

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2022

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

62-1051971

(I.R.S. Employer Identification No.)

500 Water Street 15th Floor Jacksonville FL

32202

904 359-3200

(Address of principal executive offices)

(Zip Code)

(Telephone number, including area code)

No Change

(Former name, former address and former fiscal year, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, \$1 Par Value	CSX	Nasdaq Global Select Market

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 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 such files).

Yes (X) No ()

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company (as defined in Exchange Act Rule 12b-2).

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ()

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 2,174,259,952 shares of common stock outstanding on March 31, 2022 (the latest practicable date that is closest to the filing date).

CSX CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2022
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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)

	First Quarters	
	2022	2021
Revenue	\$ 3,413	\$ 2,813
Expense		
Labor and Fringe	692	620
Purchased Services and Other	675	472
Depreciation and Amortization	360	345
Fuel	331	190
Equipment and Other Rents	100	88
Gains on Property Dispositions	(27)	(3)
Total Expense	2,131	1,712
Operating Income	1,282	1,101
Interest Expense	(179)	(184)
Other Income - Net	26	20
Earnings Before Income Taxes	1,129	937
Income Tax Expense	(270)	(231)
Net Earnings	\$ 859	\$ 706
Per Common Share (Note 2)		
Net Earnings Per Share, Basic	\$ 0.39	\$ 0.31
Net Earnings Per Share, Assuming Dilution	\$ 0.39	\$ 0.31
Average Shares Outstanding <i>(In millions)</i>	2,188	2,282
Average Shares Outstanding, Assuming Dilution <i>(In millions)</i>	2,193	2,286

Beginning third quarter 2021, the Company changed the name of Materials, Supplies and Other expense to Purchased Services and Other, which better describes the composition of this expense amount. This change in naming convention does not impact previously reported results.

All prior period share and per share data has been retroactively adjusted to reflect the stock split effective June 28, 2021. Certain prior year data has been reclassified to conform to the current presentation.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS (Unaudited)
(Dollars in millions)

	First Quarters	
	2022	2021
Total Comprehensive Earnings (Note 11)	\$ 890	\$ 774

See accompanying notes to consolidated financial statements.

CSX CORPORATION
ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	<i>(Unaudited)</i> March 31, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,936	\$ 2,239
Short-term Investments	96	77
Accounts Receivable - Net (Note 8)	1,277	1,148
Materials and Supplies	351	339
Other Current Assets	97	70
Total Current Assets	3,757	3,873
Properties	46,597	46,505
Accumulated Depreciation	(13,613)	(13,490)
Properties - Net	32,984	33,015
Investment in Affiliates and Other Companies	2,143	2,099
Right-of-Use Lease Asset	496	501
Goodwill and Other Intangible Assets - Net	453	451
Other Long-term Assets	619	592
Total Assets	\$ 40,452	\$ 40,531
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 1,050	\$ 963
Labor and Fringe Benefits Payable	547	630
Casualty, Environmental and Other Reserves (Note 4)	118	118
Current Maturities of Long-term Debt (Note 7)	317	181
Income and Other Taxes Payable	359	134
Other Current Liabilities	184	207
Total Current Liabilities	2,575	2,233
Casualty, Environmental and Other Reserves (Note 4)	267	250
Long-term Debt (Note 7)	16,019	16,185
Deferred Income Taxes - Net	7,428	7,383
Long-term Lease Liability	476	478
Other Long-term Liabilities	492	502
Total Liabilities	27,257	27,031
Shareholders' Equity:		
Common Stock, \$1 Par Value	2,174	2,202
Other Capital	103	66
Retained Earnings	11,284	11,630
Accumulated Other Comprehensive Loss (Note 11)	(377)	(408)
Non-controlling Minority Interest	11	10
Total Shareholders' Equity	13,195	13,500
Total Liabilities and Shareholders' Equity	\$ 40,452	\$ 40,531

Certain prior year data has been retroactively adjusted to reflect the stock split effective June 28, 2021 or reclassified to conform to the current presentation. See accompanying notes to consolidated financial statements.

CSX CORPORATION
ITEM 1. FINANCIAL STATEMENTS

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

	Three Months	
	2022	2021
OPERATING ACTIVITIES		
Net Earnings	\$ 859	\$ 706
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	360	345
Deferred Income Taxes	37	40
Gains on Property Dispositions	(27)	(3)
Other Operating Activities	4	28
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(131)	(64)
Other Current Assets	(40)	(5)
Accounts Payable	82	53
Income and Other Taxes Payable	225	192
Other Current Liabilities	(70)	(60)
Net Cash Provided by Operating Activities	1,299	1,232
INVESTING ACTIVITIES		
Property Additions	(331)	(306)
Purchases of Short-term Investments	(19)	—
Proceeds from Sales of Short-term Investments	—	1
Proceeds and Advances from Property Dispositions	8	—
Business Acquisition, Net of Cash Acquired	(9)	—
Other Investing Activities	(17)	8
Net Cash Used In Investing Activities	(368)	(297)
FINANCING ACTIVITIES		
Long-term Debt Repaid (Note 7)	(6)	(360)
Dividends Paid	(218)	(213)
Shares Repurchased	(1,016)	(551)
Other Financing Activities	6	15
Net Cash Used in Financing Activities	(1,234)	(1,109)
Net Decrease in Cash and Cash Equivalents	(303)	(174)
CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents at Beginning of Period	2,239	3,129
Cash and Cash Equivalents at End of Period	\$ 1,936	\$ 2,955

See accompanying notes to consolidated financial statements.

CSX CORPORATION
ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY (Unaudited)
(Dollars in millions)

Three Months 2022	Common Shares Outstanding <i>(Thousands)</i>	Common Stock and Other Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) ^(a)	Non-controlling Minority Interest	Total Shareholders' Equity
Balance December 31, 2021	2,201,787	\$ 2,268	\$ 11,630	\$ (408)	\$ 10	\$ 13,500
Comprehensive Earnings:						
Net Earnings	—	—	859	—	—	859
Other Comprehensive Income	—	—	—	31	—	31
Total Comprehensive Earnings						890
Common stock dividends, \$0.10 per share	—		(218)	—	—	(218)
Share Repurchases	(29,365)	(29)	(987)	—	—	(1,016)
Stock Option Exercises and Other	1,831	38		—	1	39
Balance March 31, 2022	2,174,253	\$ 2,277	\$ 11,284	\$ (377)	\$ 11	\$ 13,195

Three Months 2021	Common Shares Outstanding <i>(Thousands)</i>	Common Stock and Other Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) ^(a)	Non-controlling Minority Interest	Total Shareholders' Equity
Balance December 31, 2020	2,287,587	\$ 2,440	\$ 11,259	\$ (598)	\$ 9	\$ 13,110
Comprehensive Earnings:						
Net Earnings	—	—	706	—	—	706
Other Comprehensive Income	—	—	—	68	—	68
Total Comprehensive Earnings						774
Common stock dividends, \$0.093 per share	—	—	(213)	—	—	(213)
Share Repurchases	(18,389)	(18)	(533)	—	—	(551)
Stock Option Exercises and Other	3,003	37	3	—	—	40
Balance March 31, 2021	2,272,201	2,459	11,222	(530)	9	13,160

(a) Accumulated Other Comprehensive Loss balances shown above are net of tax. The associated taxes were \$99 million and \$137 million as of March 31, 2022 and March 31, 2021, respectively. For additional information, see Note 11, Other Comprehensive Income.

All prior period share and per share data along with certain other prior period data has been retroactively adjusted to reflect the stock split effective June 28, 2021. See accompanying notes to consolidated financial statements.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. Nature of Operations and Significant Accounting Policies

Background

CSX Corporation together with its subsidiaries ("CSX" or 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, the transport of intermodal containers and trailers, as well as other transportation services such as rail-to-truck transfers and bulk commodity operations.

CSX's principal operating subsidiary, CSX Transportation, Inc. ("CSXT"), provides an important link to the transportation supply chain through its approximately 19,500 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 links customers to railroads via trucks and terminals.

CSXT is also responsible for the Company's real estate sales, leasing, acquisition and management and development activities. Substantially all of these activities are focused on supporting railroad operations.

Other entities

In addition to CSXT, the Company's subsidiaries include Quality Carriers, Inc. ("Quality Carriers"), 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. Effective July 1, 2021, CSX acquired Quality Carriers, the largest provider of bulk liquid chemicals truck transportation in North America, from Quality Distribution, Inc. For further details, refer to Note 12, *Business Combinations*. 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. 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. The biggest Transflo markets are chemicals and agriculture, which includes shipments of plastics and ethanol. CSX Technology and other subsidiaries provide support services for the Company.

