CSX CORP (CSX)

10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 04/19/2012
Filed Period 03/30/2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 30, 2012

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number 1-8022

CSX CORPORATION

(Exact name of registrant as specified in its charter)

Virginia		**62-1051971**
(State or other jurisdiction of incorporation or organization)		*(I.R.S. Employer Identification No.)*
500 Water Street, 15th Floor, Jacksonville, FL	**32202**	**(904) 359-3200**
(Address of principal executive offices)	*(Zip Code)*	*(Telephone number, including area code)*

No Change
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes (X) No ( )

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes (X) No ( )

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer", "accelerated filer” and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one)

Large Accelerated Filer (X) Accelerated Filer ( )
Non-accelerated Filer ( ) Smaller Reporting Company ( )

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ( ) No (X)

There were 1,039,158,062 shares of common stock outstanding on March 30, 2012 (the latest prac ticable date that is closest to the filing date).

CSX CORPORATION
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FOR THE QUARTERLY PERIOD ENDED MARCH 30, 2012
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CSX CORPORATION

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS *(Unaudited)*

(Dollars in millions, except per share amounts)

	First Quarters	
	2012	2011
Revenue	**$ 2,966**	$ 2,810
Expense		
Labor and Fringe	**770**	765
Materials, Supplies and Other	**542**	530
Fuel	**444**	402
Depreciation	**257**	243
Equipment and Other Rents	**97**	97
Total Expense	**2,110**	2,037
Operating Income	**856**	773
Interest Expense	**(144)**	(140)
Other Income - Net (Note 8)	**4**	5
Earnings Before Income Taxes	**716**	638
Income Tax Expense	**(267)**	(243)
Net Earnings	**$ 449**	$ 395
Per Common Share (Note 2)		
Net Earnings Per Share, Basic	**$ 0.43**	$ 0.36
Net Earnings Per Share, Assuming Dilution	**$ 0.43**	$ 0.35
Average Shares Outstanding *(In millions)*	**1,047**	1,108
Average Shares Outstanding, Assuming Dilution *(In millions)*	**1,049**	1,115
Cash Dividends Paid Per Common Share	**$ 0.12**	$ 0.09

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

Total Comprehensive Earnings (Note 1)	**$ 458**	$ 406

See accompanying notes to consolidated financial statements.

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CSX CORPORATION
ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(Dollars in millions, except per share amounts)

	(Unaudited) March 30, 2012	December 30, 2011
ASSETS		
Current Assets		
Cash and Cash Equivalents	**$ 627**	$ 783
Short-term Investments	**139**	523
Accounts Receivable - Net (Note 1)	**1,161**	1,129
Materials and Supplies	**251**	240
Deferred Income Taxes	**178**	182
Other Current Assets	**112**	78
Total Current Assets	**2,468**	2,935
Properties	**34,002**	33,704
Accumulated Depreciation	**(8,861)**	(8,730)
Properties - Net	**25,141**	24,974
Investment in Conrail	**683**	678
Affiliates and Other Companies	**495**	493
Other Long-term Assets	**399**	393
Total Assets	**$ 29,186**	$ 29,473
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	**$ 1,205**	$ 1,147
Labor and Fringe Benefits Payable	**392**	541
Casualty, Environmental and Other Reserves (Note 4)	**168**	167
Current Maturities of Long-term Debt (Note 7)	**502**	507
Income and Other Taxes Payable	**134**	129
Other Current Liabilities	**192**	196
Total Current Liabilities	**2,593**	2,687
Casualty, Environmental and Other Reserves (Note 4)	**337**	352
Long-term Debt (Note 7)	**8,623**	8,734
Deferred Income Taxes	**7,799**	7,601
Other Long-term Liabilities	**1,330**	1,631
Total Liabilities	**20,682**	21,005
Common Stock $1 Par Value	**1,039**	1,049
Other Capital	**5**	6
Retained Earnings	**8,313**	8,275
Accumulated Other Comprehensive Loss (Note 1)	**(866)**	(875)
Noncontrolling Interest	**13**	13
Total Shareholders' Equity	**8,504**	8,468
Total Liabilities and Shareholders' Equity	**$ 29,186**	$ 29,473

Certain prior year data has been reclassified to conform to the current presentation.

See accompanying notes to consolidated financial statements.

CSX CORPORATION
ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENTS *(Unaudited)*

(Dollars in millions)

	First Quarters	
	2012	2011
OPERATING ACTIVITIES		
Net Earnings	**$ 449**	$ 395
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:		
Depreciation	**257**	243
Deferred Income Taxes	**195**	137
Other Operating Activities	**(56)**	(1)
Changes in Operating Assets and Liabilities:		
Contributions to Qualified Pension Plans	**(275)**	—
Accounts Receivable	**(22)**	(86)
Other Current Assets	**(52)**	(35)
Accounts Payable	**69**	(17)
Income and Other Taxes Payable	**30**	40
Other Current Liabilities	**(151)**	(181)
Net Cash Provided by Operating Activities	**444**	495
INVESTING ACTIVITIES		
Property Additions	**(469)**	(379)
Purchase of Short-term Investments	**(53)**	(8)
Proceeds from Sales of Short-term Investments	**437**	20
Other Investing Activities	**8**	2
Net Cash Used in Investing Activities	**(77)**	(365)
FINANCING ACTIVITIES		
Long-term Debt Issued (Note 7)	**300**	—
Long-term Debt Repaid (Note 7)	**(413)**	(524)
Dividends Paid	**(125)**	(96)
Stock Options Exercised (Note 3)	**8**	19
Shares Repurchased	**(300)**	(300)
Other Financing Activities	**7**	13
Net Cash Used in Financing Activities	**(523)**	(888)
Net Decrease in Cash and Cash Equivalents	**(156)**	(758)
CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents at Beginning of Period	**783**	1,292
Cash and Cash Equivalents at End of Period	**$ 627**	$ 534

Certain amounts have been reclassified to conform to the current year presentation.

See accompanying notes to consolidated financial statements.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. Nature of Operations and Significant Accounting Policies

Background

CSX Corporation ("CSX"), and together with its subsidiaries (the "Company"), based in Jacksonville, Florida, is one of the nation's leading transportation companies. The Company provides rail-based transportation services including traditional rail service and the transport of intermodal containers and trailers.

CSX's principal operating subsidiary, CSX Transportation, Inc. ("CSXT"), provides an important link to the transportation supply chain through its approximately 21,000 route mile rail network, which serves major population centers in 23 states east of the Mississippi River, the District of Columbia and the Canadian provinces of Ontario and Quebec. The Company's intermodal business, also part of CSXT, links customers to railroads via trucks and terminals.

Other entities

In addition to CSXT, the Company's subsidiaries include CSX Intermodal Terminals, Inc. ("CSX Intermodal Terminals"), Total Distribution Services, Inc. ("TDSI"), Transflo Terminal Services, Inc. ("Transflo"), CSX Technology, Inc. ("CSX Technology") and other subsidiaries. CSX Intermodal Terminals owns and operates a system of intermodal terminals, predominantly in the eastern United States and also performs drayage services (the pickup and delivery of intermodal shipments) for certain CSXT customers and trucking dispatch operations. TDSI serves the automotive industry with distribution centers and storage locations. Transflo connects non-rail served customers to the many benefits of rail by transferring products from rail to trucks. Today, the biggest Transflo markets are chemicals and agriculture, such as minerals and ethanol. CSX Technology and other subsidiaries provide support services for the Company.

CSX's other holdings include CSX Real Property, Inc., a subsidiary responsible for the Company's real estate sales, leasing, acquisition and management and development activities. These activities are classified in other income - net because they are not considered to be operating activities by the Company. Results of these activities fluctuate with the timing of non-operating real estate transactions.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all normal, recurring adjustments necessary to fairly present the following:

- Consolidated income statements for the quarters ended March 30, 2012 and April 1, 2011;
- Consolidated balance sheets at March 30, 2012 and December 30, 2011 ; and
- Consolidated cash flow statements for the quarters ended March 30, 2012 and April 1, 2011.

Pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), certain information and disclosures normally included in the notes to the annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been omitted from these interim financial statements. CSX suggests that these financial statements be read in conjunction with the audited financial statements and the notes included in CSX's most recent annual report on Form 10-K and any current reports on Form 8-K.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. Nature of Operations and Significant Accounting Policies, *continued*

Fiscal Year

CSX follows a 52 /53 week fiscal reporting calendar with the last day of each reporting period ending on a Friday:

- The first fiscal quarters of 2012 and 2011 consisted of 13 weeks ending on March 30, 2012 and April 1, 2011, respectively.
- Fiscal year 2012 and 2011 will each consist of 52 weeks ending on December 28, 2012 and December 30, 2011, respectively.

Except as otherwise specified, references to “first quarter(s)” or “three months” indicate CSX's fiscal periods ending March 30, 2012 and April 1, 2011 , and references to year-end indicate the fiscal year ended December 30, 2011 .

