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BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 552 (Sub-No. 22)

RAILROAD REVENUE ADEQUACY –
2017 DETERMINATION

STB Ex Parte No. 558 (Sub-No. 21)

RAILROAD COST OF
CAPITAL – 2017

STB Ex Parte No. 750

UNIFORM RAILROAD COSTING SYSTEM –
2017 CALCULATIONS

DATA SUPPLIED BY THE
ASSOCIATION OF AMERICAN RAILROADS

ENTERED
Office of Proceedings
August 16, 2018
Part of
Public Record

By decisions served on July 27, 2018 and August 10, 2018, the Surface Transportation Board (“STB” or “Board”) directed Class I railroads to submit certain supplemental data to allow the Board to complete regulatory calculations in the above docketed proceedings. These supplemental data are required to allow the Board to make one-time adjustments to the 2017 railroad industry cost of capital, revenue adequacy, and Uniform Railroad Costing System (“URCS”) proceedings to remove the distorting effects of the accounting impacts of the Tax Cuts and Jobs Act. As noted in the Board’s decision, Generally Accepted Accounting Principles

require companies to recognize the effect of tax law changes in the period of enactment. As such, deferred income tax assets and liabilities as of year-end 2017 were required to be revalued using the new corporate tax rate. The revaluation resulted in a significant one-time non-cash reduction to income tax expense and, accordingly, significantly higher net income and net railway operating income for 2017.¹ The Board directed the railroads to file figures with the accounting impacts of the deferred tax revaluations removed for Line Nos. 1 and 12 of Schedule 250; Line No. 48 of Schedule 200; and the “Net Income” and “Deferred Taxes” lines, including supporting documentation, of the cash flow calculation in the Morningstar/Ibbotson multi-stage discounted cash flow model used in the cost of capital determination. *See* AAR Comments, EP 558 (Sub-No. 21), App. K.

The railroads, through the Association of American Railroads (“AAR”), hereby submit the required information. Supporting documents are included as Appendix A, including a revised “Appendix K” in EP 558 (Sub-No. 21). Table No. 1 shows the net income and deferred taxes lines for the four railroads that comprise the composite railroad in the cost of capital proceeding.

¹ Some railroads’ affiliates also revalued their deferred tax liabilities to reflect the lower federal corporate tax rate, which resulted in those railroads recognizing a non-cash benefit included in Operating Expenses (All Other Equipment Accounts) and Equity in Undistributed Earnings.

Table No. 1
2017 Railroad Cost of Capital Data
(Dollars in Millions)

Item	CSX Corp.		Kansas City Southern	
	As Reported	As Requested	As Reported	As Requested
Net Income	\$5,471	\$1,840	\$961.8	\$474.2
Deferred Taxes	-3,233	209	-301.3	186.3

Item	Norfolk Southern		Union Pacific Corp.	
	As Reported	As Requested	As Reported	As Requested
Net Income	\$5,404	\$1,922	\$10,712	\$4,638
Deferred Taxes	-2,859	477	-5,067	868

Sources:

As reported from 2017 10-K report and listed in Appendix K of AAR filing
As requested (per STB July 27, 2018) provided by railroads August 2018

Table No. 2 shows the requested information to replace line numbers 1 and 12 of Schedule 250 for the revenue adequacy determination.² Totals are provided as a checksum.

² Though the three tables all refer to “deferred taxes,” Table 1 refers to deferred income taxes for 2017 as found in the Statement of Cash Flows, and Tables 2 and 3 refer to an accumulated number as found in the Balance Sheet. Moreover, while all three tables relate to the valuation of deferred taxes, there are differences between Table 1 and Tables 2 and 3, respectively, because they are derived from different sources and report values for different entities. Table 1 relies on Securities and Exchange Commission form 10-K data for the railroads’ parent corporations, while Tables 2 and 3 reflect values for the consolidated rail systems using STB R-1 data. *See Standards for Railroad Revenue Adequacy*, 3 I.C.C.2d 261, 301 (1986).

