PHILIPP BROTHERS CHEMICALS INC
Form 10-Q
November 13, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2001

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 333-64641

Philipp Brothers Chemicals, Inc.
(Exact name of registrant as specified in its charter)

New York	13-1840497
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Parker Plaza, Fort Lee, New Jersey 07024
(Address of principal executive offices) (Zip Code)

(201) 944-6020
(Registrant's telephone number, including area code)

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 |_|

Number of shares of each class of common stock outstanding as of September 30, 2001:

Class A Common Stock, $.10 par value: 12,600.00
Class B Common Stock, $.10 par value: 11,888.50

PHILIPP BROTHERS CHEMICALS, INC.

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This Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference are discussed in the Company's Annual Report on Form 10-K for its fiscal year ended June 30, 2001 and/or throughout this Form 10-Q and in particular in Item 2 of Part I of this Form 10-Q under the caption "Certain Factors Affecting Future Operating Results." Unless the context otherwise requires, references in this report to the "Company" refers to the Company and/or one or more of its subsidiaries, as applicable.

PART I -- FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

PHILIPP BROTHERS CHEMICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(In Thousands)

	September 30, 2001	June 30, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 17,357	$ 14,845

Trade receivables, less allowance for doubtful accounts of $2,486 at September 30, 2001 and $2,369 at June 30, 2001	72,985	77,910
Other receivables	2,437	4,800
Inventories	88,245	83,796
Prepaid expenses and other current assets	16,297	17,448
TOTAL CURRENT ASSETS	197,321	198,799
PROPERTY, PLANT AND EQUIPMENT, net	105,223	102,323
INTANGIBLES	5,873	5,832
OTHER ASSETS	23,492	23,065
	$ 331,909	$ 330,019
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Cash overdraft	$ 4,430	$ 4,222
Loans payable to banks	31,540	28,463
Current portion of long-term debt	4,802	5,404
Accounts payable	51,636	51,304
Accrued expenses and other current liabilities	36,581	35,378
TOTAL CURRENT LIABILITIES	128,989	124,771
LONG-TERM DEBT	139,467	139,464
OTHER LIABILITIES	14,759	12,926
TOTAL LIABILITIES	283,215	277,161
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE SECURITIES:		
Series B and C preferred stock	51,407	48,980
Common stock	--	378
Common stock of subsidiary	95	95
TOTAL REDEEMABLE SECURITIES	51,502	49,453
STOCKHOLDERS' EQUITY:		
Series A preferred stock	521	521
Common stock	2	2
Paid-in capital	878	878
Retained earnings	4,949	9,741
Accumulated other comprehensive income (loss) - gain on derivative instruments	145	--
cumulative currency translation adjustment	(9,303)	(7,737)
TOTAL STOCKHOLDERS' EQUITY	(2,808)	3,405
	$ 331,909	$ 330,019

See notes to unaudited Condensed Consolidated Financial Statements.

PHILIPP BROTHERS CHEMICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)
For the Three Months Ended September 30, 2001 and 2000
(In Thousands)

	2001	2000
NET SALES	$ 94,659	$ 72,795
COST OF GOODS SOLD	67,596	52,290
GROSS PROFIT	27,063	20,505
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	25,654	19,095
OPERATING INCOME	1,409	1,410
OTHER:		
Interest expense	4,643	3,939
Interest income	(70)	(217)
Other (income)/expense, net	(195)	1,328
LOSS BEFORE INCOME TAXES	(2,969)	(3,640)
BENEFIT FOR INCOME TAXES	(604)	(521)
NET LOSS	(2,365)	(3,119)
OTHER COMPREHENSIVE INCOME (LOSS)-		
Gain on derivative instruments	145	--
Change in currency translation adjustment	(1,566)	(1,161)
COMPREHENSIVE LOSS	$ (3,786)	$ (4,280)

See notes to unaudited Condensed Consolidated Financial Statements.

PHILIPP BROTHERS CHEMICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)
For the Three Months Ended September 30, 2001
(In Thousands)

Preferred	Common Stock

	Stock Series A	Class "A"	Class "B"	Paid-in Capital	Retai Earni
BALANCE, JULY 1, 2001	$ 521	$ 1	$ 1	$ 878	$ 9,7
Accretion of redeemable preferred securities to fair market value					(5
Dividends on Series B and C redeemable preferred stock					(1,8
Gain on derivative instruments					
Foreign currency translation adjustment					
Net loss					(2,3
BALANCE, SEPTEMBER 30, 2001	$ 521	$ 1	$ 1	$ 878	$ 4,9

See notes to unaudited Condensed Consolidated Financial Statements.

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PHILIPP BROTHERS CHEMICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the Three Months Ended September 30, 2001 and 2000
(In Thousands)

	2001	2000
OPERATING ACTIVITIES:		
Net loss	$ (2,365)	$ (3,119)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,158	3,129
Other	789	(53)
Changes in operating assets and liabilities:		
Accounts receivable	5,525	12,018
Inventories	(4,383)	(4,402)
Prepaid expenses and other current assets	2,606	3,195
Other assets	(815)	(1,958)
Accounts payable	(1,334)	(761)
Accrued expenses and other current liabilities	872	2,369
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,053	10,418

INVESTING ACTIVITIES:		
Capital expenditures	(3,626)	(3,248)
Other investing	79	(85)
NET CASH USED IN INVESTING ACTIVITIES	(3,547)	(3,333)
FINANCING ACTIVITIES:		
Cash overdraft	99	1,264
Net increase (decrease) in short-term debt	1,917	(1,040)
Proceeds from long-term debt	11	732
Payments of long-term debt	(1,073)	(4,350)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	954	(3,394)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	52	(230)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,512	3,461
CASH AND CASH EQUIVALENTS at beginning of period	14,845	2,403
CASH AND CASH EQUIVALENTS at end of period	$ 17,357	$ 5,864

See notes to unaudited Condensed Consolidated Financial Statements.

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PHILIPP BROTHERS CHEMICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In Thousands)

1. General

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position as of September 30, 2001 and the results of operations and cash flows for the three months ended September 30, 2001 and 2000.

The condensed consolidated balance sheet as of June 30, 2001 was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. Additionally, it should be noted that the accompanying condensed consolidated financial statements and notes thereto have been prepared in accordance with accounting standards appropriate for interim financial statements. While the Company believes that the disclosures presented are adequate to make the information contained herein not misleading, it is suggested that these financial statements be read in conjunction with the Company's consolidated financial statements for the year ended June 30, 2001.

Certain prior year amounts in the accompanying condensed consolidated financial statements and related notes have been reclassified to conform to the

fiscal 2002 presentation. Such reclassifications include a reclassification of freight income of $1,443 for the three months ended September 30, 2000 from selling, general and administrative expenses to net sales on the consolidated statements of operations and comprehensive income, as a result of the adoption of the Emerging Issues Task Force Issue No. 00-10 "Accounting for Shipping and Handling Revenues and Costs."

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS No. 141") and No. 142 "Goodwill and Other Intangibles" ("SFAS No. 142"). SFAS No. 141 and No. 142 are effective for the Company on July 1, 2002. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. The statement also establishes specific criteria for recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary gain. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. The statement requires that goodwill and indefinite lived intangible assets no longer be amortized and be tested for impairment at least annually. The amortization period of intangible assets with finite lives will no longer be limited to forty years. The Company is currently assessing the impact of these statements.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 is effective for the Company on July 1, 2002. The statement establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. The Company is currently assessing the impact of this statement.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 "Accounting for Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 is effective for the Company on July 1, 2002. The statement addresses significant issues relating to the implementation of FASB Statement No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("FAS No. 121"), and the development of a single accounting model, based on the framework established in FAS No. 121, for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. The Company is currently assessing the impact of this statement.

The results of operations for the three months ended September 30, 2001 and 2000 may not be indicative of results for the full year.

2. Acquisition

On November 30, 2000, the Company purchased the Medicated Feed Additives (MFA) business of Pfizer, Inc. and certain of its subsidiaries ("Pfizer"). Under the terms of the purchase agreement, the Company is required to pay Pfizer contingent purchase price based on a percentage of future net revenues of a particular product. The term of the contingent payments is five years from November 30, 2000. The maximum contingent purchase price due under this arrangement is limited to $55,000, with a maximum annual payment of $12,000. Contingent purchase price paid will be allocated to related production equipment and product intangibles and the Company has recorded $9,349 under this arrangement as of September 30, 2001, of which $2,644 has been paid as of September 30, 2001. Under the terms of the agreement, the Company has elected to defer $3,000 of the payment until June 30, 2006. The deferred payment bears interest at an annual rate of 13%. In addition, the Company is required to pay Pfizer contingent purchase price up to a maximum of $10,000 over five years on

PHILIPP BROTHERS CHEMICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In Thousands)

other products based on certain gross profit levels of the MFA business. No amounts have been accrued under this arrangement.

The unaudited consolidated results of operations on a pro-forma basis as if such acquisition had occurred at the beginning of the three-month period ended September 30, 2000 are as follows:

Net sales......................................	$97,063
Net (loss) income...............................	(4,076)

The impact of purchase price adjustments to the inventory acquired from Pfizer increased the loss before income taxes for the three months ended September 30, 2001 by $1,973.

3. Inventories

Inventories are valued at the lower of cost or market. Cost is principally determined using the first-in, first-out (FIFO) and average methods; however, certain subsidiaries of the Company use the last-in, first-out (LIFO) method for valuing inventories.

Inventories at September 30, 2001 and June 30, 2001 consist of the following:

	Sept. 30, 2001	June 30, 2001
Raw materials	$28,918	$22,614
Work-in-process	2,437	4,257
Finished goods	56,890	56,925
	$88,245	$83,796

4. Contingencies

a. Litigation

The Company's subsidiary, Phibro-Tech, Inc., has been named as a potentially responsible party ("PRP") in connection with an action commenced by the EPA, involving a third party fertilizer manufacturing site in South Carolina. Phibro-Tech, Inc. was also named as a PRP involving a third party site in California. Tentative settlements have been reached in both of these actions and adequate reserves have been established.

The Company and its subsidiary, C.P. Chemicals, Inc., are involved in litigation alleging that operations at the Sewaren, New Jersey site have affected the adjoining owner's property. The Company is not, at this time, in a position to assess the extent of any liability.

The Company and its subsidiaries are a party to a number of claims and lawsuits arising in the normal course of business, including patent infringement, product liability and governmental regulation concerning environmental and other matters. Certain of these actions seek damages in

various amounts.

