounts *(In Thousands)*
2001	$ 16,246
2002	16,380
2003	16,286
2004	16,365
2005	15,658
Thereafter	106,939
	$187,874

Rent expense for the years ended September 30, 2000 and 1999 was $46,769,000 and $40,114,000, respectively.

Most of the rights-of-way over which Amtrak operates are owned by other railroads. Amtrak uses such trackage under contracts with these railroads.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Amtrak is involved in various litigation and arbitration proceedings in the normal course of business. While the outcome of these matters cannot be predicted with certainty, it is the opinion of management and counsel that the disposition of these matters will not materially affect Amtrak's consolidated financial statements.

Amtrak has self-insured certain risks with respect to losses for employer's liability, third-party liability, and property damage. Insurance coverage for liability losses from $2,000,000 to $498,000,000 has been procured from commercial insurance companies, either directly or as reinsurance through PRIL. The Amtrak Reform and Accountability Act of 1997 limits the amount railroad passengers may recover from a single accident to an aggregate of $200,000,000. Since non-passenger liability is not so limited, Amtrak purchases excess liability insurance limits beyond this statutory cap.

All labor agreements currently in force were amendable as of January 1, 2000, and will remain in effect until new agreements are reached or the Railway Labor Act's procedures are exhausted.

In 2000, Amtrak agreed to purchase 85 locomotives for approximately $182,000,000.

NOTE 9: RETIREMENT BENEFITS

Pension Plan

Amtrak has a qualified noncontributory defined benefit retirement plan whose assets are held in trust covering nonunion employees and certain union employees. Amtrak provides medical benefits to its retirees and life insurance to some retirees in limited circumstances under its postretirement benefits program. Railroad agreement employees' life insurance benefits are covered by a separate policy purchased by Amtrak. 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 September 30, 2000, and a statement of the funded status as of September 30, 2000 and 1999 (amounts in thousands):

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND 1999

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Reconciliation of benefit obligation:				
Obligation at October 1	$134,932	$122,563	$126,694	$110,370
Service cost	5,607	5,211	5,064	4,404
Interest cost	9,428	8,908	9,579	8,242
Actuarial (gain) loss	(7,785)	2,711	5,908	8,115
Benefit payments	(4,336)	(4,461)	(4,992)	(4,437)
Obligation at September 30	$137,846	$134,932	$142,253	$126,694

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Reconciliation of fair value of plan assets:				
Fair value of plan assets at October 1	$185,197	$165,968	$ –	$ –
Actual return on plan assets	13,342	23,612	–	–
Employer contributions	36	78	4,992	4,437
Benefit payments	(4,336)	(4,461)	(4,992)	(4,437)
Fair value of plan assets at September 30	$194,239	$185,197	$ –	$ –

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Funded status:				
Funded status at September 30	$ 56,393	$ 50,265	$(142,253)	$(126,694)
Unrecognized prior service cost	1,882	2,669	20,678	21,881
Unrecognized gain	(54,225)	(54,414)	(14,418)	(20,573)
Other	(9)	(15)	–	–
Net asset (liability) recognized in Consolidated Balance Sheets	$ 4,041	$ (1,495)	$(135,993)	$(125,386)

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Weighted average assumptions as of September 30:				
Discount rate	7.50%	7.25%	7.50%	7.25%
Expected return on plan assets	10.00%	10.00%	N/A	N/A
Rate of compensation increase	4.00%	4.00%	N/A	N/A

The pension plan's assets consist primarily of fixed income investments and listed stocks. The postretirement benefits program has no plan assets. Amtrak funds this program on a pay-as-you-go basis.

For measurement purposes, a 5.5% and 6.0% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2000 and 1999, respectively. The rate was assumed to gradually decrease to 4.5% by 2002, and remain at that level thereafter.

