



## First Quarter 2009 Earnings Conference Call

### *Forward-Looking Disclosure*

This information and other statements by the company contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to, among other items: projections and estimates of earnings, revenues, cost-savings, expenses, or other financial items; statements of management's plans, strategies and objectives for future operation, and management's expectations as to future performance and operations and the time by which objectives will be achieved; statements concerning proposed new products and services; and statements regarding future economic, industry or market conditions or performance. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "project," "estimate," "preliminary" and similar expressions. Forward-looking statements speak only as of the date they are made, and the company undertakes no obligation to update or revise any forward-looking statement. If the company does update any forward-looking statement, no inference should be drawn that the company will make additional updates with respect to that statement or any other forward-looking statements.

Forward-looking statements are subject to a number of risks and uncertainties, and actual performance or results could differ materially from that anticipated by these forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by these forward-looking statements include, among others; (i) the company's success in implementing its financial and operational initiatives; (ii) changes in domestic or international economic or business conditions, including those affecting the rail industry (such as the impact of industry competition, conditions, performance and consolidation); (iii) legislative or regulatory changes; (iv) the inherent business risks associated with safety and security; and (v) the outcome of claims and litigation involving or affecting the company.

Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements are specified in the company's SEC reports, accessible on the SEC's website at [www.sec.gov](http://www.sec.gov) and the company's website at [www.csx.com](http://www.csx.com).

## Executive Summary

Michael Ward  
Chairman, President and  
Chief Executive Officer

## First quarter performance . . .



Note: See GAAP Reconciliation

- Revenue challenge
  - Volume and fuel impact revenue
  - Core pricing momentum intact
- Operating flexibility
  - Safety and service levels strong
  - Rightsizing resources to the current volume environment
- Core earning power
  - Operating ratio remains stable
  - Comparable EPS declines 23%; operating income down 17%

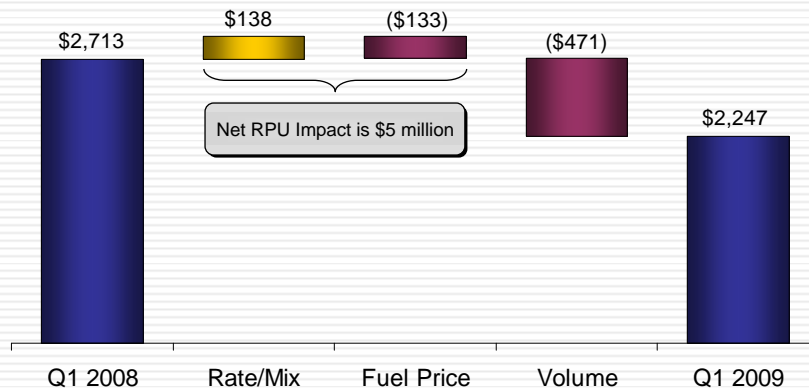
## Sales and Marketing Review

Clarence Gooden  
Executive Vice President  
Sales and Marketing

## Revenue declines 17% to \$2.2 billion

Revenue \$2,247M Volume 1,419K RPU \$1,584

Revenue in Millions



Note: See Fuel Surcharge Reconciliation

## Economic environment drives 17% volume decline

Revenue \$2,247M Volume 1,419K RPU \$1,584

### Volume Change by Major Economic Driver

Change in CSX Volume	Economic Driver	CSX Commodity Groups	% of CSX Volume
(31%)	Industrial Production	<ul style="list-style-type: none"> <li>Chemicals</li> <li>Metals</li> </ul>	11%
(23%)	Housing Starts	<ul style="list-style-type: none"> <li>Forest Products</li> <li>Emerging Markets</li> </ul>	11%
(20%)	Consumer Spending	<ul style="list-style-type: none"> <li>Automotive</li> <li>Intermodal</li> </ul>	34%
(15%)	Agriculture Related	<ul style="list-style-type: none"> <li>Agricultural Products</li> <li>Phosphates &amp; Fertilizers</li> <li>Food &amp; Consumer</li> </ul>	14%
(7%)	Energy Production	<ul style="list-style-type: none"> <li>Coal</li> </ul>	30%

