



NETWORK & SERVICE UPDATE

HOW TOMORROW MOVES



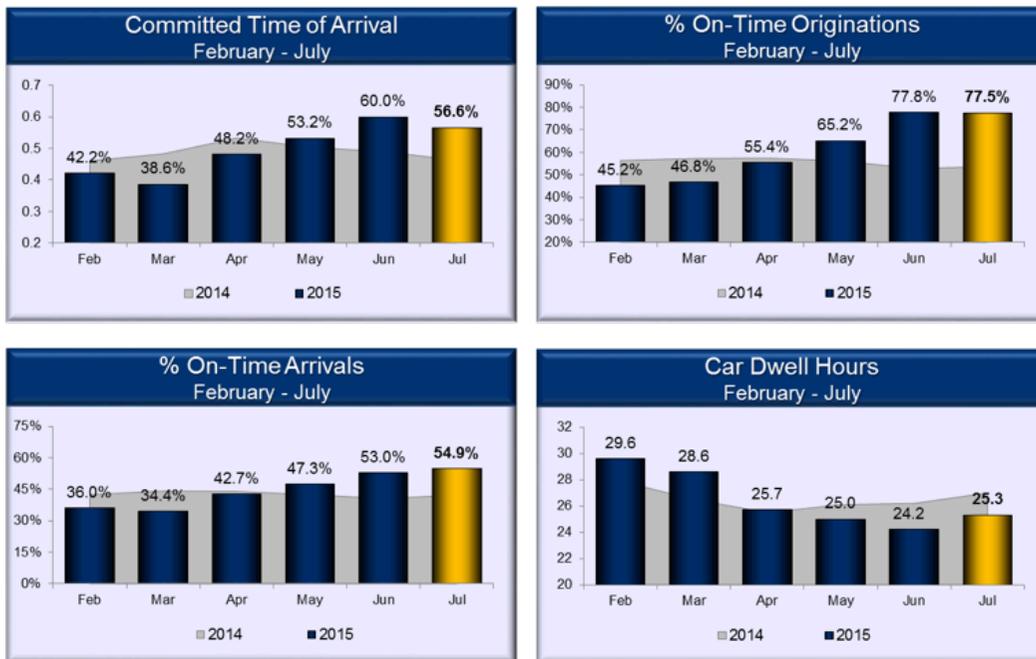
CSX NETWORK & SERVICE UPDATE

CSX remains relentless in its commitment to deliver the high level of service customers expect. This network update, which is now being published on a monthly basis, details the company's recent service performance.

CSX NETWORK PERFORMANCE

Over the past month, operating performance across the CSX network has remained stable, with committed time of arrival, on-time originations and arrivals, and car dwell showing significant improvement over 2014 and early 2015.

Car Dwell, or the amount of time a railcar spends in a terminal, increased in July as many customers curtailed operations for the July 4th holiday, and coal mines and automotive plants performed their annual maintenance shut downs.



The reliability of CSX's service product also continues to improve. The company measures this reliability in a number of ways, most notably through the "span" of on-time originations and on-time arrivals. By way of example, for the week ending July 31, the span of on-time originations for the scheduled train network was 5.4 hours, ranging from 1.9 hours early to 3.5 hours late. Additionally, on average, scheduled trains departed 0.4 hours early across the network. These reliability measures provide a view into the overall health of the yards and terminals that originate trains in the scheduled network, and are fundamental to reliably and consistently delivering customers' freight.

While overall operations remain fluid, the company has experienced isolated congestion at a few locations on the network, primarily in New Orleans, LA and on the Nashville Division.

- CSX is working with the New Orleans Public Belt Railroad (NOPB), Union Pacific and Kansas City Southern to address near term challenges in processing traffic through the New Orleans gateway. The NOPB is a third party terminal switching company that, in certain circumstances, helps facilitate interchange between Class I railroads in New Orleans. The NOPB is making operational changes that should have a positive impact on how they interchange with the various Class 1 railroads. CSX customers have been asked to contact the company's customer service department for assistance.
- Service levels for trains operating on the Nashville Division were lower than expected due to a number of localized locomotive related issues impacting on-time performance. CSX's mechanical department has reallocated resources to supplement its steadfast focus on locomotive inspection, maintenance, and repair to improve both locomotive availability and locomotive reliability.