The following table provides the components of net periodic benefit (credit) cost for the plans for fiscal years 2000 and 1999 (amounts in thousands):

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Service cost	$ 5,607	$ 5,211	$ 5,064	$ 4,404
Interest cost	9,428	8,908	9,579	8,242
Expected return on plan assets	(18,287)	(16,361)	–	–
Amortization of prior service cost	787	787	1,203	1,203
Amortization of net gain	(3,030)	(2,556)	(247)	(995)
Other	(5)	(5)	–	–
Net periodic benefit (credit) cost	$ (5,500)	$ (4,016)	$15,599	$12,854

The prior service costs are amortized on a straight-line basis over the average remaining service period of active participants for both plans. Gains and losses in excess of 10% of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

Under Amtrak's postretirement benefits program, substantially all salaried employees may become eligible for medical benefits if they meet the service requirement and reach the normal retirement age while still working for Amtrak. Company-provided medical benefits are reduced when covered individuals become eligible for Medicare benefits or reach age 65, whichever comes first. Medical benefits are subject to copayment provisions and other limitations.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects (amounts in thousands):

	1% Increase	1% Decrease
Effect on total of service and interest cost component	$ 2,601	$ (2,111)
Effect on postretirement benefit obligation	$21,983	$(18,121)

Amtrak provides a 401(k) savings plan for employees. Under the plan, Amtrak matches a portion of employee contributions, subject to applicable limitations. Amtrak's expenses under this plan were $7,553,000 and $6,801,000 for the years ended September 30, 2000 and 1999, respectively.

NOTE 10: ENVIRONMENTAL MATTERS

Some of Amtrak's past and present operations involve activities which are subject to extensive and changing federal and state environmental regulations which can give rise to environmental issues. As a result of its operations and acquired properties, Amtrak is from time to time involved in administrative and judicial proceedings and administrative inquiries related to environmental matters.

In 1976, Amtrak acquired its Northeast Corridor properties. These properties had been occupied and used for many years by a railroad which had declared bankruptcy during the early 1970's. It is Amtrak's policy to capitalize remediation costs for properties acquired with existing environmental conditions, and to expense remediation costs incurred on properties for environmental clean-up matters occurring after acquisition. This reserve is periodically adjusted based on Amtrak's present estimate of the costs it will incur related to these sites and/or actual expenditures made. At September 30, 2000 and 1999, the reserve was $27,978,000 and $36,028,000, respectively. Of these amounts, $27,482,000 and $35,478,000 relate to estimated capitalizable costs to be incurred as of September 30, 2000 and 1999, respectively. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. At September 30, 2000 and 1999, a deferred charge for each amount is included in the Consolidated Balance Sheets under "Deferred charges, deposits, and other." Amtrak has not recorded any receivables for recoveries from other parties or from insurance because such recoveries are not sufficiently certain.

Amtrak's management and counsel believe that additional future remedial actions that might be taken or required, if any, will not be material to Amtrak's financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2000 AND 1999

NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS

For cash and cash equivalents, and accounts receivable, the carrying amounts approximate fair value because of the short maturities of these instruments. The carrying amounts of the credit agreements, bonds, and portions of notes payable and equipment obligations approximate fair value. All charge interest at rates that are periodically adjusted to market.

The estimated fair values of remaining equipment obligations and notes payable were based upon discounted cash flow analyses using interest rates available to Amtrak at September 30, 2000 and 1999 for debt with the same remaining maturities. Although by nature interest free, the UDAG loan was also valued based upon a discounted cash flow analysis using September 30, 2000 and 1999 market interest rates. The estimated fair values of these financial instruments are as follows (amounts in thousands):

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes payable	$ 20,000	$ 16,211	$ 21,504	$ 16,578
Equipment obligations	$622,630	$622,630	$509,250	$509,250
Bonds	$ 30,000	$ 30,000	$ 30,000	$ 30,000
UDAG loan	$ 11,967	$ 5,987	$ 12,097	$ 5,466

NOTE 12: SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended September 30, 2000 and 1999, Amtrak engaged in the following investing and financing activities that affected recognized assets and liabilities, but did not result in a change in cash and cash equivalents (amounts in thousands):

	2000	1999
Net increase in obligation due to third-party lenders in connection with the construction of facilities and equipment	$ 86,455	$169,778
Capital lease obligations incurred in connection with the leasing of equipment	$986,656	$ 51,921
Reclassification of deferred federal capital payments to other paid-in capital	$631,629	$602,221
Escrowed proceeds received from the sale and leaseback of equipment	$790,984	$ –

Cash interest (net of amounts capitalized and non-cash amounts associated with economically defeased capital leases) of $86,059,000 and $84,848,000 was paid during the years ended September 30, 2000 and 1999, respectively.