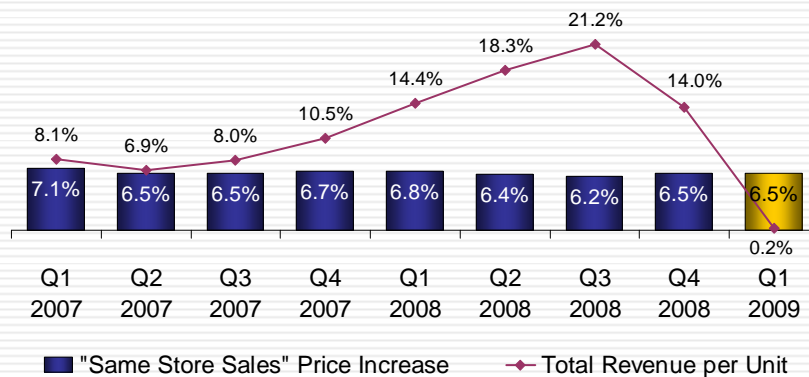
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How tomorrow moves 

## Core pricing stable; RPU flat on less fuel surcharge

Revenue \$2,247M Volume 1,419K RPU \$1,584

### Year-Over-Year Change



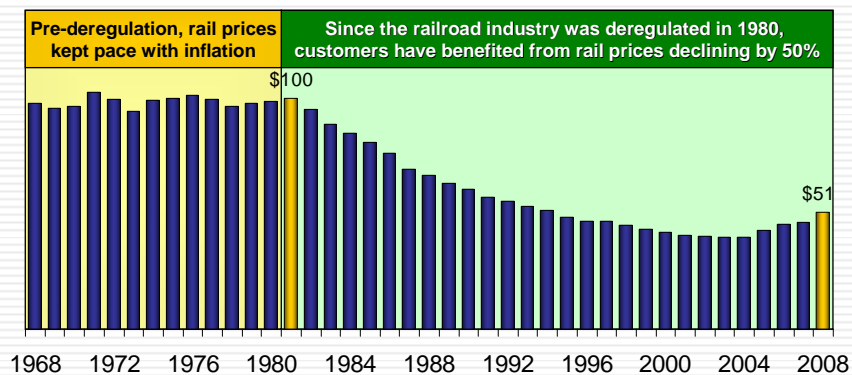
Note: "Same Store Sales" price increases exclude impacts from fuel and mix

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How tomorrow moves 

## Inflation-adjusted prices still half of 1980 levels

Inflation-Adjusted Pricing  
Indexed: 1981 = \$100



Source: Association of American Railroads

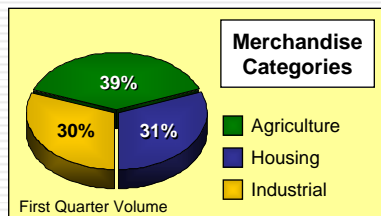
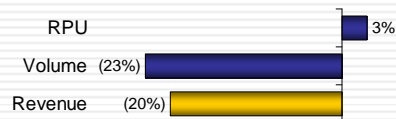
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#HowAmIDoing?

## Merchandise revenue declines 20%

Revenue \$1,075M Volume 503K RPU \$2,137

First Quarter  
Year-Over-Year Change



### First quarter highlights

- Steel production cut by half
- Phosphates decline significantly
- Housing starts and overall construction remains weak

### Ongoing drivers

- Industrial sector, housing and construction to remain weak
- U.S. infrastructure needs provide some opportunity

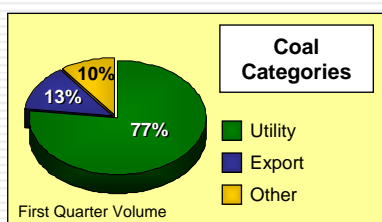
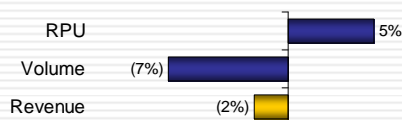
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#HowAmIDoing?