All such claims are being contested, and management believes the resolution of these matters will not materially affect the consolidated financial position, results of operations, or cash flows of the Company.

b. Environmental Remediation

The Company's domestic subsidiaries are subject to various federal, state and local environmental laws and regulations which govern the management of chemical wastes. The most significant regulation governing the Company's recycling activities is the Resource Conservation and Recovery Act of 1976 ("RCRA"). The Company has been issued final RCRA "Part B" permits to operate as hazardous waste treatment and storage facilities at its facilities in Santa Fe Springs, California; Garland, Texas; Joliet, Illinois; Sumter, South Carolina and Sewaren, New Jersey. The Company has also obtained an interim status RCRA permit for its Union City, California facility. The Company anticipates curtailing operations at this facility in the fourth quarter of 2001.

In connection with applying for RCRA "Part B" permits, the Company has been required to perform extensive site investigations at certain of its operating facilities and inactive sites to identify possible contamination and to provide the regulatory authorities with plans and schedules for remediation. Some soil and groundwater contamination has been identified at several plant sites and will require corrective action over the next several years.

Based upon information available, management estimates the cost of further investigation and remediation of identified soil and groundwater problems at operating sites, closed sites and third party sites to be approximately $1,984 as of September 30, 2001, which is included in current and long-term liabilities.

5. Business Segments

The Company has four reportable segments--Animal Health and Nutrition, Industrial Chemicals, Distribution, and All Other. The Company previously reported two reportable segments - Agchem and Industrial Chemicals; however, due principally to organizational changes during fiscal 2001, including those associated with the acquisition of the animal health business from Pfizer and the sale of the Agtrol crop protection business, segment reporting has been revised. Prior period segment information has been revised to conform to the fiscal 2001 segment presentation. Reportable segments have been determined primarily on the basis of the nature of products and services and certain similar operating units have been aggregated. The Company's Animal Health and Nutrition segment manufactures and markets a broad range of feed additive products including trace minerals, anticoccidials, antibiotics, vitamins, vitamin premixes, and other animal health products. The Company's Industrial Chemicals segment manufactures and markets pigments and other mineral products. Certain of these products include copper oxide, which is produced by the Company's recycling operation, mineral oxides, and alkaline etchants. The Company's Distribution segment markets and distributes a variety of industrial, specialty and fine organic chemicals, and intermediates produced by others. The Company's All Other segment manufactures and markets a variety of specialty

custom chemicals and copper-based fungicides, as well as providing management and recycling of coal combustion residues.

Segment data for the three months ended September 30, 2001 and 2000 are as follows:

	2001	2000
Net Sales		
Animal Health and Nutrition	$ 59,353	$ 34,630
Industrial Chemicals	21,011	25,475
Distribution	9,989	11,399
All Other	9,947	10,448
Intersegment	(5,641)	(9,157)
Net Sales	$ 94,659	$ 72,795
Intersegment Sales		
Animal Health and Nutrition	$ 1,410	$ 968
Industrial Chemicals	3,666	7,708
Distribution	554	481
All Other	11	0
Intersegment Sales	$ 5,641	$ 9,157
Operating Income (Loss)		
Animal Health and Nutrition	$ 7,365	$ 3,047
Industrial Chemicals	(4,200)	445
Distribution	838	918
All Other	119	(1,674)
Corporate expenses and adjustments	(2,713)	(1,326)
Operating Income	$ 1,409	$ 1,410

PHILIPP BROTHERS CHEMICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In Thousands)

6. Divestitures

On May 4, 2001, the Company sold its Agtrol U.S. business, a division of the Company's Phibro-Tech, Inc. subsidiary, to Nufarm, Inc. ("Nufarm"), the U.S. subsidiary of Nufarm Limited, a publicly listed Australian based company. On June 14, 2001, the Company sold its Agtrol international business to Nufarm. The sales included inventory and intangible assets to Nufarm and did not include plant, equipment, or other manufacturing assets. Phibro-Tech also entered into agreements to supply copper fungicide products to Nufarm from its Sumter, South Carolina plant for five years, and from its Bordeaux, France plant for three years.

Revenues and operating losses relating to the Agtrol business amounted to $6,367 and $2,003, respectively, for the three months ended September 30, 2000.

7. Condensed Consolidating Financial Statements

In June 1998, the Company issued $100 million of its 97/8% Senior Subordinated Notes due 2008 (the "Notes"). In connection with the issuance of these Notes, the Company's U.S. Subsidiaries fully and unconditionally guaranteed such Notes on a joint and several basis. Foreign subsidiaries do not presently guarantee the Notes.

The following condensed consolidating financial data summarizes the assets, liabilities and results of operations and cash flows of the Parent, Guarantor Subsidiaries and Non-Guarantor Subsidiaries. The Parent is Philipp Brothers Chemicals, Inc. ("PBC"). The U.S. Guarantor Subsidiaries include all domestic subsidiaries of PBC including the following: C.P. Chemicals, Inc., Phibro-Tech, Inc., MRT Management Corp., Mineral Resource Technologies, L.L.C., Prince Agriproducts, Inc., The Prince Manufacturing Company (PA), The Prince Manufacturing Company (IL), PhibroChem, Inc., Phibro Chemicals, Inc., Western Magnesium Corp., Phibro Animal Health Holdings, Inc. and Phibro Animal Health U.S., Inc. The U.S. and foreign Guarantor and Non-Guarantor Subsidiaries are directly or indirectly wholly owned as to voting stock by PBC.

Investments in subsidiaries are accounted for by the Parent using the equity method. Income tax expense (benefit) is allocated among the consolidating entities based upon taxable income (loss) by jurisdiction within each group.

The principal consolidation adjustments are to eliminate investments in subsidiaries and intercompany balances and transactions. Separate financial statements of the U.S. Guarantor Subsidiaries and the Non-Guarantor Subsidiaries are not presented because management has determined that such financial statements would not be material to investors.

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PHILIPP BROTHERS CHEMICALS, INC.
CONDENSED CONSOLIDATING BALANCE SHEET (Unaudited)
As of September 30, 2001
(In Thousands)

	Parent	U.S. Guarantor Subsidiaries	Foreign Subsidiari Non-Guarant
Assets			
Current Assets:			
Cash and cash equivalents	$ 1,416	$ 769	$ 15,172
Trade receivables	4,399	29,262	39,324
Other receivables	1,131	120	1,186
Inventory	3,033	43,670	41,542
Prepaid expenses and other	4,544	2,905	8,848
Total current assets	14,523	76,726	106,072
Property, plant & equipment, net	606	30,212	74,405
Intangibles	32	1,948	3,893
Investment in subsidiaries	62,069	1,542	(6,138
Intercompany	58,420	(25,497)	969

Other assets	92,912	(71,163)	1,743
Total assets	$ 228,562	$ 13,768	$ 180,944
Liabilities and Stockholders' Equity			
Current Liabilities:			
Cash overdraft	$ 13	$ 4,417	$ --
Loan payable to banks	28,665	--	2,875
Current portion of long term debt	2,540	491	1,771
Accounts payable	1,240	22,068	28,328
Accrued expenses and other	8,736	11,680	16,165
Total current liabilities	41,194	38,656	49,139
Long term debt	127,255	(66,672)	112,776
Other liabilities	2,021	5,119	7,619
Redeemable securities:			
Series B and C preferred stock	51,407	--	--
Common stock	479	--	(479
Common stock of subsidiary	--	95	--
	51,886	95	(479
Stockholders' Equity			
Series A preferred stock	521	--	--
Common stock	2	32	--
Paid in capital	878	34,041	--
Retained earnings	4,949	2,322	21,078
Accumulated other comprehensive (loss) income-			
gain on derivative instruments	--	145	--
cumulative currency translation adjustment	(144)	30	(9,189
Total stockholders' equity	6,206	36,570	11,889
Total liabilities and equity	$ 228,562	$ 13,768	$ 180,944

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PHILIPP BROTHERS CHEMICALS, INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited)
For The Three Months Ended September 30, 2001
(In Thousands)

	Parent	U.S. Guarantor Subsidiaries	Foreign Subsidiari Non-Guarant

Net sales	$ 7,108	$ 51,594	$ 42,404
Cost of goods sold	5,632	36,172	32,239
Gross profit	1,476	15,422	10,165
Selling, general, and administrative expenses	3,737	13,531	8,386
Operating (loss) income	(2,261)	1,891	1,779
Interest expense	674	933	3,036
Interest income	3	--	(73)
Other expense (income)	117	19	(331)
Intercompany allocation	(993)	993	--
Loss (profit) relating to subsidiaries	1,098	--	--
(Loss) income before income taxes	(3,160)	(54)	(853)
(Benefit) provision for income taxes	(795)	320	(129)
Net (loss) income	$ (2,365)	$ (374)	$ (724)

PHILIPP BROTHERS CHEMICALS INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited)
For the Three Months Ended September 30, 2001
(In Thousands)

	Parent	U.S. Guarantor Subsidiaries	Foreign Subsidiari Non-Guarant
Operating activities:			
Net (loss) income	$ (2,365)	$ (374)	$ (724)
Adjustments to reconcile net (loss) income to cash (used in) provided by operating activities:			
Depreciation and amortization	264	1,344	2,550
Other	(211)	65	935
Changes in operating assets and liabilities:			
Accounts receivable	210	2,369	2,946
Inventory	220	(1,401)	(3,202)
Prepaid expenses and other	362	1,843	401
Other assets	264	(996)	(83)
Intercompany	(3,000)	(718)	4,816
Accounts payable	(502)	(1,861)	1,029
Accrued expenses and other	1,462	1,093	(1,683)

Net cash (used in) provided by operating activities	(3,296)	1,364	6,985
Investing activities:			
Capital expenditures	(70)	(1,426)	(2,130)
Other investing	--	--	79
Net cash used in investing activities	(70)	(1,426)	(2,051)
Financing activities:			
Cash overdraft	--	246	(147)
Net increase (decrease) in short term debt	3,498	--	(1,581)
Proceeds from long term debt	--	11	--
Payments of long term debt	(8)	(126)	(939)
Net cash provided by (used in) financing activities	3,490	131	(2,667)
Effect of exchange rate changes on cash	--	--	52
Net increase in cash and cash equivalents	124	69	2,319
Cash and cash equivalents at beginning of year	1,292	700	12,853
Cash and cash equivalents at end of year	$ 1,416	$ 769	$ 15,172

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PHILIPP BROTHERS CHEMICALS, INC.
CONDENSED CONSOLIDATING BALANCE SHEET (Unaudited)
As of June 30, 2001
(In Thousands)

	Parent	U.S. Guarantor Subsidiaries	Foreign Subsidiari Non-Guarant
Assets			
Current Assets:			
Cash and cash equivalents	$ 1,292	$ 1,210	$ 12,343
Trade receivables	4,624	32,291	40,995
Other receivables	791	1,913	2,096
Inventory	2,715	44,050	37,031
Prepaid expenses and other	5,461	2,745	9,242

