



## 2012 J.P. MORGAN AVIATION, TRANSPORTATION AND DEFENSE CONFERENCE

### *Forward-Looking Statements*

This information and other statements by the company may 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, volumes, rates, cost-savings, expenses, taxes, liquidity, capital expenditures, dividends, share repurchases or other financial items, statements of management's plans, strategies and objectives for future operations, and management's expectations as to future performance and operations and the time by which objectives will be achieved, statements concerning proposed new services, and statements regarding future economic, industry or market conditions or performance. Forward-looking statements are typically identified by words or phrases such as "will," "should," "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 updates 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 any forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by any 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, political or business conditions, including those affecting the transportation 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; (v) the outcome of claims and litigation involving or affecting the company; (vi) natural events such as severe weather conditions or pandemic health crises; and (vii) the inherent uncertainty associated with projecting economic and business conditions.

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).

## Current state of the business . . .

- Delivered record results again in 2011
  - Performance continues to rank among the best in the S&P 500
- Economic backdrop constructive for growth in 2012
  - Key indicators are strengthening and point to sustained growth
- Over 70% of CSX's markets poised for growth in 2012
  - Expect Merchandise and Intermodal to more than offset domestic Coal weakness
- Service performance measures are at record levels
  - Resources in place to drive growth and higher incremental margins

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How tomorrow moves **CSX**

## CSX again delivered record results for investors

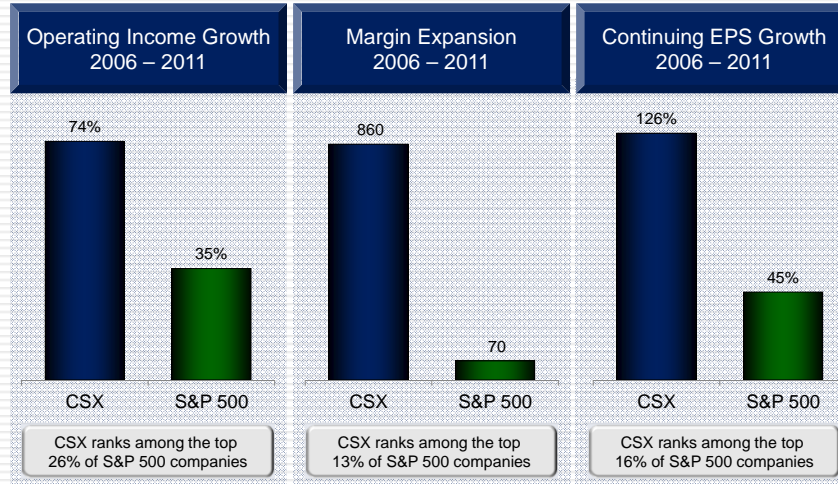


Note: See GAAP Reconciliation in Appendix

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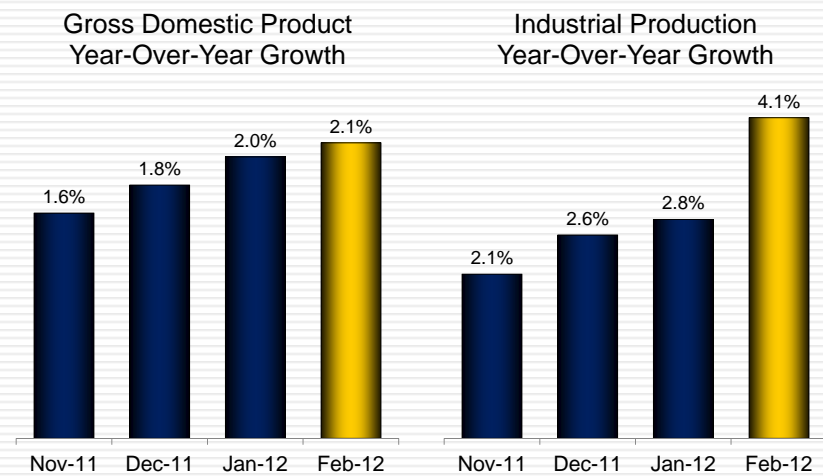
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## Performance ranks among the best of S&P 500