Sale of Property Rights to the Commonwealth of Virginia

On March 26, 2021, the Company entered into a comprehensive agreement to sell certain property rights in three CSX-owned line segments to the Commonwealth of Virginia ("Commonwealth") over three phases for a total of \$525 million. The timing and amount of gains recognized are based on the allocation of fair value to each conveyance, the timing of future conveyances and collectability. In April 2021, upon closing of the first phase of the agreement, the Company collected \$200 million in proceeds and recognized a \$349 million gain. In fourth quarter 2021, the Company collected additional proceeds of \$200 million, a portion of which was attributable to the first phase with the remainder attributable to the second phase. The second phase closed on January 10, 2022, resulting in a \$20 million gain in first quarter 2022.

The Company anticipates closing on the remaining conveyances by the end of 2022, which will result in future cash proceeds and gains. As of March 31, 2022, the carrying values of the remaining assets subject to this transaction were not material.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all normal, recurring adjustments necessary to fairly present the consolidated financial statements and accompanying notes. Where applicable, prior year information has been reclassified to conform to the current presentation. 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.

Common Stock Split

On June 4, 2021, CSX announced a three-for-one split of the Company's common stock in the form of a stock dividend. Each shareholder of record on June 18, 2021, received two additional shares of common stock for each share held as of this record date. The new shares were distributed after close of trading on June 28, 2021. All prior period share and per share amounts, common stock, other capital, and retained earnings presented herein have been retroactively adjusted to reflect the impact of the stock split. Proportional adjustments were also made to outstanding awards under the Company's stock-based compensation plans.

Other Capital

As a result of the stock split during second quarter 2021, CSX's common stock balance was increased and its other capital balance was reduced commensurately. Because this adjustment brought the other capital balance below zero, \$1.0 billion was reclassified from retained earnings to other capital to bring the other capital balance to zero as of June 30, 2021. Prior period amounts have also been retroactively adjusted as needed to bring the other capital balance to zero.

Fiscal Year

The Company's fiscal periods are based upon the calendar year. Except as otherwise specified, references to "first quarter(s)" or "three months" indicate CSX's fiscal periods ending March 31, 2022 and March 31, 2021, and references to "year-end" indicate the fiscal year ended December 31, 2021.

New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. As the London Interbank Offered Rate ("LIBOR") will no longer be available beginning July 2023, this standard update provides practical expedients for contract modifications made as part of the transition from LIBOR to alternative reference rates. CSX's revolving line of credit currently uses LIBOR as a reference rate. This standard update can be adopted prospectively through December 31, 2022. The Company continues to evaluate the impact of this standard update, but does not anticipate that adoption will have a material impact on the Company's results of operations or financial position.

In November 2021, the FASB issued ASU 2021-10, *Disclosure by Business Entities about Government Assistance*. This standard update requires annual disclosure of the nature of any government assistance received, accounting policies related to such assistance and the effect of that assistance on the entity's financial statements. The Company is required to adopt this guidance effective year end 2022, though early adoption is permitted. The Company is currently evaluating the impact of these amendments on its disclosures, but this standard update will not impact the Company's results of operations or financial position.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 2. Earnings Per Share

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

	First Quarters	
	2022	2021
Numerator (<i>Dollars in millions</i>):		
Net Earnings	\$ 859	\$ 706
Denominator (<i>Units in millions</i>):		
Average Common Shares Outstanding	2,188	2,282
Other Potentially Dilutive Common Shares	5	4
Average Common Shares Outstanding, Assuming Dilution	<u>2,193</u>	<u>2,286</u>
Net Earnings Per Share, Basic	\$ 0.39	\$ 0.31
Net Earnings Per Share, Assuming Dilution	\$ 0.39	\$ 0.31

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 outstanding and common stock equivalents 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 including performance units and employee stock options.

When calculating diluted earnings per share, the potential shares that would be outstanding if all outstanding stock options were exercised are included. This number is different from outstanding stock options because it is offset by shares CSX could repurchase using the proceeds from these hypothetical exercises to obtain the common stock equivalent. The total average outstanding stock options that were excluded from the diluted earnings per share calculation because their effect was antidilutive is in the table below.

	First Quarters	
	2022	2021
Antidilutive Stock Options Excluded from Diluted EPS (<i>Millions</i>)	1	4

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 2. Earnings Per Share, *continued*

Share Repurchases

In January 2019, the Company announced a \$5 billion share repurchase program. During June 2021, this program was completed, and the Company began repurchasing shares under the \$5 billion share repurchase program announced on October 21, 2020. Total repurchase authority remaining was \$2.0 billion as of March 31, 2022. During first quarters 2022 and 2021, the Company engaged in the following repurchase activities:

	First Quarters	
	2022	2021
Shares Repurchased (<i>Millions</i>)	29	18
Cost of Shares (<i>Dollars in millions</i>)	\$ 1,016	\$ 551

Share repurchases may be made through a variety of methods including, but not limited to, open market purchases, purchases pursuant to Rule 10b5-1 plans, accelerated share repurchases and negotiated block purchases. The timing of share repurchases depends upon management's assessment of marketplace conditions and other factors, and the program remains subject to the discretion of the Board of Directors. Future share repurchases are expected to be funded by cash on hand, cash generated from operations and debt issuances. Shares are retired immediately upon repurchase. In accordance with the *Equity Topic* in the Accounting Standards Codification ("ASC"), the excess of repurchase price over par value is recorded in retained earnings.

Dividend Increase

On February 16, 2022, the Company's Board of Directors authorized a 7% increase in the quarterly cash dividend to \$0.10 per common share effective March 2022.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 3. Stock Plans and Share-Based Compensation

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

Share-based compensation expense for awards under share-based compensation plans and purchases made as part of the employee stock purchase plan is measured using the fair value of the award on the grant date and is recognized on a straight-line basis over the service period of the respective award. Alternately, expense is recognized upon death or upon grant date to certain retirement-eligible employees whose agreements allow for continued vesting upon retirement. Forfeitures are recognized as they occur. Total pre-tax expense and income tax benefits associated with share-based compensation are shown in the table below. Income tax benefits include impacts from option exercises and the vesting of other equity awards.

	First Quarters	
	2022	2021
<i>(Dollars in millions)</i>		
Share-Based Compensation Expense:		
Performance Units	\$ 20	\$ 18
Stock Options	7	6
Restricted Stock Units and Awards	6	5
Stock Awards for Directors	2	2
Employee Stock Purchase Plan	1	1
Total Share-Based Compensation Expense	<u>\$ 36</u>	<u>\$ 32</u>
Income Tax Benefit	<u>\$ 9</u>	<u>\$ 9</u>

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 3. Stock Plans and Share-Based Compensation, *continued*

Long-term Incentive Plan

On February 16, 2022, the Company granted 494 thousand performance units to certain employees under a new long-term incentive plan ("LTIP") for the years 2022 through 2024, which was adopted under the CSX 2019 Stock and Incentive Award Plan.

Payouts of performance units for the cycle ending with fiscal year 2024 will be based on the achievement of goals related to both operating income growth and CSX Cash Earnings ("CCE"), in each case excluding non-recurring items as defined in the plan. The average annual operating income growth percentage and CCE measures over the plan period will each comprise 50% of the payout and will be measured independently of the other. As defined under the plan, CCE is a cash-flow based measure that incentivizes strategic investments earning more than the required return. CCE equals CSX's gross cash earnings (after-tax EBITDA) minus the required return on gross operating assets.

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 formulaic upward or downward adjustment by up to 25%, capped at an overall payout of 250%, based upon the Company's total shareholder return relative to specified comparable groups over the performance period. Participants will receive stock dividend equivalents declared over the performance period based on the number of performance units paid upon vesting. The fair values of the performance units awarded during the quarters ended March 31, 2022 and March 31, 2021 were primarily calculated using a Monte-Carlo simulation model with the following weighted-average assumptions:

	Three Months	
	2022	2021
Weighted-Average Assumptions Used:		
Annual Dividend Yield	N/A	N/A
Risk-free Interest Rate	1.7 %	0.2 %
Annualized Volatility	33.0 %	33.6 %
Expected Life (<i>in years</i>)	2.9	2.9

Stock Options

On February 16, 2022, the Company granted approximately 1,591 thousand stock options along with the corresponding LTIP. The fair value of stock options was calculated using the Black-Scholes valuation model. These stock options were granted with ten-year terms and vest over three years in equal installments each year on the anniversary of the grant date. The exercise price for stock options granted equals the closing market price of the underlying stock on the date of grant. These awards are time-based and are not based upon attainment of performance goals. During first quarters 2022 and 2021, there were additional immaterial grants of stock options to certain members of management.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 3. Stock Plans and Share-Based Compensation, continued

The fair values of all stock option awards during the quarters ended March 31, 2022 and March 31, 2021 were estimated at the grant date with the following weighted average assumptions:

	First Quarters	
	2022	2021
Weighted-Average Grant Date Fair Value	\$ 10.11	\$ 7.88
Weighted-Average Assumptions Used:		
Annual Dividend Yield	1.1 %	1.2%
Risk-Free Interest Rate	1.9 %	0.7%
Annualized Volatility	30.1 %	31.2%
Expected Life (in years)	6.0	6.0
Other Pricing Model Inputs:		
Weighted-Average Grant Date Market Price of CSX Stock (strike price)	\$ 35.15	\$ 29.49

Restricted Stock Units

On February 16, 2022, the Company granted 452 thousand restricted stock units along with the corresponding LTIP. The restricted stock units vest three years after the date of grant. Participants will receive stock dividend equivalents on the vested shares upon vesting. These awards are time-based and are not based upon CSX's attainment of operational targets. Restricted stock units are paid out in CSX common stock on a one-for-one basis. For information related to the Company's outstanding long-term incentive compensation, see CSX's most recent annual report on Form 10-K.

