

CSX CORPORATION

2017 THIRD QUARTER EARNINGS CONFERENCE CALL



FORWARD LOOKING DISCLOSURE

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

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

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



NON-GAAP MEASURES DISCLOSURE

CSX reports its financial results in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). CSX also uses certain non-GAAP measures that fall within the meaning of Securities and Exchange Commission Regulation G and Regulation S-K Item 10(e), which may provide users of the financial information with additional meaningful comparison to prior reported results.

Non-GAAP measures do not have standardized definitions and are not defined by U.S. GAAP. Therefore, CSX's non-GAAP measures are unlikely to be comparable to similar measures presented by other companies. The presentation of these non-GAAP measures should not be considered in isolation from, as a substitute for, or as superior to the financial information presented in accordance with GAAP. Reconciliations of non-GAAP measures to corresponding GAAP measures are attached hereto in the Appendix of this presentation.

Forward Looking Non-GAAP Measures

CSX presents non-GAAP or adjusted operating ratio and adjusted net earnings per share, assuming dilution on a forward-looking basis. The most directly comparable forward-looking GAAP measure is operating ratio and net earnings per share, assuming dilution. CSX is unable to provide a quantitative reconciliation of these forward-looking non-GAAP measures to the most directly comparable forward-looking GAAP measure, because CSX cannot reliably forecast the timing and amount of future restructuring charges and other charges related to the change of leadership and strategy which are difficult to predict and estimate. Please note that the unavailable reconciling items could significantly impact CSX's future financial GAAP results.