Note: See GAAP Reconciliation; Source: Morgan Stanley, with rankings based on S&P earnings reported to-date

## Outlook for the economy continues to improve



## Economy provides broad strength for 2012 growth

Key U.S. Indicator	2011	2012
GDP	1.7%	2.1%
IDP	4.1%	4.1%
NALVP	13.1M	14.4M
Imports	5.8%	5.7%
Electrical Generation	(0.3%)	0.2%
Housing Starts	610K	740K
Unemployment	9.0%	8.3%

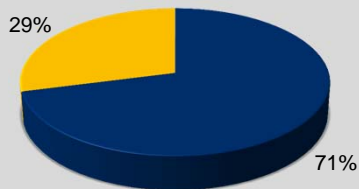
Source: Global Insight and U.S. Energy Information Administration, Freight Transportation Research Associates

- Macro economy continues to exhibit solid growth
- Auto production growing towards pre-recession levels
- International trade growing on stronger consumer sentiment
- Coal-fired power generation challenged by low demand
- Housing expected to grow from historic low levels
- Unemployment likely to remain above 8%

## CSX business portfolio is set for overall growth

### 2012 Business Outlook Percent of Volume

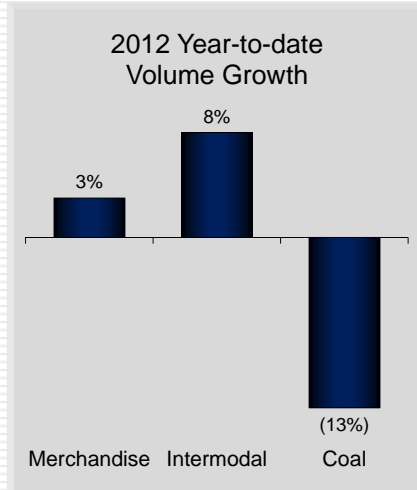
■ Favorable ■ Unfavorable



Note: Volume breakdown based on 2011 full-year results

- Strong Intermodal growth expected to lead the way
  - *Modal conversions and new customers to drive growth*
- Merchandise markets also expected to see solid growth
  - *Strength across all three sectors*
- Both networks have capacity to grow in 2012
  - *These businesses will drive higher incremental margins*

## Volume growth up 1% overall year-to-date

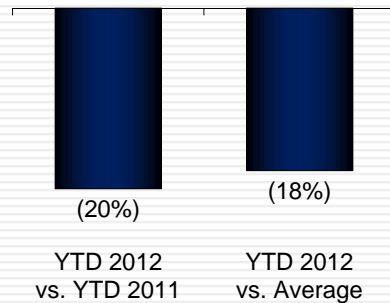


- Strong growth seen in Merchandise and Intermodal
  - Auto and Domestic Intermodal growing double-digits
- Export coal remains on track for volumes similar to 2011
  - Business mix continues to shift more towards thermal coal
- Domestic coal experiencing more weakness near-term
  - Low natural gas prices and mild winter exacerbating trend

Note: First quarter-to-date 2012 results are through week 10 ending March 9<sup>th</sup>

## Weather and natural gas are both impacting coal

Change in Heating Degree Days  
CSX Service Territory



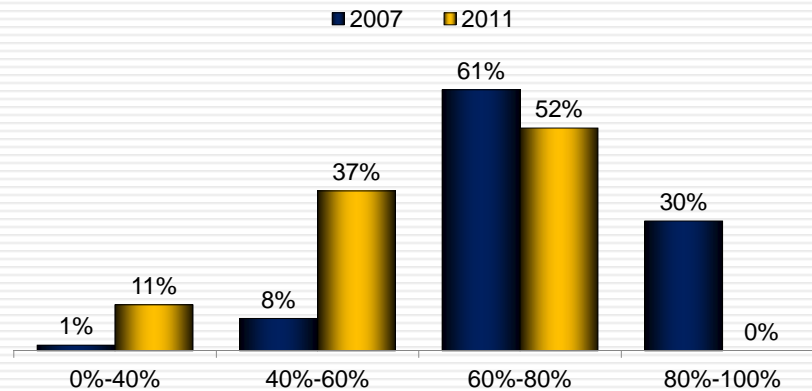
Henry Hub Natural Gas Price per Million BTU



