CSX CORP
Form 10-Q
October 14, 2015

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

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 25, 2015
OR
( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number 1-8022
CSX CORPORATION
(Exact name of registrant as specified in its charter)

Virginia (State or other jurisdiction of incorporation or organization)	62-1051971 (I.R.S. Employer Identification No.)

500 Water Street, 15th Floor, Jacksonville, FL (Address of principal executive offices)	32202 (Zip Code)	(904) 359-3200 (Telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes (X) No ( )
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes (X) No ( )
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer", "accelerated filer” and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one)

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

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ( ) No (X)
There were 974,944,791 shares of common stock outstanding on September 25, 2015 (the latest practicable date that is closest to the filing date).

CSX CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 25, 2015
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CSX CORPORATION

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENTS (Unaudited)
(Dollars in millions, except per share amounts)

	Third Quarters		Nine Months	
	2015	2014	2015	2014
Revenue	$2,939	$3,221	$9,030	$9,477
Expense				
Labor and Fringe	787	845	2,491	2,468
Materials, Supplies and Other	580	610	1,766	1,860
Fuel	223	393	756	1,255
Depreciation	302	291	896	861
Equipment and Other Rents	114	106	328	321
Total Expense	2,006	2,245	6,237	6,765
Operating Income	933	976	2,793	2,712
Interest Expense	(136)	(137)	(404)	(412)
Other Income - Net	2	(26)	8	(31)
Earnings Before Income Taxes	799	813	2,397	2,269
Income Tax Expense	(292)	(304)	(895)	(833)
Net Earnings	$507	$509	$1,502	$1,436
Per Common Share (Note 2)				
Net Earnings Per Share, Basic	$0.52	$0.51	$1.52	$1.43
Net Earnings Per Share, Assuming Dilution	$0.52	$0.51	$1.52	$1.43
Average Shares Outstanding (In millions)	981	999	986	1,003
Average Shares Outstanding, Assuming Dilution (In millions)	982	999	987	1,004
Cash Dividends Paid Per Common Share	$0.18	$0.16	$0.52	$0.47

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS (Unaudited)
(Dollars in millions, except per share amounts)

	Third Quarters		Nine Months	
	2015	2014	2015	2014
Total Comprehensive Earnings (Note 10)	$518	$518	$1,523	$1,476

See accompanying notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	(Unaudited) September 25, 2015	December 26, 2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$541	$669
Short-term Investments	425	292
Accounts Receivable - Net (Note 1)	1,003	1,129
Materials and Supplies	309	273
Deferred Income Taxes	137	141
Other Current Assets	87	68
Total Current Assets	2,502	2,572
Properties	40,843	39,343
Accumulated Depreciation	(11,206)	(10,759)
Properties - Net	29,637	28,584
Investment in Conrail	793	779
Affiliates and Other Companies	583	577
Other Long-term Assets	500	541
Total Assets	$34,015	$33,053
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$842	$845
Labor and Fringe Benefits Payable	447	613
Casualty, Environmental and Other Reserves (Note 4)	146	142
Current Maturities of Long-term Debt (Note 7)	18	228
Income and Other Taxes Payable	282	163
Other Current Liabilities	187	116
Total Current Liabilities	1,922	2,107
Casualty, Environmental and Other Reserves (Note 4)	270	276
Long-term Debt (Note 7)	10,088	9,514
Deferred Income Taxes	8,957	8,858
Other Long-term Liabilities	1,118	1,122
Total Liabilities	22,355	21,877
Shareholders' Equity:		
Common Stock, $1 Par Value	975	992
Other Capital	120	92
Retained Earnings	11,195	10,734
Accumulated Other Comprehensive Loss (Note 10)	(645)	(666)
Noncontrolling Interest	15	24
Total Shareholders' Equity	11,660	11,176

Total Liabilities and Shareholders' Equity	$34,015	$33,053

See accompanying notes to consolidated financial statements.

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CONSOLIDATED CASH FLOW STATEMENTS (Unaudited)
(Dollars in millions)

	Nine Months	
	2015	2014
OPERATING ACTIVITIES		
Net Earnings	$1,502	$1,436
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:		
Depreciation	896	861
Deferred Income Taxes	82	90
Gain on Property Dispositions	(20)	(5)
Other Operating Activities	47	(19)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	126	(116)
Other Current Assets	(61)	(47)
Accounts Payable	3	20
Income and Other Taxes Payable	110	142
Other Current Liabilities	(173)	(60)
Net Cash Provided by Operating Activities	2,512	2,302
INVESTING ACTIVITIES		
Property Additions	(1,909)	(1,557)
Purchase of Short-term Investments	(1,170)	(1,170)
Proceeds from Sales of Short-term Investments	1,040	1,102
Proceeds from Property Dispositions	46	57
Other Investing Activities	42	(52)
Net Cash Used in Investing Activities	(1,951)	(1,620)
FINANCING ACTIVITIES		
Long-term Debt Issued (Note 7)	600	1,000
Long-term Debt Repaid (Note 7)	(228)	(932)
Dividends Paid	(512)	(470)
Shares Repurchased	(546)	(388)
Other Financing Activities	(3)	(5)
Net Cash Used in Financing Activities	(689)	(795)
Net Decrease in Cash and Cash Equivalents	(128)	(113)
CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents at Beginning of Period	669	592
Cash and Cash Equivalents at End of Period	$541	$479

See accompanying notes to consolidated financial statements.

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CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. Nature of Operations and Significant Accounting Policies

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

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

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

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

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

- Consolidated income statements for the quarters and nine months ended September 25, 2015 and September 26, 2014;
- Consolidated comprehensive income statements for the quarters and nine months ended September 25, 2015 and September 26, 2014;
- Consolidated balance sheets at September 25, 2015 and December 26, 2014; and
- Consolidated cash flow statements for the nine months ended September 25, 2015 and September 26, 2014.

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

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(Unaudited)

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

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

- The third fiscal quarters of 2015 and 2014 consisted of 13 weeks ending on September 25, 2015 and September 26, 2014, respectively.
- Fiscal year 2015 and 2014 will each consist of 52 weeks ending on December 25, 2015 and December 26, 2014, respectively.

Except as otherwise specified, references to “third quarter(s)” or “nine months” indicate CSX's fiscal periods ending September 25, 2015 and September 26, 2014, and references to "year-end" indicate the fiscal year ended December 26, 2014.

Allowance for Doubtful Accounts
The Company maintains an allowance for doubtful accounts on uncollectible amounts related to freight receivables, government reimbursement receivables, claims for damages and other various receivables. The allowance is based upon the credit worthiness of customers, historical experience, the age of the receivable and current market and economic conditions. Uncollectible amounts are charged against the allowance account. Allowance for doubtful accounts of $39 million and $41 million is included in the consolidated balance sheets as of the end of third quarter 2015 and December 2014, respectively.

New Accounting Pronouncements
On April 7, 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update, Interest - Imputation of Interest, which changes the financial statement presentation of debt issuance costs to be a direct reduction to long-term debt, rather than presented as a long-term asset. The amortization of debt issuance costs will continue to be included in interest expense. This standard is effective for annual reporting periods beginning after December 15, 2015 and will not have a material effect on the Company's financial condition, results of operations or liquidity.

On July 9, 2015, the FASB approved a one-year deferral of the effective date of the Accounting Standards Update, Revenue from Contracts with Customers. This standard will now become effective for CSX beginning with the first quarter 2018 and can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

Other items
Share Repurchases
In April 2015, the Company announced a new $2 billion share repurchase program, which is expected to be completed by April 2017. During the third quarter of 2015 and 2014, the Company repurchased approximately $262 million, or nine million shares, and $131 million, or four million shares, respectively. During the nine months of 2015 and 2014, the Company repurchased $546 million, or 17 million shares, and $388 million, or 13 million shares, respectively. Management's assessment of market conditions and other factors guides the timing and volume of repurchases. Future share repurchases are expected to be funded by cash on hand, cash generated from operations and debt issuances. In accordance with the Equity Topic in the FASB's Accounting Standards Codification ("ASC"), the excess of repurchase price over par value is recorded in retained earnings. Generally, retained earnings is only impacted by net earnings and dividends.

