XPO Logistics, Inc.
Form 10-K
February 12, 2018

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

Form 10-K

(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2017
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: 001-32172

XPO Logistics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	03-0450326
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Five American Lane
Greenwich, Connecticut 06831
(Address of principal executive offices)
(855) 976-6951
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
Common Stock, par value $.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, 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 and post such files). Yes ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý
The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $7.2 billion as of June 30, 2017, based upon the closing price of the common stock on that date.
As of February 7, 2018, there were 119,933,200 shares of the registrant's common stock, par value $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the registrant's proxy statement, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2018 Annual Meeting of Stockholders (the "Proxy Statement"), are incorporated by reference into Part III of this Annual Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Annual Report, the Proxy Statement is not deemed to be filed as part hereof.

XPO LOGISTICS, INC.
FORM 10-K—FOR THE YEAR ENDED DECEMBER 31, 2017
TABLE OF CONTENTS

		Page No.
	PART I	
Item 1	Business	2
Item 1A	Risk Factors	13
Item 1B	Unresolved Staff Comments	25
Item 2	Properties	25
Item 3	Legal Proceedings	25
Item 4	Mine Safety Disclosures	25
	PART II	
Item 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	26
Item 6	Selected Financial Data	28
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 7A	Quantitative and Qualitative Disclosures About Market Risk	42
Item 8	Financial Statements and Supplementary Data	43
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	43
Item 9A	Controls and Procedures	43
Item 9B	Other Information	44
	PART III	
Item 10	Directors, Executive Officers and Corporate Governance	45
Item 11	Executive Compensation	45
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	45
Item 13	Certain Relationships and Related Transactions, and Director Independence	45
Item 14	Principal Accounting Fees and Services	45
	PART IV	
Item 15	Exhibits, Financial Statement Schedules	46
Item 16	Form 10-K Summary	51
Signatures		52

PART I

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K and other written reports and oral statements we make from time to time contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projec "guidance," "outlook," "effort," "target" or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include, but are not limited to, those discussed below and the risks discussed in the Company's other filings with the Securities and Exchange Commission (the "SEC"). All forward-looking statements set forth in this Annual Report are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The following discussion should be read in conjunction with the Company's audited Consolidated Financial Statements and related Notes thereto included elsewhere in this Annual Report.

Forward-looking statements set forth in this Annual Report speak only as of the date hereof, and we do not undertake any obligation to update forward-looking statements to reflect subsequent events or circumstances, changes in expectations or the occurrence of unanticipated events, except as required by law.

ITEM 1. BUSINESS

Company Overview

XPO Logistics, Inc., a Delaware corporation, together with its subsidiaries ("XPO," the "Company," "we" or "our"), is a top ten global provider of cutting-edge supply chain solutions to the most successful companies in the world. The Company operates as a highly integrated network of people, technology and physical assets. We use our network to help our customers manage their goods more efficiently throughout their supply chains. As of December 31, 2017, we served more than 50,000 customers and operated with over 95,000 employees and 1,455 locations in 32 countries. For full year 2017, our global revenue profile was approximately 60% United States, 13% France, 12% United Kingdom, 4% Spain and 11% other geographies, primarily across Europe and Asia.

We run our business on a global basis, with two segments: Transportation and Logistics. Within each segment, we have built robust service offerings that are positioned to capitalize on fast-growing areas of customer demand. Substantially all of our businesses operate under the single brand of XPO Logistics.

Transportation Segment

We offer customers an unmatched network of multiple modes, flexible capacity and route density that transports freight quickly and cost effectively from origin to destination. Our scale is a significant advantage — both for XPO, as a competitive advantage, and for our customers, who depend on us to provide reliable capacity under all market conditions. We are the second largest freight brokerage provider globally, and we hold industry-leading positions in North America and Europe. In North America, we are the largest provider of last mile logistics for heavy goods; the largest manager of expedite shipments; the second largest provider of less-than-truckload ("LTL") transportation; and the third largest provider of intermodal services, including a national drayage network; as well as a global freight forwarder with a large network of ocean, air, ground and cross-border services.

In Europe, we have the largest owned road transportation fleet. We offer full truckload transportation in Europe as dedicated, non-dedicated and brokered services; last mile logistics services; and LTL transportation through one of the largest LTL networks in Western Europe. Our total lane density in Europe covers the regions that produce approximately 90% of the eurozone’s gross domestic product.

Our Transportation segment uses a blended model of owned, contracted and brokered capacity. This gives us the flexibility to provide solutions that best serve the interests of our customers and the Company. As of December 31, 2017, globally, we had approximately 11,000 independent owner operators under contract to provide drayage, expedite, last mile and LTL services to our customers, and more than 50,000 independent brokered carriers representing over 1,000,000 trucks on the road.

We employ professional drivers that transport goods for customers using our fleet of owned and leased trucks and trailers. Globally, our road fleet encompasses approximately 16,000 tractors and 39,000 trailers, primarily related to our LTL and full truckload operations. These assets also provide capacity for our freight brokerage operations as needed. Our company overall is asset-light, with the revenue generated by activities directly associated with our owned assets accounting for just under a third of our revenue in 2017.

Logistics Segment

In our Logistics segment, which we sometimes refer to as supply chain or contract logistics, we provide a range of differentiated and data-intensive services, including highly engineered and customized solutions, value-added warehousing and distribution, cold chain distribution and other inventory management solutions. We perform e-commerce fulfillment, reverse logistics, recycling, storage, factory support, aftermarket support, manufacturing, distribution, packaging and labeling, and a range of customized solutions such as order personalization. In addition, we provide supply chain optimization services such as production flow management and transportation management. Once we secure a logistics contract, the average tenure is approximately five years and the relationship can lead to a wider use of our services, such as inbound and outbound logistics.

Globally, XPO operates approximately 170 million square feet (15.8 million square meters) of contract logistics facility space, making us the second largest contract logistics provider worldwide. Approximately 83.7 million square feet (7.8 million square meters) of that space is in the United States, where we are a market leader in logistics capacity. This expansive, global footprint makes XPO particularly attractive to large customers with multinational operations. Our logistics customers include the preeminent names in retail and e-commerce, food and beverage, technology, aerospace, wireless, industrial and manufacturing, chemical, agribusiness, life sciences and healthcare.

We also benefit from a strong presence in the high-growth e-commerce sector. E-commerce is predicted to continue to grow globally at a double-digit rate through at least 2020 and, increasingly, order fulfillment is being outsourced. Demand in the e-commerce sector is characterized by strong seasonal surges in activity; typically, the fourth quarter peak is the most dramatic, when holiday orders are placed online.

We are the largest outsourced e-fulfillment provider in Europe, and we have a major platform for e-fulfillment in North America, where we provide highly customized solutions that include reverse logistics and omnichannel services. Our experience with fast-growing e-commerce categories such as mobile electronics makes us a valuable partner to our customers in areas such as product returns, testing, refurbishment, warranty management, order personalization and other value-added services. These global capabilities, together with our last mile leadership in heavy goods in North America, provide our e-commerce customers with superior in-house control, flexible warehousing options and labor pools, advanced automation, and a national network of home delivery hubs — shortening the time between sourcing and doorstep and generating industry-leading consumer satisfaction levels.

Operating Philosophy

We believe that our ability to provide customers with integrated, end-to-end supply chain solutions gives us a competitive advantage. Many customers, particularly large companies, are moving to large, single-source relationships with multi-modal providers to handle their supply chain requirements. We have built XPO to capitalize on this trend, as well as the trend toward outsourcing in transportation and logistics, the boom in e-commerce, and the adoption of just-in-time inventory practices.

Two hallmarks of our operations worldwide are technology and sustainability.

3

We place massive importance on innovation because we believe that great technology in the hands of well-trained employees is the ultimate competitive advantage in our industry. We view our technology as being critical to continuously improving customer service, controlling costs and leveraging our scale. Our annual investment in technology of more than $450 million is among the highest in our industry.

We concentrate our efforts in the following areas of innovation: automation and robotics; big data; visibility and customer service; and digital freight marketplace. We have built a highly scalable and integrated system on a cloud-based platform that speeds up both the development process and the time-to-launch. Our global team of approximately 1,700 technology professionals can deploy proprietary software very rapidly.

Our focus is on developing proprietary innovations that differentiate our services and create tangible value for our customers and investors. For example, we have the ability to share data with our customers in real time, including visibility of orders moving through fulfillment and shipments in transit, on-demand availability of full truckload. Internally, our technology gives us a birds-eye view of real-time market conditions and pricing for truckload, intermodal and LTL, and facilitates load assignments with our independent contractors, all of which greatly enhances customer service.

In addition, XPO has a strong, global commitment to sustainability. We own the largest natural gas truck fleet in Europe, and we launched government-approved mega-trucks in Spain, both of which reduce our carbon footprint. Our Company has been awarded the label “Objectif CO_2” for outstanding environmental performance of transport operations in Europe by the French Ministry of the Environment and the French Environment and Energy Agency.

Many of our logistics facilities globally are ISO 14001-certified, which ensures environmental and other regulatory compliances. We monitor fuel emissions from forklifts, with protocols in place to take immediate corrective action if needed. Company packaging engineers ensure that the optimal carton size is used for each product slated for distribution and, as a byproduct of reverse logistics, we recycle millions of electronic components and batteries each year. These are just a few of the many initiatives that reflect our commitment to operating in a progressive and environmentally sound manner, with the greatest efficiency and least waste possible.

Transportation Services

The Company’s Transportation segment includes five service lines: freight brokerage, last mile, LTL, full truckload and global forwarding. These service lines are led by highly experienced operators that know how to deliver results.

Freight Brokerage

Our freight brokerage operations encompass truck brokerage globally, as well as intermodal, drayage and expedite services in North America.

Our truck brokerage operations are non-asset-based: we place shippers’ freight with qualified carriers, primarily trucking companies. Customers offer loads to us via electronic data interchange, email, telephone and the internet on a daily basis. These services are priced on either a spot market or contract basis for shippers. We collect payments from our customers and pay the carriers for transporting customer loads. Our proprietary, cloud-based brokerage platform, Freight Optimizer, gives us real-time visibility into truckload supply and demand.

Our intermodal operations are asset-light: we provide customers with container capacity, brokered rail transportation, drayage transportation via independent contractors, and on-site operational services. We lease or own approximately 10,000 53-ft. containers and 5,000 chassis, and we use this equipment to fill some of our customers’ capacity requirements.

We have sophisticated infrastructure in place to work with the railroads in providing the long-haul portion of freight shipments in containers, and we contract with trucking companies for local pickup and delivery. We also provide customized electronic tracking and analysis of market prices and negotiated rail, truck and intermodal rates through our proprietary intermodal technology, Rail Optimizer, which enables us to determine the optimal configurations.

We offer our door-to-door intermodal services to a wide range of customers in North America, including large industrial and retail shippers, transportation intermediaries such as intermodal marketing companies, and steamship lines. As of December 31, 2017, XPO was the third largest provider of intermodal services in North America, with

one of the largest U.S. drayage networks, and a leading provider of intermodal services in the cross-border Mexico sector.

Our expedite operations are predominantly non-asset-based: substantially all of the ground transportation equipment is provided by third-party truck carriers. In addition, we facilitate expedite air charter service for customer freight using the Company's relationships with third-party air carriers and our proprietary, web-based sourcing technology.

Our expedite services can be characterized as time-critical, time-sensitive or high priority freight shipments, many of which have special handling needs. Urgent needs for expedited transportation typically arise due to tight tolerances in a customer's supply chain, or an interruption or a failure in the supply chain.

Expedite customers most often request our services on a per-load transactional basis through our offices or via our proprietary online portals. Only a small percentage of loads are scheduled for future delivery dates. We operate an ISO 9001:2008-certified call center that gives our customers on-demand status updates related to their expedited shipments. As of December 31, 2017, XPO was the largest manager of expedited freight shipments in North America.

Last Mile Logistics

Our last mile services are predominantly asset-light: we utilize independent contractors to perform transportation and over-the-threshold deliveries and installations. In North America, these services are facilitated through a large network of XPO last mile hubs. As of December 31, 2017, we had 55 hubs operating in North America. By year-end 2018, we expect to grow this network to 85 hubs, extending our footprint to within 90% of the U.S. population and further reducing transit times for our customers.

Last mile comprises the final stage of the delivery from a local distribution center or retail store to the end-consumer's home or business, where additional services are often required. It is a fast-growing industry sector that serves blue chip retailers, e-commerce companies and smaller retailers with limited in-house capabilities for deliveries and installations. Important aspects of last mile service are responsiveness to seasonal demand, economies of scale and an ability to maintain a consistently high quality of customer experience.

The last mile process often requires incremental services such as pre-scheduled delivery times, unpacking, assembly, utility connection, installation and testing, as well as the removal of an old product. These additional services are commonly referred to as white-glove services. We use our proprietary technology platform to collect customer feedback, monitor carrier performance, manage capacity and communicate during narrow windows of service to ensure consumer satisfaction and protect the brands of our customers.

Our last mile operations in North America and Europe specialize in heavy goods, including appliances, furniture, large electronics and other goods that are larger-than-parcel. As of December 31, 2017, XPO was the largest provider of last mile services for heavy goods in North America.

Less-Than-Truckload (LTL)

In North America, our LTL operations are asset-based: we utilize employee drivers, our own fleet of tractors and trailers for line-haul, pick-up and delivery, and a network of terminals. We provide our customers with critical density and day-definite regional, inter-regional and transcontinental LTL freight services. As of December 31, 2017, XPO was the second largest provider of LTL services in North America, offering more than 75,000 next-day and two-day lanes. Our coverage area in North America encompasses approximately 99% of all U.S. zip codes, with service in Canada.

In Europe, our LTL operations utilize a blend of asset-based and asset-light capacity — both company fleet and contracted carriers, with a network of terminals. We provide LTL services domestically in France, the United Kingdom and Spain. We also offer international LTL distribution throughout Europe.

Full Truckload

Our full truckload operations are asset-based and operate almost entirely in Europe. For many customers, we operate as a dedicated contract carrier, providing truckload capacity by utilizing our fleet of tractors and trailers. In addition, we provide transactional transportation of packaged goods, high cube products and bulk goods. We provide full truckload services domestically in France, the United Kingdom, Spain, Poland, Romania, Italy, Portugal and

Slovakia, and internationally throughout Europe. As of December 31, 2017, XPO was a leading provider of full truckload transportation in Europe.

Global Forwarding

Our global forwarding operations are asset-light: we provide logistics services for domestic, cross-border and international shipments through our relationships with ground, air and ocean carriers and a network of Company and agent-owned offices. Our freight forwarding capabilities are not restricted by size, weight, mode or location, and therefore are potentially attractive to a wide market base.

As part of our global forwarding network, we operate a subsidiary as a non-vessel-operating common carrier (“NVOCC”) to transport our customers’ freight by contracting with vessel operators. We are also a customs broker licensed by the U.S. Customs and Border Protection Service. This enables us to provide customs brokerage services to direct domestic importers, other freight forwarders and NVOCCs, and vessel-operating common carriers.

Logistics Services

The Company’s Logistics segment, which we also refer to as supply chain or contract logistics, encompasses a range of services, including highly engineered and customized solutions, temperature-controlled warehousing, omnichannel logistics e-fulfillment and transportation management. The segment is led by seasoned executives in North America and Europe that collaborate on multinational opportunities. As of December 31, 2017, XPO was the second largest global provider of contract logistics based on square footage, with one of the largest e-fulfillment platforms in Europe.

We provide our logistics customers with integrated services such as dedicated and shared warehousing, e-fulfillment order processing and personalization, reverse logistics, storage, factory support, aftermarket support, manufacturing, packaging, labeling and distribution. In addition, we utilize our technology and expertise to solve complex supply chain challenges and create transformative solutions for our customers, while reducing their operating costs and improving production flow management.

Our logistics customers primarily operate in industries with high-growth outsourcing opportunities, such as retail and e-commerce, food and beverage, technology, aerospace, wireless, industrial and manufacturing, chemical, agribusiness, life sciences and healthcare. These customers have demanding requirements for quality standards, real-time data visibility, special handling, security, the management of large numbers of stock-keeping units (“SKUs”), time-assured deliveries and volume fluctuations, with seasonal surges in certain sectors such as retail and e-commerce.

The Company is a top five global provider of managed transportation based on the value of freight under management. Our managed transportation offering includes a range of services provided to shippers who want to outsource some or all of their transportation modes, together with associated activities. These activities can include freight handling such as consolidation and deconsolidation, labor planning, the facilitation of inbound and outbound shipments, cross-border management, claims processing, and third-party supplier management, as well as other services.

Our Strategy

Our strategy is to use our highly integrated network of people, technology and physical assets to help customers manage their goods more efficiently throughout their supply chains. We deliver value to customers in the form of cost and risk reductions, process efficiencies, consistently reliable outcomes, technological innovations and customer service that is both highly responsive and proactive.

We continue to optimize our existing operations by growing our sales force, implementing advanced information technology, cross-selling our services and leveraging our Company-wide capacity. In addition, we maintain a disciplined and comprehensive set of processes related to the recruiting, training and mentoring of employees, and for marketing to the hundreds of thousands of prospective customers that can use our services. Most important to our growth, we have instilled a culture of collaboration that focuses our efforts on delivering the results that matter to our customers and the Company.

We will continue to grow the business in a disciplined manner, and with a compelling value proposition: XPO can provide integrated, innovative solutions for any company, of any size, with any combination of supply chain needs.

Management's growth and optimization strategy for the Transportation segment is to:

- Market our diversified, multi-modal offering to customers of all sizes, both new and existing accounts;
- Cross-sell our Transportation segment solutions to customers of our Logistics segment;
- Provide world-class service and solutions that satisfy our customers' transportation-related supply chain goals;
- Recruit and retain quality drivers, and best utilize our driver and equipment capacities;
- Attract and retain quality independent owner-operators and independent brokered carriers for our carrier network;
- Recruit and retain quality sales and customer service representatives, and continuously improve employee productivity with state-of-the-art training and technology;
- Continue to develop cutting-edge transportation applications for our proprietary technology platform; and
- Integrate industry-best practices with a focus on utilizing our advantages of scale to serve our customers efficiently and lower our administrative overhead.

Management's growth and optimization strategy for the Logistics segment is to:

- Develop additional business in verticals where the Company already has deep logistics expertise and a strong track record of successful relationships;
- Capture more share of spend with existing customers that potentially could use XPO for more of their logistics and/or broader supply chain needs;
- Expand our relationships with existing customers that have business interests in both North America, Europe and Asia;
- Cross-sell contract logistics and managed transportation solutions to customers of our Transportation segment;
- Market the advantages of XPO's proprietary technology and global network of logistics facilities;
- Provide world-class service and solutions that satisfy our customers' logistics-related supply chain goals; and
- Integrate industry-best practices with a focus on utilizing our advantages of scale to serve our customers efficiently and lower our administrative overhead.