EXECUTIVE SUMMARY

E. Hunter Harrison
President and Chief Executive Officer

HOW TOMORROW MOVES



THIRD QUARTER HIGHLIGHTS

Volume 1,587K

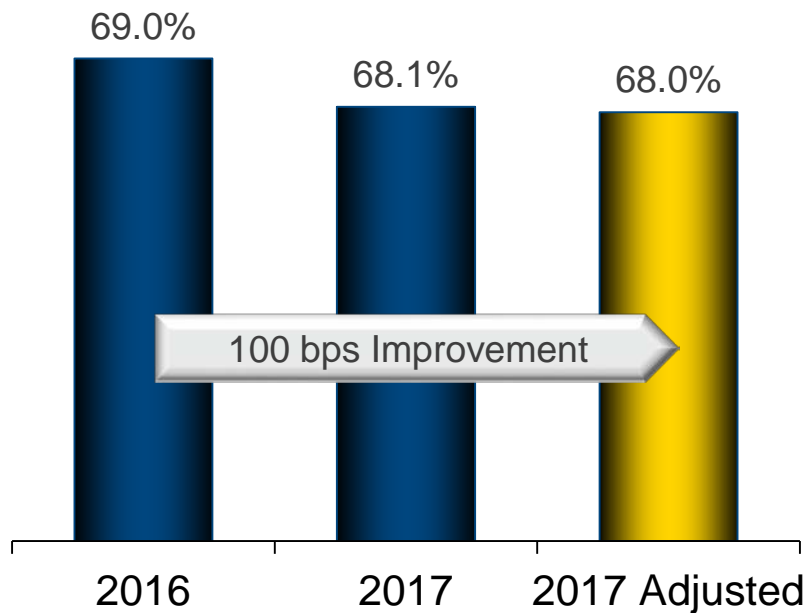
Revenue \$2,743M

Operating Income \$876M

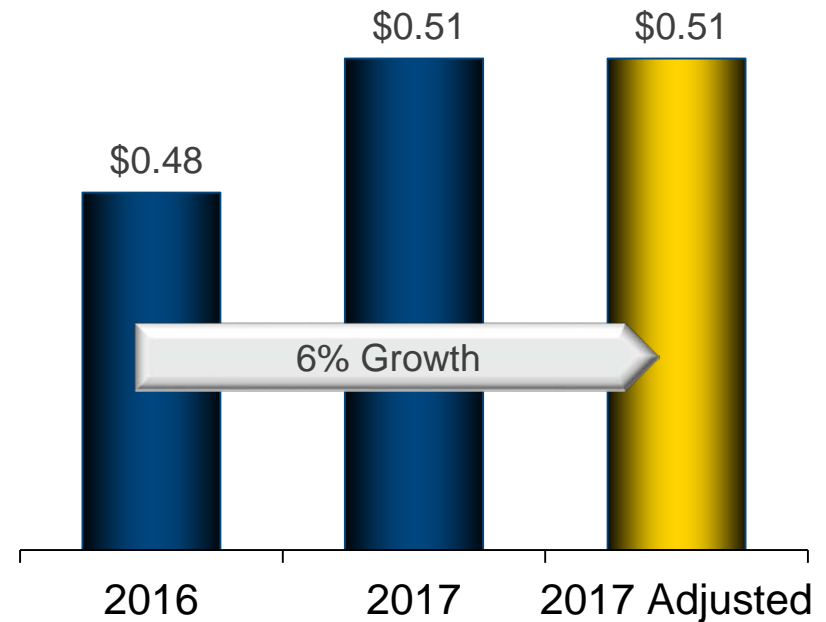
Operating Ratio 68.1%

EPS \$0.51

Operating Ratio



Earnings Per Share



Note: See Appendix for Non-GAAP reconciliation of adjusted results



FINANCIAL REVIEW

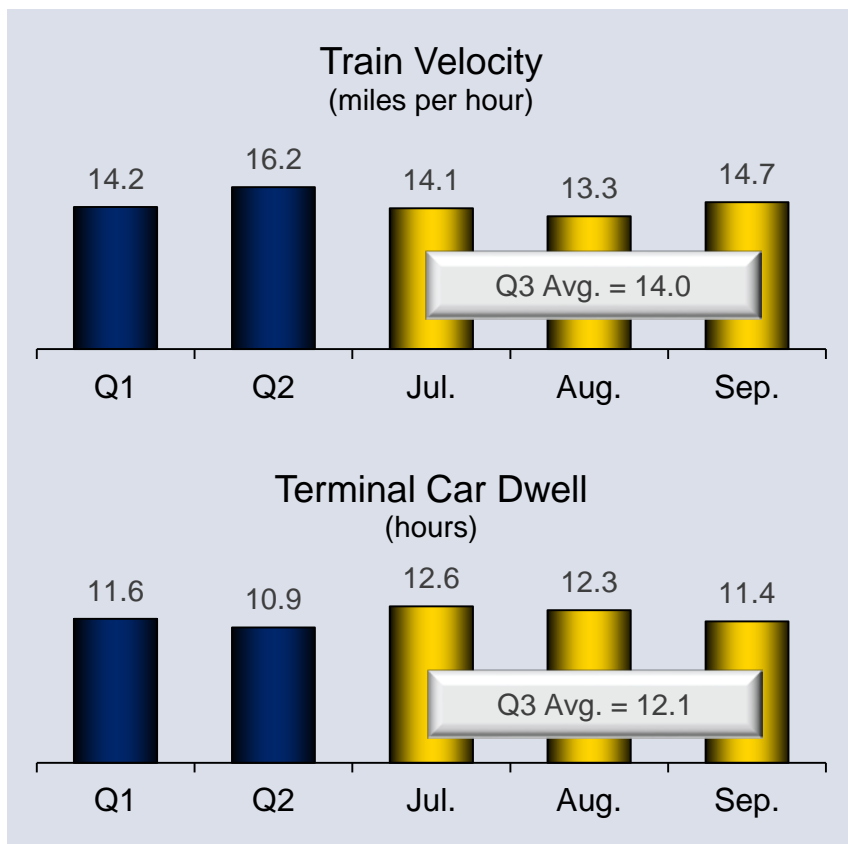
Frank A. Lonegro
EVP and Chief Financial Officer