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NOTE 2. Earnings Per Share

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

	Third Quarters		Nine Months	
	2015	2014	2015	2014
Numerator (Dollars in millions):				
Net Earnings	$507	$509	$1,502	$1,436
Dividend Equivalents on Restricted Stock	—	—	(1)	(1)
Net Earnings, Attributable to Common Shareholders	$507	$509	$1,501	$1,435
Denominator (Units in millions):				
Average Common Shares Outstanding	981	999	986	1,003
Other Potentially Dilutive Common Shares	1	—	1	1
Average Common Shares Outstanding, Assuming Dilution	982	999	987	1,004
Net Earnings Per Share, Basic	$0.52	$0.51	$1.52	$1.43
Net Earnings Per Share, Assuming Dilution	$0.52	$0.51	$1.52	$1.43

Basic earnings per share is based on the weighted-average number of shares of common stock outstanding. Earnings per share, assuming dilution, is based on the weighted-average number of shares of common stock equivalents outstanding adjusted for the effects of common stock that may be issued as a result of potentially dilutive instruments. CSX's potentially dilutive instruments are made up of equity awards, which include long-term incentive awards.

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

NOTE 3. Share-Based Compensation

Under CSX's share-based compensation plans, awards primarily consist of performance grants, restricted stock awards, restricted stock units and stock grants for directors. Awards granted under the various programs are determined and approved by the Compensation Committee of the Board of Directors or, in certain circumstances, by the Chief Executive Officer for awards to management employees other than senior executives. The Board of Directors approves awards granted to the Company's non-management directors upon recommendation of the Governance Committee.

In February 2015, approximately 1 million performance units were granted to certain employees under a new long-term incentive plan ("2015-2017 LTIP") adopted under the CSX Stock and Incentive Award Plan. Payouts of performance units for the cycle ending with fiscal year 2017 will be based on the achievement of goals related to both operating ratio and return on assets in each case excluding non-recurring items as disclosed in the Company's financial statements. The cumulative operating ratio and average return on assets over the plan period will each comprise 50% of the payout and will be measured independently of the other.

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NOTE 3. Share-Based Compensation, continued

Grants were made in performance units, with each unit representing the right to receive one share of CSX common stock, and payouts will be made in CSX common stock. The payout range for participants will be between 0% and 200% of the target awards depending on Company performance against predetermined goals. Payouts for certain executive officers are subject to downward adjustment by up to 30% based upon total shareholder return relative to specified comparable groups.

Additionally, as part of the new 2015-2017 LTIP, the Company granted approximately 312 thousand restricted stock units to certain employees in February 2015. The restricted stock units vest three years after the date of grant. Participants receive cash dividend equivalents on the unvested shares during the restriction period. These awards are time-based and are not based upon attainment of performance goals.

Both performance units and restricted stock units require participants to be employed through the final day of the respective vesting period except in the case of death, disability or retirement. For information related to the Company's other outstanding long-term incentive compensation, see CSX's most recent annual report on Form 10-K.

Total pre-tax expense associated with all share-based compensation and the related income tax benefit are as follows:

	Third Quarters		Nine Months	
(Dollars in millions)	2015	2014	2015	2014
Share-Based Compensation Expense	$2	$9	$20	$20
Income Tax Benefit	1	4	8	8

NOTE 4. Casualty, Environmental and Other Reserves

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

	September 25, 2015			December 26, 2014		
(Dollars in millions)	Current	Long-term	Total	Current	Long-term	Total
Casualty:						
Personal Injury	$58	$145	$203	$68	$123	$191
Occupational	3	14	17	3	15	18
Asbestos	5	48	53	5	51	56
Total Casualty	66	207	273	76	189	265
Environmental	58	30	88	48	46	94
Other	22	33	55	18	41	59
Total	$146	$270	$416	$142	$276	$418

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NOTE 4. Casualty, Environmental and Other Reserves, continued

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

Casualty
Casualty reserves of $273 million as of the end of third quarter 2015 represent accruals for personal injury, occupational injury and asbestos claims. The Company's self-insured retention amount for these claims is $50 million per occurrence. Currently, no individual claim is expected to exceed the self-insured retention amount. In accordance with the Contingencies Topic in the ASC, to the extent the value of an individual claim exceeds the self-insured retention amount, the Company would present the liability on a gross basis with a corresponding receivable for insurance recoveries. These reserves fluctuate based upon the timing of payments as well as changes in management's estimates and independent third-party estimates, which are reviewed by management. Actual results may vary from estimates due to the number, type and severity of the injury, costs of medical treatments and uncertainties in litigation. Most of the Company's casualty claims relate to CSXT unless otherwise noted below. Defense and processing costs, which historically have been insignificant and are anticipated to be insignificant in the future, are not included in the recorded liabilities.

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

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

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

Management reviews asserted occupational and asbestos claims quarterly. Unasserted, or incurred but not reported ("IBNR"), occupational claims are analyzed by management semi-annually. Since exposure to asbestos has been substantially eliminated, unasserted or IBNR asbestos claims are analyzed by a third-party specialist and reviewed by management annually.

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NOTE 4. Casualty, Environmental and Other Reserves, continued

CSXT's historical claim filings, settlement amounts, and dismissal rates are analyzed to determine future anticipated claim filing rates and average settlement values for occupational and asbestos claims reserves. The potentially exposed population is estimated by using CSXT's employment records and industry data. From this analysis, management or the specialist estimate the IBNR claims liabilities.

Environmental
Environmental reserves were $88 million as of the end of third quarter 2015. 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 253 environmentally impaired sites. Many of these are, or may be, subject to remedial action under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), also known as the Superfund Law, or similar state statutes. Most of these proceedings arose from environmental conditions on properties used for ongoing or discontinued railroad operations. A number of these proceedings, however, are based on allegations that the Company, or its predecessors, sent hazardous substances to facilities owned or operated by others for treatment, recycling or disposal. In addition, some of the Company's land holdings were leased to others for commercial or industrial uses that may have resulted in releases of hazardous substances or other regulated materials onto the property and could give rise to proceedings against the Company.

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

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

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

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

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

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CSX CORPORATION
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NOTE 4. Casualty, Environmental and Other Reserves, continued

Other
Other reserves of $55 million as of the end of third quarter 2015 include liabilities for various claims, such as property, automobile and general liability. Also included in other reserves are longshoremen disability claims related to a previously owned international shipping business (these claims are in runoff) as well as claims for current port employees.

NOTE 5. Commitments and Contingencies

Insurance
The Company maintains numerous insurance programs with substantial limits for property damage (which includes business interruption) and third-party liability. A certain amount of risk is retained by the Company on each of the property and liability programs. The Company has a $25 million retention per occurrence for the non-catastrophic property program (such as a derailment) and a $50 million retention per occurrence for the liability and catastrophic property programs (such as hurricanes and floods). While the Company believes its insurance coverage is adequate, future claims could exceed existing insurance coverage or insurance may not continue to be available at commercially reasonable rates.

Legal
The Company is involved in litigation incidental to its business and is a party to a number of legal actions and claims, various governmental proceedings and private civil lawsuits, including, but not limited to, those related to fuel surcharge practices, environmental and hazardous material exposure matters, FELA claims by employees, other personal injury or property claims and disputes and complaints involving certain transportation rates and charges. Some of the legal proceedings include claims for compensatory as well as punitive damages and others are, or are purported to be, class actions. While the final outcome of these matters cannot be reasonably determined, considering, among other things, the legal defenses available and liabilities that have been recorded along with applicable insurance, it is currently the opinion of CSX management that none of these pending items is likely to have a material adverse effect on the Company's financial condition, results of operations or liquidity. An unexpected adverse resolution of one or more of these items, however, could have a material adverse effect on the Company's financial condition, results of operations or liquidity in that particular period.
The Company is able to estimate a range of possible loss for certain legal proceedings for which a loss is reasonably possible in excess of reserves established. The Company has estimated this range to be $3 million to $52 million in aggregate at September 25, 2015. This estimated aggregate range is based upon currently available information and is subject to significant judgment and a variety of assumptions. Accordingly, the Company's estimate will change from time to time, and actual losses may vary significantly from the current estimate.