Employee Stock Purchase Plan

In May 2018, shareholders approved the 2018 CSX Employee Stock Purchase Plan ("ESPP") for the benefit of Company employees. The Company registered 12 million (split-adjusted) shares of common stock that may be issued pursuant to this plan. Under the ESPP, employees may contribute between 1% and 10% of base compensation, after-tax, to purchase up to \$25,000 of market value CSX common stock per year at 85% of the closing market price on either the grant date or the last day of the six-month offering period, whichever is lower. During the first quarters ended March 31, 2022 and March 31, 2021, the Company issued the following shares under this program:

	First Quarters	
	2022	2021
Shares issued (in thousands)	326	396
Weighted average purchase price per share	\$ 27.44	\$ 19.33

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 4. Casualty, Environmental and Other Reserves

Personal injury and environmental reserves are considered critical accounting estimates due to the need for management judgment. Casualty, environmental and other reserves are provided for in the consolidated balance sheets as shown in the table below.

(Dollars in millions)	March 31, 2022			December 31, 2021		
	Current	Long-term	Total	Current	Long-term	Total
Casualty:						
Personal Injury	\$ 37	\$ 84	\$ 121	\$ 37	\$ 81	\$ 118
Occupational	7	53	60	7	55	62
Total Casualty	44	137	181	44	136	180
Environmental	38	90	128	37	71	108
Other	36	40	76	37	43	80
Total	\$ 118	\$ 267	\$ 385	\$ 118	\$ 250	\$ 368

These liabilities are accrued when probable and reasonably estimable in accordance with the *Contingencies Topic* in the ASC. Actual settlements and claims received could differ, and final outcomes 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 adverse effect on the Company's financial condition, results of operations or liquidity. Should a number of these items occur in the same period, however, their combined effect could be material in that particular period.

Casualty

Casualty reserves of \$181 million and \$180 million as of March 31, 2022 and December 31, 2021, respectively, represent accruals for personal injury, occupational disease and occupational injury claims primarily related to railroad operations. Beginning June 1, 2021, the Company's self-insured retention amount for these claims increased from \$75 million to \$100 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 estimate. 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. 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"). 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. This analysis did not result in a material adjustment to the personal injury reserve in the quarter ended March 31, 2022 or March 31, 2021. The methodology used by the actuary includes a development factor to reflect growth or reduction in the value of these personal injury claims based largely on CSXT's historical claims and settlement experience.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 4. Casualty, Environmental and Other Reserves, *continued*

Occupational

Occupational reserves represent liabilities arising from allegations of exposure to certain materials in the workplace (such as solvents, soaps, chemicals and diesel fumes), past exposure to asbestos or allegations of chronic physical injuries resulting from work conditions (such as repetitive stress injuries). Beginning in second quarter 2020, the Company retains an independent actuary to analyze the Company's historical claim filings, settlement amounts, and dismissal rates to assist in determining future anticipated claim filing rates and average settlement values. This analysis is performed by the actuary and reviewed by management quarterly. Previously, the quarterly analysis was performed by management. There were no material adjustments to the occupational reserve in the quarter ended March 31, 2022 or March 31, 2021.

Environmental

Environmental reserves were \$128 million and \$108 million as of March 31, 2022 and December 31, 2021, respectively. 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 220 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.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 4. Casualty, Environmental and Other Reserves, *continued*

Based on management's review process, amounts have been recorded to cover contingent anticipated future environmental remediation costs with respect to each site to the extent such costs are reasonably 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 purchased services and other on the consolidated income statements.

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.

Other

Other reserves were \$76 million and \$80 million as of March 31, 2022 and December 31, 2021, respectively. Other reserves include liabilities for various claims, such as automobile, property, general liability and workers' compensation. 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 insurance programs with substantial limits for property damage, including resulting business interruption, and third-party liability. A certain amount of risk is retained by the Company on each insurance program. Under its property insurance program, the Company retains all risk up to \$100 million per occurrence for losses from floods and named windstorms and up to \$75 million per occurrence for other property losses. For third-party liability claims, the Company retains all risk up to \$100 million per occurrence. As CSX negotiates insurance coverage above its full self-retention amounts, it retains a percentage of risk at various layers of coverage. 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.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 5. Commitments and Contingencies, *continued*

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, tax matters, environmental and hazardous material exposure matters, FELA and labor claims by current or former 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 predicted with certainty, considering, among other things, the legal defenses available and liabilities that have been recorded along with applicable insurance, it is currently the opinion of 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 \$2 million to \$22 million in aggregate at March 31, 2022. 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. The class action lawsuits were consolidated into one case in federal court in the District of Columbia. In 2017, the District Court issued its decision denying class certification. On August 16, 2019, the U.S. Court of Appeals for the D.C. Circuit affirmed the District Court's ruling.

The consolidated case is now moving forward without class certification. Although a class was not certified, shippers other than those who brought the original lawsuit in 2007 must decide whether to bring their own individual claim against one or more railroads. Individual shipper claims filed to date have been consolidated into a separate case.

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 resolution of these matters individually or when aggregated could have a material adverse effect on the Company's financial condition, results of operations or liquidity in that particular period.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 5. Commitments and Contingencies, *continued*

Environmental

CSXT is indemnifying Pharmacia LLC, formerly known as Monsanto Company, ("Pharmacia") 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. CSXT's indemnification and defense duties arise with respect to several matters. The U.S. Environmental Protection Agency ("EPA"), using its CERCLA authority, seeks the investigation and cleanup of hazardous substances in the 17-mile Lower Passaic River Study Area (the "Study Area"). CSXT, on behalf of Pharmacia, and a significant number of other potentially responsible parties are together conducting a Remedial Investigation and Feasibility Study of the Study Area pursuant to an Administrative Settlement Agreement and Order on Consent with the EPA. Pharmacia's share of responsibility, indemnified by CSXT, for the investigation and cleanup costs of the Study Area may be determined through various mechanisms including (a) an allocation and settlement with EPA; (b) litigation brought by EPA against non-settling parties; or (c) litigation among the responsible parties.

For the lower 8 miles of the Study Area, EPA issued its Record of Decision detailing the agency's mandated remedial process in March 2016. Approximately 80 parties, including Pharmacia, are participating in an EPA-directed allocation and settlement process to assign responsibility for the remedy selected for the lower 8 miles of the Study Area. CSXT is participating in the EPA-directed allocation and settlement process on behalf of Pharmacia.

For the remainder of the Study Area, EPA has selected an interim remedy in a Record of Decision dated September 28, 2021. Settlement discussions are also ongoing for the selected interim remedy. On March 2, 2022, EPA issued a Notice Letter to Pharmacia, Occidental Chemical Corporation and eight other parties alleging they are liable under Section 107(a) of CERCLA for releases or threatened releases of hazardous substances and requesting each party, individually or collectively, submit good faith offers to EPA in connection with the Study Area. The Notice Letter also offers the assistance of EPA's Conflict Prevention and Resolution Center to facilitate discussions between the parties receiving the Notice Letter.

CSXT is also defending and indemnifying Pharmacia with regard to the Property in litigation filed by Occidental Chemical Corporation, which is seeking to recover various costs. These costs include costs for the remedial design of the lower 8 miles of the Study Area, as well as anticipated costs associated with the future remediation of the entire Study Area. Alternatively, Occidental seeks to compel some, or all of the defendants to participate in the remediation of the Study Area. Pharmacia is one of approximately 110 defendants in this federal lawsuit filed by Occidental on June 30, 2018.

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 indemnification or remediation costs potentially allocable to CSXT with respect to the Property and the Study Area would be material to the Company's financial condition, results of operations or liquidity.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 6. Employee Benefit Plans

The Company sponsors defined benefit pension plans principally for salaried, management personnel. Beginning in 2020, the CSX Pension Plan was closed to new participants.

CSX also sponsors a post-retirement medical plan and a life insurance plan that provide certain benefits to eligible employees hired prior to January 1, 2003. Beginning in 2019, both the life insurance benefit for eligible active management employees and health savings account contributions made by the Company to eligible retirees younger than 65 were eliminated for those retiring on or after January 1, 2019. Beginning in 2020, the employer-funded health reimbursement arrangements and life insurance benefit for eligible retirees 65 years or older were eliminated.