Comprehensive Earnings

CSX reports comprehensive earnings or loss in accordance with the *Comprehensive Income Topic* in the Accounting Standards Codification (“ASC”). Total comprehensive earnings are defined as all changes in shareholders' equity during a period, other than those resulting from investments by and distributions to shareholders (e.g., issuance of equity securities and dividends). Generally, for CSX, total comprehensive earnings equals net earnings plus or minus adjustments for pension and other post-retirement liabilities. Total comprehensive earnings represent the activity for a period net of tax and were $458 million and $406 million for first quarters 2012 and 2011 , respectively.

While total comprehensive earnings is the activity in a period and is largely driven by net earnings in that period, accumulated other comprehensive income or loss (“AOCI”) represents the cumulative balance of other comprehensive income or loss, net of tax, as of the balance sheet date. For CSX, AOCI is primarily the cumulative balance related to pension and other post-retirement adjustments and reduced overall equity by $866 million and $875 million as of the end of first quarter 2012 and December 2011, respectively.

See the New Accounting Pronouncements section below for information related to the change in presentation requirements.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts on uncollectible amounts related to freight receivables, government reimbursement receivables, claims for damages and other various receivables. The allowance is based upon the credit worthiness of customers, historical experience, the age of the receivable and current market and economic conditions. Uncollectible amounts are charged against the allowance account. Allowance for doubtful accounts of $42 million and $43 million is included in the consolidated balance sheets as of the end of first quarter 2012 and December 2011 , respectively.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. Nature of Operations and Significant Accounting Policies, *continued*

New Accounting Pronouncements

In 2011, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update to the *Comprehensive Income Topic* in the ASC aimed at increasing the prominence of items reported in other comprehensive income in the financial statements. This update requires companies to present comprehensive income in a single statement below net income or in a separate statement of comprehensive income immediately following the income statement. This requirement became effective for CSX beginning with the first quarter 2012 10-Q filing. This update will require retrospective application for all periods presented.

Other Items

Share Repurchases

In first quarter 2012, CSX repurchased $300 million in shares. In accordance with the *Equity Topic* in the ASC, the excess of repurchase price over par value is recorded in retained earnings. Generally, retained earnings is only impacted by net earnings and dividends.

Amortization of Gain from Property Disposition

In November 2011, the Company sold approximately 61 miles of operating rail corridor to the Florida Department of Transportation. As part of the transaction, the Company received $173 million in proceeds and will receive up to $259 million in government grants for a total of $432 million. This agreement also obligated the Company to invest a total of $500 million in routine capital expenditures and maintenance related to transportation capacity, facilities or equipment in Florida, including diversion and relocation costs related to this transaction within the eight year period following the transaction.

In accordance with the *Real Estate Sales Topic* in the ASC, the sale of real estate resulted in a deferred gain of $146 million upon conveyance. The deferred gain is recognized into income ratably as the investment obligation is fulfilled. The Company recognized a gain of $19 million in the first quarter 2012. This gain is included in materials, supplies and other in the consolidated income statements. The deferred gain balance included in the consolidated balance sheets is in the table below.

	Deferred gain as of	
(Dollars in Millions)	**March 2012**	**December 2011**
Current portion, included in Other Current Liabilities	**$ 95**	$ 95
Long term portion, included in Other Long-Term Liabilities	**18**	37
Total	**$ 113**	$ 132

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 2. Earnings Per Share

The following table sets forth the computation of basic earnings per share and earnings per share, assuming dilution:

	First Quarters	
	2012	2011
Numerator *(Dollars in millions)*:		
Net Earnings	**$ 449**	$ 395
Denominator *(Units in millions)*:		
Average Common Shares Outstanding	**1,047**	1,108
Other Potentially Dilutive Common Shares [(a)]	**2**	7
Average Common Shares Outstanding, Assuming Dilution	**1,049**	1,115
Net Earnings Per Share, Basic	**$ 0.43**	$ 0.36
Net Earnings Per Share, Assuming Dilution	**$ 0.43**	$ 0.35

(a) *Other potentially dilutive common shares include convertible debt, stock options, common stock equivalents and performance units granted under a long-term management incentive compensation plan.*

Basic earnings per share is based on the weighted-average number of shares of common stock outstanding. Earnings per share, assuming dilution, is based on the weighted-average number of shares of common stock outstanding adjusted for the effects of common stock that may be issued as a result of the following types of potentially dilutive instruments:

- convertible debt;
- employee stock options; and
- other equity awards, which include long-term incentive awards.

The *Earnings Per Share Topic* in the ASC requires CSX to include additional shares in the computation of earnings per share, assuming dilution. The additional shares included in diluted earnings per share represent the number of shares that would be issued if all of the above potentially dilutive instruments were converted into CSX common stock.

NOTE 2. Earnings Per Share, *continued*

When calculating diluted earnings per share, the *Earnings Per Share Topic* in the ASC requires CSX to include the potential shares that would be outstanding if all outstanding stock options were exercised. This is offset by shares CSX could repurchase using the proceeds from these hypothetical exercises to obtain the common stock equivalent. This number is different from outstanding stock options, which is included in Note 3, Share-Based Compensation. All stock options were dilutive for the periods presented; therefore, no stock options were excluded from the diluted earnings per share calculation.

Diluted shares outstanding are not impacted when debentures are converted into CSX common stock because those shares were already included in the diluted shares calculation. Shares outstanding for basic earnings per share, however, are impacted on a weighted-average basis when conversions occur. During first quarters 2012 and 2011 , approximately $110 thousand and $55 thousand of face value convertible debentures were converted into 12 thousand and 6 thousand shares of CSX common stock, respectively. As of the end of first quarter 2012 , approximately $3.7 million of convertible debentures at face value remained outstanding, which are convertible into approximately 389 thousand shares of CSX common stock.

NOTE 3. Share-Based Compensation

Under CSX's share-based compensation plans, awards primarily consist of performance grants, restricted stock awards, restricted stock units, stock options and stock grants for directors. CSX has not granted stock options since 2003. Awards granted under the various programs are determined and approved by the Compensation Committee of the Board of Directors or, in certain circumstances, by the Chief Executive Officer for awards to management employees other than senior executives. The Board of Directors approves awards granted to the Company's non-management directors upon recommendation of the Governance Committee.

Total pre-tax expense associated with all share-based compensation and its related income tax benefit for 2012 is zero driven by lower anticipated payouts on long-term incentive compensation. Details are as follows:

	First Quarters	
(Dollars in millions)	**2012**	2011
Share-Based Compensation Expense	**$ —**	$ 12
Income Tax Benefit	**—**	4

The following table provides information about stock options exercised and expired.

	First Quarters	
(In thousands)	**2012**	2011
Number of Stock Options Exercised	**1,299**	3,278
Number of Stock Options Expired	**15**	—

As of December 2009, all outstanding options were vested, and therefore, there will be no future expense related to these options. As of the end of first quarter 2012, CSX had approximately 3 million stock options outstanding.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 4. Casualty, Environmental and Other Reserves

Casualty, environmental and other reserves are considered critical accounting estimates due to the need for significant management judgments. They are provided for in the consolidated balance sheets as follows:

		March 30, 2012			December 30, 2011	
(Dollars in millions)	**Current**	**Long-term**	**Total**	Current	Long-term	Total
Casualty:						
Personal Injury	**$ 93**	**$ 156**	**$ 249**	$ 93	$ 168	$ 261
Occupational	**6**	**34**	**40**	6	37	43
Asbestos	**11**	**53**	**64**	11	57	68
Total Casualty	**110**	**243**	**353**	110	262	372
Environmental	**31**	**51**	**82**	31	52	83
Other[(a)]	**27**	**43**	**70**	26	38	64
Total	**$ 168**	**$ 337**	**$ 505**	$ 167	$ 352	$ 519

(a) Separation liabilities and freight rate dispute reserves have been reclassified to other current and long-term liabilities.

These liabilities are accrued when estimable and probable in accordance with the *Contingencies Topic* in the ASC. Actual settlements and claims received could differ. The final outcome of these matters cannot be predicted with certainty. Considering the legal defenses currently available, the liabilities that have been recorded and other factors, it is the opinion of management that none of these items, when finally resolved, will have a material effect on the Company's financial condition, results of operations or liquidity. Should a number of these items occur in the same period, however, they could have a material effect on the Company's financial condition, results of operations or liquidity in that particular period.

Casualty

Casualty reserves represent accruals for personal injury, occupational injury and asbestos claims. During 2010, the Company increased its self-insured retention amount for these claims from $25 million to $50 million per injury for claims occurring on or after June 1, 2010. Currently, no individual claim is expected to exceed the self-insured retention amount. In accordance with the *Contingencies Topic* in the ASC, to the extent the value of an individual claim exceeds the self-insured retention amount, the Company would present the liability on a gross basis with a corresponding receivable for insurance recoveries. These reserves fluctuate based upon the timing of payments as well as changes in independent third-party estimates, which are reviewed by management. Actual results may vary from estimates due to the number, type and severity of the injury, costs of medical treatments and uncertainties in litigation. Most of the claims relate to CSXT unless otherwise noted below. Defense and processing costs, which historically have been insignificant and are anticipated to be insignificant in the future, are not included in the recorded liabilities.

