

GATX

2018 ANNUAL REPORT



GATX operates four primary business segments: Rail North America, Rail International, Portfolio Management, and American Steamship Company. Through Rail North America and Rail International, we are the leading global railcar lessor. In Portfolio Management, we are a partner in one of the largest aircraft spare engine leasing businesses in the world. American Steamship Company operates the largest fleet of shipping vessels on the Great Lakes.

OPERATIONAL HIGHLIGHTS

All data (including segment overview sections) as of 12.31.18

Financial Highlights (in millions, except per share data)

	2016	2017	2018
Net Income	\$ 257.1	\$ 502.0	\$ 211.3
Per Diluted Share Net Income	\$ 6.29	\$ 12.75	\$ 5.52
EXCLUDING TAX ADJUSTMENTS AND OTHER ITEMS ^(a)			
Net Income	\$ 235.9	\$ 185.0	\$ 199.8
Per Diluted Share Net Income	\$ 5.77	\$ 4.70	\$ 5.22

^(a) The following items for each year noted are referred to as "Tax Adjustments and Other Items:"

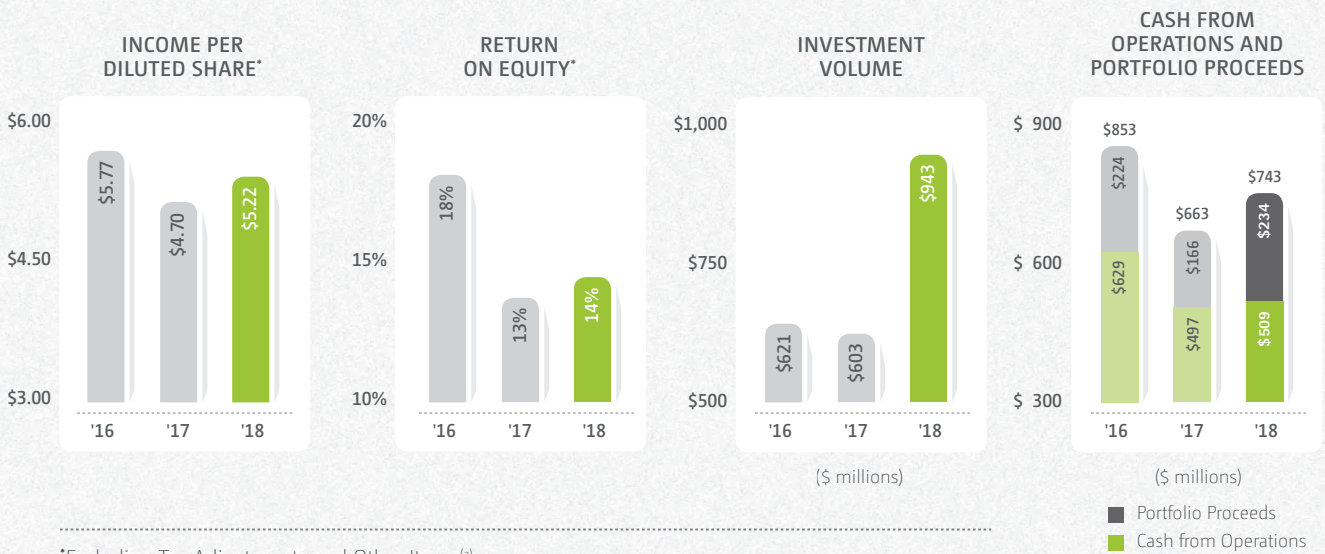
- Results for 2018 included adjustments recorded upon final evaluation of the provisions of the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), utilization of certain foreign tax credits, and expenses attributable to the closure of a maintenance facility at Rail International.
- Results for 2017 included a provisional estimate for the impact of the Tax Act, and losses and gains associated with sales of certain investments.
- Results for 2016 included certain tax benefits, residual sharing gains, and losses and gains associated with impairments and sales of certain investments.

Asset Mix (including on- and off-balance sheet assets)