Independent actuaries compute the amounts of liabilities and expenses relating to these plans subject to the assumptions that the Company determines are appropriate based on historical trends, current market rates and future projections. These amounts are reviewed by management. Only the service cost component of net periodic benefit costs is included in labor and fringe expense on the consolidated income statement. All other components of net periodic benefit cost are included in other income - net.

	Pension Benefits Cost First Quarters	
<i>(Dollars in millions)</i>	2022	2021
Service Cost Included in Labor and Fringe	\$ 8	\$ 9
Interest Cost	16	14
Expected Return on Plan Assets	(47)	(46)
Amortization of Net Loss	12	18
Total Included in Other Income - Net	(19)	(14)
Net Periodic Benefit Credit	\$ (11)	\$ (5)

	Other Post-retirement Benefits Cost First Quarters	
<i>(Dollars in millions)</i>	2022	2021
Service Cost Included in Labor and Fringe	\$ —	\$ —
Interest Cost	—	—
Amortization of Prior Service Credits	(1)	(1)
Total Included in Other Income - Net	(1)	(1)
Net Periodic Benefit Credit	\$ (1)	\$ (1)

Qualified pension plan obligations are funded in accordance with regulatory requirements and with an objective of meeting or exceeding minimum funding requirements necessary to avoid restrictions on flexibility of plan operation and benefit payments. No contributions to the Company's qualified pension plans are expected in 2022.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 7. Debt and Credit Agreements

Total activity related to long-term debt as of the end of first quarter 2022 is shown in the table below. For fair value information related to the Company's long-term debt, see Note 10, *Fair Value Measurements*.

<i>(Dollars in millions)</i>	Current Portion	Long-term Portion	Total
Long-term Debt as of December 31, 2021	\$ 181	\$ 16,185	\$ 16,366
2022 Activity:			
Long-term Debt Repaid	(6)		(6)
Reclassifications	142	(142)	—
Hedging, Discount, Premium and Other Activity	—	(24)	(24)
Long-term Debt as of March 31, 2022	\$ 317	\$ 16,019	\$ 16,336

Interest Rate Derivatives

In first quarter 2022, CSX entered into five separate fixed-to-floating interest rate swaps classified as fair value hedges. The swaps are designed to hedge 10 years of interest rate risk associated with market fluctuations attributable to the Secured Overnight Financing Rate on a cumulative \$800 million of fixed rate outstanding notes which are due between 2036 and 2040. As of March 31, 2022, the fair value of these swaps was a \$27 million liability, which is included in other long-term liabilities on the consolidated balance sheet. The associated cumulative adjustment to the hedged notes is included in long-term debt. Gains and losses resulting from changes in fair value of the interest rate swaps offset changes in the fair value of the hedged portion of the underlying debt so no gain or loss has been recognized due to hedge ineffectiveness. Differences on the fixed-to-floating legs of the derivatives are recognized in interest expense and were not material in first quarter 2022. The swaps will expire in 2032. If settled early, the remaining liability or asset will be amortized over the remaining life of the associated notes. The amounts recorded in long-term debt on the consolidated balance sheet related to these fair value hedges is summarized in the table below.

<i>(Dollars in millions)</i>	March 31, 2022
Notional Value of Hedged Notes	\$ 800
Cumulative Fair Value Adjustment to Hedged Notes	(27)
Carrying Amount of Hedged Notes	\$ 773

In 2020, the Company executed forward starting interest rate swaps, classified as cash flow hedges, with aggregate notional value of \$500 million. These swaps were effected to hedge the benchmark interest rate associated with future interest payments related to the anticipated refinancing of \$850 million of 3.25% notes due in 2027. As of March 31, 2022 and December 31, 2021, the asset value of the forward starting interest rate swaps was \$119 million and \$91 million, respectively, and was recorded in other long-term assets on the consolidated balance sheet. Unrealized gains or losses associated with changes in the fair value of the hedge are recorded net of tax in accumulated other comprehensive income ("AOCI") on the consolidated balance sheet. Unless settled early, the swaps will expire in 2027 and the unrealized gain or loss in AOCI will be recognized in earnings as an adjustment to interest expense over the same period during which the hedged transaction affects earnings. Unrealized amounts, recorded net of tax in other comprehensive income, related to the hedge were gains of \$21 million and \$56 million for first quarters 2022 and 2021, respectively.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 7. Debt and Credit Agreements, continued**Credit Facility**

CSX has a \$1.2 billion unsecured, revolving credit facility backed by a diverse syndicate of banks. This facility allows same-day borrowings at floating interest rates, based on LIBOR or an agreed-upon replacement reference rate, plus a spread that depends upon CSX's senior unsecured debt ratings. This facility expires in March 2024, and at March 31, 2022, the Company had no outstanding balances under this facility.

Commitment fees and interest rates payable under the facility were similar to fees and rates available to comparably rated investment-grade borrowers. As of first quarter 2022, CSX was in compliance with all covenant requirements under this facility.

Commercial Paper

Under its commercial paper program, which is backed by the revolving credit facility, the Company may issue unsecured commercial paper notes up to a maximum aggregate principal amount of \$1.0 billion outstanding at any one time. Proceeds from issuances of the notes are expected to be used for general corporate purposes. At March 31, 2022, the Company had no outstanding debt under the commercial paper program.

NOTE 8. Revenues

The Company's revenues are primarily derived from the transportation of freight as performance obligations that arise from its contracts with customers are satisfied. The following table presents the Company's revenues disaggregated by market as this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:

<i>(Dollars in millions)</i>	First Quarters	
	2022	2021
Chemicals	\$ 618	\$ 580
Agricultural and Food Products	387	349
Forest Products	228	220
Automotive	227	236
Metals and Equipment	197	186
Minerals	144	125
Fertilizers	120	122
Total Merchandise	1,921	1,818
Intermodal	527	468
Coal	533	384
Trucking ^(a)	230	—
Other	202	143
Total	\$ 3,413	\$ 2,813

(a) Effective third quarter 2021, Trucking revenue is comprised of revenue from the operations of Quality Carriers, which was acquired by CSX effective July 1, 2021.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 8. Revenues, continued

Revenue Recognition

The Company generates revenue from rail freight billings under contracts with customers generally on a rate per carload, container or ton-basis based on length of haul and commodities carried. The Company's performance obligation arises when it receives a bill of lading ("BOL") to transport a customer's commodities at a negotiated price contained in a transportation services agreement or a publicly disclosed tariff rate. Once a BOL is received, a contract is formed whereby the parties are committed to perform, collectability of consideration is probable and the rights of the parties, shipping terms and conditions, and payment terms are identified. A customer may submit several BOLs for transportation services at various times throughout a service agreement term but each shipment represents a distinct service that is a separately identified performance obligation.

The average transit time to complete a rail shipment is between 2 to 8 days depending on market. Payments for transportation services are normally billed once a BOL is received and are generally due within 15 days after the invoice date. The Company recognizes revenue over transit time of freight as it moves from origin to destination. Revenue for services started but not completed at the reporting date is allocated based on the relative transit time in each reporting period, with the portion allocated for services subsequent to the reporting date considered remaining performance obligations.

The certain key estimates included in the recognition and measurement of revenue and related accounts receivable are as follows:

- revenue associated with shipments in transit, which is recognized ratably over transit time and is based on average cycle times to move commodities and products from their origin to their final destination or interchange;
- adjustments to revenue for billing corrections and billing discounts;
- adjustments to revenue for overcharge claims filed by customers, which are based on historical payments to customers for rate overcharges as a percentage of total billing; and
- incentive-based refunds to customers, which are primarily volume-related, are recorded as a reduction to revenue on the basis of the projected liability (this estimate is based on historical activity, current volume levels and forecasted future volume).

Revenue related to interline transportation services that involve the services of another party, such as another railroad, is reported on a net basis. The portion of the gross amount billed to customers that is remitted by the Company to another party is not reflected as revenue.

Effective third quarter 2021, trucking revenue includes revenue from the operations of Quality Carriers. This revenue is mostly comprised of truck shipments of chemicals and is recorded ratably over transit time.

Other revenue is recorded upon completion of the service and is comprised of revenue from regional subsidiary railroads and incidental charges, including intermodal storage and equipment usage, demurrage and switching. Revenue from regional subsidiary railroads includes shipments by railroads that the Company does not directly operate. Intermodal storage represents charges for customer storage of containers at an intermodal terminal, ramp facility or offsite location beyond a specified period of time. Demurrage represents charges assessed when freight cars are held by a customer beyond a specified period of time. Switching represents charges assessed when a railroad switches cars for a customer or another railroad.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 8. Revenues, continued

During the first quarters 2022 and 2021, revenue recognized from performance obligations related to prior periods (for example, due to changes in transaction price) was not material.