Fuel Surcharge Antitrust Litigation
In May 2007, class action lawsuits were filed against CSXT and three other U.S.-based Class I railroads alleging that the defendants' fuel surcharge practices relating to contract and unregulated traffic resulted from an illegal conspiracy in violation of antitrust laws. In November 2007, the class action lawsuits were consolidated in federal court in the District of Columbia, where they are now pending. The suit seeks treble damages allegedly sustained by purported class members as well as attorneys' fees and other relief. Plaintiffs are expected to allege damages at least equal to the fuel surcharges at issue.

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(Unaudited)

NOTE 5. Commitments and Contingencies, continued

In June 2012, the District Court certified the case as a class action. The decision was not a ruling on the merits of plaintiffs' claims, but rather a decision to allow the plaintiffs to seek to prove the case as a class. The defendant railroads petitioned the U.S. Court of Appeals for the D.C. Circuit for permission to appeal the District Court's class certification decision. In August 2013, the D.C. Circuit issued a decision vacating the class certification decision and remanded the case to the District Court to reconsider its class certification decision. The District Court remand proceedings are underway. Although a class certification hearing had been scheduled for early November 2015, it has been postponed pending the U.S. Supreme Court’s decision on a class certification issue in an unrelated case. The District Court has delayed proceedings on the merits of the case pending the outcome of the class certification remand proceedings.

CSXT believes that its fuel surcharge practices were arrived at and applied lawfully and that the case is without merit. Accordingly, the Company intends to defend itself vigorously. However, penalties for violating antitrust laws can be severe, and an unexpected adverse decision on the merits could have a material adverse effect on the Company's financial condition, results of operations or liquidity in that particular period or for the full year.

Environmental
CSXT has indemnified Pharmacia LLC (formerly known as Monsanto Company) for certain liabilities associated with real estate located in Kearny, New Jersey along the Lower Passaic River (the “Property”). The Property, which was formerly owned by Pharmacia, is now owned by CSXT. The indemnification and defense duties arise with respect to several matters. CSXT, on behalf of Pharmacia, is conducting a Remedial Investigation and Feasibility Study of the 17-mile Lower Passaic River Study Area with approximately 60 other parties pursuant to an Administrative Settlement Agreement and Order on Consent with the U.S. Environmental Protection Agency ("EPA"). The EPA, using its CERCLA authority, seeks cleanup and removal costs and other damages associated with the presence of hazardous substances in the Lower Passaic River Study Area. In April 2014, the EPA announced its proposed plan to remediate the lower eight miles of the Lower Passaic River, which was based on a Focused Feasibility Study. After review of public comments, EPA is expected to issue its final cleanup plan in 2015.

CSXT is also defending and indemnifying Pharmacia in a cooperative natural resource damages assessment process related to the Property. Based on currently available information, the Company does not believe any remediation costs potentially allocable to CSXT would be material to the Company's financial condition, results of operations or liquidity.

NOTE 6. Employee Benefit Plans

The Company sponsors defined benefit pension plans principally for salaried, management personnel. For employees hired prior to January 1, 2003, the plans provide eligible employees with retirement benefits based predominantly on years of service and compensation rates near retirement. For employees hired in 2003 or thereafter, benefits are determined based on a cash balance formula, which provides benefits by utilizing interest and pay credits based upon age, service and compensation.

In addition to these plans, the Company sponsors a post-retirement medical plan and a life insurance plan that provide benefits to full-time, salaried, management employees, hired prior to January 1, 2003, upon their retirement if certain eligibility requirements are met. Eligible retirees who are age 65 years or older (Medicare-eligible) are covered by a health reimbursement arrangement, which is an employer-funded account that can be used for reimbursement of

eligible medical expenses. Eligible retirees younger than 65 years (non-Medicare eligible) are covered by a self-insured program partially funded by participating retirees. The life insurance plan is non-contributory.

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NOTE 6. Employee Benefit Plans, continued

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

	Pension Benefits			
(Dollars in millions)	Third Quarters		Nine Months	
	2015	2014	2015	2014
Service Cost	$12	$11	$34	$33
Interest Cost	29	30	87	92
Expected Return on Plan Assets	(41)	(41)	(122)	(124)
Amortization of Net Loss	17	15	52	43
Net Periodic Benefit Cost	17	15	51	44
Special Termination Employee Benefits[(a)]	—	—	7	—
Total Expense	$17	$15	$58	$44

	Other Post-retirement Benefits			
(Dollars in millions)	Third Quarters		Nine Months	
	2015	2014	2015	2014
Service Cost	$2	$1	$3	$2
Interest Cost	3	4	10	11
Amortization of Net Loss	1	1	3	4
Amortization of Prior Service Costs	(1)	—	(1)	(1)
Total Expense	$5	$6	$15	$16

(a) These charges result from a management workforce reduction program that was initiated in 2014 and was completed during the first quarter 2015.

Qualified pension plan obligations are funded in accordance with regulatory requirements and with an objective of meeting minimum funding requirements necessary to avoid restrictions on flexibility of plan operation and benefit payments. No significant contributions to the Company's qualified pension plans are expected in 2015.

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NOTE 7. Debt and Credit Agreements

Total activity related to long-term debt as of the end of third quarter 2015 is shown in the table below. For fair value information related to the Company's long-term debt, see Note 9, Fair Value Measurements.

(Dollars in millions)	Current Portion	Long-term Portion	Total
Long-term debt as of December 2014	$228	$9,514	$9,742
2015 activity:			
Long-term debt issued	—	600	600
Long-term debt repaid	(228)	—	(228)
Reclassifications	18	(18)	—
Discount, premium and other activity	—	(8)	(8)
Long-term debt as of third quarter 2015	$18	$10,088	$10,106

Debt Issuance
On April 21, 2015, CSX issued $600 million of 3.95% notes due 2050. These notes are included in the consolidated balance sheets under long-term debt and may be redeemed by the Company at any time. The net proceeds may be used for general corporate purposes, which may include repurchases of CSX's common stock, capital investment, working capital requirements, improvement in productivity and other cost reduction initiatives.

Credit Facility
On May 21, 2015, CSX replaced its existing $1 billion unsecured, revolving credit facility backed by a diverse syndicate of banks which was set to expire in September 2016. This new facility expires in May 2020, and as of the date of this filing, the Company has no outstanding balances under this facility. The facility allows borrowings at floating (LIBOR-based) interest rates, plus a spread, depending upon CSX's senior unsecured debt ratings. LIBOR is the London Interbank Offered Rate which is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds. As of third quarter 2015, CSX was in compliance with all covenant requirements under this facility.

Receivables Securitization Facility
The Company has a receivables securitization facility with a three-year term expiring in June 2017. The purpose of this facility is to provide an alternative to commercial paper and a low cost source of short-term liquidity of up to $250 million, depending on eligible receivables balances. As of the date of this filing, the Company has no outstanding balances under this facility.

NOTE 8. Income Taxes

There have been no material changes to the balance of unrecognized tax benefits on the consolidated balance sheet during third quarters 2015 and 2014.