MANAGEMENT REPORT

Management is responsible for the preparation and integrity of the consolidated financial statements presented in this Annual Report. These statements have been prepared in accordance with generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgment. Management considers that the financial statements present fairly Amtrak's financial position, results of operations, and cash flows.

To meet its responsibility, management maintains a comprehensive system of internal controls, policies, and procedures to assure the proper authorization of transactions, the safeguarding of assets, and reliability of financial information. The system provides reasonable assurance, not absolute, that the related records fairly reflect all transactions in accordance with management's authorization, and are properly recorded so that reliable financial records are maintained and reports can be prepared. The concept of reasonable assurance is based on the recognition that the cost of a system of internal controls must be related to the benefits derived.

An important part of the internal controls system is Amtrak's intent to maintain a high standard of ethical conduct in all business activities. Internal accounting controls, operating controls, as well as a corporate rules of conduct and a business ethics policy, are documented and communicated to all levels of management.

The Board of Directors reviews the system of internal controls and financial reporting. The Board meets and consults regularly with management, the internal auditors, and the independent accountants to review the scope and results of their work. The accounting firm of KPMG LLP has performed an independent examination of the financial statements and has full and free access to meet with the Board, without management representatives present, to discuss the results of the audit.

George D. Warrington
President and Chief Executive Officer

Arlene Friner
Chief Financial Officer

STATISTICAL APPENDIX TO AMTRAK FY2000 ANNUAL REPORT

PERFORMANCE INDICATOR	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Revenues: *(in millions of dollars)*										
Passenger Related	980	949	969	913	910	965	1,034	1,083	1,158	1,277
Mail and Express	47	48	53	59	60	66	70	83	98	122
Commuter	93	116	162	184	213	234	241	260	261	274
Other	227	207	216	253	307	285	324	276	303	326
Federal and state capital payments[1]	-	-	-	-	-	-	-	542	191	112
Total Revenue	**1,347**	**1,320**	**1,400**	**1,409**	**1,490**	**1,550**	**1,669**	**2,244**	**2,011**	**2,111**
Expenses: *(in millions of dollars)*										
