



# 2010 STIFEL NICOLAUS

TRANSPORTATION & LOGISTICS 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, 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 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 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 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; (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 (vi) the inherent uncertainty associated with projecting full year 2010 economic and business conditions at an early point in the year and in the economic recovery.

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).

# The year 2009 in review . . .

## Challenges abound . . .

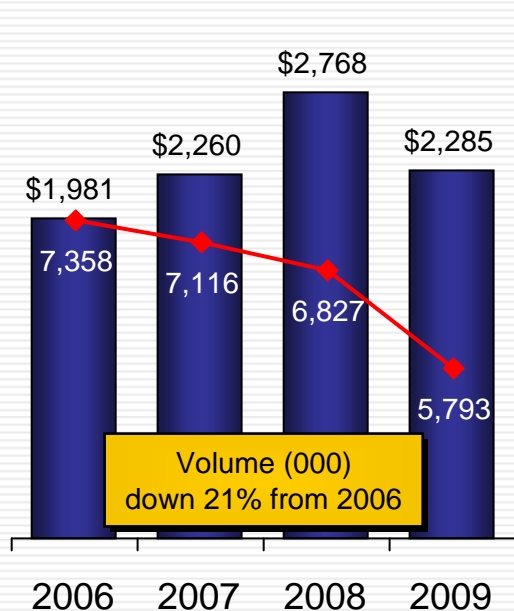
- Worst industrial economy in past half century
  - *Industrial production down 10%*
- Double-digit volume declines across the industry
  - *CSX volume down 15%*
- Broad regulatory pressures across the spectrum
  - *From PTC to re-regulation*

## . . . and CSX responded

- Maintained strong core pricing discipline
  - *Same store sales prices up 6%*
- Produced strong safety and service performance
  - *Record or near-record levels*
- Drove strong productivity and cost efficiency
  - *In-line with volume losses*

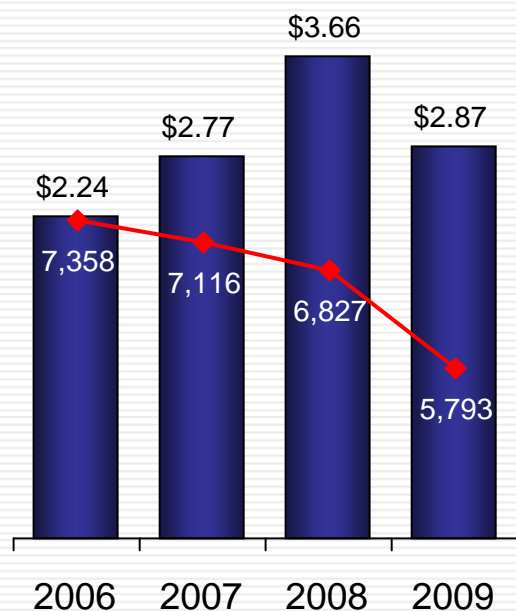
# Strong response produced strong financial results