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NOTE 9. Fair Value Measurements

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

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

- Level 1 - observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets
- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)
- Level 3 - significant unobservable inputs (including the Company's own assumptions about the assumptions market participants would use in determining the fair value of investments)

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

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

- Certificates of Deposit and Commercial Paper (Level 2): Valued at amortized cost, which approximates fair value.
- Corporate Bonds and Government Securities (Level 2): Valued using broker quotes that utilize observable market inputs.
- Auction Rate Securities (Level 3): Valued using pricing models for which the assumptions utilize management’s estimates of market participant assumptions, because there is currently no active market for trading.

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NOTE 9. Fair Value Measurements, continued

The Company's investment assets are carried at fair value on the consolidated balance sheets as summarized in the table below. The amortized cost basis of these investments was $532 million and $453 million as of September 25, 2015 and December 26, 2014, respectively.

	September 25, 2015			December 26, 2014		
(Dollars in Millions)	Level 2	Level 3	Total	Level 2	Level 3	Total
Certificates of Deposit and Commercial Paper	$425	$—	$425	$250	$—	$250
Corporate Bonds	70	—	70	141	—	141
Government Securities	33	—	33	51	—	51
Auction Rate Securities	—	4	4	—	11	11
Total investments at fair value	$528	$4	$532	$442	$11	$453

These investments have the following maturities:

(Dollars in millions)	September 25, 2015	December 26, 2014
Less than 1 year	$425	$292
1 - 2 years	6	45
2 - 5 years	42	100
Greater than 5 years	59	16
Total	$532	$453

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

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

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NOTE 9. Fair Value Measurements, continued

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

(Dollars in millions)	September 25, 2015	December 26, 2014
Long-term Debt (Including Current Maturities):		
Fair Value	$10,770	$11,042
Carrying Value	10,106	9,742

NOTE 10. Other Comprehensive Income / (Loss)

CSX reports comprehensive earnings or loss in accordance with the Comprehensive Income Topic in the ASC in the Consolidated Comprehensive Income Statement. Total comprehensive earnings are defined as all changes in shareholders' equity during a period, other than those resulting from investments by and distributions to shareholders (e.g. issuance of equity securities and dividends). Generally, for CSX, total comprehensive earnings equal net earnings plus or minus adjustments for pension and other post-retirement liabilities. Total comprehensive earnings represent the activity for a period net of tax and were $518 million for third quarters 2015 and 2014, and $1,523 million and $1,476 million for nine months 2015 and 2014, respectively.

While total comprehensive earnings is the activity in a period and is largely driven by net earnings in that period, accumulated other comprehensive income or loss (“AOCI”) represents the cumulative balance of other comprehensive income, net of tax, as of the balance sheet date. For CSX, AOCI is primarily the cumulative balance related to pension and other post-retirement benefit adjustments and CSX's share of AOCI of equity method investees.

Changes in the AOCI balance by component are shown in the table below. Amounts reclassified in pension and other post-employment benefits to net earnings relate to the amortization of actuarial losses and are included in labor and fringe on the consolidated income statements. See Note 6. Employee Benefit Plans for further information. Other primarily represents CSX's share of AOCI of equity method investees. Amounts reclassified in other to net earnings are included in materials, supplies and other on the consolidated income statements.

(Dollars in millions)	Pension and Other Post-Employment Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance December 26, 2014, Net of Tax	$(611)	$(55)	$(666)
Other Comprehensive Income (Loss)			
Loss Before Reclassifications	—	(11)	(11)
Amounts Reclassified to Net Earnings	55	(1)	54
Tax Expense	(22)	—	(22)
Total Other Comprehensive Income (Loss)	33	(12)	21
Balance September 25, 2015, Net of Tax	$(578)	$(67)	$(645)

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NOTE 11. Summarized Consolidating Financial Data

In 2007, CSXT, a wholly-owned subsidiary of CSX Corporation, sold secured equipment notes maturing in 2023 in a registered public offering. CSX has fully and unconditionally guaranteed the notes. In connection with the notes, the Company is providing the following condensed consolidating financial information in accordance with SEC disclosure requirements. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation and the allocation of certain expenses of CSX incurred for the benefit of its subsidiaries. Condensed consolidating financial information for the obligor, CSXT, and parent guarantor, CSX, is shown in the tables below.

Consolidating Income Statements
(Dollars in millions)

Third Quarter 2015	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Revenue	$—	$2,920	$19	$2,939
Expense	(154)	2,182	(22)	2,006
Operating Income	154	738	41	933
Equity in Earnings of Subsidiaries	496	—	(496)	—
Interest (Expense) / Benefit	(134)	(8)	6	(136)
Other Income / (Expense) - Net	(1)	5	(2)	2
Earnings Before Income Taxes	515	735	(451)	799
Income Tax Benefit / (Expense)	(8)	(273)	(11)	(292)
Net Earnings	$507	$462	$(462)	$507
Total Comprehensive Earnings	$518	$462	$(462)	$518

Third Quarter 2014	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Revenue	$—	$3,202	$19	$3,221
Expense	(113)	2,368	(10)	2,245
Operating Income	113	834	29	976
Equity in Earnings of Subsidiaries	527	1	(528)	—
Interest (Expense) / Benefit	(133)	(11)	7	(137)
Other Income / (Expense) - Net	(12)	(9)	(5)	(26)
Earnings Before Income Taxes	495	815	(497)	813
Income Tax (Expense) / Benefit	14	(309)	(9)	(304)
Net Earnings	$509	$506	$(506)	$509
Total Comprehensive Earnings	$518	$507	$(507)	$518

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CSX CORPORATION
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(Unaudited)

NOTE 11. Summarized Consolidating Financial Data, continued
Consolidating Income Statements
(Dollars in millions)

Nine Months Ended September 25, 2015	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Revenue	$—	$8,972	$58	$9,030
Expense	(448)	6,765	(80)	6,237
Operating Income	448	2,207	138	2,793
Equity in Earnings of Subsidiaries	1,482	—	(1,482)	—
Interest (Expense) / Benefit	(399)	(24)	19	(404)
Other Income / (Expense) - Net	(4)	18	(6)	8
Earnings Before Income Taxes	1,527	2,201	(1,331)	2,397
Income Tax (Expense) / Benefit	(25)	(824)	(46)	(895)
Net Earnings	$1,502	$1,377	$(1,377)	$1,502
Total Comprehensive Earnings	$1,523	$1,374	$(1,374)	$1,523

Nine Months Ended September 26, 2014	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Revenue	$—	$9,417	$60	$9,477
Expense	(321)	7,121	(35)	6,765
Operating Income	321	2,296	95	2,712
Equity in Earnings of Subsidiaries	1,488	1	(1,489)	—
Interest (Expense) / Benefit	(389)	(39)	16	(412)
Other Income / (Expense) - Net	(17)	(13)	(1)	(31)
Earnings Before Income Taxes	1,403	2,245	(1,379)	2,269
Income Tax (Expense) / Benefit	33	(831)	(35)	(833)
Net Earnings	$1,436	$1,414	$(1,414)	$1,436
Total Comprehensive Earnings	$1,476	$1,422	$(1,422)	$1,476

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CSX CORPORATION
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NOTE 11. Summarized Consolidating Financial Data, continued
Consolidating Balance Sheet
(Dollars in millions)