Personal Injury

Personal injury reserves represent liabilities for employee work-related and third-party injuries. Work-related injuries for CSXT employees are primarily subject to the Federal Employers' Liability Act ("FELA"). In addition to FELA liabilities, current or former employees of other CSX subsidiaries are covered by various state workers' compensation laws, the Federal Longshore and Harbor Workers' Compensation Program or the Maritime Jones Act.

NOTE 4. Casualty, Environmental and Other Reserves, *continued*

CSXT retains an independent actuarial firm to assist management in assessing the value of personal injury claims. An analysis is performed by the independent actuarial firm quarterly and is reviewed by management. The methodology used by the actuary includes a development factor to reflect growth or reduction in the value of these personal injury claims. It is based largely on CSXT's historical claims and settlement experience.

Occupational and Asbestos

Occupational claims arise from allegations of exposures to certain materials in the workplace, such as solvents, soaps, chemicals (collectively referred to as “irritants”) and diesel fuels (like exhaust fumes) or allegations of chronic physical injuries resulting from work conditions, such as repetitive stress injuries, carpal tunnel syndrome and hearing loss. The Company is also party to a number of asbestos claims by current or former employees alleging exposure to asbestos in the workplace.

An analysis of occupational claims is performed quarterly by an independent third-party actuarial firm and reviewed by management. Management performs a quarterly review of asserted asbestos claims, and an analysis is performed annually by an independent third-party specialist and reviewed by management. The objective of the occupational and asbestos claims analyses performed by the third-party actuarial firm and specialist (the "third-party specialists") is to determine the number of incurred but not reported (“IBNR”) claims. The third party specialists analyze CSXT's historical claim filings, settlement amounts, and dismissal rates to determine future anticipated claim filing rates and average settlement values for occupational and asbestos claims reserves. The potentially exposed population is estimated by using CSX's employment records and industry data. From this analysis, the third-party specialists provide an estimate of the IBNR claims liability.

Environmental

The Company is a party to various proceedings related to environmental issues, including administrative and judicial proceedings involving private parties and regulatory agencies. The Company has been identified as a potentially responsible party at approximately 252 environmentally impaired sites. Many of these are, or may be, subject to remedial action under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, also known as the Superfund Law, or similar state statutes. Most of these proceedings arose from environmental conditions on properties used for ongoing or discontinued railroad operations. A number of these proceedings, however, are based on allegations that the Company, or its predecessors, sent hazardous substances to facilities owned or operated by others for treatment, recycling or disposal. In addition, some of the Company's land holdings were leased to others for commercial or industrial uses that may have resulted in releases of hazardous substances or other regulated materials onto the property and could give rise to proceedings against the Company.

In any such proceedings, the Company is subject to environmental clean-up and enforcement actions under the Superfund Law, as well as similar state laws that may impose joint and several liability for clean-up and enforcement costs on current and former owners and operators of a site without regard to fault or the legality of the original conduct. These costs could be substantial.

NOTE 4. Casualty, Environmental and Other Reserves, *continued*

In accordance with the *Asset Retirement and Environmental Obligations Topic* in the ASC, the Company reviews its role with respect to each site identified at least quarterly, giving consideration to a number of factors such as:

- type of clean-up required;
- nature of the Company's alleged connection to the location (e.g., generator of waste sent to the site or owner or operator of the site);
- extent of the Company's alleged connection (e.g., volume of waste sent to the location and other relevant factors); and
- number, connection and financial viability of other named and unnamed potentially responsible parties at the location.

Based on the review process, the Company has recorded amounts to cover contingent anticipated future environmental remediation costs with respect to each site to the extent such costs are estimable and probable. The recorded liabilities for estimated future environmental costs are undiscounted. The liability includes future costs for remediation and restoration of sites as well as any significant ongoing monitoring costs, but excludes any anticipated insurance recoveries. Payments related to these liabilities are expected to be made over the next several years.

Currently, the Company does not possess sufficient information to reasonably estimate the amounts of additional liabilities, if any, on some sites until completion of future environmental studies. In addition, conditions that are currently unknown could, at any given location, result in additional exposure, the amount and materiality of which cannot presently be reliably estimated. Based upon information currently available, however, the Company believes its environmental reserves are adequate to cover remedial actions to comply with present laws and regulations.

Other

Other reserves include liabilities for various claims, such as longshoremen disability claims, and claims for property, automobile and general liability. Separation liabilities and freight rate dispute reserves have been reclassified to other current and long-term liabilities.

NOTE 5. Commitments and Contingencies

Insurance

The Company maintains numerous insurance programs with substantial limits for property damage (which includes business interruption) and third-party liability. A certain amount of risk is retained by the Company on each of the liability and property programs. The Company has a $ 25 million retention per occurrence for the non-catastrophic property program (such as a derailment) and a $ 50 million retention per occurrence for the liability and catastrophic property programs (such as hurricanes and floods).

While the Company believes its current insurance coverage is adequate to cover its damages, future claims could exceed existing insurance coverage or insurance may not continue to be available at commercially reasonable rates.

NOTE 5. Commitments and Contingencies, *continued*

Legal

The Company is involved in litigation incidental to its business and is a party to a number of legal actions and claims, various governmental proceedings and private civil lawsuits, including, but not limited to, those related to environmental and hazardous material exposure matters, FELA claims by employees, other personal injury claims and disputes and complaints involving certain transportation rates and charges. Some of the legal proceedings include claims for compensatory as well as punitive damages and others are, or are purported to be, class actions. While the final outcome of these matters cannot be reasonably determined, considering, among other things, the legal defenses available and liabilities that have been recorded along with applicable insurance, it is currently the opinion of CSX management that none of these pending items will have a material adverse effect on the Company's financial condition, results of operations or liquidity. An unexpected adverse resolution of one or more of these items, however, could have a material adverse effect on the Company's financial condition, results of operations or liquidity in that particular period.

The Company is able to estimate a range of possible loss for certain legal proceedings for which a loss is reasonably possible in excess of reserves established. The Company has estimated this range to be $3 million to approximately $17 million in aggregate at March 30, 2012. This estimated aggregate range is based upon currently available information and is subject to significant judgment and a variety of assumptions. Accordingly, the Company's estimate will change from time to time, and actual losses may vary significantly from the current estimate.

For additional information on legal proceedings, see Item 1. Legal Proceedings.

NOTE 6. Employee Benefit Plans

The Company sponsors defined benefit pension plans principally for salaried, management personnel. For employees hired on or before December 31, 2002, the plans provide eligible employees with retirement benefits based predominantly on years of service and compensation rates near retirement. For employees hired in 2003 or thereafter, benefits are determined based on a cash balance formula, which provides benefits by utilizing interest and pay credits based upon age, service and compensation.

In addition to these plans, the Company sponsors a self-insured, post-retirement medical plan and a life insurance plan that provide benefits to full-time, salaried, management employees, hired prior to January 1, 2003, upon their retirement if certain eligibility requirements are met. Medicare-eligible retirees are covered by a health reimbursement arrangement, which is an employer-funded account that can be used for reimbursement of eligible medical expenses. Non-Medicare eligible retirees will continue to be covered by the existing self-insured program. The life insurance plan is non-contributory.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 6. Employee Benefit Plans, *continued*

The Company engages independent actuaries to compute the amounts of liabilities and expenses relating to these plans subject to the assumptions that the Company selects. These amounts are reviewed by management. The following table describes the components of expense / (income) related to net benefit expense:

(Dollars in millions)	**Pension Benefits First Quarters**				**Other Post-retirement Benefits First Quarters**			
		2012		2011		**2012**		2011
Service Cost	**$**	**11**	$	10	**$**	**1**	$	1
Interest Cost		**31**		30		**4**		3
Expected Return on Plan Assets		**(39)**		(39)		**—**		—
Amortization of Net Loss		**20**		18		**2**		1
Total Expense	**$**	**23**	$	19	**$**	**7**	$	5

Qualified pension plan obligations are funded in accordance with prescribed regulatory requirements and with an objective of meeting minimum funding requirements necessary to avoid restrictions on flexibility of plan operation and benefit payments. During the quarter, the Company made a contribution of $275 million to its qualified pension plans, of which $25 million was the required minimum contribution. At this time, the Company anticipates that no further contributions to its qualified pension plans will be required in 2012. For further details, see Note 8, Employee Benefit Plans, in CSX's most recent annual report on Form 10-K.

NOTE 7. Debt and Credit Agreements

Total activity related to long-term debt as of the end of first quarter 2012 was as follows:

(Dollars in millions)	**Current Portion**		**Long-term Portion**		**Total**
Long-term debt as of December 2011	$	507	$	8,734	$ 9,241
2012 activity:					
Long-term debt issued		—		300	300
Long-term debt repaid		(413)		—	(413)
Reclassifications		408		(408)	—
Debt conversions to CSX stock		—		—	—
Discount and premium activity		—		(3)	(3)
Long-term debt as of the end of first quarter 2012	$	502	$	8,623	$ 9,125

For fair value information related to the Company's long-term debt, see Note 9, Fair Value Measurements.

