

CSX CORPORATION
PART II
Item 8. Financial Statements and Supplementary Data

CONSOLIDATED INCOME STATEMENTS
(Dollars in Millions, Except Per Share Amounts)

	Fiscal Years		
	2017	2016	2015
Revenue	\$ 11,408	\$ 11,069	\$ 11,811
Expense			
Labor and Fringe	2,914	3,159	3,290
Materials, Supplies and Other	2,113	2,092	2,356
Depreciation	1,315	1,301	1,208
Fuel	864	713	957
Equipment and Other Rents	429	465	456
Restructuring Charges (Note 1)	325	—	—
Equity Earnings of Affiliates	(219)	(50)	(40)
Total Expense	7,741	7,680	8,227
Operating Income	3,667	3,389	3,584
Interest Expense	(546)	(579)	(544)
Debt Repurchase Expense	—	(115)	—
Other Income (Expense) - Net (Note 10)	21	46	98
Earnings Before Income Taxes	3,142	2,741	3,138
Income Tax Benefit (Expense) (Note 11)	2,329	(1,027)	(1,170)
Net Earnings	\$ 5,471	\$ 1,714	\$ 1,968
Per Common Share (Note 2)			
Net Earnings Per Share			
Basic	\$ 6.01	\$ 1.81	\$ 2.00
Assuming Dilution	\$ 5.99	\$ 1.81	\$ 2.00
Average Common Shares Outstanding (Millions)			
Basic	911	947	983
Assuming Dilution	914	948	984
Cash Dividends Paid Per Common Share	\$ 0.78	\$ 0.72	\$ 0.70

Certain prior year data has been reclassified to conform to the current presentation.
See accompanying Notes to Consolidated Financial Statements.

CSX CORPORATION
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CONSOLIDATED BALANCE SHEETS
(Dollars in Millions)

	<u>December</u>	<u>December</u>
	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 1)	\$ 401	\$ 603
Short-term Investments	18	417
Accounts Receivable - Net (Note 1)	970	938
Materials and Supplies	372	407
Other Current Assets	154	122
Total Current Assets	<u>1,915</u>	<u>2,487</u>
Properties	44,324	43,227
Accumulated Depreciation	<u>(12,560)</u>	<u>(12,077)</u>
Properties - Net (Note 6)	31,764	31,150
Investment in Conrail (Note 12)	907	840
Affiliates and Other Companies	779	619
Other Long-term Assets	<u>374</u>	<u>318</u>
Total Assets	\$ 35,739	\$ 35,414
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 847	\$ 806
Labor and Fringe Benefits Payable	602	545
Casualty, Environmental and Other Reserves (Note 5)	108	115
Current Maturities of Long-term Debt (Note 9)	19	331
Income and Other Taxes Payable	157	129
Other Current Liabilities	<u>161</u>	<u>114</u>
Total Current Liabilities	1,894	2,040
Casualty, Environmental and Other Reserves (Note 5)	266	259
Long-term Debt (Note 9)	11,790	10,962
Deferred Income Taxes - Net (Note 11)	6,418	9,596
Other Long-term Liabilities	<u>650</u>	<u>863</u>
Total Liabilities	21,018	23,720
Shareholders' Equity:		
Common Stock, \$1 Par Value (Note 3)	890	928
Other Capital	217	138
Retained Earnings (Note 1)	14,084	11,253
Accumulated Other Comprehensive Loss (Note 14)	<u>(486)</u>	<u>(640)</u>
Noncontrolling Minority Interest	16	15
Total Shareholders' Equity	14,721	11,694
Total Liabilities and Shareholders' Equity	\$ 35,739	\$ 35,414

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CONSOLIDATED CASH FLOW STATEMENTS
(Dollars in Millions)

	Fiscal Years		
	2017	2016	2015
OPERATING ACTIVITIES			
Net Earnings	\$ 5,471	\$ 1,714	\$ 1,968
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:			
Depreciation	1,315	1,301	1,208
Restructuring Charge (Note 1)	325	—	—
Cash Payments for Restructuring Charge	(187)	—	—
Deferred Income Taxes	(3,233)	405	456
Earnings of equity-method investments	(219)	(50)	(40)
Contributions to Qualified Pension Plans (Note 8)	—	(250)	—
Gain on Property Dispositions	(18)	(128)	(90)
Other Operating Activities	(17)	(20)	62
Changes in Operating Assets and Liabilities:			
Accounts Receivable	(70)	84	149
Other Current Assets	1	(113)	(84)
Accounts Payable	41	40	(79)
Income and Other Taxes Payable	20	23	(62)
Other Current Liabilities	43	35	(118)
Net Cash Provided by Operating Activities	3,472	3,041	3,370
INVESTING ACTIVITIES			
Property Additions	(2,040)	(2,398)	(2,562)
Purchase of Short-term Investments	(782)	(929)	(1,739)
Proceeds from Sales of Short-term Investments	1,193	1,325	1,225
Proceeds from Property Dispositions	97	195	147
Other Investing Activities	37	9	37
Net Cash Used in Investing Activities	(1,495)	(1,798)	(2,892)
FINANCING ACTIVITIES			
Long-term Debt Issued (Note 9)	850	2,200	1,200
Long-term Debt Repaid (Note 9)	(333)	(1,419)	(229)
Dividends Paid	(708)	(680)	(686)
Shares Repurchased	(1,970)	(1,056)	(804)
Other Financing Activities	(18)	(313)	—
Net Cash Used in Financing Activities	(2,179)	(1,268)	(519)
Net Decrease in Cash and Cash Equivalents	(202)	(25)	(41)
CASH AND CASH EQUIVALENTS			
Cash and Cash Equivalents at Beginning of Period	603	628	669
Cash and Cash Equivalents at End of Period	\$ 401	\$ 603	\$ 628
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest Paid - Net of Amounts Capitalized	\$ 555	\$ 606	\$ 566
Income Taxes Paid	\$ 911	\$ 580	\$ 768
Seller Financed Assets	\$ —	\$ —	\$ 307

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