As of September 2015	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
ASSETS				
Current Assets				
Cash and Cash Equivalents	$311	$168	$62	$541
Short-term Investments	425	—	—	425
Accounts Receivable - Net	2	178	823	1,003
Receivable from Affiliates	1,224	2,304	(3,528)	—
Materials and Supplies	—	309	—	309
Deferred Income Taxes	10	128	(1)	137
Other Current Assets	4	70	13	87
Total Current Assets	1,976	3,157	(2,631)	2,502
Properties	1	38,278	2,564	40,843
Accumulated Depreciation	(1)	(9,861)	(1,344)	(11,206)
Properties - Net	—	28,417	1,220	29,637
Investments in Conrail	—	—	793	793
Affiliates and Other Companies	(39)	650	(28)	583
Investments in Consolidated Subsidiaries	22,467	—	(22,467)	—
Other Long-term Assets	173	398	(71)	500
Total Assets	$24,577	$32,622	$(23,184)	$34,015
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable	$145	$667	$30	$842
Labor and Fringe Benefits Payable	35	374	38	447
Payable to Affiliates	3,184	483	(3,667)	—
Casualty, Environmental and Other Reserves	—	130	16	146
Current Maturities of Long-term Debt	—	18	—	18
Income and Other Taxes Payable	(320)	581	21	282
Other Current Liabilities	—	185	2	187
Total Current Liabilities	3,044	2,438	(3,560)	1,922
Casualty, Environmental and Other Reserves	—	216	54	270
Long-term Debt	9,302	786	—	10,088
Deferred Income Taxes	(159)	8,901	215	8,957
Other Long-term Liabilities	745	493	(120)	1,118
Total Liabilities	$12,932	$12,834	$(3,411)	$22,355
Shareholders' Equity				
Common Stock, $1 Par Value	$975	$181	$(181)	$975

Other Capital	120	5,090	(5,090)	120
Retained Earnings	11,195	14,532	(14,532)	11,195
Accumulated Other Comprehensive Loss	(645)	(34)	34	(645)
Noncontrolling Interest	—	19	(4)	15
Total Shareholders' Equity	$11,645	$19,788	$(19,773)	$11,660
Total Liabilities and Shareholders' Equity	$24,577	$32,622	$(23,184)	$34,015

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CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11. Summarized Consolidating Financial Data, continued
Consolidating Balance Sheet
(Dollars in millions)

As of December 2014	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
ASSETS				
Current Assets				
Cash and Cash Equivalents	$510	$100	$59	$669
Short-term Investments	250	—	42	292
Accounts Receivable - Net	2	206	921	1,129
Receivable from Affiliates	1,211	2,418	(3,629)	—
Materials and Supplies	—	272	1	273
Deferred Income Taxes	3	139	(1)	141
Other Current Assets	—	61	7	68
Total Current Assets	1,976	3,196	(2,600)	2,572
Properties	1	36,888	2,454	39,343
Accumulated Depreciation	(1)	(9,516)	(1,242)	(10,759)
Properties - Net	—	27,372	1,212	28,584
Investments in Conrail	—	—	779	779
Affiliates and Other Companies	(39)	644	(28)	577
Investment in Consolidated Subsidiaries	21,570	—	(21,570)	—
Other Long-term Assets	178	387	(24)	541
Total Assets	$23,685	$31,599	$(22,231)	$33,053
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable	$106	$707	$32	$845
Labor and Fringe Benefits Payable	38	511	64	613
Payable to Affiliates	3,053	514	(3,567)	—
Casualty, Environmental and Other Reserves	—	126	16	142
Current Maturities of Long-term Debt	200	29	(1)	228
Income and Other Taxes Payable	(150)	293	20	163
Other Current Liabilities	—	111	5	116
Total Current Liabilities	3,247	2,291	(3,431)	2,107
Casualty, Environmental and Other Reserves	—	213	63	276
Long-term Debt	8,705	809	—	9,514
Deferred Income Taxes	(172)	8,827	203	8,858
Other Long-term Liabilities	753	487	(118)	1,122
Total Liabilities	$12,533	$12,627	$(3,283)	$21,877
Shareholders' Equity				
Common Stock, $1 Par Value	$992	$181	$(181)	$992
Other Capital	92	5,077	(5,077)	92

Retained Earnings	10,734	13,717	(13,717)	10,734
Accumulated Other Comprehensive Loss	(666)	(31)	31	(666)
Noncontrolling Minority Interest	—	28	(4)	24
Total Shareholders' Equity	$11,152	$18,972	$(18,948)	$11,176
Total Liabilities and Shareholders' Equity	$23,685	$31,599	$(22,231)	$33,053

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CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11. Summarized Consolidating Financial Data, continued
Consolidating Cash Flow Statements
(Dollars in millions)

Nine months ended September 25, 2015	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Operating Activities				
Net Cash Provided by (Used in) Operating Activities	$637	$2,313	$(438)	$2,512
Investing Activities				
Property Additions	—	(1,794)	(115)	(1,909)
Purchases of Short-term Investments	(1,170)	—	—	(1,170)
Proceeds from Sales of Short-term Investments	995	—	45	1,040
Proceeds from Property Dispositions	—	46	—	46
Other Investing Activities	(11)	93	(40)	42
Net Cash Provided by (Used in) Investing Activities	(186)	(1,655)	(110)	(1,951)
Financing Activities				
Long-term Debt Issued	600	—	—	600
Long-term Debt Repaid	(200)	(28)	—	(228)
Dividends Paid	(512)	(563)	563	(512)
Shares Repurchased	(546)	—	—	(546)
Other Financing Activities	8	1	(12)	(3)
Net Cash Provided by (Used in) Financing Activities	(650)	(590)	551	(689)
Net Increase (Decrease) in Cash and Cash Equivalents	(199)	68	3	(128)
Cash and Cash Equivalents at Beginning of Period	510	100	59	669
Cash and Cash Equivalents at End of Period	$311	$168	$62	$541

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CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11. Summarized Consolidating Financial Data, continued
Consolidating Cash Flow Statements
(Dollars in millions)

Nine months ended September 26, 2014	CSX Corporation	CSX Transportation	Eliminations and Other	Consolidated
Operating Activities				
Net Cash Provided by (Used in) Operating Activities	$397	$2,301	$(396)	$2,302
Investing Activities				
Property Additions	—	(1,398)	(159)	(1,557)
Purchases of Short-term Investments	(1,170)	—	—	(1,170)
Proceeds from Sales of Short-term Investments	1,077	—	25	1,102
Proceeds from Property Dispositions	—	57	—	57
Other Investing Activities	—	(147)	95	(52)
Net Cash Provided by (Used in) Investing Activities	(93)	(1,488)	(39)	(1,620)
Financing Activities				
Long-term Debt Issued	1,000	—	—	1,000
Long-term Debt Repaid	(600)	(332)	—	(932)
Dividends Paid	(470)	(428)	428	(470)
Shares Repurchased	(388)	—	—	(388)
Other Financing Activities	10	(16)	1	(5)
Net Cash Provided by (Used in) Financing Activities	(448)	(776)	429	(795)
Net Increase (Decrease) in Cash and Cash Equivalents	(144)	37	(6)	(113)
Cash and Cash Equivalents at Beginning of Period	439	91	62	592
Cash and Cash Equivalents at End of Period	$295	$128	$56	$479

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

THIRD QUARTER 2015 HIGHLIGHTS

- Revenue declined $282 million to $2.9 billion from the prior year's third quarter.

- Expenses of $2 billion decreased $239 million or 11% year over year.

- Operating income of $933 million decreased $43 million or 4% year over year.

- Operating ratio of 68.3% improved 140 basis points.

- Earnings per share of $0.52 increased $0.01 or 2% year over year.

	Third Quarters				Nine Months			
	2015	2014	Fav / (Unfav)	% Change	2015	2014	Fav / (Unfav)	% Change
Volume (in thousands)	1,712	1,758	(46)	(3)%	5,106	5,159	(53)	(1)%
(in millions)								
Revenue	$2,939	$3,221	$(282)	(9)%	$9,030	$9,477	$(447)	(5)%
Expense	2,006	2,245	239	11%	6,237	6,765	528	8%
Operating Income	$933	$976	$(43)	(4)%	$2,793	$2,712	$81	3%
Operating Ratio	68.3%	69.7%	140 bps		69.1%	71.4%	230 bps	
Earnings Per Diluted Share	$0.52	$0.51	$0.01	2%	$1.52	$1.43	$0.09	6%

For additional information, refer to Results of Operations discussed on pages 26 through 29.