NOTE 7. Debt and Credit Agreements, *continued*

Debt Issuance

In February 2012, CSX issued $300 million of 4.4% notes due 2043. These notes are included in the consolidated balance sheets under long-term debt and may be redeemed by the Company at any time. The net proceeds from the issuance were used primarily in connection with a $275 million contribution to the Company's qualified pension plan.

Credit Facility

CSX has a $1 billion unsecured, revolving credit facility backed by a diverse syndicate of banks. This facility expires in September 2016, and as of the date of this filing, the Company has no outstanding balances under this facility. The facility allows borrowings at floating (LIBOR-based) interest rates, plus a spread, depending upon CSX's senior unsecured debt ratings. LIBOR is the London Interbank Offered Rate which is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds. As of first quarter 2012, CSX was in compliance with all covenant requirements under this facility.

Receivables Securitization Facility

The Company's $250 million receivables securitization facility has a 364 -day term and expires in December 2012 . The Company plans to renew this facility prior to its expiration. The purpose of this facility is to provide an alternative to commercial paper and a low cost source of short-term liquidity. As of the date of this filing, the Company has no outstanding balances under this facility.

NOTE 8. Other Income - Net

The Company derives income from items that are not considered operating activities. Income from these items is reported net of related expense. Other income - net consisted of the following:

	First Quarters	
(Dollars in millions)	**2012**	2011
Interest Income	**$ 2**	$ 1
Income from Real Estate	**6**	3
Miscellaneous Income (Expense)	**(4)**	1
Total Other Income - Net	**$ 4**	$ 5

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 9. Fair Value Measurements

The *Financial Instruments Topic* in the ASC requires disclosures about fair value of financial instruments in annual reports as well as in quarterly reports. For CSX, this statement applies to certain investments and long-term debt. Disclosure of the fair value of pension plan assets is only required annually. Also, this rule clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements.

Various inputs are considered when determining the value of the Company's investments, pension plan assets and long-term debt. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in these securities. These inputs are summarized in the three broad levels listed below.

- Level 1 - observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets

- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)

- Level 3 - significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

The valuation methods described below may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments

The Company's investment assets, valued by a third-party trustee, consist of certificates of deposits, corporate bonds, U.S. government securities and auction rate securities and are carried at fair value on the consolidated balance sheet per the *Fair Value Measurements and Disclosures Topic* in the ASC. There are several valuation methodologies used for those assets as described below.

- *Certificates of Deposit (Level 2)*: Valued by discounting the related cash flows based on current yields of similar instruments with comparable durations.
- *Corporate Bonds and U.S. Treasury Obligations (Level 2)*: Valued using price evaluations reflecting the bid and/or ask sides of the market for a similar investment as of the last day of the fiscal year.
- *Auction Rate Securities (Level 3)*: Valued using a discounted cash flow model, because there is currently no active market for trading.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 9. Fair Value Measurements, *continued*

The amortized cost basis of investments was $268 million and $643 million as of March 30, 2012 and December 30, 2011 , respectively. The following is a summary of the fair value of the Company's investment assets:

	March 2012				December 2011			
(Dollars in Millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Certificates of Deposit	**$ —**	**$ 100**	**$ —**	**$ 100**	$ —	$ 477	$ —	$ 477
Corporate Bonds	**—**	**112**	**—**	**112**	—	98	—	98
U.S. Treasury Obligations	**—**	**43**	**—**	**43**	—	53	—	53
Auction Rate Securities	**—**	**—**	**15**	**15**	—	—	15	15
Total investments at fair value	**$ —**	**$ 255**	**$ 15**	**$ 270**	$ —	$ 628	$ 15	$ 643

These investments have the following maturities:

(Dollars in millions)	**March 30, 2012**	December 30, 2011
Less than 1 year	**$ 139**	$ 523
1 - 2 years	**42**	32
2 - 5 years	**74**	73
Greater than 5 years	**15**	15
Total	**$ 270**	$ 643

Long-term Debt

Long-term debt is reported at carrying amount on the consolidated balance sheet and is the Company's only financial instrument with fair values significantly different from their carrying amounts. The majority of the Company's long-term debt is valued by an independent third party who utilizes closing transactions, market quotes or market values of comparable debt. For those instruments not valued by the third party, the fair value has been estimated by applying market rates of similar instruments to the scheduled contractual debt payments and maturities. These market rates are provided by the same third party. All of the inputs used to determine the fair value of the Company's long-term debt are Level 2 inputs.

The fair value of outstanding debt fluctuates with changes in a number of factors. Such factors include, but are not limited to, interest rates, market conditions, values of similar financial instruments, size of the transaction, cash flow projections and comparable trades. Fair value will exceed carrying value when the current market interest rate is lower than the interest rate at which the debt was originally issued. The fair value of a company's debt is a measure of its current value under present market conditions. It does not impact the financial statements under current accounting rules.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 9. Fair Value Measurements, *continued*

The fair value and carrying value of the Company's long-term debt is as follows:

(Dollars in millions)		**March 30, 2012**		December 30, 2011
Long-term Debt Including Current Maturities:				
Fair Value	**$**	**10,412**	$	10,708
Carrying Value	**$**	**9,125**	$	9,241

NOTE 10. Summarized Consolidating Financial Data

In 2007, CSXT sold secured equipment notes maturing in 2023, and in 2008, CSXT sold additional secured equipment notes maturing in 2014 in registered public offerings. CSX has fully and unconditionally guaranteed the notes. In connection with the notes, the Company is providing the following condensed consolidating financial information in accordance with SEC disclosure requirements. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation and the allocation of certain expenses of CSX incurred for the benefit of its subsidiaries.

Condensed consolidating financial information for the obligor, CSXT, and parent guarantor, CSX, is as follows:

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 10. Summarized Consolidating Financial Data, *continued*

Consolidating Income Statements

(Dollars in millions)

First Quarter 2012	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Revenue	$ —	$ 2,950	$ 16	$ 2,966
Expense	(87)	2,229	(32)	2,110
Operating Income	87	721	48	856
Equity in Earnings of Subsidiaries	477	(1)	(476)	—
Interest (Expense) / Benefit	(130)	(19)	5	(144)
Other Income - Net	(1)	3	2	4
Earnings Before Income Taxes	433	704	(421)	716
Income Tax (Expense) / Benefit	16	(263)	(20)	(267)
Net Earnings	$ 449	$ 441	$ (441)	$ 449
Total Comprehensive Earnings	$ 458	$ 438	$ (438)	$ 458

First Quarter 2011	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Revenue	$ —	$ 2,794	$ 16	$ 2,810
Expense	(65)	2,142	(40)	2,037
Operating Income	65	652	56	773
Equity in Earnings of Subsidiaries	432	1	(433)	—
Interest (Expense) / Benefit	(126)	(23)	9	(140)
Other Income - Net	2	2	1	5
Earnings Before Income Taxes	373	632	(367)	638
Income Tax (Expense) / Benefit	22	(241)	(24)	(243)
Net Earnings	$ 395	$ 391	$ (391)	$ 395
Total Comprehensive Earnings	$ 406	$ 392	$ (392)	$ 406

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CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 10. Summarized Consolidating Financial Data, *continued*

Consolidating Balance Sheet

(Dollars in millions)

As of First Quarter 2012	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 385	$ 159	$ 83	$ 627
Short-term Investments	100	—	39	139
Accounts Receivable - Net	6	468	687	1,161
Receivable from Affiliates	1,365	1,936	(3,301)	—
Materials and Supplies	—	251	—	251
Deferred Income Taxes	13	166	(1)	178
Other Current Assets	15	97	—	112
Total Current Assets	1,884	3,077	(2,493)	2,468
Properties	8	32,222	1,772	34,002
Accumulated Depreciation	(8)	(7,901)	(952)	(8,861)
Properties - Net	—	24,321	820	25,141
Investments in Conrail	—	—	683	683
Affiliates and Other Companies	(39)	576	(42)	495
Investments in Consolidated Subsidiaries	17,830	—	(17,830)	—
Other Long-term Assets	176	290	(67)	399
Total Assets	$ 19,851	$ 28,264	$ (18,929)	$ 29,186
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable	$ 156	$ 1,019	$ 30	$ 1,205
Labor and Fringe Benefits Payable	37	335	20	392
Payable to Affiliates	2,705	703	(3,408)	—
Casualty, Environmental and Other Reserves	—	152	16	168
Current Maturities of Long-term Debt	400	100	2	502
Income and Other Taxes Payable	(75)	201	8	134
Other Current Liabilities	(1)	191	2	192
Total Current Liabilities	3,222	2,701	(3,330)	2,593
Casualty, Environmental and Other Reserves	—	266	71	337
Long-term Debt	7,508	1,115	—	8,623
Deferred Income Taxes	(149)	7,884	64	7,799
Other Long-term Liabilities	779	632	(81)	1,330
Total Liabilities	$ 11,360	$ 12,598	$ (3,276)	$ 20,682
Shareholders' Equity				
Common Stock, $1 Par Value	1,039	181	(181)	1,039
Other Capital	5	5,666	(5,666)	5
Retained Earnings	8,313	9,880	(9,880)	8,313
Accumulated Other Comprehensive Loss	(866)	(82)	82	(866)
Noncontrolling Interest	—	21	(8)	13

