



Forward-Looking Statements

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

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

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

Executive Summary

Michael Ward
Chairman and
Chief Executive Officer

How tomorrow moves 

Second quarter performance . . .

Volume 1,595K Revenue \$2,704M Operating Income \$840M Operating Ratio 68.9% EPS \$0.47

Earnings Per Share



- **Revenue declines 12%**
 - Lower volume and fuel recovery, along with mix, more than offset pricing gains
- **Operations performance**
 - Delivered strong safety results and gains in service and efficiency
- **Financial results**
 - Operating income declined \$177 million to \$840 million
 - Operating ratio increased by 210 bps to 68.9%

Financial Review

Frank Lonegro
Executive Vice President
Chief Financial Officer

How tomorrow moves 

Second quarter earnings summary . . .

Second Quarter Results			
Dollars in millions, except EPS	2016	2015	Variance
Revenue	\$ 2,704	\$ 3,064	(12%)
Expense	1,864	2,047	9%
Operating Income	\$ 840	\$ 1,017	(17%)
Interest Expense	(141)	(134)	
Other Income (net)	8	4	
Income Taxes	(262)	(334)	
Net Earnings	\$ 445	\$ 553	(20%)
Fully Diluted Shares in Millions	952	989	
Earnings Per Share	\$ 0.47	\$ 0.56	(16%)

Overall outlook for third quarter is down

Outlook	Markets	Drivers
Favorable	<ul style="list-style-type: none"> Automotive Minerals 	<ul style="list-style-type: none"> North American light vehicle production remains strong New fly ash business and construction strength
	<ul style="list-style-type: none"> Agricultural Products Chemicals Domestic Coal Export Coal Fertilizers Food & Consumer Forest Products Intermodal Metals Waste & Equipment 	<ul style="list-style-type: none"> Low commodity prices and U.S. dollar impacting business Continued crude oil declines due to low worldwide oil prices Low natural gas prices and high inventory levels reduce burn Strong U.S. dollar and continued global market oversupply Import displacement due to strong U.S. dollar Continued headwinds from excess truck capacity Strong U.S. dollar and continued decline in paper demand Cycling prior competitive International losses Market dynamics continue to challenge U.S. steel producers Cycling large soil remediation projects
Unfavorable		

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Third quarter expense expectations . . .

Labor and Fringe	<ul style="list-style-type: none"> Average headcount expected to be down slightly sequentially Inflation estimated to be around \$30 million in the third quarter Incentive compensation expected to increase \$25-30 million year-over-year
MS&O	<ul style="list-style-type: none"> Expected to be down moderately versus the prior year, with efficiency and volume-related savings more than offsetting inflation
Fuel	<ul style="list-style-type: none"> Lower cost per gallon, reflecting the current forward curve Benefit from volume-related savings and fuel efficiency
Depreciation	<ul style="list-style-type: none"> Estimated to increase around \$20 million versus the prior year
Equipment and Other Rents	<ul style="list-style-type: none"> Benefit of improved cycle times expected to offset higher rates and expenses associated with higher automotive volume

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Financial wrap-up . . .

- **Second quarter results reflect challenging freight conditions**
 - Strong pricing, efficiency gains, resource reductions partially mitigate volume decline
- **Capital investment now expected to be \$2.7 billion in 2016**
 - Increase driven by accelerating payment of locomotive purchase commitment
 - Core investment levels to begin returning to around 16-17% of revenue in 2017
- **Macro and coal headwinds expected to persist in 2016**
 - Low commodity prices and strength in U.S. dollar impacting many markets
 - Expect total coal tonnage to decline around 25% for the full year
- **Third quarter and full year earnings expected to decline**
 - Third quarter reflects mid-to-high single digit volume declines
 - Full year reflects current environment and cycling 2015 items, partially offset by strong pricing, efficiency savings approaching \$350 million, and right-sizing efforts

Concluding Remarks

Michael Ward
Chairman and
Chief Executive Officer

Relentless pursuit of excellence . . .



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A collage of four images. The top-left image shows a blue CSX locomotive pulling a red freight car across a wooden trestle bridge over a river with a waterfall. The top-right image shows a city skyline at night with illuminated buildings. The bottom-left image shows a man in a dark jacket and cap standing in a field of purple flowers. The bottom-right image is a yellow square containing the CSX logo and tagline.

2016 SECOND QUARTER
EARNINGS CONFERENCE CALL