Total current assets	14,883	82,209	101,707
Property, plant & equipment, net	626	30,143	71,554
Intangibles	87	1,915	3,830
Investment in subsidiaries	63,490	1,542	(6,138)
Intercompany	54,322	(22,808)	3,852
Other assets	93,466	(71,571)	1,170
Total assets	$226,874	$ 21,430	$175,975
Liabilities and Stockholders' Equity			
Current Liabilities:			
Cash overdraft	$ 13	$ 4,209	$ --
Loan payable to banks	24,471	--	3,992
Current portion of long term debt	2,541	493	2,370
Accounts payable	1,743	23,359	26,202
Accrued expenses and other	7,859	11,780	15,739
Total current liabilities	36,627	39,841	48,303
Long term debt	127,263	(60,654)	108,221
Other liabilities	2,129	5,731	5,066
Redeemable securities:			
Series B and C preferred stock	48,980	--	--
Common stock	877	--	(499)
Common stock of subsidiary	--	95	--
	49,857	95	(499)
Stockholders' Equity			
Series A preferred stock	521	--	--
Common stock	2	32	--
Paid in capital	878	34,041	--
Retained earnings	9,741	2,325	22,496
Accumulated other comprehensive (loss) income- cumulative currency translation adjustment	(144)	19	(7,612)
Total stockholders' equity	10,998	36,417	14,884
Total liabilities and equity	$226,874	$ 21,430	$175,975

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PHILIPP BROTHERS CHEMICALS, INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited)
For The Three Months Ended September 30, 2000
(In Thousands)

	Parent	U.S. Guarantor Subsidiaries	Foreign Subsidiari Non-Guarant
Net sales	$ 8,521	$ 42,814	$ 28,097
Cost of goods sold	6,791	29,917	22,219
Gross profit	1,730	12,897	5,878
Selling, general, and administrative expenses	3,472	11,468	4,155
Operating (loss) income	(1,742)	1,429	1,723
Interest expense	2,470	66	1,403
Interest income	(36)	--	(181)
Other expense	89	--	1,239
Intercompany allocation	(3,324)	3,067	257
Loss (profit) relating to subsidiaries	1,505	--	--
(Loss) income before income taxes	(2,446)	(1,704)	(995)
Provision (benefit) for income taxes	673	(712)	(482)
Net (loss) income	$ (3,119)	$ (992)	$ (513)

PHILIPP BROTHERS CHEMICALS INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited)
For the Three Months Ended September 30, 2000
(In Thousands)

	Parent	U.S. Guarantor Subsidiaries	Foreign Subsidiari Non-Guarant
Operating activities:			
Net (loss) income	$ (3,119)	$ (992)	$ (513)
Adjustments to reconcile net (loss) income to cash provided by operating activities:			
Depreciation and amortization	116	1,213	1,800
Other	186	(60)	(179)
Changes in operating assets and liabilities:			
Accounts receivable	459	8,367	3,192
Inventory	93	(4,987)	492

Prepaid expenses and other	3,441	(135)	(111)
Other assets	(788)	(1,216)	46
Intercompany	84	(900)	2,321
Accounts payable	(450)	403	(714)
Accrued expenses and other	3,991	(25)	(1,597)
Net cash provided by operating activities	4,013	1,668	4,737
Investing activities:			
Capital expenditures	(23)	(2,617)	(608)
Other investing	--	--	(85)
Net cash used in investing activities	(23)	(2,617)	(693)
Financing activities:			
Cash overdraft	114	1,810	(660)
Net decrease in short term debt	(104)	--	(936)
Proceeds from long term debt	--	--	732
Payments of long term debt	(4,008)	(195)	(147)
Net cash (used in) provided by financing activities	(3,998)	1,615	(1,011)
Effect of exchange rate changes on cash	--	--	(230)
Net (decrease) increase in cash and cash equivalents	(8)	666	2,803
Cash and cash equivalents at beginning of year	11	99	2,293
Cash and cash equivalents at end of year	$ 3	$ 765	$ 5,096

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Company is a leading diversified global manufacturer and marketer of a broad range of specialty agricultural and industrial chemicals, which are sold world-wide for use in numerous markets, including animal health and nutrition, agriculture, pharmaceutical, electronics, wood treatment, glass, construction and concrete. The Company also provides recycling and hazardous waste services primarily to the electronics and metal treatment industries.

The Company has four operating segments--Animal Health and Nutrition, Industrial Chemicals, Distribution and All Other. The Company previously reported two operating segments-- Agchem and Industrial Chemicals. Due to organizational changes during fiscal 2001, including those associated with the acquisition of the animal health business from Pfizer and the sale of the Agtrol crop protection business, segment reporting has been revised. Prior period segment information has been revised to conform to the fiscal 2002 segment

presentation.

On November 30, 2000, the Company purchased the medicated feed additives business of Pfizer, Inc. ("Pfizer"). The operating results of this business, now called Phibro Animal Health, ("PAH"), are included in the Company's consolidated statements of operations from the date of acquisition and are included in the Animal Health and Nutrition segment.

On May 4, 2001, the Company sold its Agtrol U.S. business, a division of the Company's Phibro-Tech, Inc. subsidiary, to Nufarm, Inc. ("Nufarm"), a U.S. subsidiary of Nufarm Limited, a publicly listed Australian based company. On June 14, 2001, the Company sold its Agtrol international business to Nufarm. Agtrol developed, manufactured and marketed crop protection products, including copper fungicides. The sale included inventory and intangible assets to Nufarm but did not include plant, equipment, or other manufacturing assets. Phibro-Tech also entered into agreements to supply copper fungicide products to Nufarm from its Sumter, South Carolina plant for five years, and from its Bordeaux, France plant for three years. The operating results of Agtrol are included in the Company's consolidated statements of operations up to the date of disposition and are included in the All Other segment.

Results of Operations

	Sales ($000's) Three Months Ended September 30,	
Operating Segments:	2001	2000
Animal Health and Nutrition	$ 59,353	$ 34,630
Industrial Chemicals	21,011	25,475
Distribution	9,989	11,399
All Other	9,947	10,448
Elimination of intersegment sales	(5,641)	(9,157)
	$ 94,659	$ 72,795

	Operating Income (Loss) ($000's) Three Months Ended September 30,	
Operating Segments:	2001	2000
Animal Health and Nutrition	$ 7,365	$ 3,047
Industrial Chemicals	(4,200)	445
Distribution	838	918
All Other	119	(1,674)
Corporate expenses and intercompany profit elimination	(2,713)	(1,326)
	$ 1,409	$ 1,410

Comparison of Three Months Ended September 30, 2001 and 2000

Net Sales. Net sales increased by $21.9 million, or 30%, to $94.7 million in the three months ended September 30, 2001, as compared to same period of the prior year. The increase was primarily due to the purchase of the PAH business

offset in part by the sale of the Company's Agtrol operations.

The Animal Health and Nutrition segment's net sales increased by $24.7 million, or 71%, to $59.4 million in the three months ended September 30, 2001, as compared to the prior period. The net sales increase was due to increased unit volume primarily as a result of the PAH purchase. Excluding PAH, sales for the segment in 2001 were $1.1 million below the prior year primarily due to lower average selling prices.

The Industrial Chemicals segment's net sales decreased by $4.5 million, or 18%, to $21.0 million in the three months ended September 30, 2001, as compared to the prior period. Due to the sale of Agtrol to Nufarm, the Company no longer has intersegment sales in the Industrial segment which accounted for $4.0 million of the decline in revenues. Sales by the Company's Phibro-Tech subsidiary, excluding recycling fees, were down by $1.4 million due to volume declines related to the printed circuit board industry. Lower recycling fees of $.4 million were due to decreased demand. Higher unit volume sales at the Company's Odda subsidiary increased revenues by $1.7 million and partially offset the decrease. Lower unit sales of iron oxide and manganese dioxide primarily accounted for the balance of the change.

Net sales for the Distribution segment decreased by $1.4 million, or 12%, to $10.0 million in 2001, as compared to the prior period. The net sales decrease was due to lower unit volumes. Significant declines in the segment's trace minerals, cyanide and dicyandiamide products occurred during the current quarter.

Net sales for the All Other segment decreased by $.5 million, or 5%, to $9.9 million in 2001, as compared to the prior period. Approximately $2.4 million of this decrease related to lower sales of crop protection chemicals. The Company's Agtrol crop protection business was sold during the fourth quarter of 2001 and sales are currently being made under supply agreements to Nufarm. Excluding Agtrol, sales for the segment in 2001 were $1.9 million above the prior year. The Company's fly ash business increased by $1.3 million primarily due to increased volume as a result of additional contracts with utilities in Missouri and Michigan and improved average selling prices. Revenues at the Company's Wychem, U.K. facility improved by $.6 million due to an increase in specialized lab projects and formulations.

Gross Profit. Gross profit increased by $6.6 million, or 32.0%, to $27.1 million in the three months ended September 30, 2001, as compared to the prior period. The increase was primarily due to the purchase of the PAH business offset in part by the sale of the Company's Agtrol operations. Purchase accounting adjustments relating to inventory acquired in the PAH acquisition resulted in an increase to cost of goods sold of $2.0 million during fiscal 2002. The remainder of the inventory purchase adjustment, approximately $1.3 million, will be charged to cost of goods sold during the balance of the fiscal year. Lower production volumes at the Company's Phibro-Tech facilities and higher utility and raw material costs at Odda adversely affected margins in the Industrial Chemical segment. Margin declines in the All Other segment were due to sales of crop protection products sold to Nufarm under a supply agreement in the current period as opposed to higher margin sales to third parties in the prior period. In addition, the declines in average selling prices in the Animal Health and Nutrition segment described above further reduced the Company's margin.

Selling, General and Administrative Expenses. Costs increased by $6.6 million to $25.7 million in 2001, as compared to the prior period. Excluding PAH and Agtrol, costs were up approximately $2.4 million principally due to management advisory fees to Palladium Equity Partners, LLC ($.6 million), higher warehousing and distribution primarily relating to sales growth in the Company's fly ash business ($.8 million), environmental remediation ($.3 million) and

other general spending increases ($.7 million).

Operating Income. Operating income was $1.4 million for the three months ended September 30, 2001, approximately the same as the prior period. The Animal Health and Nutrition segment increased due to the inclusion of PAH for the period. Operating income would have been $2.0 million higher than reported if not for purchase accounting adjustments to the sale of inventory acquired from Pfizer as part of the PAH acquisition. Operating income declined in the Industrial Chemicals segment primarily due to lower sales and production volumes. The Company is implementing cost reduction programs and other initiatives in this segment in reaction to current market conditions. The improvement in operating income of the All Other segment is primarily the result of the sale of Agtrol as the Company is no longer materially impacted by the seasonal nature of the crop protection business. The Distribution segment was slightly below the prior year due to sales volume declines.

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Interest Expense, Net. Costs increased by $.9 million or 23% to $4.6 million for the three months ended September 30, 2001 as compared to the prior period primarily due to debt incurred in connection with the PAH acquisition and higher levels of average bank borrowings.