Source: NOAA; YTD data through February

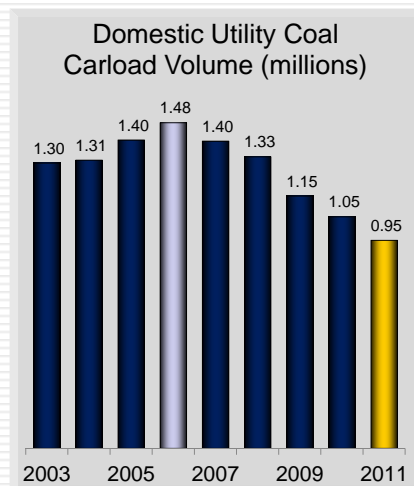
## As such, coal-fired plants are being dispatched less

Capacity Utilization of CSX-Served Plants  
Percent of Total Tonnage



Source: Energy Ventures Analysis, Incorporated; 2011 data is through November

## Domestic coal remains challenged near-term



- Utility stock pile levels remain above normal in CSX territory

— Stock piles are now about 35 days above normal

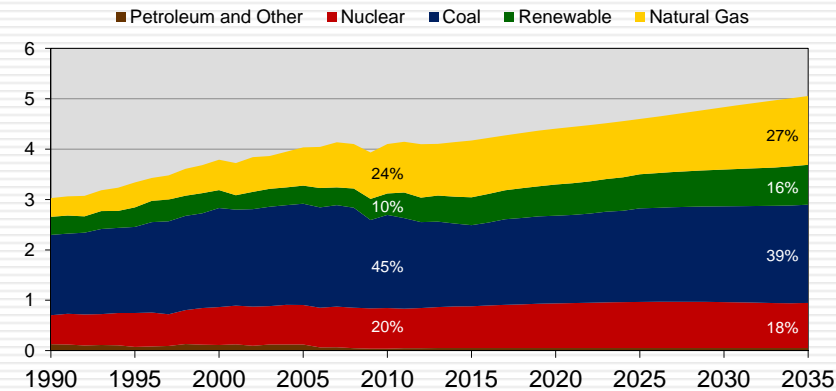
- Natural gas prices expected to remain low with new extraction technology

- First quarter utility volume trending down 25-30%

— Despite coal headwind, expect record first quarter results

## Long-term, coal still integral to electricity production

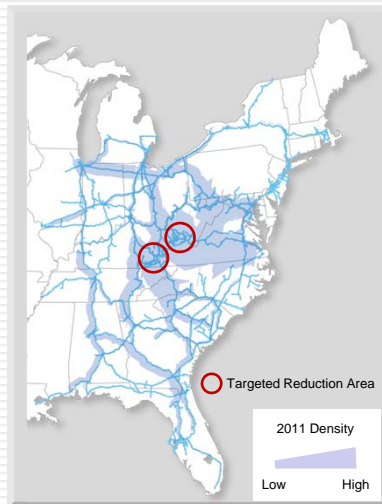
### U.S. Electricity Generation KWH's in Trillions



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## Near-term, CSX matching resources to demand . . .



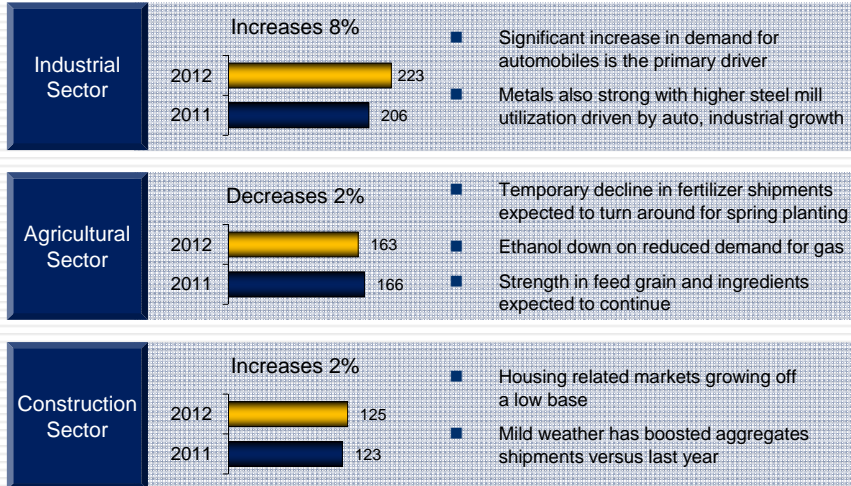
- Near-term utility coal softness enables targeted reductions
- Redeploying locomotives to Merchandise and Intermodal
- Over 280 employees on furlough or furlough retention
- Monitoring resource levels to match volume forecast
  - Flexibility to add or pull back quickly as demand dictates