Remaining Performance Obligations

Remaining performance obligations represent the transaction price allocated to future reporting periods for freight services started but not completed at the reporting date. This includes the unearned portion of billed and unbilled amounts for cancellable freight shipments in transit. The Company expects to recognize the unearned portion of revenue for freight services in transit within one week of the reporting date. As of March 31, 2022, remaining performance obligations were not material.

Contract Balances and Accounts Receivable

The timing of revenue recognition, billings and cash collections results in accounts receivable and customer advances and deposits (contract liabilities) on the consolidated balance sheets. Contract assets, contract liabilities and deferred contract costs recorded on the consolidated balance sheet as of March 31, 2022, were not material.

The Company's accounts receivable - net consists of freight and non-freight receivables, reduced by an allowance for credit losses.

(Dollars in millions)

	March 31, 2022	December 31, 2021
Freight Receivables	\$ 1,081	\$ 951
Freight Allowance for Credit Losses	(15)	(14)
Freight Receivables, net	<u>1,066</u>	<u>937</u>
Non-Freight Receivables	226	225
Non-Freight Allowance for Credit Losses	(15)	(14)
Non-Freight Receivables, net	<u>211</u>	<u>211</u>
Total Accounts Receivable, net	<u>\$ 1,277</u>	<u>\$ 1,148</u>

Freight receivables include amounts earned, billed and unbilled, and currently due from customers for transportation-related services. Non-freight receivables include amounts billed and unbilled and currently due related to government reimbursement receivables and other non-revenue receivables. The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that will not be collected. The allowance is based upon an assessment of risk characteristics, historical payment experience, and the age of outstanding receivables adjusted for forward-looking economic conditions as necessary. Credit losses recognized on the Company's accounts receivable were not material in the first quarters 2022 and 2021.

NOTE 9. Income Taxes

There have been no material changes to the balance of unrecognized tax benefits reported at December 31, 2021.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 10. 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, long-term debt and interest rate derivatives. 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, long-term debt and interest rate derivatives. 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.); and
- 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 are carried at fair value on the consolidated balance sheet in accordance with the *Fair Value Measurements and Disclosures Topic* in the ASC. They are valued with assistance from a third-party trustee and consist of fixed income mutual funds, corporate bonds, government securities and commercial paper. The fixed income mutual funds are valued at the net asset value of shares held based on quoted market prices determined in an active market, which are Level 1 inputs. The corporate bonds and government securities are valued using broker quotes that utilize observable market inputs, which are Level 2 inputs. The commercial paper is valued at amortized cost, which approximates fair value, and is considered Level 2.

The Company's investment assets are summarized in the following table.

	March 31, 2022			December 31, 2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<i>(Dollars in Millions)</i>						
Fixed Income Mutual Funds	\$ 87	\$ —	\$ 87	\$ 75	\$ —	\$ 75
Corporate Bonds	—	58	58	—	63	63
Government Securities	—	23	23	—	26	26
Commercial Paper	—	6	6	—	—	—
Total investments at fair value	<u>\$ 87</u>	<u>\$ 87</u>	<u>\$ 174</u>	<u>\$ 75</u>	<u>\$ 89</u>	<u>\$ 164</u>
Total investments at amortized cost		\$	172		\$	156

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 10. Fair Value Measurements, continued

These investments have the following maturities:

(Dollars in millions)

	March 31, 2022	December 31, 2021
Less than 1 year	\$ 96	\$ 77
1 - 5 years	26	28
5 - 10 years	10	12
Greater than 10 years	42	47
Total investments at fair value	\$ 174	\$ 164

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 a third party that utilizes closing transactions, market quotes or market values of comparable debt. For those instruments not valued by the third party, 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 third party. 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, credit ratings, 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. The fair value and carrying value of the Company's long-term debt is as follows:

(Dollars in millions)

Long-term Debt (Including Current Maturities):

	March 31, 2022	December 31, 2021
Fair Value	\$ 17,299	\$ 19,439
Carrying Value	16,336	16,366

Interest Rate Derivatives

The Company's fixed-to-floating and forward starting interest rate swaps are carried at their respective fair values, which are determined with assistance from a third party based upon pricing models using inputs observed from actively quoted markets. All of the inputs used to determine the fair value of the swaps are Level 2 inputs. The fair value of the Company's fixed-to-floating interest rate swaps was a liability of \$27 million as of March 31, 2022. The fair value of the Company's forward starting interest rate swap asset was \$119 million and \$91 million as of March 31, 2022 and December 31, 2021, respectively. See Note 7, *Debt and Credit Agreements*, for further information.

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 11. 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 as well as derivative activity and other adjustments. Total comprehensive earnings represent the activity for a period net of tax and were \$890 million and \$774 million for first quarters 2022 and 2021, respectively.

While total comprehensive earnings is the activity in a period and is largely driven by net earnings in that period, 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, interest rate derivatives and CSX's share of AOCI of equity method investees.

Changes in the AOCI balance by component are shown in the following table. Amounts reclassified in pension and other post-employment benefits to net earnings relate to the amortization of actuarial losses and are included in other income - net on the consolidated income statements. See Note 6, *Employee Benefit Plans*, for further information. Interest rate derivatives consist of forward starting interest rate swaps classified as cash flow hedges. See Note 7, *Debt and Credit Agreements*, 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 purchased services and other or equipment and other rents on the consolidated income statements.

	Pension and Other Post-Employment Benefits	Interest Rate Derivatives	Other	Accumulated Other Comprehensive Income (Loss)
<i>(Dollars in millions)</i>				
Balance December 31, 2021, Net of Tax	\$ (431)	\$ 70	\$ (47)	\$ (408)
Other Comprehensive Income (Loss)				
Income Before Reclassifications	—	28	—	28
Amounts Reclassified to Net Earnings	11	—	—	11
Tax (Expense)/Benefit	(3)	(7)	2	(8)
Total Other Comprehensive Income	8	21	2	31
Balance March 31, 2022, Net of Tax	\$ (423)	\$ 91	\$ (45)	\$ (377)

CSX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 12. Business Combinations

Acquisition of Quality Carriers, Inc.

On July 1, 2021, the Company completed its acquisition of Quality Carriers, the largest provider of bulk liquid chemicals truck transportation in North America, for \$541 million in cash, net of \$3 million cash acquired. Through a network of over 100 company-owned and affiliate terminals and facilities in key locations throughout the United States, Canada and Mexico, Quality Carriers provides transportation services to many of the leading chemical producers and shippers in North America. The results of Quality Carriers' operations and its cash flows were consolidated prospectively.

Goodwill recognized in the acquisition of \$213 million was calculated as the excess of the consideration paid over the fair value of net assets assumed as of July 1, 2021 and relates primarily to the ability of CSX to extend the reach of its network and gain access to new products, markets, and regions through a unique and competitive multimodal solution that leverages the reach of truck transportation with the cost advantage of rail-based services. The goodwill recognized is deductible for tax purposes. Intangible assets acquired totaled \$180 million and consisted of \$150 million of customer relationships and \$30 million of trade names amortized over a weighted-average period of 20 years and 15 years, respectively. The purchase price allocation was finalized as of December 31, 2021, and total measurement period adjustments to the preliminary allocation were immaterial.

This acquisition is not material with respect to the Company's financial statements when reviewed under the quantitative and qualitative considerations of Regulation S-X Article 11 and ASC Topic 805. As the acquisition is not material, CSX has not provided pro forma information relating to the pre-acquisition period.

Pending Acquisition of Pan Am Systems, Inc.

On November 30, 2020, CSX signed a definitive agreement to acquire Pan Am Systems, Inc. ("Pan Am") which is the parent company of Pan Am Railways, Inc. who jointly owns Pan Am Southern, LLC with a subsidiary of Norfolk Southern Corporation. Pan Am owns and operates a highly integrated, nearly 1,200-mile rail network and has a joint interest in the more than 600-mile Pan Am Southern system. This acquisition will expand CSX's reach in the Northeastern United States. Assets and facilities to be acquired as part of the proposed transaction include road and track assets, work equipment, land, buildings and other assets. On February 25, 2021, the Company began the process of seeking approval from the Surface Transportation Board ("STB"). The STB approved the acquisition on April 14, 2022, and closing is anticipated on June 1, 2022. This acquisition is not expected to be material with respect to the Company's financial statements when reviewed under the quantitative and qualitative considerations of Regulation S-X Article 11 and ASC Topic 805.

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

FIRST QUARTER 2022 HIGHLIGHTS

- Revenue increased \$600 million, or 21% year over year.
- Expenses increased \$419 million, or 24% year over year.
- Operating income of \$1.3 billion increased \$181 million, or 16%, year over year.
- Operating ratio of 62.4% increased 150 basis points versus prior year.
- Earnings per diluted share of \$0.39 increased \$0.08, or 26% year over year.