Total Shareholders' Equity		8,491		15,666		(15,653)		8,504
Total Liabilities and Shareholders' Equity	$	19,851	$	28,264	$	(18,929)	$	29,186

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CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 10. Summarized Consolidating Financial Data, *continued*

Consolidating Balance Sheet
(Dollars in millions)

As of December 2011	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 549	$ 154	$ 80	$ 783
Short-term Investments	475	—	48	523
Accounts Receivable - Net	4	468	657	1,129
Receivable from Affiliates	1,025	1,772	(2,797)	—
Materials and Supplies	—	240	—	240
Deferred Income Taxes	10	173	(1)	182
Other Current Assets	17	64	(3)	78
Total Current Assets	2,080	2,871	(2,016)	2,935
Properties	8	31,958	1,738	33,704
Accumulated Depreciation	(8)	(7,795)	(927)	(8,730)
Properties - Net	—	24,163	811	24,974
Investments in Conrail	—	—	678	678
Affiliates and Other Companies	(39)	574	(42)	493
Investment in Consolidated Subsidiaries	17,519	—	(17,519)	—
Other Long-term Assets	176	109	108	393
Total Assets	$ 19,736	$ 27,717	$ (17,980)	$ 29,473
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable	$ 114	$ 978	$ 55	$ 1,147
Labor and Fringe Benefits Payable	41	458	42	541
Payable to Affiliates	2,566	374	(2,940)	—
Casualty, Environmental and Other Reserves	—	151	16	167
Current Maturities of Long-term Debt	400	105	2	507
Income and Other Taxes Payable	(60)	189	—	129
Other Current Liabilities	(1)	194	3	196
Total Current Liabilities	3,060	2,449	(2,822)	2,687
Casualty, Environmental and Other Reserves	—	284	68	352
Long-term Debt	7,609	1,124	1	8,734
Deferred Income Taxes	(246)	7,800	47	7,601
Other Long-term Liabilities	858	667	106	1,631
Total Liabilities	$ 11,281	$ 12,324	$ (2,600)	$ 21,005
Shareholders' Equity				
Common Stock, $1 Par Value	1,049	181	(181)	1,049
Other Capital	6	5,652	(5,652)	6
Retained Earnings	8,275	9,618	(9,618)	8,275
Accumulated Other Comprehensive Loss	(875)	(79)	79	(875)
Noncontrolling Minority Interest	—	21	(8)	13
Total Shareholders' Equity	8,455	15,393	(15,380)	8,468

Total Liabilities and Shareholders' Equity	$	19,736	$	27,717	$	(17,980)	$	29,473

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 10. Summarized Consolidating Financial Data, *continued*

Consolidating Cash Flow Statements

(Dollars in millions)

First Quarter 2012	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Operating Activities				
Net Cash Provided by (Used in) Operating Activities	$ (23)	$ 641	$ (174)	$ 444
Investing Activities				
Property Additions	—	(435)	(34)	(469)
Purchases of Short-term Investments	(50)	—	(3)	(53)
Proceeds from Sales of Short-term Investments	425	—	12	437
Other Investing Activities	1	(13)	20	8
Net Cash Provided by (Used in) Investing Activities	376	(448)	(5)	(77)
Financing Activities				
Long-term Debt Issued	300	—	—	300
Long-term Debt Repaid	(400)	(13)	—	(413)
Dividends Paid	(125)	(179)	179	(125)
Stock Options Exercised	8	—	—	8
Shares Repurchased	(300)	—	—	(300)
Other Financing Activities	—	4	3	7
Net Cash Provided by (Used in) Financing Activities	(517)	(188)	182	(523)
Net Increase (Decrease) in Cash and Cash Equivalents	(164)	5	3	(156)
Cash and Cash Equivalents at Beginning of Period	549	154	80	783
Cash and Cash Equivalents at End of Period	$ 385	$ 159	$ 83	$ 627

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 10. Summarized Consolidating Financial Data, *continued*

Consolidating Cash Flow Statements
(Dollars in millions)

First Quarter 2011	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Operating Activities				
Net Cash Provided by (Used in) Operating Activities	$ 196	$ 541	$ (242)	$ 495
Investing Activities				
Property Additions	—	(344)	(35)	(379)
Purchases of Short-term Investments	—	—	(8)	(8)
Proceeds from Sales of Short-term Investments	—	—	20	20
Other Investing Activities	(13)	(85)	100	2
Net Cash Provided by (Used in) Investing Activities	(13)	(429)	77	(365)
Financing Activities				
Long-term Debt Repaid	(507)	(16)	(1)	(524)
Dividends Paid	(96)	(170)	170	(96)
Stock Options Exercised	19	—	—	19
Shares Repurchased	(300)	—	—	(300)
Other Financing Activities	22	—	(9)	13
Net Cash Provided by (Used in) Financing Activities	(862)	(186)	160	(888)
Net Decrease in Cash and Cash Equivalents	(679)	(74)	(5)	(758)
Cash and Cash Equivalents at Beginning of Period	1,100	118	74	1,292
Cash and Cash Equivalents at End of Period	$ 421	$ 44	$ 69	$ 534

CSX CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

STRATEGIC OVERVIEW

CSX provides rail-based freight transportation services including traditional rail service and the transport of intermodal containers and trailers. The Company and the rail industry provide customers with access to an expansive and interconnected transportation network that plays a key role in North American commerce and is critical to the economic success and global competitiveness of the United States. America is once again poised for a period of growth in manufacturing, as the economy continues to recover. The U.S. demand to move more goods by rail is expected to rise along with the need to reduce highway congestion and greenhouse gas emissions. CSX and freight railroads are the best way to meet this demand while reducing environmental impacts. CSX can move a ton of freight almost 500 miles on one gallon of fuel and, on average, over three times more fuel efficiently than trucks. Also, one rail car can move the equivalent of 3 truckloads which aids in alleviating highway congestion.

CSX's network is positioned to reach nearly two-thirds of Americans, who account for the majority of the nation's consumption of goods. Through this network, the Company transports a diverse portfolio of products and commodities to meet the country's needs. These products range from energy sources like coal and ethanol, to automobiles, chemicals, building materials, paper, metals, grains and consumer products. The Company categorizes these products into three primary lines of business: merchandise, coal and intermodal. CSX's transportation solutions connect industries across the United States with each other and with global markets by meeting the transportation needs of port facilities, energy producers, manufacturers, industrial producers, construction companies, farmers and feed mills, wholesalers and retailers and the United States armed forces.

CSX services are delivered by dedicated employees whose jobs cannot be exported overseas. Railroad jobs are among some of the nation's highest paying. In 2011, CSX continued its job creation efforts by hiring more than 4,000 new employees, which was comprised primarily of operations employees, that will carry forward with this legacy.

Strategic Growth Initiatives

As CSX continues to strengthen its core business, the Company is focusing on three key strategic growth initiatives related to intermodal, export coal and an initiative to enhance customer service quality also known to CSX as Total Service Integration. The Company believes these initiatives will allow it to capture additional domestic and international volume, while improving service offerings to its customers in a cost-effective manner.

Intermodal

The Company's intermodal business is an economical, environmentally-friendly alternative to transporting freight on highways via truck. CSX is capitalizing on this opportunity by building new terminals and increasing network capacity. Construction of a new intermodal terminal in Louisville, Kentucky and major terminal expansion projects in Worcester, Massachusetts and Columbus, Ohio are currently underway. These investments are in addition to the Company's new Northwest Ohio intermodal terminal that became operational a year ago. This high-capacity terminal, which is part of CSX's National Gateway initiative discussed below, expands service offerings to customers as well as improves market access to and from east coast ports.

Export Coal

Although low natural gas prices and high coal stockpiles recently had and will continue to have a significant impact on domestic utility coal volume, U.S. export coal volume continues to show strength and will partially offset the current weakness in utility coal volume. Rapid economic growth in developing countries has generated an expected long term growth cycle in export coal demand. As a result of the increase in global steel production, demand for U.S. coal is expected to remain strong. Demand for coal used in developing countries for electric power generation is also expected to remain high due to rising consumption as they become more urbanized. These increases in global coal demand are expected to largely be met by export shipments with a portion originating from the U.S. In addition to the Company's ready access to large U.S. coal suppliers and multiple port facilities, CSX continues to enhance the capacity and operating efficiency of its export coal network, which favorably positions the Company to capitalize on this market growth.