## Coal revenue declines 2%

Revenue \$744M Volume 431K RPU \$1,726

### First Quarter Year-Over-Year Change



#### ■ First quarter highlights

- Weakness in export and utility coal shipments
- Significant decline in steel related coal, coke and iron ore

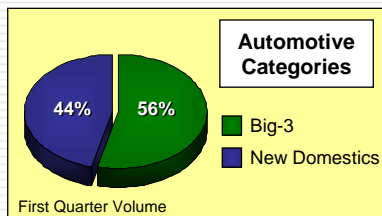
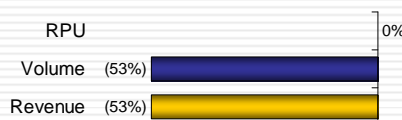
#### ■ Ongoing drivers

- Lower energy demand; utility stock piles are growing
- Natural gas costs declining

## Automotive revenue declines 53%

Revenue \$95M Volume 45K RPU \$2,111

### First Quarter Year-Over-Year Change



#### ■ First quarter highlights

- Volumes impacted by lower demand and tight credit
- Plant shutdowns continue

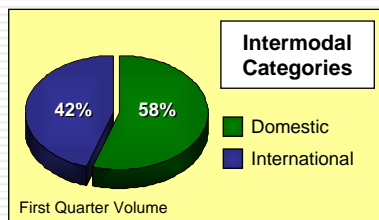
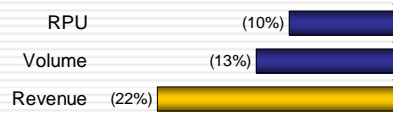
#### ■ Ongoing drivers

- Lower consumer demand
- Inventory levels still at nearly 100 days for the Big-3
- Big-3 restructuring uncertainty

## Intermodal revenue declines 22%

Revenue \$270M    Volume 440K    RPU \$614

### First Quarter Year-Over-Year Change



#### ■ First quarter highlights

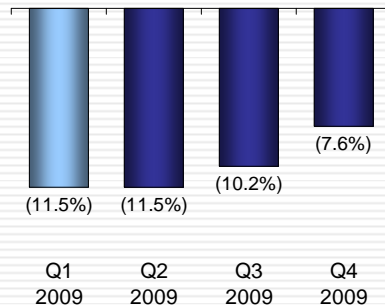
- Significant decline in imports with flat domestic volume
- RPU lower due to fuel recovery and competitive trucking prices

#### ■ Ongoing drivers

- Lower global trade and consumption levels
- Highly competitive truck market

## Sales and Marketing wrap-up . . .

### Industrial Production Forecast Year-Over-Year Change



Source: Global Insight

#### ■ Revenue outlook unfavorable for the second quarter

- Revenue projected to be down in nine of the ten markets

#### ■ Focused on customer needs

- Maintain strong service product
- Adjust to changing traffic levels

#### ■ Continuing to develop new business opportunities

- Supported by a balanced regulatory framework

## Operations Review

Tony Ingram  
Executive Vice President  
Chief Operating Officer

## Responding to challenging business conditions

### Leadership

- Safety performance remains strong

### Discipline

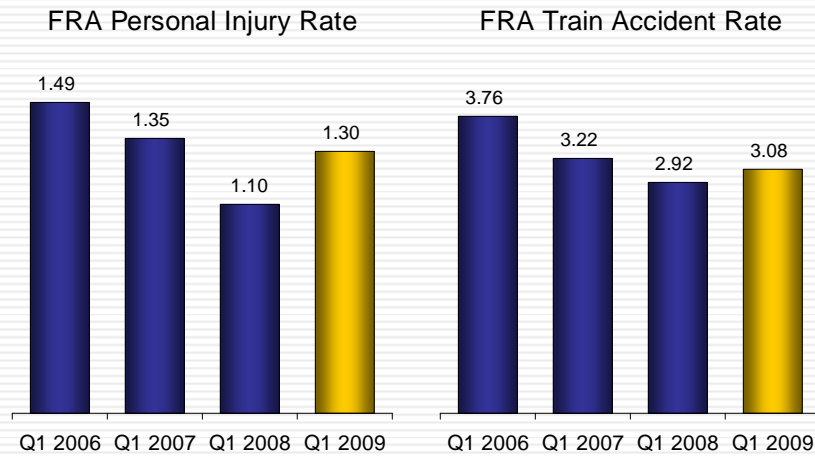
- Rightsizing producing savings and helping offset impact of lower volume