	First Quarters			
	2022	2021	Fav/(Unfav)	% Change
Volume (in thousands)	1,498	1,529	(31)	(2)%
<i>(in millions)</i>				
Revenue	\$ 3,413	\$ 2,813	\$ 600	21
Expense	2,131	1,712	(419)	(24)
Operating Income	\$ 1,282	\$ 1,101	\$ 181	16%
Operating Ratio	62.4 %	60.9 %	(150) bps	
Earnings Per Diluted Share	\$ 0.39	\$ 0.31	\$ 0.08	26%

Acquisition of Quality Carriers, Inc.

On July 1, 2021, CSX acquired Quality Carriers, Inc. from Quality Distribution, Inc. for a purchase price of \$541 million in cash, net of \$3 million cash acquired. This transaction was funded by cash on hand. For further details, refer to Note 12, *Business Combinations*.

COVID-19 Update

The COVID-19 global pandemic continues to disrupt global manufacturing, supply chains and consumer spending. Future impacts of the pandemic on the Company's financial and operating results will be determined by its duration, effects on the demand for the Company's transportation services and the supply chain, as well as the effect of governmental regulations imposed and legislative stimulus packages passed in response to the pandemic. The duration of the pandemic is dependent on several factors, including the impacts of virus mutations and case resurgences across the country.

CSX employees that provide efficient and reliable rail service are essential to keeping supply chains fluid in response to this challenge. Accordingly, business operations have been modified to ensure the safety of employees across the network while continuing to provide a high level of service to customers. The Company is strongly encouraging employees to get vaccinated. A cross-functional task force continues to monitor and coordinate the Company's response to COVID-19.

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

Volume and Revenue (Unaudited)

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

First Quarters

	Volume			Revenue			Revenue Per Unit		
	2022	2021	% Change	2022	2021	% Change	2022	2021	% Change
Chemicals	161	163	(1)%	\$ 618	\$ 580	7%	\$ 3,839	\$ 3,558	8%
Agricultural and Food Products	118	116	2	387	349	11	3,280	3,009	9
Automotive	78	87	(10)	227	236	(4)	2,910	2,713	7
Minerals	72	67	7	144	125	15	2,000	1,866	7
Forest Products	70	73	(4)	228	220	4	3,257	3,014	8
Metals and Equipment	66	68	(3)	197	186	6	2,985	2,735	9
Fertilizers	56	57	(2)	120	122	(2)	2,143	2,140	—
Total Merchandise	621	631	(2)	1,921	1,818	6	3,093	2,881	7
Intermodal	722	726	(1)	527	468	13	730	645	13
Coal	155	172	(10)	533	384	39	3,439	2,233	54
Trucking ^(a)	—	—	—	230	—	NM	—	—	—
Other	—	—	—	202	143	41	—	—	—
Total	1,498	1,529	(2)%	\$ 3,413	\$ 2,813	21%	\$ 2,278	\$ 1,840	24%

NM - not meaningful

(a) Effective third quarter 2021, Trucking revenue is comprised of revenue from the operations of Quality Carriers, which was acquired by CSX effective July 1, 2021.

First Quarter 2022

Revenue

Total revenue increased 21% in first quarter 2022 when compared to first quarter 2021 due to the inclusion of Quality Carriers' results, pricing gains that include the benefit of higher export coal benchmark rates, higher fuel recovery and increases in other revenue.

Merchandise Volume

Chemicals - Decreased due to lower shipments of crude oil and other energy-related commodities, partially offset by higher shipments of core chemicals.

Agricultural and Food Products - Increased as a result of higher shipments of ethanol, vegetable oils, and food and consumer products.

Automotive - Decreased due to lower North American vehicle production, which continues to be impacted by shortages of semiconductors and other parts.

Minerals - Increased as a result of higher shipments of aggregates and cement.

Forest Products - Decreased primarily due to lower shipments of building products.

Metals and Equipment - Decreased primarily due to lower steel shipments, partially offset by higher scrap shipments.

Fertilizers - Decreased as declines in long-haul fertilizer shipments were partially offset by increased short-haul phosphate shipments.

Intermodal Volume

Decreased international shipments due to supply-side constraints were partially offset by higher domestic shipments driven by truck conversions.

Coal Volume

Domestic coal decreased due to lower shipments of utility coal as well as lower steel and industrial shipments. Export coal decreased due to lower international shipments of thermal coal, partially driven by reduced capacity at Curtis Bay coal pier due to the continued outage at a portion of the facility.

Trucking Revenue

Trucking revenue increased \$230 million versus prior year due to the inclusion of Quality Carriers' results.

Other Revenue

Other revenue increased \$59 million versus prior year due to increases in revenue for intermodal storage and equipment usage, partially offset by lower payments from customers that did not meet volume commitments.

CSX CORPORATION

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

Expenses

Expenses of \$2.1 billion increased \$419 million, or 24%, in first quarter 2022 when compared to first quarter 2021.

Labor and Fringe expense increased \$72 million due to the following:

- The acquisition of Quality Carriers resulted in increased costs of \$34 million.
- Expenses related to hiring and new retention programs increased \$10 million.
- Incentive compensation increased \$6 million primarily due to higher expected payouts.
- Other expenses increased \$22 million primarily driven by inflation, partially offset by lower volume-related costs.

Purchased Services and Other expense increased \$203 million due to the following:

- The inclusion of Quality Carriers' operations drove \$139 million of additional costs.
- Adjustments to environmental reserves resulted in \$17 million higher expense.
- Operating support costs were \$47 million higher, driven by inflation and a larger active locomotive fleet, as well as increased intermodal terminal costs.

Depreciation and Amortization expense increased \$15 million primarily due to a larger asset base, which includes Quality Carriers' assets.

Fuel expense increased \$141 million primarily resulting from a 59% increase in locomotive fuel prices and the inclusion of non-locomotive fuel used for trucking.

Equipment and Other Rents expense was \$12 million higher primarily due to lower net earnings at TTX and the addition of Quality Carriers' costs.

Gains on Property Dispositions increased \$24 million primarily due to a \$20 million gain recognized in first quarter 2022 related to the conveyance of a land easement to the Commonwealth of Virginia.

Interest Expense

Interest expense decreased \$5 million primarily due to lower average debt balances and lower interest rates.

Other Income - Net

Other income - net increased \$6 million primarily due to an increase in net pension benefit credits.

Income Tax Expense

Income tax expense increased \$39 million primarily due to higher earnings before income taxes, partially offset by the impacts of an unfavorable state legislative change in 2021.

CSX CORPORATION

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

Non-GAAP Measures - Unaudited

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 below.

Free Cash Flow

Management believes that free cash flow is supplemental information useful to investors as it is important in evaluating the Company's financial performance. More specifically, free cash flow measures cash generated by the business after reinvestment. This measure represents cash available for both equity and bond investors to be used for dividends, share repurchases or principal reduction on outstanding debt. Free cash flow is calculated by using net cash from operations and adjusting for property additions and proceeds and advances from property dispositions. Free cash flow should be considered in addition to, rather than a substitute for, cash provided by operating activities. The increase in free cash flow before dividends from the prior year of \$42 million is primarily due to an increase in cash from operating activities, partially offset by higher property additions.

The following table reconciles cash provided by operating activities (GAAP measure) to free cash flow, before dividends (non-GAAP measure).

(Dollars in millions)

Net cash provided by operating activities

Property Additions

Proceeds and Advances from Property Dispositions

Other Investing Activities ^(a)

Free Cash Flow (before payment of dividends)

	Three Months	
	2022	2021
\$	1,299	\$ 1,232
	(331)	(306)
	8	—
	n/a	8
\$	976	\$ 934

(a) Effective first quarter 2022, the results of other investing activities are no longer included in free cash flow. Prior year has not been restated as the change is immaterial.

Operating Statistics (Estimated)

The Company is committed to continuous improvement in safety and service performance through training, innovation and investment. Training and safety programs are designed to prevent incidents that can adversely impact employees, customers and communities. Technological innovations that can detect and avoid many types of human factor incidents are designed to serve as an additional layer of protection for the Company's employees. Continued capital investment in the Company's assets, including track, bridges, signals, equipment and detection technology also supports safety performance.

Safety metrics improved versus the first quarter 2021, with the number of both train accidents and personal injuries declining to near record lows. The FRA train accident rate of 2.75 in first quarter 2022 improved 15% compared to prior year. The personal injury frequency index of 0.78 improved 18% compared to prior year. Safety is a top priority at CSX, and the Company is committed to reducing risk and enhancing the overall safety of its employees, customers and communities in which CSX operates.

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

In first quarter 2022, velocity decreased by 15% and dwell increased by 4% versus prior year. Carload trip plan performance decreased by 4% while intermodal trip plan performance improved 2%. The Company expects operating metrics to improve commensurate with hiring and training, and remains focused on executing the operating plan to deliver safe, reliable and efficient service to customers.