Technology and Intellectual Property

One of the ways in which we empower our employees to deliver superior service is through our information technology. We believe that technology is a compelling differentiator in our industry. Technology represents one of the Company's largest categories of capital investment, reflecting our belief that the continual enhancement of our cloud-based platform is critical to our success. We have a world-class technology team that focuses on innovating customer service and advancing the effectiveness of our software.

In our Transportation segment, our proprietary Freight Optimizer software for truck brokerage provides dynamic pricing information, automated carrier matching and digital track and trace capabilities. Our DriveXPO mobile application interacts with Freight Optimizer to create a digital brokerage marketplace by automating key brokerage functions for carriers. Carriers use this app to bid on loads and reduce empty miles. It also serves as a geo-locator and supports voice-to-text communications.

Our proprietary Rail Optimizer software manages all aspects of intermodal operations, including shipment tracking, capacity flow and asset management, market-based pricing, and the contracting of transportation services with rail

providers. Rail Optimizer has enabled us to raise intermodal service levels, reduce empty miles and increase visibility across the network.
In expedite, we utilize satellite tracking and communication units on the independently contracted vehicles that transport goods for our customers, thus enabling real-time electronic updates. A significant component of our expedite operations is our proprietary bidding platform, which awards loads electronically based on carriers' online bids and manages the transportation process almost entirely through technology.
In last mile logistics, our proprietary, web-based technology has been instrumental in ensuring superior consumer satisfaction ratings by gathering actionable, real-time feedback post-delivery to help our customers build loyalty. In addition, our software supports tighter delivery windows, facilitates complex home installations, and gives consumers digital tools to track their order in real time, set personalized alerts and reschedule delivery times electronically.
In our LTL operations, we rolled out 14,000 handhelds and inspection tablets for drivers and dockworkers to enhance productivity and revenue collection from accessorials and ancillary services. We also developed new RFP and pricing systems for LTL, with robust algorithms and profitability monitoring. These have improved the business intelligence we use for LTL pricing, workforce planning and network optimization.
In our Logistics segment, we have developed proprietary technology for the design and implementation of sophisticated contract logistics solutions for our customers. These solutions are most often utilized by large, multinational and medium-sized corporations and by government agencies with complex supply chain requirements. Our warehouses are becoming high-tech hubs: we have robots working side-by-side with our people, and drones helping out with inventory management. We use smart glasses for order picking, and numerous other technologies, some of which are purpose-built for individual customers.
The logistics space is wide open for the development of exciting technologies. For example, we have developed predictive analytics that use machine learning to forecast demand — we use this information to collaborate with our customers and allocate resources for changes in volumes. By predicting the flow of goods and future returns, we are able to help our customers plan for inventory, capacity and labor levels. These capabilities are particularly valuable to e-commerce customers.
Our position as the industry's leading champion of technology continues to lead to important new benefits for our customers. In early 2018, we plan to roll out our next-generation, proprietary warehouse management system. This system can dramatically reduce ramp-up time on customer projects. It operates on tablets and other mobile devices and integrates very quickly with other technologies, such as robotics, through a state-of-the-art interface.
XPO relies on a combination of trademarks, copyrights, trade secrets, nondisclosure agreements and non-competition agreements to establish and protect its intellectual property and proprietary technology. We have numerous registered trademarks, trade names and logos in the United States and international jurisdictions.

Customers, Sales and Marketing

Our Company provides services to a variety of customers, ranging in size from small, entrepreneurial organizations to Fortune 500 companies and global industry leaders. We have a diversified customer base that minimizes our concentration risk: in 2017, approximately 10% of our revenue was attributable to our top five customers.
Our customers are engaged in a wide range of industries, including retail, e-commerce, food and beverage, manufacturing, technology and telecommunications, aerospace and defense, life sciences, healthcare, medical equipment, and agriculture. In 2017, retail and e-commerce accounted for the largest portion of our global revenue at 29%, compared with 26% in 2016; followed by food and beverage at 16% in 2017, compared with 14% in 2016. XPO is not reliant on the economy of any one country, region or industry. Our transportation services are primarily marketed in North America and Europe, whereas our logistics and global forwarding networks serve global markets with concentrations in North America, Europe and Asia.

Competition

The transportation and logistics industry is highly competitive, with thousands of companies competing in domestic and international markets. XPO competes on service, reliability, scope and scale of operations, technological

capabilities and price. Our competitors include local, regional, national and international companies that offer the same services we provide — some with larger customer bases, significantly more resources and more experience than we have. In some cases, our customers have internal resources that can handle some of the same services we offer. Due in part to the fragmented nature of the industry, we must strive daily to retain existing business relationships and forge new relationships.

The health of the transportation and logistics industry will continue to be a function of domestic and global economic growth. However, we believe that we have positioned the Company to derive additional benefits from the growth of e-commerce, and from a long-term outsourcing trend that should continue to help a number of our service sectors grow faster than the macro environment.

Regulation

Our operations are regulated and licensed by various governmental agencies in the United States and in the other countries where we conduct business. These regulations impact us directly and indirectly by regulating third-party transportation providers we use to transport freight for our customers.

Regulation Affecting Motor Carriers, Owner Operators and Transportation Brokers. In the United States, our subsidiaries that operate as motor carriers have licenses to operate as motor carriers issued by the Federal Motor Carrier Safety Administration ("FMCSA") of the U.S. Department of Transportation ("DOT"). In addition, our subsidiaries acting as property brokers have property broker licenses issued by the FMCSA. Our motor carrier subsidiaries and the third-party motor carriers we engage in the United States must comply with the safety and fitness regulations of the DOT, including those relating to drug- and alcohol-testing, hours-of-service, records retention, vehicle inspection, driver qualification and minimum insurance requirements. Weight and equipment dimensions also are subject to government regulations. We also may become subject to new or more restrictive regulations relating to emissions, drivers' hours-of-service, independent contractor eligibility requirements, onboard reporting of operations, air cargo security and other matters affecting safety or operating methods. Other agencies, such as the U.S. Environmental Protection Agency ("EPA"), the Food and Drug Administration ("FDA"), the California Air Resources Board, and the U.S. Department of Homeland Security ("DHS"), also regulate our equipment, operations and independent contractor drivers. Like our third-party support carriers, we are also subject to a variety of vehicle registration and licensing requirements in various states and local jurisdictions where we operate. In other foreign jurisdictions in which we operate, our operations are regulated, where necessary, by the appropriate governmental authorities.

In 2010, the FMCSA introduced the Compliance Safety Accountability program ("CSA"), which uses a Safety Management System ("SMS") to rank motor carriers on seven categories of safety-related data, known as Behavioral Analysis and Safety Improvement Categories, or "BASICs," which data, it is anticipated, will eventually be used for determining a carrier's DOT safety rating under revisions to existing Safety Fitness Determination ("SFD") regulations. In December 2015, the Fixing America's Surface Transportation Act ("FAST Act") was signed into law, and requires the FMCSA to review the CSA program to ensure that it provides the most reliable analysis possible. During this review period, the FAST Act requires the FMCSA to remove a property carrier's CSA scores from public view.

Although the CSA scores are not currently publicly available, this development is likely to be temporary. As a result, once the program has been revamped, our fleet could be ranked worse or better than our competitors, and the safety ratings of our motor carrier operations could be impacted. Our network of third-party transportation providers may experience a similar result. A reduction in safety and fitness ratings may result in difficulty attracting and retaining qualified independent contractors and could cause our customers to direct their business away from XPO and to carriers with more favorable CSA scores, which would adversely affect our results of operations.

In the past, the subsidiaries through which we operate our expedited and intermodal drayage operations have exceeded the established intervention threshold in certain of the BASICs, and we may exceed those thresholds in the future. Depending on our ratings, we may be prioritized for an intervention action or roadside inspection, either of which could adversely affect our results of operations, or customers may be less likely to assign loads to us. We cannot predict the extent to which CSA requirements or safety and fitness ratings under SMS or SFD could adversely affect our business, operations or ability to retain compliant drivers, or those of our subsidiaries, independent contractors or third-party transportation providers.

9

New regulations effective December 2017 require nearly all carriers and drivers that are required to maintain records of duty status, including certain of XPO's motor carrier subsidiaries and drivers, to install and use electronic logging devices ("ELDs"). ELD installation and use may increase costs for independent contractors and other third-party support carriers who provide services to XPO, and may impact driver recruitment.

Regulations Affecting our Subsidiaries Providing Ocean and Air Transportation. XPO Customs Clearance Solutions, Inc. ("XCCS") and XPO GF America, Inc. ("XGFA"), two of the Company's subsidiaries, are licensed as customs brokers by U.S. Customs and Border Protection ("CBP") of DHS in each United States customs district in which they do business. All United States customs brokers are required to maintain prescribed records and are subject to periodic audits by CBP. In other jurisdictions in which we perform customs brokerage services, our operations are licensed, where necessary, by the appropriate governmental authority.

Our subsidiaries offering expedited air charter transportation are subject to regulation by the Transportation Security Administration ("TSA") of DHS regarding air cargo security for all loads, regardless of origin and destination. XPO Global Forwarding, Inc. ("XGF"), XGFA and XPO Air Charter also are regulated as "indirect air carriers" by the DHS and TSA. These agencies provide requirements, guidance and, in some cases, administer licensing requirements and processes applicable to the freight forwarding industry. We must actively monitor our compliance with such agency requirements to ensure that we have satisfactorily completed the security requirements and qualifications and implemented the required policies and procedures. These agencies generally require companies to fulfill these qualifications prior to transacting various types of business. Failure to do so could result in penalties and fines. The air cargo industry is also subject to regulatory and legislative actions that could affect economic conditions within the industry by requiring changes to operating practices or by influencing the demand for and the costs of providing services to customers. We cannot predict the extent to which any such regulatory or legislative actions could adversely affect our business, but we strive to comply with all agency requirements.

Regarding our international operations, XGF, XGFA and XCCS are members of the International Air Transportation Association ("IATA"), a voluntary association of airlines and freight forwarders that outlines operating procedures for forwarders acting as agents or third-party intermediaries for IATA members. A substantial portion of XPO's international air freight business is transacted with other IATA members.

Additionally, XGF, XGFA and XPO Ocean Lines, Inc. ("XOL") are each registered as an Ocean Transportation Intermediary ("OTI") by the U.S. Federal Maritime Commission ("FMC"), which establishes the qualifications, regulations and bonding requirements to operate as an OTI for businesses originating and terminating in the United States. XGL and XOL are also licensed NVOCCs and ocean freight forwarders.

Our international freight forwarding operations make us subject to regulations of the U.S. Department of State, the U.S. Department of Commerce and the U.S. Department of Treasury, and to various laws and regulations of the other countries where we operate. These regulations cover matters such as what commodities may be shipped to what destinations and to what end-users, unfair international trade practices, and limitations on entities with which we may conduct business.

Other Regulations. The Company is subject to a variety of other U.S. and foreign laws and regulations, including but not limited to, the Foreign Corrupt Practices Act and other similar anti-bribery and anti-corruption statutes.

Classification of Independent Contractors. Tax and other federal and state regulatory authorities, as well as private litigants, continue to assert that independent contractor drivers in the trucking industry are employees rather than independent contractors. Federal legislators have introduced legislation in the past to make it easier for tax and other authorities to reclassify independent contractors as employees, including legislation to increase the recordkeeping requirements and heighten the penalties for companies who misclassify workers and are found to have violated overtime and/or wage requirements. Additionally, federal legislators have sought to abolish the current safe harbor allowing taxpayers that meet certain criteria to treat individuals as independent contractors if they are following a longstanding, recognized practice. Federal legislators also sought to expand the Fair Labor Standards Act to cover "non-employees" who perform labor or services for businesses, even if the "non-employees" are properly classified as independent contractors; require taxpayers to provide written notice to workers based upon their classification as either an "employee" or a "non-employee"; and impose penalties and fines for violations of the notice requirements or "employee" or "non-employee" misclassifications. Some states have launched initiatives to increase revenues from items

such as unemployment, workers' compensation and income taxes, and the reclassification of independent

contractors as employees could help states with those initiatives. Taxing and other regulatory authorities and courts apply a variety of standards in their determinations of independent contractor status. If XPO's independent contractor drivers are determined to be employees, we would incur additional exposure under some or all of the following: federal and state tax, workers' compensation, unemployment benefits, and labor, employment and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings.

Environmental Regulations. Our facilities and operations and our independent contractors are subject to various environmental laws and regulations dealing with the hauling, handling and disposal of hazardous materials, emissions from vehicles, engine-idling, fuel tanks and related fuel spillage and seepage, discharge and retention of storm water, and other environmental matters that involve inherent environmental risks. Similar laws and regulations may apply in many of the foreign jurisdictions in which we operate. We have instituted programs to monitor and control environmental risks and maintain compliance with applicable environmental laws and regulations. We may be responsible for the cleanup of any spill or other incident involving hazardous materials caused by our operations or business. In the past, we have been responsible for the costs of cleanup of diesel fuel spills caused by traffic accidents or other events, and none of these incidents materially affected our business or operations. We generally transport only hazardous materials rated as low-to-medium-risk, and a small percentage of our total shipments contain hazardous materials. We believe that our operations are in substantial compliance with current laws and regulations and we do not know of any existing environmental condition that reasonably would be expected to have a material adverse effect on our business or operating results. We also do not expect to incur material capital expenditures for environmental controls in 2018. Future changes in environmental regulations or liabilities from newly discovered environmental conditions or violations (and any associated fines and penalties) could have a material adverse effect on our business, competitive position, results of operations, financial condition or cash flows. U.S. federal and state governments, as well as governments in certain foreign jurisdictions where we operate, have also proposed environmental legislation that could, among other things, potentially limit carbon, exhaust and greenhouse gas emissions. If enacted, such legislation could result in higher new tractor and trailer costs, reduced productivity and efficiency, and increased operating expenses, all of which could adversely affect our results of operations.

Risk Management and Insurance

We maintain insurance for commercial automobile liability, truckers' commercial automobile liability, commercial general liability, cargo/warehouse legal liability, workers' compensation and employers' liability, and umbrella and excess umbrella liability, with coverage limits, deductibles and self-insured retention levels that we believe are reasonable given the varying historical frequency, severity and timing of claims. Certain actuarial assumptions and management judgments are made for insurance reserves and are subject to a high degree of variability.

Seasonality

Our revenue and profitability are typically lower for the first quarter of the calendar year relative to the other quarters. We believe this is due in part to the post-holiday reduction in demand experienced by many of our customers, which leads to more capacity in the non-expedited and service-critical markets and, in turn, less demand for expedited and premium shipping services. In addition, the productivity of our tractors and trailers, independent contractors and transportation providers generally decreases during the winter season because inclement weather impedes operations. It is not possible to predict whether the Company's historical revenue and profitability trends will continue to occur in future periods.

Employees

As of December 31, 2017, we had approximately 95,000 full-time and part-time employees. Our employee base is one of our most critical resources, and we view the recruitment, training and retention of qualified employees as being essential to our ongoing success. We believe that we have good relations with our employees, with strong programs in place for communication and professional development.

Executive Officers of the Registrant

We provide below information regarding each of our executive officers.

Name	Age	Position
Bradley S. Jacobs	61	Chairman of the Board and Chief Executive Officer
Troy A. Cooper	48	Chief Operating Officer
John J. Hardig	53	Chief Financial Officer
Scott B. Malat	41	Chief Strategy Officer
Mario A. Harik	37	Chief Information Officer

Bradley Jacobs has served as XPO's chief executive officer and chairman of the board of directors since September 2011. Mr. Jacobs is also the managing director of Jacobs Private Equity, LLC, which is the Company's second largest stockholder. Prior to XPO, he led two public companies: United Rentals, Inc. (NYSE: URI), which he co-founded in 1997, and United Waste Systems, Inc., which he founded in 1989. Mr. Jacobs served as chairman and chief executive officer of United Rentals for its first six years, and as executive chairman for an additional four years. With United Waste Systems, he served eight years as chairman and chief executive officer. Previously, Mr. Jacobs founded Hamilton Resources (UK) Ltd. and served as its chairman and chief operating officer. This followed the co-founding of his first venture, Amerex Oil Associates, Inc., where he was chief executive officer.

Troy Cooper has served as XPO's chief operating officer since May 2014. From September 2015 until September 2017 he also served as chief executive officer and chairman of XPO Logistics Europe. Mr. Cooper joined the Company in September 2011 as vice president of finance. Prior to XPO, Mr. Cooper served as vice president-group controller with United Rentals, Inc., where he was responsible for field finance functions and helped to integrate over 200 acquisitions in the United States, Canada and Mexico. Earlier, he held controller positions with United Waste Systems, Inc. and OSI Specialties, Inc. (formerly a division of Union Carbide, Inc.). He began his career in public accounting with Arthur Andersen and Co. and has a degree in accounting from Marietta College.

John Hardig has served as XPO's chief financial officer since February 2012. Prior to XPO, Mr. Hardig served as managing director for the Transportation & Logistics investment banking group of Stifel Nicolaus Weisel from 2003 to 2012. Previously, Mr. Hardig was an investment banker in the Transportation and Telecom groups at Alex. Brown & Sons (now Deutsche Bank), and earlier worked as a design engineer with Ford Motor Company. Mr. Hardig holds a master's degree in business administration from the University of Michigan Business School and a bachelor's degree from the U.S. Naval Academy.

Scott Malat has served as XPO's chief strategy officer since July 2012, after joining the Company in October 2011 as senior vice president of strategic planning. Prior to XPO, Mr. Malat was a senior equity research analyst covering the air, rail, trucking and shipping sectors for Goldman Sachs Group, Inc. Earlier, he served as an equity research analyst with UBS and a strategy manager with JPMorgan Chase & Co. Mr. Malat is a CFA® charterholder and has a degree in statistics with a concentration in business management from Cornell University.

Mario Harik has served as XPO's chief information officer since November 2011 with responsibility for the Company's global technology ecosystem. Mr. Harik has built comprehensive IT organizations, overseen the implementation of extensive proprietary platforms, and consulted to Fortune 100 companies. His prior positions include chief information officer and senior vice president of research and development with Oakleaf Waste Management; chief technology officer with Tallan, Inc.; co-founder of G3 Analyst, where he served as chief architect of web and voice applications; and architect and consultant with Adea Solutions. Mr. Harik holds a master's of engineering degree in information technology from Massachusetts Institute of Technology, and a degree in engineering, computer and communications from the American University of Beirut, Lebanon.

Corporate Information and Availability of Reports

XPO Logistics, Inc. was incorporated in Delaware on May 8, 2000. Our executive office is located in the United States at Five American Lane, Greenwich, Connecticut 06831. Our telephone number is (855) 976-6951. Our stock is listed on the New York Stock Exchange ("NYSE") under the symbol XPO.

Our corporate website is www.xpo.com. We make available on this website, free of charge, access to our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A and amendments to those materials filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after we electronically submit such material to the SEC. We also make available on our website copies of materials regarding our corporate governance policies and practices, including the XPO Logistics, Inc. Corporate Governance Guidelines, Code of Business Ethics and the charters relating to the committees of our board of directors. You also may obtain a printed copy of the foregoing materials by sending a written request to: Investor Relations, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831. The public may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. In addition, the SEC’s website is www.sec.gov. The SEC makes available on this website, free of charge, reports, proxy and information statements and other information regarding issuers, such as us, that file electronically with the SEC. Information on our website or the SEC’s website is not part of this document. We are currently classified as a “large accelerated filer” for purposes of filings with the SEC.