## Operating Income in Millions



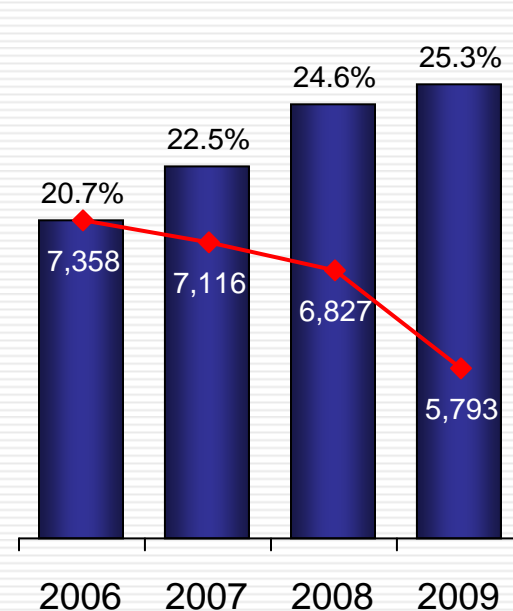
Operating income up  
15% from 2006

## Continuing Earnings Per Share



Continuing EPS up  
28% from 2006

## Operating Margin

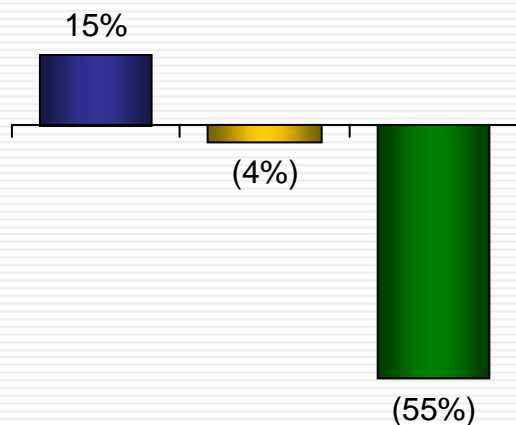


Operating margin up  
460 bps from 2006

Note: All results stated on comparable basis; see GAAP Reconciliation

# *CSX ranks among the leaders within the S&P 500*

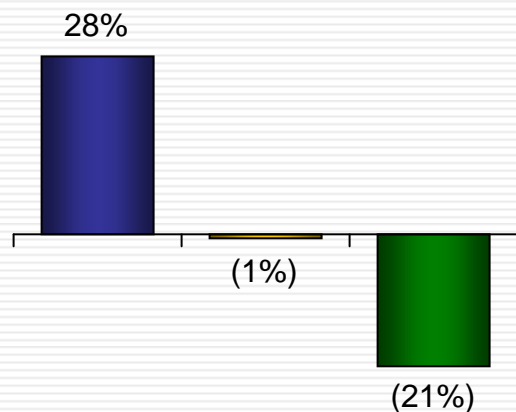
Operating  
Income Growth  
2006-2009



CSX      S&P      S&P 500  
             Rails

CSX ranks among top  
40% of S&P companies

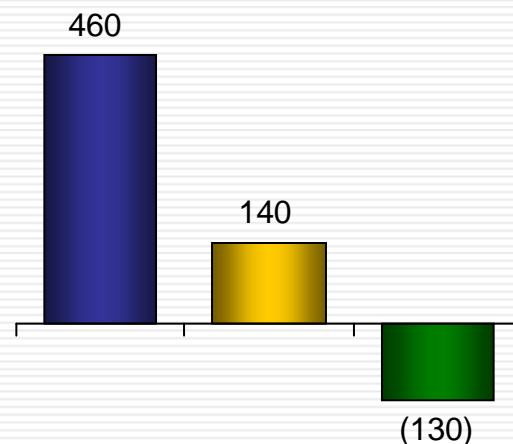
Continuing  
EPS Growth  
2006-2009



CSX      S&P      S&P 500  
             Rails

CSX ranks among top  
27% of S&P companies

Operating Margin  
Improvement (bps)  
2006-2009



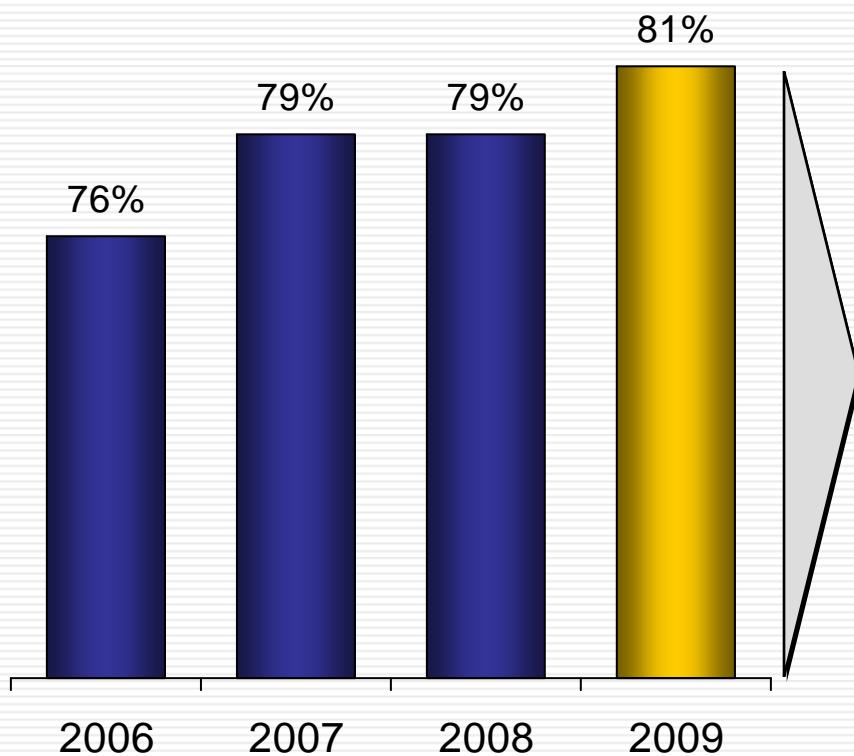
CSX      S&P      S&P 500  
             Rails