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How tomorrow moves **CSX**

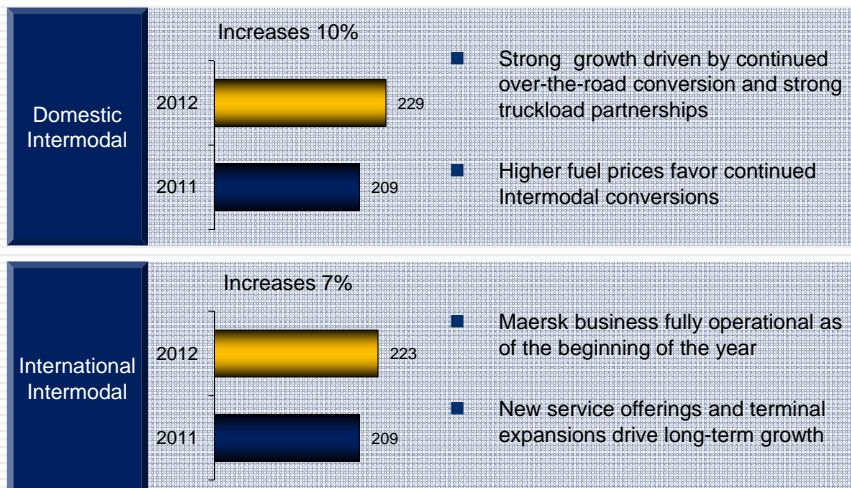


## Merchandise volume growing 3% first quarter-to-date



Note: First quarter-to-date 2012 results are through week 10 ending March 9<sup>th</sup>

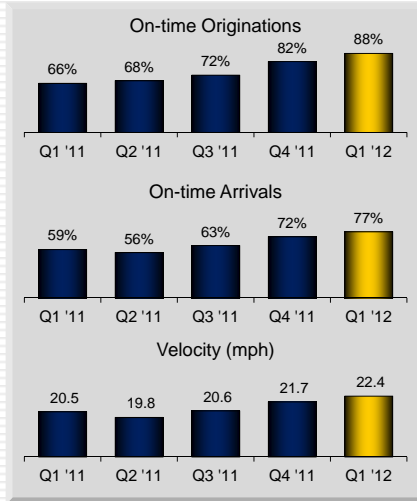
## Intermodal volume growing 8% first quarter-to-date



Note: First quarter-to-date 2012 results are through week 10 ending March 9<sup>th</sup>