HOW TOMORROW MOVES

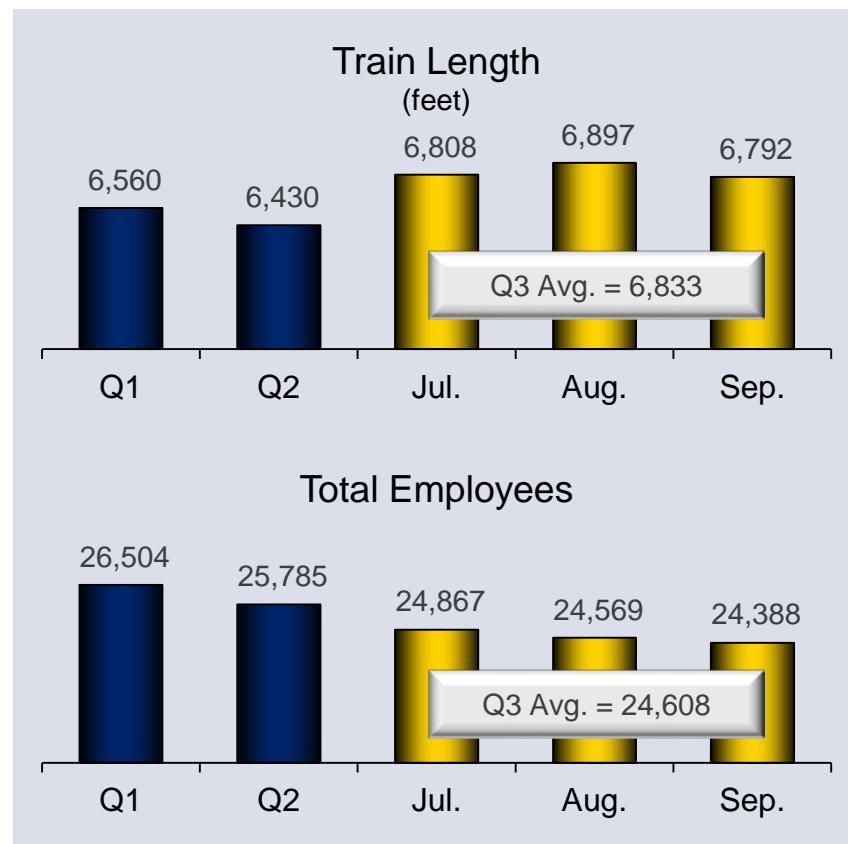


THIRD QUARTER OPERATING HIGHLIGHTS

Service



Efficiency



Note: Train velocity, terminal car dwell, and total employees have been redefined. The updated definitions for train velocity and dwell differ from the definition prescribed by the Surface Transportation Board (STB). CSX will continue to report the prescribed methodology to the STB. See Quarterly Financial Report for additional information.



THIRD QUARTER EARNINGS SUMMARY

Third Quarter Income Statement

Dollars in millions	2017	2016	Variance
Revenue	\$ 2,743	\$ 2,710	1%
Expense			
Labor and Fringe	717	762	6%
Materials, Supplies and Other	516	507	(2%)
Fuel	205	174	(18%)
Depreciation	331	321	(3%)
Equipment and Other Rents	97	105	8%
Restructuring Charge	1	-	NM
Total Expense	1,867	1,869	0%
Operating Income	876	841	4%
Interest Expense	(132)	(139)	5%
Other Income – Net	6	13	(54%)
Income Taxes	(291)	(260)	(12%)
Net Earnings	\$ 459	\$ 455	1%
Earnings Per Share	\$ 0.51	\$ 0.48	6%
Operating Ratio	68.1%	69.0%	90 bps



KEY THIRD QUARTER FINANCIAL MEASURES

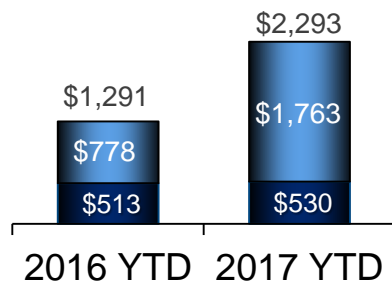
Year-to-date Free Cash Flow Before Dividends

Dollars in millions	2017	2016	Variance
Cash Provided by Operating Activities	\$ 2,861	\$ 2,488	\$ 373
Property Additions	(1,462)	(1,590)	128
Other Investing Activities	71	37	34
Free Cash Flow Before Dividends	\$ 1,470	\$ 935	\$ 535
Cash Portion of Restructuring Charge After-tax	96	-	96
Adjusted Free Cash Flow Before Dividends	\$ 1,566	\$ 935	\$ 631

Distributions

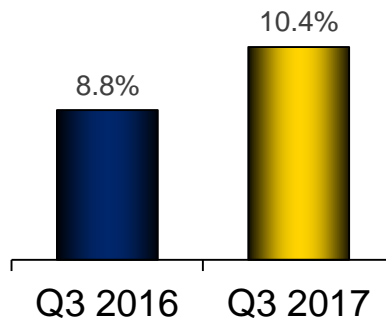
(millions)