Table No. 2
2017 Railroad Revenue Adequacy Data
(Dollars in Thousands)

Line	Item in Schedule 250	RR	As Reported	As Requested
1	Combined/Consolidated NROI	BNSF	\$11,617,798	\$4,299,653
12	Accumulated Deferred Income Tax Credits	BNSF	13,516,858	20,835,003 end of year
1	Combined/Consolidated NROI	CSX	5,278,022	1,743,027
12	Accumulated Deferred Income Tax Credits	CSX	6,167,323	9,549,038 end of year
1	Combined/Consolidated NROI	CNGT	2,031,333	668,730
12	Accumulated Deferred Income Tax Credits	CNGT	2,635,557	3,998,160 end of year
1	Combined/Consolidated NROI	KCS	736,572	281,220
12	Accumulated Deferred Income Tax Credits	KCS	802,267	1,257,619 end of year
1	Combined/Consolidated NROI	NS	5,325,955	1,933,798
12	Accumulated Deferred Income Tax Credits	NS	6,112,373	9,391,268 end of year
1	Combined/Consolidated NROI	CPSL	762,656	315,815
12	Accumulated Deferred Income Tax Credits	CPSL	896,141	1,342,982 end of year
1	Combined/Consolidated NROI	UP	10,132,672	4,571,323
12	Accumulated Deferred Income Tax Credits	UP	10,371,648	16,005,995 end of year
1	Combined/Consolidated NROI	Total	35,885,008	13,813,566
12	Accumulated Deferred Income Tax Credits	Total	40,502,167	62,380,065 end of year

Finally, Table No. 3 shows the requested information for URCS. The total is again included as a checksum.

Table No. 3
2017 URCS Data - Schedule 200, Line 48, Column (b)
Accumulated Deferred Income Tax Credits at Close of Year
(Dollars in Thousands)

	As Reported	As Requested
RR		
BNSF	\$13,516,858	20,835,003
CSX	6,167,323	9,549,038
CNGT	2,635,557	3,998,160
KCS	802,267	1,257,619
NS	6,112,373	9,391,268
CPSL	896,141	1,342,982
UP	10,371,648	16,005,995
Total	40,502,167	62,380,065

Respectfully submitted,



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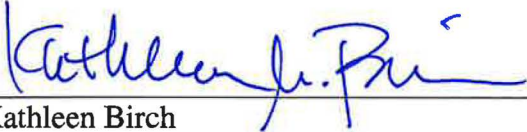
August 16, 2018

CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of August, 2018, I have caused a copy of the foregoing to be served by first class mail, postage prepaid, on the following:

Dave Krautkremer
Soo Line Railroad Company
120 South 6th Street, Suite 700
Minneapolis, MN 55402

Robert D. Rosenberg
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Kathleen Birch

Appendix A

Cash Flow Calculation August 2018

CSX Corp.	1	2	3	4	5	Total
	2013	2014	2015	2016	2017	
(\$ in millions)						
Revenue	12,026	12,669	11,811	11,069	11,408	58,983
Net Income	1,864	1,927	1,968	1,714	1,840	9,313
Extraordinary Items	0	0	0	0	0	0
Depreciation	1,104	1,151	1,208	1,301	1,315	6,079
Deferred Taxes	300	298	456	405	209	1,668
Capital Expenditures	2,313	2,449	2,562	2,398	2,040	11,762
Cash Flow	955	927	1,070	1,022	1,324	5,298
Cash Flow / Revenue	0.07941	0.07317	0.09059	0.09233	0.11606	0.08982
NIBEI / Revenue	0.15500	0.15210	0.16662	0.15485	0.16129	0.15789
Ibbotson Smoothed Cash Flow = \$11,408 x 0.08982 =						\$1,024.69
Ibbotson Smoothed Net Income BEI = \$11,408 x 0.15789 =						\$1,801.24