Item 1A. Risk Factors

The following are important factors that could affect our financial performance and could cause actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this Annual Report on Form 10-K or our other filings with the SEC or in oral presentations such as telephone conferences and webcasts open to the public. You should carefully consider the following factors and consider these in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 and our Consolidated Financial Statements and related Notes in Item 8.

Economic recessions and other factors that reduce freight volumes, both in North America and Europe, could have a material adverse impact on our business.

The transportation industry in North America and Europe historically has experienced cyclical fluctuations in financial results due to economic recession, downturns in the business cycles of our customers, increases in the prices charged by third-party carriers, interest rate fluctuations and other U.S. and global economic factors beyond our control. During economic downturns, reduced overall demand for transportation services will likely reduce demand for our services and exert downward pressures on our rates and margins. In periods of strong economic growth, demand for limited transportation resources can result in increased network congestion and operating inefficiencies. In addition, any deterioration in the economic environment subjects our business to various risks that may have a material impact on our operating results and future prospects. These risks may include the following:

- A reduction in overall freight volumes reduces our opportunities for growth. In addition, if a downturn in our customers’ business cycles causes a reduction in the volume of freight shipped by those customers, our operating results could be adversely affected.
- Some of our customers may face economic difficulties and may not be able to pay us, and some may go out of business. In addition, some customers may not pay us as quickly as they have in the past, causing our working capital needs to increase.
- A significant number of our transportation providers may go out of business and we may be unable to secure sufficient equipment or other transportation services to meet our commitments to our customers.
- We may not be able to appropriately adjust our expenses to changing market demands. In order to maintain high variability in our business model, it is necessary to adjust staffing levels to changing market demands. In periods of rapid change, it is more difficult to match our staffing levels to our business needs. In addition, we have other primarily variable expenses that are fixed for a period of time and certain significant fixed expenses, and we may not be able to adequately adjust them in a period of rapid change in market demand.

We operate in a highly competitive industry and, if we are unable to adequately address factors that may adversely affect our revenue and costs, our business could suffer.

Competition in the transportation services industry is intense. Increased competition may lead to a reduction in revenues, reduced profit margins, or a loss of market share, any one of which could harm our business. There are many factors that could impair our profitability, including the following:

- Competition from other transportation services companies, some of which offer different services or have a broader coverage network, more fully developed information technology systems and greater capital resources than we do.
- A reduction in the rates charged by our competitors to gain business, especially during times of declining economic growth. Such reductions may limit our ability to maintain or increase our rates, maintain our operating margins or achieve significant growth in our business.
- Shippers soliciting bids from multiple transportation providers for their shipping needs, which may result in the depression of freight rates or loss of business to competitors.
- The establishment by our competitors of cooperative relationships to increase their ability to address shipper needs.
- Our current or prospective customers may decide to develop or expand internal capabilities for some of the services that we provide.
- The development of new technologies or business models, which could result in our disintermediation in certain businesses, such as freight brokerage.

Our profitability may be materially adversely impacted if our investments in equipment, service centers and warehouses do not match customer demand for these resources or if there is a decline in the availability of funding sources for these investments.

Our LTL and full truckload operations require significant investments in equipment and freight service centers. The amount and timing of our capital investments depend on various factors, including anticipated freight volume levels and the price and availability of appropriate property for service centers and newly-manufactured tractors. If our anticipated service center and/or fleet requirements differ materially from actual usage, our capital-intensive business units, specifically LTL and full truckload, may have too much or too little capacity. We attempt to mitigate the risk associated with too much or too little capacity by adjusting our capital expenditures and by utilizing short-term equipment rentals and sub-contracted operators in order to match capacity with business volumes. Our investments in equipment and service centers depend on our ability to generate cash flow from operations and our access to credit, debt and equity capital markets. A decline in the availability of these funding sources could adversely affect us.

Our contract logistics operations can require a significant commitment of capital in the form of shelving, racking and other warehousing systems that may be required to implement warehouse-management services for our customers. In the event that we are not able to fully amortize the associated cost of capital across the term of the related customer agreement, or to the extent that the customer defaults on its obligations under the agreement, we could be forced to take a significant loss on the unrecovered portion of this capital cost.

Anticipated synergies from any acquisitions that we have undertaken may not materialize in the expected timeframe or at all.

Our financial targets are dependent on our ability to realize significant ongoing synergies with respect to our acquisitions, in particular the Norbert Dentressangle SA (“ND”) and Con-way Inc. (“Con-way”) acquisitions we completed in 2015. In addition, we anticipate creating value through synergy opportunities in future acquisitions that we may undertake. We may not realize all synergies we anticipate from past and potential future acquisitions. Among the synergies that we currently expect are cross-selling opportunities to our existing customers, network synergies and other operational synergies. Our estimated synergies from the acquisitions that we have undertaken are, and synergies we may announce related to potential future acquisitions, if any, will be subject to a number of assumptions about the timing, execution and costs associated with realizing such synergies as well as the capacity of

our information technology systems and other infrastructure to accommodate the demands of our new acquisitions. Such assumptions are inherently uncertain and are subject to a wide variety of significant business, economic, competition and execution risks and uncertainties. There can be no assurance that such assumptions will turn out to be correct and, as a result, the amount of synergies that we will actually realize and/or the timing of any such realization may differ significantly (and may be significantly lower) from the ones that we estimate, and we may incur significant costs in reaching the estimated synergies.

Our past acquisitions, as well as any acquisitions that we may complete in the future, may be unsuccessful or result in other risks or developments that adversely affect our financial condition and results.

While we intend for our acquisitions to improve our competitiveness and profitability, we cannot be certain that our past or future acquisitions will be accretive to earnings or otherwise meet our operational or strategic expectations. Acquisitions involve special risks, including accounting, regulatory, compliance, information technology or human resources issues that could arise in connection with, or as a result of, the acquisition of the acquired company, the assumption of unanticipated liabilities and contingencies, difficulties in integrating acquired businesses, possible management distraction, and the inability of acquired businesses to achieve the levels of revenue, profit, productivity or synergies we anticipate or otherwise perform as we expect on the timeline contemplated. We are unable to predict all of the risks that could arise as a result of our acquisitions.

If the performance of our reporting units or an acquired business varies from our projections or assumptions, or estimates about the future profitability of our reporting units or an acquired business change, our revenues, earnings or other aspects of our financial condition could be adversely affected. We may also experience difficulties in connection with integrating any acquired companies into our existing businesses and operations, including our existing infrastructure and information technology systems. The infrastructure and information technology systems of acquired businesses could present issues which we were not able to identify prior to the acquisition that could adversely affect our financial condition and results, and we have experienced challenges of this nature relating to the infrastructure and systems of our businesses that we recently acquired. Any of these events could adversely affect our financial condition and results of operations.

We may not successfully manage our growth.

We have grown rapidly and substantially over prior years, including by expanding our internal resources, making acquisitions, in particular in 2015, and entering into new markets, and we intend to continue to focus on rapid growth, including organic growth and additional acquisitions. We may experience difficulties and higher-than-expected expenses in executing this strategy as a result of unfamiliarity with new markets, changes in revenue and business models, entering into new geographic areas and increased pressure on our existing infrastructure and information technology systems.

Our growth will place a significant strain on our management, operational, financial and information technology resources. We will need to continually improve existing procedures and controls as well as implement new transaction processing, operational and financial systems, and procedures and controls to expand, train and manage our employee base. Our working capital needs will continue to increase as our operations grow. Failure to manage our growth effectively, or obtain necessary working capital, could have a material adverse effect on our business, results of operations, cash flows, stock price and financial condition.

Our business will be seriously harmed if we fail to develop, implement, maintain, upgrade, enhance, protect and integrate our information technology systems, including those systems of any businesses that we acquire.

We rely heavily on our information technology systems to efficiently run our business, and they are a key component of our customer-facing and internal growth strategy. In general, we expect our customers to continue to demand more sophisticated, fully integrated information systems from their transportation and logistics providers. To keep pace with changing technologies and customer demands, we must correctly interpret and address market trends and enhance the features and functionality of our proprietary technology platform in response to these trends. This process of continuous enhancement may lead to significant ongoing software development costs which will continue to increase if we pursue new acquisitions of companies and their current systems. In addition, we may fail to accurately determine the needs of our customers or trends in the transportation services and logistics industries or we may fail to design and implement the appropriate responsive features and functionality for our technology

platform in a timely and cost-effective manner. Any such failures could result in decreased demand for our services and a corresponding decrease in our revenues.

We must maintain and enhance the reliability and speed of our information technology systems to remain competitive and effectively handle higher volumes of freight through our network and the various service modes we offer. If our information technology systems are unable to manage additional volume for our operations as our business grows, or if such systems are not suited to manage the various service modes we offer, our service levels and operating efficiency could decline. In addition, if we fail to hire and retain qualified personnel to implement, protect and maintain our information technology systems or if we fail to upgrade our systems to meet our customers' demands, our business and results of operations could be seriously harmed. This could result in a loss of customers or a decline in the volume of freight we receive from customers.

We are developing proprietary information technology for all of our business segments. Our technology may not be successful or may not achieve the desired results and we may require additional training or different personnel to successfully implement this technology. Our technology development process may be subject to cost overruns or delays in obtaining the expected results, which may result in disruptions to our operations.

A failure of our information technology infrastructure or a breach of our information security systems, networks or processes may materially adversely affect our business.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our sales and marketing, accounting and financial and legal and compliance functions, engineering and product development tasks, research and development data, communications, supply chain, order entry and fulfillment and other business processes. We also rely on third parties and virtualized infrastructure to operate and support our information technology systems. Despite testing, external and internal risks, such as malware, insecure coding, "Acts of God," data leakage and human error pose a direct threat to the stability or effectiveness of our information technology systems and operations. The failure of our information technology systems to perform as we anticipate has in the past, and could in the future, adversely affect our business through transaction errors, billing and invoicing errors, internal recordkeeping and reporting errors, processing inefficiencies and loss of sales, receivables collection and customers, in each case, which could result in harm to our reputation and have an ongoing adverse impact on our business, results of operations and financial condition, including after the underlying failures have been remedied.

We may also be subject to cybersecurity attacks and other intentional hacking. Any failure to identify and address such defects or errors or prevent a cyber-attack could result in service interruptions, operational difficulties, loss of revenues or market share, liability to our customers or others, the diversion of corporate resources, injury to our reputation and increased service and maintenance costs. Addressing such issues could prove to be impossible or very costly and responding to resulting claims or liability could similarly involve substantial cost. In addition, recently, there has also been heightened regulatory and enforcement focus on data protection in the U.S. and abroad (particularly in the European Union), and failure to comply with applicable U.S. or foreign data protection regulations or other data protection standards may expose us to litigation, fines, sanctions or other penalties, which could harm our reputation and adversely impact our business, results of operations and financial condition.

Our substantial indebtedness could adversely affect our financial condition.

We have substantial outstanding indebtedness, which could:

- negatively affect our ability to pay principal and interest on our debt or dividends on our Series A Preferred Stock;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future capital expenditures and working capital, to engage in future acquisitions or development activities, or to otherwise realize the value of our assets and opportunities fully because of the need to dedicate a substantial portion of our cash flow from operations to payments of interest and principal or to comply with any restrictive terms of our debt;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- impair our ability to obtain additional financing or to refinance our indebtedness in the future; and
- place us at a competitive disadvantage compared to our competitors that may have proportionately less debt.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, could materially and adversely affect our financial position and results of operations. Further, failure to comply with the covenants under our indebtedness may have a material adverse impact on our operations. If we fail to comply with the covenants under any of our indebtedness, and are unable to obtain a waiver or amendment, such failure may result in an event of default under our indebtedness. We may not have sufficient liquidity to repay or refinance our indebtedness if such indebtedness were accelerated upon an event of default.

Under the terms of our outstanding indebtedness, we may not be able to incur substantial additional indebtedness in the future, which could further exacerbate the risks described above.

The execution of our strategy could depend on our ability to raise capital in the future, and our inability to do so could prevent us from achieving our growth objectives.

We may in the future be required to raise capital through public or private financing or other arrangements in order to pursue our growth strategy or operate our businesses. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business or ability to execute our strategy. Further debt financing may involve restrictive covenants and could reduce our profitability. If we cannot raise funds on acceptable terms, we may not be able to grow our business or respond to competitive pressures.

We depend on third-parties in the operation of our business.

In our global forwarding, last mile, intermodal and freight brokerage operations, we do not own or control the transportation assets that deliver our customers' freight, and we do not employ the people directly involved in delivering this freight. In addition, in our freight brokerage businesses (particularly our last mile delivery logistics operations, our over-the-road expedite operations and our intermodal drayage operations), we engage independent contractors who own and operate their own equipment. Accordingly, we are dependent on third-parties to provide truck, rail, ocean, air and other transportation services and to report certain events to us, including delivery information and cargo claims. This reliance on third-parties could cause delays in reporting certain events, including our ability to recognize revenue and claims in a timely manner.

Our inability to maintain positive relationships with independent transportation providers could significantly limit our ability to serve our customers on competitive terms. If we are unable to secure sufficient equipment or other transportation services to meet our commitments to our customers or provide our services on competitive terms, our operating results could be materially and adversely affected and our customers could shift their business to our competitors temporarily or permanently. Our ability to secure sufficient equipment or other transportation services to meet our commitments to our customers or provide our services on competitive terms is subject to inherent risks, many of which are beyond our control, including the following:

- Equipment shortages in the transportation industry, particularly among contracted truckload carriers and railroads;
- Interruptions in service or stoppages in transportation as a result of labor disputes, seaport strikes, network congestion, weather-related issues, "Acts of God," or acts of terrorism;
- Changes in regulations impacting transportation;
- Increases in operating expenses for carriers, such as fuel costs, insurance premiums and licensing expenses, that result in a reduction in available carriers; and
- Changes in transportation rates.

Increases in driver compensation and difficulties attracting and retaining drivers could adversely affect our revenues and profitability.

Our LTL and full truckload operations are conducted primarily with employee drivers. Recently, there has been intense competition for qualified drivers in the transportation industry due to a shortage of drivers. The availability of qualified drivers may be affected from time to time by changing workforce demographics, competition from other transportation companies and industries for employees, the availability and affordability of driver training schools, changing industry regulations, and the demand for drivers in the labor market. If the industry-wide shortage of qualified drivers continues, these business lines will likely continue to experience difficulty in attracting and retaining enough qualified drivers to fully satisfy customer demands. As a result of the current highly-competitive labor market for drivers, our LTL and full truckload operations may be required to increase driver compensation and benefits in the future, or face difficulty meeting customer demands, all of which could adversely affect our profitability. Additionally, a shortage of drivers could result in the underutilization of our truck fleet, lost revenue, increased costs for purchased transportation or increased costs for driver recruitment.

Increases in independent contractor driver compensation or other difficulties attracting and retaining qualified independent contractor drivers could adversely affect our profitability and ability to maintain or grow our independent contractor driver fleet.

Our freight brokerage and intermodal businesses operate through fleets of vehicles that are owned and operated by independent contractors. Our last mile business also operates through a fleet of independent contract carriers that supply their own vehicles, drivers and helpers. These independent contractors are responsible for maintaining and operating their own equipment and paying their own fuel, insurance, licenses and other operating costs. Turnover and bankruptcy among independent contractor drivers often limit the pool of qualified independent contractor drivers and increase competition for their services. In addition, regulations such as the FMCSA Compliance Safety Accountability program may further reduce the pool of qualified independent contractor drivers. Thus, our continued reliance on independent contractor drivers could limit our ability to grow our ground transportation fleet.

We are currently experiencing, and expect to continue to experience from time to time in the future, difficulty in attracting and retaining sufficient numbers of qualified independent contractor drivers. Additionally, our agreements with independent contractor drivers are terminable by either party upon short notice and without penalty. Consequently, we regularly need to recruit new qualified independent contractor drivers to replace those who have left our fleet. If we are unable to retain our existing independent contractor drivers or recruit new independent contractor drivers, our business and results of operations could be adversely affected.

The compensation we offer our independent contractor drivers is subject to market conditions and we may find it necessary to continue to increase independent contractor drivers' compensation in future periods. If we are unable to continue to attract and retain a sufficient number of independent contractor drivers, we could be required to increase our mileage rates and accessorial pay or operate with fewer trucks and face difficulty meeting shipper demands, all of which would adversely affect our profitability and ability to maintain our size or to pursue our growth strategy.

Our business may be materially adversely affected by labor disputes.

Our business in the past has been and in the future could be adversely affected by strikes and labor negotiations affecting seaports, labor disputes between railroads and their union employees, or by a work stoppage at one or more railroads or local trucking companies servicing rail or port terminals, including work disruptions involving owner operators under contract with our local trucking operations. Port shutdowns and similar disruptions to major points in national or international transportation networks, most of which are beyond our control, could result in terminal embargoes, disrupt equipment and freight flows, depress volumes and revenues, increase costs and have other negative effects on our operations and financial results.

Labor disputes involving our customers could affect our operations. If our customers are unable to negotiate new labor contracts and our clients' plants experience slowdowns or closures as a result, our revenue and profitability could be negatively impacted. In particular, our Logistics segment derives a substantial portion of its revenue from the operation and management of operating facilities, which are often located in close proximity to a client's manufacturing plant and are integrated into the client's production line process. We may experience significant revenue loss and shut-down costs, including costs related to early termination of leases, causing our business to

suffer if clients are affected by strikes or other labor disputes, close their plants or significantly modify their capacity or supply chains at a plant that our Logistics segment services.

XPO Logistics Europe's business activities require a significant amount of labor, which represents one of its most significant costs, and it is essential that we maintain good relations with employees, trade unions and other staff representative institutions. A deteriorating economic environment may result in tensions in industrial relations, which may lead to industrial action within our European operations that could have a direct impact on our business operations. Generally, any deterioration in industrial relations in our European operations could have an adverse effect on our revenues, earnings, financial position, and outlook.

Efforts by labor organizations to organize employees at certain locations in North America, if successful, may result in increased costs and decreased efficiencies at those locations.

Since 2014, in the United States, the International Brotherhood of Teamsters ("Teamsters") has attempted to organize employees at several of the Company's LTL locations and one supply chain location. Additionally, the International Association of Machinists ("Machinists") has attempted to organize a small number of mechanics at two LTL maintenance shops. The majority of employees involved in those organizing efforts rejected union representation. As of January 31, 2018, approximately 135 employees at three LTL locations have voted for Teamsters representation and the results of those three elections have been certified by the National Labor Relations Board. At one LTL location, the parties have been in negotiations for an initial contract since February 2015. At the remaining two locations, the parties began negotiations during the course of 2017. In addition, as of January 31, 2018, an aggregate of approximately 77 employees at three additional LTL locations have voted for Teamsters representation, and approximately 8 employees at one LTL location have voted for Machinists representation. We are contesting the results of these four elections. Also, in October 2017, a majority of the employees of the Company's supply chain location that had previously voted for Teamsters representation petitioned the Company to withdraw recognition of the Teamsters as the employees' representative and the Company withdrew this recognition. We cannot predict with certainty whether further organizing efforts may result in the unionization of any additional locations domestically. If successful, these efforts may result in increased costs and decreased efficiencies at the specific locations where representation is elected. We do not expect the impact, if any, to extend to our larger organization or the service of our customer base.