### Execution

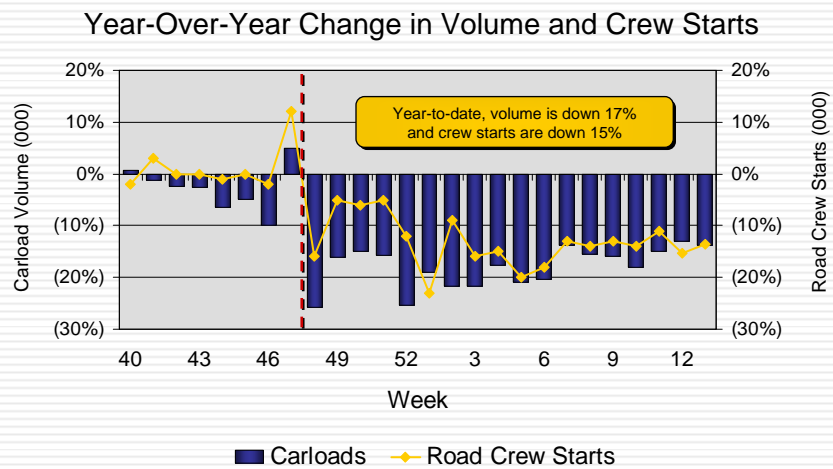
- Network operations and service reliability strong and improving



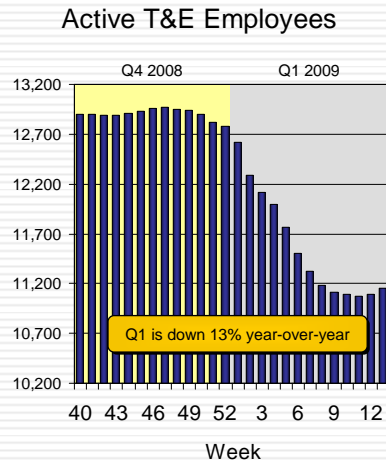
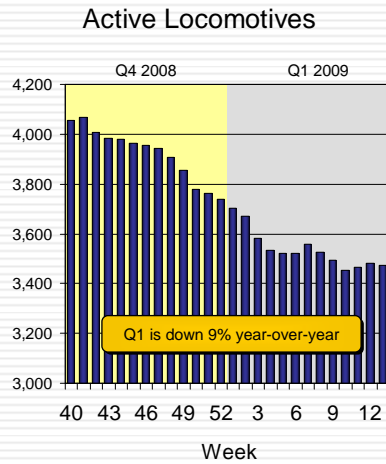
## Helping lead one of the Nation's safest industries



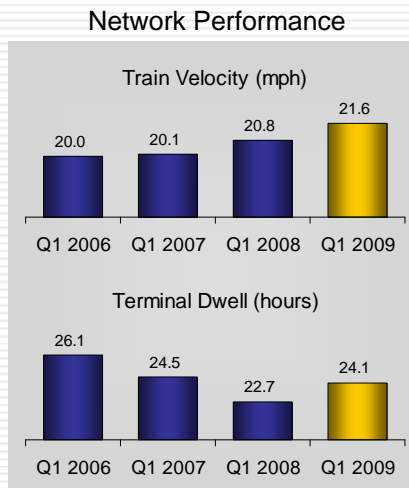
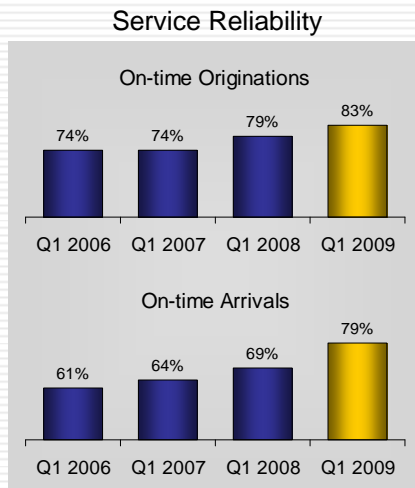
## Train network is tracking with lower volume . . .