Other Expense, Net. Other expense, net principally reflects foreign currency transaction losses of the Company's foreign subsidiaries and the quarter over quarter change reflects the strengthening of currencies against the U.S. dollar in 2001 (principally Norwegian Kroner) versus weakening of these currencies in the September 2000 quarter.

Income Taxes. The Company provides a benefit on interim period losses as it is anticipated that future earnings can be utilized to offset the tax benefit recorded in the current year. The effective tax rate is lower than the U.S. statutory rate due to the relationship of each domestic and international subsidiaries' individual income or loss position to the statutory tax rates in each country.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities. Cash provided by operations for the three months ended September 30, 2001 was $5.1 million. The increase in cash from the collection of receivables from our crop protection business was partially offset by higher inventories at the Phibro Animal Health business unit. This build up of inventories is necessary to ensure an adequate availability of product as the Company continues to refine its supply chain and expand into new markets.

Net Cash Used by Investing Activities. Net cash used in investing activities for the three months ended September 30, 2001 was $3.5 million. Capital expenditures of $3.6 million were primarily for maintaining the Company's existing asset base and for environmental, health and safety projects.

Net Cash Provided by Financing Activities. Net cash provided by financing activities totaled $1.0 million. Borrowings under the domestic revolving credit agreement were partially offset by paydowns of debt at several of the Company's international subsidiaries.

Liquidity. At September 30, 2001, working capital totaled $68.3 million compared to $74.0 million at the fiscal year end. Due to the nature and terms of the revolving credit agreement, which includes both a subjective acceleration clause and a requirement to maintain a lockbox arrangement, all borrowings

against this facility are classified as a current liability. At September 30, 2001, the amount of credit extended under this agreement totaled $28.7 million and the Company had $17.3 million available under the borrowing base formula in this agreement. In addition, certain of the Company's foreign subsidiaries also had availability under their respective credit facilities totaling $10.0 million.

The Company anticipates spending approximately $13 million for capital expenditures in fiscal 2002, primarily to cover the Company's asset replacement needs, improve processes, and for environmental and regulatory compliance. The Company believes that cash flows from operations and available borrowing arrangements should provide sufficient working capital to operate the Company's existing business, to make budgeted capital expenditures, and to service interest and current principal coming due on outstanding debt.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS No. 141") and No. 142 "Goodwill and Other Intangibles" ("SFAS No. 142"). SFAS No. 141 and No. 142 are effective for the Company on July 1, 2002. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. The statement also establishes specific criteria for recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary gain. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. The statement requires that goodwill and indefinite lived intangible assets no longer be amortized and be tested for impairment at least annually. The amortization period of intangible assets with finite lives will no longer be limited to forty years. The Company is currently assessing the impact of these statements.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 is effective for the Company on July 1, 2002. The statement establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. The Company is currently assessing the impact of this statement.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 "Accounting for Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 is effective for the Company on July 1, 2002. The statement addresses significant issues relating to the implementation of FASB Statement No.

121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("FAS No. 121"), and the development of a single accounting model, based on the framework established in FAS No. 121, for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. The Company is currently assessing the impact of this statement.

Seasonality of Business

Prior to the divestiture of the crop protection business, the Company's sales were typically highest in the fourth fiscal quarter due to the seasonal nature of the agricultural industry. With the sale of this business, as well as the acquisition of the non-seasonal PAH business, the Company's sales are

expected to be less seasonal. However, some seasonality in the Company's results will remain as sales of certain industrial chemicals to the wood treatment industry as well as sales of coal fly ash are typically highest during the peak construction periods of the first and fourth fiscal quarters.

Quantitative and Qualitative Disclosure About Market Risk

For financial market risks related to changes in interest rates, foreign currency exchange rates and commodity prices, reference is made to Part II, Item 7, Quantitative and Qualitative Disclosure About Market Risk, in the Company's Annual Report on Form 10-K for the year ended June 30, 2001 and to Note 13 to the Consolidated Financial Statements of the Company included therein.

Certain Factors Affecting Future Operating Results

This Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference include, among other factors noted herein, the following: the Company's substantial leverage and potential inability to service its debt; the Company's dependence on distributions from its subsidiaries; risks associated with the Company's international operations; the Company's ability to absorb and integrate into its existing operations the PAH acquisition referred to above; the Company's dependence on its Israeli operations; competition in each of the Company's markets; potential environmental liability; extensive regulation by numerous government authorities in the United States and other countries; significant cyclical price fluctuation for the principal raw materials used by the Company in the manufacture of its products; the Company's reliance on the continued operation and sufficiency of its manufacturing facilities; the Company's dependence upon unpatented trade secrets; the risks of legal proceedings and general litigation expenses; potential operating hazards and uninsured risks; the risk of work stoppages; the Company's dependence on key personnel; the uncertain impact of the Company's acquisition plans; and the seasonality of the Company's business.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Part I -- Item 2 -- "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Quantitative and Qualitative Disclosure About Market Risk."

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PART II -- OTHER INFORMATION

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit No.	Description
None.	

(b) Reports on Form 8-K.

None.

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SIGNATURES

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.

PHILIPP BROTHERS CHEMICALS, INC.

Date: November 13, 2001 By: /s/ DAVID C. STORBECK

David C. Storbeck
Chief Financial Officer

Date: November 13, 2001 By: /s/ JOSEPH KATZENSTEIN

Joseph Katzenstein, Treasurer
and Secretary

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		(70)
Other Current Assets	**(63)**	2
Accounts Payable	**13**	42
Income and Other Taxes Payable	**109**	39
Other Current Liabilities	**(37)**	(151)
Net Cash Provided by Operating Activities	**597**	445
Investing Activities		
Property Additions	**(428)**	(367)

Insurance Proceeds (Note 7)	**10**	-
Purchases of Short-term Investments	**(530)**	(416)
Proceeds from Sales of Short-term Investments	**558**	378
Other Investing Activities	**(12)**	(15)
Net Cash Used in Investing Activities	**(402)**	(420)
Financing Activities		
Short-term Debt - Net	**1**	2
Long-term Debt Issued	**-**	3
Long-term Debt Repaid	**(29)**	(71)
Dividends Paid	**(53)**	(29)
Stock Options Exercised (Note 3)	**89**	129
Shares Repurchased (Note 3)	**(179)**	-
Other Financing Activities	**27**	8
Net Cash (Used in) Provided by Financing Activities	**(144)**	42

Net Increase in Cash and Cash Equivalents

51 67

Cash And Cash Equivalents

Cash and Cash Equivalents at Beginning of Period

461 309

Cash and Cash Equivalents at End of Period

$512 $376

See accompanying Notes to Consolidated Financial Statements.

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CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. 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. Surface Transportation, which includes the Company s rail and intermodal businesses, provides rail-based transportation services including traditional rail service and the transport of intermodal containers and trailers.

CSX s principal operating company, CSX Transportation Inc. (CSXT), operates the largest railroad in the eastern United States with a rail network of approximately 21,000 route miles, linking markets in 23 states, the District of Columbia, and the Canadian provinces of Ontario and Quebec. CSX Intermodal Inc. (Intermodal), one of the nation s largest coast-to-coast intermodal transportation providers, is a stand-alone, integrated intermodal company linking customers to railroads via trucks and terminals.

CSX s other holdings include CSX Hotels, Inc., a resort doing business as The Greenbrier, located in White Sulphur Springs, West Virginia, and CSX Real Property, Inc., an organization responsible for the management, sale, lease, acquisition and development of company properties.

Basis of Presentation

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

- Consolidated Balance Sheets at March 30, 2007 and December 29, 2006;
- Consolidated Income Statements for the quarters ended March 30, 2007 and March 31, 2006; and
- Consolidated Cash Flow Statements for the quarters ended March 30, 2007 and March 31, 2006.

Certain prior-year data have been reclassified to conform to the 2007 presentation.

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CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. Significant Accounting Policies, continued

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 accounting principles generally accepted in the United States of America 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, prior Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

Fiscal Year

CSX follows a 52/53 week fiscal reporting calendar.

The first fiscal quarter of 2007 and 2006 consisted of 13 weeks ending on March 30, 2007 and March 31, 2006, respectively.

Fiscal year 2006 consisted of 52 weeks ending on December 29, 2006.

Fiscal year 2007 will consist of 52 weeks ending on December 28, 2007.

Except as otherwise specified, references to quarters indicate CSX s fiscal periods ending March 30, 2007 or March 31, 2006, and references to year-end indicates the fiscal year ending December 29, 2006.

Other Items

In February 2007, CSX announced a $2.0 billion share repurchase program and increased the quarterly dividend on the Company s common stock by 20% to $0.12 per share. The Company intends to complete at least $1 billion of the repurchase program by the end of 2007 and the remainder during 2008. The timing and amount of repurchase transactions will be determined by the Company s management based on their evaluation of market conditions, share price and other factors. While it is not management s intention, the program may be suspended or discontinued at any time. During first quarter 2007, CSX repurchased 3.5 million shares under this program. No shares were purchased during first quarter 2006 under a publicly announced program. On a cumulative basis, during the past 4 quarters, the Company has repurchased 19.4 million shares under various share repurchase programs.

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CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2. Earnings Per Share

CSX had a two-for-one split of its common stock in July 2006. Pursuant to SFAS 128, *Earnings Per Share*, all share and per share disclosures have been retroactively restated to reflect the stock split.

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

	First Quarters	
	2007	2006
Numerator (Millions):		
Net Earnings	**$ 240**	$ 245
Interest Expense on Convertible Debt - Net of Tax	**1**	1
Net Earnings, If-Converted	**241**	246
Denominator (Thousands):		
Average Common Shares Outstanding	**437,637**	439,362
Convertible Debt	**19,456**	19,456
Stock Options	**5,545**	5,430
Other Potentially Dilutive Common Shares	**538**	116
Average Common Shares Outstanding, Assuming Dilution	**463,176**	464,364
Basic Earnings Per Share	**$ 0.55**	$ 0.56
Earnings Per Share, Assuming Dilution	**$ 0.52**	$ 0.53

Basic earnings per share is based upon the weighted-average number of common shares outstanding. Earnings per share, assuming dilution, is based on the weighted-average number of common shares outstanding adjusted for the effect of the following types of potentially dilutive common shares:

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

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CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2. Earnings Per Share, continued

Emerging Issues Task Force (EITF) 04-8, *The Effect of Contingently Convertible Debt on Diluted Earnings Per Share*, required CSX to include approximately 19 million shares in the computation of earnings per share, assuming dilution. The amount included in diluted earnings per share represents the number of shares that would be issued if all the Company s convertible debentures were converted. Debentures previously converted into CSX common stock are reflected in the basic earnings per share calculation.