	First Quarters		
	2022	2021	Improvement/ (Deterioration)
Operations Performance			
Train Velocity (Miles per hour) ^(a)	16.0	18.9	(15)%
Dwell (Hours) ^(a)	11.2	10.8	(4)%
Cars Online ^(a)	138,466	128,856	(7)%
On-Time Originations	65 %	79 %	(18)%
On-Time Arrivals	57 %	69 %	(17)%
Carload Trip Plan Performance	64 %	67 %	(4)%
Intermodal Trip Plan Performance	87 %	85 %	2 %
Fuel Efficiency	1.01	0.98	(3)%
Revenue Ton-Miles (Billions)			
Merchandise	31.2	31.3	— %
Coal	7.6	8.8	(14)%
Intermodal	7.6	7.7	(1)%
Total Revenue Ton-Miles	46.4	47.8	(3)%
Total Gross Ton-Miles (Billions)	91.4	93.4	(2)%
Safety			
FRA Personal Injury Frequency Index	0.78	0.95	18 %
FRA Train Accident Rate	2.75	3.24	15 %

(a) The methodologies for calculating train velocity, dwell and cars online differ from those prescribed by the STB as the Company believes these numbers more accurately reflect railroad performance. CSXT will continue to report these metrics, using the prescribed methodology, to the STB on a weekly basis. See additional discussion on the Company's website.

Certain operating statistics are estimated and can continue to be updated as actuals settle.

Key Performance Measures Definitions

Train Velocity - Average train speed between origin and destination in miles per hour (does not include locals, yard jobs, work trains or passenger trains). Train velocity measures the profiled schedule of trains (from departure to arrival and all interim time), and train profiles are periodically updated to align with a changing operation.

Dwell - Average amount of time in hours between car arrival to and departure from the yard.

Cars Online - Average number of active freight rail cars on lines operated by CSX, excluding rail cars that are being repaired, in storage, those that have been sold, or private cars dwelling at a customer location more than one day.

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 within two hours of scheduled arrival. **Carload Trip Plan Performance** - Percent of measured cars destined for a customer that arrive at or ahead of the original estimated time of arrival, notification or interchange (as applicable).

Intermodal Trip Plan Performance - Percent of measured containers destined for a customer that arrive at or ahead of the original estimated time of arrival, notification or interchange (as applicable).

Fuel Efficiency - Gallons of locomotive fuel per 1,000 gross ton-miles.

Revenue Ton-Miles (RTM's) - The movement of one revenue-producing ton of freight over a distance of one mile.

Gross Ton-Miles (GTM's) - The movement of one ton of train weight over one mile. GTM's are calculated by multiplying total train weight by distance the train moved. Total train weight is comprised of the weight of the freight cars and their contents.

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.

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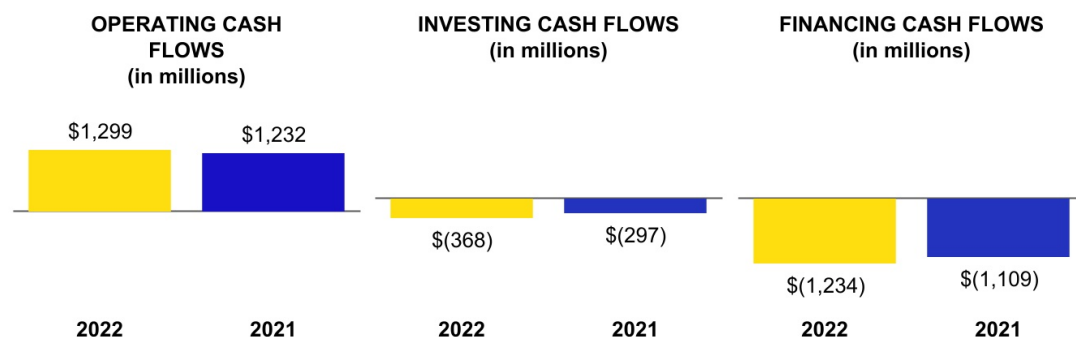
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

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

Material Changes in Significant Cash Flows*Significant Cash Flows*

The following chart highlights the operating, investing and financing components of the net decrease of \$303 million and \$174 million in cash and cash equivalents for three months ended 2022 and 2021, respectively.



- Cash provided by operating activities increased \$67 million primarily driven by higher cash-generating income, partially offset by lower net favorable working capital activities.
- Cash used in investing activities increased \$71 million primarily as a result of increased property additions and purchases of short-term investments.
- Cash used in financing activities increased \$125 million driven by higher share repurchases, partially offset by lower repayments of long-term debt.

Sources of Cash and Liquidity and Uses of Cash

As of the end of first quarter 2022, CSX had more than \$2.0 billion of cash, cash equivalents and short-term investments. CSX uses current cash balances for general corporate purposes, which may include capital expenditures, working capital requirements, reduction or refinancing of outstanding indebtedness, redemptions and repurchases of CSX common stock, dividends to shareholders, acquisitions and other business opportunities, and contributions to the Company's qualified pension plan. See Note 7, *Debt and Credit Agreements*.

The Company has multiple sources of liquidity, including cash generated from operations and financing sources. The Company filed a shelf registration statement with the SEC on February 16, 2022, which may be used to issue debt or equity securities at CSX's discretion, subject to market conditions and CSX Board authorization. While CSX seeks to give itself flexibility with respect to cash requirements, there can be no assurance that market conditions would permit CSX to sell such securities on acceptable terms at any given time, or at all. During the first quarter 2022, CSX did not issue any new long-term debt.

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

CSX has a \$1.2 billion unsecured, revolving credit facility backed by a diverse syndicate of banks that expires in March 2024. At March 31, 2022, the Company had no outstanding balances under this facility. The Company also has a commercial paper program, backed by the revolving credit facility, under which the Company may issue unsecured commercial paper notes up to a maximum aggregate principal amount of \$1.0 billion outstanding at any one time. At March 31, 2022, the Company had no outstanding debt under the commercial paper program.

Planned capital investments for 2022 are expected to be approximately \$2.0 billion. Of the 2022 investment, over 80% is expected to be used to sustain the core infrastructure and operating equipment. The remaining amounts will be used to promote profitable growth, including projects supporting service enhancements and productivity initiatives. CSX intends to fund capital investments through cash generated from operations.

Material Changes in the Consolidated Balance Sheets and Working Capital***Consolidated Balance Sheets***

Total assets decreased \$79 million from year end primarily due to the \$303 million decrease in cash described above which was partially offset by a \$129 million increase in accounts receivable and a \$44 million increase in investments in affiliates and other companies. The increase in accounts receivable was driven by an increase in trade accounts receivable due to the timing of billing and cash receipts.

Total liabilities increased \$226 million from year end primarily due to an increase in income and other taxes payable of \$225 million driven by the timing of estimated income tax payments. Total shareholders' equity decreased \$305 million from year end primarily driven by share repurchases of \$1.0 billion and dividends paid of \$219 million, partially offset by net earnings of \$859 million.

Working capital is considered a measure of a company's ability to meet its short-term needs. CSX had a working capital surplus of \$1.2 billion as of March 31, 2022 and \$1.6 billion as of December 31, 2021, a decrease of \$458 million since year end. The decrease in current assets was primarily due to the decrease in cash of \$303 million, partially offset by an increase in accounts receivable of \$129 million as described above. The increase in current liabilities was primarily the result of a \$225 million increase in income and other taxes payable and a \$136 million increase in current maturities of long term debt. 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. CSX has sufficient financial capacity, including its revolving credit facility, commercial paper program 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.

CSX is committed to returning cash to shareholders and maintaining an investment-grade credit profile. Capital structure, capital investments and cash distributions, including dividends and share repurchases, are reviewed at least annually by the Board of Directors. 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.

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

Completed and Pending Transactions

Acquisition of Quality Carriers, Inc.

On July 1, 2021, CSX acquired Quality Carriers, Inc. from Quality Distribution, Inc. for a purchase price of \$541 million in cash, net of \$3 million cash acquired. This transaction was funded by cash on hand. For further details, refer to Note 12, *Business Combinations*.

Pending Acquisition of Pan Am Systems, Inc.

On November 30, 2020, CSX signed a definitive agreement to acquire Pan Am Systems, Inc. ("Pan Am") which is the parent company of Pan Am Railways, Inc. who jointly owns Pan Am Southern, LLC with a subsidiary of Norfolk Southern Corporation. Pan Am owns and operates a highly integrated, nearly 1,200-mile rail network and has a joint interest in the more than 600-mile Pan Am Southern system. This acquisition will expand CSX's reach in the Northeastern United States. Assets and facilities to be acquired as part of the proposed transaction include road and track assets, work equipment, land, buildings and other assets. On February 25, 2021, the Company began the process of seeking approval from the STB. The STB approved the acquisition on April 14, 2022, and closing is anticipated on June 1, 2022. This acquisition is not expected to be material with respect to the Company's financial statements when reviewed under the quantitative and qualitative considerations of Regulation S-X Article 11 and ASC Topic 805.