Cash Flow Calculation August 2018

Kansas City Southern	1	2	3	4	5	Total
	2013	2014	2015	2016	2017	
(\$ in millions)						
Revenue	2,369.3	2,577.1	2,418.8	2,334.2	2,582.9	12,282
Net Income	351.2	502.4	483.3	477.9	474.2	2,289
Extraordinary Items	0.0	0.0	0.0	0.0	0.0	0
Depreciation	223.3	258.1	284.6	305.0	320.9	1,392
Deferred Taxes	111.2	140.1	135.8	104.8	186.3	678
Capital Expenditures	838.2	997.0	849.6	623.6	654.0	3,962
Cash Flow	-153	-96	54	264	327	397
Cash Flow / Revenue	-0.06437	-0.03741	0.02237	0.11314	0.12676	0.03230
NIBEI / Revenue	0.14823	0.19495	0.19981	0.20474	0.18359	0.18637
Ibbotson Smoothed Cash Flow = \$2,583 x 0.03230 =					\$83.42	
Ibbotson Smoothed Net Income BEI = \$2,583 x 0.18637 =					\$481.36	

Note: Net Income is net available to common stockholders after preferred dividends and non-KCS portion of Meridian Speedway.

<i>Capital Expenditures</i>						
Core CapX	594.8	668.2	688.0	563.9	585.4	
Special programs	211.8	302.1	144.2	26.6	42.6	
Meridian Speedway	31.6	26.7	17.4	33.1	26.0	
Meridian, Otr RR	0.0	0.0	0.0	0.0		
Total CapX	838.2	997.0	849.6	623.6	654.0	

Norfolk Southern	1	2	3	4	5	Total
	2013	2014	2015	2016	2017	
(\$ in millions)						
Revenue	11,245	11,624	10,511	9,888	10,551	53,819
Net Income	1,910	2,000	1,556	1,668	1,922	9,056
Extraordinary Items	0	0	0	0	0	0
Depreciation	922	956	1,059	1,030	1,059	5,026
Deferred Taxes	262	294	320	227	477	1,580
Capital Expenditures	1,971	2,118	2,385	1,887	1,723	10,084
Cash Flow	1,123	1,132	550	1,038	1,735	5,578
Cash Flow / Revenue	0.09987	0.09738	0.05233	0.10498	0.16444	0.10364
NIBEI / Revenue	0.16985	0.17206	0.14804	0.16869	0.18216	0.16827
Ibbotson Smoothed Cash Flow = \$10,551 x 0.10364 =					\$1,093.54	
Ibbotson Smoothed Net Income BEI = \$10,551 x 0.16827 =					\$1,775.39	

Cash Flow Calculation August 2018

Union Pacific Corp.	1	2	3	4	5	Total
	2013	2014	2015	2016	2017	
(\$ in millions)						
Revenue	21,963	23,988	21,813	19,941	21,240	108,945
Net Income	4,388	5,180	4,772	4,233	4,638	23,211
Extraordinary Items	0	0	0	0	0	0
Depreciation	1,777	1,904	2,012	2,038	2,105	9,836
Deferred Taxes	723	895	765	831	868	4,082
Capital Expenditures	3,496	4,346	4,650	3,505	3,238	19,235
Cash Flow	3,392	3,633	2,899	3,597	4,373	17,894
Cash Flow / Revenue	0.15444	0.15145	0.13290	0.18038	0.20589	0.16425
NIBEI / Revenue	0.19979	0.21594	0.21877	0.21228	0.21836	0.21305
Ibbotson Smoothed Cash Flow = \$21,240 x 0.16425 =						\$3,488.63
Ibbotson Smoothed Net Income BEI = \$21,240 x 0.21305 =						\$4,525.23

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

NOTE 11. Income Taxes, continued

Income tax expense reconciled to the tax computed at statutory rates is presented in the table below. With the enactment of the Tax Cuts and Jobs Act (the "Act" or "tax reform") on December 22, 2017, the Company's 2017 financial results included a \$3.5 billion, or \$3.81 per share, non-cash reduction in income tax expense, primarily resulting from revaluing the Company's net deferred tax liabilities to reflect the recently enacted 21% federal corporate tax rate effective January 1, 2018. These estimates are based on the Company's initial analysis of the Act and may be adjusted in future periods as required. The Act has significant complexity and implementation guidance from the Internal Revenue Service, clarifications of state tax law and the completion of the Company's 2017 tax return filings could all impact these estimates. The Company does not believe potential adjustments in future periods would materially impact the Company's financial condition or results of operations. The provisions of the Act related to foreign earnings will not impact CSX.