... and resources are being rightsized accordingly



Service levels strong on stable network operations



## Operations wrap-up . . .

- Maintaining strong focus on safety performance
  - *Helping lead one of America's safest industries*
  
- Rightsizing resources to current volume environment
  - *Working aggressively to help stabilize the operating ratio*
  
- Providing high level of customer service
  - *Network operations remain strong at lower resource levels*

Leadership, Discipline and Execution

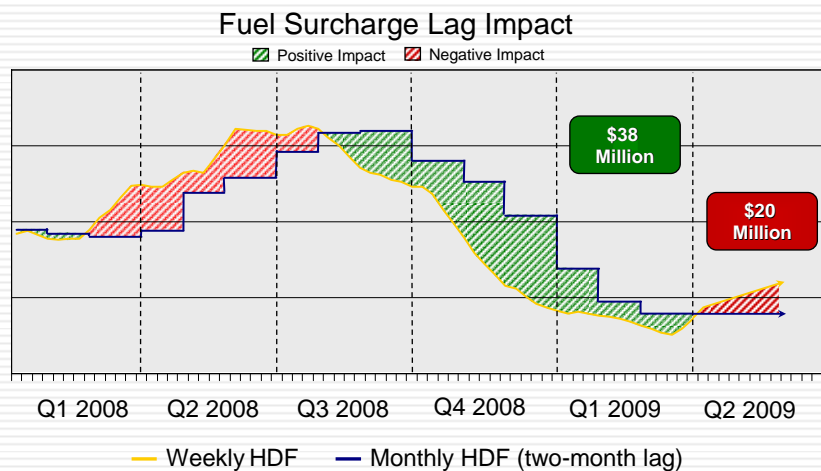
## Financial Review

Oscar Munoz  
Executive Vice President  
Chief Financial Officer

## First quarter earnings summary . . .

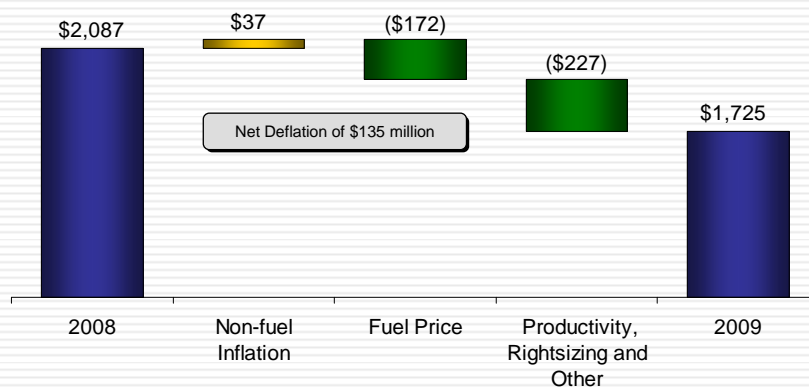
First Quarter Results			
Dollars in millions, except EPS	2009	2008	Variance
Revenue	\$ 2,247	\$ 2,713	\$ (466)
Expense	1,725	2,087	362
<b>Operating Income</b>	<b>\$ 522</b>	<b>\$ 626</b>	<b>\$ (104)</b>
Interest Expense	(141)	(119)	(22)
Other Income (net)	(9)	55	(64)
Income Taxes	(126)	(211)	85
<b>Earnings</b>	<b>\$ 246</b>	<b>\$ 351</b>	<b>\$ (105)</b>
Fully Diluted Shares in Millions	394.1	415.2	21.1
<b>Earnings Per Share</b>	<b>\$ 0.62</b>	<b>\$ 0.85</b>	<b>\$ (0.23)</b>

## Fuel surcharge lag benefits quarter by \$38 million



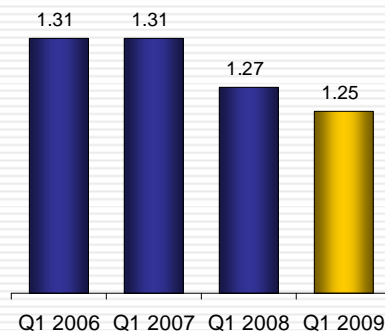
## Strong cost focus drives expenses down 17%