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CSX CORPORATION

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

RESULTS OF OPERATIONS

Volume and Revenue (Unaudited)

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

Third Quarters

	Volume			Revenue			Revenue Per Unit		
	2015	2014	% Change	2015	2014	% Change	2015	2014	% Change
Agricultural									
Agricultural Products	98	98	— %	$257	$260	(1)%	$2,622	$2,653	(1)%
Phosphates and Fertilizers	71	82	(13)	111	127	(13)	1,563	1,549	1
Food and Consumer	23	23	—	64	64	—	2,783	2,783	—
Industrial									
Chemicals	159	159	—	529	558	(5)	3,327	3,509	(5)
Automotive	109	109	—	287	305	(6)	2,633	2,798	(6)
Metals	60	71	(15)	155	183	(15)	2,583	2,577	—
Housing and Construction									
Forest Products	73	77	(5)	203	209	(3)	2,781	2,714	2
Minerals	88	83	6	128	127	1	1,455	1,530	(5)
Waste and Equipment	39	46	(15)	85	94	(10)	2,179	2,043	7
Total Merchandise	720	748	(4)	1,819	1,927	(6)	2,526	2,576	(2)
Coal	261	319	(18)	583	721	(19)	2,234	2,260	(1)
Intermodal	731	691	6	451	455	(1)	617	658	(6)
Other	—	—	—	86	118	(27)	—	—	—
Total	1,712	1,758	(3)%	$2,939	$3,221	(9)%	$1,717	$1,832	(6)%

Nine Months

	Volume			Revenue			Revenue Per Unit		
	2015	2014	% Change	2015	2014	% Change	2015	2014	% Change
Agricultural									
Agricultural Products	308	309	— %	$814	$829	(2)%	$2,643	$2,683	(1)%
Phosphates and Fertilizers	227	251	(10)	369	404	(9)	1,626	1,610	1
Food and Consumer	70	71	(1)	196	199	(2)	2,800	2,803	—
Industrial									
Chemicals	472	462	2	1,593	1,630	(2)	3,375	3,528	(4)
Automotive	330	321	3	867	901	(4)	2,627	2,807	(6)
Metals	182	210	(13)	465	532	(13)	2,555	2,533	1
Housing and Construction									
Forest Products	220	230	(4)	603	613	(2)	2,741	2,665	3
Minerals	232	217	7	354	345	3	1,526	1,590	(4)
Waste and Equipment	111	117	(5)	225	232	(3)	2,027	1,983	2
Total Merchandise	2,152	2,188	(2)	5,486	5,685	(4)	2,549	2,598	(2)
Coal	845	942	(10)	1,851	2,127	(13)	2,191	2,258	(3)
Intermodal	2,109	2,029	4	1,316	1,325	(1)	624	653	(4)
Other	—	—	—	377	340	11	—	—	—
Total	5,106	5,159	(1)%	$9,030	$9,477	(5)%	$1,769	$1,837	(4)%

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Third Quarter 2015
Revenue
Revenue was down by $282 million to $2.9 billion from the prior year's third quarter due to $175 million lower fuel surcharge revenue and volume declines, partially offset by pricing gains.

Merchandise
Agricultural Sector
Agricultural Products - Volume was flat, with growth led by feed grain and domestic soybean moves closing out last year’s record harvest. This growth was offset by ethanol declines as a result of oversupply and import sourcing.

Phosphates and Fertilizers - As a result of low corn prices, fertilizer demand remained weak, resulting in 13% lower volume.

Food and Consumer - Volume was flat, as weakness in canned goods was offset by strength in rice and beans, reflecting changing consumer preferences.

Industrial Sector
Chemicals - Volume was flat as growth from new business and strong gains in LPG were offset by the slowdown in crude oil and frac sand due to reduced drilling activity.

Automotive - Volume was flat, as North American light vehicle production generated growth, particularly in trucks and SUVs, reflecting recent purchase trends. This growth was offset by the cycling of shorter summer shutdowns in 2014, as compared to the more typical seasonal shutdown this year.

Metals - High levels of steel imports, due to strength of the U.S. dollar, led to lower domestic steel production, in turn lowering rail volumes by 15%.

Housing and Construction Sector
Forest Products - Volume declined due to excess supply in the housing materials market and continued softening demand for printing paper.

Minerals - Growth reflects strength in aggregates (which includes crushed stone, sand and gravel) from increased infrastructure development activity in Florida and the Mid-Atlantic region.

Waste and Equipment - Volume declined due to the cycling of an industrial waste project and reduced military vehicle shipments as military activity is moderating.

Coal
Domestic Utility Coal - Volume declined as a result of mild weather, high stockpiles and low natural gas prices favoring natural gas power generation. Domestic Utility tonnage was down 16%.

Domestic Coke, Iron Ore and Other - Declines in the coke and industrial markets reflect the weak metal and coal environment. The volume decrease was partially offset by gains with a new customer in the iron ore segment. Tonnage was down 11%.

Export Coal - Reductions in both metallurgical and thermal coal volume resulted from ongoing weak market conditions due to global oversupply and the strength of the U.S. dollar. Export tonnage declined 24%.

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Intermodal
Domestic - Domestic volume increased 15%, driven by customer growth, continued success with CSX's highway-to-rail (H2R) conversion program and new service offerings.

International - International volume declined 5%, as strength in shipments moving to inland destinations was more than offset by competitive losses.

Other
Other revenue decreased $32 million versus prior year primarily due to an adjustment to reserves related to volume-based refunds as well as a decline in revenue recognized from customers who did not meet minimum contractual volumes.

Expenses
Expenses of $2.0 billion decreased $239 million, or 11% year over year, primarily driven by lower fuel costs of $170 million. Also included in the quarter were lower volume-related costs and efficiency savings. Variances are described below.

Labor and Fringe expense decreased $58 million due to the following:
- Inflation resulted in $33 million of additional cost driven by wages partially offset by reduced health and welfare costs.
- Incentive compensation was $41 million lower reflecting the expected award payouts on existing plans.
- Volume-related costs were $25 million lower.
- Efficiency savings of $23 million were primarily a result of reduced crew starts due to the Company's train length initiatives, lower operating support costs, and reduced management headcount as a result of the Q4 2014 restructuring initiative.
- Other costs decreased $2 million.

Materials, Supplies and Other expense decreased $30 million due to the following:
- Inflation resulted in $12 million of additional cost.
- Efficiency savings of $24 million were driven by a reduction in professional costs as well as lower costs supporting operations.
- Volume-related costs were $22 million lower.
- Other costs increased $4 million primarily due to train accident costs partially offset by prior year casualty expenses that did not repeat in the current period.

Fuel expense decreased $170 million due to the following:
- Efficiency losses of $7 million were due to unfavorable traffic mix.
- Locomotive fuel price decreased 41% and reduced expense by $145 million.
- Volume-related costs were $24 million lower.
- Other fuel savings of $8 million were primarily due to lower non-locomotive fuel price.

Depreciation expense increased $11 million due to a larger asset base.

Equipment and Other Rents expense increased $8 million due to the following:
- Inflation resulted in $4 million additional cost related to rates on automotive and intermodal cars.

- Volume-related costs were $3 million lower.
- Efficiency savings of $2 million were due to improved car cycle times.
- Other costs increased $9 million primarily due to increased intermodal and equipment rents, which include increased maintenance on rented railcars.

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Interest expense decreased $1 million primarily due to lower average interest rates partially offset by higher average debt balances.

Other income - net increased $28 million primarily as a result of a prior year early redemption of long-term debt, which resulted in $16 million of associated costs, as well as an environmental cleanup cost of $13 million related to non-operating activities that did not repeat in the current quarter.

Income tax expense decreased $12 million primarily due to lower earnings as well as a benefit related to a change in state tax legislation.

Nine Months Results of Operations
Revenue decreased $447 million primarily reflecting lower fuel surcharge recoveries.

Expenses decreased $528 million primarily driven by a decline in fuel costs of $499 million, mostly due to a 39% reduction in price per gallon from the prior year, efficiency savings of $125 million and lower volume-related costs of $56 million. Partially offsetting this decrease was the $144 million impact of inflation.

