

INVESTOR & ANALYST

CONFERENCE

2018



[CSX]



FORWARD-LOOKING DISCLOSURE

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

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



NON-GAAP MEASURES DISCLOSURE

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

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

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JAMES M. FOOTE

President and Chief Executive Officer





MAKING CSX THE BEST

RIGHT TEAM

RIGHT PLAN

PRODUCE THE BEST RESULTS



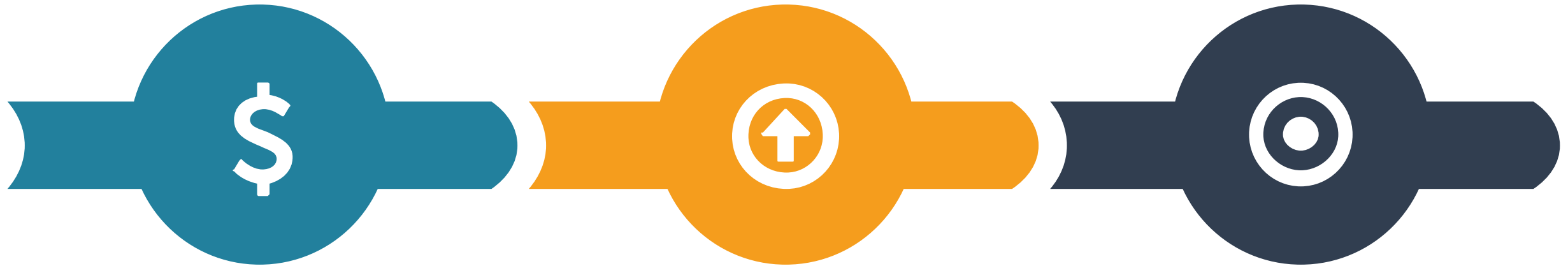
COST
Asset
Utilization,
Velocity,
Productivity



REVENUE
Service,
Growth and
Price



THREE-YEAR PLAN



Leveraging
reduced cost
base

Capturing
growth
opportunities

Targeting 60%
Operating
Ratio

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MARK WALLACE

**Executive Vice President
and Chief Administrative Officer**



NEW BUSINESS MODEL REQUIRES CULTURE CHANGE

What We Found

Dedicated Team of Railroaders

Hesitant to Change

Regional Operating Cultures

Broken Organizational Design

Bureaucratic,
Consensus-Driven Culture

Progress We Are Making

Empowering Leaders

Change as a Competency

One CSX

Smaller Leadership Team

Accelerated Decision-Making

— [CSX] —

HUNTER
CAMP



PRINCIPLES IN CHANGING THE CULTURE

- Identify new talent
- Develop future leaders
- Improve processes
- Communicate success
- Re-design org structure
- Measure and reward results



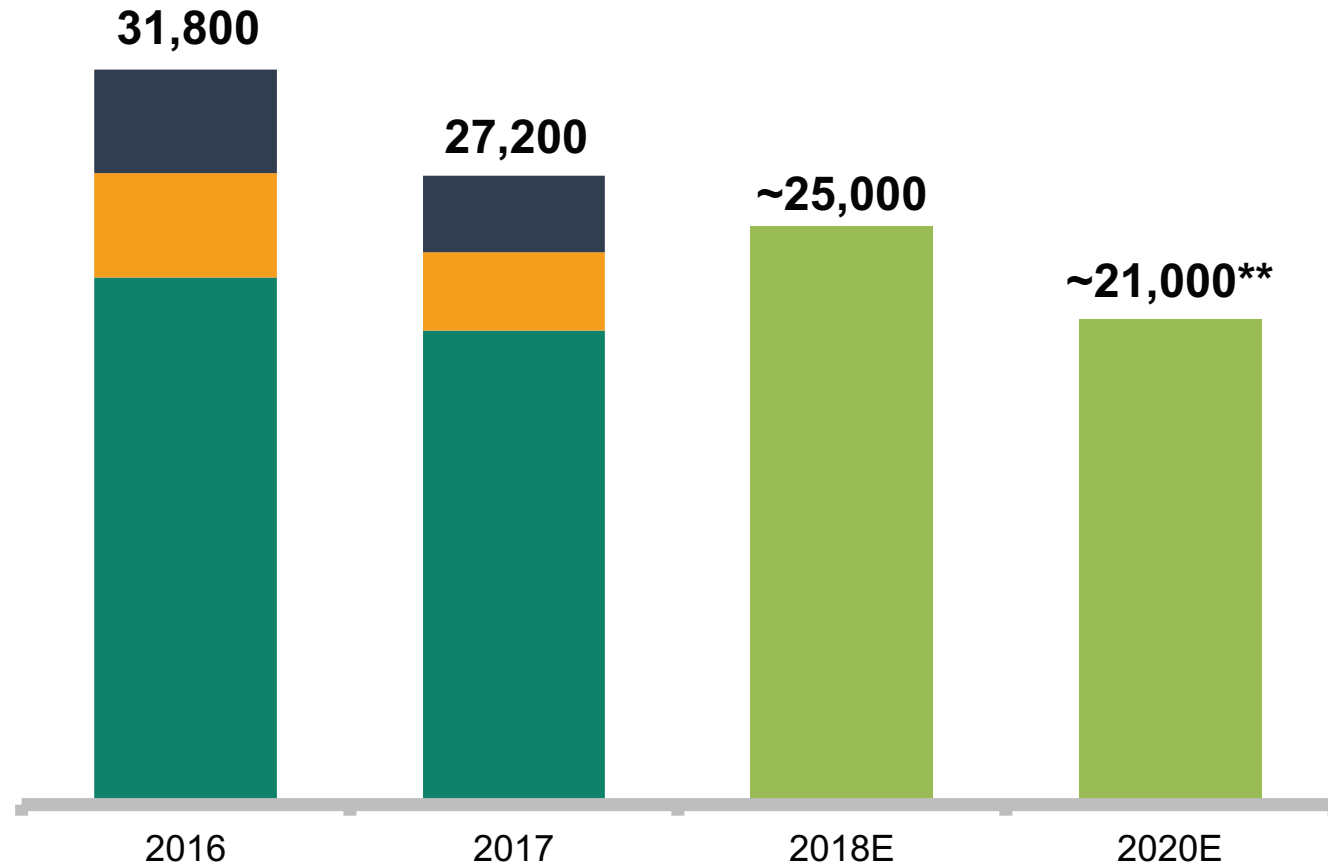
***Our Focus on Culture Change
Drove Significant Operational Improvement***



RIGHT-SIZING THE ORGANIZATION

Workforce Forecast*

■ Union ■ Management ■ Contractors



*End of Year figures, includes contractors & consultants

**2020 Forecast based on absorbing annual attrition

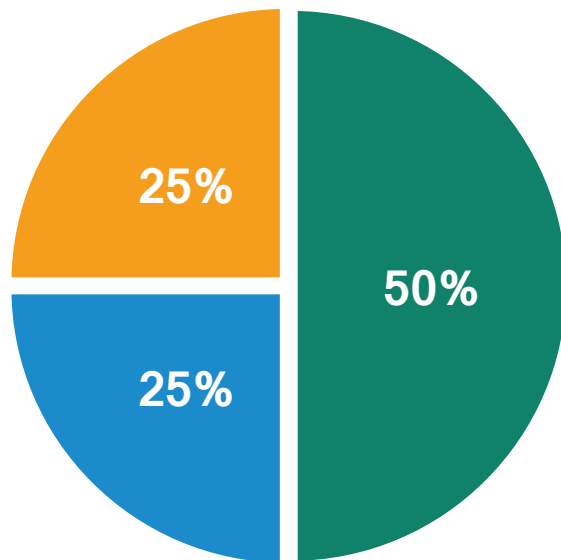
- Every position has to add value
- Reduced workforce 14% in 2017, including 3,300 employees
- Absorbing annual attrition



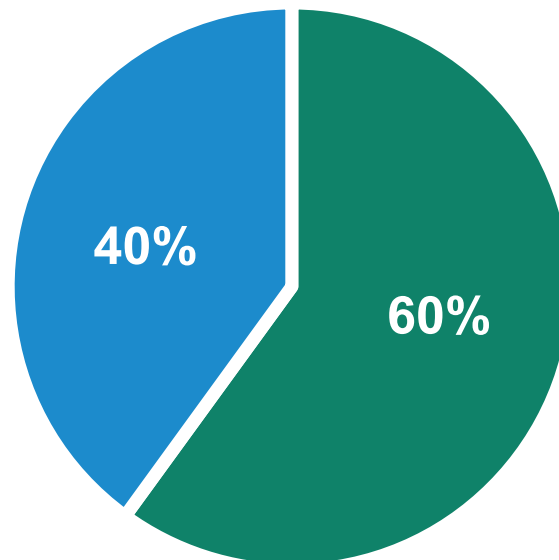
STRENGTHENED OUR PAY FOR PERFORMANCE CULTURE

Long-Term Incentive Awards

Where We Were



Where We Are Today



- Performance Share Units
- Stock Options
- Restricted Share Units

- Measures for CEO and Executive Vice Presidents
 - Operating Ratio
 - Free Cash Flow
 - Total Shareholder Return

***Executive Long-Term Compensation Now
100% Aligned with Shareholder Value Creation***



NEW FOCUS IN TECHNOLOGY ENABLES SCHEDULED RAILROADING

Technology Focus

Efficiency

Reliability

Information

Service

Safety

Enabler

Insourcing and Automation

Investing in Core Infrastructure

Executive Morning Report

Trip Plans

Positive Train Control

Focusing on Today with an Eye on the Future



MONETIZING REAL ESTATE OPPORTUNITIES

2018-2020 Base Plan

Real Estate Sales

\$300M

Leases / Licenses / Ancillary Services

\$300M

2018-2020 Upside Potential

Real Estate Sales

\$300M

Line Sales

\$500M

Real Estate Pipeline

- Surplus real estate
- Vacated / consolidated yards
- Ancillary income streams

An \$800M Upside Opportunity



WELCOME TO THE NEW CSX!

“Forget about the likes and dislikes. They are of no consequence. Just do what must be done. This may not be happiness, but it is greatness.”

– *George Bernard Shaw*

We Are Focused on Driving Long-Term Shareholder Value

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ED HARRIS
Executive Vice President
Operations

ED'S STORY

1968



2011



2018



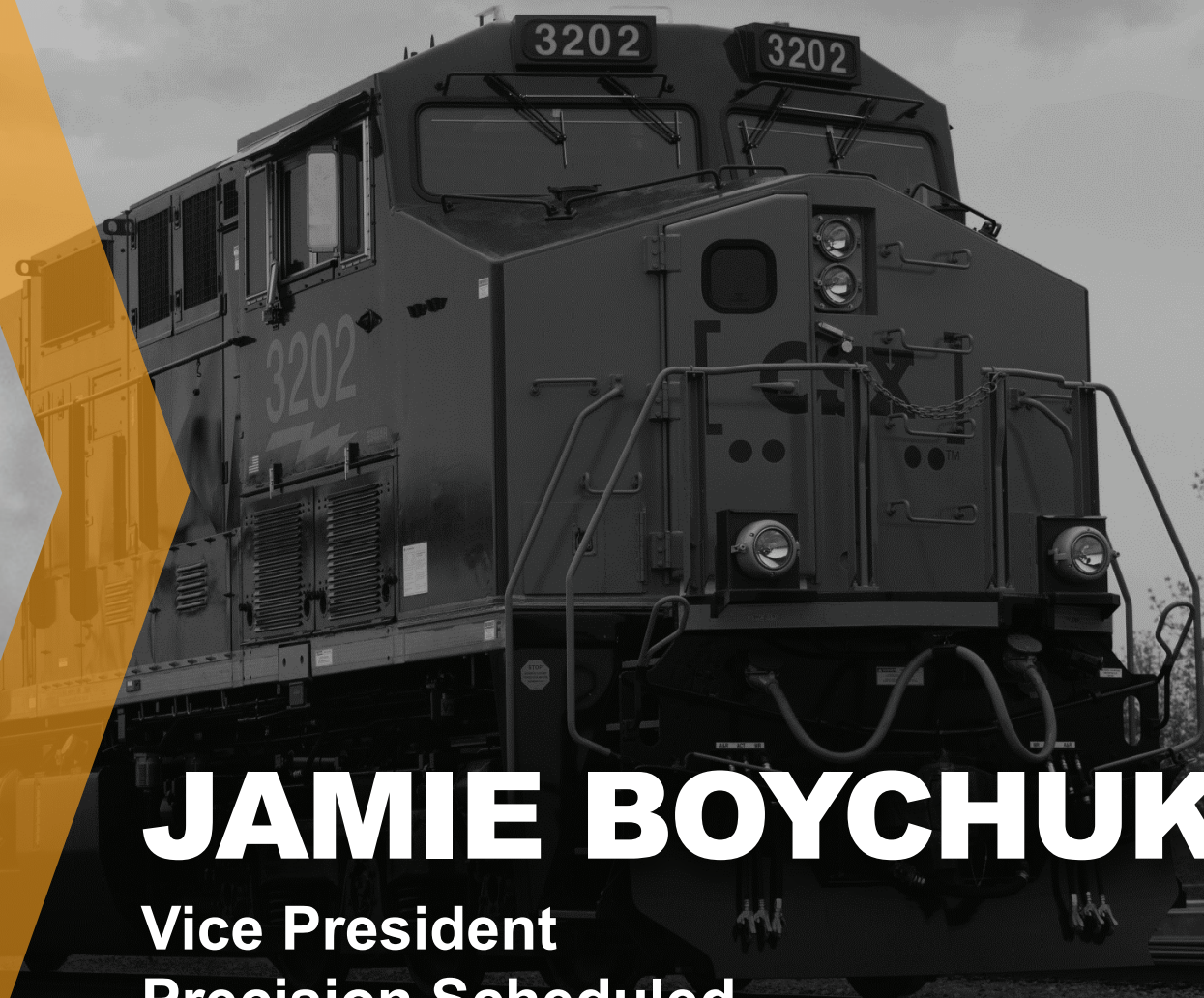
1998



2014

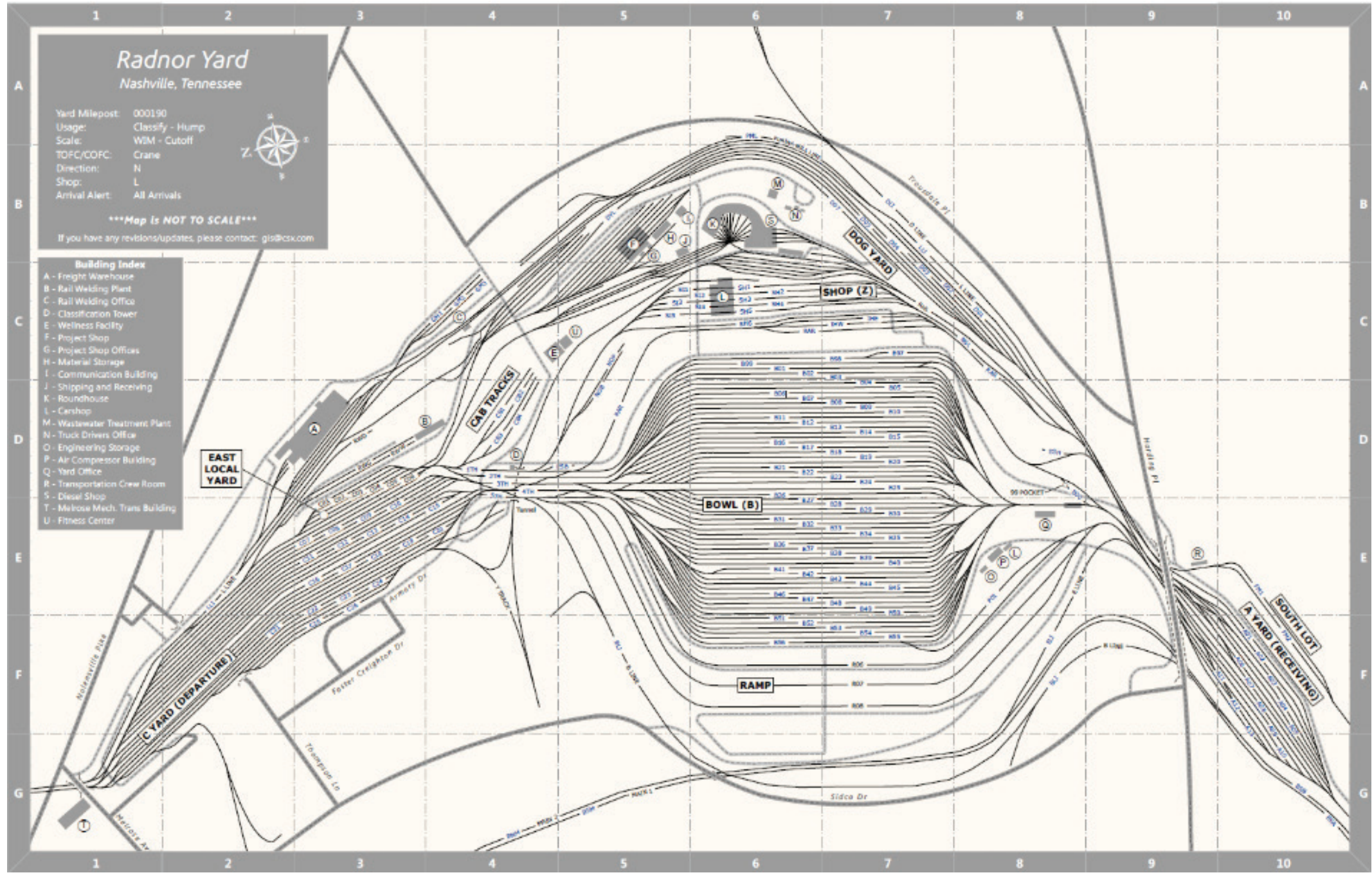


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JAMIE BOYCHUK

Vice President
Precision Scheduled
Railroading Implementation





LEVERAGING EXPERIENCE TO DRIVE CHANGE

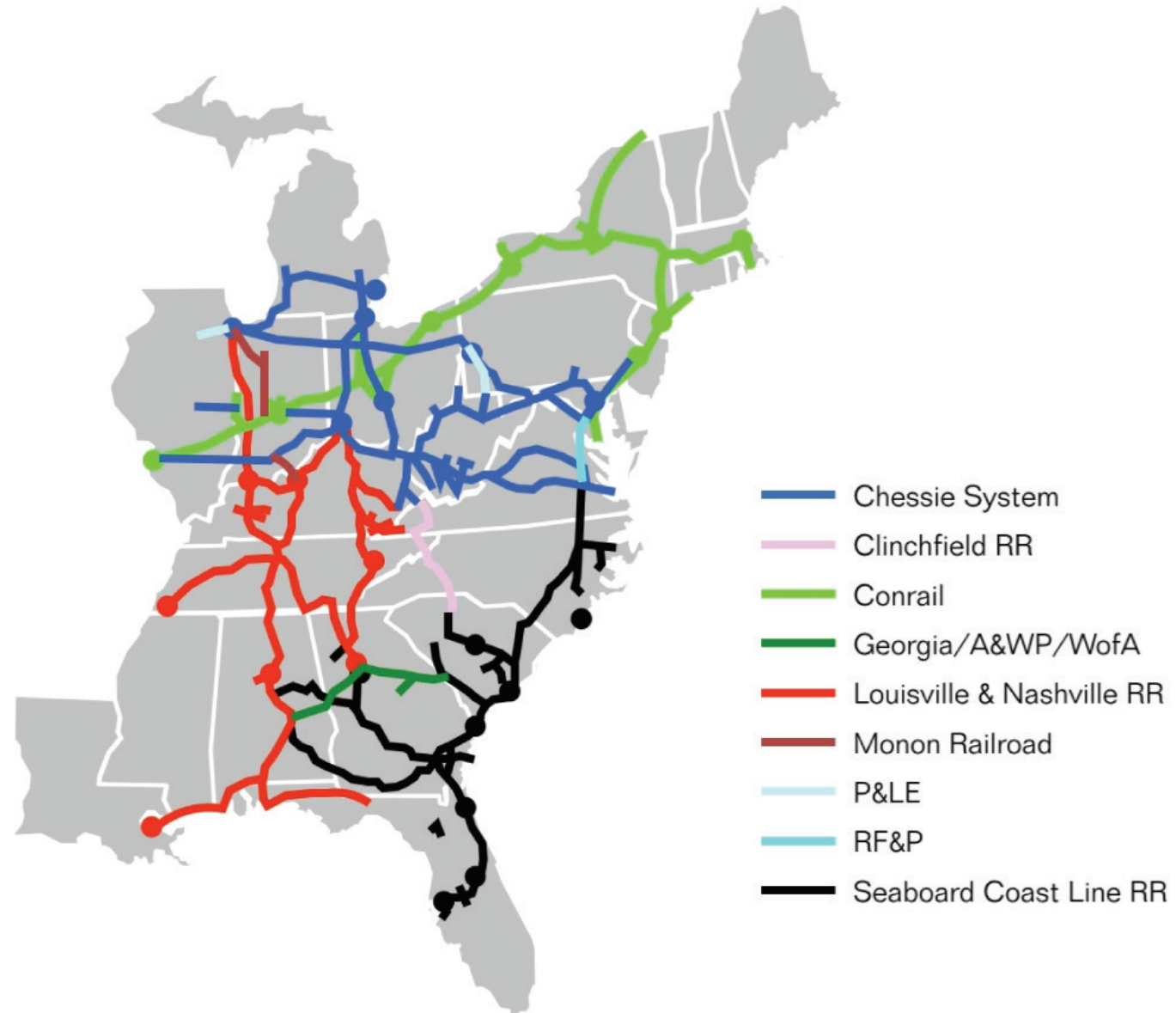


Experience On The Road

- 20+ years Scheduled Railroading
- Spent first six months touring CSX facilities
- Pace of change faster than CN
- Significant opportunities ahead for CSX