Salaries, Wages, and Benefits	1,094	1,096	1,177	1,239	1,241	1,236	1,299	1,448	1,457	1,563
Train Operations	130	134	132	133	127	125	142	150	194	216
Fuel, Power, and Utilities	153	143	144	142	132	137	148	134	132	164
Materials	177	160	146	146	137	121	136	130	131	148
Facility, Communication, and Office Related	110	117	116	120	139	147	152	159	155	173
Advertising and Sales	96	92	90	91	90	109	98	102	109	107
Casualty and Other Claims	59	48	65	132	78	66	70	70	74	78
Depreciation Net of Gain on Sale-Leasebacks	203	206	206	245	230	238	241	292	327	359
Restructuring Charges	-	-	-	71	15	-	-	-	-	-
Other	45	23	37	48	68	79	73	63	81	68
Total Expenses	**2,067**	**2,019**	**2,113**	**2,367**	**2,257**	**2,258**	**2,359**	**2,548**	**2,660**	**2,876**
Operating Loss	**(720)**	**(699)**	**(713)**	**(958)**	**(767)**	**(708)**	**(690)**	**(304)**	**(649)**	**(765)**
Other (Income) Expense: *(in millions of dollars)*										
Interest Income	(12)	(5)	(3)	(4)	(7)	(5)	(4)	(39)	(30)	(53)
Interest Expense	14	18	21	32	48	60	76	88	83	107
Other Expense - Net	**2**	**13**	**18**	**28**	**41**	**55**	**72**	**49**	**53**	**54**
Loss Before Cumulative Effect of Accounting Changes	**(722)**	**(712)**	**(731)**	**(986)**	**(808)**	**(763)**	**(762)**	**(353)**	**(702)**	**(819)**
Cumulative Gain/(Loss) Effect of Accounting Changes[2]	-	-	-	(91)	-	-	-	-	-	51
Loss	**(722)**	**(712)**	**(731)**	**(1,077)**	**(808)**	**(763)**	**(762)**	**(353)**	**(702)**	**(768)**
Pro Forma Loss With Changes Retroactively Applied	***(720)***	***(710)***	***(727)***	***(1,072)***	***(803)***	***(758)***	***(756)***	***(345)***	***(694)***	***(819)***
One-time Charges[3]	-	-	-	244	-	-	-	-	-	-
Exclude Federal Payments and Related Income, and State Capital Payments	-	-	-	-	-	-	-	(577)	(214)	(176)
Loss Restated[4]	**(722)**	**(712)**	**(731)**	**(833)**	**(808)**	**(763)**	**(762)**	**(930)**	**(916)**	**(944)**
Federal Grants: *(in millions of dollars)*										
Federal Operating Grant	343	331	351	352	392	285	223	202	-	-
Excess Railroad Retirement Taxes	145	150	147	150	150	120	142	142	-	-
Federal Capital - Interest	-	-	-	-	-	-	42	-	-	-
Federal Capital - Maintenance	-	-	-	-	-	-	-	-	484	362
Federal Capital - Progressive Overhaul and Other	-	-	-	-	-	36	37	82	103	90
Total Federal Grants	**488**	**481**	**498**	**502**	**542**	**441**	**444**	**426**	**587**	**452**
Net Loss	**(234)**	**(231)**	**(233)**	**(331)**	**(266)**	**(322)**	**(318)**	**(504)**	**(329)**	**(492)**
Noncash	203	206	206	255	254	240	248	405	337	383
Budget Result	**(31)**	**(25)**	**(27)**	**(76)**	**(12)**	**(82)**	**(70)**	**(99)**	**8**	**(109)**