CSX ranks among top  
11% of S&P companies

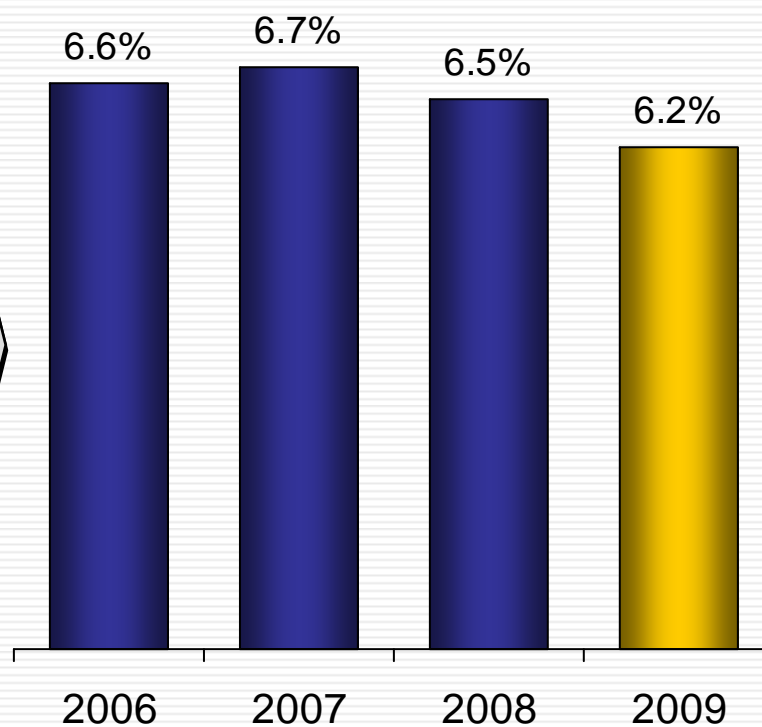


# *Strong service and value of rail drives pricing gains*

On-Time Originations

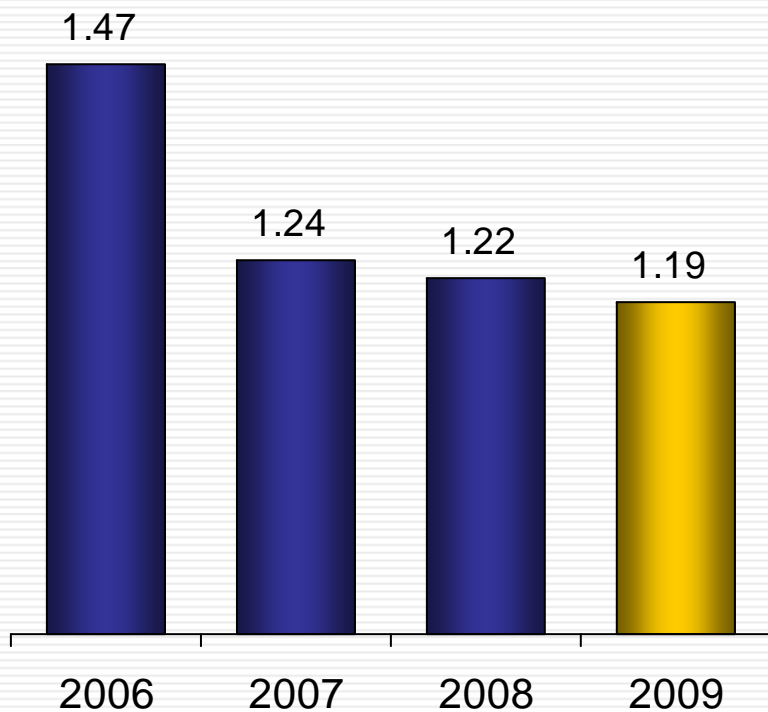


Same Store Sales  
Price Increase

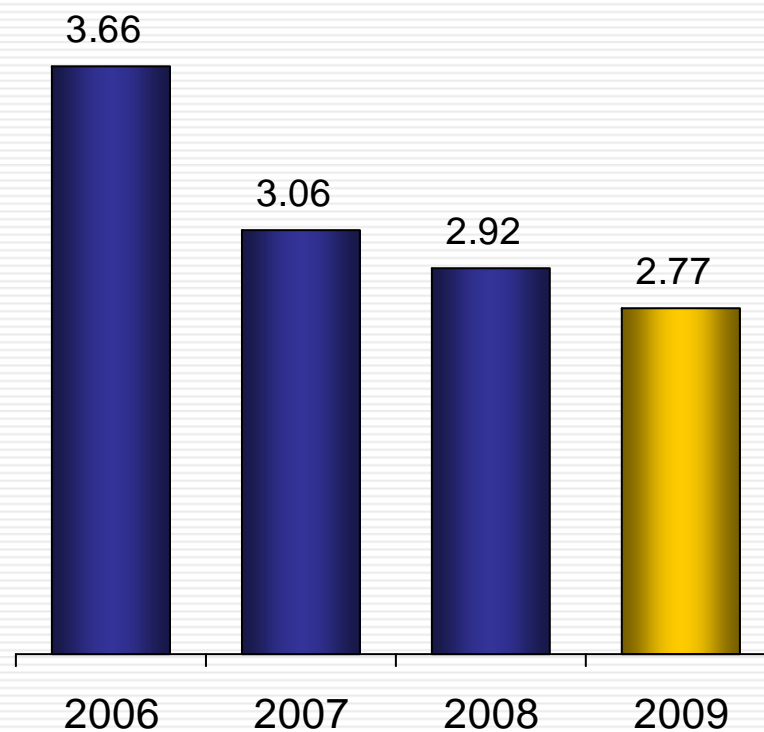


# *Helping to lead one of the Nation's safest industries*

FRA Personal Injury Rate



FRA Train Accident Rate



# *Productivity and rightsizing drive costs lower*

## Full-year Cost Structure in Millions

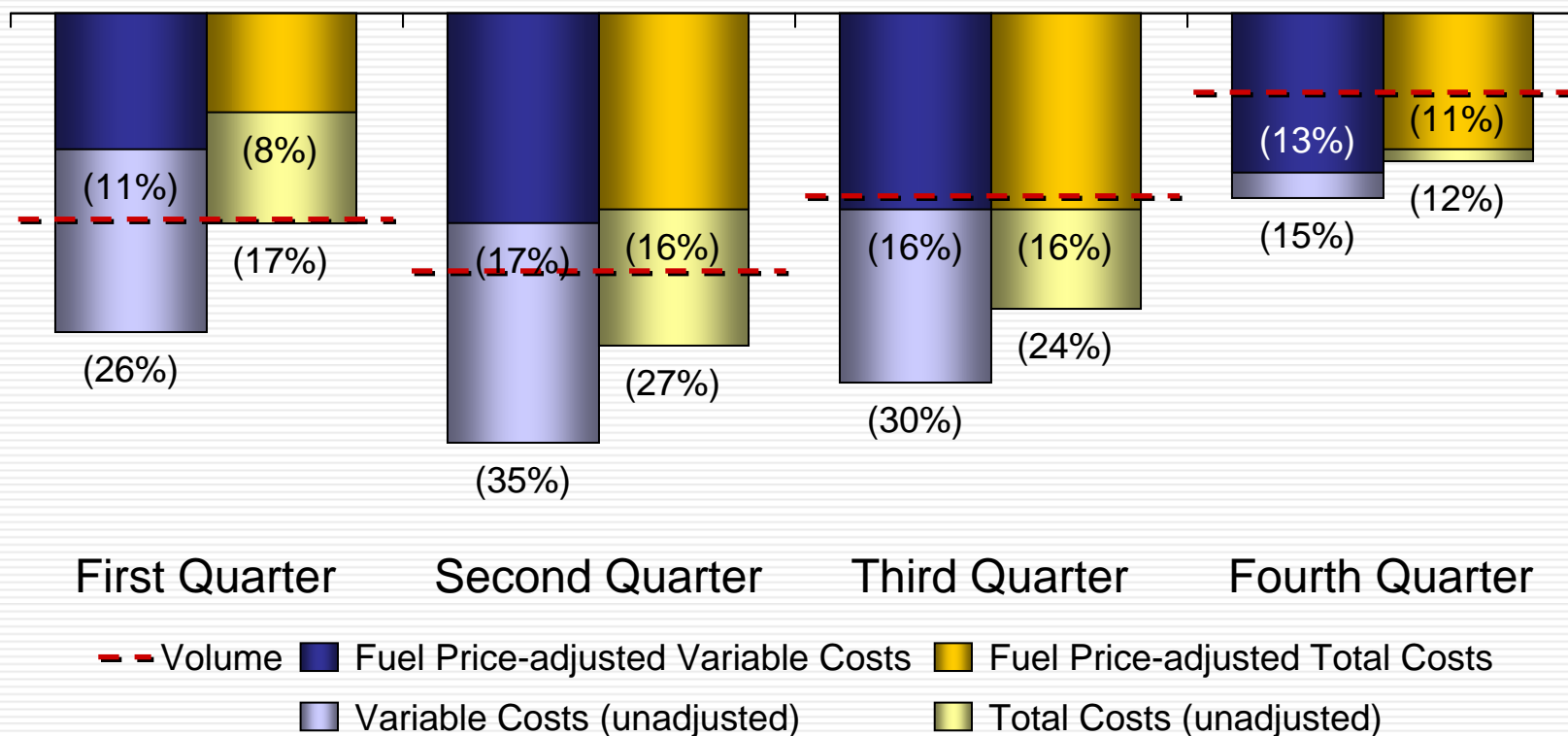
		2009	2008	% Change
Volume		5,793	6,827	(15%)
Short-term Variable Costs	■ Fuel			
	■ Car Hire			
	■ Unit Train Crews	\$ 1,766	\$ 2,774	(36%)
	■ Third Party Services			
Long-term Variable Costs	■ Terminal Operations			
	■ Scheduled Network Crews			
	■ Yard and Local Crews	1,891	2,224	(15%)
	■ Locomotives and Freight Cars			
Fixed and Indirect Costs	■ Depreciation			
	■ Track Maintenance			
	■ Pension and Property Taxes	3,099	3,489	(11%)
	■ General and Administrative			
	■ Technology and Other			
Total Operating Expenses		\$ 6,756	\$ 8,487	(20%)