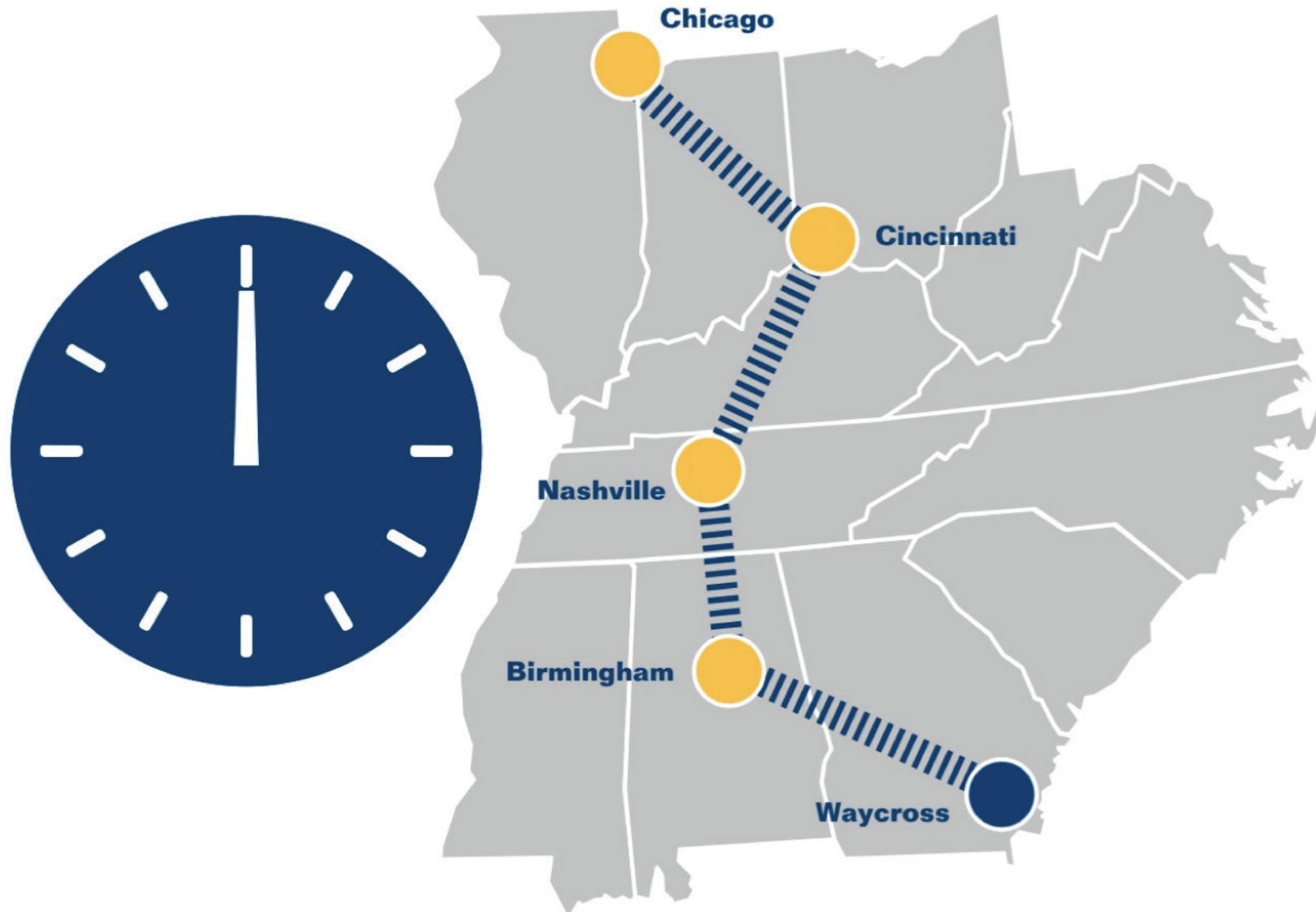


CSX BEHAVED AS SEPARATE COMPANIES



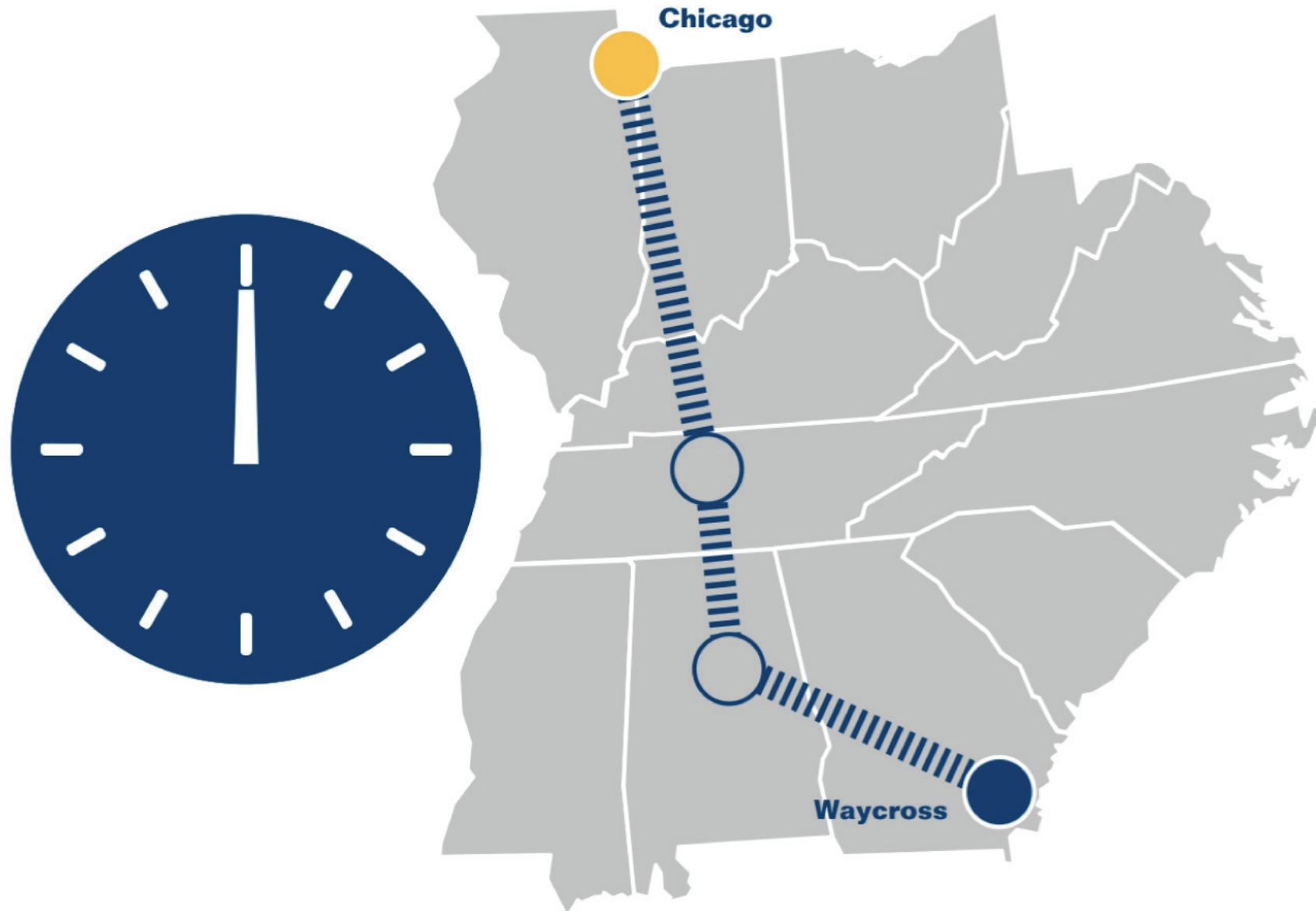


LACK OF INTEGRATION LED TO INEFFICIENT HANDLING...





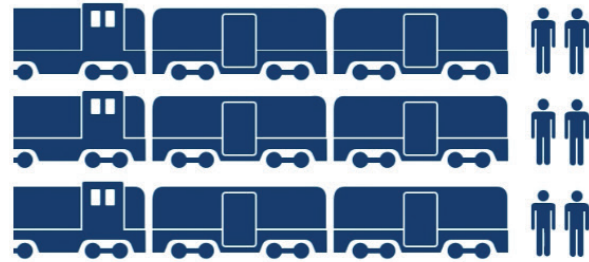
LACK OF INTEGRATION LED TO INEFFICIENT HANDLING...



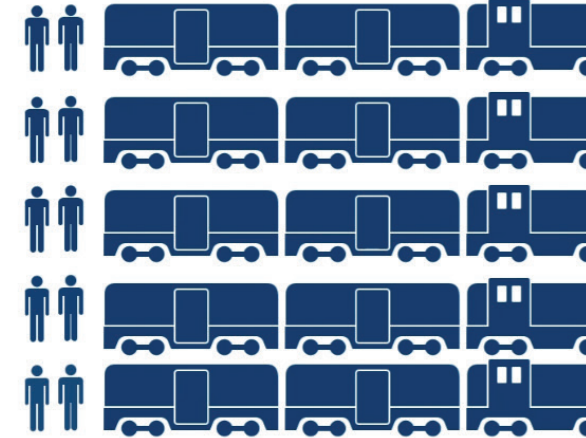


BALANCING THE NETWORK

5 TRAINS →



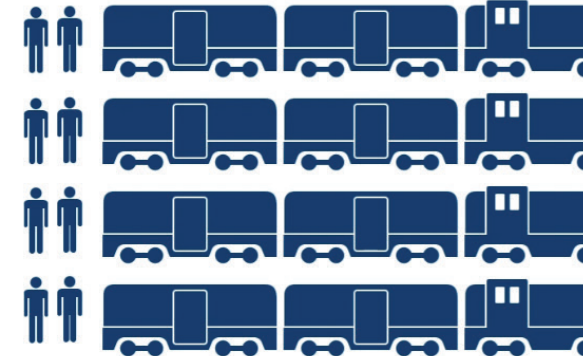
← **3 TRAINS**



4 TRAINS →



← **4 TRAINS**





INTRODUCING TRIP PLANS IS THE ANSWER

Before



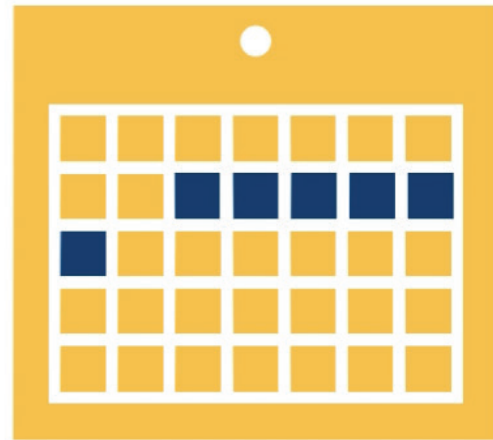
After



- Every car has a plan
- Trip Plan drives visibility and accountability
- Provides customers predictability and reliability
- Trip plans deliver consistent service product and asset utilization



... AND THERE'S STILL LOW HANGING FRUIT



Added **6** days to a customer's load





TIP OF THE ICEBERG – VAST OPPORTUNITIES AHEAD



Significant Achievements To Date

- Executive Morning Report
- Closing hump yards
- Balancing train schedules
- Management team

Countless Opportunities Ahead

- Carload trip plans
- GTM per HP optimization
- Maintenance fluidity
- Leveraging excess capital
- Repetition and consistency
- Fuel savings

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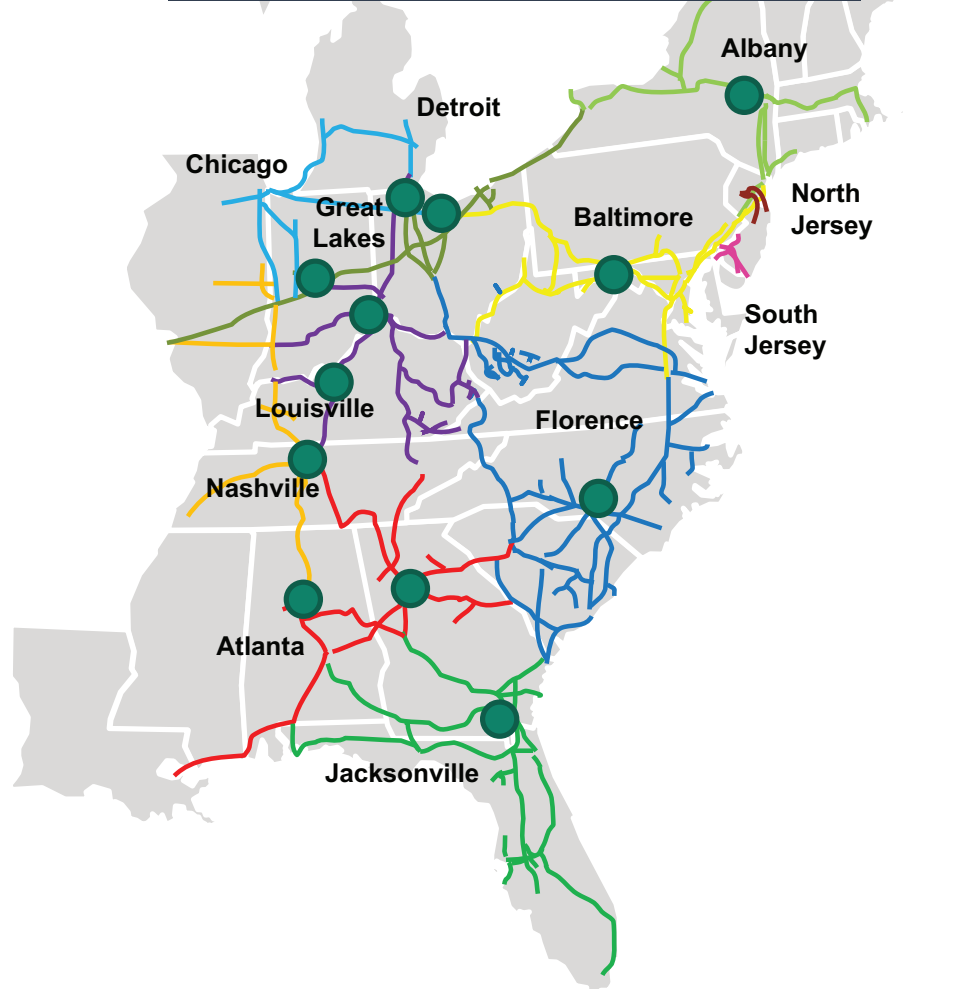
**JERMAINE
SWAFFORD**