STATISTICAL APPENDIX TO AMTRAK FY2000 ANNUAL REPORT

PERFORMANCE INDICATOR	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Federal Grants Appropriated: *(in millions of dollars)*										
Federal Operating Grant	343	331	351	352	392	285	223	202	-	-
General Capital Funding	132	175	190	195	230	230	223	-	609	571
NECIP / NHRIP Funding	179	205	204	225	200	115	175	250	-	-
High-Speed Rail	-	-	-	-	-	-	80	-	-	-
Taxpayer Relief Act	-	-	-	-	-	-	-	2,184	-	-
Federal Grants Drawn: *(in millions of dollars)*										
Federal Operating Grant	343	331	351	351	392	286	223	202	-	-
General Capital Funding	186	173	114	140	264	213	238	134	243	593
NECIP / NHRIP Funding	37	180	117	110	125	264	339	417	25	-
High-Speed Rail	-	-	-	-	-	-	50	30	-	-
Taxpayer Relief Act	-	-	-	-	-	-	-	1,092	1,092	-
Financial Ratios:										
Operating Ratio *(Total Expense[3]/Total Revenue[4])*	**1.53**	**1.54**	**1.52**	**1.59**	**1.54**	**1.49**	**1.46**	**1.55**	**1.50**	**1.46**
Current Assets *(in millions of dollars)*	270	246	234	199	223	212	221	868	937	340
Current Liabilities *(in millions of dollars)*	306	313	334	426	372	408	521	621	657	751
Working Capital Ratio	**0.88**	**0.79**	**0.70**	**0.47**	**0.60**	**0.52**	**0.42**	**1.40**	**1.43**	**0.45**
Cash: *(in millions of dollars)*										
Year-End Cash and Cash Equivalents	31	36	25	24	30	21	36	275	143	99
Customer Satisfaction Index:[5]										
Amtrak Systemwide	n/a	n/a	n/a	n/a	81	82	84	85	83	82
Northeast Corridor	n/a	n/a	n/a	n/a	79	81	83	86	85	82
Amtrak Intercity	n/a	n/a	n/a	n/a	81	83	83	81	78	79
Amtrak West	n/a	n/a	n/a	n/a	87	87	87	85	86	84
On-Time Performance:										
Total System	77%	77%	72%	72%	76%	71%	74%	79%	79%	78%
Short Distance *(under 400 miles)*	82%	82%	79%	78%	81%	76%	79%	81%	80%	81%
Long Distance *(400 miles or more)*	59%	61%	47%	49%	57%	49%	53%	59%	61%	56%
Operating Statistics:										
Passenger Miles[6] *(in millions)*	6,273	6,091	6,199	5,921	5,545	5,050	5,166	5,304	5,330	5,498
Northeast Corridor	n/a	n/a	n/a	1,730	1,730	1,618	1,612	1,692	1,742	1,860
Amtrak Intercity	n/a	n/a	n/a	3,658	3,298	2,893	2,959	3,009	2,961	2,978
Amtrak West	n/a	n/a	n/a	533	517	539	595	603	627	660
Seat Miles *(in millions)*	12,251	11,955	11,914	11,972	11,939	10,902	11,094	11,426	12,064	11,629
Northeast Corridor	n/a	n/a	n/a	4,085	4,327	4,004	3,956	4,127	4,382	4,320
Amtrak Intercity	n/a	n/a	n/a	6,646	6,288	5,528	5,728	5,851	6,101	5,649
Amtrak West	n/a	n/a	n/a	1,241	1,324	1,370	1,410	1,448	1,581	1,660
Load Factor *(Passenger Miles/Seat Miles)*	51%	51%	52%	49%	46%	46%	47%	46%	44%	47%
Northeast Corridor	n/a	n/a	n/a	42%	40%	40%	41%	41%	40%	43%
Amtrak Intercity	n/a	n/a	n/a	55%	52%	52%	52%	51%	49%	53%
Amtrak West	n/a	n/a	n/a	43%	39%	39%	42%	42%	40%	40%
Amtrak Systemwide Route Miles *(in thousands)*	25	25	25	25	24	25	25	22	23	23
Northeast Corridor	n/a	n/a	n/a	2	2	2	2	2	2	2
Amtrak Intercity	n/a	n/a	n/a	21	20	21	21	18	19	19
Amtrak West	n/a	n/a	n/a	2	2	2	2	2	2	2