Certain of our businesses rely on owner-operators and contract carriers to conduct their operations, and the status of these parties as independent contractors, rather than employees, is being challenged.

We are involved in numerous lawsuits, including putative class action lawsuits, multi-plaintiff and individual lawsuits, and state tax and other administrative proceedings that claim that our contract carriers or owner-operators or their drivers should be treated as our employees, rather than independent contractors, or that certain of our drivers were not paid for all compensable time or were not provided with required meal or rest breaks. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both. In addition, we incur certain costs, including legal fees, in defending the status of these parties as independent contractors.

While we believe that our contract carriers and owner-operators and their drivers are properly classified as independent contractors rather than as employees, adverse decisions have been rendered recently in certain cases pending against us, including with respect to class certification of certain contract carriers and determinations that certain of our contract carriers and owner-operators are improperly classified. Certain of these decisions are subject to appeal, but we cannot provide assurance that we will determine to pursue any appeal or that any such appeal will be successful. Adverse final outcomes in these matters could, among other things, entitle certain of our contract carriers and owner-operators and their drivers to reimbursement with respect to certain expenses and to the benefit of wage-and-hour laws and result in employment and withholding tax and benefit liability for us, and could result in changes to the independent contractor status of our contract carriers and owner-operators. Changes to state laws governing the definition of independent contractors could also impact the status of our contract carriers and owner-operators. Adverse final outcomes in these matters or changes to state laws could cause us to change our business model, which could have a material adverse effect on our business strategies, financial condition, results of operations or cash flows. These claims involve potentially significant classes that could involve thousands of

claimants and, accordingly, significant potential damages and litigation costs, and could lead others to bring similar claims.
The results of these matters cannot be predicted with certainty and an unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, results of operations or cash flows.
Our overseas operations subject us to various operational and financial risks which could adversely affect our business.
The services we provide outside of the United States subject us to risks resulting from changes in tariffs, trade restrictions, trade agreements, tax policies, difficulties in managing or overseeing foreign operations and agents, different liability standards, issues related to compliance with anti-corruption laws such as the Foreign Corrupt Practices Act and the U.K. Bribery Act, data protection, trade compliance, and intellectual property laws of countries which do not protect our rights in our intellectual property, including our proprietary information systems, to the same extent as the laws of the United States. The occurrence or consequences of any of these factors may restrict our ability to operate in the affected region and/or decrease the profitability of our operations in that region. As we expand our business in foreign countries, we will also be exposed to increased risk of loss from foreign currency fluctuations and exchange controls.
Our European business heavily relies on subcontracting and we use a large number of temporary employees in these operations. Any failure to properly manage our subcontractors or temporary employees in Europe could have a material adverse impact on XPO Logistics Europe’s revenues, earnings, financial position and outlook.
We operate in Europe through our majority-owned subsidiary, XPO Logistics Europe SA. Subcontracting plays a key role in our European operations and we subcontract approximately 40% of our transport operations in the region. As a result, we are exposed to various risks related to managing our subcontractors, such as the risk that they do not fulfill their assignments in a satisfactory manner or within the specified deadlines. Such failures could compromise our ability to fulfill our commitments to our customers, comply with applicable regulations or otherwise meet our customers’ expectations. In some situations, the poor execution of services by our subcontractors could result in a customer terminating a contract. Such failures by our subcontractors could harm our reputation and ability to win new business and could lead to our being liable for contractual damages. Furthermore, in the event of a failure by our subcontractors to fulfill their assignments in a satisfactory manner, we could be required to perform unplanned work or additional services in line with the contracted service, without receiving any additional compensation. Lastly, some of our subcontractors in Europe may not be insured, or may not have sufficient resources available to handle any claims from customers resulting from potential damage and losses relating to their performance of services on our behalf. As a result, the non-compliance by our subcontractors with their contractual or legal obligations may have a material adverse effect on our business and financial condition.
XPO Logistics Europe also makes significant use of temporary staff. We cannot guarantee that temporary employees are as well-trained as our other employees. Specifically, we may be exposed to the risk that temporary employees may not perform their assignments in a satisfactory manner or may not comply with our safety rules in an appropriate manner, whether as a result of their lack of experience or otherwise. If such risks materialize, they could have a material adverse effect on our business and financial condition.
We are involved in multiple lawsuits and are subject to various claims that could result in significant expenditures and impact our operations.
The nature of our business exposes us to the potential for various types of claims and litigation. In addition to the matters described in the risk factor “Certain of our businesses rely on owner-operators and contract carriers to conduct their operations, and the status of these parties as independent contractors, rather than employees, is being challenged,” we are subject to claims and litigation related to labor and employment, personal injury, traffic accidents, cargo and other property damage, business practices, environmental liability and other matters, including with respect to claims asserted under various theories of agency and employer liability notwithstanding our independent contractor relationships with our transportation providers. Claims against us may exceed the amount of insurance coverage that we have, or may not be covered by insurance at all. Businesses that we acquire also increase our exposure to litigation. A material increase in the frequency or severity of accidents, liability claims, or workers’ compensation claims, or the unfavorable resolution of claims, or our failure to recover, in full or in part, under

20

indemnity provisions with transportation providers could materially and adversely affect our operating results. In addition, significant increases in insurance costs or the inability to purchase insurance as a result of these claims could reduce our profitability.

An increase in the number and/or severity of self-insured claims or an increase in insurance premiums could have an adverse effect on us.

We use a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of employee medical, vehicular, cargo and workers' compensation claims. Our estimated liability for self-retained insurance claims reflects certain actuarial assumptions and judgments, which are subject to a high degree of variability. We periodically evaluate the level of insurance coverage and adjust insurance levels based on targeted risk tolerance and premium expense. An increase in the number and/or severity of self-insured claims or an increase in insurance premiums could have an adverse effect on us. In addition, the cost of providing benefits under our medical plans is dependent on a variety of factors, including governmental laws and regulations, health care cost trends, claims experience and health care decisions by plan participants. As a result, we are unable to predict how the cost of providing benefits under medical plans will affect our financial condition, results of operations or cash flows.

We are subject to risks associated with defined benefit plans for our current and former employees, which could have a material adverse effect on our earnings and financial position.

Following our acquisitions of ND and Con-way, we now maintain defined benefit pension plans and a postretirement medical plan. Our defined benefit pension plans include funded and unfunded plans in the United States and the United Kingdom. A decline in interest rates and/or lower returns on funded plan assets may cause increases in the expense and funding requirements for these defined benefit pension plans and for our postretirement medical plan. Despite past amendments that froze our defined benefit pension plans to new participants and curtailed benefits, these pension plans remain subject to volatility associated with interest rates, inflation, returns on plan assets, other actuarial assumptions and statutory funding requirements. In addition to being subject to volatility associated with interest rates, our postretirement medical plan remains subject to volatility associated with actuarial assumptions and trends in healthcare costs. Any of the aforementioned factors could lead to a significant increase in the expense of these plans and a deterioration in the solvency of these plans, which could significantly increase the Company's contribution requirements. As a result, we are unable to predict the effect on our financial statements associated with our defined benefit pension plans and our postretirement medical plan.

Because of our floating rate credit facilities, we may be adversely affected by interest rate changes.

Both the Second Amended and Restated Revolving Loan Credit Agreement, as amended (the "ABL Facility"), and the senior secured term loan credit agreement, as amended (the "Term Loan Facility"), provide for an interest rate based on London Interbank Offered Rate ("LIBOR") or a Base Rate, as defined in the agreements, plus an applicable margin. Our European trade receivables securitization program (the "Receivables Securitization Program") provides for an interest rate at lenders' cost of funds plus an applicable margin. Our financial position may be affected by fluctuations in interest rates since the ABL Facility, Term Loan Facility and Receivables Securitization Program are subject to floating interest rates. Refer to Item 7A. Quantitative and Qualitative Disclosures about Market Risk for the impact on interest expense of a hypothetical 100 basis point increase in the interest rate. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. A significant increase in interest rates could have an adverse effect on our financial position and results of operations.

We are exposed to currency exchange rate fluctuations because a significant proportion of our assets, liabilities and earnings are denominated in foreign currencies.

We present our financial statements in U.S. dollars but we have a significant proportion of our net assets and income in non-U.S. dollar currencies, primarily the euro and pounds sterling ("GBP"). Consequently, a depreciation of non-U.S. dollar currencies relative to the U.S. dollar could have an adverse impact on our financial results as further discussed below under Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

The economic uncertainties relating to eurozone monetary policies may cause the value of the euro to fluctuate against other currencies. Currency volatility contributes to variations in our sales of products and services in impacted jurisdictions. For example, in the event that one or more European countries were to replace the euro with another currency, our sales into such countries, or in Europe generally, would likely be adversely affected until stable exchange rates are established. Accordingly, fluctuations in currency exchange rates could adversely affect our business and financial condition and the business of the combined company.

The United Kingdom's expected exit from the European Union could have a material adverse effect on our business and results of operations.

Following a referendum in June 2016 in which voters in the United Kingdom ("U.K.") approved an exit from the European Union ("EU"), the U.K. government has initiated a process to leave the EU (often referred to as "Brexit") and has begun negotiating the terms of the U.K.'s future relationship with the EU. The likely exit of the U.K. from the EU will have uncertain impacts on our transportation and logistics operations in Europe. In 2017, we derived approximately 37% of our revenue in Europe, including 12% in the U.K. Any adverse consequences of Brexit, such as a deterioration in the U.K.'s and/or EU's economic condition, currency exchange rates, bilateral trade agreements or regulation of trade, including the potential imposition of tariffs, could reduce demand for our services in the U.K. and/or the EU, or otherwise have a negative impact on our operations, financial condition and results of operations.

We may not be able to successfully execute our growth strategy through acquisitions.

We intend to continue to expand through acquisitions to take advantage of market opportunities we perceive in the transportation and logistics industries, as well as new markets that we may enter. While we intend to make acquisitions in the future, we may experience delays or be unable to make the acquisitions we desire for a number of reasons. Suitable acquisition candidates may not be available at purchase prices that are attractive to us or on terms that are acceptable to us. In pursuing acquisition opportunities, we will compete with other companies, some of which have greater financial and other resources than we do.

We are unable to predict the size, timing and number of acquisitions we may complete and may not complete any acquisitions at all. In addition, we may incur expenses associated with sourcing, evaluating and negotiating acquisitions (including those that are not completed), and we also may pay fees and expenses associated with obtaining financing for acquisitions and with investment banks and others finding acquisitions for us. Any of these amounts may be substantial, and together with the size, timing and number of acquisitions we pursue, may negatively impact us and cause significant volatility in our financial results.

Sales or issuances of a substantial number of shares of our common stock may adversely affect the market price of our common stock.

We may fund any future acquisitions or our capital requirements from time to time, in whole or part, through sales or issuances of our common stock or equity-based securities, subject to prevailing market conditions and our financing needs. Future equity financing will dilute the interests of our then-existing stockholders, and future sales or issuances of a substantial number of shares of our common stock or other equity-related securities may adversely affect the market price of our common stock.

We do not own, and may not acquire, all of the outstanding shares of XPO Logistics Europe SA, the majority-owned subsidiary through which we conduct our European operations.

We currently own 86.25% of the outstanding shares of XPO Logistics Europe, the majority-owned subsidiary through which we conduct our European operations. We may not acquire the remaining shares of XPO Logistics Europe. French law only permits "squeeze out" mergers when a holder owns more than 95% of the outstanding shares. If we do not wholly-own XPO Logistics Europe, we will not have access to all of its cash flow to service our debt, as we will only receive a prorated portion of any dividend based on our ownership percentage. In addition, we will be subject to limitations on our ability to enter into transactions with XPO Logistics Europe that are not on arms-length terms, which could limit synergies that we could otherwise achieve between our North American and European operations. We also may not be able to consolidate XPO Logistics Europe with XPO Logistics France SAS, XPO's 100% owned French holding company, for tax purposes. Moreover, XPO Logistics Europe would be forced to continue as a listed public company in France, thereby incurring certain recurring costs.

22

Volatility in fuel prices impacts our fuel surcharge revenues and may impact our profitability.
We are subject to risks associated with the availability and price of fuel, which are subject to political, economic and market factors that are outside of our control.
Fuel expense constitutes one of the greatest costs to our LTL and full truckload carrier operations, as well as to our fleet of independent contractor drivers and third-party transportation providers who complete the physical movement of freight arranged by our other business operations. Accordingly, we may be adversely affected by the timing and degree of fluctuations and volatility in fuel prices. As is customary in our industry, most of our customer contracts include fuel-surcharge revenue programs or cost-recovery mechanisms to mitigate the effect of the fuel price increase over base amounts established in the contract. However, these fuel surcharge mechanisms may not capture the entire amount of the increase in fuel prices, and they also feature a lag between the payment for fuel and collection of the surcharge revenue. Market pressures may limit our ability to assess fuel surcharges in the future. The extent to which we are able to recover in full for fuel cost changes may also vary depending on the degree to which we are not compensated due to empty and out-of-route miles or from engine idling during cold or warm weather.
Decreases in fuel prices reduce the cost of transportation services and accordingly, will reduce our revenues and may reduce margins for certain lines of business. Significant changes in the price or availability of fuel in future periods, or significant changes in our ability to mitigate fuel price increases through the use of fuel surcharges, could have a material adverse impact on our operations, fleet capacity and ability to generate both revenues and profits.
Extreme or unusual weather conditions can disrupt our operations, impact freight volumes, and increase our costs, all of which could have a material adverse effect on our business results.
Certain weather conditions such as floods, ice and snow can disrupt our operations. Increases in the cost of our operations, such as snow removal at our locations, towing and other maintenance activities, frequently occur during the winter months. Natural disasters such as hurricanes and flooding can also impact freight volumes and increase our costs.
Issues related to the intellectual property rights on which our business depends, whether related to our failure to enforce our own rights or infringement claims brought by others, could have a material adverse effect on our business, financial condition and results of operations.
We use both internally developed and purchased technology in conducting our business. Whether internally developed or purchased, it is possible that the user of these technologies could be claimed to infringe upon or violate the intellectual property rights of third parties. In the event that a claim is made against us by a third party for the infringement of intellectual property rights, any settlement or adverse judgment against us either in the form of increased costs of licensing or a cease and desist order in using the technology could have an adverse effect on us and our results of operations.
We also rely on a combination of intellectual property rights, including copyrights, trademarks, domain names, trade secrets, intellectual property licenses and other contractual rights, to establish and protect our intellectual property and technology. Any of our owned or licensed intellectual property rights could be challenged, invalidated, circumvented, infringed or misappropriated; our trade secrets and other confidential information could be disclosed in an unauthorized manner to third-parties or we may fail to secure the rights to intellectual property developed by our employees, contractors and others. Efforts to enforce our intellectual property rights may be time consuming and costly, distract management's attention and resources and ultimately be unsuccessful. Moreover, our failure to develop and properly manage new intellectual property could adversely affect our market positions and business opportunities. Our failure to obtain, maintain and enforce our intellectual property rights could therefore have a material adverse effect on our business, financial condition and results of operations.
We are subject to regulation, which could negatively impact our business.
Our operations are regulated and licensed by various governmental agencies in the United States and in foreign countries in which we operate. These regulatory agencies have authority and oversight of domestic and international transportation services and related activities, licensure, motor carrier operations, safety and security and other

matters. We must comply with various insurance and surety bond requirements to act in the capacities for which we are licensed. Our subsidiaries and independent contractors must also comply with applicable regulations and requirements of various agencies. Through our subsidiaries and business units, we hold various licenses required to carry out our domestic and international services. These licenses permit us to provide services as a motor carrier, property broker, indirect air carrier, OTI, NVOCC, freight forwarder, air freight forwarder, and ocean freight forwarder. We also are subject to regulations and requirements promulgated by, among others, the DOT, FMCSA, DHS, CBP, TSA, FMC, IATA, the Canada Border Services Agency and various other international, domestic, state, and local agencies and port authorities. Certain of our businesses engage in the transportation of hazardous materials, which subjects us to regulations with respect to transportation of such materials and environmental regulations in the case of any accidents that occur during the transportation of materials and result in discharge of such materials. Our failure to maintain our required licenses, or to comply with applicable regulations, could have a material adverse impact on our business and results of operations. See the “Regulation” section of this Annual Report on Form 10-K under the caption titled “Business” for more information.

In December 2010, the FMSCA established the CSA motor carrier oversight program under which drivers and fleets are evaluated based on certain safety-related standards. Carriers’ safety and fitness ratings under CSA include the on-road safety performance of the carriers’ drivers. The FMSCA has also implemented changes to the hours of service regulations which govern the work hours of commercial drivers and recently adopted a rule that requires commercial drivers who currently use paper log books to maintain hours-of-service records with ELDs by December 2017 and commercial drivers who use automatic on-board recording devices to adopt ELDs by December 2019. In addition, FMCSA has issued a final rule that mandates the use of ELDs in certain over-the-road commercial motor vehicles effective December 18, 2017. It is difficult to predict which and in what form CSA, the ELD mandate or any other FMCSA regulations may be modified or enforced and what impact any such regulation may have on motor carrier operations or the aggregate number of trucks that provide hauling capacity to the Company.

Future laws and regulations may be more stringent and require changes in our operating practices that influence the demand for transportation services or require us to incur significant additional costs. We are unable to predict the impact that recently enacted and future regulations may have on our businesses. Higher costs incurred by us, or incurred by our independent contractors or third-party transportation providers who pass the increased costs on to us, as a result of future new regulations could adversely affect our results of operations to the extent we are unable to obtain a corresponding increase in price from our customers.

Failure to comply with trade compliance laws and regulations applicable to our operations may subject us to liability and result in mandatory or voluntary disclosures to government agencies of transactions or dealings involving sanctioned countries, entities or individuals.

As a result of our acquisition activities, we acquired companies with business operations outside the U.S., some of which were not previously subject to certain U.S. laws and regulations, including trade sanctions administered by the U.S. Department of Treasury, Office of Foreign Assets Control (“OFAC”). In the course of implementing our compliance processes with respect to the operations of these acquired companies, we have identified a number of transactions or dealings involving countries and entities that are subject to U.S. economic sanctions. As disclosed in our reports filed with the SEC, we filed initial voluntary disclosure of such matters with OFAC in August 2016. We are continuing to investigate and intend to cooperate with regulatory authorities regarding these matters. We may, in the future, identify additional transactions or dealings involving sanctioned countries, entities, or individuals. The transactions or dealings that we have identified to date, or other transactions or dealings that we may identify in the future, could result in negative consequences to us, including government investigations, penalties and reputational harm.