Senior Vice President and
Chief Transportation Officer

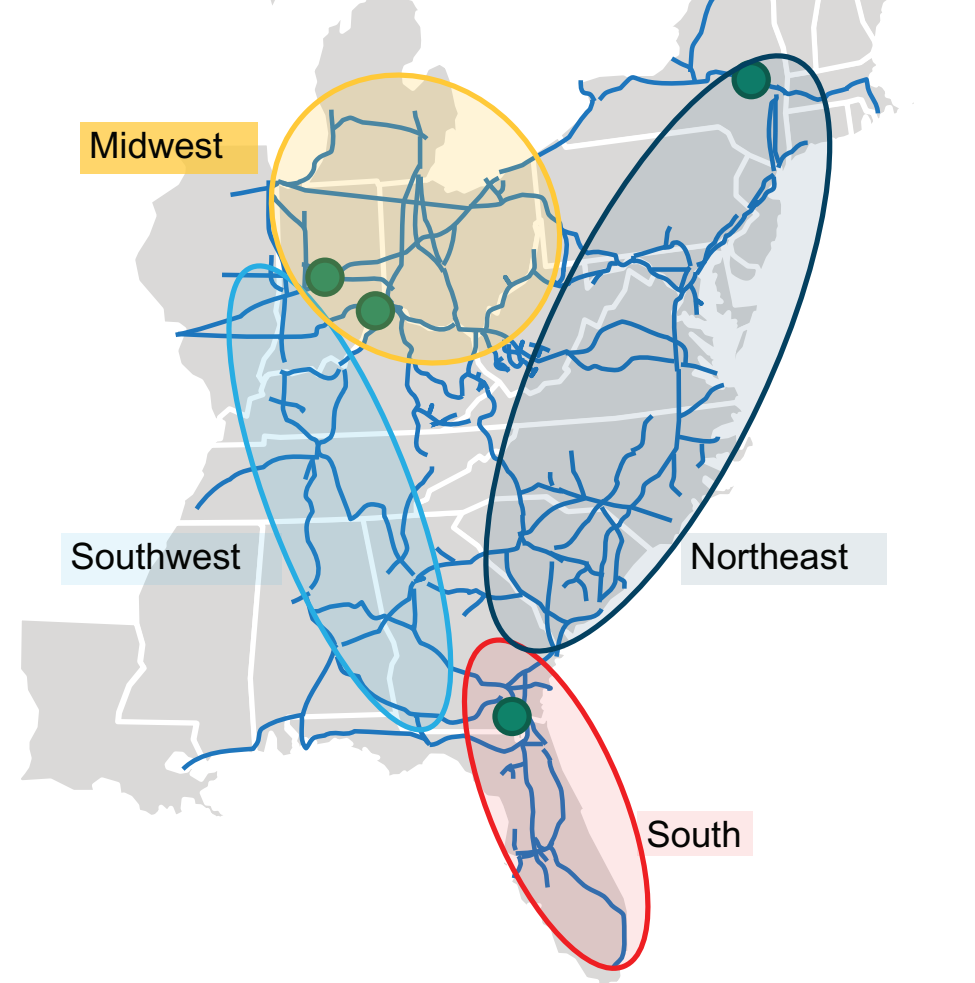


STREAMLINING MANAGEMENT TO DRIVE CHANGE

9 Divisions
12 Hump Yards

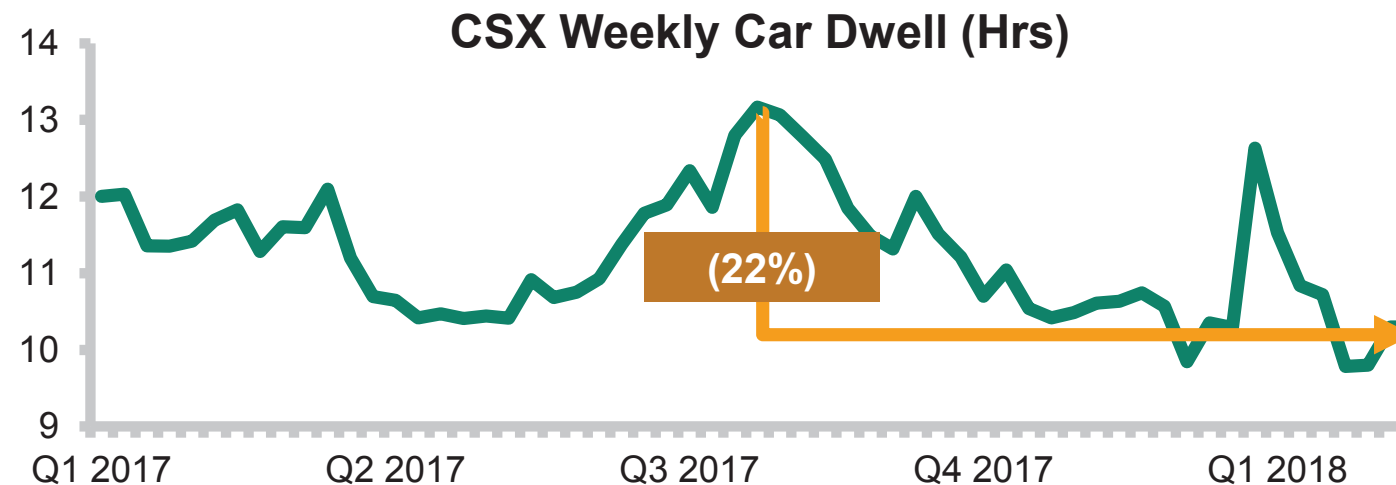
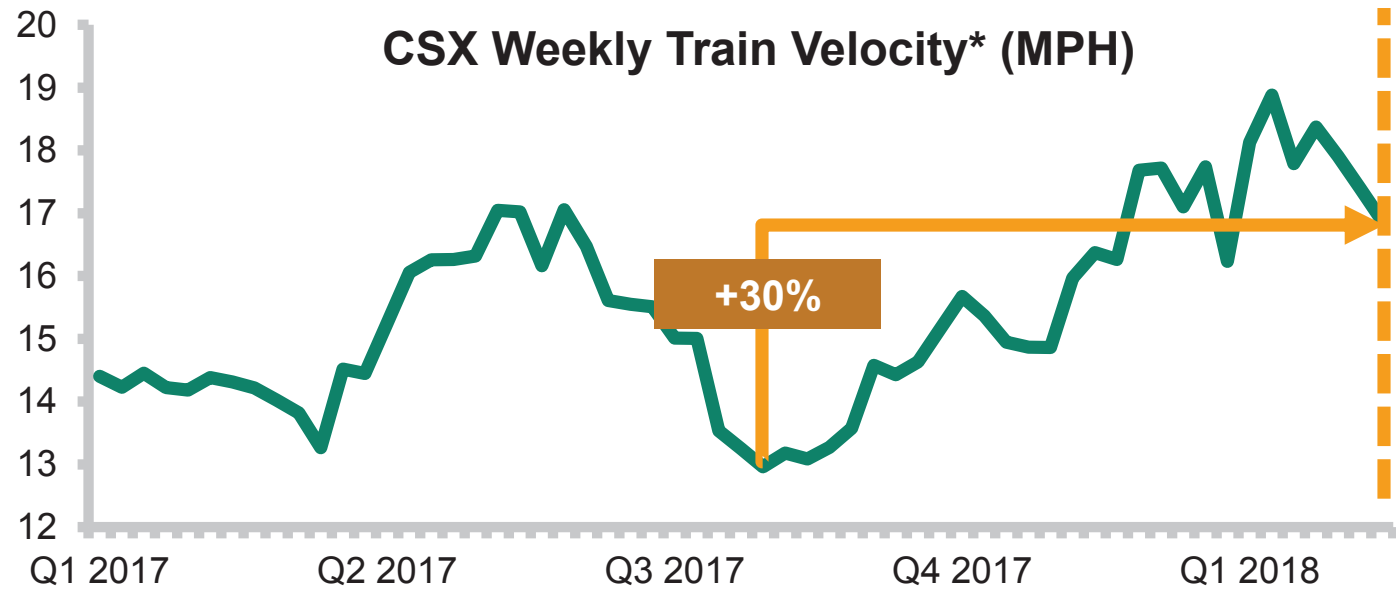


4 Regions
4 Hump Yards





DISRUPTIVE CHANGE FOR LONG-TERM IMPROVEMENT



- Unparalleled rebound in measures driven by scheduled railroading
- Improving measures drive virtuous cycle of capacity and utilization
- Plan is based on continuous improvement



*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.



SCHEDULED RAILROADING PRESENTS LARGE OPPORTUNITIES

2017 EXPENSES*

Freight Cars	~130,000 Cars Online	~\$750M
Yard Employees	~3,900 Active T&E; ~700 Support Employees	~\$640M
Locomotives	2,865 Active	~\$650M
Fuel Consumption	427 million gallons per year	~\$850M
Line of Road Employees	~4,600 Active T&E; ~900 Support Employees	~\$1B



*Expenses include Depreciation, Maintenance, and other associated costs



FASTER TURN TIMES REDUCE ACTIVE CARS ONLINE



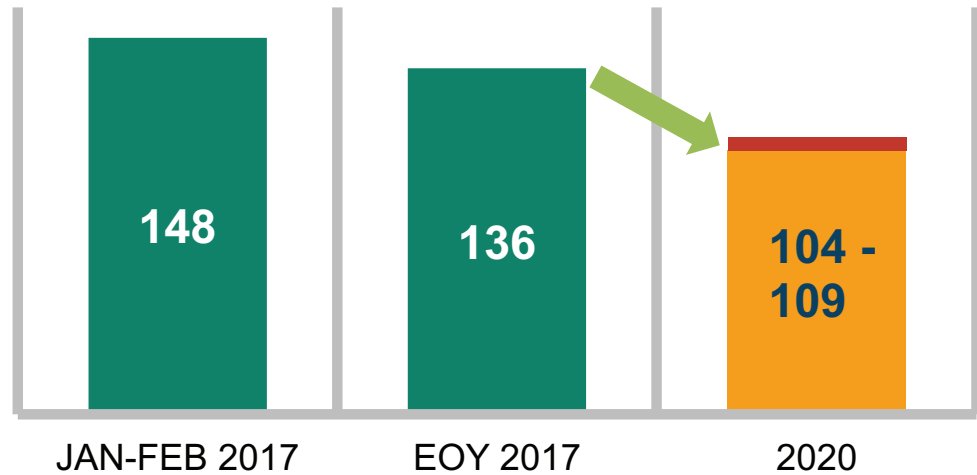
YTD Velocity
(MPH)



YTD Dwell
(Hrs)



Cars Online (000)



Actual

Forecast

Sensitivity

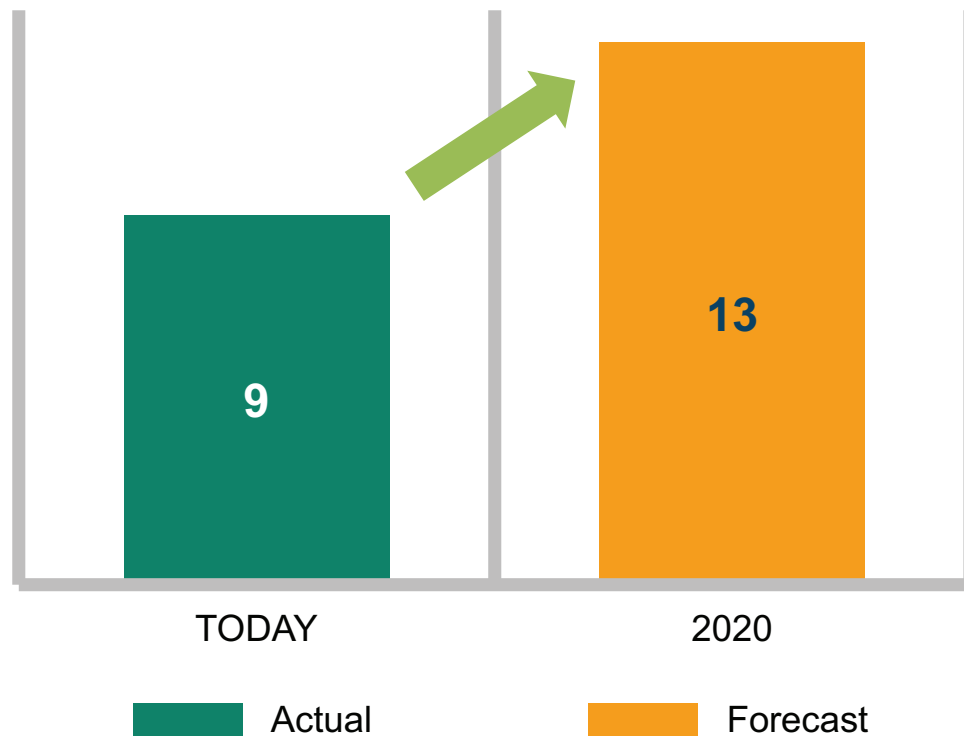
- Generate savings from car hire, maintenance and material
 - Additional benefit captured through capital avoidance
- New demurrage policies to improve asset utilization
 - Incentivize customers to cycle faster



ENGAGED, PRODUCTIVE WORKFORCE DRIVES VALUE



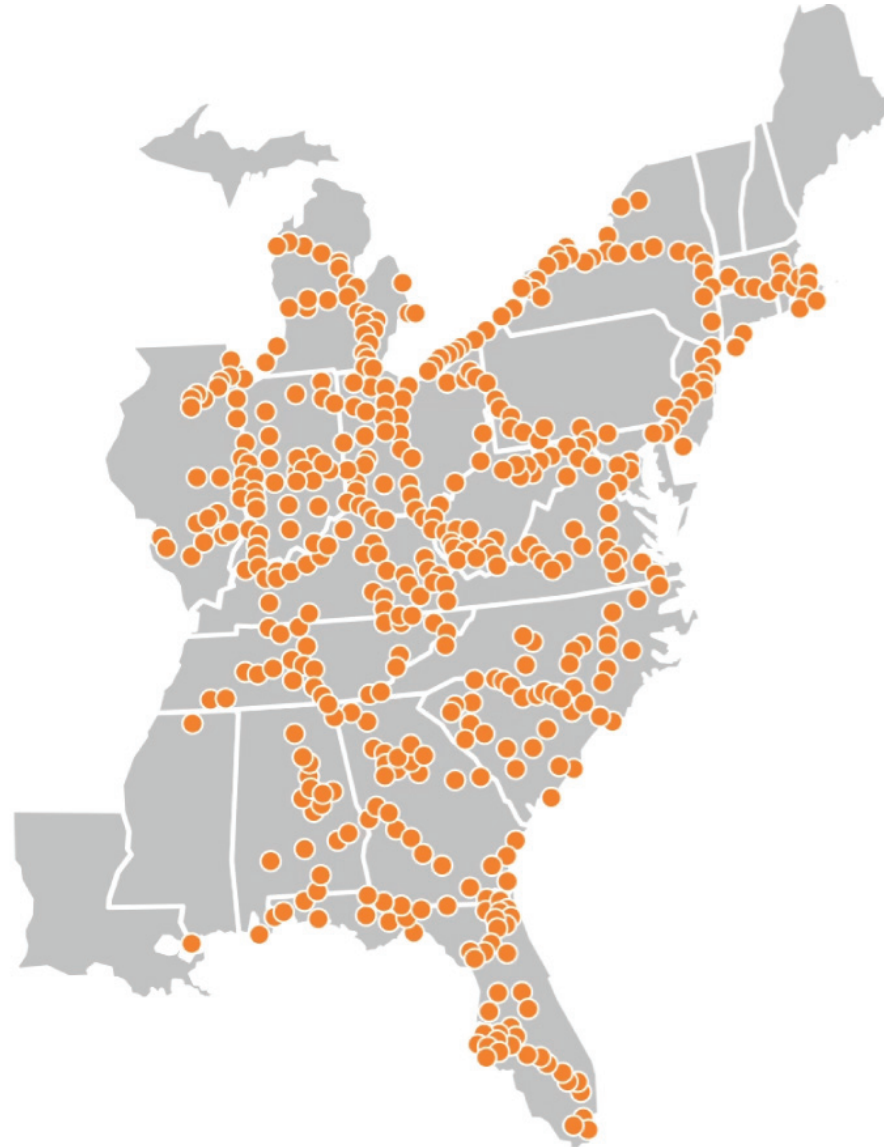
Yard T&E Employee Efficiency
Cars Per Manhour



- Continuing to improve yard fluidity
- Creating capacity in rail yards
- Streamlining an engaged and fully productive workforce
- Reducing total handlings by blocking for the furthest point



CONTINUE TO OPTIMIZE OUR YARD FOOTPRINT



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BOB FRULLA

Senior Vice President
Network Operations

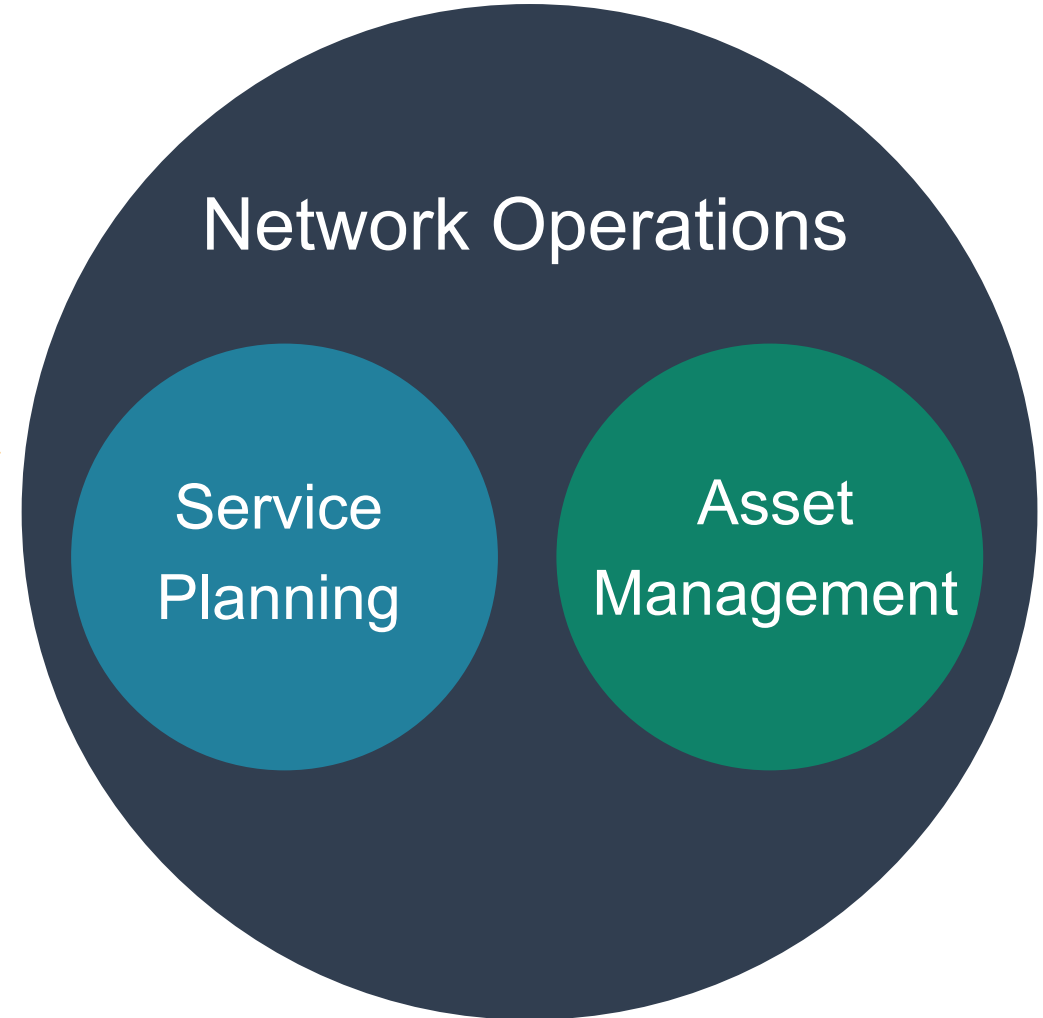


PRECISION RAILROADING REQUIRES STREAMLINING

Before

Service Design	Locomotive Management
Transportation Systems	Crew Management
Customer Operations	Dispatching
PTC	Intermodal Network Ops
Passenger Services	Fuel

After





DISPATCHING ALIGNMENT AND COORDINATION





SCHEDULED RAILROADING PRESENTS LARGE OPPORTUNITIES

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LOCO FLEET PRODUCTIVITY CONTINUES TO IMPROVE



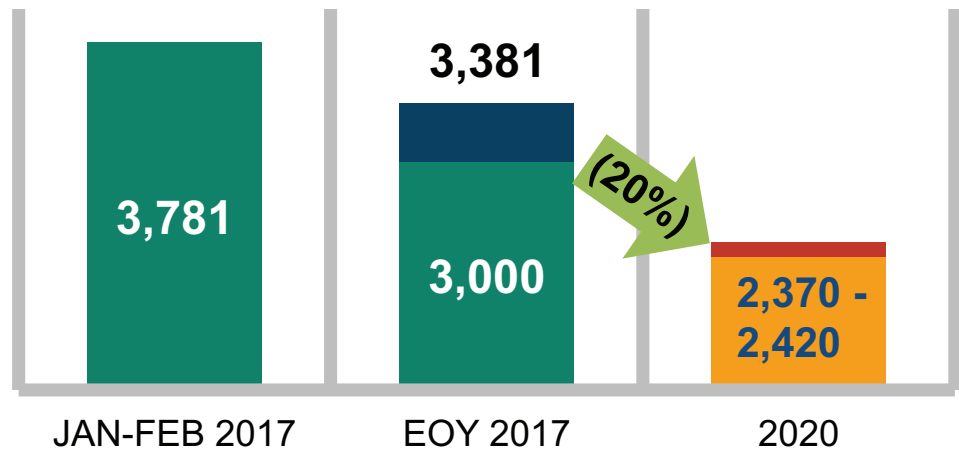
YTD Velocity (MPH)



YTD Average Train Tonnage



Active Locomotives



■ Actual
 ■ Initial HH Target
 ■ Forecast
 ■ Sensitivity

- Refine train plan, increase velocity, and right-size footprint
- Focus going forward:
 - Matching horsepower to tonnage
 - Reducing dwell