■ Dividends ■ Buybacks



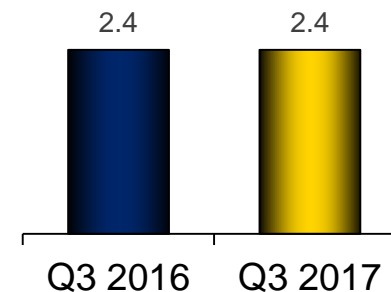
ROIC

(Last 12 month basis)



Debt/EBITDA

(Last 12 month basis)



Note: ROIC and Debt/EBITDA are adjusted for the restructuring charge for year-to-date 2017; see Appendix



FOURTH QUARTER VOLUME OUTLOOK IS NEUTRAL



- Key indicators support growth in a few markets
 - U.S. export coal demand remains strong
 - Consumer sentiment at high levels; improving truck market fundamentals
- Specific headwinds will impact several markets
 - Auto production declining
 - Crude economics remain challenged
 - Continue cycling short-haul domestic coal loss
- Service improvement will benefit most markets over time

Note: Q4 2017 Outlook compared to 13-week Q4 2016 carloads



FINANCIAL OUTLOOK . . .

- **Reaffirm 2017 adjusted expectations** (excludes restructuring charges)
 - Operating ratio to be around high end of mid-60s, supported by record efficiency
 - Earnings per share growth to be 20% – 25% off 2016 reported base of \$1.81
 - Free Cash Flow before dividends to be around \$1.5 billion
 - Expectations presume coal markets and overall economy remain stable
- **Share repurchase program completed in five months**
 - Repurchased \$1.5 billion at an average price of about \$52; 29 million shares
- **Analyst and Investor Conference in two weeks**
 - Will convey strategy and financial targets for 2020

Note: Please see Forward Looking Non-GAAP Measures Disclosure on Slide 3



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APPENDICES

- Non-GAAP Reconciliations
- Calculations of Other Key Financial Measures

HOW TOMORROW MOVES



NON-GAAP INCOME STATEMENT RECONCILIATION

Third Quarter Income Statement

Dollars in millions	GAAP	Adjustments	Non-GAAP
Revenue	\$ 2,743	\$ -	\$ 2,743
Expense			
Labor and Fringe	717	-	717
Materials, Supplies and Other	516	-	516
Fuel	205	-	205
Depreciation	331	-	331
Equipment and Other Rents	97	-	97
Restructuring Charge	1	(1)	-
Total Expense	1,867	(1)	1,866
Operating Income	876	1	877
Interest Expense	(132)	-	(132)
Other Income – Net	6	-	6
Income Taxes	(291)	3	(288)
Net Earnings	\$ 459	\$ 4	\$ 463
Earnings Per Share	\$ 0.51	\$ 0.00	\$ 0.51
Operating Ratio	68.1%	(10 bps)	68.0%

Note: Non-GAAP excludes a \$1 million restructuring charge and adjusts taxes for nondeductible executive compensation



CALCULATIONS OF OTHER KEY FINANCIAL MEASURES

Return on Invested Capital

Last twelve month basis through third quarter

Dollars in millions	2017	2016
Operating Income	\$ 3,550	\$ 3,176
Lease Interest	15	15
Special Items – pre-tax	296	-
Operating Profit	\$ 3,861	\$ 3,191
Tax on Operating Profit	(1,467)	(1,212)
Net Operating Profit After Tax	\$ 2,394	\$ 1,978
Balance Sheet Debt	\$ 11,807	\$ 10,519
Off Balance Sheet Debt	306	293
Shareholders Equity	10,902	11,670
Invested Capital	\$ 23,015	\$ 22,482
Return on Invested Capital	10.4%	8.8%

Debt-to-EBITDA

Last twelve month basis through third quarter

Dollars in millions	2017	2016
Net Earnings	\$ 1,789	\$ 1,722
Interest Expense	562	563
Income Taxes	1,121	1,009
Depreciation	1,326	1,265
Pension Adjustment	(16)	28
Operating Lease Payment	74	74
One-Time Items	296	-
Adjusted EBITDA	\$ 5,152	\$ 4,661
Balance Sheet Debt	\$ 11,807	\$ 10,519
Unfunded Pension Obligations	260	524
Other Off Balance Sheet Items	306	293
Adjusted Debt	\$ 12,373	\$ 11,336
Debt-to-EBITDA	2.40X	2.43X



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