Total Service Integration

CSX's Total Service Integration ("TSI") initiative, which was launched in 2006, supports growth by improving service, optimizing train size, and increasing asset utilization for unit train shipments from origin to destination. CSX is now advancing this initiative to enhance service quality for customers who ship by the carload. This program, TSI Carload, focuses where the customer is impacted most - during the first and last mile of service. These enhancements aim to improve service levels and reliability of rail transportation over other modes of transportation. These improvements to operational processes, customer communication and service will better align the Company's operating capabilities with customers' needs.

Balanced Approach to Capital Deployment

CSX remains highly committed to delivering value to shareholders through a balanced approach to deploying capital that includes investments in infrastructure, dividend growth and share repurchases. In 2011, the Company invested $2.3 billion to further enhance the capacity, quality, safety and flexibility of its network. Included in this amount is approximately $100 million of investments related to reimbursable public-private partnerships where reimbursements may not be fully received in a given year. In addition, CSX continues to return value to its shareholders in the form of dividends and share repurchases. The Company has increased its quarterly cash dividend nine times over the last six years which represents a 36 percent compounded annual growth rate. Also during 2011, CSX announced a new $2 billion share repurchase authority expected to be completed by the end of 2012 based on market and business conditions. While delivering shareholder value through this balanced approach to capital deployment, the Company remains committed to an improving investment grade credit profile.

Public-Private Partnerships

Expanding capacity on U.S. rail networks will provide substantial public benefits including job creation, increased business activity at U.S. ports, reduced highway congestion and lower air emissions. Therefore, CSX and its government partners are working jointly to invest in multi-year rail infrastructure projects such as the National Gateway. This initiative is a public-private partnership which will increase intermodal capacity on key corridors between Mid-Atlantic ports and the Midwest. Current projects related to the National Gateway include the expansion of the Virginia Avenue Tunnel in Washington, D.C. and construction for double-stack train clearances in Ohio, West Virginia, Pennsylvania, Maryland and the District of Columbia.

CSX is engaged in another major partnership initiative with the Commonwealth of Massachusetts to expand freight and commuter rail service. Currently, CSX provides service to and from New England. To further improve that service offering to customers, CSX is expanding its intermodal terminal footprint in Worcester, Massachusetts and, with the Commonwealth, is clearing the route from Worcester to the New York state line for double-stack intermodal service. As part of this initiative, CSX intends to sell the Commonwealth its corridor between Boston and Worcester. The Commonwealth intends to expand commuter rail serve in the greater Boston area.

Additionally, CSX has entered into a transaction with the state of Florida to help alleviate highway congestion through a new commuter rail operation known as SunRail. CSX sold the state a portion of its track for its new commuter rail and will invest the proceeds in additional freight rail capacity and infrastructure within the state. This includes a new automotive and intermodal facility in central Florida.

In summary, these long-term investments discussed above provide a foundation for volume growth and productivity improvement, enhanced customer service and continued advancements in the safety and reliability of operations. To continue these types of investments, the Company must be able to operate in an environment in which it can generate adequate returns and drive shareholder value. CSX will continue to advocate for a fair and balanced regulatory environment to ensure that the value of the Company's rail service would be reflected in any potential new legislation or policies.

FIRST QUARTER 2012 HIGHLIGHTS

- Revenue increased $156 million or 6% to nearly $3.0 billion, a first quarter record.
- Expenses increased $73 million or 4% to $2.1 billion.
- Operating income increased $83 million or 11% to $856 million, a first quarter record.
- Operating ratio was 71.1% , a first quarter record.

	First Quarters	
(In thousands)	**2012**	2011
Volume	**1,602**	1,592
(In millions)		
Revenue	**$ 2,966**	$ 2,810
Expense	**2,110**	2,037
Operating Income	**$ 856**	$ 773
Operating Ratio	**71.1%**	72.5%

Although utility coal is challenged by low natural gas prices and high stock piles, the Company achieved year-over-year revenue growth in nearly all markets. Additionally, there was an overall increase in volume led by intermodal and merchandise markets. Revenue increased 6% from prior year driven by the ongoing emphasis on pricing above rail inflation and higher fuel recovery associated with the increase in fuel prices.

Expenses increased 4% versus the prior year driven by higher fuel costs as a result of higher fuel prices. Depreciation expense increased as a result of an overall increase in asset base. Material, supplies and other expenses increased primarily as a result of inflation, volume-related and other expenses partially offset by the amortization of gain recognized from the Company's 2011 sale of operating rail corridor to the state of Florida.

For additional information, refer to Results of Operations discussed on pages 31 through 34.

In addition to the financial highlights described above, the Company measures and reports safety and service performance. The Company strives for continuous improvement in these measures through training, initiatives and investment. For example, the Company's safety and train accident prevention programs rely on broad employee involvement. The programs utilize operating rules training, compliance measurement, root cause analysis and communication that are intended to create a safer environment for employees and the public. Continued capital investment in the Company's assets, including track, bridges, signals, equipment and detection technology also supports safety performance.

The Company routinely collaborates with the FRA and industry organizations as well as federal, state and local governments on the development and implementation of safety programs and initiatives. For example, CSX, Operation Lifesaver, Inc., the U.S. Department of Transportation and other major railroads from across the country have partnered in the Common Sense campaign to reduce the number of injuries and deaths around tracks and trains. In addition to these initiatives, CSXT also has an ongoing public safety program to clear-cut trees and vegetation at public passive highway-rail intersections (crossings with no flashing lights or gates) to improve the public's ability to discern rail hazards.

The Company continued to advance its efforts on safety during first quarter 2012. While the FRA reportable personal injuries frequency index of 0.78 improved slightly, the reported FRA train accident frequency rate improved 24% year over year to 2.01.

Network reliability and service were strong during the first quarter 2012. On-time originations improved from 66 percent to 89 percent, and on-time arrivals improved from 59 percent to 77 percent. Average train velocity increased 9 percent to 22.3 miles per hour, while dwell improved 10 percent to 24.0 hours.

Operating Statistics (Estimated)

		First Quarters		
		2012	2011	*Improvement/ (Decline)*
Safety and Service Measurements	FRA Personal Injury Frequency Index	**0.78**	0.79	*1%*
	FRA Train Accident Rate	**2.01**	2.64	*24%*
	On-Time Train Originations	**89%**	66%	*35%*
	On-Time Destination Arrivals	**77%**	59%	*31%*
	Dwell	**24**	26.6	*10%*
	Cars-On-Line	**194,454**	212,418	*8%*
	Train Velocity	**22.3**	20.5	*9%*
				Increase/(Decrease)
Resources	Route Miles	**21,000**	21,050	*—%*
	Locomotives (owned and long-term leased)	**4,114**	4,076	*1%*
	Freight Cars (owned and long-term leased)	**68,635**	67,979	*1%*

Key Performance Measures Definitions

FRA Personal Injury Frequency Index - Number of FRA-reportable injuries per 200,000 man-hours.

FRA Train Accident Rate - Number of FRA-reportable train accidents per million train-miles.

On-Time Train Originations - Average percent of scheduled road trains that depart the origin yard on-time or ahead of schedule.

On-Time Destination Arrivals - Average percent of scheduled road trains that arrive at the destination yard on-time to two hours late (30 minutes for intermodal trains).

Dwell - Average amount of time in hours between car arrival at and departure from the yard. It does not include cars moving through the yard on the same train.

Cars-On-Line - An average count of all cars on the network (does not include locomotives, cabooses, trailers, containers or maintenance equipment).

Train Velocity - Average train speed between terminals in miles per hour (does not include locals, yard jobs, work trains or passenger trains).

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FINANCIAL RESULTS OF OPERATIONS

	First Quarters			
	2012	2011	*$ Change*	*% Change*
Revenue	**$ 2,966**	$ 2,810	*$ 156*	*6 %*
Expense				
Labor and Fringe	**770**	765	*(5)*	*(1)%*
Materials, Supplies and Other	**542**	530	*(12)*	*(2)%*
Fuel	**444**	402	*(42)*	*(10)%*
Depreciation	**257**	243	*(14)*	*(6)%*
Equipment and Other Rents	**97**	97	*—*	*— %*
Total Expense	**2,110**	2,037	*(73)*	*(4)%*
Operating Income	**$ 856**	$ 773	*$ 83*	*11 %*
Interest Expense	**(144)**	(140)	*(4)*	*(3)%*
Other Income - Net	**4**	5	*(1)*	*(20)%*
Income Tax Expense	**(267)**	(243)	*(24)*	*(10)%*
Net Earnings	**$ 449**	$ 395	*$ 54*	*14 %*
Earnings Per Diluted Share	**$ 0.43**	$ 0.35	*$ 0.08*	*23 %*
Operating Ratio	**71.1%**	72.5%	*140 bps*	

Volume and Revenue (Unaudited)

Volume (Thousands of units); Revenue (Dollars in millions); Revenue Per Unit (Dollars)