Note: Normalizing for the fuel price impact, total operating expenses declined 13%



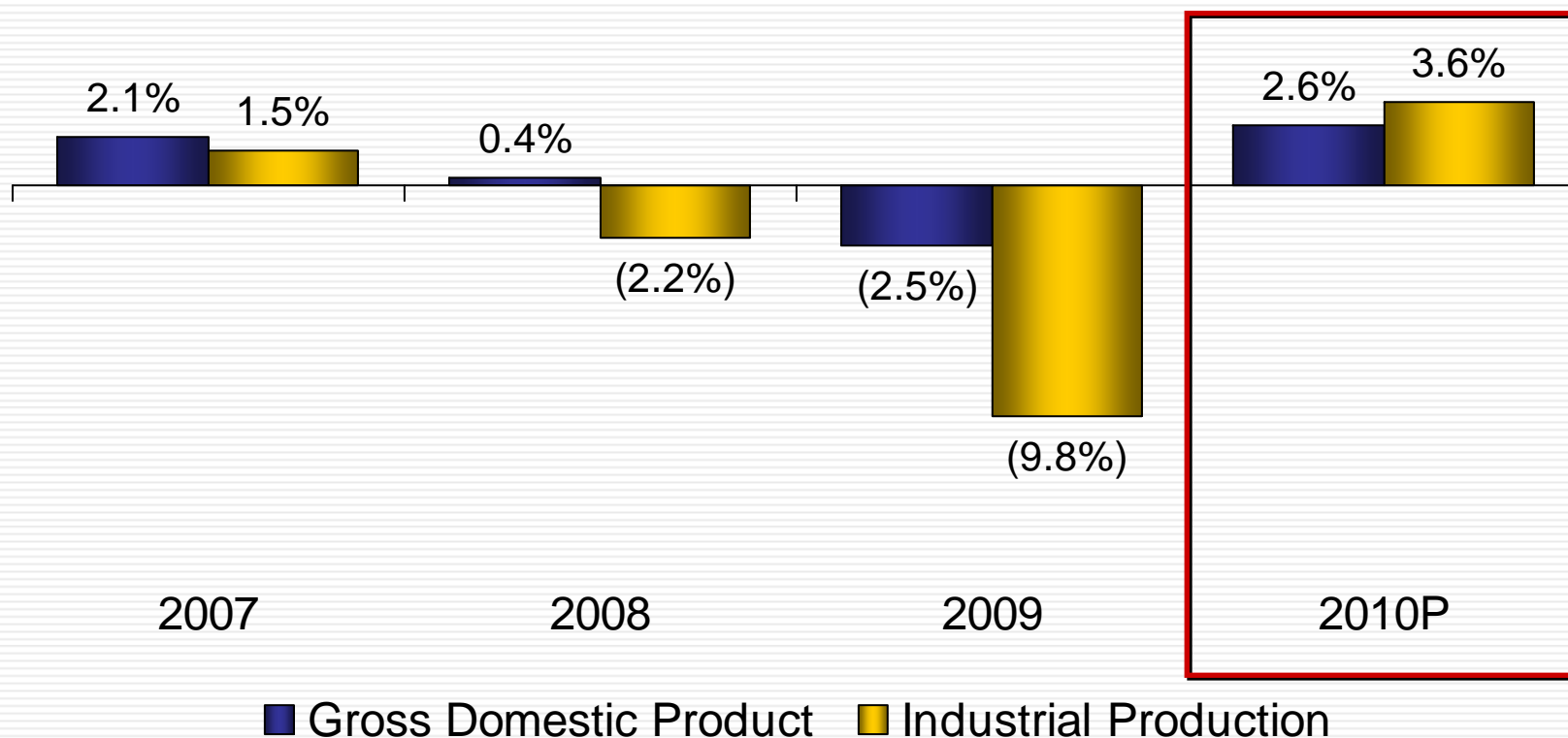
# *Results in-line with volume by Q3 and better by Q4*

## 2009 Quarterly Cost Structure Year-Over-Year Change



# *Recovering economy is favorable 2010 backdrop*

## Gross Domestic Product and Industrial Production Year-Over-Year Change



Source: Global Insight

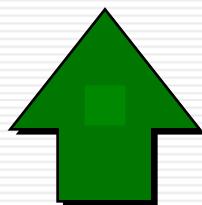
# *Volume growth expected in 2010*

## Economic Outlook



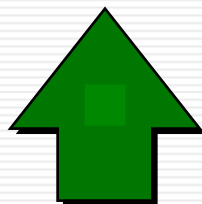
- The U.S. economy is expected to grow at a modest rate of 2.6% off a low base
- Economies for the U.S.'s major trading partners are expected to grow 4.5%, led by China