Operating income increased $81 million primarily due to continued strong pricing gains and efficiency savings resulting from a reduction in professional costs as well as lower costs supporting operations. These savings were partially offset by higher inflation and other costs.

Interest expense decreased $8 million primarily due to lower average interest rates partially offset by higher average debt balances.

Other income - net increased $39 million primarily as a result of a prior year early redemption of long-term debt, which resulted in $16 million of associated costs, as well as an environmental cleanup cost of $26 million related to non-operating activities that did not repeat in the current year.

Income tax expense increased $62 million primarily due to higher earnings.

Operating Statistics (Estimated)

	Third Quarters			Nine Months		
	2015	2014	Improvement/ (Deterioration)	2015	2014	Improvement/ (Deterioration)
Safety and Service Measurements						
FRA Personal Injury Frequency Index	0.91	1.15	21 %	0.80	1.02	22 %
FRA Train Accident Rate	2.73	2.68	(2)%	2.36	2.50	6 %
On-Time Originations	76	%54	%41 %	64	%57	%12 %
On-Time Arrivals	54	%43	%26 %	48	%45	%7 %
Train Velocity	20.5	20.2	1 %	20.3	20	2 %
Dwell	25.2	26.3	4 %	25.9	26.3	2 %

Cars-On-Line	204,082	205,964	1	%	206,075	203,339	(1)%

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Key Performance Measures Definitions
FRA Personal Injury Frequency Index - Number of FRA-reportable injuries per 200,000 man-hours.
FRA Train Accident Rate - Number of FRA-reportable train accidents per million train-miles.
On-Time Originations - Percent of scheduled road trains that depart the origin yard on-time or ahead of schedule.
On-Time Arrivals - Percent of scheduled road trains that arrive at the destination yard on-time to two hours late (30 minutes for intermodal trains).
Train Velocity - Average train speed between terminals in miles per hour (does not include locals, yard jobs, work trains or passenger trains).
Dwell - Average amount of time in hours between car arrival at and departure from the yard. It does not include cars moving through the yard on the same train.
Cars-On-Line - An average count of all cars on the network (does not include locomotives, cabooses, trailers, containers or maintenance equipment).

The Company measures and reports safety and service performance. The Company strives for continuous improvement in these measures through training, innovation and investment. For example, the Company's safety and train accident prevention programs rely on the latest tools, programs and employee participation that strengthen the safety culture in a supportive environment that allows each employee to be successful at CSX. Continued capital investment in the Company's assets, including track, bridges, signals, equipment and detection technology also supports safety performance. CSX safety programs are designed to prevent incidents that can impact employees, customers and the communities we serve.

The Company constantly collaborates with the FRA and industry organizations as well as federal, state and local governments on safety innovations and initiatives. For example, CSX and other freight railroads have actively worked with the U.S. Department of Transportation ("DOT") and other key stakeholders to evaluate and implement far-reaching safety enhancements for transportation of certain flammable materials, including essential energy products, on the nation’s freight railroad network.

CSX remains an industry leader in key safety measures. The FRA reportable personal injury frequency index improved 21 percent year over year to 0.91, while the reported FRA train accident frequency rate deteriorated 2 percent year over year to 2.73. CSX is committed to safety and is focusing on continuously improving the Company's safety performance. Safety programs continue to emphasize avoiding catastrophic events and minimizing inconvenience to the communities we serve.

CSX’s operating performance continued to improve in the third quarter. On-time originations improved 41 percent year over year to 76 percent, and on-time arrivals increased to 54 percent, a 26 percent increase year over year. Average train velocity was 20.5 miles per hour, a 1 percent improvement from last year. Terminal dwell was 25.2 hours, a 4 percent improvement from last year, and is continuing to improve as the year progresses. The Company expects to build upon this service performance while driving continued service gains and productivity savings. Productivity gains will result from the Company’s continued focus on increasing train length, improving employee efficiency and improving network fluidity.

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

Material Changes in Consolidated Balance Sheets and Significant Cash Flows
Consolidated Balance Sheets

Total assets as well as total liabilities and shareholders' equity increased $962 million from year end. The increase in assets was primarily driven by higher net properties of $1 billion resulting from capital investments. The increase in liabilities and shareholders' equity was primarily driven by net earnings of $1.5 billion, net debt issued of $372 million (net of debt repayments). These increases were partially offset by dividends paid of $512 million and share repurchases of $546 million.

Significant Cash Flows
The following table highlights net cash activity for operating, investing and financing activities for nine months ended 2015 and 2014.

	Nine Months		
Dollars in millions	2015	2014	$ Var
Net cash provided by operating activities	$2,512	$2,302	$210
Net cash used in investing activities	$(1,951)	$(1,620)	$(331)
Net cash used in financing activities	$(689)	$(795)	$106

Cash and cash equivalents decreased in both years. The decrease in the current year was $14 million more than in the prior year primarily due to the following:

- Cash provided by operating activities increased $210 million primarily due to higher collections of accounts receivable.

- Cash used in investing activities increased $331 million primarily due to higher property additions.

- Cash used in financing activities decreased $106 million primarily due to higher net debt issued (net of debt repayments) partially offset by more share repurchases and dividends paid.

Planned capital investments for 2015 are expected to be $2.5 billion, including expected spending of approximately $300 million for Positive Train Control ("PTC"). This $2.5 billion excludes investments related to partially or wholly reimbursable public-private partnerships where reimbursements may not be fully received in a given year. Approximately half of the 2015 investment will be used to sustain the core infrastructure. The remaining amounts will be allocated to locomotives, freight cars and high return projects supporting long-term profitable growth, productivity initiatives and continued service improvements. CSX intends to fund capital investments through cash generated from operations.

The Company has incurred significant capital costs in connection with the implementation of PTC and has substantial work ahead. CSX estimates that the total multi-year cost of PTC implementation will be at least $1.9 billion. This estimate includes costs for installing the new system along tracks, upgrading locomotives, adding communication

equipment and developing new technologies. Total PTC spending through September 2015 was $1.4 billion.

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Liquidity and Working Capital
As of the end of third quarter 2015, CSX had $966 million of cash, cash equivalents and short-term investments. CSX has a $1 billion unsecured revolving credit facility backed by a diverse syndicate of banks. This facility expires in May 2020 and as of the date of this filing, the Company has no outstanding balances under this facility. CSX uses current cash balances for general corporate purposes, which may include reduction or refinancing of outstanding indebtedness, capital expenditures, working capital requirements, contributions to the Company's qualified pension plan, redemptions and repurchases of CSX common stock and dividends to shareholders. See Note 7, Debt and Credit Agreements.

The Company has a receivables securitization facility with a three-year term expiring in June 2017. The purpose of this facility is to provide an alternative to commercial paper and a low cost source of short-term liquidity of up to $250 million, depending on eligible receivables balances. As of the date of this filing, the Company has no outstanding balances under this facility.

Working capital can also be considered a measure of a company's ability to meet its short-term needs. CSX had a working capital surplus of $580 million and $465 million as of September 2015 and December 2014, respectively. This increase since year end is primarily due to the net proceeds from a debt issuance partially offset by debt repayments.

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

CRITICAL ACCOUNTING ESTIMATES
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that management make estimates in reporting the amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and certain revenues and expenses during the reporting period. Actual results may differ from those estimates. These estimates and assumptions are discussed with the Audit Committee of the Board of Directors on a regular basis. Consistent with the prior year, significant estimates using management judgment are made for the areas below. For further discussion of CSX's critical accounting estimates, see the Company's most recent annual report on Form 10-K.