First Quarters

	Volume			Revenue			Revenue Per Unit		
	2012	2011	*% Change*	**2012**	2011	*% Change*	**2012**	2011	*% Change*
Agricultural									
Agricultural Products	**108**	109	*(1)%*	**$ 275**	$ 260	*6 %*	**$ 2,546**	$ 2,385	*7%*
Phosphates and Fertilizers	**80**	83	*(3)%*	**131**	136	*(4)%*	**1,638**	1,639	*(1)%*
Food and Consumer	**25**	25	*1 %*	**67**	63	*7 %*	**2,680**	2,520	*5%*
Industrial									
Chemicals	**117**	117	*— %*	**415**	394	*5 %*	**3,547**	3,368	*6%*
Automotive	**105**	89	*18 %*	**281**	219	*28 %*	**2,676**	2,461	*9%*
Metals	**72**	67	*8 %*	**171**	148	*15 %*	**2,375**	2,209	*7%*
Housing and Construction									
Emerging Markets	**91**	95	*(4)%*	**154**	145	*6 %*	**1,692**	1,526	*11%*
Forest Products	**73**	69	*6 %*	**181**	161	*12 %*	**2,479**	2,333	*7%*
Total Merchandise	**671**	654	*3 %*	**1,675**	1,526	*10 %*	**2,496**	2,333	*7%*
Coal	**331**	385	*(14)%*	**832**	879	*(5)%*	**2,514**	2,283	*10%*
Intermodal	**600**	553	*9 %*	**389**	327	*19 %*	**648**	591	*10%*
Other	**—**	—	*— %*	**70**	78	*(11)%*	**—**	—	*—%*
Total	**1,602**	1,592	*1 %*	**$ 2,966**	$ 2,810	*6 %*	**$ 1,851**	$ 1,765	*5%*

(a) 2011 intermodal revenue has been reduced by $5 million from what was previously reported to correct for certain interline business and the corresponding intermodal revenue per unit has been reduced for this as well. This adjustment is presented above in other revenue.

First Quarter 2012 Results of Operations

Although utility coal is challenged by low natural gas prices and high stock piles, the Company achieved year-over-year revenue growth in nearly all markets. Additionally, there was an overall increase in volume led by intermodal and merchandise markets. Ongoing emphasis on pricing above rail inflation, along with higher fuel recovery associated with the increase in fuel prices, drove revenue-per-unit increases in substantially all markets.

Merchandise

Agricultural

Agricultural Products - Volume decreased due to reduced shipments of ethanol and export grain. Ethanol shipments declined as a result of reduced gasoline demand and limitations on the maximum amount that can be held at storage facilities due to over-production. Export grain volume decreased due to higher U.S. commodity prices as compared to other countries.

Phosphates and Fertilizers - Fertilizer shipments declined as the expectation of falling commodity prices resulted in delayed purchases. Revenue per unit was down as increased shipments of short-haul phosphates offset core pricing and fuel recovery.

Food and Consumer - Volume increased driven by strength in refrigerated products due to highway-to-rail conversions resulting from tight truck capacity.

Industrial

Chemicals - Overall, volume was flat with strength in plastics resulting from inventory restocking and frac sand (used in the extraction of gas and petroleum) resulting from the increase in natural gas drilling. This strength was offset by weakness in liquefied petroleum gas (used as heating fuel) which decreased due to an unseasonably warm winter.

Automotive - Automotive volume grew as North American automotive production increased to meet pent up demand.

Metals - Volume grew in both scrap shipments and finished steel products resulting from strong demand in the automotive and energy markets for products such as sheet steel, pipe and steel bars.

Housing and Construction

Emerging Markets - Volume declined due to reduced shipments of aggregates (which include crushed stone, sand and gravel) resulting from the completion of several major construction projects and salt which declined from reduced road application due to the mild winter.

Forest Products - Volume improved mostly due to recovering demand for housing and construction. The paper markets also improved with strong shipments of pulpboard for packaging of consumer products as a result of increased consumer spending.

Coal

Shipments of utility coal declined primarily driven by low natural gas prices, an unusually warm winter and utility stockpiles above target levels. This decrease was partially offset by higher export shipments driven by increased shipments of U.S. thermal coal.

Intermodal

Domestic growth was driven by increased customer demand and highway conversions, and international growth was driven by new customers and the associated growth from expanded service offerings. The increase in revenue per unit was attributable to favorable mix, yield improvement and higher fuel recovery due to rising fuel prices.

Expense

Expenses increased $73 million from last year's first quarter. Significant variances are described below.

Labor and Fringe expense increased $5 million primarily due to the following:

- Hiring and training expenses were $12 million higher related to increased headcount.
- Inflation related to higher wages was $8 million.
- Volume related and various other costs were higher during the quarter.
- Offsetting these increases, incentive compensation expenses were $24 million lower than 2011.

Materials, Supplies and Other expense increased $12 million primarily due to the following:

- Inflation-related expenses increased $14 million.
- Volume-related expenses were $12 million higher due to increased activity related to intermodal and export coal.
- Offsetting these increases was the recognition of $19 million of the deferred gain from the November 2011 sale of an operating rail corridor to the state of Florida.

Fuel expense increased $42 million primarily due to a 10% increase in average price per gallon for locomotive fuel.

Depreciation expense increased $14 million due to a larger asset base.

Consolidated Results of Operations

Interest Expense

Interest expense increased $4 million to $144 million primarily due to higher average debt balances during the first quarter of 2012 partially offset by lower average interest rates.

Other Income - Net

Other income-net decreased $1 million to $4 million primarily due to an increase in non-operating expenses partially offset by higher real estate activity.

Income Tax Expense

Income tax expense increased $24 million to $267 million primarily due to higher earnings in first quarter 2012.

Net Earnings

Net earnings increased $54 million to $449 million and earnings per diluted share increased $0.08 to $0.43 driven by the after-tax impact of business results due to revenue growth offset mainly by higher fuel expense.

LIQUIDITY AND CAPITAL RESOURCES

The following are material changes in the consolidated balance sheets and sources of liquidity and capital, which provide an update to the discussion included in CSX's most recent annual report on Form 10-K.

Material Changes in Consolidated Balance Sheets and Significant Cash Flows

Consolidated Balance Sheets

Total assets decreased $287 million from year end primarily driven by net cash outflows (including short-term investment activity) of $540 million (as described below) partially offset by the increase in net properties of $167 million.

Total liabilities and shareholders' equity combined decreased $287 million from year end primarily driven by the decrease in other long-term liabilities of $301 million for a pension plan contribution and labor and fringe benefits payable of $149 million driven by the payout of incentive compensation. These decreases were partially offset by increases in deferred income taxes of $198 million.

Significant Cash Flows

The decrease in cash and cash equivalents of $156 million was $602 million better for the first quarter ended 2012 versus the same period in the prior year primarily due to the following items:

- Operating activities - Cash decreased $51 million mostly driven by the after-tax impact of a pension plan contribution partially offset by the net cash impact of working capital activity.

- Investing activities - Less cash was used in investing activities by $288 million compared to last year's quarter. This change was driven by higher net proceeds from the sale of short-term investments partially offset by more capital expenditures.
- Financing activities - Cash increased $365 million driven by long-term debt that was issued.

Planned capital investments for 2012 are $2.25 billion. This amount excludes investments related to reimbursable public-private partnerships where reimbursements may not be fully received in a given year. CSX intends to fund capital investments through cash generated from operations. Also, the Company expects to incur significant capital costs in connection with the implementation of Positive Train Control ("PTC"). CSX now estimates that the total multi-year cost of PTC implementation will be at least $1.7 billion. This estimate includes costs for installing the new system along tracks, upgrading locomotives, adding communication equipment and developing new technologies. Total spending through 2011 was approximately $320 million.

Liquidity and Working Capital

As of the end of three months 2012, CSX had $766 million of cash, cash equivalents and short-term investments. CSX has a $1 billion unsecured revolving credit facility backed by a diverse syndicate of banks. This facility expires in September 2016 and as of the date of this filing, the Company has no outstanding balances under this facility. CSX uses current cash balances for general corporate purposes, which may include capital expenditures, working capital requirements, improvements in productivity, dividends to shareholders, debt repayments and repurchases of CSX common stock. Additionally, in the first quarter, CSX issued $300 million of new long-term debt. See Note 7, Debt and Credit Agreements.

The Company's $ 250 million receivables securitization facility has a 364-day term and expires in December 2012. The Company plans to renew this facility prior to its expiration. The purpose of this facility is to provide an alternative to commercial paper and a low cost source of short-term liquidity. As of the date of this filing, the Company has no outstanding balances under this facility.

Working capital can also be considered a measure of a company's ability to meet its short-term needs. CSX had a working capital deficit of $125 million as of the end of first quarter 2012 and a working capital surplus of $248 million as of December 2011. This decline since the prior year is primarily due to cash used for property additions, share repurchases and pension plan contributions in first quarter 2012 offset by cash from operations. A working capital deficit is not unusual for CSX or other companies in the industry and does not indicate a lack of liquidity.