## Inventory Replenishment



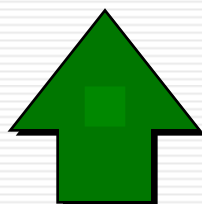
- The inventory cycle remains strong for 2010 and is expected to aid GDP growth
- Business investment has also stabilized and is expected to grow faster than GDP in 2010

## Coal



- Domestic utility stockpiles are expected to remain a headwind through the first half
- Improving Asian/European markets, especially China, are driving demand for U.S. coal

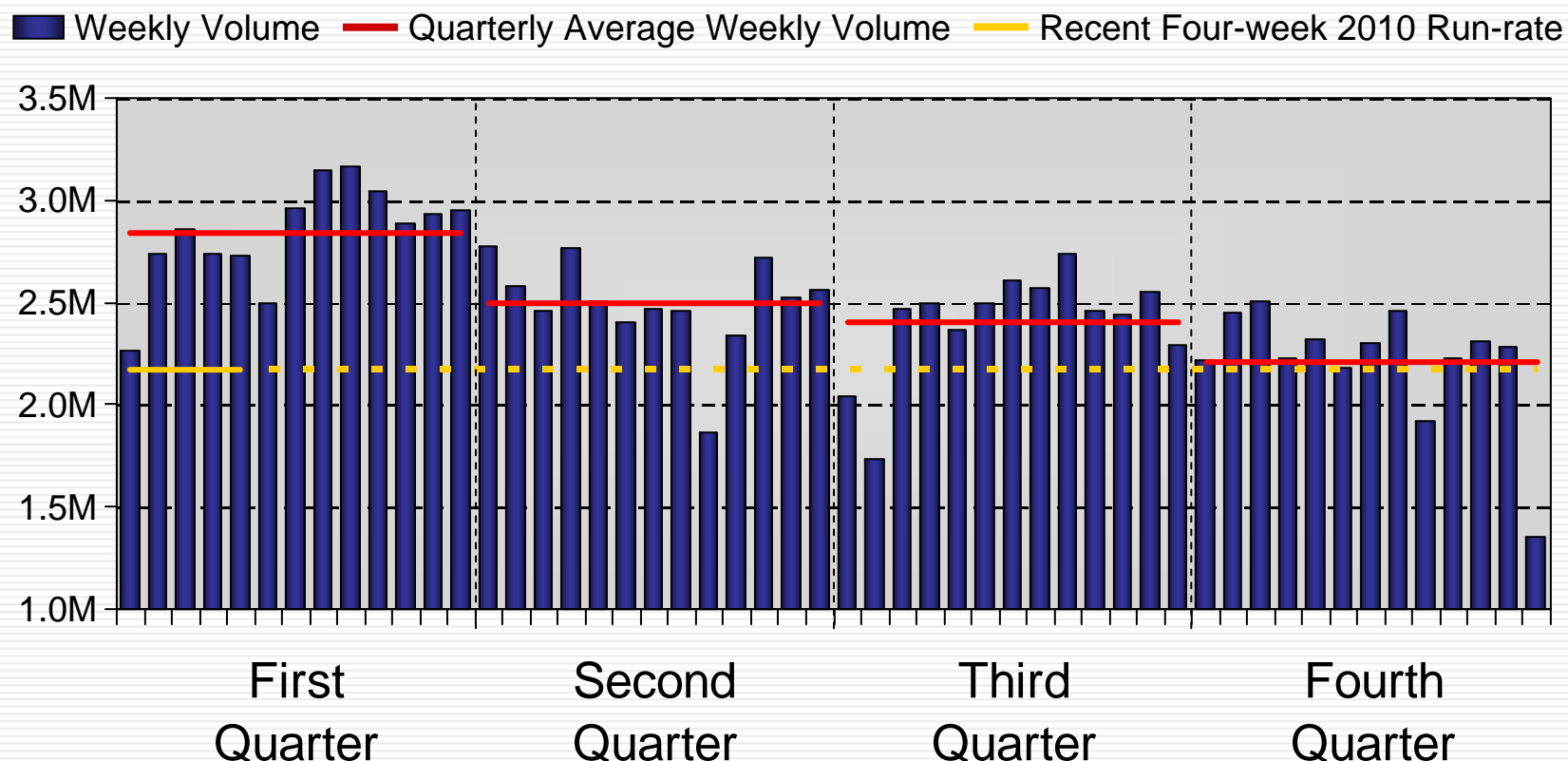
## Overall Volume



- Volume growth driven by an improving industrial economy, inventory replenishment and exports