Our Chairman and Chief Executive Officer controls a large portion of our stock and has substantial control over us, which could limit other stockholders’ ability to influence the outcome of key transactions, including changes of control.

Under applicable SEC rules, our Chairman and Chief Executive Officer, Mr. Bradley S. Jacobs, beneficially owns approximately 15% of our outstanding common stock as of December 31, 2017. This concentration of share ownership may adversely affect the trading price for our common stock because investors may perceive disadvantages

in owning stock in companies with concentrated stockholders. Our preferred stock votes together with

our common stock on an "as-converted" basis on all matters, except as otherwise required by law, and separately as a class with respect to certain matters implicating the rights of holders of shares of the preferred stock. Accordingly, Mr. Jacobs can exert substantial influence over our management and affairs and matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation, or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change of control would benefit our other stockholders. Additionally, significant fluctuations in the levels of ownership of our largest stockholders, including shares beneficially owned by Mr. Jacobs, could impact the volume of trading, liquidity and market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2017, XPO and its subsidiaries operated approximately 1,455 locations, primarily in North America and Europe, including approximately 200 locations owned or leased by our customers. These facilities are located in all 48 states of the contiguous United States as well as globally.

We lease our current executive office located in Greenwich, Connecticut, as well as our national operations center in Charlotte, North Carolina. As of December 31, 2017, we owned a shared-services center in Portland, Oregon and the facility at which we conduct a portion of our expedited transportation operations in Buchanan, Michigan. In addition, we owned 142 freight service centers for our LTL business and 42 properties throughout Europe. We believe that our facilities are sufficient for our current needs and are in good condition in all material respects.

ITEM 3. LEGAL PROCEEDINGS

We are involved, and will continue to be involved, in numerous legal proceedings arising out of the conduct of our business. These proceedings may include, among other matters, claims for property damage or personal injury incurred in connection with the transportation of freight, claims regarding anti-competitive practices, and employment-related claims, including claims involving asserted breaches of employee restrictive covenants and tortious interference with contract. These proceedings also include numerous purported class-action lawsuits, multi-plaintiff and individual lawsuits and state tax and other administrative proceedings that claim either that our owner operators or contract carriers should be treated as employees, rather than independent contractors, or that certain of our drivers were not paid for all compensable time or were not provided with required meal or rest breaks. We are currently engaged in several alleged independent contractor misclassification claims or other wage and hour claims involving certain companies that we have acquired in our last mile, LTL, and intermodal businesses. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both. For additional information about these matters, please refer to Note 16—Commitments and Contingencies of Item 8, "Financial Statements and Supplementary Data."

We do not believe that the ultimate resolution of any matters to which we are presently party will have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

Our common stock is listed on the NYSE under the symbol "XPO." The table below provides the high and low closing sales prices for our common stock for the quarters included within 2017 and 2016.

	2017			
	First	Second	Third	Fourth
High	$52.54	$64.76	$67.78	$92.17
Low	42.71	44.99	54.99	64.64

	2016			
	First	Second	Third	Fourth
High	$32.01	$33.89	$37.22	$49.35
Low	19.56	23.30	24.43	32.17

As of February 7, 2018, there were approximately 201 record holders of our common stock, based upon data available to us from our transfer agent. We have never paid, and have no immediate plans to pay, cash dividends on our common stock. We currently plan to retain future earnings, if any, for use in the development of our business and to enhance stockholder value through growth and continued focus on improving profitability. In addition, our current credit agreement imposes, and we expect that any future credit agreement we enter into will impose, restrictions on our ability to pay cash dividends on our common stock. Accordingly, we do not anticipate paying any cash dividends on our common stock in the near future.

Stock Performance Graph

The graph below compares the cumulative 5-year total return of holders of our common stock with the cumulative total returns, including reinvestment of any dividends, of the Russell 2000 Index and the Dow Jones Transportation Average Index. The graph tracks the performance of a $100 investment in our common stock and in each index from December 31, 2012 to December 31, 2017.

	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17
XPO Logistics, Inc.	$100.00	$151.27	$235.21	$156.79	$248.33	$526.99
Russell 2000	$100.00	$138.82	$145.62	$139.19	$168.85	$193.58
Dow Jones Transportation Average	$100.00	$141.38	$176.82	$147.19	$180.05	$214.30

Unregistered Sales of Equity Securities and Use of Proceeds

The Company did not have any unregistered sales of equity securities during the year ended December 31, 2017, except as previously disclosed in its Quarterly Reports on Form 10-Q.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth our selected historical and quarterly consolidated financial data. During the periods presented, we made a number of acquisitions, including the 2015 acquisitions of Con-way and ND, and have included the results of operations of the acquired businesses from the date of acquisition. Additionally, we divested our North American Truckload operations in the fourth quarter of 2016. As a result, our period to period results of operations vary depending on the dates and sizes of these acquisitions and divestitures. Accordingly, this selected financial data is not necessarily comparable or indicative of our future results. This financial data should be read together with our Consolidated Financial Statements and related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations, and other financial data appearing elsewhere in this Annual Report.

	As of or For the Years Ended December 31,				
(In millions, except per share data)	2017	2016	2015	2014	2013
Operating Results:					
Revenue	$15,380.8	$14,619.4	$7,623.2	$2,356.6	$702.3
Operating income (loss)	623.2	488.1	(28.6)	(40.9)	(52.3)
Income (loss) before income taxes	260.7	106.8	(282.5)	(89.7)	(71.0)
Net income (loss)[(1)]	360.2	84.5	(191.6)	(63.6)	(48.5)
Net income (loss) attributable to common shareholders[(2)]	312.4	63.1	(245.9)	(107.4)	(51.5)
Per Share Data:					
Basic earnings (loss) per share	$2.72	$0.57	$(2.65)	$(2.00)	$(2.26)
Diluted earnings (loss) per share	2.45	0.53	(2.65)	(2.00)	(2.26)
Weighted-average common shares outstanding					
Basic	114.9	110.2	92.8	53.6	22.8
Diluted	127.8	122.8	92.8	53.6	22.8
Financial Position:					
Total assets	$12,601.6	$11,698.4	$12,643.2	$2,749.4	$777.1
Long-term debt, less current portion	4,417.5	4,731.5	5,272.6	580.3	178.6
Preferred stock	41.2	41.6	42.0	42.2	42.7
Total equity	4,010.0	3,037.6	3,060.8	1,655.1	455.9

(1) As discussed further in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations," our net income for 2017 included a $173.1 million benefit related to the revaluation of our net deferred tax liabilities as a result of the "H.R.1", formally known as the Tax Cuts and Jobs Act (the "Act").

(2) Net loss attributable to common shareholders for the years ended December 31, 2015 and December 31, 2014 reflect beneficial conversion charges of $52.0 million on the Series C Preferred Stock and $40.9 million on the Series B Preferred Stock, respectively, that were recorded as deemed distributions during the third quarter of 2015 and the fourth quarter of 2014, respectively.

The Company's unaudited results of operations for each of the quarters in the years ended December 31, 2017 and 2016 are summarized below:

(In millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter[(2)(3)]
2017				
Revenue	$3,539.5	$3,760.3	$3,887.1	$ 4,193.9
Operating income	113.6	185.0	186.8	137.8
Net income	24.9	57.2	71.0	207.1
Net income attributable to common shareholders[(1)]	19.5	47.6	57.5	188.5
Basic earnings per share[(1)]	0.18	0.43	0.49	1.57
Diluted earnings per share[(1)]	0.16	0.38	0.44	1.42
2016				
Revenue	$3,545.7	$3,683.3	$3,713.8	$ 3,676.6
Operating income	62.4	170.3	168.8	86.6
Net income (loss)	(19.3)	50.4	21.3	32.1
Net income (loss) attributable to common shareholders[(1)]	(23.2)	42.6	13.8	27.3
Basic earnings (loss) per share[(1)]	(0.21)	0.39	0.13	0.25
Diluted earnings (loss) per share[(1)]	(0.21)	0.35	0.11	0.22

(1) The sum of the quarterly Net income (loss) attributable to common shareholders and earnings per share may not equal annual amounts due to differences in the weighted-average number of shares outstanding during the respective periods and the impact of the two-class method of calculating earnings per share.

(2) The fourth quarter of 2017 included a debt extinguishment loss of $22.4 million and a tax benefit of $173.1 million resulting from the enactment of the Act.

(3) The fourth quarter of 2016 included a debt extinguishment loss of $16.5 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company is organized into two reportable segments: Transportation and Logistics. The Transportation segment provides freight brokerage, last mile, less-than-truckload ("LTL"), full truckload, and global forwarding services. The Logistics segment provides a range of contract logistics services, including highly engineered and customized solutions, value-added warehousing and distribution, cold chain logistics and other inventory solutions.
The Company's chief executive officer, who is the chief operating decision maker ("CODM"), regularly reviews financial information at the reporting segment level in order to make decisions about resources to be allocated to the segments and to assess their performance. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.
XPO Logistics, Inc.
Consolidated Summary Financial Table
For the Years Ended December 31,

				Percent of Revenue		
(Dollars in millions)	2017	2016	2015	2017	2016	2015
Revenue	$15,380.8	$14,619.4	$7,623.2	100.0 %	100.0 %	100.0 %
Cost of transportation and services	8,128.8	7,886.0	4,171.4	52.9 %	53.9 %	54.7 %
Direct operating expense	4,972.3	4,594.1	2,367.0	32.3 %	31.4 %	31.0 %
SG&A expense	1,656.5	1,651.2	1,113.4	10.8 %	11.3 %	14.6 %
Operating income (loss)	623.2	488.1	(28.6)	4.0 %	3.4 %	(0.3)%
Other expense (income)	(15.4)	(9.2)	(7.6)	(0.1)%	(0.1)%	(0.1)%
Foreign currency loss (gain)	57.6	(40.3)	44.8	0.4 %	(0.3)%	0.6 %
Debt extinguishment loss	36.0	69.7	—	0.2 %	0.5 %	— %
Interest expense	284.3	361.1	216.7	1.8 %	2.5 %	2.8 %
Income (loss) before income tax provision (benefit)	260.7	106.8	(282.5)	1.7 %	0.8 %	(3.6)%
Income tax provision (benefit)	(99.5)	22.3	(90.9)	(0.6)%	0.2 %	(1.2)%
Net income (loss)	$360.2	$84.5	$(191.6)	2.3 %	0.6 %	(2.4)%

Consolidated Results

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016
Our consolidated revenue for 2017 increased 5.2% to $15,380.8 million from $14,619.4 million in 2016. This increase was primarily driven by growth in our European contract logistics business, improvement in LTL weight per day, and growth in North American truck brokerage and Last Mile operations. These items were partially offset by the October 2016 divestiture of our North American truckload operation, which had revenue of $431.9 million in 2016.
The cost of transportation and services increased by 3.1% in 2017 to $8,128.8 million from $7,886.0 million in 2016. As a percentage of revenue, cost of transportation and services decreased to 52.9% in 2017 compared to 53.9% in 2016. The reduction as a percentage of revenue was primarily driven by a lower mix of managed transportation revenue in North American Supply Chain as well as a higher mix of contract logistics revenue in Europe, partially offset by higher third-party transportation costs in freight brokerage and Last Mile operations. Cost of transportation and services includes the cost of providing or procuring freight transportation services for XPO customers, salaries paid to employee drivers in our full truckload and LTL businesses, and commissions paid to independent station owners in our global forwarding business.

Direct operating expense for 2017 was $4,972.3 million, or 32.3% of revenue, compared to $4,594.1 million, or 31.4% of revenue, for 2016. The increase as a percentage of revenue was primarily driven by higher payroll and temporary labor expense to support growth in our contract logistics business as well as the sale of the truckload business. This was partially offset by the implementation of cost savings initiatives and improved dock efficiency in our U.S. LTL business. Direct operating expenses are both fixed and variable expenses and consist of operating costs related to our contract logistics facilities, last mile warehousing facilities, LTL service centers and European LTL network. Direct operating costs consist mainly of personnel costs, facility and equipment expenses such as rent, equipment maintenance and repair expenses, costs of materials and supplies, information technology expenses, depreciation expense and utilities and other facility related costs.

Sales, general and administrative expense (“SG&A”) was $1,656.5 million in 2017, or 10.8% of revenue, compared to $1,651.2 million, or 11.3% of revenue, in 2016. The improvement in SG&A as a percentage of revenue for 2017 primarily reflects savings from shared services, centralized procurement initiatives, lower professional services and consulting costs, and technology-enabled labor efficiencies in our North American brokerage and intermodal operations. SG&A consists of costs relating to customer acquisition, carrier procurement, billing, customer service, salaries and related expenses of the executive and administrative staff, acquisition-related costs, office expenses, technology services, professional fees and other purchased services relating to the aforementioned functions, and depreciation and amortization expense.

Foreign currency loss was $57.6 million in 2017 compared to foreign currency gain of $40.3 million in 2016. The loss in 2017 was primarily due to a $49.4 million loss on unrealized foreign currency option and forward contracts due to the strengthening of the Euro and the British Pound relative to the U.S. dollar. The gain in 2016 was primarily due to a $39.7 million gain on unrealized foreign currency option and forward contracts.

The debt extinguishment loss was $36.0 million in 2017 compared to $69.7 million in 2016. The loss in 2017 includes $8.3 million for the refinancing of the Company’s Term Loan facility, $22.4 million for the redemption of the Senior Notes due 2021 and $5.3 million for the redemption of the Senior Notes due 2018. The loss in 2016 includes $35.2 million from the redemption of the Senior Notes due 2019, $18.0 million from the refinancing of the Term Loan, and $16.5 million from the repurchase of Term Loan debt.

Interest expense for 2017 decreased 21.3% to $284.3 million from $361.1 million in 2016. The decrease in interest expense reflects the reduction in average total indebtedness and the lower rates attributable to our recent refinancings. The reduction in average total indebtedness reflects the benefit of utilizing the proceeds from the sale of our North American Truckload operation in October 2016 to repurchase $555.0 million of outstanding indebtedness.

The Company’s consolidated income before income tax for 2017 was $260.7 million, compared to $106.8 million for 2016. The increase compared to the prior year was driven by significantly higher operating income at both our Transportation and our Logistics segments, primarily due to revenue growth, cost saving initiatives and technology-enabled labor efficiencies, and reduced interest expense, partially offset by foreign currency losses. With respect to our U.S. operations, income before taxes increased by $348.0 million in comparison to the prior year reflecting a $126.9 million increase in foreign exchange gains, a $109.7 million decrease in borrowing costs, a $100.5 million increase in operating income, and a $10.9 million increase in other income. The income before tax of non-U.S. operations decreased by $194.1 million reflecting a $207.8 million increase in foreign exchange losses, which were partially offset by the gains in the U.S. due to our hedging strategies and naturally offsetting positions of intercompany loans between the U.S. and non-U.S. entities. The significant difference between U.S. income before tax of $278.2 million and non-U.S. loss before tax of $17.5 million reflects the fact that foreign exchange movements benefited our U.S. operations and negatively impacted our non-U.S. operations in 2017, however, the net effects to the total company were partially negated.

Our effective income tax rates in 2017 and 2016 were (38.2)% and 20.9%, respectively. The 2017 effective tax rate was impacted primarily by a $173.1 million tax benefit related to the Act, $17.5 million tax benefit due to differences between foreign tax rates and the U.S. tax rate, $13.3 million of incremental tax expense due to changes in uncertain tax positions, $9.8 million tax benefit due to the revaluation of deferred tax liabilities resulting from enacted tax law changes in France and Belgium that lowered the statutory tax rates, and $8.6 million of excess tax benefit from stock-based compensation. The 2016 effective tax rate was impacted primarily by a $13.1 million tax

benefit due to the revaluation of deferred tax liabilities resulting from an enacted tax law change in France that lowered the statutory tax rate and a $5.0 million tax benefit from stock-based compensation.

On December 22, 2017, the Act was signed and enacted into law. The Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended (the "IRC"). The Act is generally applicable to corporations beginning January 1, 2018.

While the Company anticipates further regulatory guidance to be issued that may require additional detailed analysis to assess the actual impact of the Act, the Company has evaluated and analyzed the impact of various provisions in the Act on its operations and financial statements and has reached the following preliminary conclusions:

- The reduction in the U.S. corporate federal statutory tax rate from 35% to 21% requires a one-time revaluation of our net deferred tax liabilities to reflect the benefit of the lower tax rate.
- The Company expects the benefit from applying the lower federal statutory tax rate to future U.S. earnings to be a material improvement to earnings per share and cash flow.
- The Act requires a one-time tax on the "mandatory deemed repatriation" of accumulated foreign earnings as of December 31, 2017. The Company does not expect to incur a tax liability on the mandatory repatriation.
- The Company does not expect to incur material U.S. tax liabilities from other Act provisions related to future foreign earnings such as the Base Erosion and Anti-Abuse Tax ("BEAT") or the Global Intangible Low-Taxed Income ("GILTI") provisions.
- The Act repealed the corporate alternative minimum tax ("AMT") and allows a refund of existing AMT carryovers during the years 2018 through 2021. The Company has $6.2 million of AMT carryover of which $5.1 million is expected to be utilized against future regular income tax liabilities and the remaining $1.1 million is expected to be refunded.
- The Company expects to benefit from the provision in the Act that allows 100% expensing of qualified personal tangible property acquired through the year 2022.
- The Act contains many other complex provisions, such as limitations on the deductibility of interest expense and certain executive compensation. The Company does not expect these provisions to materially impact its financial results.

The ultimate impact of the Act may differ from these preliminary conclusions due to changes in interpretations and assumptions made by the Company as well as additional regulatory guidance that may be issued. At this time, the Company believes all preliminary conclusions reported are reasonably estimated but may adjust them over time as more information becomes available. Future adjustments, if any, will be disclosed in its financial statements.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Our consolidated revenue for 2016 increased 91.8% to $14,619.4 million from $7,623.2 million in 2015. This increase was driven by the 2015 acquisitions of ND, Con-way, Bridge Terminal Transport Services, Inc. ("BTT") and UX Specialized Logistics, LLC ("UX"), as well as organic growth. On October 30, 2015, XPO acquired Con-way, a leading provider of LTL and logistics services in the U.S., Europe and Asia. On June 8, 2015, XPO acquired a majority interest in ND, a leading provider of transportation and logistics services in Western Europe.

The increase in cost of transportation and services of 89.0% from 2015 to 2016 was primarily the result of the acquisitions of ND, Con-way and BTT. As a percentage of revenue, cost of transportation and services decreased to 53.9% in 2016 compared to 54.7% in 2015, primarily as a result of a shift in the mix of our business with a more significant component of our revenue being attributable to the LTL and European transportation service offerings following the acquisitions of ND and Con-way.

Direct operating expense for 2016 was $4,594.1 million, or 31.4% as a percentage of revenue, compared to $2,367.0 million, or 31.0% as a percentage of revenue, for 2015. Direct operating expense increased primarily due to the acquisitions of ND and Con-way and growth to support the last mile business.