In 2006, certain stock options were excluded from the computation of earnings per share, assuming dilution, since their related option exercise prices were greater than the average market price of the common shares during the period. In 2007, all stock options were dilutive. Therefore, no stock options were excluded from the earnings per share calculation. The following table presents information about potentially dilutive stock options excluded from the computation of earnings per share:

	First Quarters	
	2007	2006
Number of Shares (Thousands)	-	1,240
Average Exercise Price	$ -	$ 28.50

NOTE 3. Share-Based Compensation

CSX share-based compensation plans primarily include long-term incentive plans, restricted stock awards, stock options, and stock plans for directors. CSX has not granted stock options since 2003. Awards granted under the various plans were determined and approved by the Compensation Committee of the Board of Directors or, in limited circumstances, by the CEO for awards to management employees other than senior executives. The Governance Committee of the Board of Directors approves awards granted to the Company s non-management Directors.

Total pre-tax expense associated with share-based compensation and its related income tax benefit is as follows:

(Dollars in Millions)	First Quarters	
	2007	2006
Share-Based Compensation Expense	**$ 15**	$ 3
Income Tax Benefit	**6**	1

(a) CSX s long-term incentive plans were not approved and granted until May 2006. Share-based compensation expense is lower in first quarter 2006 since no expense was incurred for long-term incentive plans during that period.

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CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3. Share-Based Compensation, continued

The following table provides information about stock options exercised.

(In Thousands)	**First Quarters**	
	2007	2006
Number of Stock Options Exercised	**4,318**	5,732

NOTE 4. Income Taxes

CSX adopted FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), at the beginning of fiscal year 2007. As a result of the implementation the Company recognized a $34 million decrease to reserves for uncertain tax positions. This decrease has two components of which amounts directly related to CSX were $31 million and unconsolidated subsidiaries accounted for under the equity method of accounting were $3 million. This decrease was accounted for as an adjustment to the beginning balance of retained earnings on the Balance Sheet. Including the cumulative effect decrease, at the beginning of 2007, CSX had approximately $207 million of total gross unrecognized tax benefits. Of this total, $197 million (net of the federal benefit on state issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods.

CSX and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company has substantially concluded all U.S. federal income tax matters for years through 1998. Substantially all material state and local, and foreign income tax matters have been concluded for years through 1993. Federal income tax returns for 1999 through 2005 are currently under examination.

In connection with the Internal Revenue Service (IRS) examination of the Company s 2005 income tax return, the IRS has proposed certain significant adjustments to the Company s gain on the sale of a disposed business and associated foreign tax credits previously reported as discontinued operations. The Company previously entered into a voluntary Pre-Filing Agreement with the IRS for this transaction. The IRS is currently reviewing these matters and the Company expects to finalize an agreement with the IRS during 2007. The final outcome of this review is not yet determinable; however, management anticipates that adjustments to unrecognized tax benefits, if any, would be favorable and would be reported as discontinued operations when resolved. CSX does not anticipate the adjustments would result in a material change to the results of operations, financial condition, or liquidity.

CSX s continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had $52 million accrued for interest and $0 accrued for penalties at December 2006.

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CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 5. Casualty, Environmental and Other Reserves

Casualty, environmental and other reserves were determined to be critical accounting estimates due to the need for significant management judgments. They are provided for in the Consolidated Balance Sheets as follows:

(Dollars in Millions)	**March 30, 2007**			December 29, 2006		
	Current	**Long-term**	**Total**	Current	Long-term	Total
Casualty	**$ 171**	**$ 476**	**$ 647**	$ 172	$ 465	$ 637
Separation	**20**	**96**	**116**	20	100	120
Environmental	**26**	**61**	**87**	26	45	71
Other	**38**	**62**	**100**	35	58	93
Total	**$ 255**	**$ 695**	**$ 950**	$ 253	$ 668	$ 921

Details with respect to each type of reserve are described below. Actual claims received and settlements could differ. The final outcome of these matters cannot be predicted with certainty. Considering the legal defenses 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 results of operations, financial condition or liquidity. However, should a number of these items occur in the same period, they could have a material effect on the results of operations, financial condition or liquidity in a particular quarter or fiscal year.

Casualty

Casualty reserves represent accruals for personal injury and occupational injury claims. Currently, no individual claim is expected to exceed the Company s self-insured retention amount. To the extent the value of an individual claim exceeds the self-insured retention amount, CSX would present the liability on a gross basis with a corresponding receivable for insurance recoveries. Personal injury and occupational claims are presented on a gross basis and in accordance with SFAS 5, *Accounting for Contingencies* (SFAS 5).

These reserves fluctuate with estimates provided by independent third-parties reviewed by management, offset by the timing of individual payments. Most of the claims were related to CSXT.

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 the above FELA liabilities, employees of other CSX subsidiaries are covered by various state workers compensation laws, the Federal Longshore and Harbor Worker s Compensation Program or the Maritime Jones Act.

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CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 5. Casualty, Environmental and Other Reserves, continued

CSXT retains an independent actuarial firm to assist management in assessing the likely cost of personal injury claims and cases. An analysis is performed by the independent actuarial firm semi-annually 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. Actual results may vary from estimates due to the type and severity of the injury, costs of medical treatments, and uncertainties in litigation.

Occupational

Occupational claims arise from allegations of exposure to certain materials in the work place. Examples of exposures would be asbestos, solvents (which include soaps and chemicals), diesel fuel and alleged chronic physical injuries resulting from work conditions. Examples of claims arising from work conditions would be repetitive stress injuries, carpal tunnel syndrome or hearing loss.

The Company retains a third party specialist with extensive experience in performing asbestos and other occupational studies to assist management in assessing the value of the Company s claims and cases. The analysis is performed by the specialist semi-annually and is reviewed by management. The methodology used by the specialist includes an estimate of future anticipated claims based on the Company s trends of average historical claim filing rates, future anticipated dismissal rates and settlement rates.

Separation

Separation liabilities provide for the estimated costs of implementing workforce reductions, improvements in productivity and certain other cost reductions at the Company s major transportation units since 1991. These liabilities are expected to be paid out over the next 15 to 20 years from general corporate funds and may fluctuate depending on the timing of payments and associated taxes.

CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 5. Casualty, Environmental and Other Reserves, continued

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 256 environmentally impaired sites. Many of those 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. However, a number of these proceedings are based on allegations that the Company, or its predecessors, sent hazardous substances to facilities owned or operated by others. 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 accordance with Statement of Position 96-1, *Environmental Remediation Liabilities,* at least once a quarter, the Company reviews its role with respect to each site identified. Based on the review process, the Company has recorded amounts to cover anticipated contingent 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 and include amounts representing the Company s estimate of unasserted claims, which the Company believes to be immaterial. 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.

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 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 accomplish remedial actions to comply with present laws and regulations and that the ultimate liability for these matters, if any, will not materially affect its overall results of operations, financial condition and liquidity.

CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 5. Casualty, Environmental and Other Reserves, continued

Other

Other reserves include liabilities for various claims, such as longshoremen disability claims, freight claims, and claims for property, automobile and general liability. These liabilities are accrued at the estimable and probable amount in accordance with SFAS 5.

NOTE 6. Commitments and Contingencies

Purchase Commitments

CSXT has a commitment under a long-term maintenance program that currently covers 42% of CSXT s fleet of locomotives. The agreement is based upon the maintenance cycle for each locomotive and is currently predicted to expire no earlier than 2027 and as late as 2031, depending upon when additional locomotives are placed in service. The costs expected to be incurred throughout the duration of the agreement fluctuate as locomotives are placed into, or removed from, service or as required maintenance is adjusted. CSXT may terminate the agreement at its option after 2012, though such action would trigger certain liquidated damages provisions. Under this program, CSXT paid $50 million and $41 million during the first quarters ended in 2007 and 2006, respectively.

Insurance

The Company maintains numerous insurance programs, most notably for third-party casualty liability and for Company property damage and business interruption with substantial limits. A specific amount of risk ($25 million per occurrence) is retained by the Company on each of the casualty and non-catastrophic property programs. The Company retains $50 million of risk per occurrence for its catastrophic property coverage. For information on insurance issues resulting from the effects of Hurricane Katrina on the Company s operations and assets, see Note 7, Hurricane Katrina.

Guarantees

CSX and its subsidiaries are contingently liable, individually and jointly with others, as guarantors of approximately $86 million in obligations principally relating to leased equipment, vessels and joint facilities used by the Company in its current and former business operations. Utilizing the Company s guarantee for these obligations allows the obligor to take advantage of lower interest rates and obtain other favorable terms. Guarantees are contingent commitments issued by the Company that could require CSX or one of its affiliates to make payment to or to perform certain actions for the beneficiary of the guarantee based on another entity s failure to perform.

CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 6. Commitments and Contingencies, continued

At the end of first quarter 2007, the Company s guarantees primarily related to the following:

1. Guarantee of approximately $73 million of obligations of a former subsidiary, CSX Energy, in connection with a sale-leaseback transaction. CSX is, in turn, indemnified by several subsequent owners of the subsidiary against payments made with respect to this guarantee. Management does not expect that the Company will be required to make any payments under this guarantee for which CSX will not be reimbursed. CSX s obligation under this guarantee will be completed in 2012.

2. Guarantee of approximately $13 million of lease commitments assumed by A.P. Moller-Maersk (Maersk) for which CSX is contingently liable. CSX believes Maersk will fulfill its contractual commitments with respect to such lease commitments, and CSX will have no further liabilities for those obligations. CSX s obligation under this guarantee will be completed in 2011.

As of first quarter 2007, the Company has not recognized any liabilities in its financial statements in connection with any guarantee arrangements. The maximum amount of future payments the Company could be required to make under these guarantees is the amount of the guarantees themselves.

Other Legal Proceedings

The Company is involved in routine 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 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 predicted with certainty, considering, among other things, the meritorious 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 items will have a material adverse effect on the results of operations, financial condition or liquidity of the Company. An unexpected adverse resolution of one or more of these items, however, could have a material adverse effect on the results of operations, financial condition or liquidity of the Company in a particular quarter or fiscal year.

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CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 7. Hurricane Katrina

In August 2005, Hurricane Katrina caused extensive damage to Company assets on the Gulf Coast, including damage to track infrastructure and bridges. Operations were returned to pre-hurricane conditions by the end of first quarter 2006. In 2005, the Company had insurance coverage of $535 million, after a $25 million deductible (per occurrence), for fixed asset replacement, incremental expenses, and lost profits. Management s current loss estimate is approximately $450 million.

The Company s insurance policies do not prioritize coverage based on types of losses. As claims are submitted to the insurance companies, they are reviewed and preliminary payments made until all losses are incurred and documented. A final payment will be made once the Company and its insurers agree on the total measurement value of the claim. Through the first quarter 2007, the Company had collected insurance payments of $357 million.