The Company's affiliates also revalued their deferred tax liabilities to reflect the lower federal corporate tax rate, which resulted in the Company recognizing a benefit of \$142 million, or \$0.10 per share after-tax, in equity earnings of affiliates, which is included in operating income. (See additional discussion over equity earnings of affiliates in Note 12, *Related Parties and Affiliates*.)

In addition to the tax benefit related to tax reform, the Company recorded a 2017 income tax benefit of \$21 million primarily as a result of the additional tax benefit associated with vesting of share-based awards, state legislative changes, a change in the apportionment of state taxable income and the related impact on the valuation of deferred taxes, and the settlement of certain state tax matters. In 2016, the Company recorded an income tax expense adjustment of \$10 million as a result of a change in the apportionment of state income taxes and the related impact on the valuation of deferred taxes as well as a \$7 million tax benefit as a result of federal and state legislative changes. In 2015, the Company recorded a tax benefit of \$4 million primarily as a result of federal and state legislative changes as well as the resolution of federal and state tax matters.

	Fiscal Years					
	2017		2016		2015	
<i>(Dollars In Millions)</i>						
Federal Income Taxes	\$ 1,100	35.0 %	\$ 959	35.0 %	\$ 1,098	35.0 %
State Income Taxes	102	3.2 %	83	3.0 %	86	2.7 %
Deferred Tax Rate Change	(3,506)	(111.6)%	—	— %	—	— %
Other	(25)	(0.8)%	(15)	(0.5)%	(14)	(0.4)%
Income Tax (Benefit) Expense/Rate	\$ (2,329)	(74.2)%	\$ 1,027	37.5 %	\$ 1,170	37.3 %

Kansas City Southern and Subsidiaries
Notes to Consolidated Financial Statements-(Continued)

Note 12. Income Taxes

Current income tax expense represents the amounts expected to be reported on the Company's income tax returns, and deferred tax expense or benefit represents the change in net deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Valuation allowances are recorded as appropriate to reduce deferred tax assets to the amount considered likely to be realized.

On December 22, 2017, the President of the United States signed into law the Tax Reform Act. The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates, implementing a territorial tax system and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The Tax Reform Act permanently reduces the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018.

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% under the Tax Reform Act, the Company revalued its ending net deferred tax liabilities at December 31, 2017 and recognized a provisional \$487.6 million tax benefit in the Company's consolidated statement of income for the year ended December 31, 2017.

The Tax Reform Act provided for a one-time deemed mandatory repatriation of post-1986 undistributed foreign subsidiary earnings and profits ("E&P") through the year ended December 31, 2017. The Company had an estimated \$1,479.2 million of undistributed foreign E&P subject to the deemed mandatory repatriation and recognized a provisional \$74.6 million of income tax expense in the Company's consolidated statement of income for the year ended December 31, 2017. After the utilization of existing tax credits, the Company expects to pay additional U.S. federal cash taxes of approximately \$44.9 million on the deemed mandatory repatriation, payable over eight years.

While the Tax Reform Act provides for a territorial tax system, beginning in 2018, it includes two new U.S. tax base erosion provisions, the global intangible low-taxed income ("GILTI") provisions and the base-erosion and anti-abuse tax ("BEAT") provisions.

The GILTI provisions require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. The Company expects that it will be subject to incremental U.S. tax on GILTI income beginning in 2018, due to expense allocations required by the U.S. foreign tax credit rules. The Company has elected to account for GILTI tax in the period in which it is incurred, and therefore has not provided any deferred tax impacts of GILTI in its consolidated financial statements for the year ended December 31, 2017.