# *Second half utility coal volumes are less challenged*

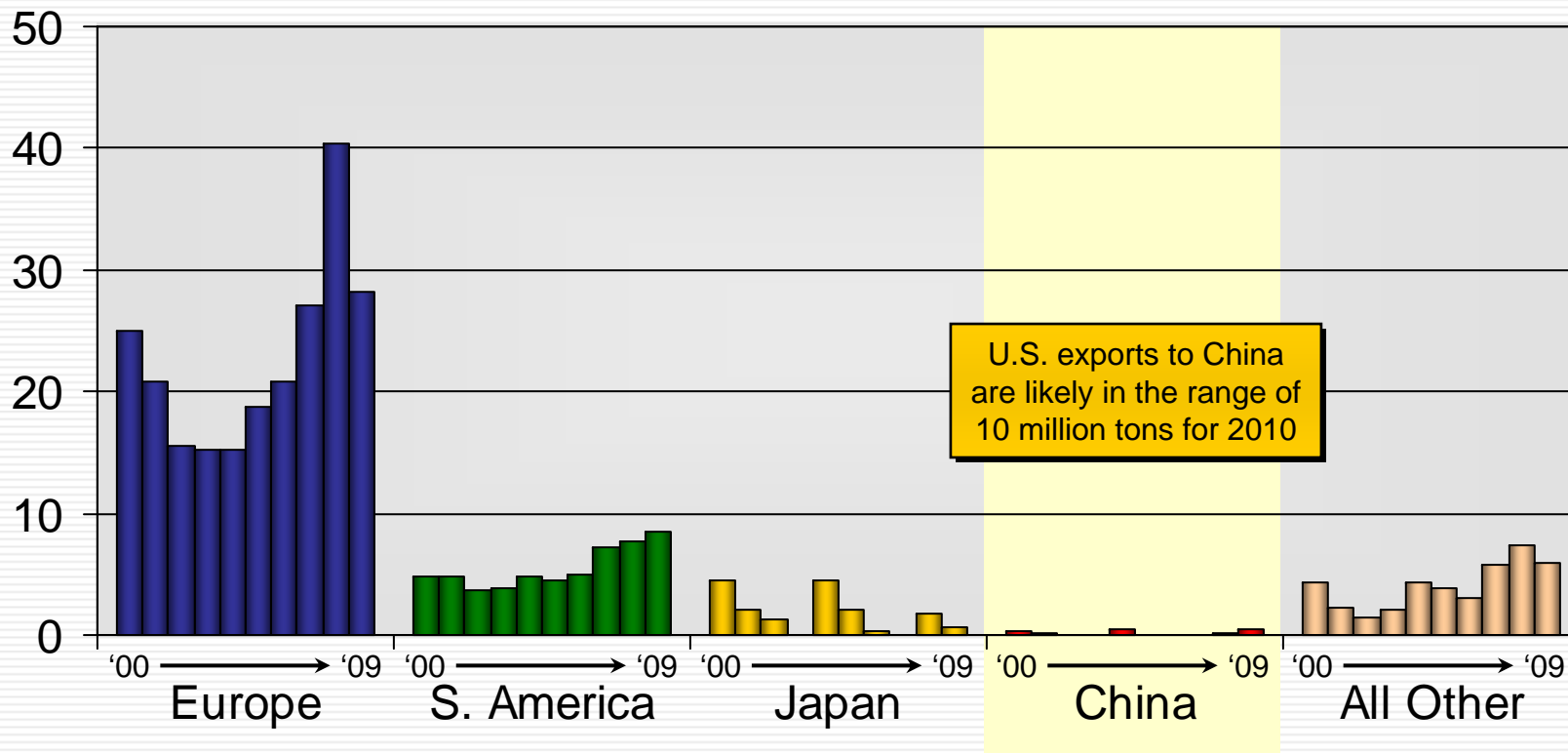
## Weekly 2009 Utility Coal Shipments



Note: The recent run-rate for 2010 has been extrapolated for illustrative purposes and is not a forecast for 2010 volumes

# *Historically, U.S. coal exports to China were minimal*

## Total U.S. Seaborne Coal Exports Tons in Millions

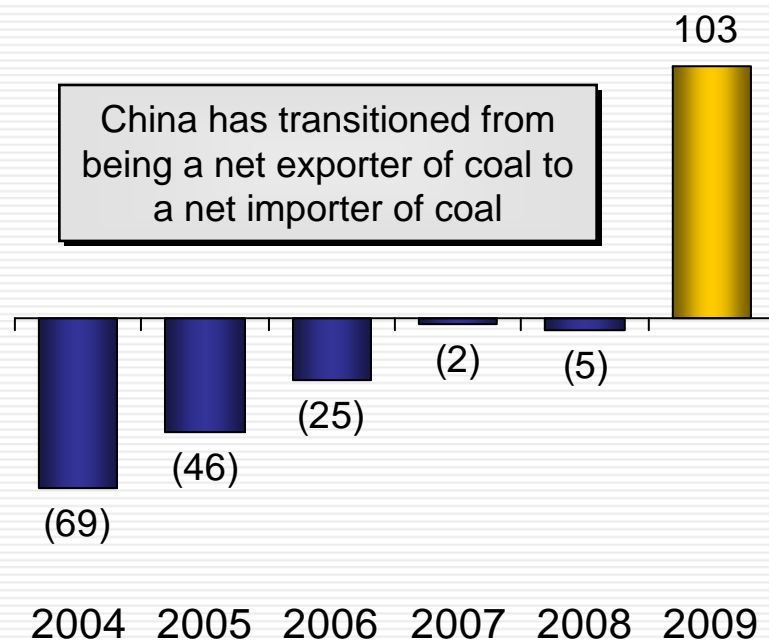


Source: Energy Information Administration; 2009 data is based on year-to-date figures through third quarter annualized