In first quarter of 2007, CSX recognized gains of $18 million on insurance recoveries from claims related to Hurricane Katrina. This gain was calculated using $19 million of cash proceeds received less $1 million related to incremental expense. No gains were recognized in the first quarter of 2006. The gains are attributable to recovering amounts in excess of the net book value of damaged fixed assets and to recording recoveries related to lost profits. Additional cash proceeds are expected and will result in future gain recognition.

Cash proceeds from the insurers are not specific to the types of losses and so the Company allocated the proceeds ratably among the three types of losses mentioned above, for cash flow presentation. Allocated cash proceeds for lost profits and incremental expenses are classified as operating activities and were $9 million and $50 million for first quarters 2007 and 2006, respectively, since these were related directly to revenue and expenses from operations. Allocated cash proceeds for fixed asset damage are classified as investing activities and were $10 million for first quarter 2007, since they had a direct relationship to money CSX spent on property additions to repair the hurricane-damaged assets and were recorded in the same category. No amounts were classified as investing activities for first quarter 2006.

Additional information about the effects of Hurricane Katrina is included in CSX s 2006 Annual Report on Form 10-K.

CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 8. Derivative Financial Instruments

CSX uses derivative financial instruments to manage its overall exposure to fluctuations in interest rates and fuel costs.

Interest Rate Swaps

CSX has entered into various interest rate swap agreements on the following fixed and variable rate notes:

			Variable Rate	
Maturity Date	Notional Amount (Millions)	Fixed Interest Rate	at March 30, 2007	at December 29, 2006
Fixed Rate Note				
May 1, 2007	$ 450	7.45%	**8.59%**	8.59%
May 1, 2032	150	8.30%	**6.95%**	6.96%
Total/Average	$ 600	7.66%		
Variable Rate Note				
June 30, 2011	$ 40	5.43%	**5.36%**	5.37%

Under the fixed rate agreements, CSX will pay variable interest based on LIBOR in exchange for a fixed rate, effectively transforming the notes to floating-rate obligations. In contrast, under the variable rate agreement, CSX will pay a fixed interest in exchange for a variable rate based on LIBOR. The interest rate swap agreements qualify and are designated as fair value hedges, and the gain or loss on the derivative instrument, as well as the offsetting gain or loss on the fixed rate note attributed to the hedged risk, were recognized in current earnings during the period of change in fair values.

Hedge effectiveness is measured at least quarterly based on the relative change in fair value of the derivative contract in comparison with changes over time in the fair value of the fixed-rate notes. Any change in fair value resulting from ineffectiveness, as defined by SFAS 133, *Accounting For Derivative Instruments and Hedging Activities* (SFAS 133), is recognized immediately in earnings. CSX s interest rate swaps qualify as perfectly effective fair value hedges, as defined by SFAS 133. As such, there was no ineffective portion to the hedge recognized in earnings during the current or prior year periods. Fair value adjustments were immaterial for the first quarter of 2007 and have no cash impact on the Consolidated Cash Flow Statements since they are non-cash transactions.

CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 8. Derivative Financial Instruments, continued

The differential to be paid or received under these agreements is accrued based on the terms of the agreements and is recognized in interest expense over the term of the related debt. The related amounts payable to or receivable from counterparties were included in Other Current Liabilities or Assets in the Consolidated Balance Sheets. Cash flows related to interest rate swap agreements were classified as Operating Activities in the Consolidated Cash Flow Statements. These agreements did not have a material impact on interest expense for first quarters 2007 and 2006.

The counterparties to the interest rate swap agreements expose CSX to credit loss in the event of non-performance. CSX does not anticipate non-performance by the counterparties.

Fuel Hedging

In 2003, CSX began a program to hedge a portion of CSXT s future locomotive fuel purchases. This program was established to manage exposure to fuel price fluctuations. To minimize this risk, CSX entered into a series of swaps in order to fix the price of a portion of CSXT s estimated future fuel purchases. CSX suspended entering into new swaps in its fuel hedge program in the third quarter of 2004 and there are currently no outstanding contracts.

Fuel hedging activity reduced fuel expense for the first quarter of 2006 by $35 million. Since fourth quarter 2006, there has been no benefit on fuel expense because all contracts have expired.

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(Unaudited)

NOTE 9. Other Comprehensive Income (Loss)

Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income, a component of Shareholders Equity within the Consolidated Balance Sheets, rather than Net Earnings on the Income Statement. Under existing accounting standards, other comprehensive income (loss) for CSX may include unrecognized gains and losses and prior service cost related to pension and other postretirement benefit plans, and accounting for derivative financial instruments designated as cash flow hedges.

The following table provides a reconciliation of net earnings reported in the Consolidated Income Statements to comprehensive income:

(Dollars in Millions)	**First Quarters**	
	2007	2006
Net earnings	**$ 240**	$ 245
Other Comprehensive Income (Loss):		
Fair Value of Fuel Derivatives	**-**	(19)
Other	**2**	(1)
Comprehensive Income	**$ 242**	$ 225

Other comprehensive income (loss) has declined over time as a result of a decrease in the number of fuel derivative contracts outstanding. CSX suspended entering into new fuel derivative contracts in the third quarter of 2004 and there are currently no outstanding fuel derivative contracts. (See Note 8, Derivative Financial Instruments.)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 10. Other Income (Expense) Net

Other Income (Expense) Net consists of the following:

(Dollars in Millions)	**First Quarters**	
	2007	2006
Interest Income	**$ 13**	$ 9
Income (Loss) from Real Estate and Resort Operations [(a)]	**(16)**	(9)
Minority Interest	**(5)**	(5)
Miscellaneous [(b)]	**(3)**	2
Other Income (Expense) - Net	**$ (11)**	$ (3)

(a) Income from Real Estate and Resort Operations includes the results of operations of the Company s real estate sales, leasing, acquisition, and management and development activities as well as the results of operations from CSX Hotels, Inc., a resort doing business as The Greenbrier, located in White Sulphur Springs, West Virginia.

(b) Miscellaneous income is comprised of earnings from certain CSX owned or partially owned companies, investment gains and losses and other non-operating activities.

NOTE 11. Business Segments

The Company operates primarily in two business segments: rail and intermodal. The rail segment provides rail freight transportation over a network of approximately 21,000 route miles in 23 states, the District of Columbia and the Canadian provinces of Ontario and Quebec. The intermodal segment provides integrated rail and truck transportation services and operates a network of dedicated intermodal facilities across North America. These segments are strategic business units that offer different services and are managed separately. Performance is evaluated and resources are allocated based on several factors, of which the principal financial measures are business segment operating income and operating ratio. The accounting policies of the segments are the same as those described in Note 1, Nature of Operations and Significant Accounting Policies, in the CSX 2006 Annual Report on Form 10-K.

Consolidated operating income includes the results of operations of Surface Transportation and other operating income. Other operating income includes the gain amortization on the CSX Lines conveyance, net sublease income from assets formerly included in the Company s Marine Services segment and other items.

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CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 11. Business Segments, continued

Business segment information for the first quarters of 2007 and 2006 is as follows:

(Dollars in Millions)	Surface Transportation				
	Rail	**Intermodal**	**Total**	**Other**	**Total**
First Quarter 2007					
Revenues from External Customers	**$ 2,104**	**$ 318**	**$ 2,422**	**$ -**	**$ 2,422**
Segment Operating Income	**438**	**49**	**$487**	**1**	**488**
First Quarter 2006					
Revenues from External Customers	1,997	334	2,331	-	2,331
Segment Operating Income	425	62	487	9	496

NOTE 12. Employee Benefit Plans

The Company sponsors defined benefit pension plans principally for salaried, management personnel. The plans provide eligible employees with retirement benefits based predominantly upon years of service and compensation rates near retirement. Employees hired after December 31, 2002, are covered by a cash balance plan, which provides benefits by utilizing interest and pay credits based upon age, service and compensation.

In addition to these plans, CSX sponsors a post-retirement medical plan and one 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. The post-retirement medical plan is contributory (partially funded by retirees), with retiree contributions adjusted annually. The life insurance plan is non-contributory.

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CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 12. Employee Benefit Plans, continued

The following table describes the components of net periodic benefit cost:

(Dollars in Millions)	**Pension Benefits First Quarters**	
	2007	2006
Service Cost	**$ 8**	$ 9
Interest Cost	**28**	26
Expected Return on Plan Assets	**(29)**	(29)
Amortization of Prior Service Cost	**1**	1
Amortization of Net Loss	**8**	9
Net Periodic Benefit Cost	**$ 16**	$ 16

(Dollars in Millions)	**Post-Retirement Benefits First Quarters**	
	2007	2006
Service Cost	**$ 1**	$ 2
Interest Cost	**5**	5
Amortization of Prior Service Cost	**(1)**	(1)
Amortization of Net Loss	**1**	2
Net Periodic Benefit Cost	**$ 6**	$ 8

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CSX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 13. Related Party Transactions

CSX and Norfolk Southern Corporation (NS) jointly own Conrail Inc. (Conrail) through a limited liability company. CSX has a 42% economic interest and 50% voting interest in the jointly-owned entity, and NS has the remainder of the economic and voting interests. CSX applies the equity method of accounting to its investment in Conrail.

As required by SFAS 57, *Related Party Disclosures,* the Company has identified below amounts owed to Conrail or its affiliates representing expenses incurred under the operating, equipment and shared area agreements with Conrail. The Company also executed two promissory notes with a subsidiary of Conrail which are included in Long-term Debt on the Consolidated Balance Sheets.

(Dollars in Millions)	**March 30, 2007**	December 29, 2006
Balance Sheet Information:		
CSX Payable to Conrail	**$ 57**	$ 48
Promissory Notes Payable to Conrail Subsidiary		
4.40% CSX Promissory Note due October 2035	**$ 73**	$ 73
4.52% CSXT Promissory Note due March 2035	**$ 23**	$ 23

(Dollars in Millions)	**First Quarters**	
	2007	2006
Income Statement Information:		
Interest Expense Related to Conrail	**$ 1**	$ 1
Conrail Rents, Fees, and Services [(a)]	**$ 23**	$ 23

(a) Conrail Rents, Fees and Services represent expenses paid to Conrail related to right-of-way usage fees, equipment rental, other service related charges and fair value write-up amortization. Beginning in 2007, these amounts have been included in Materials, Supplies and Other on the Consolidated Income Statement. The amounts disclosed above do not include CSX s 42% portion of Conrail s earnings, which is also included in Materials, Supplies and Other and amounted to $3 million and $4 million for first quarters 2007 and 2006, respectively.

Additional information about the investment in Conrail is included in CSX s 2006 Annual Report on Form 10-K.