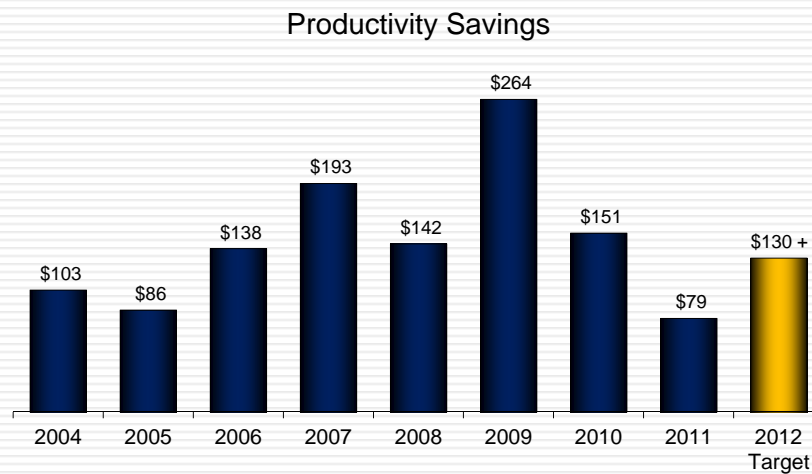


## Strong service supports profitable growth

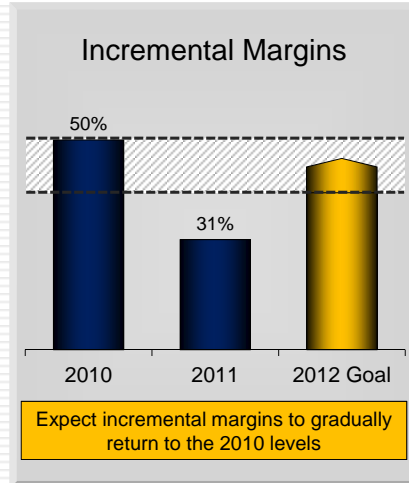


- Coal velocity and productivity improvements drive efficiency
  - *Scaling resources to volume*
- Merchandise velocity up with solid growth
  - *Supports strong carload growth and long-term pricing*
- Intermodal expedited availability above 90%
  - *Broader intermodal service availability in the mid-80's*

## Targeting over \$130 million in productivity in 2012



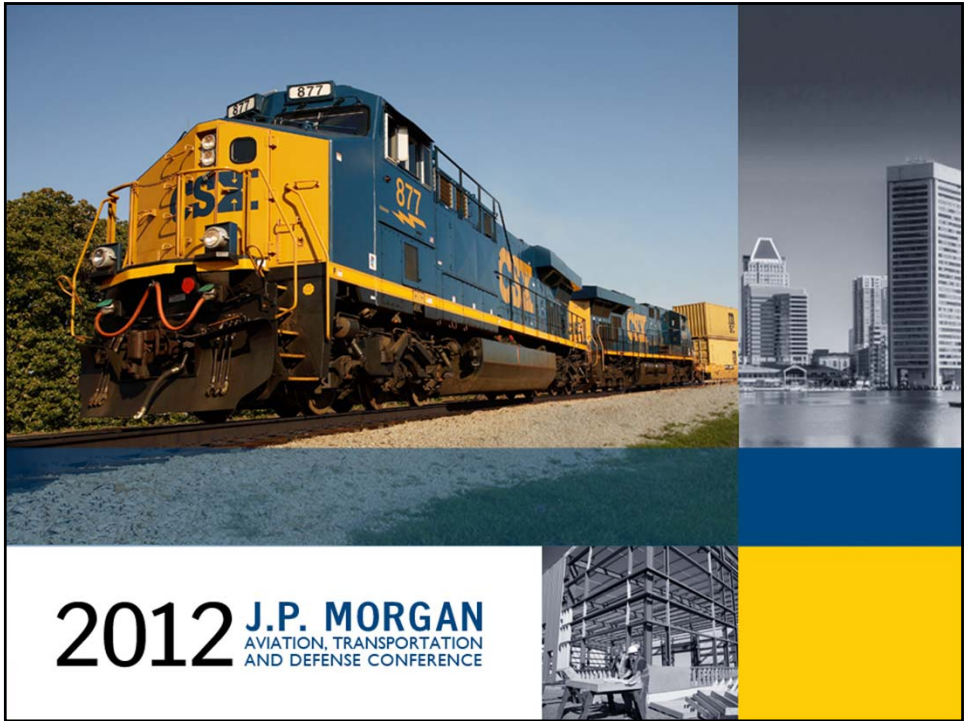
## Strong service is foundation for operating leverage



- Majority of resources already in place to support growth
  - Expect overall growth to exceed the rate of the general economy
- Excess capacity exists in Merchandise and Intermodal
  - 15% – 20% in Intermodal
  - 10% – 15% in Merchandise
- Pricing above rail inflation expected to remain intact
  - Rail inflation is expected to moderate to about 2.5% in 2012

## Wrap-up . . .

- Building on strong foundation of financial strength
  - Expect growth above the general economy despite softness in domestic coal
- Operating leverage driven by strong service product
  - Supports organic growth with existing customers and attracts new customers
- Productivity now expected to exceed \$130 million
  - New initiatives and resource alignment within coal fields keep cost focus strong
- Expect another year of record financial performance
  - On track for achieving a 65% operating ratio by 2015