SG&A increased to $1,651.2 million in 2016 from $1,113.4 million in 2015 primarily due to SG&A associated with acquisitions. SG&A as a percentage of revenue decreased to 11.3% in 2016 as compared to 14.6% in 2015. The decrease is attributable to a reduction in acquisition-related costs, a change in the mix of the Company's business operations resulting from the acquisition of Con-way, and the cost saving measures being implemented as part of the integration of acquired businesses, particularly in our LTL service offering.
Foreign currency gain was $40.3 million in 2016 compared to foreign currency loss of $44.8 million in 2015. The gain in 2016 was primarily due to a $39.7 million gain on unrealized foreign currency option and forward contracts. The loss in 2015 was primarily due to $31.7 million foreign currency transaction and remeasurement losses on the cash held to purchase ND and a $9.7 million loss on the forward contract related to the ND acquisition.
The debt extinguishment loss of $69.7 million in 2016 includes $35.2 million from the redemption of the Senior Notes due 2019, $18.0 million from the refinancing of the Term Loan, and $16.5 million from the repurchase of Term Loan debt.
Interest expense for 2016 increased 66.6% to $361.1 million from $216.7 million in 2015. The increase in interest expense was primarily attributable to the increased indebtedness incurred by the Company in order to fund the 2015 acquisitions of Con-way and ND. Average total indebtedness increased approximately 72% from 2015 to 2016, consistent with the increase in interest expense.
The Company's consolidated income before income tax provision for 2016 was income of $106.8 million, compared to a loss of $282.5 million for 2015. The increase compared to the prior year was driven by significantly higher operating income at both our Transportation and our Logistics segments, primarily due to our 2015 acquisitions of ND in June 2015 and Con-way in October 2015 and foreign currency gains, partially offset by higher interest expense and the 2016 debt extinguishment loss. With respect to our U.S. operations, loss before taxes decreased by $235.9 million in comparison to the prior year reflecting the full year impact of our acquisition of Con-way, partially offset by increased interest expense due to higher average debt balances. Our non-U.S. operations' income before tax increased by $153.4 million reflecting the full year impact of our acquisition of ND. The significant difference between our U.S. loss before tax of $69.8 million and non-U.S. income before income tax of $176.6 million reflects the fact that substantially all of the financing costs associated with debt we have issued to finance our operations and fund acquisitions is reflected within our U.S. results.
Our effective income tax rates in 2016 and 2015 were 20.9% and 32.2%, respectively. The 2016 effective tax rate was impacted primarily by a revaluation of deferred tax liabilities resulting from an enacted tax law change in France that lowered the statutory tax rate and tax benefits from stock-based compensation. The 2015 effective tax rate was impacted primarily by a pretax book loss and changes in the geographic earnings mix. For both periods, the effective income tax rates reflect the Company's intention to permanently reinvest earnings of its foreign subsidiaries.
Transportation
Summary Financial Table
For the Years Ended December 31,

				Percent of Revenue		
(Dollars in millions)	2017	2016	2015	2017	2016	2015
Revenue	$9,820.5	$9,457.3	$4,924.4	100.0%	100.0%	100.0%
Operating income	538.8	438.0	51.6	5.5 %	4.6 %	1.1 %

Note: Total depreciation and amortization for the Transportation segment included in cost of transportation and services, direct operating expense and SG&A was $439.4 million, $449.1 million and $226.5 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Transportation

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue in our Transportation segment increased by 3.8% to $9,820.5 million in 2017 compared to $9,457.3 million in 2016. The increase was primarily driven by 16.6% revenue growth in our U.S. last mile service offering; 16.8% growth in U.S. freight brokerage; and a 5.1% increase in weight per day within our U.S. LTL business. The impact of these items was partially offset by the divestiture of our North American truckload operations, which had revenue of $431.9 million in 2016, and lower revenue in global forwarding.

Operating income increased in 2017 to $538.8 million, compared to $438.0 million in 2016. The improvement was driven primarily by: strong revenue growth; a reduction in direct operating expenses due to the implementation of cost savings initiatives and improved dock efficiency in the U.S. LTL business; and lower SG&A from centralized support functions in the European transportation business and technology-enabled labor efficiencies in our North American brokerage and intermodal operations. This was partially offset by the sale of the North American truckload operations.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue in our Transportation segment increased by 92.0% to $9,457.3 million in 2016 compared to $4,924.4 million in 2015. This increase was driven largely by the acquisitions of ND, Con-way, BTT and UX, as well as organic growth led by the last mile business.

Operating income increased in 2016 to $438.0 million, compared to $51.6 million in 2015. The improvement was driven by revenue growth, partially offset by an increase in direct operating expense due to acquisitions and growth to support the last mile business and an increase in SG&A associated with new acquisitions and transaction and integration costs.

Logistics

Summary Financial Table

For the Years Ended December 31,

				Percent of Revenue		
(Dollars in millions)	2017	2016	2015	2017	2016	2015
Revenue	$5,722.7	$5,323.9	$2,768.4	100.0%	100.0%	100.0%
Operating income	249.2	209.5	81.6	4.5 %	4.0 %	3.0 %

Note: Total depreciation and amortization for the Logistics segment included in cost of transportation and services, direct operating expense and SG&A was $211.0 million, $192.3 million and $136.9 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Logistics

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue in our Logistics segment increased by 7.5% to $5,722.7 million in 2017 compared to $5,323.9 million in 2016. The increase in revenue was driven by strong demand for contract logistics in both Europe and North America, partially offset by a decline in managed transportation revenue. European logistics revenue growth reflected a significant benefit from new contract starts with e-commerce and cold chain customers in the United Kingdom, Italy and the Netherlands. In North America, the largest gains came from the e-commerce, industrial, and consumer packaged goods sectors.

Operating income increased in 2017 to $249.2 million, compared to $209.5 million in 2016. The improvement was driven by strong revenue growth, partially offset by an increase in direct operating expense and SG&A driven by new contract startups that resulted in higher temporary labor costs and payroll expenses.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue in our Logistics segment increased by 92.3% to $5,323.9 million in 2016 compared to $2,768.4 million in 2015. This increase was driven by the acquisitions of ND and Con-way.

Operating income increased in 2016 to $209.5 million, compared to $81.6 million in 2015. The improvement was driven by revenue growth, partially offset by increases in direct operating expense and SG&A due to acquisitions.

Liquidity and Capital Resources

Our principal existing sources of cash are cash generated from operations and borrowings available under the Second Amended and Restated Revolving Loan Credit Agreement (the "ABL Facility"). Availability under the ABL Facility is based on a borrowing base of $1.0 billion, taking into account outstanding letters of credit of $244.6 million. As of December 31, 2017, we had availability under the ABL Facility of $655.4 million. As of December 31, 2017, we had $590.8 million of working capital, including cash and cash equivalents of $396.9 million, compared to working capital of $342.0 million, including cash and cash equivalents of $373.4 million, as of December 31, 2016. This increase of $248.8 million in working capital during the period was mainly due to higher sales that resulted in increased accounts receivable, partially offset by an increase in accrued expenses largely related to higher performance-based compensation.

We continually evaluate our liquidity requirements, capital needs and the availability of capital resources based on our operating needs and our planned growth initiatives. We believe that our existing sources of cash will be sufficient to support our existing operations over the next 12 months.

Redemption of Senior Notes due 2021

In December 2017, the Company redeemed all of its outstanding senior notes due June 2021 (the "2021 Notes") that were originally issued in 2015. The redemption price for the 2021 Notes was 102.875% of the principal amount of the 2021 Notes, plus accrued and unpaid interest to, but excluding, the date of redemption. The redemption was funded using cash on hand at the date of the redemption. The loss on debt extinguishment was $22.4 million.

European Trade Securitization Program

In October 2017, XPO Logistics Europe SA ("XPO Logistics Europe"), in which the Company holds an 86.25% controlling interest, entered into a European trade receivables securitization program for an aggregate maximum amount of €270 million (approximately $324 million as of December 31, 2017) for a term of three years co-arranged by Crédit Agricole and HSBC. Under the terms of the program, XPO Logistics Europe, or one of its wholly-owned subsidiaries in the United Kingdom or France, sells trade receivables to XPO Collections Designated Activity Company Limited ("XCDAL"), a wholly-owned bankruptcy remote special purpose entity of XPO Logistics Europe. The receivables are funded by senior variable funding notes denominated in the same currency as the corresponding receivables. XCDAL is considered a variable interest entity and is consolidated by XPO Logistics Europe based on its control of the entity's activities. The receivable balances under this program is reported as accounts receivable on the Company's consolidated balance sheet and the obligation to return the cash it receives is included in the Company's long-term debt. At December 31, 2017, the remaining borrowing capacity was €17.7 million (approximately $21.2 million) and the weighted-average interest rate was 1.06%. In the first quarter of 2018, the aggregate maximum amount under the program was increased to €350 million (approximately $420 million).

The receivables securitization program provides additional liquidity to fund XPO Logistics Europe's operations. Borrowings under the program will bear interest at lenders' cost of funds plus a margin of 1.05%. The receivables securitization program contains representations and warranties, affirmative and negative covenants, termination events, events of default, indemnities and other obligations on the part of XPO Logistics Europe, certain of its subsidiaries, and XCDAL which are customary for transactions of this nature.

Redemption of Senior Notes due 2018

In August 2017, the Company redeemed all of its outstanding 7.25% senior notes due January 2018 (the "2018 Notes"). The 2018 Notes were assumed in connection with the Company's acquisition on Con-way. The redemption price for the 2018 Notes was 102.168% of the principal amount of the 2018 Notes, plus accrued and unpaid interest

to, but excluding, the date of redemption. The redemption was funded using cash on hand at the date of the redemption. The loss on debt extinguishment was approximately $5.3 million.

Equity Offering

In July 2017, the Company completed a registered underwritten offering of 11 million shares of its common stock at a public offering price of $60.50 (the "Offering"). Of the 11 million shares of common stock, 5 million shares were offered directly by the Company and 6 million shares were offered in connection with forward sale agreements (the "Forward Sale Agreements") described below. The Offering closed on July 25, 2017.

In connection with the Offering, the Company entered into separate Forward Sale Agreements with Morgan Stanley & Co. LLC and JPMorgan Chase Bank, National Association, London Branch (the "Forward Counterparties") pursuant to which the Company has agreed to sell, and each Forward Counterparty agreed to purchase, 3 million shares of the Company's common stock (or 6 million shares of the Company's common stock in the aggregate) subject to the terms and conditions of the Forward Sale Agreements, including the Company's right to elect cash settlement or net share settlement. The initial forward price under each of the Forward Sale Agreements is $58.08 per share (which was the public offering price of our common stock, less the underwriting discount) and is subject to certain adjustments pursuant to the terms of the Forward Sale Agreements. Settlement of each of the Forward Sale Agreements must occur no later than one year after the closing of the Offering but may occur earlier at the option of the Company or, in certain circumstances described in the Forward Sale Agreements, at the option of the relevant Forward Counterparty.

A Forward Counterparty's decision to exercise its right to accelerate the Forward Sale Agreements entered into with it and to require the Company to settle the Forward Sale Agreements will be made irrespective of the Company's interests, including the Company's need for capital. The Company could be required to issue and deliver the Company's common stock under the terms of the physical settlement provisions of the Forward Sale Agreements irrespective of the Company's capital needs, which would result in dilution to the Company's earnings per share and return on equity.

The Company received proceeds of $290.4 million ($287.6 million net of fees and expenses) from the sale of 5 million shares of common stock in the Offering. The Company has not received any proceeds from the sale of shares of its common stock by the Forward Counterparties pursuant to the Forward Sale Agreements. The Company used the net proceeds of the shares issued and sold by the Company in the Offering and expects to use any net proceeds received upon the settlement of the Forward Sale Agreements for general corporate purposes, which may include strategic acquisitions and the repayment or refinancing of outstanding indebtedness.

Refinancing of Existing Term Loan

In March 2017, the Company entered into a Refinancing Amendment (Amendment No. 2 to Credit Agreement) (the "Second Amendment"), by and among XPO, its subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., in its capacity as administrative agent (the "Administrative Agent"), amending that certain Senior Secured Term Loan Credit Agreement, dated as of October 30, 2015 (as amended, amended and restated, supplemented or otherwise modified, including by that certain Incremental and Refinancing Amendment (Amendment No. 1 to Credit Agreement) (the "First Amendment"), dated as of August 25, 2016, the "Term Loan Credit Agreement").

Pursuant to the Second Amendment, the outstanding $1,481.9 million principal amount of term loans under the Term Loan Credit Agreement (the "Existing Term Loans") were replaced with $1,494.0 million in aggregate principal amount of new term loans (the "Current Term Loans") having substantially similar terms as the Existing Term Loans, other than with respect to the applicable interest rate and prepayment premiums in respect of certain voluntary prepayments. Proceeds from the Current Term Loans were used primarily to refinance the Existing Term Loans and to pay interest, fees and expenses in connection therewith.

The interest rate margin applicable to the Current Term Loans was reduced from 2.25% to 1.25%, in the case of base rate loans, and from 3.25% to 2.25%, in the case of LIBOR loans and the LIBOR floor was reduced from 1.0% to 0%. The interest rate on the Current Term Loans was 3.60% at December 31, 2017. The Current Term Loans maturity date remains October 30, 2021. The refinancing resulted in a debt extinguishment charge of $8.3 million during the twelve months ended December 31, 2017.

In August 2016, the Company entered into the First Amendment, pursuant to which the outstanding $1,592.0 million principal amount of term loans under the Term Loan Credit Agreement (the "Old Term Loans") were replaced with a like aggregate principal amount of new term loans (the "New Term Loans") having substantially similar terms as the Old Term Loans, other than with respect to the applicable interest rate and prepayment premiums in respect of certain voluntary prepayments. Of the $1,592.0 million of term loans which were refinanced, $1,197.2 million were exchanged and represent a non-cash financing activity. The interest rate margin applicable to the New Term Loans was reduced from 3.50% to 2.25%, in the case of base rate loans, and from 4.50% to 3.25%, in the case of LIBOR loans. The interest rate at December 31, 2016 was 4.25%. Debt extinguishment costs related to various lenders exiting the syndicate were $18.0 million.

In addition, pursuant to the First Amendment, the Company borrowed an additional $400.0 million of Incremental Term B-1 Loans (the "Incremental Term B-1 Loans") and an additional $50.0 million of Incremental Term B-2 Loans (the "Incremental Term B-2 Loans"). The New Term Loans, Incremental Term B-1 Loans and Incremental Term B-2 Loans have identical terms, other than with respect to original issue discount, and will mature on October 30, 2021.

North American Truckload Operations

In October 2016, pursuant to a Stock Purchase Agreement between the Company and a subsidiary of TransForce Inc. ("TransForce"), the Company divested its North American Truckload operations (formerly known as Con-way Truckload) for approximately $558.0 million cash consideration, subject to certain adjustments. As the proceeds from the sale equaled the carrying value (inclusive of goodwill), there was no gain or loss recognized in connection with this divestiture. In November 2016, the Company used the proceeds from sale of the North American Truckload operations to repurchase $555.0 million of Term Loan debt at par. The repurchase of debt resulted in a non-cash debt extinguishment charge of $16.5 million in the fourth quarter of 2016.

Redemption of Senior Notes due 2019

In September 2016, XPO redeemed all of its outstanding 7.875% Senior Notes due 2019. The redemption price for the Senior Notes due 2019 was 103.938% of the principal amount of the Senior Notes due 2019, plus accrued and unpaid interest to, but excluding, the date of redemption. Debt extinguishment costs were $35.2 million.

Issuance of Senior Notes Due 2023

In August 2016, the Company completed a private placement of $535.0 million aggregate principal amount of 6.125% senior notes due September 1, 2023 ("Senior Notes due 2023"). The Senior Notes due 2023 bear interest payable semiannually, in cash in arrears and mature on September 1, 2023.

Loan Covenants and Compliance

As of December 31, 2017, we were in compliance with the covenants and other provisions of our debt agreements. Any failure to be in compliance with any material provision or covenant of these agreements could have a material adverse effect on our liquidity and operations.

Sources and Uses of Cash

During 2017, we: (i) generated cash from operating activities of $798.6 million, (ii) generated proceeds from sales of assets of $79.1 million, (iii) received proceeds from our common stock offering of $287.6 million and (iv) received proceeds, net of repayments, on our ABL facility of $70.0 million. We used cash during this period principally to (i) purchase property and equipment of $503.8 million, (ii) make repurchases, net of proceeds, of $567.4 million on our debt, (iii) make payments on long-term debt and capital leases of $106.4 million, (iv) make payments for debt issuance costs in connection with the refinancing of our Term Loan facility and issuance of senior variable funding notes in connection with the European trade securitization program of $16.8 million and (v) make payments for tax withholdings on restricted shares of $16.6 million.

During 2016, we: (i) generated cash from operating activities of $625.4 million, (ii) generated proceeds from sales of a business and assets of $616.6 million and (iii) received proceeds, net of repayments, on our ABL facility of $30.0 million. We used cash during this period principally to (i) purchase property and equipment of $483.4 million, (ii) make repurchases, net of proceeds, of $511.4 million on our debt, (iii) make payments on long-term debt and

capital leases of $151.4 million, (iv) make payments for debt issuance costs of $25.8 million and (v) make payments for tax withholdings on restricted shares of $11.1 million.

Cash flows from operating activities for 2017 increased by $173.2 million compared to the prior year due to higher cash-related net income of $240.6 million, partially offset by net movements in operating assets and liabilities of $67.4 million. The increase in cash-related net income was primarily due to higher revenues in our transportation and logistics segments. The changes in the balances of operating assets and liabilities in 2017 compared to 2016 primarily resulted from higher revenues, which led to a higher accounts receivable position on a year-over-year basis, partially offset by the timing of working capital payments. Additionally, cash flows from operating activities was favorably impacted by lower cash paid for interest of $88.9 million compared to the prior year due to lower average debt balances and more favorable interest rates in 2017, primarily from the redemption of our Senior Notes due 2019 and debt refinancings.

Cash flows from operating activities for 2016 increased by $534.6 million compared to the prior year due to higher cash-related net income of $689.8 million, partially offset by net movements in operating assets and liabilities of $155.2 million. The increase in cash-related net income was primarily a result of the full year impact of the ND and Con-way acquisitions that were completed in 2015. The changes in the balances of operating assets and liabilities in 2016 compared to the prior year was significantly impacted by both the post-acquisition growth of the acquired companies and organic growth of our legacy business, driving higher revenues and leading to a higher accounts receivable position on a year-over-year basis. Additionally, cash flows from operating activities was adversely impacted by higher cash paid for interest of $194.9 million due to increased indebtedness to fund the 2015 acquisitions of Con-way and ND.