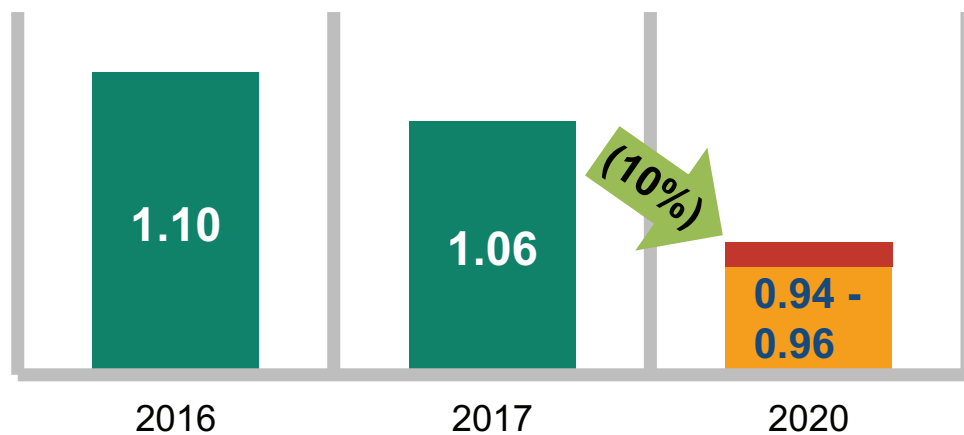
FUEL CONSUMPTION REDUCED AS OPERATIONS ARE REFINED



YTD
Horsepower per Ton

1.27

Fuel Efficiency Gal / KGTM



Actual Forecast Sensitivity

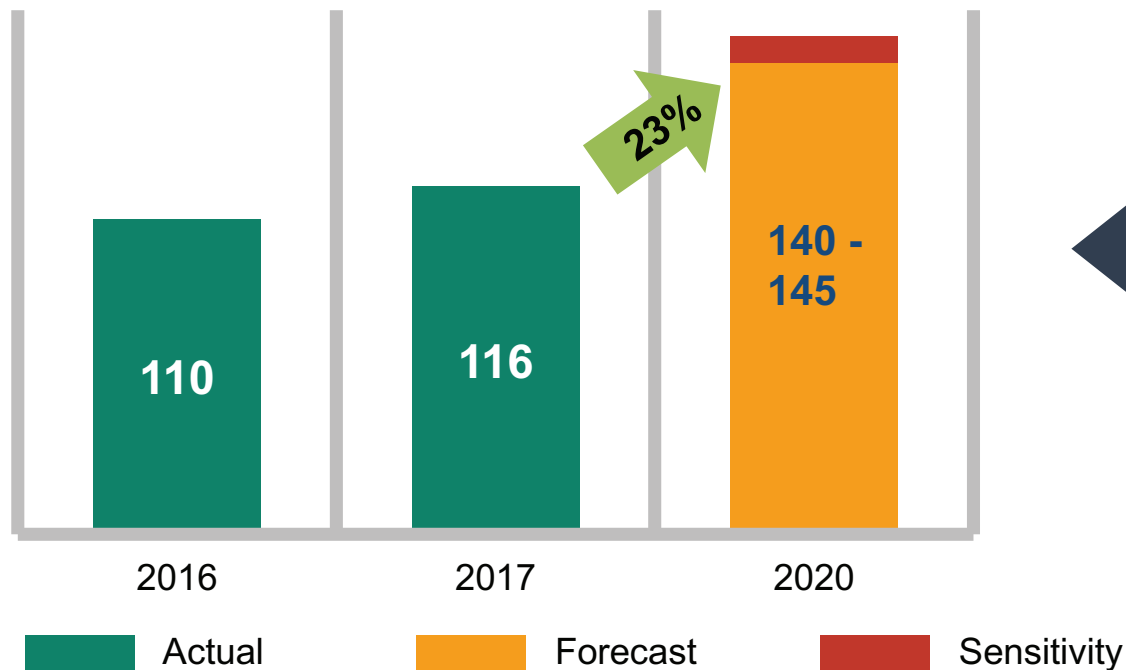
- Fewer locomotives means fuel efficiency
- Notch-limiting where appropriate
- New fuel-saving technologies



ENGAGED, PRODUCTIVE WORKFORCE DRIVES VALUE



T&E Employee Efficiency
GTM (000) / Active T&E Employee



- Fewer train starts improves labor efficiencies
- Faster, more consistent trips reduce overtime and reworks
- Streamlining an engaged and fully productive workforce



FUTURE IS BRIGHT



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AMY RICE

Vice President
Strategic Planning



THE \$100M CHALLENGE

CHALLENGE DELIVERED

CROSS FUNCTIONAL IDENTIFICATION

EXECUTION AND REALIGNMENT



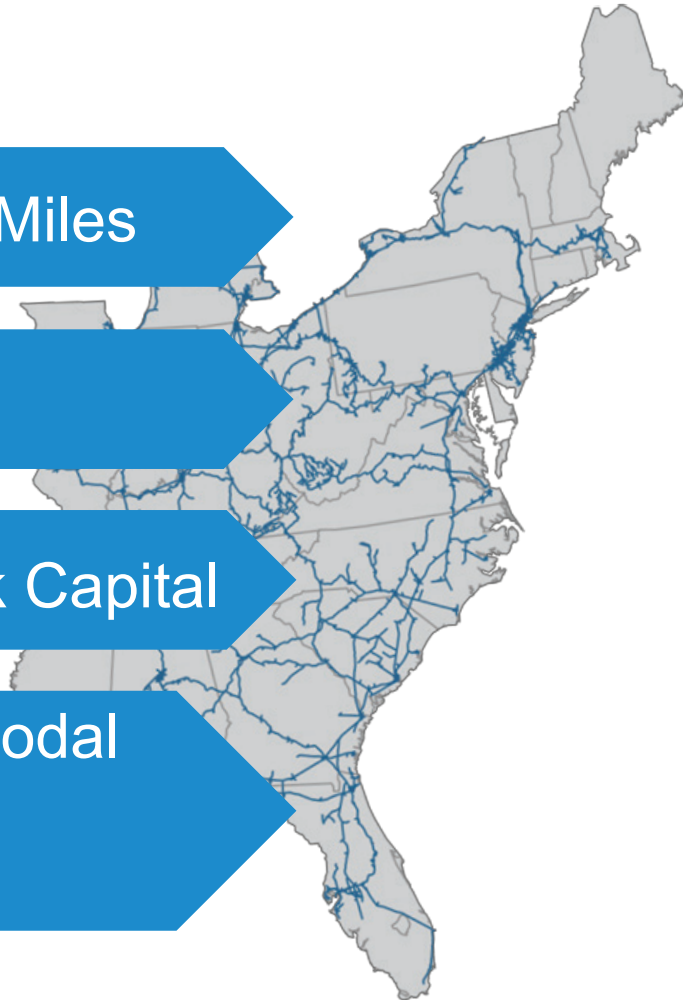
DESIGNING THE NETWORK

37,000 Track Miles

150+ Yards

\$1B+ Network Capital

1,000+ Intermodal
Lanes/Trains
Combination



- Focus on our core network
- Eliminate unnecessary track infrastructure
- Rationalize unproductive yards
- Optimize intermodal terminals
- Determine best use of underutilized territory

Rationalization is a By-Product of the Network Evaluation



NETWORK RATIONALIZATION DRIVES ASSET UTILIZATION

Case Study: 1,000 Miles Of Network Rationalization

Revenue Reduction

Conceptual based on distance

(\$60M)

Cost Avoidance – Operating and Capital

Track maintenance, territory operation, assets; overhead reduction above and beyond

\$110M+

Locomotives Reduced

Fuel, maintenance, parts

39

Sale Proceeds

Highly variable transaction size

TBD

QUESTION &
ANSWER



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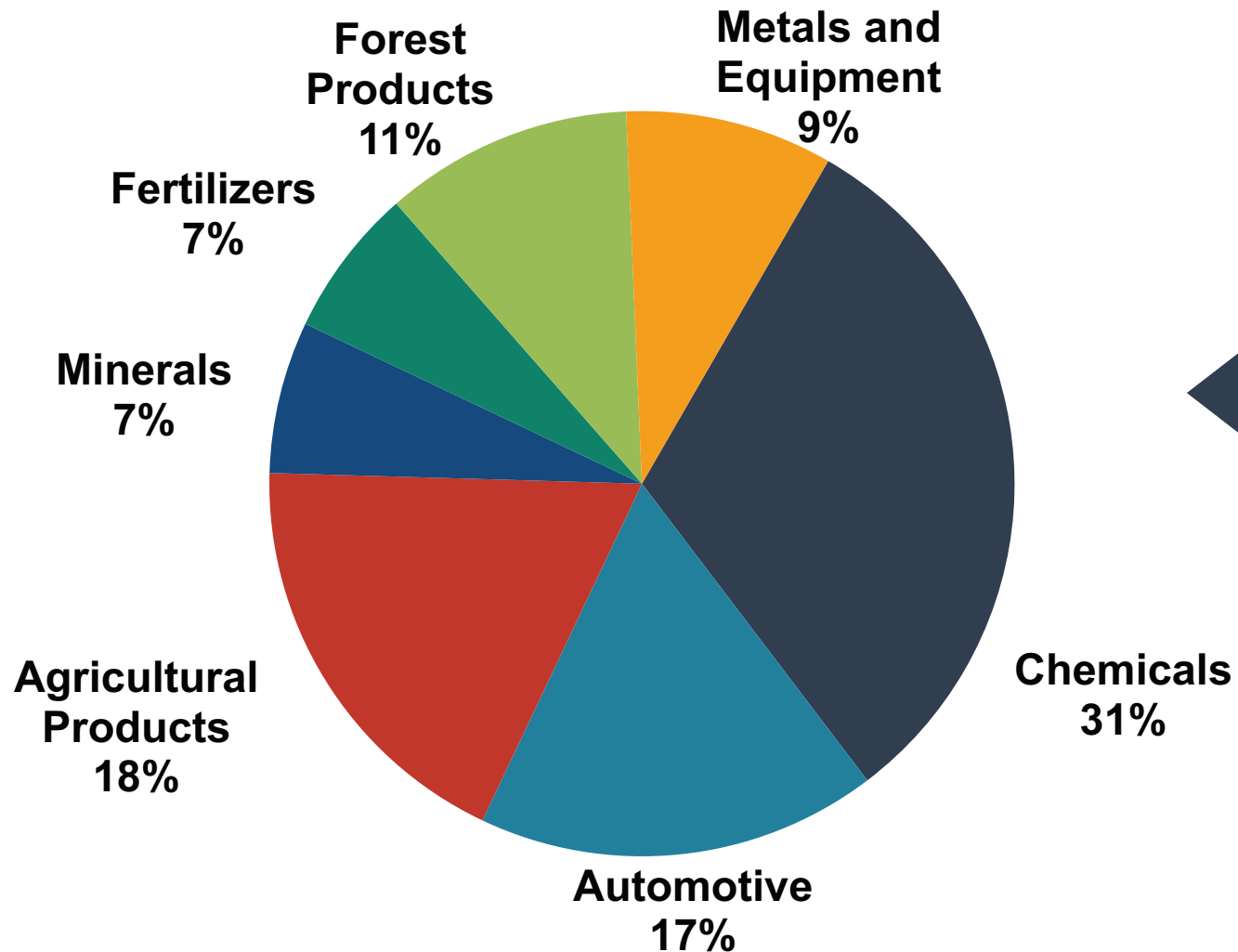
**MICHAEL
RUTHERFORD**

Vice President
Merchandise Sales & Marketing



DIVERSE MERCHANDISE BUSINESS POISED FOR GROWTH

2017 Revenue by Market



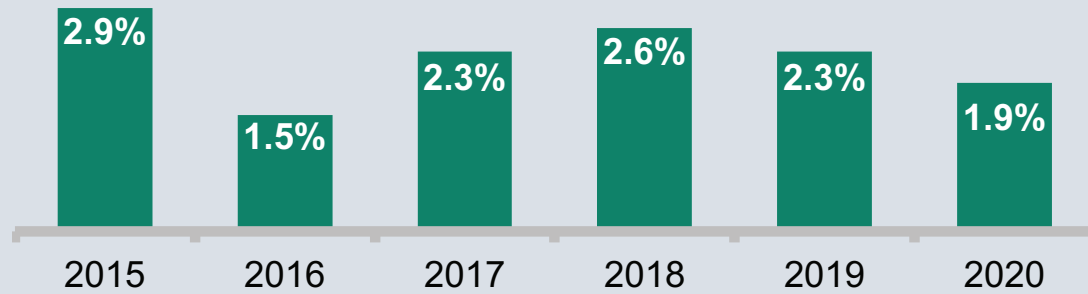
- Merchandise represents ~60% of revenue
- Selling value of Scheduled Railroading
- Renewed emphasis on carload growth



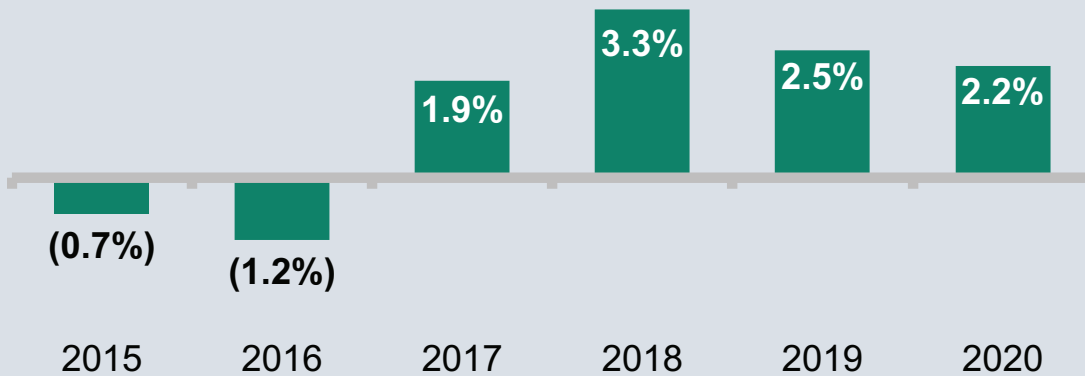
THE TIMING COULD NOT BE BETTER

Key Market Forecasts

U.S. Gross Domestic Product

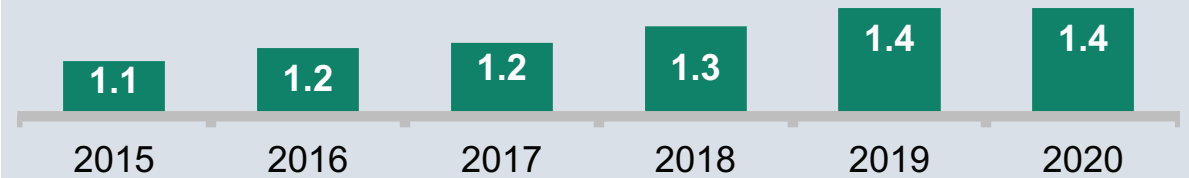


U.S. Industrial Production

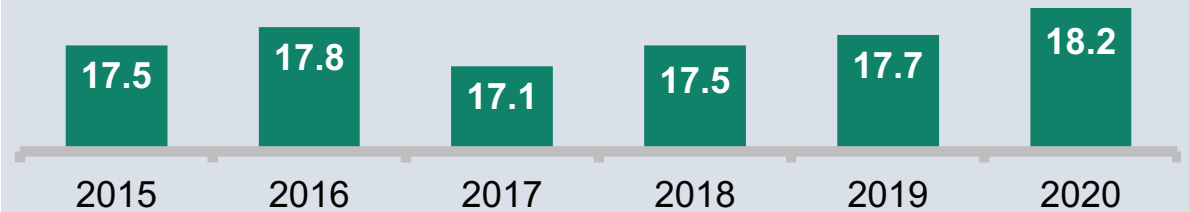


Key Merchandise Forecasts

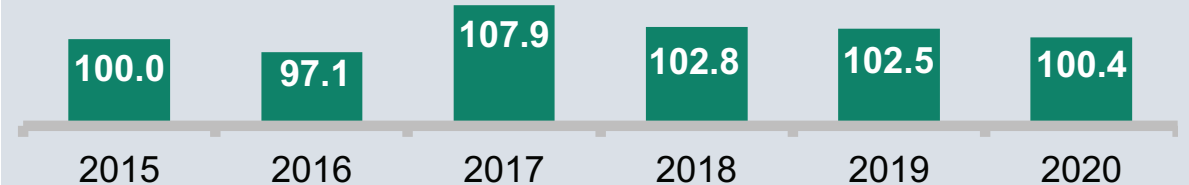
Housing Starts In Millions



Auto Production In Millions



Grain Production Indexed: Jan-2015 = 100





DELIVERING BETTER, MORE COMPETITIVE SERVICE

Reduced Transit Time Yields Customer Benefits



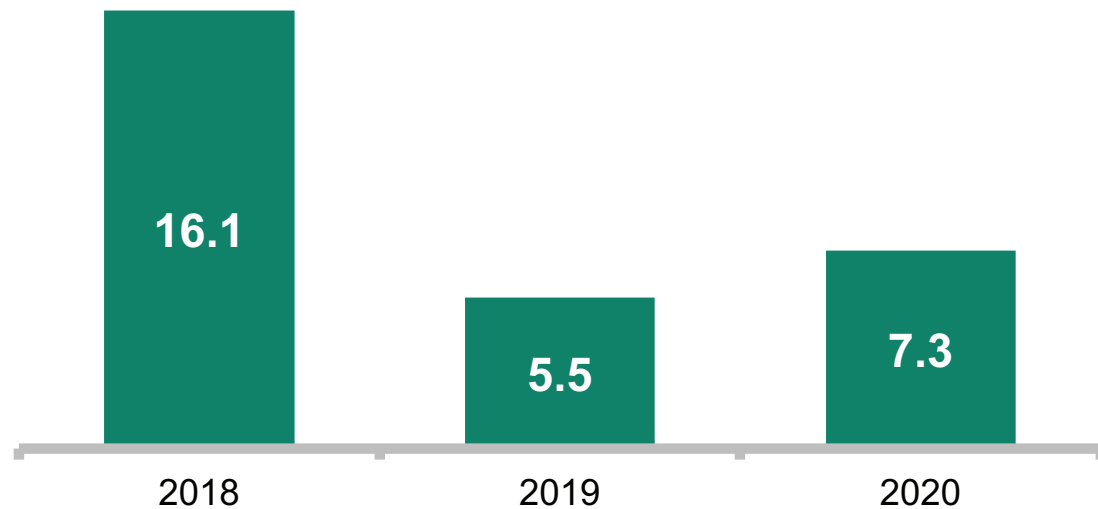
- Use more low-cost rail
- Fewer supply chain buffers
- Lower inventory
- Better asset utilization



IMPROVED CAR UTILIZATION DRIVES CUSTOMER GROWTH

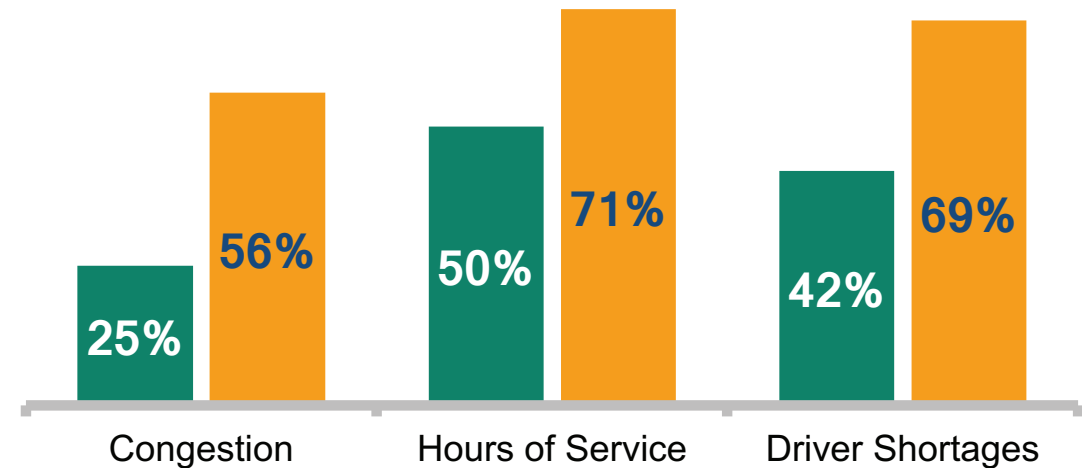
New Chemical Production

■ Millions of Tons per Year



Trucking Challenges

■ Current ■ 2020



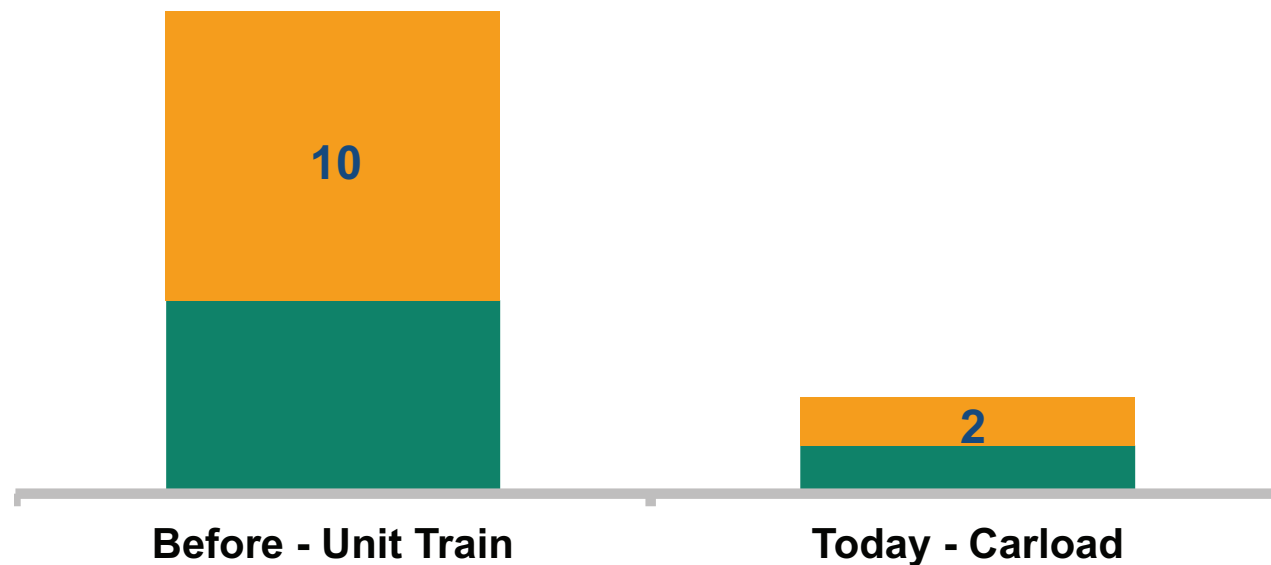
Scheduled Railroading Benefits Customers with Private Car Fleets