First Quarter Operating Expenses in Millions



## Fuel expense declines 57%

Gallons Per Thousand Gross Ton Miles

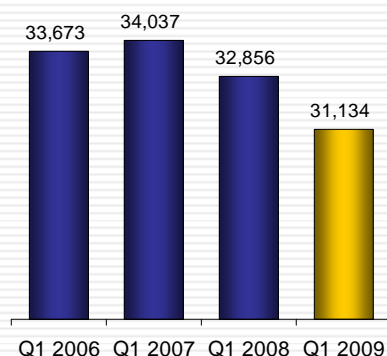


First Quarter Fuel Analysis in Millions

2008 Fuel Expense	\$ 441
Price	(172)
Volume	(62)
Efficiency	(5)
Non-locomotive (net)	(11)
<b>Subtotal</b>	<b>(250)</b>
<b>2009 Fuel Expense</b>	<b>\$ 191</b>

## Labor and Fringe expense declines 11%

Employee Headcount



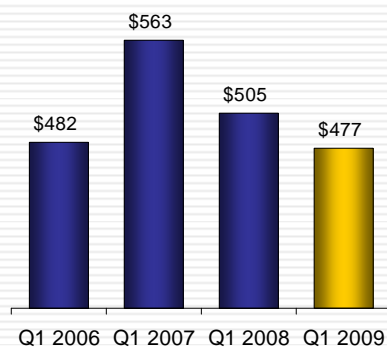
First Quarter Labor Analysis in Millions

2008 Labor Expense	\$ 745
Labor Productivity	(49)
Incentive Compensation	(38)
Inflation	20
Other	(16)
<b>Subtotal</b>	<b>(83)</b>
2009 Labor Expense	\$ 662

Note: Headcount reflects the average of the quarter for the company's transportation businesses only

## MS&O expense declines 6%

MS&O Costs in Millions



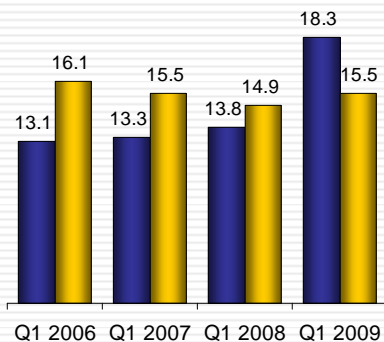
First Quarter MS&O Analysis in Millions

2008 MS&O Expense	\$ 505
Volume	(17)
Cost of Risk	(11)
Bad Debt Reserve	(7)
Inflation and Other	7
<b>Subtotal</b>	<b>(28)</b>
2009 MS&O Expense	\$ 477

## Rent expense increases 2%

### Payable Days Per Load

■ Total Carloads ■ Excluding Multi-levels



### First Quarter Rent Analysis in Millions

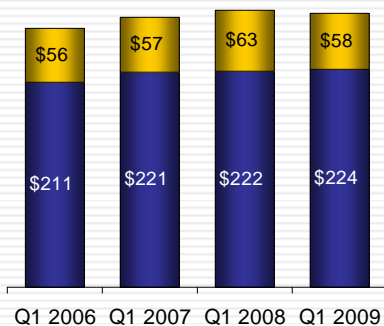
2008 Rent Expense	\$ 111
Volume	(23)
Equipment Utilization	14
Foreign Road Settlements	12
Other	(1)
<b>Subtotal</b>	<b>2</b>
2009 Rent Expense	\$ 113

Note: Reflects equipment utilization in the carload network on freight cars where CSX incurs rent

## Other expenses decline 1%

### Other Costs in Millions

■ Depreciation ■ Inland Transportation



- Higher capital base increases Depreciation expense
- Inland Transportation costs decline on lower volume

## Productivity and rightsizing driving costs lower

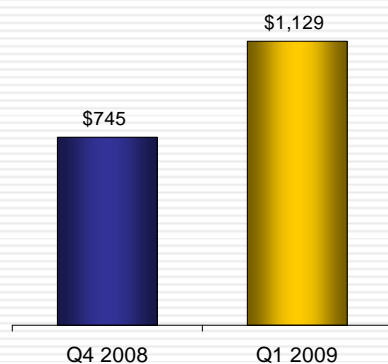
### First Quarter Cost Structure in Millions