The BEAT provisions in the Tax Reform Act eliminates the deduction of certain base-erosion payments made to related foreign corporations, and impose a minimum tax if greater than regular tax. The Company does not expect it will be subject to this tax and therefore has not included any tax impacts of BEAT in its consolidated financial statements for the year ended December 31, 2017.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. The Company has recognized the provisional tax impacts related to deemed repatriated earnings and the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the Tax Reform Act. The accounting is expected to be complete when the 2017 U.S. corporate income tax return is filed in 2018.

Reconciliation of Non-GAAP Financial Measures

	Reported results (GAAP)		Tax reform		Adjusted results (non-GAAP)
	\$ in millions, except per share amounts				
Income from railway operations	\$	3,586	\$	(151)	\$ 3,435
Net income	\$	5,404	\$	(3,482)	\$ 1,922
Diluted earnings per share	\$	18.61	\$	(12.00)	\$ 6.61
Railway operating ratio		66.0		1.4	67.4

In the table below and the paragraph following, references to 2017 results and related comparisons use the adjusted, non-GAAP results from the reconciliation in the table above.

	Adjusted 2017 (non-GAAP)			Adjusted 2017 vs. 2016 (non-GAAP)		
	2016	2015		2016 vs. 2015		
	<i>\$ in millions, except per share amounts</i>			<i>% change</i>		
Income from railway operations	\$ 3,435	\$ 3,074	\$ 2,884	12%		7%
Net income	\$ 1,922	\$ 1,668	\$ 1,556	15%		7%
Diluted earnings per share	\$ 6.61	\$ 5.62	\$ 5.10	18%		10%
Railway operating ratio	67.4	68.9	72.6	(2%)		(5%)

The increases in net income for both comparisons resulted from higher income from railway operations. For 2017, a 7% increase in revenues was partially offset by a 4% rise in adjusted operating expenses. For 2016, an 11% decline in operating expenses more than offset a 6% decrease in revenues. The higher percentage increases in diluted earnings per share compared with the percentage increases in net income for both years was largely the result of our share repurchase program.

2019. Because credit losses associated from our trade receivables have historically been insignificant, we do not expect this standard to have a material effect on our financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *“Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.”* This update, effective for annual and interim reporting periods beginning January 1, 2018, will require segregation of these net benefit costs between operating and non-operating expenses. Currently, we report the net benefit costs associated with our defined benefit and postretirement plans in the “Compensation and benefits” line item of the Consolidated Statements of Income, as disclosed in Note 11, “Pensions and Other Postretirement Benefits.” When the ASU is implemented, only the service cost component of defined benefit pension cost and postretirement benefit cost will be reported within compensation costs, while all other components of net benefit cost will be presented within the “Other income – net” line item on the Consolidated Statements of Income. The standard requires retrospective application, and as such the adoption of this standard will result in offsetting increases in “Compensation and benefits” expense and “Other income – net” on the Consolidated Statements of Income for all periods of 2017 and 2016, with no impact on net income. We did not adopt the standard early.

2. Other Income – Net

	2017	2016	2015
	(\$ in millions)		
Rental income	\$ 87	\$ 93	\$ 80
Corporate-owned life insurance – net	33	20	(1)
Royalties from coal	19	10	19
Interest income	13	10	8
Gains from sale of properties (including joint venture sales)	13	9	55
External advisor costs	—	(20)	(8)
Nonoperating depletion and depreciation	(4)	(4)	(5)
Taxes on nonoperating property	(11)	(11)	(10)
Charitable contributions	(15)	(9)	(9)
Other interest expense – net (including debt exchange fees)	(17)	(6)	(4)
Other	(26)	(21)	(22)
Total	<u>\$ 92</u>	<u>\$ 71</u>	<u>\$ 103</u>

3. Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (“tax reform”) was signed into law. Tax reform lowered the Federal corporate tax rate from 35% to 21% and made numerous other tax law changes. GAAP requires companies to recognize the effect of tax law changes in the period of enactment. As a result, “Purchased services and rents” includes a \$151 million benefit for earnings generated from reductions to net deferred tax liabilities at certain equity investees and “Income taxes” includes a \$3,331 million benefit primarily due to the remeasurement of our net deferred tax liabilities to reflect the lower rate. Reasonable estimates were made based on our analysis of tax reform. These provisional amounts may be adjusted in future periods during 2018 when additional information is obtained. Additional information that may affect our provisional amounts would include further clarification and guidance on how the IRS will implement tax reform, including guidance with respect to 100% bonus depreciation on self-constructed assets, further clarification and guidance on how state taxing authorities will implement tax reform and the related effect on our state income tax returns, completion of our 2017 tax return filings, any changes

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements and applicable notes to the Financial Statements and Supplementary Data, Item 8, and other information in this report, including Risk Factors set forth in Item 1A and Critical Accounting Policies and Cautionary Information at the end of this Item 7.