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CSX CORPORATION

ITEM 2: MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

COMPANY OVERVIEW

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

CSX s principal operating company, CSX Transportation Inc. (CSXT), operates the largest railroad in the eastern United States with a rail network of approximately 21,000 route miles, linking markets in 23 states, the District of Columbia, and the Canadian provinces of Ontario and Quebec. CSX Intermodal Inc. (Intermodal), one of the nation s largest coast-to-coast intermodal transportation providers, is a stand-alone, integrated intermodal Company linking customers to railroads via trucks and terminals.

CSX s other holdings include CSX Hotels, Inc., a resort doing business as The Greenbrier, located in White Sulphur Springs, West Virginia, and CSX Real Property, Inc., an organization responsible for the management, sale, lease, acquisition and development of company properties.

FIRST QUARTER 2007 SURFACE TRANSPORTATION HIGHLIGHTS

Surface Transportation

- Revenue grew 4% to $2.4 billion
- Expenses increased $91 million to $1.9 billion
- Steady Operating Income despite softer volumes

Revenue and revenue per unit increased 4% and 8%, respectively, driven by strong yield management initiatives on a volume decline of 4%. The Company was able to achieve substantial pricing gains predominantly due to the overall cost and service advantage that rail-based solutions provide versus other modes of transportation.

Merchandise markets declined due largely to weaknesses in housing construction and more than offset the volume gains in two merchandise markets. The automotive, coal, and intermodal markets also experienced volume declines in first quarter 2007.

Expenses were higher due to derailment related costs as well as the overall impact of inflation. Gain on insurance recoveries of $18 million helped to offset other expense increases.

For additional information, refer to Rail and Intermodal Results of Operations discussed on pages 29 and 30, respectively.

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CSX CORPORATION

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There were several high-profile train derailments in the first quarter, and the FRA is investigating causes and CSX safety programs. CSX is working closely with the FRA and believes its continued focus on safety contributed to a reduction in the frequency of both personal injuries and train accidents. Personal injury frequency declined 6% while FRA reportable train accidents declined 23% on a year over year basis.

Key operating measurements were mixed, but generally stable, despite harsher winter conditions when compared to the unseasonably mild weather in first quarter 2006 and network disruptions caused by significant train derailments in the quarter. Velocity and on-time train originations declined slightly when compared to prior year performance. However, on-time train arrivals improved to 64% versus 61% in 2006. Average daily recrews increased significantly, from an average of 58 in 2006 to 71 in 2007. The additional recrews were focused in locations adversely affected by either weather or train accidents. Average system dwell improved to 24.9 hours as terminals remained fluid.

RAIL OPERATING STATISTICS

		First Quarters		
				Improvement
		2007 [(a)]	2006	***(Decline) %***
Service Measurements	Personal Injury Frequency Index *(Per 200,000 man hours)*	**1.35**	1.44	*6%*
	FRA Train Accidents Frequency *(Per million train miles)*	**2.84**	3.68	*23*
	On-Time Originations	**73.7%**	74.4%	*(1)*
	On-Time Arrivals	**63.9%**	61.3%	*4*
	Average System Dwell Time *(hours)* [(b)]	**24.9**	26.6	*6*
	Average Total Cars-On-Line	**225,317**	224,299	-
	Average Velocity, All Trains *(miles per hour)*	**19.9**	20.0	*(1)*
	Average Recrews *(per day)*	**71**	58	*(22)%*
				Increase/
				(Decrease)
Resources	Route Miles	**21,167**	21,287	*(1)%*
	Locomotives *(owned and long-term leased)*	**3,917**	3,780	*4*
	Freight Cars *(owned and long-term leased)*	**100,588**	102,794	*(2)%*

(a) Amounts for 2007 are estimated.

(b) In October 2005, the Association of American Railroads adopted a new dwell calculation in an effort to standardize publicly reported dwell times on the AAR Railroad Performance Measures website. Dwell times in this filing represent the Company s historical method for calculating dwell for internal management and analysis. Regardless of which method is used, trends for the two are the same. Dwell times using the AAR calculation were 24.5 hours for the first quarter of 2007 and 26.1 hours for the first quarter of 2006.

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2007 SURFACE TRANSPORTATION EXPECTATIONS

CSX expects that its financial performance in 2007 will be consistent with its long-term financial targets of double-digit compounded annual growth rates for Surface Transportation operating income, consolidated earnings per share and free cash flow through 2010 due to momentum in its underlying business performance. CSX expects strong revenue growth, driven by a continuing robust pricing environment and modest volume growth.

FINANCIAL RESULTS OF OPERATIONS

First Quarter Consolidated Results of Operations

The financial statements presented are for the first quarters of 2007 and 2006. Except as otherwise specified, references to years indicate the Company s fiscal quarter as noted previously. (See Note 1, Significant Accounting Policies.)

	CONSOLIDATED			
	Includes Surface Transportation and Other Operating Income			
	First Quarters			
(Dollars in Millions)	**2007**	2006	*$ Change*	*% Change*
Operating Revenue	**$ 2,422**	$ 2,331	*$ 91*	*4%*
Operating Expense	**1,934**	1,835	*99*	*5*
Operating Income	**488**	496	*(8)*	*(2)*
Other Income	**(11)**	(3)	*(8)*	*(267)*
Interest Expense	**(99)**	(98)	*(1)*	*(1)*
Income Tax Expense	**(138)**	(150)	*12*	*8*
Net Earnings	**$ 240**	$ 245	*$ (5)*	*(2)%*

Prior periods have been reclassified to conform to the current presentation.

Operating Revenue

Operating Revenue increased $91 million in first quarter 2007 to $2.4 billion. The increase was driven primarily by continued pricing efforts.

Operating Income

Operating Income decreased $8 million to $488 million in first quarter 2007. Operating revenue gains during the quarter were offset by increased derailment related expenses and the effects of inflation.

Other Income

Other Income decreased $8 million due to lower real estate, resort, and other miscellaneous activity.

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Interest Expense

Interest expense was $99 million in first quarter 2007, consistent with the prior year quarter.

Income Tax Expense

Income Tax Expense decreased $12 million to $138 million in proportion to earnings and the resolution of certain state tax matters.

Net Earnings

Net Earnings decreased $5 million to $240 million, and Earnings Per Diluted Share decreased $.01 to $.52. These changes were primarily due to pricing gains offset by derailment related expenses and inflationary impacts on operating expenses.

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Surface Transportation Results of Operations

SURFACE TRANSPORTATION DETAIL *(Unaudited)*

(Dollars in Millions)

First Quarter

	Rail		Intermodal		Surface Transportation		*Increase/ (Decrease)*
	2007	2006	**2007**	2006	**2007**	2006	
Revenue	**$ 2,104**	$ 1,997	**$ 318**	$ 334	**$ 2,422**	$ 2,331	*$ 91*
Operating Expense:							
Labor and Fringe	**712**	698	**20**	20	**732**	718	*14*
Materials, Supplies and Other	**519**	438	**44**	44	**563**	482	*81*
Fuel	**259**	253	**-**	-	**259**	253	*6*
Depreciation	**211**	201	**10**	10	**221**	211	*10*
Equipment and Other Rents	**92**	93	**29**	31	**121**	124	*(3)*
Inland Transportation	**(109)**	(111)	**166**	167	**57**	56	*1*
Gain on Insurance Recoveries	**(18)**	-	**-**	-	**(18)**	-	*(18)*
Total Expense	**1,666**	1,572	**269**	272	**1,935**	1,844	*91*
Operating Income	**$ 438**	$ 425	**$ 49**	$ 62	**$ 487**	$ 487	*$ -*
Operating Ratio	**79.2%**	78.7%	**84.6%**	81.4%	**79.9%**	79.1%	

SURFACE TRANSPORTATION VOLUME AND REVENUE

Volume (Thousands); Revenue (Dollars in Millions); Revenue Per Unit (Dollars)

First Quarter

	Volume			Revenue			Revenue Per Unit		
	2007	2006	*% Change*	**2007**	2006	*% Change*	**2007**	2006	*% Change*
Chemicals	**133**	135	*(1)%*	**$ 317**	$ 295	*7%*	**$ 2,383**	$ 2,185	*9%*
Emerging Markets	**112**	124	*(10)*	**137**	134	*2*	**1,223**	1,081	*13*
Forest Products	**92**	106	*(13)*	**183**	191	*(4)*	**1,989**	1,802	*10*
Agricultural Products	**97**	96	*1*	**179**	157	*14*	**1,845**	1,635	*13*
Metals	**93**	94	*(1)*	**176**	164	*7*	**1,892**	1,745	*8*
Phosphates and Fertilizers	**92**	88	*5*	**106**	90	*18*	**1,152**	1,023	*13*
Food and Consumer	**56**	64	*(13)*	**111**	118	*(6)*	**1,982**	1,844	*7*
Total Merchandise	**675**	707	*(5)*	**1,209**	1,149	*5*	**1,791**	1,625	*10*
Coal	**441**	456	*(3)*	**603**	552	*9*	**1,367**	1,211	*13*
Coke and Iron Ore	**21**	20	*5*	**30**	27	*11*	**1,429**	1,350	*6*
Total Coal	**462**	476	*(3)*	**633**	579	*9*	**1,370**	1,216	*13*

Automotive	**109**	127	*(14)*	**203**	231	*(12)*	**1,862**	1,819	*2*
Other	**-**	-	-	**59**	38	*55*	**-**	-	-
Total Rail	**1,246**	1,310	*(5)*	**2,104**	1,997	*5*	**1,689**	1,524	*11*
International	**292**	302	*(3)*	**133**	132	*1*	**455**	437	*4*
Domestic	**217**	214	*1*	**180**	186	*(3)*	**829**	869	*(5)*
Other	**-**	-	-	**5**	16	*(69)*	**-**	-	-
Total Intermodal	**509**	516	*(1)*	**318**	334	*(5)*	**625**	647	*(3)*
Total Surface Transportation	**1,755**	1,826	*(4)%*	**$ 2,422**	$ 2,331	*4%*	**$ 1,380**	$ 1,277	*8%*

For both tables, prior periods have been reclassified to conform to the current presentation.

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First Quarter Rail Results of Operations

Rail Operating Revenue

First quarter 2007 Surface Transportation revenue of $2.4 billion represents the 20th consecutive quarter of year-over-year revenue gains. A favorable pricing environment was the primary driver of revenue gains offsetting volume weakness related to lower housing construction and lower domestic automobile production.

Merchandise

Chemicals A favorable pricing environment continued to be the primary driver of revenue gains. Plastic volumes were soft as the industry recovered from excess inventory levels. Shipments of chemicals used for paper production also declined due to continued softness in the paper market.

Emerging Markets Revenue per unit improved due to yield improvements. Declines in residential construction resulted in fewer shipments of aggregates, which include rocks and minerals.

Forest Products Forest products shipments, especially lumber, continued to be challenged by a weak residential construction market which resulted in lower volume. Continued emphasis on more profitable shipments favorably impacted revenue-per-unit growth.