CSX CUSTOMERS GETTING TANGIBLE BENEFITS

Total Car Days Spent At Metals Customer

■ Loading Time ■ Unloading Time

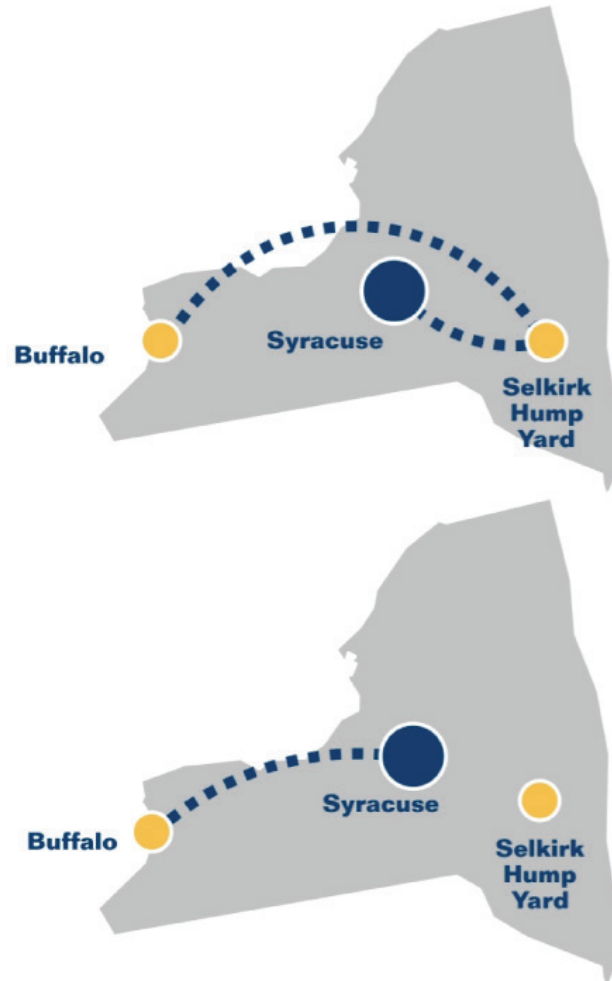


- Smoother car flows lead to more resilient supply chain
- Reduced fleet by >10%
- Freed up cars used to capture new business



SCHEDULED RAILROADING WORKS IN THE EAST

A Streamlined Solution



Obsession with Humps

- Excessive out-of-route miles
- Increased dwell and transit time

Direct Route Benefits

- Miles cut by two-thirds
- Transit time cut by half
- Costs cut by half

Won Highly Competitive Business at Improved Profitability



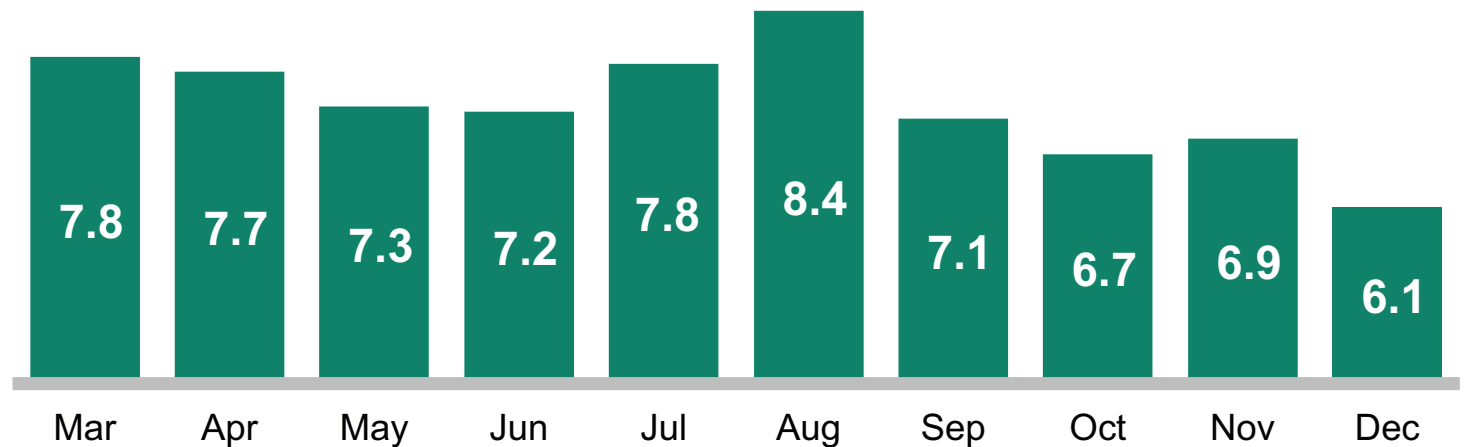
PARTNERING WITH CUSTOMERS TO DRIVE RESULTS

Consumer Products



- Better service supports better planning
- Eliminated bunching at destination
- Solid volume growth in 2017

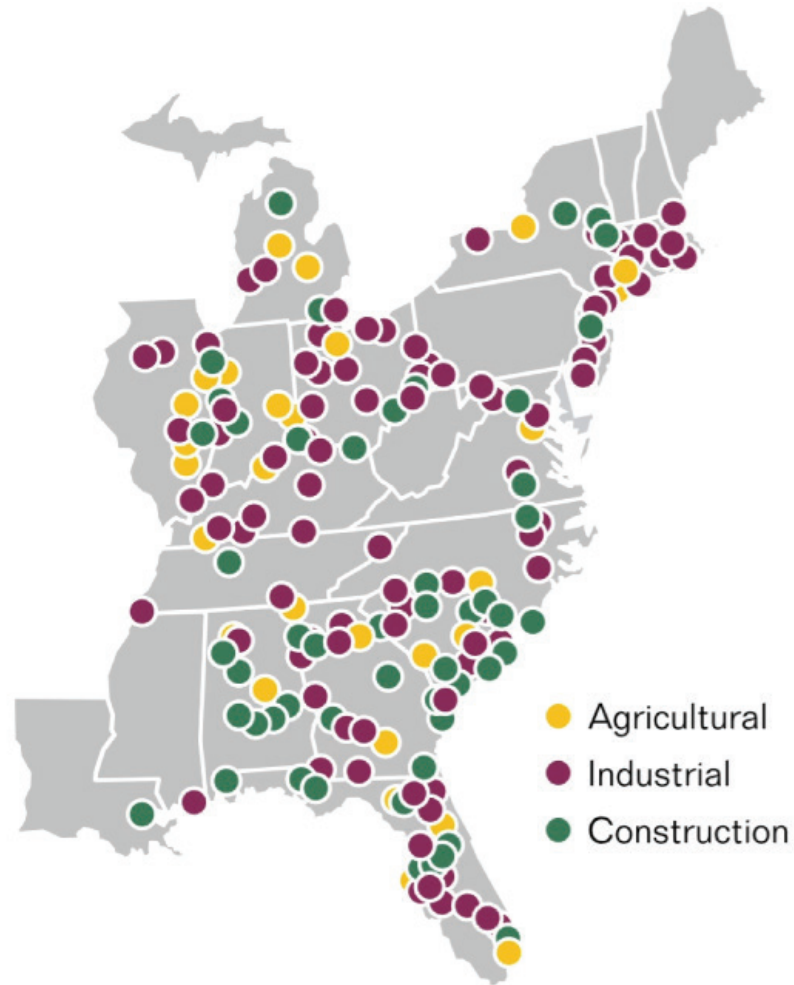
Average Customer Transit Days In 2017





SCHEDULED RAILROADING SUPPORTS FUTURE GROWTH

New Projects & Customer Expansions



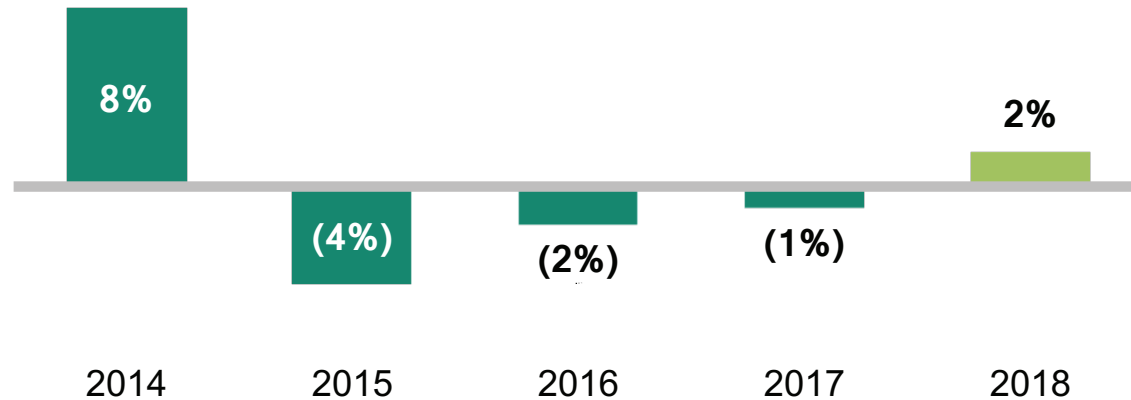
- Appeals to a diverse group of customers
- Supports long-term growth
- Industrial Development supports site location and design



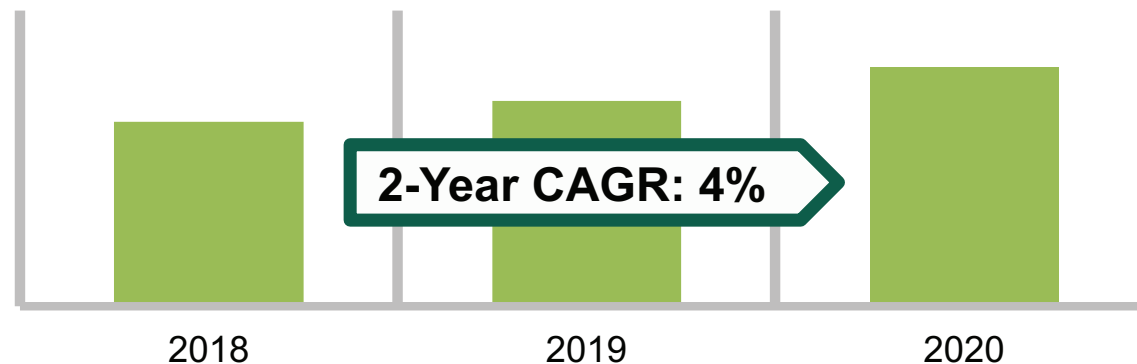
PIVOTING TO GROWTH IN MERCHANDISE

Merchandise Annual Revenue Change

Revenue Trend



Revenue Outlook



- Driving future growth opportunities
 - More reliable service product
 - Better asset utilization
 - Increased addressable market
- Still in the early phases
 - Just starting to see the benefits
 - Customer engagement key to accelerating growth
 - New sales incentive program ensures proper focus

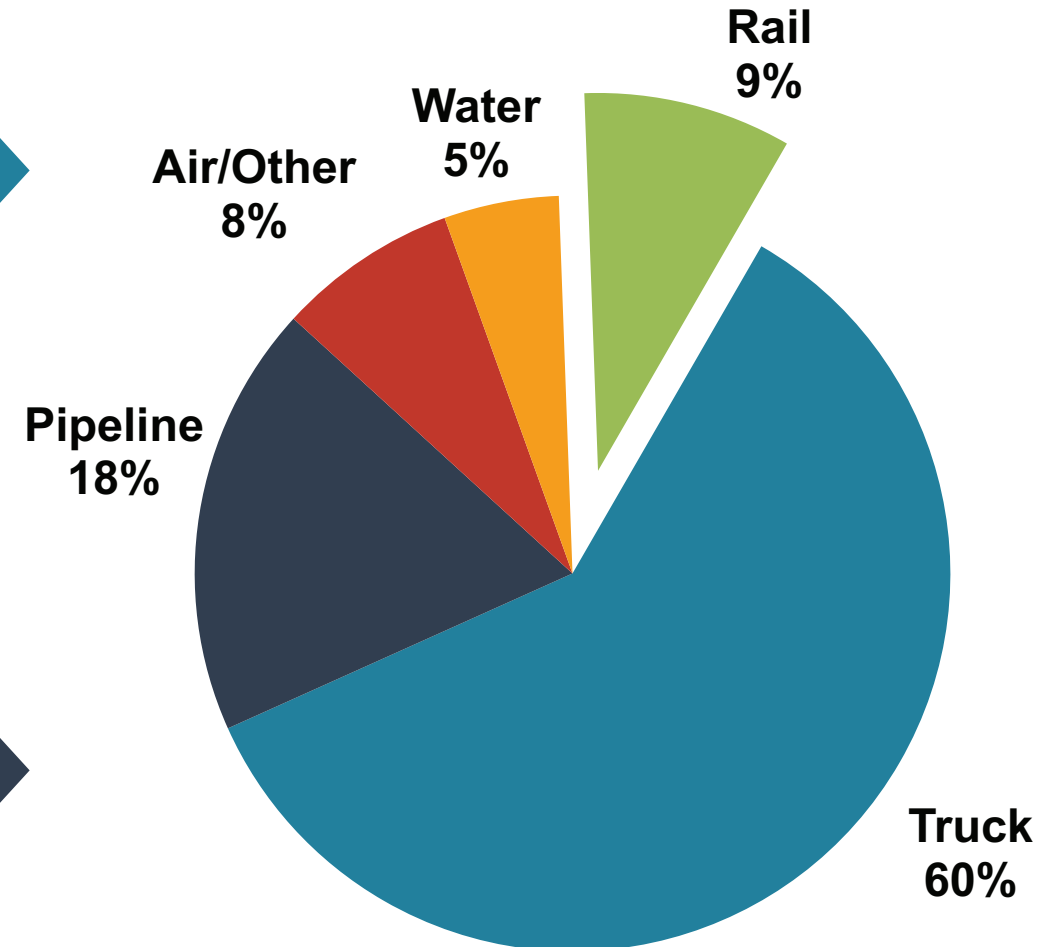


UPSIDE OPPORTUNITY THROUGHOUT MERCHANDISE

Improving Freight Economy
Expanding Economy
GDP/IDP
Tax Reform
Infrastructure Bill
Consumer Sentiment

Rail Conversion Opportunity
Tightening Truck Market
Rising Truck Load Rates
Modal Share Expansion

US Modal Shipment Tonnage



Source: United States Bureau of Transportation Statistics

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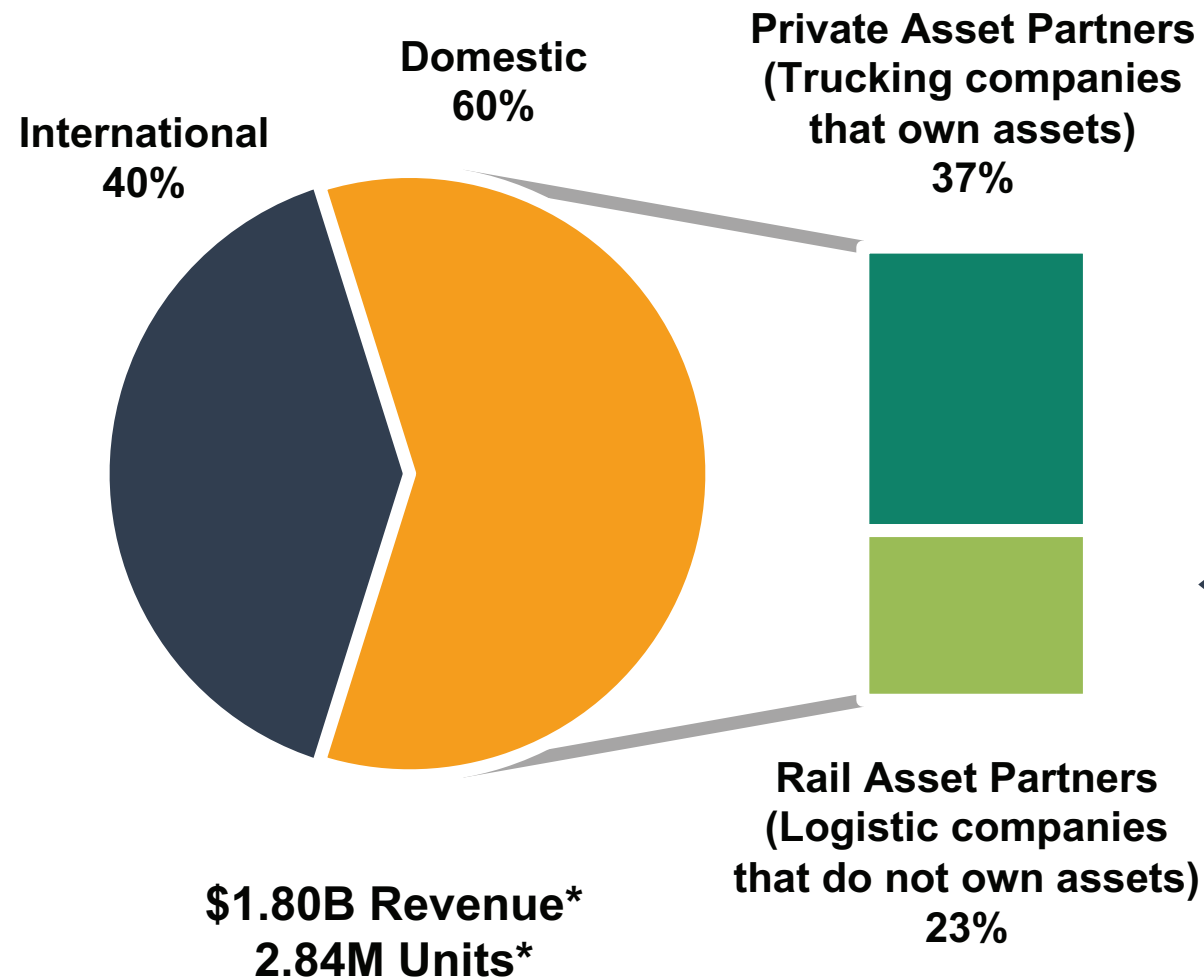