# Change in China coal demand creates opportunity

## China Coal Trade Tons in Millions

■ Net Exports ■ Net Imports



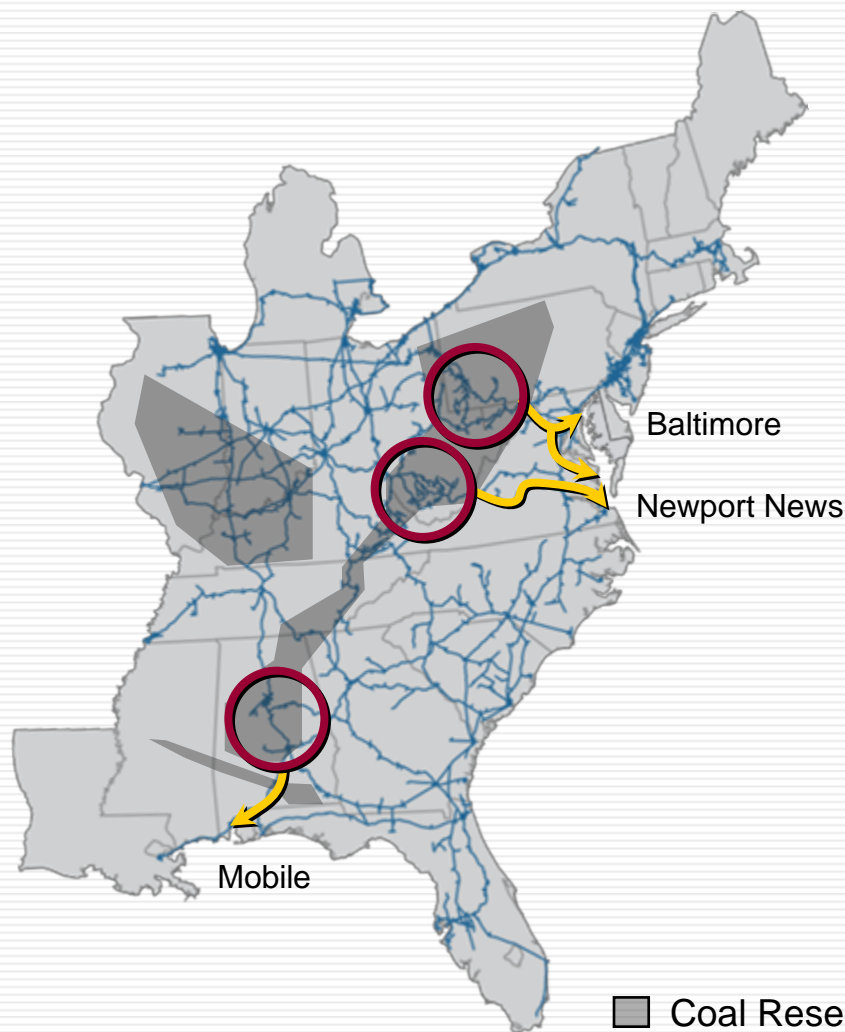
## Top Coal-exporting Countries

Tons in Millions	2007	2008	2009
Australia	278	288	275
Indonesia	221	226	223
South America	80	83	86
South Africa	75	70	69
United States	59	82	61
All Other	206	188	169
Total	919	937	883

Sources: Energy Information Administration and China's General Administration of Customs



# CSX's 2010 export coal could approach 30M tons

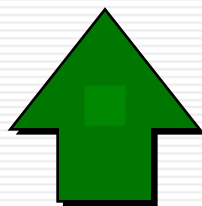


## Volume Estimates through CSX-served Ports

- Newport News — 17 million tons
  - Source: Central Appalachia
  - Northern Appalachia
- Baltimore — 7 million tons
  - Source: Northern Appalachia
- Mobile — 5 million tons
  - Source: Southern Appalachia

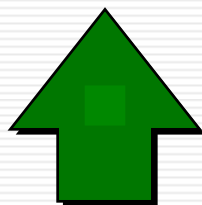
# *Revenue growth expected in 2010*

Volume



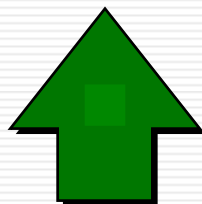
- Growth in Automotive, Merchandise, Intermodal and Coal markets expected
- Domestic coal impacted through first half by high stockpiles; export coal will drive overall growth

Same Store  
Sales Pricing



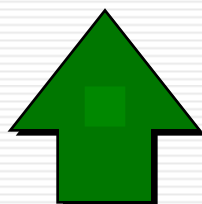
- Core pricing expected to remain above inflation on strong service and value of rail transportation
- Core pricing gains are expected in Merchandise, Intermodal, Automotive and Coal markets

Fuel  
Surcharge



- Forward curve for fuel prices reflects a more stable environment for 2010
- Lag impact of fuel surcharge program is not expected to be significant year-over-year

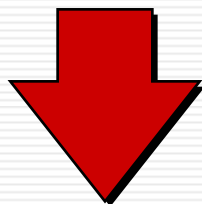
Overall  
Revenue



- Strong revenue growth driven by volume growth, improving yields and stable fuel prices

# Margin expansion expected in 2010

Inflation



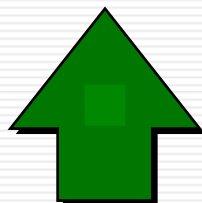
- Labor and fringe inflation is expected to reach \$160 million in 2010
- Higher union wages, management salaries and health care costs drive inflationary pressures

Mix Impact



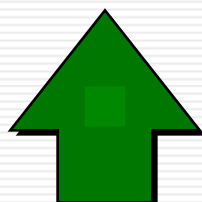
- Stronger growth in lower margin businesses, Intermodal and Automotive, is expected in 2010
- Mix impact is expected to be minor, with volume growth now expected across all markets

Operating Leverage



- Scheduled train network continues to have excess capacity to handle additional volume
- Broader efficiency driven by resources being added on a less than 1-for-1 basis with volume