		2009	2008	% Variance
Short-term Variable Costs	■ Fuel			
	■ Car Hire			
	■ Unit Train Crews	\$ 423	\$ 679	38%
	■ Third Party Services			
Long-term Variable Costs	■ Terminal Operations			
	■ Scheduled Network Crews	495	553	10%
	■ Yard and Local Crews			
	■ Locomotives and Freight Cars			
Fixed and Indirect Costs	■ Depreciation			
	■ Track Maintenance			
	■ Pension and Property Taxes	807	855	6%
	■ General and Administrative			
	■ Technology and Other			
<b>Total Operating Expenses</b>		<b>\$ 1,725</b>	<b>\$ 2,087</b>	<b>17%</b>

Note: Normalizing for the \$172 million fuel price impact, short-term variable costs declined 17%

## Balance sheet strength remains intact

### Cash and Short-term Investments in Millions



- Cash and ST investments exceed \$1.1 billion
- Credit line totals \$1.25 billion with diverse bank group
- Debt maturing through 2010 totals just over \$400 million

## Forward outlook for certain line items . . .

Depreciation	▪ Expected to increase gradually from \$228 million in Q2 to \$230 million by Q4
Other Income	▪ Expected to be approximately \$20 million for 2009
Interest Expense	▪ Expected to be approximately \$142 million in Q2, declining to \$139 million by Q4
Tax Rate	▪ Effective tax rate is expected to be approximately 37% – 38% throughout 2009
Shares Outstanding	▪ Fully diluted shares are expected to remain constant around 395 million shares throughout 2009

## Financial wrap-up . . .

- Cost structure adjusting to lower business levels
  - Short-term variable costs already in-line with volume decline
- Operating ratio remains stable in current environment
  - Positions company to emerge stronger when the economy recovers
- Balance sheet strength remains intact
  - Liquidity strong with over \$1.1 billion of cash and short-term investments

*Concluding Remarks*

Michael Ward  
Chairman, President and  
Chief Executive Officer



*Relentless pursuit of excellence . . .*





# First Quarter 2009 Earnings Conference Call

## *Appendix*

## GAAP Reconciliation Disclosure

CSX reports its financial results in accordance with generally accepted accounting principles ("GAAP"). However, management believes that certain non-GAAP financial measures used to manage the company's business that fall within the meaning of Regulation G (Disclosure of Non-GAAP Financial Measures) by the SEC may provide users of the financial information with additional meaningful comparisons to prior reported results.

In press releases and presentation slides for stock analysts, CSX has provided financial information adjusted for certain items, which are non-GAAP financial measures. The company's management evaluates its business and makes certain operating decisions (e.g., budgeting, forecasting, employee compensation, asset management and resource allocation) using these adjusted numbers.

Likewise, this information facilitates comparisons to financial results that are directly associated with ongoing business operations as well as provides comparable historical information. Lastly, earnings forecasts prepared by stock analysts and other third parties generally exclude the effects of items that are difficult to predict or measure in advance and are not directly related to CSX's ongoing operations. A reconciliation between GAAP and the non-GAAP measure is provided. These non-GAAP measures should not be considered a substitute for GAAP measures.

## GAAP Reconciliation

Dollars in millions	First Quarter		
	2009	2008	Variance
<b>Earnings Per Share</b>	<b>\$ 0.62</b>	<b>\$ 0.85</b>	<b>\$ (0.23)</b>
Equity Earnings Adjustment	-	(0.05)	0.05
<b>Comparable Earnings Per Share</b>	<b>\$ 0.62</b>	<b>\$ 0.80</b>	<b>\$ (0.18)</b>

## Fuel Surcharge Reconciliation

Dollars in millions	First Quarter		
	2009	2008	Variance
Total Rail and Intermodal Fuel Surcharge Recovery	\$ 105	\$ 289	\$ (184)
Portion of year-over-year variance that is volume-related			\$ (51)
Portion of year-over-year variance that is fuel price-related			\$ (133)

Since total fuel surcharge revenue includes both rail and intermodal, it is different from the report filed with the Surface Transportation Board, which excludes CSX Intermodal fuel surcharge revenue.