DEAN PIACENTE

Vice President
Intermodal Sales & Marketing



INTERMODAL MARKET POSITIONED FOR GROWTH



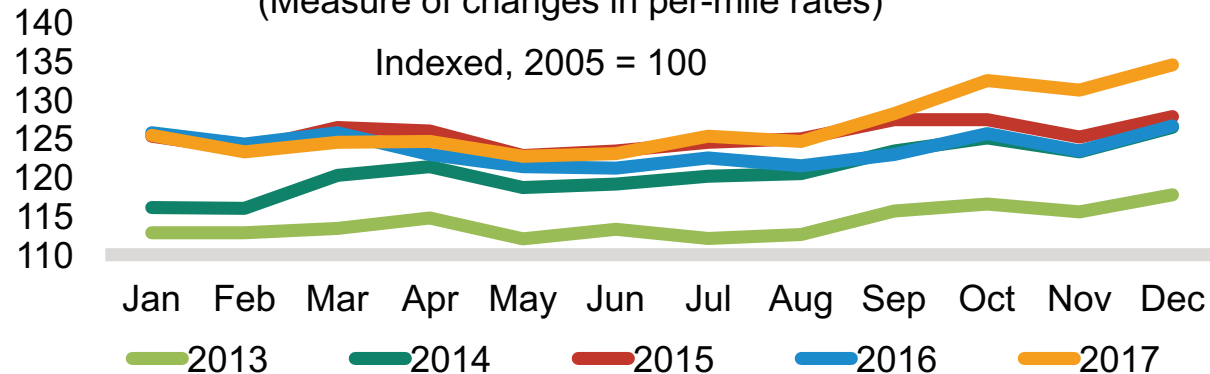
- Domestic driven by organic growth through highway conversions
- International driven by new capacity and consumer spending
- Scheduled Railroading drives:
 - Profitable growth
 - Pricing for value of our service
 - Strong margin expansion



TRUCKLOAD MARKET DYNAMICS BENEFIT INTERMODAL

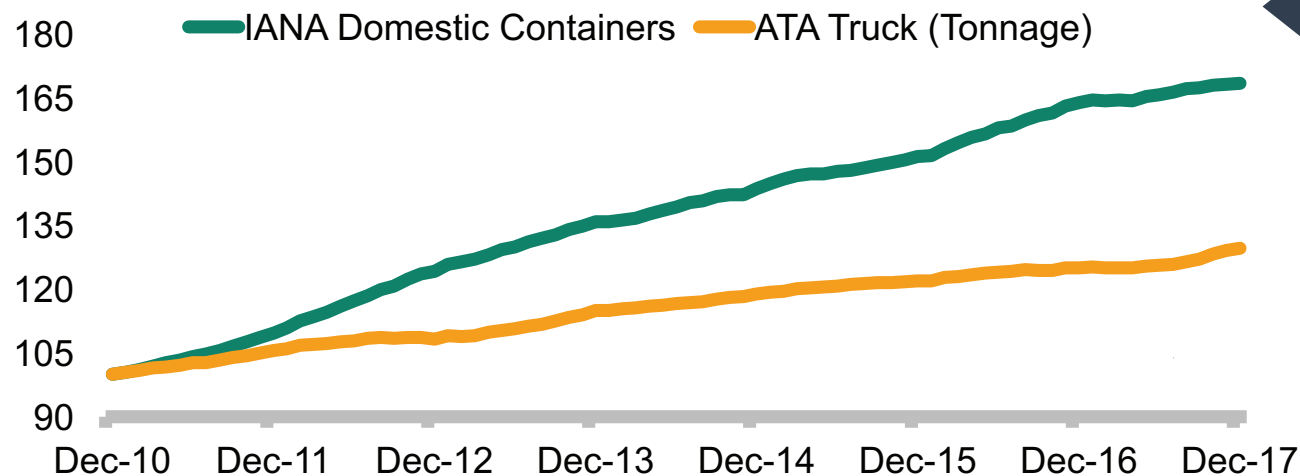
Cass Truckload Linehaul Index

(Measure of changes in per-mile rates)



Domestic Intermodal Shipments Vs. Truck Tonnage

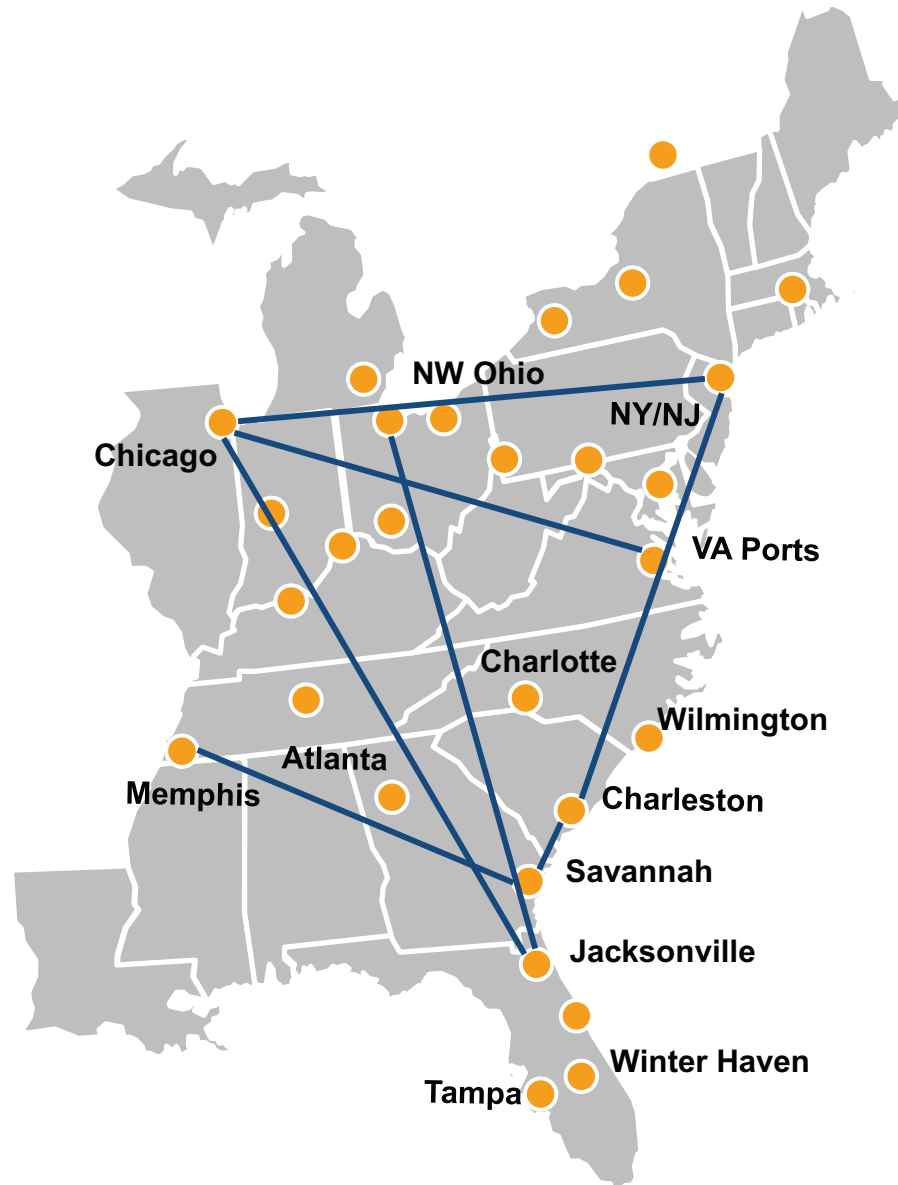
Indexed, 2011 = 100



- Trucking demand and linehaul rates surged at the end of 2017
- Driver shortages are likely to continue
- Electronic Logging Device mandate will create more trucker challenges
- Diesel prices up \$0.44 per gallon YoY in January 2018



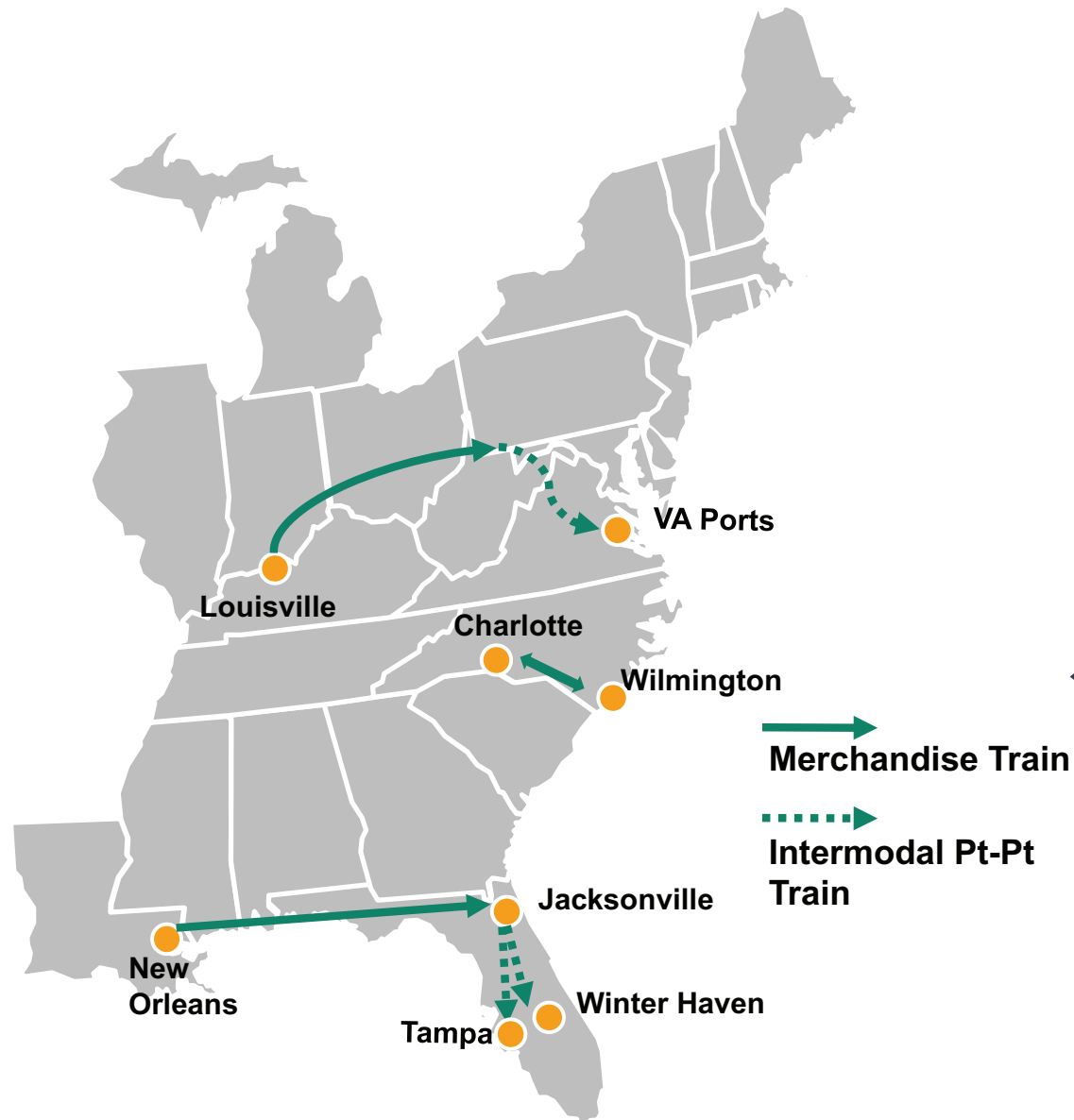
ALTERED NETWORK DESIGN STREAMLINES SERVICE



- Point-to-point trains move on high density lanes faster and with fewer delays
- Eliminated undesirable lanes, creating capacity to “trade up”
- NW Ohio is a strong local gate and serves as an effective “Chicago” interchange



NETWORK REDESIGN EXPANDS OUR MARKET OPPORTUNITY

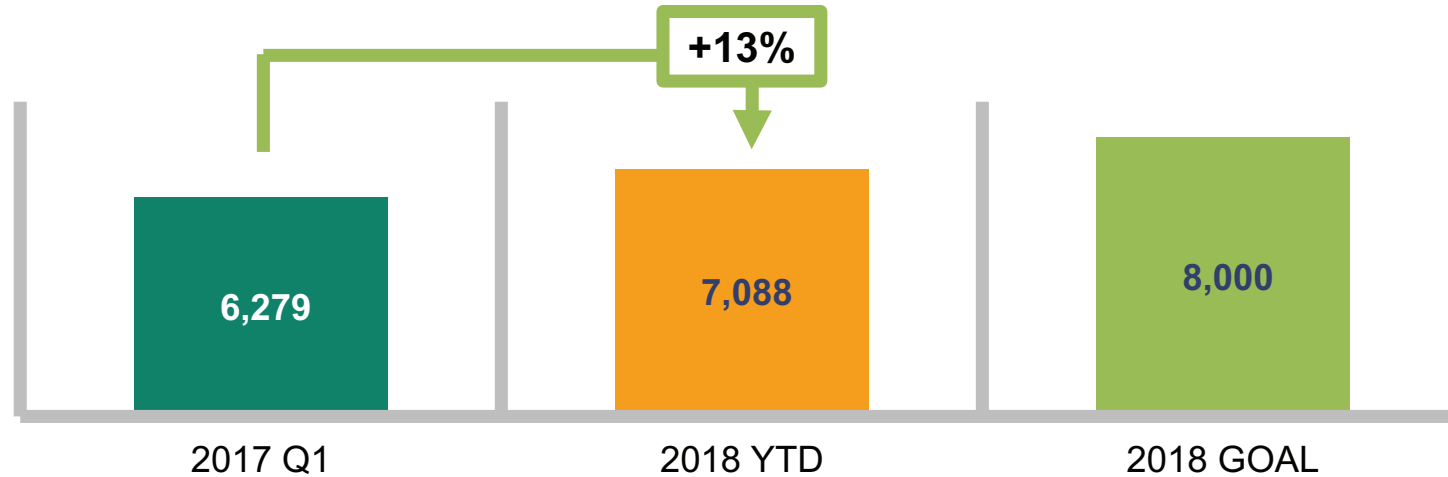


- Utilize faster, daily merchandise train network
- Expands market reach
- Increases asset utilization
- Provides competitive service product

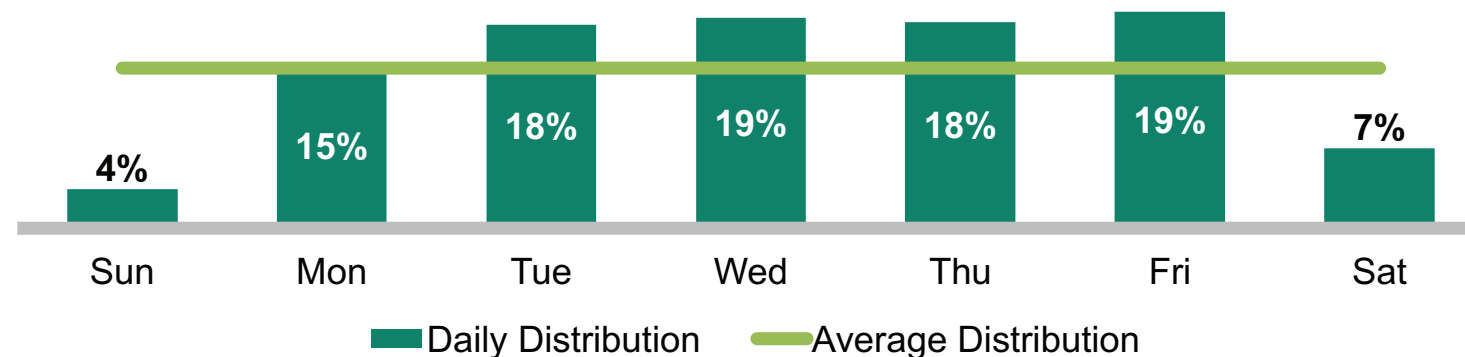


LEVERAGE CAPACITY FOR GROWTH

Intermodal Train Length



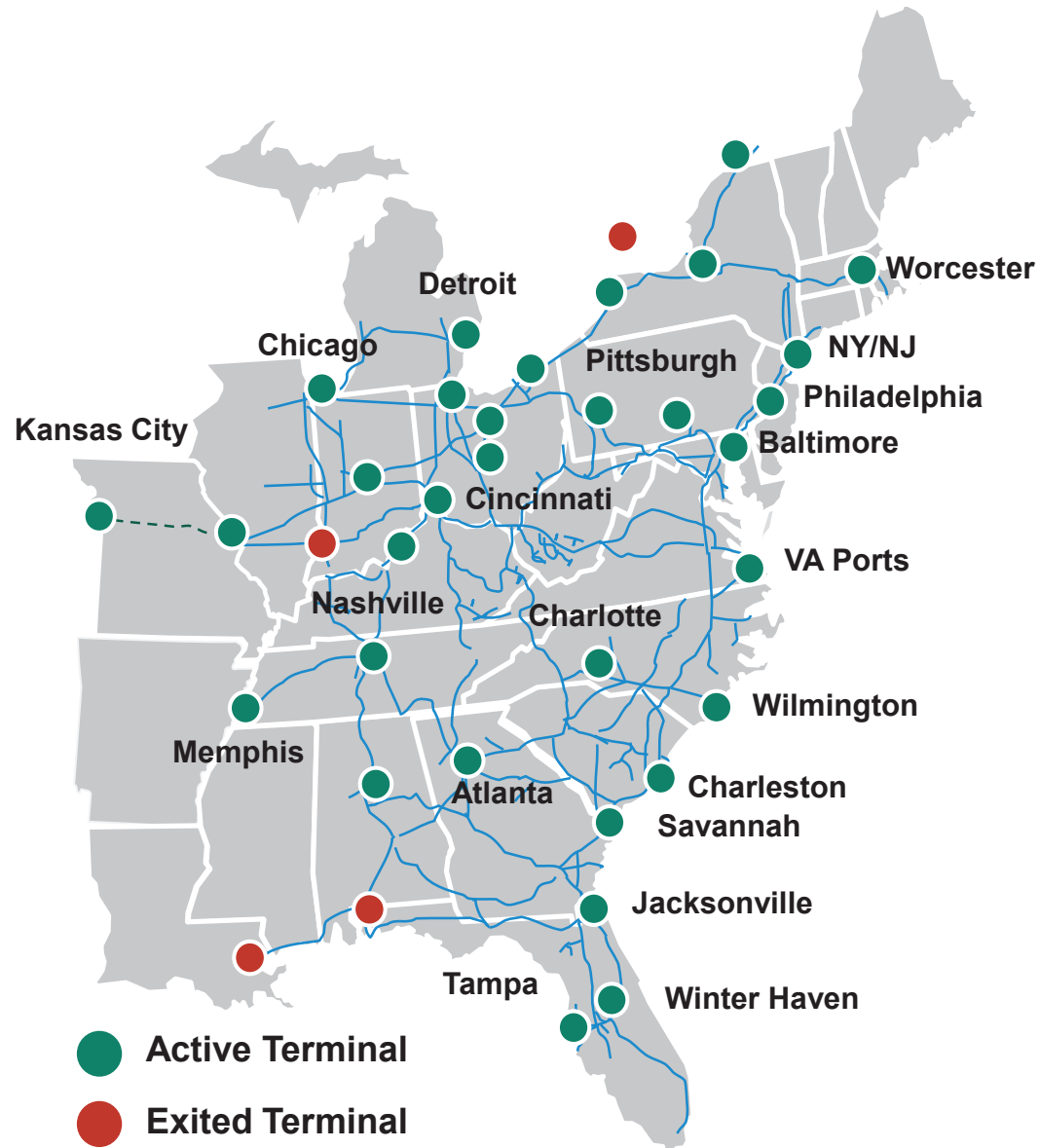
Distribution Of Containers Arriving At CSX Terminals



- Longer, denser trains result in improved efficiencies
- Balanced daily service across nearly entire network
- Demand-based pricing