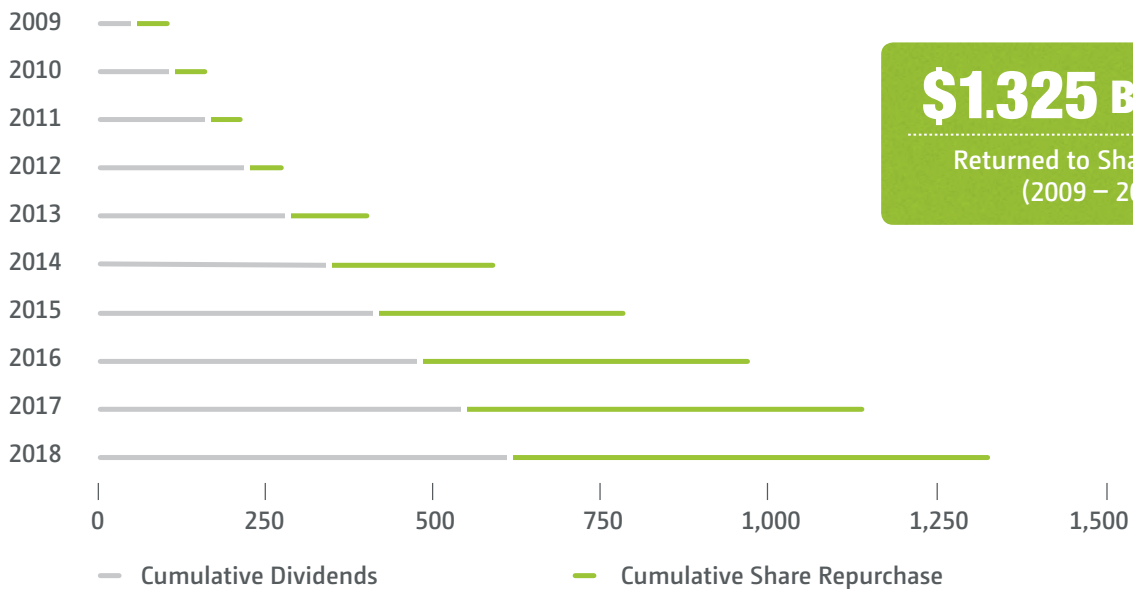


\$8.05 Billion Net Book Value

Investment at a Glance



Cash Returned To Shareholders (\$ millions)



\$1.325 BILLION+

Returned to Shareholders
(2009 – 2018)

NON-GAAP FINANCIAL MEASURES

For a reconciliation of non-GAAP financial measures contained herein, refer to our Annual Report on Form 10-K that has been included as part of this Annual Report to Shareholders.

GATX Corporation (NYSE: GATX)



Rail North America

GATX is a leading full-service railcar lessor in North America. As part of our offering, we provide maintenance, engineering support, training, and other services our customers rely on to safely ship their products.

In 2018, the operating environment in Rail North America improved as railroad car loadings increased and railroad velocity decreased relative to 2017. Capitalizing on this improved environment, we realized higher fleet utilization, higher renewal success, and higher lease renewal rates. Rail North America's commercial

achievements in 2018 were reflective of the diverse, high quality railcar fleet (of approximately 122,000 railcars) that we have built through decades of disciplined investment. In 2018, we invested over \$730 million in our fleet, including the acquisition of a competitor's portfolio of approximately 3,100 railcars. We also executed two long-term railcar supply agreements, for a total of 12,450 railcars, to be delivered over the next five years. These orders ensure that we will meet our customers' needs while continuing to grow our fleet with new, attractively-priced railcars.

\$2.9 BILLION

Committed lease receipts

99.4%

Fleet utilization
as of 12.31.18

55,000+

Service events performed
in 2018

850+

Customers

Rail International

The largest contributor to Rail International is GATX Rail Europe (GRE), a leading full-service tank car lessor in Europe. In 2018, GRE experienced steady improvement in the petroleum, LPG, and chemical markets. As a result, lease rates improved and utilization at GRE increased to a historic high of 98.8%. We invested more than

\$150 million in Rail International including expanding our tank car fleet and growing our presence in the European freight car market. GATX India also had a strong investment year, doubling the size of its fleet in 2018, while continuing to expand and diversify its railcar fleet and customer base.

20+

Countries in Europe
and Asia served

220+

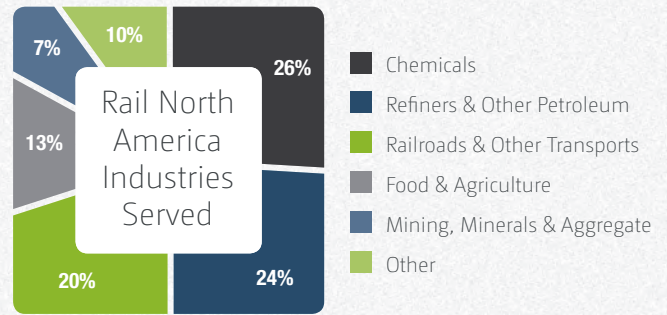
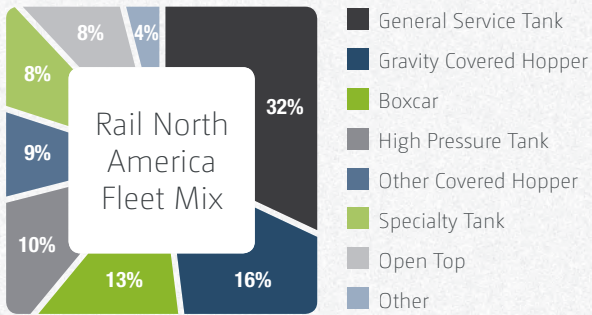
Customers