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

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

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

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

Forward-looking statements are subject to a number of risks and uncertainties and actual performance or results could differ materially from those anticipated by any forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statement. If the Company does update any forward-looking statement, no inference should be drawn that the Company will make additional updates with respect to that statement or any other forward-looking statements. The following important factors, in addition to those discussed in Part II, Item 1A (Risk Factors) of CSX's most recent annual report on Form 10-K and elsewhere in this report, may cause actual results to differ materially from those contemplated by any forward-looking statements:

- legislative, regulatory or legal developments involving transportation, including rail or intermodal transportation, the environment, hazardous materials, taxation and initiatives to further regulate the rail industry;
- the outcome of litigation, claims and other contingent liabilities, including, but not limited to, those related to fuel surcharge, environmental matters, taxes, shipper and rate claims subject to adjudication, personal injuries and occupational illnesses;

- changes in domestic or international economic, political or business conditions, including those affecting the transportation industry (such as the impact of industry competition, conditions, performance and consolidation) and the level of demand for products carried by CSXT;
- natural events such as severe weather conditions, including floods, fire, hurricanes and earthquakes, a pandemic crisis affecting the health of the Company's employees, its shippers or the consumers of goods, or other unforeseen disruptions of the Company's operations, systems, property or equipment;
- competition from other modes of freight transportation, such as trucking and competition and consolidation within the transportation industry generally;
- the cost of compliance with laws and regulations that differ from expectations (including those associated with PTC implementation), as well as costs, penalties and operational and liquidity impacts associated with noncompliance with applicable laws or regulations;
- the impact of increased passenger activities in capacity-constrained areas, including potential effects of high speed rail initiatives, or regulatory changes affecting when CSXT can transport freight or service routes;
- unanticipated conditions in the financial markets that may affect timely access to capital markets and the cost of capital, as well as management's decisions regarding share repurchases;
- changes in fuel prices, surcharges for fuel and the availability of fuel;
- the impact of natural gas prices on coal-fired electricity generation;
- availability of insurance coverage at commercially reasonable rates or insufficient insurance coverage to cover claims or damages;
- the inherent business risks associated with safety and security, including the transportation of hazardous materials or a cybersecurity attack which would threaten the availability and vulnerability of information technology;
- adverse economic or operational effects from actual or threatened war or terrorist activities and any governmental response;
- labor and benefit costs and labor difficulties, including stoppages affecting either the Company's operations or customers' ability to deliver goods to the Company for shipment;
- the Company's success in implementing its strategic, financial and operational initiatives;
- changes in operating conditions and costs or commodity concentrations; and
- the inherent uncertainty associated with projecting economic and business conditions.

Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements are specified elsewhere in this report and in CSX's other SEC reports, which are accessible on the SEC's website at www.sec.gov and the Company's website at www.csx.com. The information on the CSX website is not part of this quarterly report on Form 10-Q.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
There have been no material changes in market risk from the information provided under Part II, Item 7A (Quantitative and Qualitative Disclosures about Market Risk) of CSX's most recent annual report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES
As of September 25, 2015, 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 September 25, 2015, 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 third quarter of 2015 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 further details, please refer to Note 5. Commitments and Contingencies of this quarterly report on Form 10-Q. Also refer to Part I, Item 3. Legal Proceedings in CSX's most recent annual report on Form 10-K.

Item 1A. Risk Factors
For information regarding factors that could affect the Company's results of operations, financial condition and liquidity, see the risk factors discussed under Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of CSX's most recent annual report on Form 10-K. See also Part I, Item 2 (Forward-Looking Statements) of this quarterly report on Form 10-Q. Except as set forth below, there have been no material changes from the risk factors previously disclosed in CSX's most recent annual report on Form 10-K.

Government regulation and compliance risks may adversely affect the Company's operations and financial results.
The Company is subject to the jurisdiction of various regulatory agencies, including the STB, FRA, PHMSA, TSA, EPA and other state, provincial and federal regulatory agencies for a variety of economic, health, safety, labor, environmental, tax, legal and other matters. New or modified rules or regulations by these agencies could increase the Company's operating costs or reduce operating efficiencies and impact service performance. Noncompliance with these and other applicable laws or regulations could erode public confidence in the Company and can subject the Company to fines, penalties and other legal or regulatory sanctions.

For example, the Rail Safety Improvement Act of 2008 (“RSIA”) mandated that the installation of Positive Train Control be completed by December 31, 2015 on main lines that carry certain hazardous materials and on lines that have passenger operations. Despite extraordinary efforts by the rail industry, CSX and most other freight, passenger railroads will not be able to meet the implementation deadline. Accordingly, the Company believes the continued movement of passengers and certain hazardous materials over PTC-designated routes would be in violation of RSIA and could result in significant fines, as well as increased liability exposure. If Congress does not promptly act to extend the deadline, CSX may need to cease or curtail certain operations over non-compliant PTC-designated routes until implementation has been completed or an extension has been legislated. An extended suspension of shipments of certain freight on these routes could have a material adverse effect on the Company's financial condition, results of operations or liquidity.

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Item 2. CSX Purchases of Equity Securities
CSX is required to disclose any purchases of its own common stock in the most recent quarter. CSX purchases its own shares for two primary reasons: (1) to further its goals under its share repurchase program and (2) to fund the Company's contribution required to be paid in CSX common stock under a 401(k) plan that covers certain union employees.

In April 2015, the Company announced a new $2 billion share repurchase program, which is expected to be completed by April 2017. During the third quarter of 2015 and 2014, the Company repurchased approximately $262 million, or nine million shares, and $131 million, or four million shares, respectively. During the nine months of 2015 and 2014, the Company repurchased $546 million, or 17 million shares, and $388 million, or 13 million shares, respectively.

Management's assessment of market conditions and other factors guides the timing and volume of repurchases. Future share repurchases are expected to be funded by cash on hand, cash generated from operations and debt issuances. In accordance with the Equity Topic in the ASC, the excess of repurchase price over par value is recorded in retained earnings. Generally, retained earnings is only impacted by net earnings and dividends.

Share repurchase activity for the third quarter 2015 was as follows:

	CSX Purchases of Equity Securities for the Quarter			
Third Quarter [(a)]	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [(b)]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Beginning Balance				$1,846,154,758
July	2,554,263	$32.59	2,421,953	1,767,164,354
August	2,727,272	30.50	2,726,647	1,684,005,330
September	3,600,480	27.72	3,600,400	1,584,194,942
Ending Balance	8,882,015	$29.97	8,749,000	$1,584,194,942

(a) Third quarter 2015 consisted of the following fiscal periods: July (June 27, 2015 - July 24, 2015), August (July 25, 2015 - August 21, 2015), September (August 22, 2015 - September 25, 2015).
(b) The difference of 133,015 shares between the "Total Number of Shares Purchased" and the "Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs" for the quarter represents shares purchased to fund the Company's contribution to a 401(k) plan that covers certain union employees.

Item 3. Defaults Upon Senior Securities
None
Item 4. Mine Safety Disclosures
Not Applicable
Item 5. Other Information
None

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Item 6. Exhibits

Exhibit designation	Nature of exhibit	Previously filed as exhibit to
3.1	Bylaws of the Registrant, amended effective as of October 7, 2015	October 9, 2015 Exhibit 3.1, Form 8-K
Officer certifications:		
31*	Rule13a-14(a) Certifications	
32*	Section 1350 Certifications	
Interactive data files:		
101*	The following financial information from CSX Corporation's Quarterly Report on Form 10-Q for the quarter ended September 25, 2015 filed with the SEC on October 14, 2015, formatted in XBRL includes: (i) consolidated income statements for the fiscal periods ended September 25, 2015 and September 26, 2014, (ii) consolidated comprehensive income statements for the fiscal periods ended September 25, 2015 and September 26, 2014, (iii) consolidated balance sheets at September 25, 2015 and December 26, 2014, (iv) consolidated cash flow statements for the fiscal periods ended September 25, 2015 and September 26, 2014, and (v) the notes to consolidated financial statements.	

* Filed herewith

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

CSX CORPORATION
(Registrant)

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

Dated: October 14, 2015