



CSX CORPORATION
2017 SECOND QUARTER EARNINGS CONFERENCE CALL

Progressing Forward



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



Second quarter highlights

Volume 1,620K

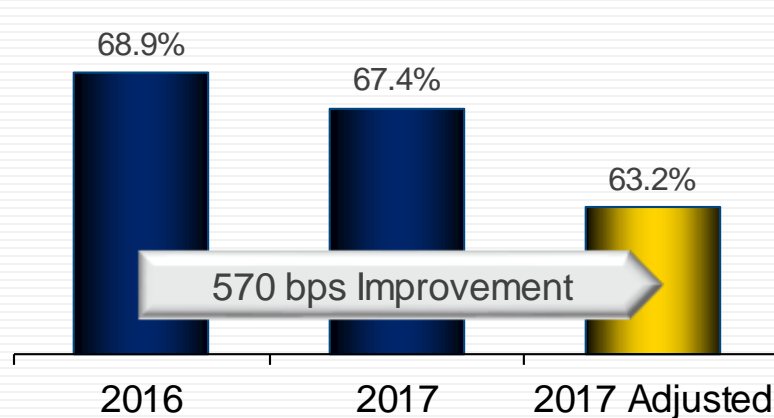
Revenue \$2,933M

Operating Income \$958M

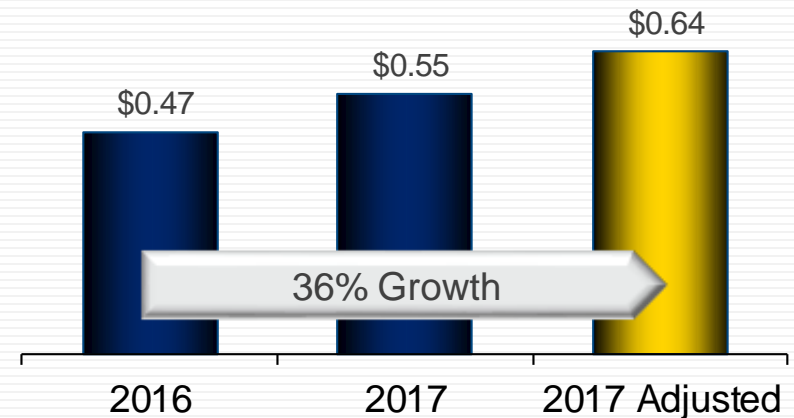
Operating Ratio 67.4%

EPS \$0.55

Operating Ratio



Earnings Per Share



Progressing Forward:

- Broad support from team with expedited rollout of Precision Scheduled Railroading
- Working through transitions with overall service measures responding well
- Expect strong service and efficiency once operating changes are fully implemented

Note: Adjusted financials exclude a restructuring charge of \$122 million in 2017's second quarter; see Appendix



FINANCIAL REVIEW

Frank A. Lonegro
EVP and Chief Financial Officer

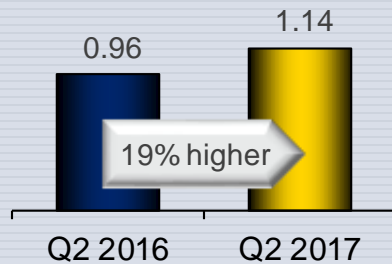
HOW TOMORROW MOVES



Second quarter operating highlights

Safety

Personal Injury
(per 200K man hours)

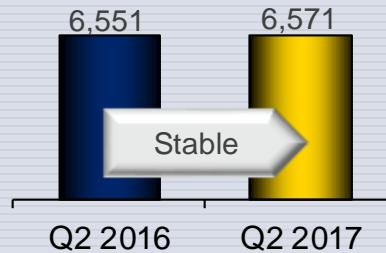


Train Accidents
(per million train miles)



Efficiency and Service

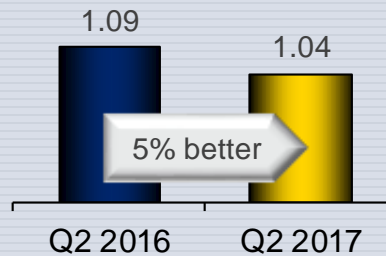
Train Length
(feet)



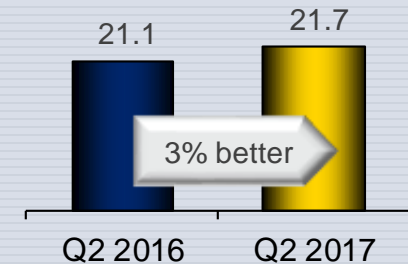
Terminal Car Dwell
(hours)



Fuel Efficiency
(gallons / 1,000 GTMs)



Train Velocity
(miles per hour)



Asset utilization improving; nearly 900 locomotives stored, more than 26,000 cars stored, returned to lessor or scrapped



Second quarter earnings summary

Second Quarter Income Statement

Dollars in millions	2017	2016	Variance
Revenue	\$ 2,933	\$ 2,704	8%
Expense			
Labor and Fringe	743	749	1%
Materials, Supplies and Other	490	519	6%
Fuel	198	172	(15%)
Depreciation	327	319	(3%)
Equipment and Other Rents	95	105	10%
Restructuring Charge	122	-	NM
Total Expense	1,975	1,864	(6%)
Operating Income	958	840	14%
Interest Expense	(137)	(141)	3%
Other Income – Net	6	8	(25%)
Income Taxes	(317)	(262)	(21%)
Net Earnings	\$ 510	\$ 445	15%
Earnings Per Share	\$ 0.55	\$ 0.47	17%
Operating Ratio	67.4%	68.9%	150 bps