Agricultural Products Revenue-per-unit growth remained strong due to favorable pricing and increased fuel surcharge coverage. Rapid growth in the northeast ethanol market helped volume; however, this was partially offset by lower grain shipments.

Metals Revenue increased on slightly unfavorable volumes due to continued emphasis on improving yields and growth in higher revenue per unit export shipments. Towards the end of the quarter, volumes strengthened due to reductions in steel inventories.

Phosphates and Fertilizers Volume was up due to increased shipments of fertilizers to farmers partially in response to the higher demand for corn from ethanol producers. Revenue-per-unit growth was attributable to these longer-haul shipments of fertilizer and potash.

Food and Consumer Emphasis on price and yield management resulted in strong revenue-per-unit growth. A weak residential construction market drove volume declines in building products and roofing granules, which are used to make shingles.

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Coal

Revenue and revenue per unit increased due to a continued favorable pricing environment and strong demand for export coal. However, these volume increases were more than offset by lower shipments to electric utilities due to coal inventories being at target levels.

Automotive

Declines in volume were driven by decreases in automobile production mainly due to lower demand for truck and sport utility vehicles. Revenue per unit increased due to continued pricing efforts.

Other Rail Revenue

The primary driver of this change was the increase in business generated by the Company s short line railroads.

Rail Operating Expense

Labor and Fringe expenses increased $14 million primarily due to wage and benefit inflation, partially offset by productivity gains from improved operations and lower volume, which resulted in a reduction of crew expenses.

Materials, Supplies and Other expenses increased $81 million, primarily due to an increase in train accident related expenses. Additionally, current year inflation on material and rising insurance costs were higher than a year ago. Also contributing to the increase were various other items.

Fuel expense increased $6 million primarily due to a reduction in hedge benefit resulting from the expiration of the fuel hedge program, mostly offset by lower volume and price.

Depreciation expense increased $10 million due to a larger asset base related to higher capital spending.

Gain on Insurance Recoveries of $18 million represented insurance recoveries related to property damage and lost profits.

First Quarter Intermodal Results of Operations

Intermodal Operating Revenue

International Despite a reduction in higher revenue-per-unit traffic from long-haul markets, revenue per unit increased due to continued strength in pricing. Volumes were lower primarily due to a temporal slowdown in international freight shipments.

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Domestic Volumes increased slightly due to a new shorter-haul train service. The mix impact on revenue per unit from this new traffic more than offset pricing gains in the remaining domestic business.

Other The primary driver of this revenue decrease was the termination of two agreements relating to the storage of containers and other ancillary services.

Intermodal Operating Expense

Intermodal operating expenses slightly declined predominantly due to lower volume and improved productivity.

LIQUIDITY AND CAPITAL RESOURCES

Material Changes in Consolidated Balance Sheets

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.

Current Maturities of Long-term Debt increased $150 million, or 25%, from December 2006 as CSX expects to refinance an additional $150 million of notes in the second quarter of 2007 that were previously classified as Long-term Debt.

Due to the adoption of FIN 48, which required companies to reclassify uncertain tax positions in Income and Other Taxes Payable, Other Long-term Assets decreased $313 million and Long-term Deferred Income Taxes decreased $282 million.

Significant Cash Flow Statement Items

Operating and investing activities for the first quarters of 2007 and 2006 included insurance proceeds of $19 million and $50 million, respectively, representing cash receipts from insurers related to Hurricane Katrina. The receipts included in operating activities represent reimbursements for business interruption related expenses, such as incremental expenses for debris removal and lost profits. The receipts included in investing activities included reimbursements for monies CSX spent to repair the hurricane-damaged assets. For additional information on the impacts of Hurricane Katrina, see Note 7, Hurricane Katrina.

Financing activities for the first quarter of 2007 included $179 million of cash used to repurchase shares of CSX s common stock on the open market. See Part II, Item 2 of this Quarterly Report on Form 10-Q for additional details on the repurchases.

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Working Capital

CSX s working capital deficit was $47 million at March 2007, compared to a surplus of $150 million at December 2006. This decrease was primarily due to $150 million of Long-term Debt that was reclassified into Current Liabilities in 2007 since the Company expects to redeem this debt in the second quarter of 2007.

A working capital deficit is not unusual for the Company or other companies in the industry and does not indicate a lack of liquidity. The Company continues to maintain adequate current assets to satisfy current liabilities and maturing obligations when they come due, and has sufficient financial capacity, including from CSX s primary revolving credit agreement, to manage its day-to-day cash requirements and anticipated obligations.

Anticipated Debt Issuance

CSX plans to issue up to $1 billion in unsecured notes during the second quarter of 2007. However there can be no assurance that market conditions will permit the Company to sell such securities. It is anticipated that approximately $600 million of the proceeds from these funds will be used to repay debt obligations that become due during 2007. An additional $150 million will be used to call notes due in 2032. The remaining portion will be used for general corporate purposes, which may include repurchases of CSX common stock, capital expenditures, working capital requirements, improvements in productivity and other cost reductions at our major transportation units.

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 legal reserves
- Pension and post-retirement medical plan accounting
- Depreciation policies for assets under the group-life method
- Income taxes

Except for income taxes, there have been no material changes from the methodology applied by management for critical accounting estimates previously disclosed in CSX s most recent Annual Report on Form 10-K. The methodology applied to management s estimate for income taxes has changed due to the implementation of a new accounting pronouncement as described below.

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Income Taxes

In July 2006, the FASB issued Interpretation 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which became effective for CSX beginning in 2007. FIN 48 addressed the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, the Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. The impact of the Company s reassessment of its tax positions in accordance with FIN 48 did not have a material impact on the results of operations, financial condition or liquidity.

For additional information regarding the adoption of FIN 48, see Note 4, Income Taxes. For further discussion of the Company s critical accounting estimates related to income taxes, see the 2006 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 within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements include, among others, statements regarding:

- Expectations as to results of operations and operational improvements;
- Expectations as to the effect of claims, lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or agreements on the Company s financial condition;
- Management s plans, goals, strategies and objectives for future operations and other similar expressions concerning 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.

Forward-looking statements are typically identified by words or phrases such as believe, expect, anticipate, project and similar expressions. Tl 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 times that, or by which, such performance or results will be achieved.

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Forward-looking statements are subject to a number of risks and uncertainties and actual performance or results could differ materially from those anticipated by these 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 elsewhere, may cause actual results to differ materially from those contemplated by these forward-looking statements:

Legislative, regulatory or legal developments involving transportation, including rail or intermodal transportation, the environment, hazardous materials, taxation, including the outcome of tax claims and litigation, the potential enactment of initiatives to re-regulate the rail industry and the ultimate outcome of shipper and rate claims subject to adjudication;

The outcome of litigation and claims, including, but not limited to, those related to environmental contamination, personal injuries and occupational illnesses;

Material changes in domestic or international economic or business conditions, including those affecting the transportation industry such as access to capital markets, ability to revise debt arrangements as contemplated, customer demand, customer acceptance of price increases, effects of adverse economic conditions affecting shippers and adverse economic conditions in the industries and geographic areas that consume and produce freight;

The inherent risks associated with safety and security, including the availability and cost of insurance, the availability and vulnerability of information technology, adverse economic or operational effects from actual or threatened war or terrorist activities and any governmental response;

The Company s success in implementing its operational objectives and improving Surface Transportation operating efficiency;

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

Changes in operating conditions and costs or commodity concentrations;

Changes in fuel prices, surcharges for fuel and the availability of fuel;

Competition from other modes of freight transportation, such as trucking and competition and consolidation within the transportation industry generally; and

Natural events such as severe weather conditions, including floods, fire, hurricanes and earthquakes, a pandemic affecting the health of the Company s employees, its shippers or the consumers of goods such as may result from avian flu or other unforeseen disruptions of the Company s operations, systems, property or equipment.

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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, accessible on the SEC s website at www.sec.gov and the Company s website at www.csx.com.

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ITEM 3: QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided under Quantitative and Qualitative Disclosures about Market Risk in Item 7A of CSX s 2006 Annual Report on Form 10-K.

ITEM 4: CONTROLS AND PROCEDURES

As of first quarter 2007, 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 first quarter 2007, 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 2007 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

For information relating to the Company s settlements and other legal proceedings, see Note 6, Commitments and Contingencies under Part I, Item 1 of this Quarterly Report on Form 10-Q.

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 Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of CSX s 2006 Annual Report on Form 10-K. See also Forward-Looking Statements, included in Item 2 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

The Company is required to disclose any purchases of its own common stock for the most recent quarter. CSX purchases its own shares for three primary reasons: (1) to further its goals under the Company s share repurchase program; (2) to fund the Company s contribution required to be paid in CSX common stock under 401(k) plans which cover certain union employees; and (3) to satisfy tax withholding obligations on the distributions of shares that were formerly deferred or on the vesting of restricted stock.

During the first quarter of 2007, CSX bought back shares as part of its share repurchase program and to meet minimum statutory tax withholding obligations. On February 14, 2007, the Board of Directors terminated the unused portion of the $500 million authority granted in July 2006 and replaced it with a new authority of up to $2.0 billion so that CSX may purchase additional shares of its common stock. CSX intends to complete the purchase of shares from time to time by the end of 2008.

Share repurchase activity for first quarter 2007 was as follows:

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CSX Purchases of Equity Securities for the Quarter

First Quarter	Total Number of Shares Purchased [a]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [a]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Beginning first quarter balance [b]				$ 183,902,865
January				
(December 30, 2006 - January 26, 2007)	1,433,783	$ 34.70	1,402,300	$ 135,233,226
February				
(January 27, 2007 - February 14, 2007)	1,389	$ 36.10	-	$ 135,233,226
Remaining authority terminated				$ (135,233,226)
New authority granted				$ 2,000,000,000
(February 15, 2007 - February 23, 2007)	-		-	$ 2,000,000,000
March				
(February 24, 2007 - March 30, 2007)	3,494,638	$ 37.39	3,491,471	$ 1,869,464,987
Total/Ending Balance	4,929,810	$ 36.60	4,893,771	$ 1,869,464,987

(a) The difference of 36,039 in the total number of shares purchased versus total shares purchased as part of publicly announced plans for the quarter is due to shares purchased to meet minimum statutory tax obligations.

(b) The beginning balance for the first quarter of $184 million represents the original $500 million authority level (as granted in July 2006) less the third and fourth quarter 2006 repurchases of $316 million.

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ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5: OTHER INFORMATION

On March 15, 2007, CSX received notice from The Children s Investment Fund Management (U.K.) LLP that it had made a filing under the Hart-Scott-Rodino Antitrust Improvements Act to acquire more than $500 million of CSX stock. That firm has also advised CSX that it currently holds a significant economic position through common stock ownership and derivative contracts tied to the value of CSX stock. The Company is voluntarily furnishing this information.

ITEM 6: EXHIBITS

Exhibits	
31.1*	Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

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 17, 2007