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*Appendix*

## GAAP Reconciliation Disclosure

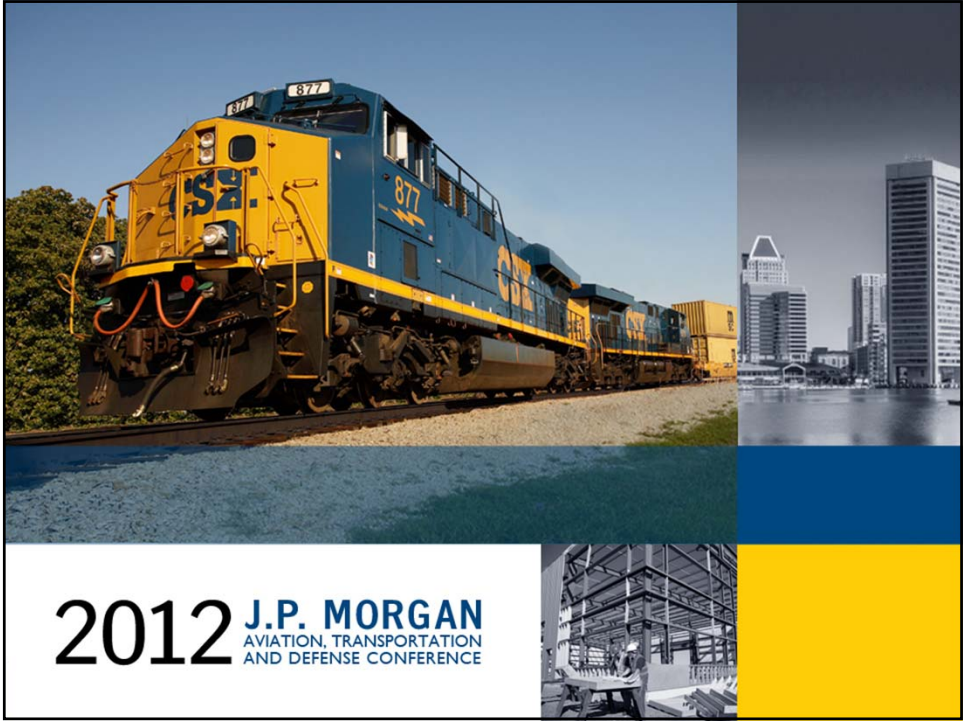
CSX reports its financial results in accordance with generally accepted accounting principles ("GAAP"). However, management believes that certain non-GAAP financial measures used to manage the company's business that fall within the meaning of Regulation G (Disclosure of Non-GAAP Financial Measures) 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	2006	2007	2008	2009	2010	2011
Operating income	\$ 2,137	\$ 2,246	\$ 2,751	\$ 2,270	\$ 3,071	\$ 3,418
Gain on insurance recoveries	(168)	-	-	-	-	-
<b>Comparable operating income</b>	<b>\$ 1,969</b>	<b>\$ 2,246</b>	<b>\$ 2,751</b>	<b>\$ 2,270</b>	<b>\$ 3,071</b>	<b>\$ 3,418</b>
Operating margin	22.3%	22.4%	24.4%	25.1%	28.9%	29.1%
Gain on insurance recoveries	(1.8%)	-	-	-	-	-
<b>Comparable operating margin</b>	<b>20.5%</b>	<b>22.4%</b>	<b>24.4%</b>	<b>25.1%</b>	<b>28.9%</b>	<b>29.1%</b>
EPS from continuing operations	\$ 0.94	\$ 0.91	\$ 1.21	\$ 0.95	\$ 1.35	\$ 1.67
Gain on insurance recoveries	(0.07)	-	-	-	-	-
Income tax benefits	(0.11)	-	-	-	-	-
Gain on Conrail property after-tax	(0.02)	-	-	-	-	-
<b>Comparable EPS from continuing operations</b>	<b>\$ 0.74</b>	<b>\$ 0.91</b>	<b>\$ 1.21</b>	<b>\$ 0.95</b>	<b>\$ 1.35</b>	<b>\$ 1.67</b>



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