Investing activities used $424.7 million of cash in 2017 compared to $142.0 million generated in 2016 and $4,085.4 million used in 2015. During 2017, the Company used $503.8 million of cash to purchase fixed assets and received $79.1 million from the sale of assets. During 2016, the Company received $547.7 million from the sale of its North American Truckload operations, used $483.4 million of cash to purchase fixed assets and received $68.9 million from the sale of assets. During 2015, the Company used $3,887.0 million of cash in acquisitions (net of cash acquired), $249.0 million to purchase fixed assets and received $60.3 million from the sale of assets.

Financing activities used $366.4 million in 2017 compared to $680.8 million used in 2016 and $3,644.9 million generated in 2015. The primary use of cash in 2017 was the $1,386.6 million repurchase of debt, consisting of the refinancing of the term loan and redemptions of the Senior Notes due 2021 and 2018, and the $106.4 million repayment of debt and capital leases. The main source of cash from financing activities in 2017 was the $802.4 million of net proceeds from the issuance of long-term debt, consisting of the refinancing of the term loan and amounts received under the senior variable funding notes in connection with our European trade securitization program, and $287.6 million net proceeds from the issuance of common stock. In 2016, our primary use of cash was the $1,889.2 million repurchase of debt and the $151.4 million repayment of debt and capital leases. The main source of cash from financing activities in 2016 was the $1,352.0 million of net proceeds from the issuance of long-term debt. In 2015, our primary source of cash was the $4,108.9 million of net proceeds from the issuance of long-term debt and $1,228.1 million of net proceeds from the issuance of preferred and common stock. The primary uses of cash from financing activities were the repayment of $1,215.6 million of debt and the purchase of the noncontrolling interest in ND of $459.7 million.

Defined Benefit Pension Plans

We maintain defined benefit plans for certain employees in the U.S. as well as internationally. The largest of these plans include the funded U.S. plan, the unfunded U.S. plan and the funded U.K. plan, which we refer to as defined benefit pension plans. We have historically realized income, rather than expense, from these plans. We generated aggregate income from our U.S. and U.K. plans of $44.4 million in 2017, $27.5 million in 2016 and $8.2 million in 2015. The plans have been generating income due to their funded status and since they do not allow for new plan participants or additional benefit accruals.

Defined benefit pension plan amounts are calculated using various actuarial assumptions and methodologies. Assumptions include discount rates, inflation rates, expected long-term rate of return on plan assets, mortality rates, and other factors. The assumptions used in recording the projected benefit obligation and fair value of plan assets

represent our best estimates based on information available regarding historical experience and factors that may

38

cause future expectations to differ. Differences in actual experience or changes in assumptions could materially impact our obligation and future expense or income.

Discount Rate

In determining the appropriate discount rate, we are assisted by actuaries who utilize a yield-curve model based on a universe of high-grade corporate bonds (rated AA or better by Moody's, S&P or Fitch rating services). The model determines a single equivalent discount rate by applying the yield curve to expected future benefit payments.

The discount rates used in determining the net periodic benefit costs and benefit obligations are as follows:

	U.S. Qualified Plans		U.S. Non-Qualified Plans		U.K. Plan	
	2017	2016	2017	2016	2017	2016
Discount rate - net periodic benefit costs	3.83% - 4.35%	4.65%	4.35%	4.65%	2.70%	3.75%
Discount rate - benefit obligations	3.55% - 3.71%	4.35%	3.21% - 3.60%	4.35%	2.53%	2.70%

A 25 basis point increase or decrease in the discount rate would increase or decrease the Company's 2017 pre-tax pension income by approximately $2 million each for the U.S. plans and U.K. plan, respectively.

In 2018, the Company will change how it estimates the interest cost component of net periodic cost for its U.S. and U.K. pension benefit plans. Previously, the Company estimated the interest cost component utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The new estimate utilizes a full yield curve approach in the estimation of this component by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to each of the underlying projected cash flows based on time until payment. The new estimate provides a more precise measurement of interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change does not affect the measurement of the Company's U.S. and U.K. pension benefit obligation and it is accounted for as a change in accounting estimate, which will be applied prospectively.

Rate of Return on Plan Assets

We estimate the expected return on plan assets using current market expectations as well as historical returns. The expected return on plan assets is based on estimates of long-term expected returns and considers the plans' anticipated asset allocation over the course of the next year. The plan assets are managed pursuant to a long-term allocation strategy that seeks to mitigate the plans' funded status volatility by increasing the plans' investment in fixed-income investments over time. This strategy was developed by analyzing a variety of diversified asset-class combinations in conjunction with the projected liabilities of the plans. For the year ended December 31, 2017, our expected return on plan assets was $93.2 million for U.S. Plans and $59.9 million for the U.K. Plan, compared to the actual return on plan assets of $268.6 million for U.S. Plans and $108.9 million for the U.K. Plan. The actual annualized return on plan assets for the U.S. Plans for the year ended December 31, 2017 was approximately 16%, which was above the expected return on asset assumption for the year as a result of strong performance of the fixed income portfolio, which made up over three-fourths of total plan assets during the year, as well as strong equity performance in the balance of the portfolio. The actual annualized return on plan assets for the U.K. Plan for the year ended December 31, 2017 was approximately 9%, which was above the expected return on asset assumption for the year as a result of strong performance across all asset classes. A 25 basis point increase or decrease in the expected return on plan assets would decrease or increase the Company's 2017 pre-tax pension income by approximately $4 million for the U.S. plans and $3 million for the U.K. plan.

Actuarial Gains and Losses

Changes in the discount rate and/or differences between the expected and actual rate of return on plan assets results in unrecognized actuarial gains or losses. For our defined benefit pension plans, accumulated unrecognized actuarial gains were $4.5 million for the U.S. Plans and $44.3 million for the U.K. Plan at December 31, 2017. The portion of the unrecognized actuarial gain/loss that exceeds 10% of the greater of the projected benefit obligation or the fair value of plan assets at the beginning of the year is amortized and recognized as income/expense over the estimated average remaining life expectancy of plan participants. We do not expect to recognize any amortization of actuarial gain or loss in our net periodic benefit expense (income) for 2018.

Lump Sum Payout

During 2017, the Company offered eligible former employees, who had not yet commenced receiving their pension benefit, an opportunity to receive a lump sum payout of their vested pension benefit. On December 1, 2017, in connection with this offer, one of the Company's pension plans paid $142.3 million from pension plan assets to those who accepted this offer, thereby reducing its pension benefit obligations. The transaction had no cash impact on the Company but did result in a non-cash pre-tax pension settlement gain of $0.8 million. As a result of the lump sum payout, the Company re-measured the funded status of its pension plan as of the settlement date. To calculate this pension settlement charge, the Company utilized a discount rate of 4.35% through the measurement date and 3.83% thereafter.

Effect on Operating Results

The effects of the defined benefit pension plans on our operating results consist primarily of the net effect of the interest cost on plan obligations for the U.S. Plans and the U.K. Plan, and the expected return on plan assets. We estimate that the defined benefit pension plans will contribute annual pre-tax income in 2018 of $32.4 million for the U.S. Plans and $41.4 million for the U.K. Plan.

Funding

In determining the amount and timing of pension contributions for the U.S. Plans, we consider our cash position, the funded status as measured by the Pension Protection Act of 2006 and generally accepted accounting principles, and the tax deductibility of contributions, among other factors. We made $5.2 million of contributions to the U.S. Non-Qualified Plans in 2017 and $5.4 million in 2016. We estimate that we will make $5.4 million of contributions to the U.S. Non-Qualified Plans in 2018. We made no contributions to the U.S. Qualified Plans in 2017 and 2016. We do not anticipate making any contributions to the U.S. Qualified Plans in 2018.

For the U.K. Plan, the amount and timing of pension contributions is determined in accordance with U.K. pension codes and trustee negotiations. We made contributions of $13.3 million and $14.2 million to the U.K. Plan in 2017 and 2016, respectively. We estimate that we will make $13.2 million of contributions to the U.K. Plan in 2018.

For additional information, refer to Note 11—Employee Benefit Plans of Item 8, "Financial Statements and Supplementary Data."

Contractual Obligations

The following table reflects our contractual obligations as of December 31, 2017:

	Payments Due by Period				
(In millions)	Total	2018	2019-2020	2021-2022	Thereafter
Contractual Obligations					
Capital leases payable	$263.5	$50.0	$ 85.9	$ 74.2	$ 53.4
Operating leases	1,978.5	517.9	676.3	388.5	395.8
Purchase commitments	89.0	47.5	32.5	9.0	—
Long-term debt	4,436.0	61.0	443.6	3,095.2	836.2
Interest on long-term debt	1,207.3	212.7	428.0	302.6	264.0
Total contractual cash obligations	$7,974.3	$889.1	$ 1,666.3	$ 3,869.5	$ 1,549.4

At December 31, 2017, our Consolidated Balance Sheet reflects a long-term liability of $418.8 million for deferred taxes and approximately $25 million for unrecognized tax benefits reserve. As the timing of future cash outflows for these liabilities is uncertain, they are excluded from the above table. Actual amounts of contractual cash obligations may differ from estimated amounts due to changes in foreign currency exchange rates. We anticipate net capital expenditures to be between $450 million and $475 million in 2018.

Off-Balance Sheet Arrangements

The Company guarantees the lease payments of certain tractor and trailer equipment utilized by subcontractor carriers. These guarantees continue through the end of the lease of the equipment, which is typically four years. The maximum amount of the guarantee is limited to the amount of unpaid principal and interest. As of December 31, 2017, the maximum amount of these guarantees was approximately $15.4 million.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles. A summary of our significant accounting policies is contained in Note 2—Basis of Presentation and Significant Accounting Policies to our consolidated financial statements. In applying many accounting principles, we make assumptions, estimates and/or judgments. These assumptions, estimates and/or judgments are often subjective and may change based on changing circumstances or changes in our analysis. Material changes in these assumptions, estimates and/or judgments have the potential to materially alter our results of operations. We have identified below our accounting policies that we believe could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. Although actual results may differ from those estimates, we believe the estimates are reasonable and appropriate.

Evaluation of Goodwill

Goodwill consists of the excess of cost over the fair value of net assets acquired in business combinations. Goodwill is tested for impairment annually or more frequently if an event or circumstance indicates that an impairment loss may have been incurred. Application of the goodwill impairment test requires judgment, including: the identification of reporting units; assignment of assets and liabilities to reporting units; assignment of goodwill to reporting units; and a determination of the fair value of each reporting unit.

As more fully described in Note 2—Basis of Presentation and Significant Accounting Policies, the Company adopted Accounting Standards Update (“ASU”) 2017-04, Intangibles - Goodwill and Other (Topic 350): “Simplifying the Accounting for Goodwill Impairment” in connection with its annual impairment test as of August 31, 2017. ASU 2017-04 removes the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment (often referred to as “Step 2”). Goodwill impairment, if any, would be measured at the amount by which a reporting unit’s carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill.

Prior to the adoption of ASU 2017-04, we reviewed goodwill for impairment utilizing a two-step process. The first step of the impairment test required a comparison of the fair value of each of our reporting units’ net assets to the respective carrying value of net assets, consistent with the method described below. If the carrying amount of a reporting unit’s net assets was higher than its fair value, there is an indication that an impairment may exist and a second step must be performed. In the second step, if the carrying amount of the reporting unit’s goodwill was greater than the implied fair value of its goodwill (as if purchase accounting were performed on the testing date), an impairment loss must be recognized for the excess and charged to operations.

Both prior and subsequent to the adoption of ASU 2017-04, we estimate the fair value of our reporting units using an income approach based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The discount rates reflect management’s judgment and are based on a risk adjusted weighted-average cost of capital utilizing industry market data of businesses similar to the reporting units. Inherent in our preparation of cash flow projections are assumptions and estimates derived from a review of our operating results, business plans, expected growth rates, cost of capital and tax rates. We also make certain forecasts about future economic conditions, interest rates and other market data. Many of the factors used in assessing fair value are outside the control of management, and these assumptions and estimates may change in future periods. Changes in assumptions or estimates could materially affect the estimate of the fair value of a reporting unit, and therefore could affect the likelihood and amount of potential impairment.

Accounting guidance allows entities to perform a qualitative assessment (a “step-zero” test) before performing a quantitative analysis. If an entity determines that it is not more-likely-than-not that the fair value of a reporting unit is less than its carry amount, the entity would not need to perform the quantitative analysis described above. The qualitative assessment includes review of macroeconomic conditions, industry and market considerations, internal

41

cost factors, and overall financial performance, among other areas.
For our 2017 goodwill assessment, we performed a step-zero qualitative analysis for five of our six reporting units. Based on that qualitative assessment, we concluded that it is not more likely than not that the fair value of those reporting units was less their carrying amounts and therefore, further quantitative analysis was not performed. For one reporting unit, we elected to proceed directly to the step one quantitative analysis. Based on the analysis prepared, the fair value of the reporting unit substantially exceeded the carrying value at the testing date.

Self-Insurance Accruals

The Company uses a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of medical, vehicular, cargo and workers' compensation claims. The Company periodically evaluates the level of insurance coverage and adjusts insurance levels based on risk tolerance and premium expense. The measurement and classification of self-insured costs requires the consideration of historical cost experience, demographic and severity factors, and judgments about current and expected levels of cost per claim and retention levels. These methods provide estimates of the undiscounted liability associated with claims incurred as of the balance sheet date, including estimates of claims incurred but not reported. The Company believes the actuarial methods are appropriate for measuring these self-insurance accruals. However, based on the number of claims and the length of time from incurrence of the claims to ultimate settlement, the use of any estimation method is sensitive to the assumptions and factors described above. Accordingly, changes in these assumptions and factors can affect the estimated liability and those amounts may be different than the actual costs paid to settle the claims.

Income Taxes

Our annual effective tax rate is based on our income and statutory tax rates in the various jurisdictions in which we operate. Judgment and estimates are required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. We review our tax positions quarterly and as new information becomes available. Our effective tax rate in any financial statement period may be materially impacted by changes in the mix and/or level of earnings by taxing jurisdiction.

Deferred income tax assets represent amounts available to reduce income taxes payable in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating losses and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing all available evidence, including the reversal of deferred tax liabilities, carrybacks available, and historical and projected pre-tax profits generated by operations. Valuation allowances are established when, in management's judgment, it is more likely than not that its deferred tax assets will not be realized. In assessing the need for a valuation allowance, management weighs the available positive and negative evidence, including limitations on the use of tax losses and other carryforwards due to changes in ownership, historic information, and projections of future sources of taxable income that include and exclude future reversals of taxable temporary differences.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about our market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in such forward-looking statements. We are exposed to market risk related to changes in interest rates, foreign currency exchange rates and commodity price risk.

Interest Rate Risk

Term Loan Facility. At December 31, 2017, we had outstanding $1,494.0 million aggregate principal amount on our Term Loan Facility. The interest rate fluctuates based on LIBOR or a Base Rate, as defined in the agreement, plus an applicable margin of 2.25%, in the case of LIBOR loans, and 1.25%, in the case of Base Rate loans. A hypothetical 1% increase in the interest rate would increase our annual interest expense by approximately $15 million.

ABL Facility. We have exposure to changes in interest rates on our ABL Facility. The interest rates on our ABL Facility fluctuate based on LIBOR or a Base Rate plus an applicable margin. Assuming our $1.0 billion ABL Facility was fully drawn at December 31, 2017, a hypothetical 1% change in the interest rate would have increased our annual interest expense by approximately $10 million.

Asset Financing. At December 31, 2017, we had outstanding $90.0 million aggregate principal amount of Asset Financing. While most of the Asset Financing has floating interest rates that subjects us to risk resulting from changes in short-term (primarily Euribor) interest rates, historically we have used interest rate swaps (exchanging a variable rate for a fixed rate) to manage the fixed and floating interest rate mix of our Asset Financing and limit our exposure to interest rate risk, however, at December 31, 2017, no interest rate swaps were outstanding.

Foreign Currency Exchange Risk

We have a significant proportion of our net assets and income in non-U.S. dollar (“USD”) currencies, primarily the Euro (“EUR”) and British Pound Sterling (“GBP”). We are exposed to currency risk from the potential changes in functional currency values of our foreign currency denominated assets, liabilities and cash flows. Consequently, a depreciation of the EUR and GBP relative to the USD could have an adverse impact on our financial results.

In connection with the issuance of the Senior Notes due 2022, we entered into certain cross-currency swap agreements to partially manage the related foreign currency exchange risk by effectively converting a portion of the fixed-rate USD-denominated Senior Notes due 2022, including the semi-annual interest payments, to fixed-rate, EUR-denominated debt. The risk management objective is to manage a portion of the foreign currency risk relating to net investments in subsidiaries denominated in foreign currencies.

In order to mitigate against the risk of a reduction in the value of foreign currency earnings before interest, taxes, depreciation and amortization (“EBITDA”) from the Company’s international operations with the EUR and GBP as the functional currency, the Company uses foreign currency option and forward contracts.

As of December 31, 2017, a uniform 10% strengthening in the value of the USD relative to the EUR would have resulted in a decrease in net assets of approximately $9.1 million. As of December 31, 2017, a uniform 10% strengthening in the value of the USD relative to the GBP would have resulted in a decrease in net assets of approximately $48.0 million. These theoretical calculations assume that an instantaneous, parallel shift in exchange rates occurs, which is not consistent with our actual experience in foreign currency transactions. Fluctuations in exchange rates also affect the volume of sales or the foreign currency sales price as competitors’ services become more or less attractive. The sensitivity analysis of the impact of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

Commodity Price Risk

We are exposed to the impact of market fluctuations in the price of diesel fuel purchased for use in Company-owned vehicles. During the year ended December 31, 2017, diesel prices varied by 16.1% in France, 11.0% in the United Kingdom, and 20.6% in the United States. However, the Company includes price adjustment clauses or cost-recovery mechanisms in many of its customer contracts in the event of a change in the fuel purchase price. The clauses mean that substantially all fluctuations in the purchase price of diesel, except for short-term economic fluctuations, can be passed on to customers in the sales price. Therefore, a hypothetical 10% change in the price of diesel would not be expected to materially alter our financial performance over the long term.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements and supplementary data of the Company required by this Item are included at Part IV, Item 15 of this Annual Report on Form 10-K and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2017, our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), have conducted an evaluation of the effectiveness of the design and operation of our disclosure

controls and procedures pursuant to Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures as of December 31, 2017 were effective.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017 based on the framework in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2017.