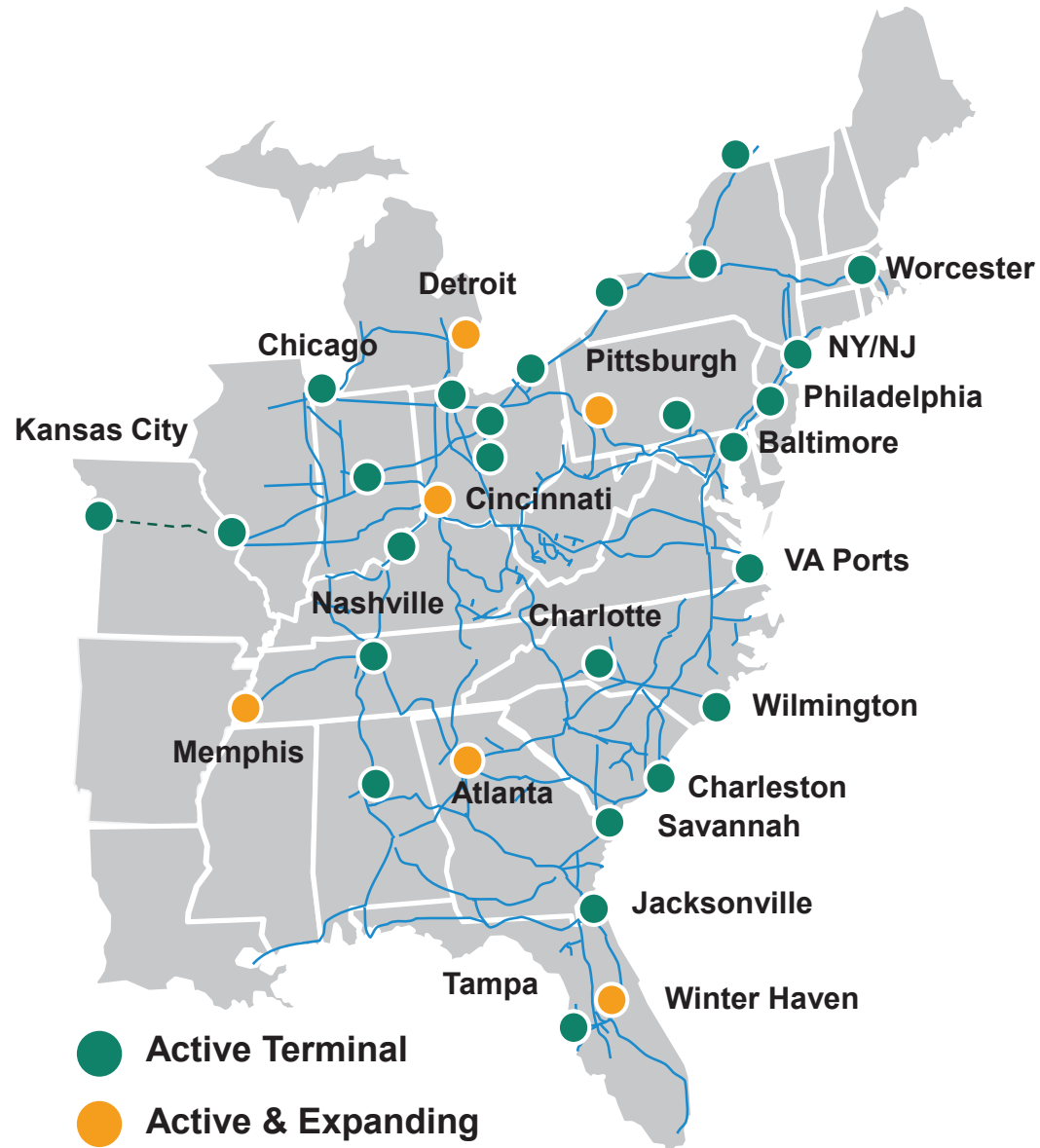
NETWORK ENHANCEMENTS FOR PROFITABLE GROWTH



- Exited underutilized terminals



NETWORK ENHANCEMENTS FOR PROFITABLE GROWTH



- Exited underutilized terminals
- Adding over 600k units capacity by expanding terminals for growth



NETWORK ENHANCEMENTS FOR PROFITABLE GROWTH



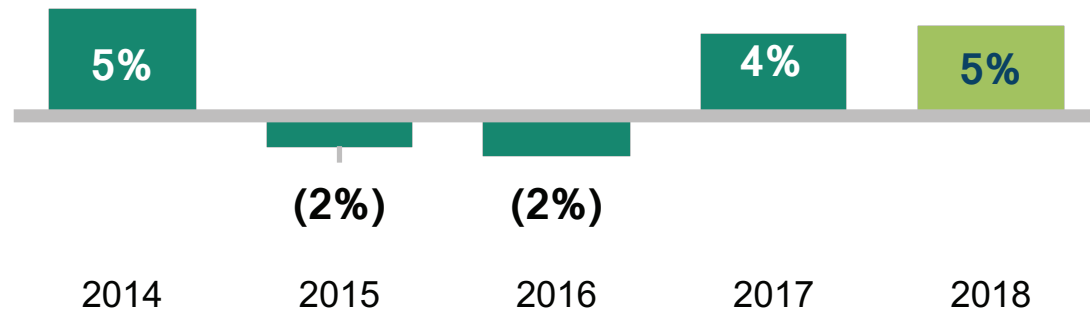
- Exited underutilized terminals
- Adding over 600k units capacity by expanding terminals for growth
- Suez and Panama Canals both driving Eastern port growth
 - Major East Coast ports grew 19% over 3 years vs. GDP of 6.7%*
 - Rail share of port volumes to increase from 20% to 25% by 2023



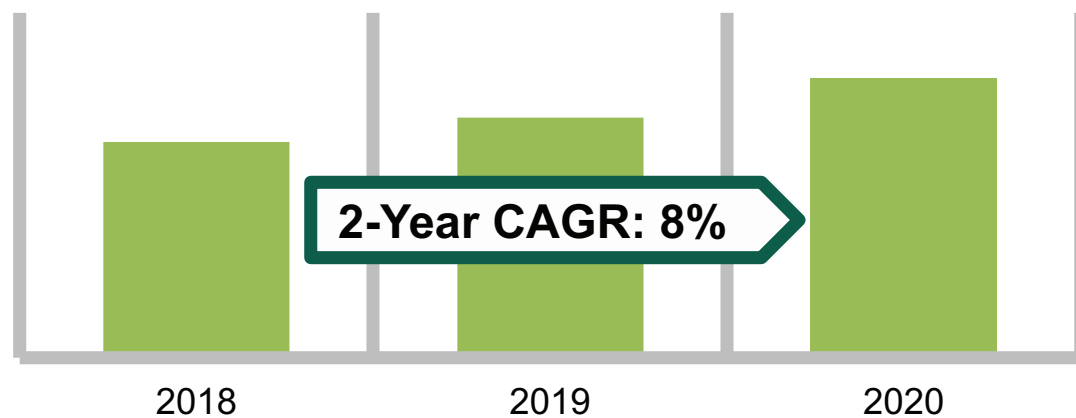
STRONG INTERMODAL GROWTH PROJECTED

Intermodal Annual Revenue Change

Revenue Trend



Revenue Outlook



- Service and investments will drive growth and margin expansion
- Strong market fundamentals for both domestic and international
- Truck issues favor rail
 - Trucking regulations
 - Driver shortages
 - Rising fuel prices

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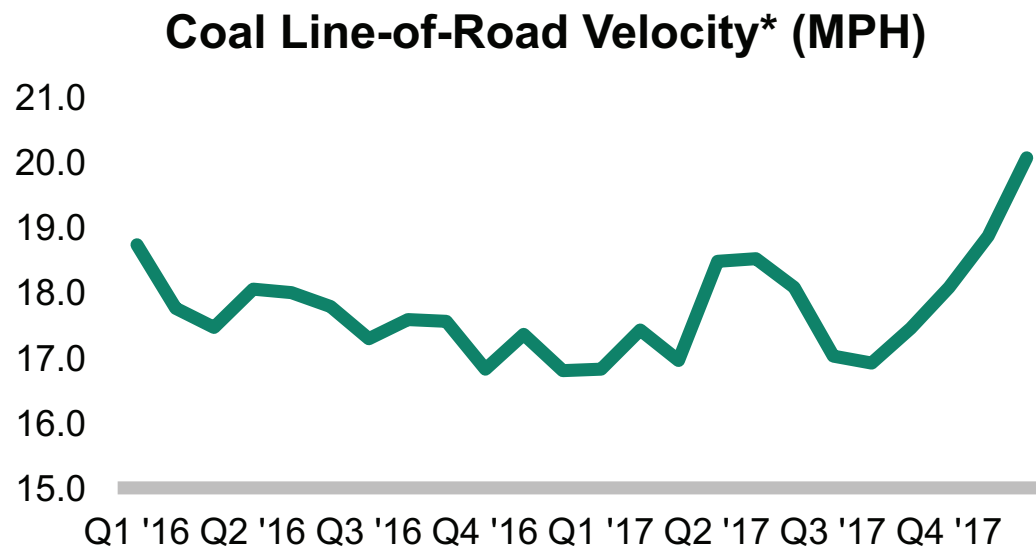
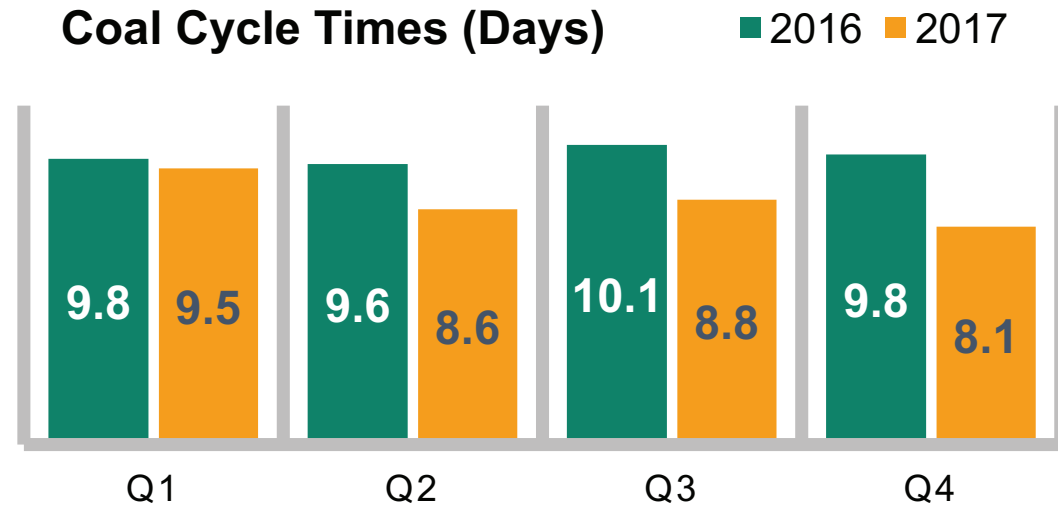


RUSS EPTING

Vice President
Coal Sales & Marketing



SCHEDULED RAILROADING DRIVES EFFICIENCY IN COAL



- Maximizes train size with origin and destination capabilities
- Improves key metrics in the coal network
 - Cycle times have improved ~17%
- Results in better customer service
- Enhances ability to respond to changing market conditions



*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.

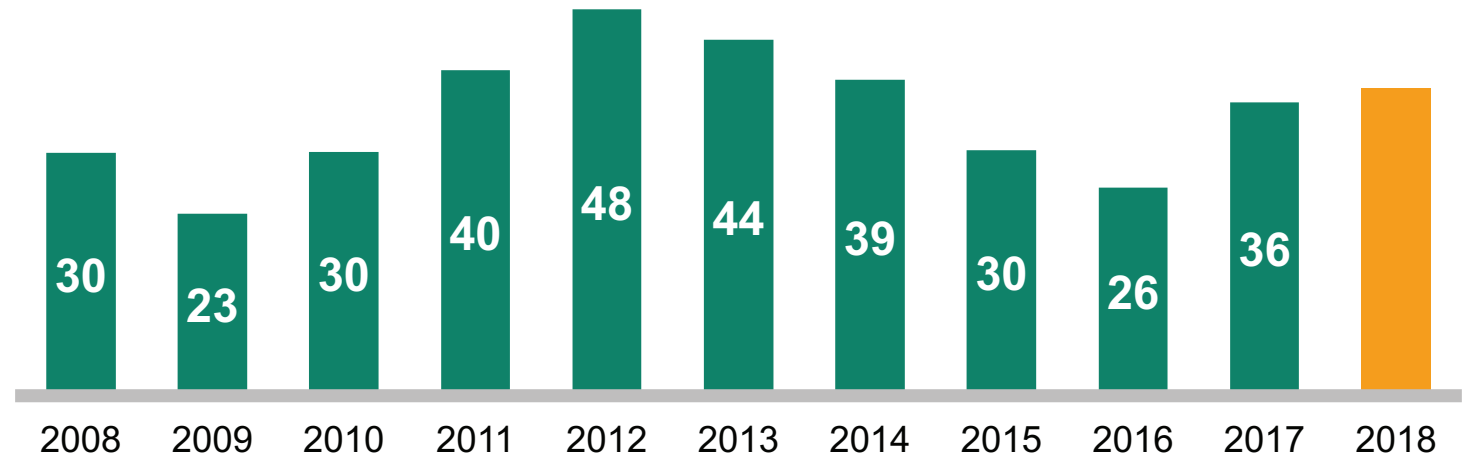


WELL POSITIONED TO CAPTURE EXPORT OPPORTUNITIES



● Active Port
 ● Coal Reserves

Total Tons In Millions

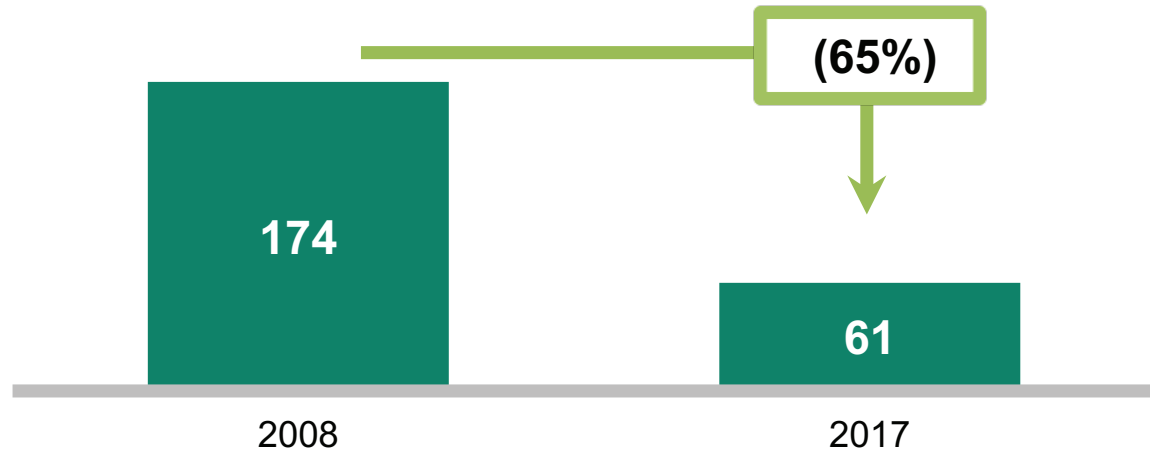


- Network access to vast coal reserves
- Excellent port connectivity
- Demand for export coal has recovered as global supply / demand rebalances

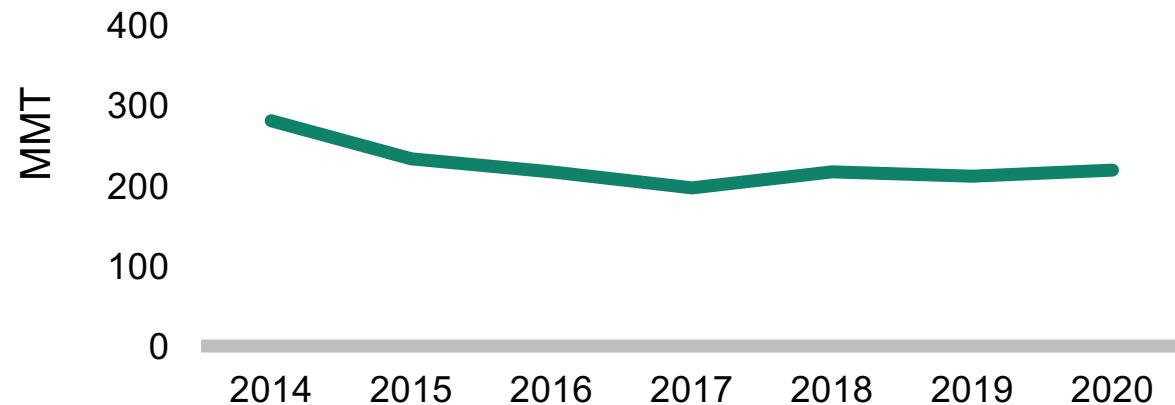


LESS DOWNSIDE EXPOSURE ON DOMESTIC UTILITY COAL

Total Domestic Tons (Millions)



Eastern US Utility Demand*



- Natural gas prices drove significant structural change in domestic coal
- Fewer planned closures through 2020
- Partnering with customer base to compete in current environment
- Domestic utility markets expected to stabilize



CAPITALIZING ON OPPORTUNITIES IN COAL

EXPORT

- Dependent on global supply and demand
- Remains highly volatile

DOMESTIC UTILITY

- Driven by weather, natural gas prices, and regulation
- Outlook is stabilizing, although not expected to reverse

STEEL & INDUSTRIAL

- Flexes with US steel production
- Expecting moderate growth after 2017 decline

Scheduled Railroading Provides Greater Agility in Coal Markets

QUESTION &
ANSWER



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FRANK LONEGRO

Executive Vice President and
Chief Financial Officer



TRANSFORMATION TO SCHEDULED RAILROADING IS WELL UNDERWAY

Competitive Advantage

- Scheduled Railroading provides untapped growth opportunities, strong pricing gains
- Step function changes in asset, resource and fuel utilization drive cost control
- Fewer assets yields lower capital intensity over the foreseeable future