For more information on CSX's service reliability improvements, please refer to the recently published [Bi-Monthly Service Update](#).

RECENT DEVELOPMENTS

An important first step in the Virginia Avenue Tunnel project in Washington, D.C. was recently completed. A new control point "Capitol" was put in service as track and signal configuration changes for the approach to the south portal of the tunnel are being made.

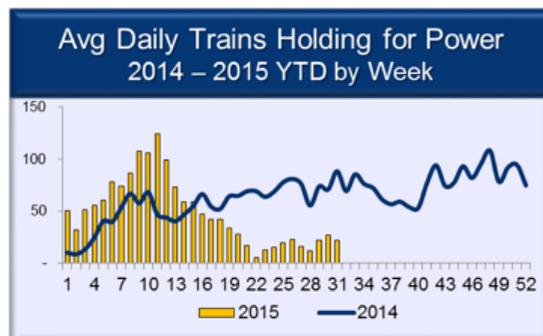
The tunnel is a critical element in CSX's transportation network, allowing trains to move among key U.S. consumer and industrial markets and the Mid-Atlantic ports that connect them to the global economy. The Virginia Avenue Tunnel reconstruction project will replace the existing 110-year-old tunnel with a new, modern structure with two tracks. This design will facilitate the transport of double-stacked containerized intermodal freight and improve the flow of freight and commuter traffic, making service more consistent and reliable.

This project requires much planning, coordination and execution by CSX's Signals, Engineering and Transportation functions. This collective effort led to the safe completion of the control point installation, with minimal impact to rail service.

RESOURCE UPDATE

Locomotives:

CSX locomotive availability remains high and the average number of trains delayed due to power continues to be well below the levels seen in 2014 and early 2015. Going forward, improvements in locomotive out of service rates and continued delivery of new locomotives will further drive locomotive availability and network performance. CSX has received 75 new locomotives in 2015, and expects an additional 125 new Tier 4, emissions compliant engines to be delivered throughout the remainder of 2015.



Crews:

Trains delayed due to crew availability (measured in hours per week) in 2015 continue to track well below the levels seen throughout 2014, despite having over 700 employees on vacation at various points in July.

CSX continues to balance its crew resources to meet its changing business needs. As CSX reported in its second quarter earnings call, the company has furloughed approximately 600 Train & Engine employees (as of July 31, 2015) due to softer than anticipated volumes, improved service performance, and recent enhancements to the scheduled train operating plan.



PROCESS UPDATE

Each year, CSX typically experiences an increase in rail volumes – colloquially referred to as “Fall Peak” – towards the back half of the year. Intermodal is traditionally one of the main contributors in the fall traffic surge, as retailers prepare for the holiday shopping season, automakers introduce a new model year, and utilities ensure that coal stockpiles are at the right level. In 2015, CSX expects that intermodal shipments will once again increase in the third and fourth quarters. That said, many shippers now recognize the benefits of maintaining a steady flow of inventory throughout the year to avoid clogging the supply chain during Fall Peak.

With Fall Peak fast approaching, we recently provided the Federal Surface Transportation Board (STB) with an update of the company’s operating performance and expectations, and a description of how CSX plans to handle a modest traffic increase.

In the STB submission, CSX reported that:

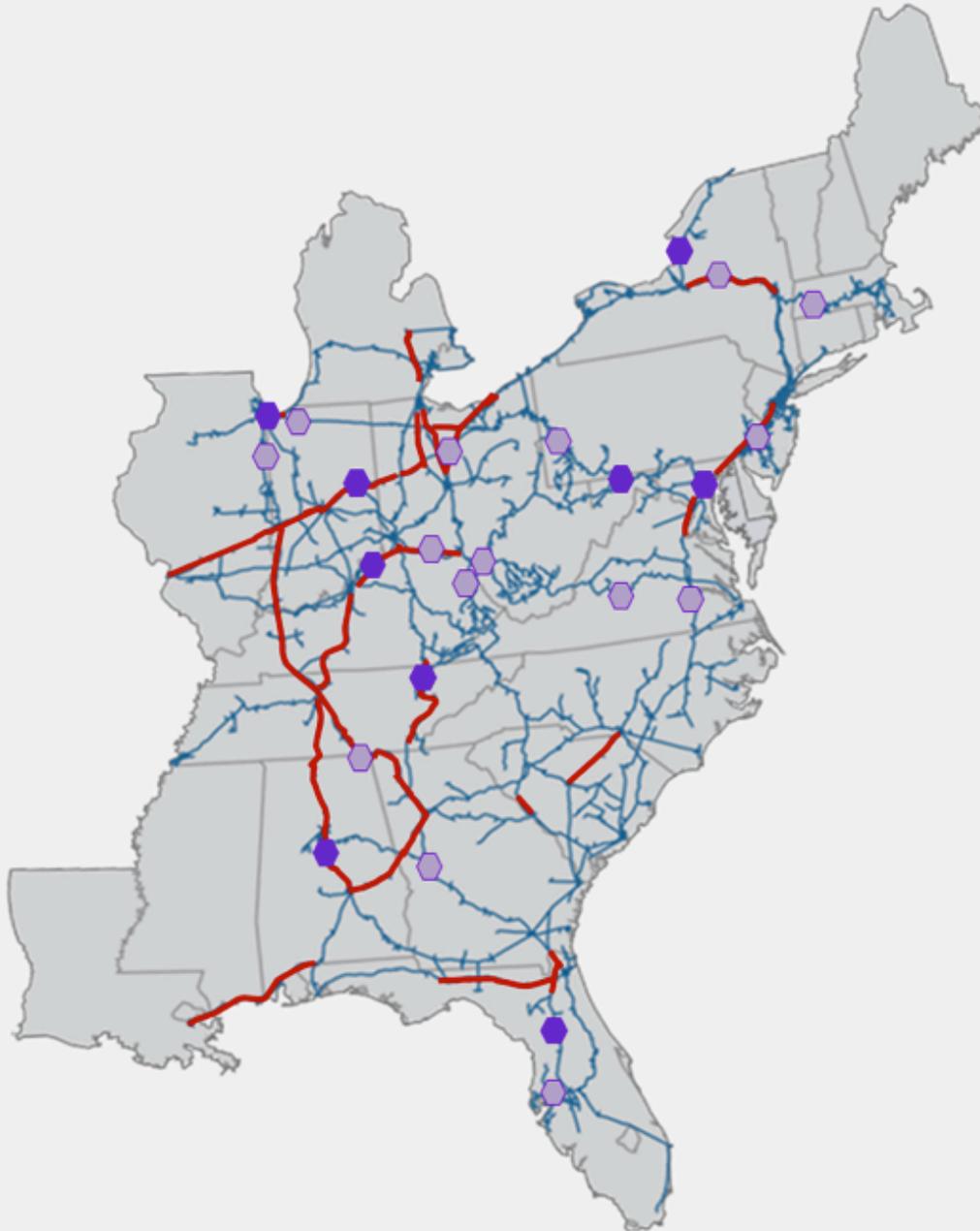
- The company’s decision to acquire additional locomotives, hire and train new Train & Engine employees, and build additional infrastructure have driven and will continue to drive improvements in network fluidity and service performance; and
- Given these resource additions and current operating performance, CSX is confident in its ability to meet seasonal traffic increases.

To ensure CSX customers are well informed during the 2015 Fall Peak, the company is significantly ramping up customer communications. From customer mobile applications to face-to-face visits, from our Customer Advisory Council to periodic network performance updates like this one, CSX’s transparent interactions with customers are more fulsome, varied and important than ever.

OPERATING PERFORMANCE MAP

As the map below illustrates, in addition to the capital investments CSX is making in its infrastructure, the company continues to invest in the railroad through ongoing maintenance programs. Although these programs can temporarily impact train performance along specific segments of the network, they are integral to safe, efficient, and reliable rail service to customers. The map also visually indicates locations where CSX has experienced line-of-road and terminal congestion.

CSX Recent Operating Performance Map



Operating Performance (Prior Two Weeks)

- ◆ Congested Terminals (Delay > 6 hours)
- Line-of-Road Congestion (< 85% of 2013 Velocity, Adjusted for Volume)

Maintenance (Current Week and Prior Two Weeks)

- Completed Maintenance Projects
- Ongoing Maintenance Projects