STATISTICAL APPENDIX TO AMTRAK FY2000 ANNUAL REPORT

PERFORMANCE INDICATOR	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Train Miles *(in millions)*	34	34	35	34	32	30	32	33	34	35
Passenger Miles Per Train Mile (PM/TM)[6]	184.5	176.8	177.6	172.6	171.7	168.3	161.4	160.7	156.8	157.1
Ticket Yield (Ticket Revenue per Pax Mile)[6] *(cents)*	14.5	14.3	14.3	14.0	14.9	16.9	17.7	17.8	18.9	20.3
Yield (Pax Related Revenue per Pax Mile)[6,7] *(cents)*	15.4	15.3	15.2	14.9	15.8	17.8	18.7	18.9	19.8	21.2
Average Trip Length of Passengers *(miles)*	284.1	285.2	280.9	271.1	267.6	256.9	255.8	251.5	247.8	244.2
Total Revenue per Seat Mile[4] *(cents)*	11.1	11.1	11.8	11.8	12.5	14.3	15.1	14.9	15.1	17.5
Total Expense per Seat Mile[3] *(cents)*	17.0	17.0	17.9	18.8	19.3	21.3	21.9	23.1	22.7	25.7
Core Revenue per Seat Mile[8] *(cents)*	n/a	n/a	n/a	9.4	9.5	10.9	11.1	11.3	11.5	13.6
Core Expense per Seat Mile[3] *(cents)*	n/a	n/a	n/a	16.8	16.7	18.0	18.9	18.8	19.3	21.7
Ridership (Passenger Trips): *(in millions)*										
Northeast Corridor	10.9	10.1	10.3	11.7	11.6	11.0	11.1	11.9	12.3	12.9
Amtrak Intercity	11.1	11.2	11.8	6.3	6.1	5.4	5.4	5.6	5.5	5.5
Amtrak West	*Intercity & West ridership are combined in the above number*			3.2	3.0	3.3	3.7	3.6	3.7	4.1
Amtrak System	**22.0**	**21.3**	**22.1**	**21.2**	**20.7**	**19.7**	**20.2**	**21.1**	**21.5**	**22.5**
Contract Commuter Passenger Trips *(in millions)*	18.1	20.3	32.9	39.5	42.2	45.9	48.5	54.0	58.3	61.6
Total Ridership (Amtrak & Commuter) *(in millions)*	40.1	41.6	55.0	60.7	62.9	65.6	68.7	75.1	79.8	84.1
Stations Served by Amtrak	523	524	535	540	530	542	516	508	510	515
Locomotive Units:										
Operating Fleet[9]	316	336	360	338	313	299	332	345	329	378
Available for Service (Year-End Daily Average)[10]	86%	83%	84%	85%	88%	88%	88%	88%	90%	89%
Diesel Units (New Deliveries)	-	20	26	18	10	-	111	35	-	-
Electric Units (New Deliveries)	-	-	-	-	-	-	-	-	-	4
Year-End Average Age of Locomotives (Years)	13.0	13.0	13.2	13.4	13.9	14.4	12.0	12.6	12.8	11.2
Passenger/Other Train Cars:										
Operating Fleet[9]	1,786	1,796	1,853	1,852	1,722	1,730	1,728	1,962	1,992	1,894
Available for Service (Year-End Daily Average)[10]	92%	90%	89%	88%	90%	90%	91%	93%	91%	91%
Cars (New Deliveries)	-	-	-	64	76	105	104	434	180	202
Superliner	-	-	-	64	72	56	-	-	-	-
Viewliner	-	-	-	-	4	36	10	-	-	-
High-Speed	-	-	-	-	-	-	-	-	-	6
Surfliner	-	-	-	-	-	-	-	-	-	20
Non-Passenger Roadrailer Vans	-	-	-	-	-	13	44	234	180	173
Non-Passenger Express Cars	-	-	-	-	-	-	50	200	-	3
Year-End Average Age of Cars (Years)										
Passenger Cars	21.0	21.5	22.6	22.4	21.8	20.7	19.8	21.1	22.2	19.4
Non-Passenger Cars	-	-	-	-	-	-	20.5	13.4	12.1	9.2

NOTES:

Where applicable, prior years' amounts have been restated to conform with the current year's presentation.

[1] Includes federal payments received related to grants and Taxpayer Relief Act (TRA) funds, as well as state capital payments received.

[2] Includes a $90.6M charge associated with a FY94 change in accounting for postretirement benefits; and a $51.9M credit and $1.2M charge associated with FY00 changes in accounting for state capital payments and start-up costs, respectively.

[3] FY94 expenses exclude one-time charges of $243.8M consisting of restructuring cost ($71.5M), prior year postretirement benefits ($90.6M), and casualty and other claims liability ($81.6M).

[4] Federal payments received related to grants and TRA funds, investment income earned ($34.6M, $23.1M, and $12.1M in FY98-00, respectively) on TRA funds drawn, plus state capital payments are included in revenues, but excluded from the budget result as well as the applicable revenue-based operating statistics.

[5] The overall Customer Satisfaction Index (CSI) is a calculated number based on a 100-point scale. The CSI indicates the level of customer satisfaction with overall service delivery. FY95 numbers are based on an average of May - September, 1995.

[6] Passenger miles do not include contract commuter passengers.

[7] Passenger related revenue excludes state 403(b) service revenue.

[8] Core revenues include passenger related, mail and express, and other revenues (specifically commuter fees, freight railroad access fees, and miscellaneous other).

[9] Includes active units only.

[10] Available for service units are active units less backshop units undergoing heavy maintenance and bad ordered units undergoing progressive maintenance and running repairs.

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