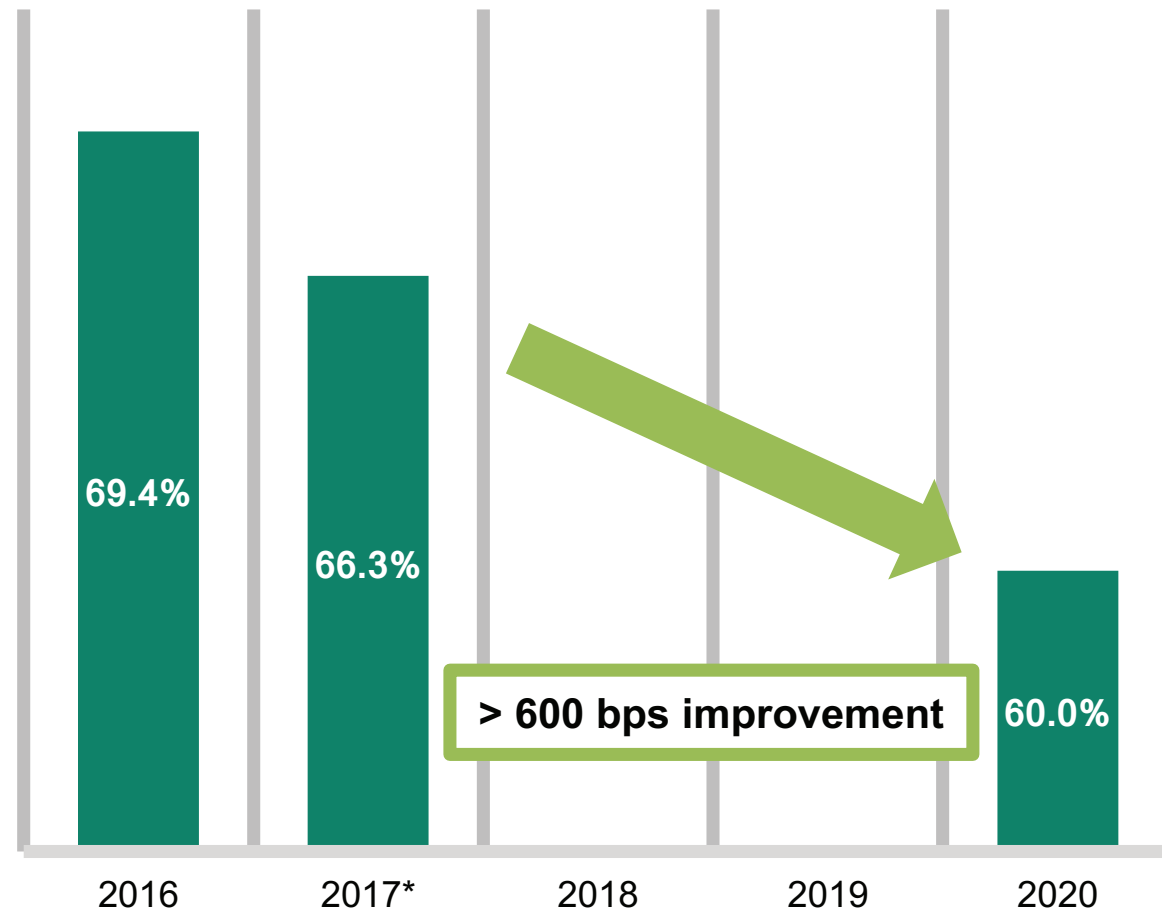
Financial Projections

- Targeting 60% operating ratio by 2020
- Expecting \$8.5 billion cumulative free cash flow in 2018 - 2020
- Free cash flow generation supports strong shareholder returns



CSX TARGETING 60% OPERATING RATIO BY 2020

Full Year Operating Ratio



*Reported Non-GAAP result

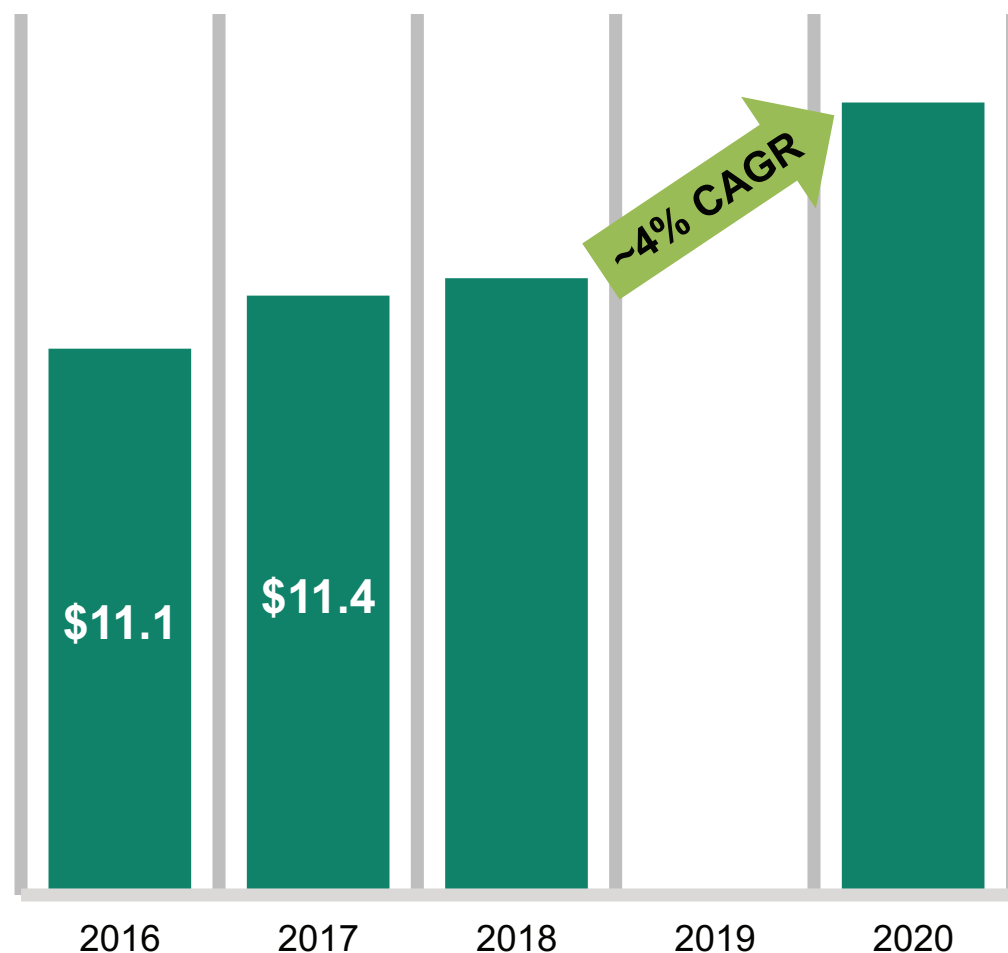


- Operating ratio improvement to outpace the industry
 - Peers will not stand still, but CSX intends to move faster
- Target reflects annual revenue growth from 2018 - 2020
 - Stronger growth anticipated in 2019 - 2020
- Expect strong cost control
 - Scheduled Railroading delivers across the board efficiency gains



SCHEDULED RAILROADING SUPPORTS TOP LINE GAINS

Revenue
Dollars In Billions



- Revenue up slightly in 2018
- Project ~4% annual revenue growth in 2019 - 2020
 - Volume and pricing gains led by Merchandise and Intermodal
 - Mix presents a headwind
- Key revenue assumptions:
 - Stable economic climate
 - No major disruption to energy markets
- Upside sensitivities:
 - Sustained, differentiated service product drives volume, pricing
 - Accelerated GDP / IDP growth



EFFICIENCY GAINS WILL OFFSET COST HEADWINDS THROUGH 2020

INFLATION AND FUEL

- Expecting inflation to moderate
- Forecast assumes Highway Diesel Fuel price remains steady at \$3.00 through 2020

OTHER COSTS

- Depreciation continues to increase, but at a slower pace
- Forecast does not include any impairments or other charges

EFFICIENCY

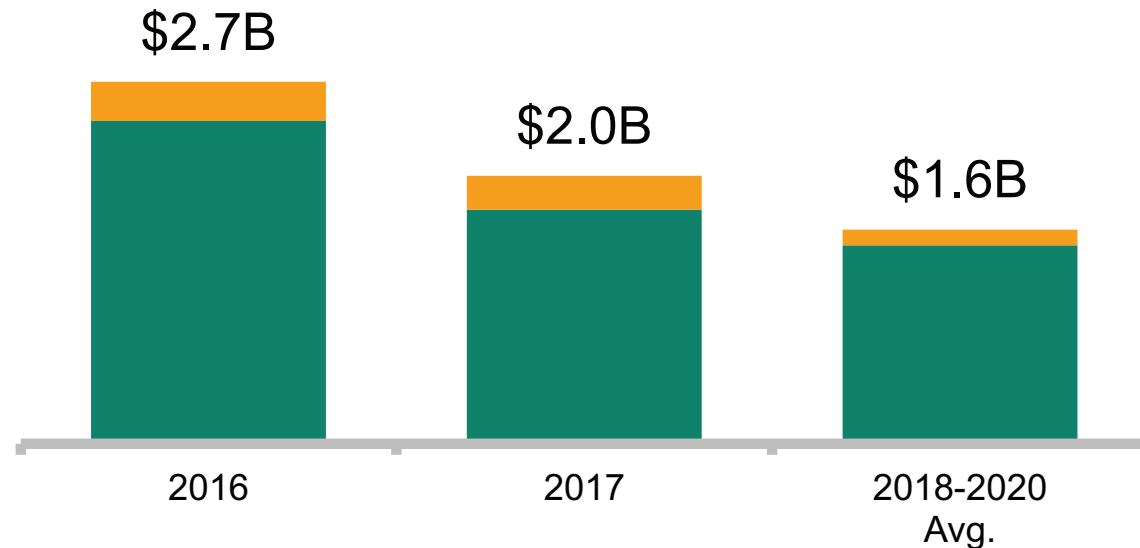
- Workforce, asset and fuel efficiency to offset inflation, volume, fuel price, and depreciation
- Leveraging culture of cost control to unlock new opportunities



TOTAL CAPITAL SPENDING AT \$4.8B FROM 2018 - 2020

Capital Expenditures

■ Core ■ PTC



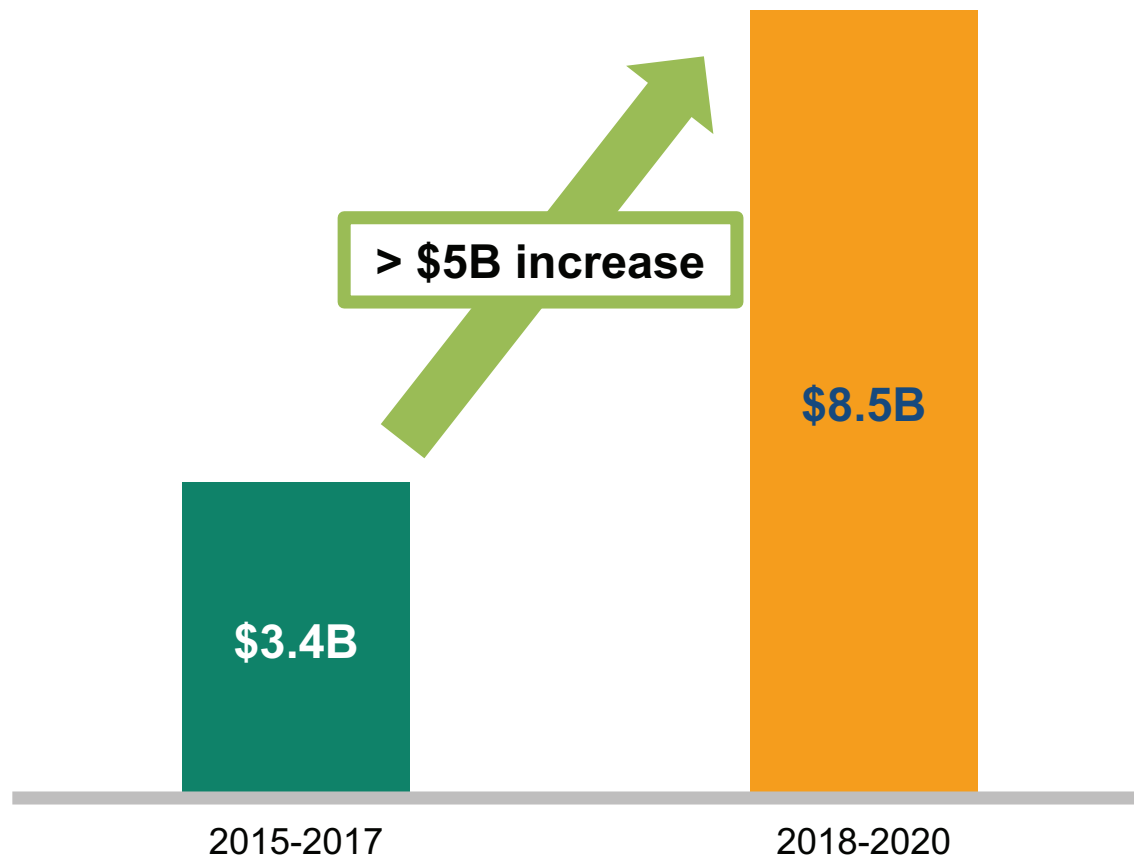
	2016	2017	2018
Miles of Rail Replaced	437	456	470
Millions of Ties Replaced	2.8	2.6	2.9

- CSX will continue to prioritize investment for safety and reliability
 - Infrastructure investments remain steady through 2020
 - Evaluating return-based strategic projects to facilitate growth
- Focused on reducing capital intensity
 - Process improvement must come first
 - Scheduled Railroading nearly eliminates rolling stock capital through at least 2020
- PTC investment steps down as project progresses toward completion
 - Annual investment should be \$100M or less by 2019 - 2020
 - Total investment expected to be \$2.4B, with \$2.0B spent to date



SUBSTANTIAL FREE CASH FLOW GROWTH VERSUS PRIOR THREE YEARS

Three Year Cumulative Free Cash Flow

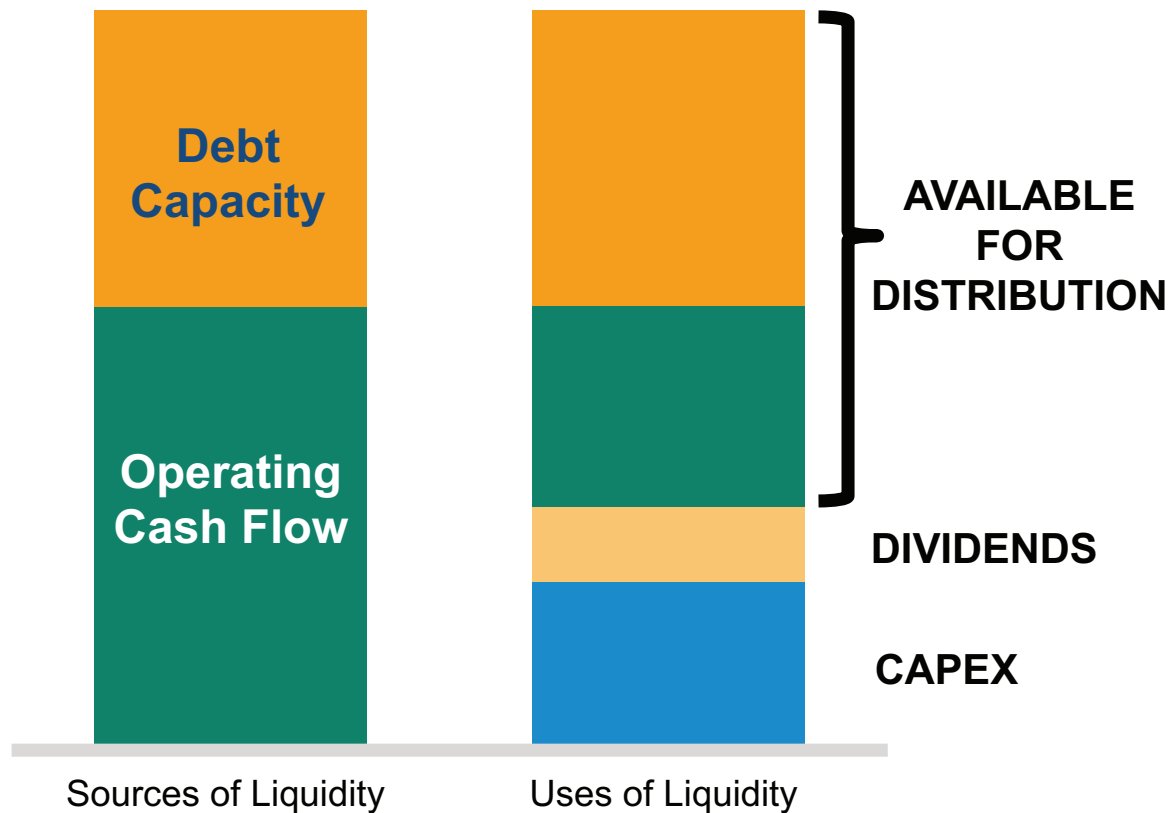


- Cash generation improves dramatically going forward
 - Higher core earnings, reduced capex, lower taxes
- Tax reform drives improved earnings and cash generation
 - Anticipate effective tax rate of ~25%; cash tax rate between 18% and 22%
- Other key drivers and opportunities:
 - Potential upside from major asset sales
 - Increased focus on working capital
- \$8.5B cumulative free cash flow supports strong shareholder returns



CAPITAL STRUCTURE SUPPORTS SHAREHOLDER DISTRIBUTIONS

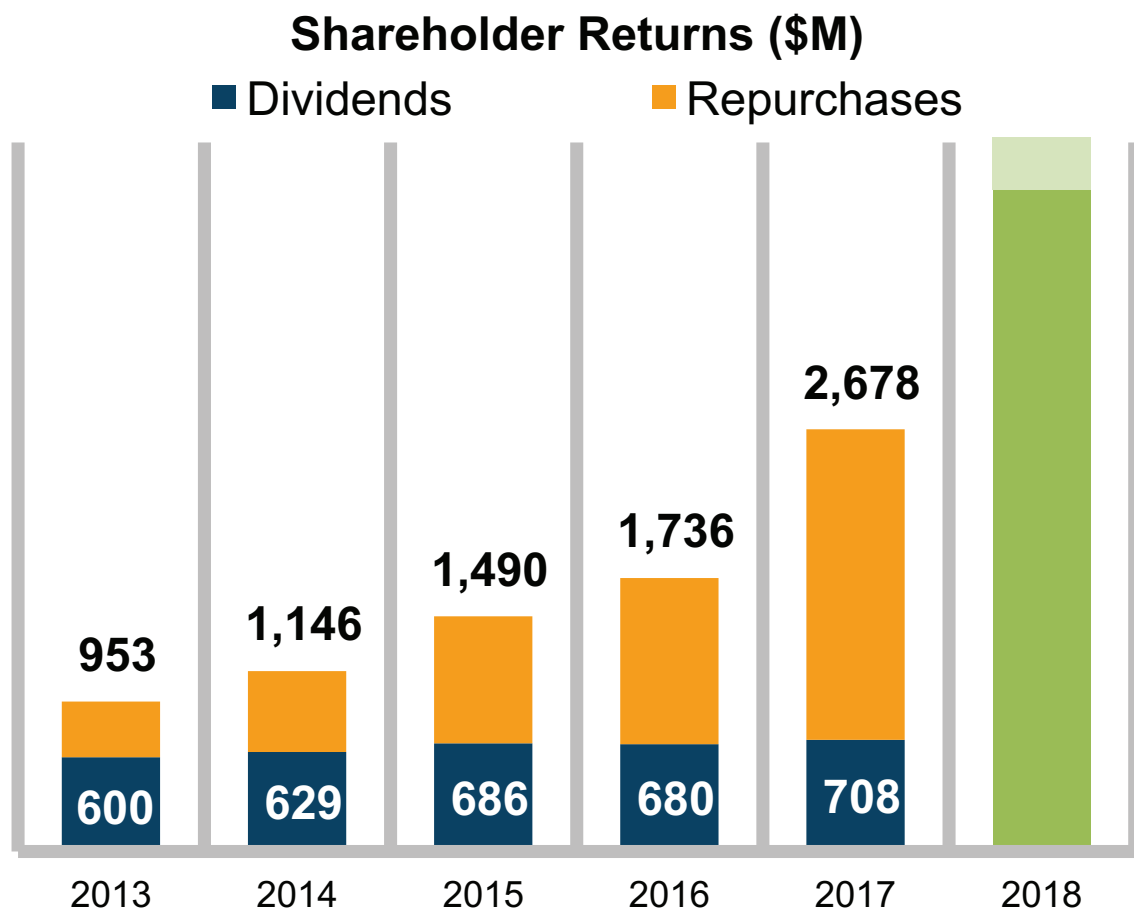
2018 Sources & Uses Of Liquidity



- Recent announcement of \$5B share repurchase and 10% dividend increase illustrates confidence in new trajectory
 - Maintains financial flexibility with appropriate increase in balance sheet leverage
- Expect continued investment in the business and return of capital to shareholders
 - Supported by significantly improved free cash flow trajectory



SHAREHOLDER RETURN HISTORY REFLECTS CONSISTENT INCREASES



- 22 cent quarterly dividend represents 38% of 2017 EPS*
- New \$5B buyback represents ~10% of market cap
 - Demonstrates strong confidence in three-year targets
 - Funded by free cash flow and increased debt
- Board will evaluate shareholder returns annually

Shareholders Will Participate in CSX's Success Story



*Annualized dividend vs.
Reported Non-GAAP result

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QUESTION &
ANSWER