Sale of Property Rights to the Commonwealth of Virginia

On March 26, 2021, the Company entered into a comprehensive agreement to sell certain property rights in three CSX-owned line segments to the Commonwealth of Virginia ("Commonwealth") over three phases for a total of \$525 million. The timing and amount of gains recognized are based on the allocation of fair value to each conveyance, the timing of future conveyances and collectability. In April 2021, upon closing of the first phase of the agreement, the Company collected \$200 million in proceeds and recognized a \$349 million gain. In fourth quarter 2021, the Company collected additional proceeds of \$200 million, a portion of which was attributable to the first phase with the remainder attributable to the second phase. The second phase closed on January 10, 2022, resulting in a \$20 million gain in first quarter 2022.

The Company anticipates closing on the remaining conveyances by the end of 2022, which will result in future cash proceeds and gains. As of March 31, 2022, the carrying values of the remaining assets subject to this transaction were not material.

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Guaranteed Notes Issued By CSXT

In 2007, CSXT, a wholly-owned subsidiary of CSX Corporation, issued in a registered public offering \$381 million of secured equipment notes maturing in 2023. CSX Corporation has fully and unconditionally guaranteed the notes. At CSXT's option, CSXT may redeem any or all of the notes, in whole or in part, at any time, at the redemption price including premium. In the case of loss or destruction of any item of equipment securing the notes, if CSXT does not substitute another item of equipment for the item suffering such loss or destruction, CSXT will be required to redeem the notes in part at par. The guarantee of the notes will rank equally in right of payment with all existing and future senior obligations of CSX Corporation and will be effectively subordinated to all future secured indebtedness of CSX Corporation to the extent of the assets securing such indebtedness. The guarantee is subject to release in limited circumstances only upon the occurrence of certain customary conditions. As of March 31, 2022, the principal balance of these secured equipment notes was \$149 million.

In accordance with SEC rules, including amendments adopted in 2020, CSX is not required to present separate condensed consolidating financial information for wholly-owned subsidiaries who issued or guaranteed notes. Additionally, presentation of combined summary financial information regarding subsidiary issuers and guarantors is not required because the assets, liabilities and results of operations of the combined issuers and guarantors of the notes are not materially different from the corresponding amounts presented in the consolidated financial statements.

LABOR AGREEMENTS

Approximately 16,000 of the Company's approximately 21,000 employees are members of a labor union. For the 13 rail unions that participate in national bargaining, a round of negotiations for benefits, wages and work rules is underway. Typically, these negotiations take several years. Current agreements remain in place until modified by new agreements.

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

- personal injury and environmental reserves;
- pension and post-retirement medical plan accounting;
- depreciation policies for assets under the group-life method; and
- goodwill and other intangible assets.

FORWARD-LOOKING STATEMENTS

Certain statements in this report and in other materials filed with the Securities and Exchange Commission, 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, workforce levels, 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.

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

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 I, 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, international trade 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, including the outbreak of COVID-19, 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, equipment or supply chain;
- competition from other modes of freight transportation, such as trucking and competition and consolidation or financial distress within the transportation industry generally;
- the cost of compliance with laws and regulations that differ from expectations 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;
- the impact of global supply and price of seaborne coal on CSXT's export coal market;

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

- 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;
- loss of key personnel or the inability to hire and retain qualified employees;
- 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, including acquisitions;
- the impact of conditions in the real estate market on the Company's ability to sell assets;
- changes in operating conditions and costs, including the impacts of inflation, or commodity concentrations;
- the continued and uncertain impact of the COVID-19 pandemic; 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.

CSX CORPORATION
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 except as provided below.

Changes in interest rates may impact the cost of future interest payments on long-term debt issued by the Company, and as a result, represent interest rate risk to the Company. In an effort to manage this risk, CSX may use certain financial instruments such as fixed-to-floating interest rate swaps. The following information, together with information included in Note 7, *Debt and Credit Agreements*, describes the key aspects of such contracts and the related market risk to CSX.

In first quarter 2022, CSX entered into five separate fixed-to-floating interest rate swaps classified as fair value hedges. The swaps are designed to hedge 10 years of interest rate risk associated with market fluctuations attributable to the Secured Overnight Financing Rate on a cumulative \$800 million of fixed rate outstanding notes which are due between 2036 and 2040. As of March 31, 2022, the fair value of these swaps was a \$27 million liability, which is included in other long-term liabilities on the consolidated balance sheet. The associated cumulative adjustment to the hedged notes is included in long-term debt. Gains and losses resulting from changes in fair value of the interest rate swaps offset changes in the fair value of the hedged portion of the underlying debt so no gain or loss has been recognized due to hedge ineffectiveness. Differences on the fixed-to-floating legs of the derivatives are recognized in interest expense and were not material in first quarter 2022. The swaps will expire in 2032. If settled early, the remaining liability or asset will be amortized over the remaining life of the associated notes.

ITEM 4. CONTROLS AND PROCEDURES

As of March 31, 2022, 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 March 31, 2022, 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 first quarter of 2022 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

CSX CORPORATION
PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Item 103 of SEC Regulation S-K requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings and such proceedings involve potential monetary sanctions that the Company reasonably believes will exceed a specified threshold. Pursuant to SEC amendments to this Item, the Company will be using a threshold of \$1 million for such 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 I, Item 1A (Risk Factors) 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.

Item 2. CSX Purchases of Equity Securities

The Company continues to repurchase shares under the \$5 billion share repurchase program announced in October 2020. Total repurchase authority remaining as of March 31, 2022, was \$2.0 billion. For more information about share repurchases, see Note 2, *Earnings Per Share*. Share repurchase activity for the first quarter 2022 was as follows:

First Quarter	CSX Purchases of Equity Securities for the Quarter			
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Beginning Balance				\$ 3,003,170,964
January 1 - January 31, 2022	10,640,461	\$ 35.08	10,640,461	2,629,930,637
February 1 - February 28, 2022	11,546,224	34.07	11,546,224	2,236,537,300
March 1 - March 31, 2022	7,178,363	34.79	7,178,363	1,986,823,106
Ending Balance	29,365,048	\$ 34.61	29,365,048	\$ 1,986,823,106

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None

CSX CORPORATION
PART II

Item 6. Exhibits

Exhibit designation	Nature of exhibit	Previously filed as exhibit to
Officer certifications:		
31*	Rule 13a-14(a) Certifications	
32*	Section 1350 Certifications	
Other exhibits:		
22.1	List of Subsidiary Issuers and Guarantors	
Interactive data files:		
101*	The following financial information from CSX Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 filed with the SEC on April 20, 2022, formatted in inline XBRL includes: (i) consolidated income statements for the quarters ended March 31, 2022 and March 31, 2021, (ii) condensed consolidated comprehensive income statements for the quarters ended March 31, 2022 and March 31, 2021, (iii) consolidated balance sheets at March 31, 2022 and December 31, 2021, (iv) consolidated cash flow statements for the three months ended March 31, 2022 and March 31, 2021, (v) consolidated statement of changes in shareholders' equity for the quarters ended March 31, 2022 and March 31, 2021, and (vi) the notes to consolidated financial statements.	
104	Cover Page Interactive Data File (embedded within the Inline XBRL document contained in Exhibit 101)	
* Filed herewith		

**CSX CORPORATION
PART II**

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/ ANGELA C. WILLIAMS
Angela C. Williams
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Dated: April 20, 2022

List of Subsidiary Issuers and Guarantors

As of March 31, 2022, the following subsidiaries of CSX are issuers or guarantors of the Company's Secured Equipment Notes due 2023 issued in 2007:

Issuers:

CSX Transportation, Inc.

Guarantors:

CSX Corporation

CERTIFICATION OF CEO AND CFO PURSUANT TO EXCHANGE ACT RULE
13a - 14(a) OR RULE 15d-14(a)

I, James M. Foote, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CSX Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 20, 2022

/s/ JAMES M. FOOTE
James M. Foote
President and Chief Executive Officer

I, Sean R. Pelkey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CSX Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 20, 2022

/s/ SEAN R. PELKEY

Sean R. Pelkey

Executive Vice President and Chief Financial Officer

CERTIFICATION OF CEO AND CFO REQUIRED BY RULE 13a-14(b) OR RULE 15d-14(b) AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE U.S. CODE

In connection with the Quarterly Report of CSX Corporation on Form 10-Q for the period ending March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James M. Foote, Chief Executive Officer of the registrant, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: April 20, 2022

/s/ JAMES M. FOOTE
James M. Foote
President and Chief Executive Officer

In connection with the Quarterly Report of CSX Corporation on Form 10-Q for the period ending March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sean R. Pelkey, Chief Financial Officer of the registrant, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: April 20, 2022

/s/ SEAN R. PELKEY
Sean R. Pelkey
Executive Vice President and Chief Financial Officer