Key second quarter financial measures

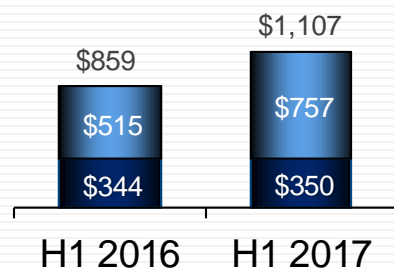
Year-to-date Free Cash Flow Before Dividends

Dollars in millions	2017	2016	Variance
Cash Provided by Operating Activities	\$ 1,566	\$ 1,592	(\$26)
Property Additions	(955)	(1,066)	111
Other Investing Activities	41	35	6
Free Cash Flow Before Dividends	\$ 652	\$ 561	\$ 91
Cash Portion of Restructuring Charge After-tax	85	-	85
Adjusted Free Cash Flow Before Dividends	\$ 737	\$ 561	\$ 176

Distributions

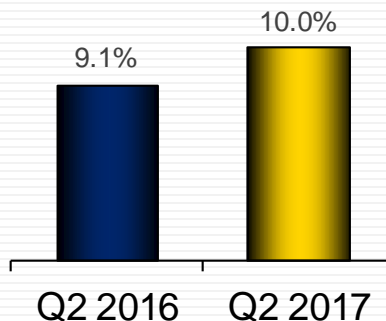
(millions)

■ Dividends ■ Buybacks



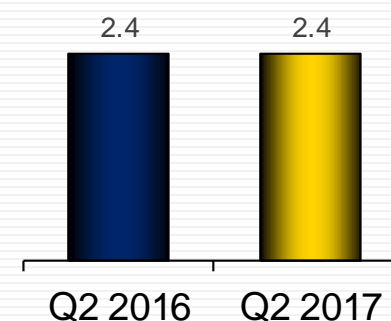
ROIC

(Last 12 month basis)



Debt/EBITDA

(Last 12 month basis)



Note: ROIC and Debt/EBITDA are adjusted for the restructuring charge in the first half of 2017 ; see Appendix



Third quarter volume outlook is favorable



- Key indicators support growth in most markets
 - U.S. export coal demand remains strong
 - Consumer sentiment at high levels
 - Infrastructure project growth continues
 - Expect truck market fundamentals to gradually improve
- Specific headwinds will impact a few markets
 - Auto production declining
 - Crude economics remain challenged
 - Short-haul domestic coal loss continues



Financial outlook . . .

- **Reaffirm 2017 adjusted expectations** (excludes restructuring charges)
 - Operating ratio to be in the mid-60s, supported by record efficiency gains
 - Earnings per share growth to be around 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
- **Additional \$500 million of buybacks authorized**
 - Total program now \$1.5 billion; nearly \$500 million repurchased in second quarter
- **Multi-year strategy and guidance to be conveyed**
 - Timing confirmed for October 29th – 30th CSX Investor Conference

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



APPENDICES

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

HOW TOMORROW MOVES



Non-GAAP Income Statement reconciliation

Second Quarter Income Statement

Dollars in millions	GAAP	Adjustments	Non-GAAP
Revenue	\$ 2,933	\$ -	\$ 2,933
Expense			
Labor and Fringe	743	-	743
Materials, Supplies and Other	490	-	490
Fuel	198	-	198
Depreciation	327	-	327
Equipment and Other Rents	95	-	95
Restructuring Charge	122	(122)	-
Total Expense	1,975	(122)	1,853
Operating Income	958	122	1,080
Interest Expense	(137)	-	(137)
Other Income – Net	6	-	6
Income Taxes	(317)	(41)	(358)
Net Earnings	\$ 510	\$ 81	\$ 591
Earnings Per Share	\$ 0.55	\$ 0.09	\$ 0.64
Operating Ratio	67.4%	(420 bps)	63.2%

Note: Non-GAAP excludes a restructuring charge of \$122 million in 2017's second quarter



Calculations of other key financial measures

Return on Invested Capital

Last twelve month basis through second quarter

Dollars in millions	2017	2016
Operating Income	\$ 3,515	\$ 3,268
Lease Interest	16	16
Restructuring Charge – pre-tax	295	-
Operating Profit	\$ 3,826	\$ 3,284
Tax on Operating Profit	(1,454)	(1,248)
Net Operating Profit After Tax	\$ 2,372	\$ 2,036
Balance Sheet Debt	\$ 11,825	\$ 10,536
Off Balance Sheet Debt	327	310
Shareholders Equity	11,546	11,606
Invested Capital	\$ 23,698	\$ 22,452
Return on Invested Capital	10.0%	9.1%

Debt-to-EBITDA

Last twelve month basis through second quarter

Dollars in millions	2017	2016
Net Earnings	\$ 1,785	\$ 1,774
Interest Expense	569	560
Income Taxes	1,090	1,041
Depreciation	1,316	1,246
Pension Adjustment	(2)	31
Operating Lease Payment	76	74
Restructuring Charge	295	-
Adjusted EBITDA	\$ 5,129	\$ 4,726
Balance Sheet Debt	\$ 11,825	\$ 10,536
Unfunded Pension Obligations	276	555
Other Off Balance Sheet Items	327	310
Adjusted Debt	\$ 12,428	\$ 11,401
Debt-to-EBITDA	2.42X	2.41X

Note: Return on Invested Capital and Debt-to-EBITDA exclude \$295 million of restructuring charge





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