

### Forward-Looking Statements

2

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 <a href="https://www.sec.gov">www.sec.gov</a> and the company's website at <a href="https://www.sec.gov">www.csx.com</a>.

How tomorrow moves CSX

### **Executive Summary**

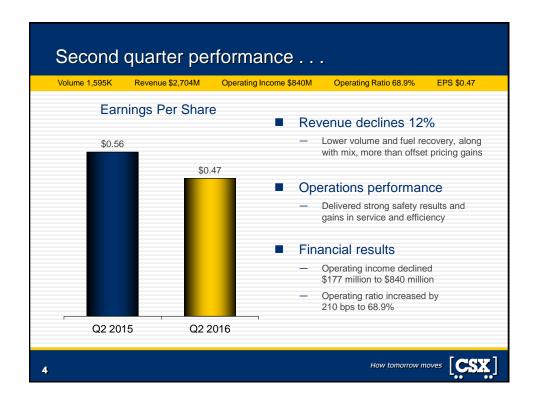
#### Michael Ward

Chairman and

Chief Executive Officer

How tomorrow moves





# 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	■ Automotive	North American light vehicle production remains strong	
	■ Minerals	New fly ash business and construction strength	
Unfavorable	■ Agricultural Products	■ Low commodity prices and U.S. dollar impacting business	
	■ Chemicals	Continued crude oil declines due to low worldwide oil prices	
	■ Domestic Coal	Low natural gas prices and high inventory levels reduce burn	
	■ Export Coal	■ Strong U.S. dollar and continued global market oversupply	
	■ Fertilizers	■ Import displacement due to strong U.S. dollar	
	■ Food & Consumer	Continued headwinds from excess truck capacity	
	■ Forest Products	Strong U.S. dollar and continued decline in paper demand	
	■ Intermodal	Cycling prior competitive International losses	
	■ Metals	■ Market dynamics continue to challenge U.S. steel producers	
	■ Waste & Equipment	Cycling large soil remediation projects	

Third quarter expense expectations . . . Average headcount expected to be down slightly sequentially Labor and ■ Inflation estimated to be around \$30 million in the third quarter Fringe ■ Incentive compensation expected to increase \$25-30 million year-over-year Expected to be down moderately versus the prior year, with efficiency and MS&O volume-related savings more than offsetting inflation ■ Lower cost per gallon, reflecting the current forward curve ■ Benefit from volume-related savings and fuel efficiency Depreciation Estimated to increase around \$20 million versus the prior year ■ Benefit of improved cycle times expected to offset higher rates and expenses Equipment and Other Rents associated with higher automotive volume How tomorrow moves 8

#### 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

9

How tomorrow moves



## **Concluding Remarks**

Michael Ward

Chairman and

Chief Executive Officer