The Company's working capital balance varies due to factors such as the timing of scheduled debt payments and changes in cash and cash equivalent balances as discussed above. The Company continues to maintain adequate current assets to satisfy current liabilities and maturing obligations when they come due. Furthermore, CSX has sufficient financial capacity, including its revolving credit facility, trade receivable facility and shelf registration statement to manage its day-to-day cash requirements and any anticipated obligations. The Company from time to time accesses the credit markets for additional liquidity.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that management make estimates in reporting the amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and certain revenues and expenses during the reporting period. Actual results may differ from those estimates. These estimates and assumptions are discussed with the Audit Committee of the Board of Directors on a regular basis. Consistent with the prior year, significant estimates using management judgment are made for the following areas:

- casualty, environmental and other reserves;
- pension and post-retirement medical plan accounting;
- depreciation policies for assets under the group-life method; and
- income taxes.

For further discussion of CSX's critical accounting estimates, see the Company's most recent annual report on Form 10-K.

FORWARD-LOOKING STATEMENTS

Certain statements in this report and in other materials filed with the SEC, as well as information included in oral statements or other written statements made by the Company, are forward-looking statements. The Company intends for all such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements within the meaning of the Private Securities Litigation Reform Act may contain, among others, statements regarding:

- projections and estimates of earnings, revenues, margins, volumes, rates, cost-savings, expenses, taxes or other financial items;
- expectations as to results of operations and operational initiatives;
- expectations as to the effect of claims, lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or agreements on the Company's financial condition, results of operations or liquidity;
- management's plans, strategies and objectives for future operations, capital expenditures, dividends, share repurchases, safety and service performance, proposed new services and other matters that are not historical facts, and management's expectations as to future performance and operations and the time by which objectives will be achieved; and
- future economic, industry or market conditions or performance and their effect on the Company's financial condition, results of operations or liquidity.

Forward-looking statements are typically identified by words or phrases such as "will," "should," “believe,” “expect,” “anticipate,” “project,” “estimate,” “preliminary” and similar expressions. The Company cautions against placing undue reliance on forward-looking statements, which reflect its good faith beliefs with respect to future events and are based on information currently available to it as of the date the forward-looking statement is made. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the timing when, or by which, such performance or results will be achieved.

Forward-looking statements are subject to a number of risks and uncertainties and actual performance or results could differ materially from those anticipated by any forward-looking statements. 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. The following important factors, in addition to those discussed in Part II, Item 1A (Risk Factors) of CSX's most recent annual report on Form 10-K and elsewhere in this report, may cause actual results to differ materially from those contemplated by any forward-looking statements:

- legislative, regulatory or legal developments involving transportation, including rail or intermodal transportation, the environment, hazardous materials, taxation, and initiatives to further regulate the rail industry;
- the outcome of litigation and claims, including, but not limited to, those related to fuel surcharge, environmental matters, taxes, shipper and rate claims subject to adjudication, personal injuries and occupational illnesses;
- 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) and the level of demand for products carried by CSXT;
- natural events such as severe weather conditions, including floods, fire, hurricanes and earthquakes, a pandemic crisis affecting the health of the Company's employees, its shippers or the consumers of goods, or other unforeseen disruptions of the Company's operations, systems, property or equipment;
- competition from other modes of freight transportation, such as trucking and competition and consolidation within the transportation industry generally;
- the cost of compliance with laws and regulations that differ from expectations (including those associated with Positive Train Control implementation) and costs, penalties and operational impacts associated with noncompliance with applicable laws or regulations;
- the impact of increased passenger activities in capacity-constrained areas, including potential effects of high speed rail initiatives, or regulatory changes affecting when CSXT can transport freight or service routes;
- unanticipated conditions in the financial markets that may affect timely access to capital markets and the cost of capital, as well as management's decisions regarding share repurchases;
- changes in fuel prices, surcharges for fuel and the availability of fuel;
- the impact of natural gas prices on coal-fired electricity generation
- availability of insurance coverage at commercially reasonable rates or insufficient insurance coverage to cover claims or damages;

- the inherent business risks associated with safety and security, including a cybersecurity attack which would threaten the availability and vulnerability of information technology, adverse economic or operational effects from actual or threatened war or terrorist activities and any governmental response;

- labor and benefit costs and labor difficulties, including stoppages affecting either the Company's operations or customers' ability to deliver goods to the Company for shipment;

- the Company's success in implementing its strategic, financial and operational initiatives;

- changes in operating conditions and costs or commodity concentrations; and

- 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 elsewhere in this report and in CSX's other SEC reports, which are accessible on the SEC's website at www.sec.gov and the Company's website at www.csx.com. The information on the CSX website is not part of this quarterly report on Form 10-Q.

CSX CORPORATION
PART I

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided under Part II, Item 7A (Quantitative and Qualitative Disclosures about Market Risk) of CSX's most recent annual report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

As of March 30, 2012, under the supervision and with the participation of CSX's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), management has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and CFO concluded that, as of March 30, 2012, the Company's disclosure controls and procedures were effective at the reasonable assurance level in timely alerting them to material information required to be included in CSX's periodic SEC reports. There were no changes in the Company's internal controls over financial reporting during the first quarter of 2012 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There were no material developments during the quarter concerning the legal proceedings described in our 2011 Form 10-K. For further details, see Item 3, Legal Proceedings in Part I of CSX's most recent annual report on Form 10-K.

ITEM 1A. RISK FACTORS

For information regarding factors that could affect the Company's results of operations, financial condition and liquidity, see the risk factors discussed under Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of CSX's most recent annual report on Form 10-K. See also Part I, Item 2 (Forward-Looking Statements) of this quarterly report on Form 10-Q. There have been no material changes from the risk factors previously disclosed in CSX's most recent annual report on Form 10-K.

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ITEM 2. CSX Purchases of Equity Securities

CSX is required to disclose any purchases of its own common stock for the most recent quarter. CSX purchases its own shares for two primary reasons: to further its goals under its share repurchase program and to fund the Company's contribution required to be paid in CSX common stock under a 401(k) plan which covers certain union employees.

In May 2011, CSX announced a new $2 billion share repurchase program. Under this program, the Company may purchase shares from time to time on the open market, through block trades or otherwise. CSX expects to complete these repurchases by the end of 2012 based on market and business conditions.

Share repurchase activity of $300 million for the first quarter 2012 was as follows:

	CSX Purchases of Equity Securities for the Quarter			
First Quarter *(a)*	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs**
Beginning Balance				$ 733,913,022
January	—	$ —	—	733,913,022
February	11,620,885	21.87	11,620,885	479,730,426
March	2,146,400	21.43	2,146,400	433,742,153
Ending Balance	13,767,285	$ 21.80	13,767,285	$ 433,742,153

(a) First quarter 2012 consisted of the following fiscal periods: January (December 31 2011 - January 27, 2012), February (January 28, 2012 - February 24, 2012), March (February 25, 2012 - March 30, 2012).

CSX CORPORATION
PART II

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None

Item 6. Exhibits

Exhibits

31* Rule 13a-14(a) Certifications.

32* Section 1350 Certifications.

101* The following financial information from CSX Corporation's Quarterly Report on Form 10-Q for the quarter ended March 30, 2012 filed with the SE C on April 19, 2012 , formatted in XBRL includes: (i) consolidated income statements for the fiscal periods ended March 30, 2012 and April 1, 2011, (ii) consolidated balance sheets at March 30, 2012 and December 30, 2011, (iii) consolidated cash flow statements for the fiscal periods ended March 30, 2012 and April 1, 2011, and (iv) the notes to consolidated financial statements.

* Filed herewith

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Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CSX CORPORATION
(Registrant)

By: /s/ Carolyn T. Sizemore
Carolyn T. Sizemore
Vice President and Controller
(Principal Accounting Officer)

Dated: April 19, 2012

Exhibit 31

CERTIFICATION OF CEO AND CFO PURSUANT TO EXCHANGE ACT RULE 13a - 14(a) OR RULE 15d-14(a)

I, Michael J. Ward, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CSX Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL J. WARD

Michael J. Ward
Chairman, President and Chief Executive Officer

I, Fredrik J. Eliasson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CSX Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ FREDRIK J. ELIASSON

Fredrik J. Eliasson
Executive Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION OF CEO AND CFO REQUIRED BY RULE 13a-14(b) OR RULE 15d-14(b) AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE U.S. CODE

In connection with the Quarterly Report of CSX Corporation on Form 10-Q for the period ending March 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Ward, Chief Executive Officer of the registrant, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: April 18, 2012

/s/ MICHAEL J. WARD
Michael J. Ward
Chairman, President and Chief Executive Officer

In connection with the Quarterly Report of CSX Corporation on Form 10-Q for the period ending March 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Fredrik J. Eliasson, Chief Financial Officer of the registrant, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Date: April 18, 2012

/s/ FREDRIK J. ELIASSON
Fredrik J. Eliasson
Executive Vice President and Chief Financial Officer