KPMG LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, has issued an audit report, which is included elsewhere within this Form 10-K, on the effectiveness of our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 of Part III of Form 10-K (other than certain information required by Item 401 of Regulation S-K with respect to our executive officers, which is provided under Item 1 of Part I of this Annual Report on Form 10-K) will be set forth in our definitive Proxy Statement for the 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

We have adopted a Code of Business Ethics (the "Code"), which is applicable to our principal executive officer, principal financial officer, principal accounting officer and other senior officers. The Code is available on our website at www.xpo.com, under the heading "Corporate Governance" within the "Investors" tab. In the event that we amend or waive any of the provisions of the Code that relate to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, we intend to disclose the same on our website at the web address specified above.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 of Part III of Form 10-K, including information regarding security ownership of certain beneficial owners and management and information regarding securities authorized for issuance under equity compensation plans, will be set forth in our Proxy Statement for the 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 13 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV
Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES
Financial Statements and Financial Statement Schedules
The list of Consolidated Financial Statements provided in the accompanying Index to Consolidated Financial Statements is incorporated herein by reference. Such Consolidated Financial Statements are filed as part of this Annual Report on Form 10-K. All financial statement schedules are omitted because the required information is not applicable, or because the information required is included in the Consolidated Financial Statements and notes thereto.
Exhibits

Exhibit Number	Description
2.1	Investment Agreement, dated as of June 13, 2011, by and among Jacobs Private Equity, LLC ("JPE"), each of the other investors party thereto and the registrant (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated June 14, 2011).
2.2	Stock Purchase Agreement, dated July 12, 2013, by and among 3PD Holding, Inc., Logistics Holding Company Limited, Mr. Karl Meyer, Karl Frederick Meyer 2008 Irrevocable Trust II, Mr. Randall Meyer, Mr. Daron Pair, Mr. James J. Martell and XPO Logistics, Inc. (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated July 12, 2013).
2.3	Amendment No. 1 dated August 14, 2013 to Stock Purchase Agreement dated July 12, 2013 by and among the Company, 3PD, Logistics Holding Company Limited, Mr. Karl Meyer, Karl Frederick Meyer 2008 Irrevocable Trust II, Mr. Randall Meyer, Mr. Daron Pair and Mr. James J. Martell (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated August 15, 2013).
2.4	Agreement and Plan of Merger, dated as of January 5, 2014, by and among Pacer International, Inc., XPO Logistics, Inc. and Acquisition Sub, Inc. (incorporated herein by reference to Exhibit 2.1 to XPO's Current Report on Form 8-K filed with the SEC on January 6, 2014).
2.5	Agreement and Plan of Merger, dated as of July 29, 2014, by and among New Breed Holding Company, XPO Logistics, Inc., Nexus Merger Sub, Inc. and NB Representative, LLC, in its capacity as the Representative (incorporated herein by reference to Exhibit 2.1 to XPO's Current Report on Form 8-K filed with the SEC on July 30, 2014).
2.6	Share Purchase Agreement relating to Norbert Dentressangle SA among Dentressangle Initiatives, Mr. Norbert Dentressangle, Mrs. Evelyne Dentressangle, Mr. Pierre-Henri Dentressangle, Ms. Marine Dentressangle and XPO Logistics, Inc., dated as of April 28, 2015 (incorporated herein by reference to Exhibit 2.1 to XPO's Current Report on Form 8-K filed with the SEC on April 29, 2015).
2.7	Tender Offer Agreement between XPO Logistics, Inc. and Norbert Dentressangle SA, dated as of April 28, 2015 (incorporated herein by reference to Exhibit 2.2 to XPO's Current Report on Form 8-K filed with the SEC on April 29, 2015).
2.8	Agreement and Plan of Merger, dated as of September 9, 2015, by and among XPO Logistics, Inc., Con-way Inc., Inc. and Canada Merger Corp. (incorporated herein by reference to Exhibit 2.1 to XPO's Current Report on Form 8-K filed with the SEC on September 10, 2015).
3.1	Amended and Restated Certificate of Incorporation of the registrant, dated May 17, 2005 (incorporated herein by reference to Exhibit 3.1 to the registrant's Annual Report on Form 10-K for the fiscal year ended

	December 31, 2007).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated May 31, 2006 (incorporated herein by reference to Exhibit 3 to the registrant's Current Report on Form 8-K dated June 7, 2006).

46

Exhibit Number	Description
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated June 20, 2007 (incorporated herein by reference to Exhibit 3(i) to the registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated September 1, 2011 (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K dated September 6, 2011 (the “September 2011 Form 8-K”)).
3.5	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated May 20, 2015 (incorporated herein by reference to Exhibit 3.1 to XPO’s Current Report on Form 8-K filed with the SEC on May 21, 2015).
3.6	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated September 8, 2015 (incorporated herein by reference to Exhibit 3.1 to XPO’s Current Report on Form 8-K filed with the SEC on September 8, 2015).
3.7	2nd Amended and Restated Bylaws of the registrant, dated August 30, 2007 (incorporated herein by reference to Exhibit 3(ii) to the registrant’s Current Report on Form 8-K/A dated September 14, 2007).
3.8	Text of Amendments to the 2nd Amended and Restated Bylaws of XPO Logistics, Inc. (incorporated herein by reference to Exhibit 3.2 to XPO’s Current Report on Form 8-K filed with the SEC on May 21, 2015).
3.9	Amendment to the 2nd Amended and Restated Bylaws of XPO Logistics, Inc. (incorporated herein by reference to Exhibit 3.1 to XPO’s Current Report on Form 8-K filed with the SEC on March 17, 2017).
4.1	Certificate of Designation of Series A Convertible Perpetual Preferred Stock of the registrant (incorporated herein by reference to Exhibit 4.1 to the September 2011 Form 8-K).
4.2	Form of Warrant Certificate (incorporated herein by reference to Exhibit 4.2 to the September 2011 Form 8-K).
4.3	Registration Rights Agreement, dated as of September 2, 2011, by and among JPE, each of the other holders and designated secured lenders party thereto and the registrant (incorporated herein by reference to Exhibit 4.3 to the September 2011 Form 8-K).
4.4	Senior Indenture dated as of September 26, 2012 between XPO Logistics, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated herein by reference to Exhibit 4.1 to the registrant’s Current Report on Form 8-K dated September 26, 2012 (the “September 2012 Form 8-K”).
4.5	First Supplemental Indenture dated as of September 26, 2012 between XPO Logistics, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, supplementing the Senior Indenture dated as of September 26, 2012 (incorporated herein by reference to Exhibit 4.2 to the September 2012 Form 8-K).
4.6	Form of Indenture for Senior Debt Securities between the Company and one or more banking institutions to be qualified as Trustee pursuant to Section 305(b)(2) of the Trust Indenture Act of 1939 (incorporated herein by reference to Exhibit 4.6 to the registrant’s Registration Statement on Form S-3, registration statement no.

	333-188848, filed with the Securities and Exchange Commission on May 24, 2013 (the "May 2013 Form S-3")).
4.7	Form of Indenture for subordinated Debt Securities between the Company and one or more banking institutions to be qualified as Trustee pursuant to Section 305(b)(2) of the Trust Indenture Act of 1939 (incorporated herein by reference to Exhibit 4.8 to the registrant's May 2013 Form S-3).
4.8	Investment Agreement, dated as of September 11, 2014, by and among XPO Logistics, Inc. and the Purchasers set forth on Schedule I thereto (incorporated herein by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on September 15, 2014).

Exhibit Number	Description
4.9	Certificate of Designation of Series B Convertible Perpetual Preferred Stock of XPO Logistics, Inc., dated as of September 17, 2014 (incorporated herein by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on September 18, 2014).
4.10	Form of Investment Agreement, dated as of May 29, 2015, by and among XPO Logistics, Inc. and the Purchasers set forth on Schedule I thereto (incorporated herein by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on June 1, 2015).
4.11	Indenture, dated as of June 9, 2015, between XPO Logistics, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee, The Bank of New York Mellon, London Branch as London Paying Agent and The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg Paying Agent (incorporated herein by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on June 15, 2015).
4.12	Certificate of Designation of Series C Convertible Perpetual Preferred Stock of XPO Logistics, Inc., dated as of June 3, 2015 (incorporated herein by reference to Exhibit 4.2 to XPO's Amendment No. 1 to Current Report on Form 8-K/A filed with the SEC on June 26, 2015).
4.13	Indenture, dated as of August 25, 2016, between XPO Logistics, Inc., the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated herein by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on August 26, 2016).
10.1 +	Amended and Restated 2011 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit A to XPO Logistics, Inc.'s definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on April 27, 2012).
10.2 +	2001 Amended and Restated Stock Option Plan (incorporated herein by reference to Exhibit 4.1 to the registrant's Registration Statement on Form S-8 dated May 20, 2010).
10.3 +	Form of Restricted Stock Unit Award Agreement (Service-Vesting) (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.18 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the "Fiscal Year 2011 Form 10-K")).
10.4 +	Form of Performance-Based Restricted Stock Unit Award Agreement (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.19 to the Fiscal Year 2011 Form 10-K).
10.5 +	Form of Option Award Agreement (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.20 to the Fiscal Year 2011 Form 10-K).
10.6 +	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.21 to the Fiscal Year 2011 Form 10-K).
10.7 +	Form of Option Award Agreement for Non-Employee Directors (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.22 to the Fiscal Year 2011 Form 10-K).
10.8 +	Form of Option Award Agreement (2001 Amended and Restated Stock Option Plan) (grants from June 2011 through September 2011) (incorporated herein by reference to Exhibit 10.23 to the Fiscal Year 2011 Form

10-K).

10.9 +	Form of Option Award Agreement (2001 Amended and Restated Stock Option Plan) (grants through May 2011) (incorporated herein by reference to Exhibit 10.24 to the Fiscal Year 2011 Form 10-K).
10.10 +	Form of Performance-Based Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on March 20, 2014).
10.11 +	Form of Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.2 to XPO's Current Report on Form 8-K filed with the SEC on March 20, 2014).

Exhibit Number	Description
10.12 +	Form of Performance-Based Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.7 to XPO's Current Report on Form 8-K filed with the SEC on February 11, 2016 (the "February 2016 Form 8-K")).
10.13 +	Form of Amendment to PRSU Agreements, dated March 7, 2016 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 8, 2016).
10.14 +	2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Annex A to XPO's definitive proxy statement on Schedule 14A filed with the SEC on November 21, 2016).
10.15 +	Form of Restricted Stock Unit Award Agreement (Service-Vesting) (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (the "Fiscal Year 2016 Form 10-K")).
10.16 +	Form of Performance-Based Restricted Stock Unit Award Agreement (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.16 to the Fiscal Year 2016 Form 10-K).
10.17 +	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.17 to the Fiscal Year 2016 Form 10-K).
10.18 +	Form of Employment Agreement, dated as of February 9, 2016, (incorporated herein by reference to Exhibit 10.1 to the February 2016 Form 8-K).
10.19 +	Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Bradley S. Jacobs, (incorporated herein by reference to Exhibit 10.2 to the February 2016 Form 8-K).
10.20 +	Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and John J. Hardig, (incorporated herein by reference to Exhibit 10.4 to the February 2016 Form 8-K).
10.21 +	Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Scott B. Malat, (incorporated herein by reference to Exhibit 10.6 to the February 2016 Form 8-K).
10.22 +	Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Gordon E. Devens (incorporated herein by reference to Exhibit 10.5 to the February 2016 Form 8-K).
10.23 +	Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Troy A. Cooper (incorporated herein by reference to Exhibit 10.3 to the February 2016 Form 8-K).
10.24 +	Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Mario A. Harik (incorporated herein by reference to Exhibit 10.7 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.25	Amended and Restated Revolving Loan Credit Agreement, dated as of April 1, 2014, by and among XPO Logistics, Inc. and certain subsidiaries, Morgan Stanley Bank, N.A., Morgan Stanley Senior Funding, Inc., Credit Suisse AG, Cayman Islands Branch, Deutsche Bank AG New York Branch, JPMorgan Chase Bank, N.A., Citibank N.A. and KeyBank National Association as Lenders, and Morgan Stanley Senior Funding,

	Inc., as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on April 4, 2014).
10.26	Amendment to Amended and Restated Revolving Loan Credit dated as of August 8, 2014 (incorporated herein by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on August 11, 2014).
10.27	Amendment No. 2 to the Amended and Restated Credit Agreement among XPO Logistics, Inc. and certain of its wholly owned subsidiaries, as borrowers, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent for such lenders (incorporated herein by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on June 2, 2015).

Exhibit Number	Description
10.28	Second Amended and Restated Revolving Loan Credit Agreement, dated as of October 30, 2015, by and among XPO Logistics, Inc. and certain subsidiaries signatory thereto, as borrowers, other credit parties signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders from time to time party thereto (incorporated herein by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on November 2, 2015).
10.29	Senior Secured Term Loan Credit Agreement, dated as of October 30, 2015, by and among XPO Logistics, Inc., certain subsidiaries signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders from time to time party thereto (incorporated herein by reference to Exhibit 10.2 to XPO's Current Report on Form 8-K filed with the SEC on November 2, 2015).
10.30	Incremental and Refinancing Amendment (Amendment No. 1 to Credit Agreement), dated as of August 25, 2016, by and among XPO Logistics, Inc., the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on August 26, 2016).
10.31	Refinancing Amendment (Amendment No. 2 to Credit Agreement), dated as of March 10, 2017, by and among XPO Logistics, Inc., the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 13, 2017).
10.32 +	Separation Agreement between the Company and Gordon E. Devens dated January 27, 2017 (incorporated herein by reference to Exhibit 10.2 to XPO's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017).
10.33	Forward Sale Agreement, dated July 19, 2017, by and between the Company and Morgan Stanley & Co. LLC (incorporated herein by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K filed with the SEC on July 25, 2017).
10.34	Forward Sale Agreement, dated July 19, 2017, by and between the Company and JPMorgan Chase Bank, National Association, London Branch (incorporated herein by reference to Exhibit 1.3 to the Company's Current Report on Form 8-K filed with the SEC on July 25, 2017).
10.35	Amendment No. 1 to Second Amended and Restated Revolving Loan Credit Agreement, dated as of July 19, 2017, by and among the Company and certain subsidiaries signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders party thereto (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 25, 2017).
10.36	XPO Logistics, Inc. Employee Stock Purchase Plan (incorporated herein by reference to Annex A to XPO's definitive proxy statement on Schedule 14A filed with the SEC on November 20, 2017).
21 *	Subsidiaries of the registrant.
23 *	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
31.1 *	

	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.
31.2 *	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.
32.1**	Certification of the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.
32.2**	Certification of the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Exhibit Number	Description
101.INS *	XBRL Instance Document.
101.SCH *	XBRL Taxonomy Extension Schema.
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF *	XBRL Taxonomy Extension Definition Linkbase.
101.LAB *	XBRL Taxonomy Extension Label Linkbase.
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase.

*Filed herewith.
**Furnished herewith.
+This exhibit is a management contract or compensatory plan or arrangement.

Item 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

February 12, 2018

XPO LOGISTICS, INC.

By: /s/ Bradley S. Jacobs
Bradley S. Jacobs
(Chairman of the Board of Directors and Chief Executive Officer)

By: /s/ John J. Hardig
John J. Hardig
(Chief Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the dates indicated.

Signature	Title	Date
/s/ Bradley S. Jacobs Bradley S. Jacobs	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	February 12, 2018
/s/ John J. Hardig John J. Hardig	Chief Financial Officer (Principal Financial Officer)	February 12, 2018
/s/ Lance A. Robinson Lance A. Robinson	Chief Accounting Officer (Principal Accounting Officer)	February 12, 2018
/s/ Gena L. Ashe Gena L. Ashe	Director	February 12, 2018
/s/ Louis DeJoy Louis DeJoy	Director	February 12, 2018
/s/ AnnaMaria DeSalva AnnaMaria DeSalva	Director	February 12, 2018
/s/ Michael G. Jesselson Michael G. Jesselson	Director	February 12, 2018
/s/ Adrian P. Kingshott Adrian P. Kingshott	Director	February 12, 2018
/s/ Jason D. Papastavrou Jason D. Papastavrou	Director	February 12, 2018
/s/ Oren G. Shaffer Oren G. Shaffer	Director	February 12, 2018

52

Index to Consolidated Financial Statements

	Page No.
Report of Independent Registered Public Accounting Firm	54
Consolidated Balance Sheets as of December 31, 2017 and 2016	56
Consolidated Statements of Operations for the Years Ended December 31, 2017, 2016 and 2015	57
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2017, 2016 and 2015	58
Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015	59
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2017, 2016 and 2015	60
Notes to Consolidated Financial Statements	62

Report of Independent Registered Public Accounting Firm
To the shareholders and board of directors
XPO Logistics, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of XPO Logistics, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinion

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions

are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

We have served as the Company's auditor since 2011.

Charlotte, North Carolina

February 12, 2018

XPO Logistics, Inc.
Consolidated Balance Sheets

(In millions, except per share data)	December 31, 2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$396.9	$373.4
Accounts receivable, net of allowances of $42.4 and $26.3, respectively	2,725.3	2,313.3
Other current assets	465.7	386.9
Total current assets	3,587.9	3,073.6
Property and equipment, net of $1,109.5 and $589.9 in accumulated depreciation, respectively	2,663.7	2,537.4
Goodwill	4,563.6	4,325.8
Identifiable intangible assets, net of $559.5 and $377.1 in accumulated amortization, respectively	1,435.3	1,534.7
Other long-term assets	351.1	226.9
Total long-term assets	9,013.7	8,624.8
Total assets	$12,601.6	$11,698.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$1,250.7	$1,056.3
Accrued expenses	1,525.8	1,382.1
Current maturities of long-term debt	103.7	136.5
Other current liabilities	116.9	156.7
Total current liabilities	2,997.1	2,731.6
Long-term debt	4,417.5	4,731.5
Deferred tax liability	418.8	572.4
Employee benefit obligations	162.1	251.4
Other long-term liabilities	596.1	373.9
Total long-term liabilities	5,594.5	5,929.2
Stockholders' equity:		
Convertible perpetual preferred stock, $.001 par value; 10.0 shares authorized; 0.07 of Series A shares issued and outstanding at December 31, 2017 and 2016, respectively	41.2	41.6
Common stock, $.001 par value; 300.0 shares authorized; 119.9 and 111.1 shares issued and outstanding at December 31, 2017 and 2016, respectively	0.1	0.1
Additional paid-in capital	3,590.0	3,244.9
Accumulated deficit	(42.6)	(392.9)
Accumulated other comprehensive income (loss)	15.7	(193.7)
Total stockholders' equity before noncontrolling interests	3,604.4	2,700.0
Noncontrolling interests	405.6	337.6
Total equity	4,010.0	3,037.6
Total liabilities and equity	$12,601.6	$11,698.4

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Operations

	Years Ended December 31,		
(In millions, except per share data)	2017	2016	2015
Revenue	$15,380.8	$14,619.4	$7,623.2
Operating expenses			
Cost of transportation and services	8,128.8	7,886.0	4,171.4
Direct operating expense	4,972.3	4,594.1	2,367.0
Sales, general and administrative expense	1,656.5	1,651.2	1,113.4
Total operating expenses	14,757.6	14,131.3	7,651.8
Operating income (loss)	623.2	488.1	(28.6)
Other expense (income)	(15.4)	(9.2)	(7.6)
Foreign currency loss (gain)	57.6	(40.3)	44.8
Debt extinguishment loss	36.0	69.7	—
Interest expense	284.3	361.1	216.7
Income (loss) before income tax (benefit) provision	260.7	106.8	(282.5)
Income tax (benefit) provision	(99.5)	22.3	(90.9)
Net income (loss)	360.2	84.5	(191.6)
Net (income) loss attributable to noncontrolling interests	(20.0)	(15.5)	0.5