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable business segment. Although revenue is analyzed by commodity, we analyze the net financial results of the Railroad as one segment due to the integrated nature of the rail network.

EXECUTIVE SUMMARY

2017 Results

- **Safety** – During 2017, we continued our focus on safety to reduce risk and eliminate incidents for our employees, our customers and the public. We finished 2017 with a 3% improvement in our reportable derailment incident rate per million train miles compared to 2016. Although reportable personal injury incidents per 200,000 employee-hours increased 5% from last year's record low, it is our second lowest year and a 9% decrease from 2015. Despite our efforts in 2017, our crossing incidents rate increased 5% from 2016. Overall, our 2017 safety results reflect our employees' dedication to our safety initiatives and our efforts to further engage the workforce through programs such as Courage to Care, Total Safety Culture, and UP Way (our continuous improvement culture).
- **Network Operations** – Our average train speed, as reported to the AAR, decreased 5% compared to 2016, and our average terminal dwell time increased 8% from 2016. Disruptions across our network, including the impact of Hurricane Harvey, negatively impacted network fluidity. Continued implementation and testing of Positive Train Control across a growing number of routes in our network also negatively impacted overall average train speed and terminal dwell. Network operational challenges in the latter part of the year also negatively impacted terminal dwell.
- **Tax Reform** – The Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017. The Tax Act reduced the federal income tax rate from 35% to 21% effective January 1, 2018. As a result, we remeasured our deferred tax assets and liabilities which resulted in a \$5.9 billion non-cash reduction in our income tax expense in 2017. In addition, we recognized a \$212 million non-cash reduction to operating expense related to income tax adjustments recognized at certain equity-method affiliates. See Note 8 of the Consolidated Financial Statements for additional information.

For comparability purposes, the following table reconciles our full year 2017 reported results under accounting principles generally accepted in the U.S. (GAAP) to our 2017 adjusted results (non-GAAP) for the tax related items described above. We believe the adjusted results provide relevant information to our investors as they more accurately reflect on-going financial performance. In addition, these measures should be considered in addition to, and not a substitute for operating income, income taxes, net income, diluted EPS, operating ratio, and effective tax rate.

Millions, Except Per Share Amounts and Percentages	Operating Income	Income Taxes	Net Income	Diluted EPS	Operating Ratio	Effective Tax Rate
2017 Reported results (GAAP)	\$ 8,061	\$ (3,080)	\$ 10,712	\$ 13.36	62.0 %	(40.4)%
Factors Affecting Comparability:						
Adjustments for Tax Cuts and Jobs Act						
Equity-method affiliates	(212)	(73)	(139)	(0.17)	1.0 pts	-
Deferred taxes	-	5,935	(5,935)	(7.40)	-	77.9
2017 Adjusted results (non-GAAP)	\$ 7,849	\$ 2,782	\$ 4,638	\$ 5.79	63.0 %	37.5 %
2016 Reported results (GAAP)	\$ 7,272	\$ 2,533	\$ 4,233	\$ 5.07	63.5 %	37.4 %

- **2017 Adjusted Results Non-GAAP** – In 2017, we generated adjusted operating income of more than \$7.8 billion, an 8% increase compared to 2016. Volume growth of 2%, combined with core pricing and productivity gains, generated solid financial performance improvement and more than offset \$86 million of operating expense associated with our workforce reduction plan implemented in the third quarter of 2017. Our 2017 adjusted operating ratio was an all-time record 63.0%, improving 0.5 points from 2016.