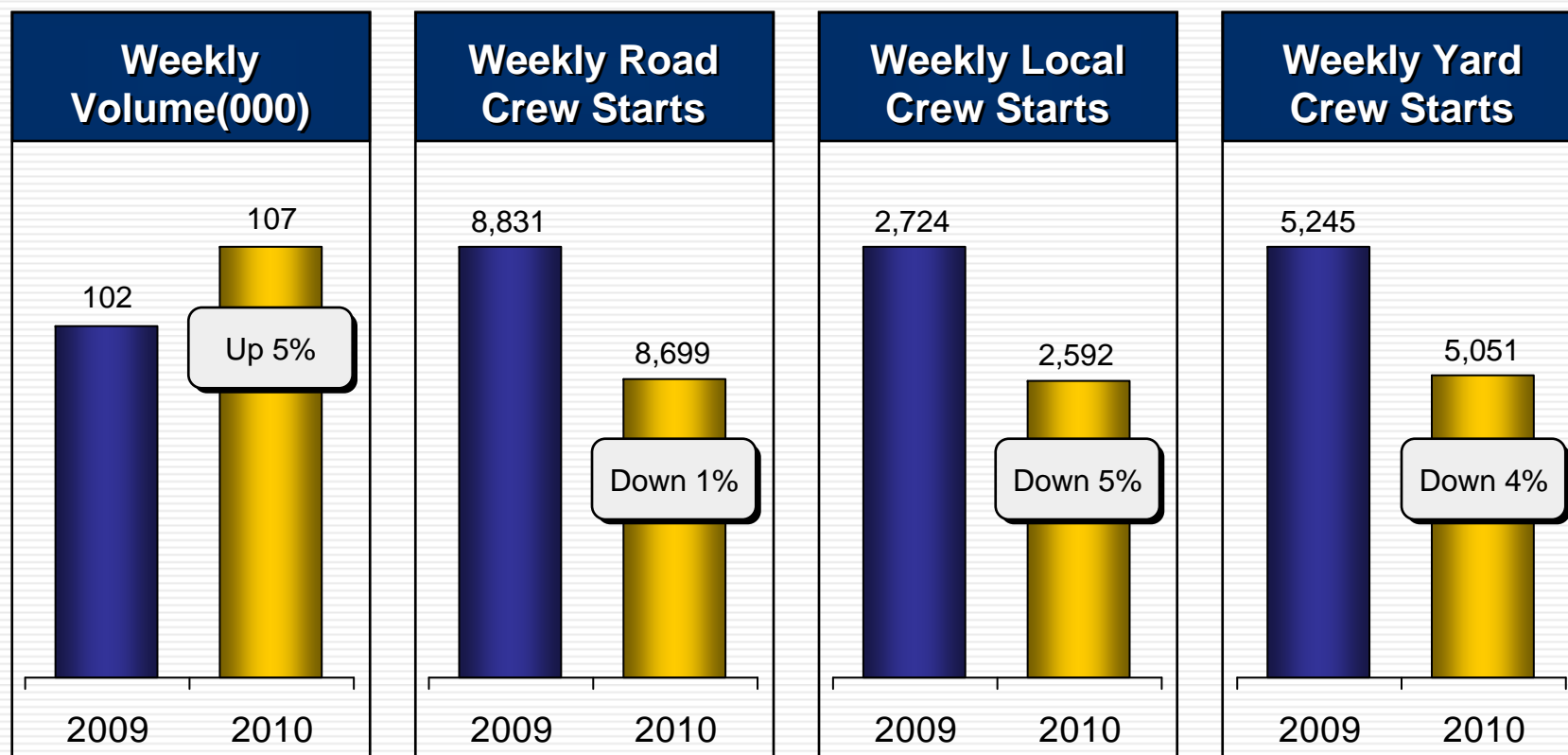
Overall Operating Margin



- Strong margin improvement, driven by operating leverage that more than offsets inflation and mix

# *Operating leverage will drive margin expansion*

Volume is up 5% year-to-date, with crew starts down . . .



Note: Reflects the average weekly data for the first five weeks for 2009 and 2010

# *CSX is well prepared as volume continues to build*

## Resources Available

T&E Employees furloughed 1,760  
*Percent of total* 17%

Locomotives stored 485  
*Percent of total* 12%

Freight cars stored 19,086  
*Percent of total* 24%

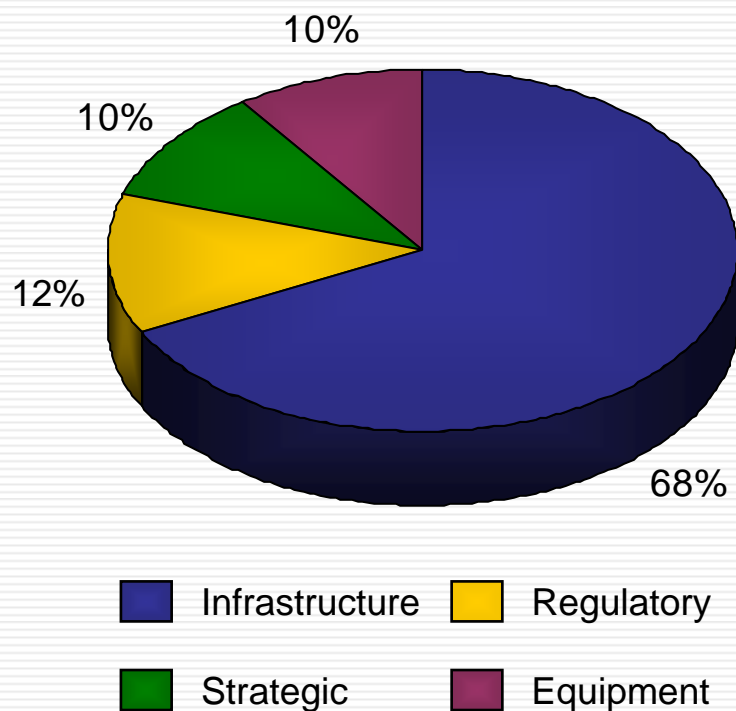
Note: Data as of January 31, 2010

- Furloughed employees
  - *Generally available within a few weeks*
- Newly-hired employees
  - *Training of new employees takes four to six months*
- Stored rolling stock
  - *Locomotives and cars can be brought online within a week*

As volume builds, resources will return less than 1-for-1

# Capital investment remains strong in 2010

## 2010 Capital Spending Plan \$1.7 Billion



- Nearly 70% targeted for infrastructure investment
  - Strategic capital largely driven by National Gateway
  - Equipment capital maintains capacity and gains efficiency
  - Regulatory totals \$200 million with PTC at \$170 million
- *Total PTC expected to exceed \$750 million through 2015*



## Wrap up . . .

- The economic environment continues to improve
  - *Macro and industrial economy expected to grow 2.6% and 3.6% respectively*
- CSX is emerging as a stronger company
  - *Delivered record operating margins despite 15% volume decline in 2009*
- Double-digit earnings growth expected for 2010
  - *Driven by volume growth, price increases and operating leverage*

Relentless pursuit of excellence



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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	Full-year Results			
	2006	2007	2008	2009
Operating Income	\$ 2,149	\$ 2,260	\$ 2,768	\$ 2,285
Gain on Insurance Recoveries	(168)	-	-	-
Comparable Operating Income	\$ 1,981	\$ 2,260	\$ 2,768	\$ 2,285
Operating Margin	22.5%	22.5%	24.6%	25.3%
Gain on Insurance Recoveries	1.8%	-	-	-
Comparable Operating Margin	20.7%	22.5%	24.6%	25.3%
EPS from Continuing Operations	\$ 2.84	\$ 2.77	\$ 3.66	\$ 2.87
Gain on Insurance Recoveries	(0.22)	-	-	-
Income Tax Benefits	(0.32)	-	-	-
Gain on Conrail Property After-tax	(0.06)	-	-	-
Comparable EPS from Continuing Operations	\$ 2.24	\$ 2.77	\$ 3.66	\$ 2.87





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