25,800+

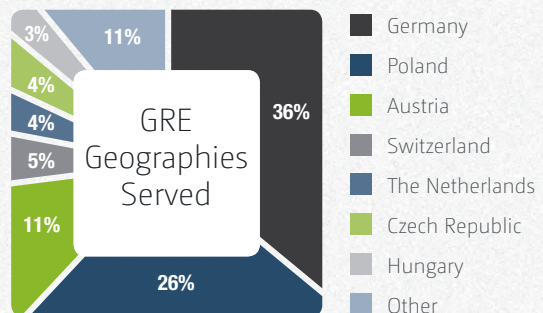
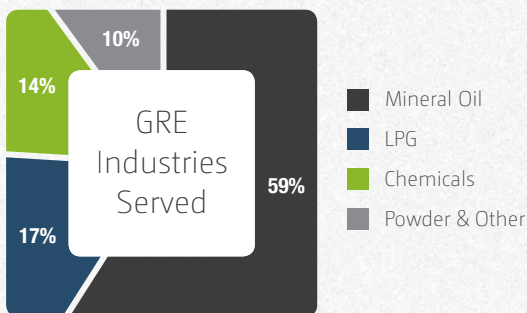
Railcars

98.8%

GRE fleet utilization
as of 12.31.18



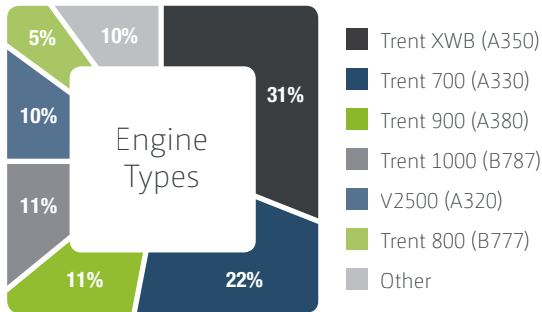
GATX strives to be recognized as the finest railcar leasing company in the world by our customers, our shareholders, our employees, and the communities where we operate.



Portfolio Management

This segment is largely composed of our 50 percent ownership in the Rolls-Royce and Partners Finance affiliates (RRPF). In 2018, RRPF had record investment volume, reflecting strong demand across our primary engine types. As growth in air travel and aircraft in

service continues on a steady upward trend, we are positioned to meet this demand with a base of over 450 aircraft spare engines with a net book value of approximately \$4.4 billion.

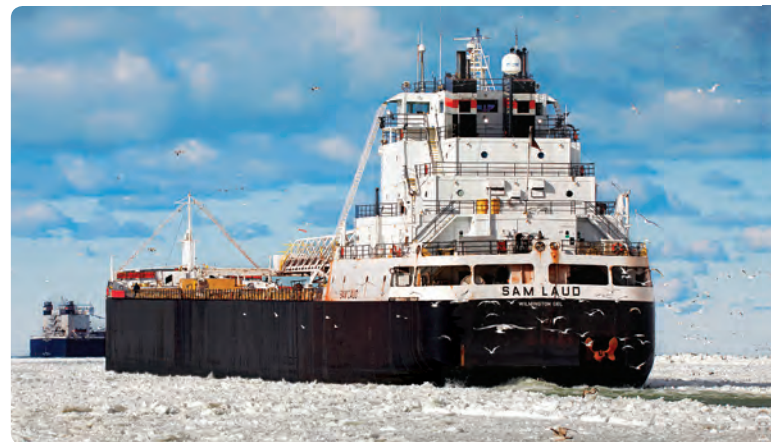


GATX's Share of RRPF's Pre-Tax Income (\$ millions)

2016	2017	2018
\$51.8	\$57.3	\$60.5

450+
Aircraft spare engines
(NBV \$4.4 billion)

\$2.9 BILLION
Committed lease receipts
(RRPF)



American Steamship Company

American Steamship Company (ASC) is the largest U.S.-flagged operator on the Great Lakes with 12 self-unloading vessels. The composition of our fleet, ranging from 635-foot to 1,000-foot vessels, meets the diverse needs of our customers.

26.2 million tons of iron ore, coal, and limestone while focusing on safe, environmentally responsible and efficient operations.

In 2018, ASC had an excellent year due to increased operational efficiency, favorable operating conditions, and increased demand. We moved approximately

29%
Market share

26.2 MM
Net tons of freight shipped

..... 11 vessels deployed in 2018

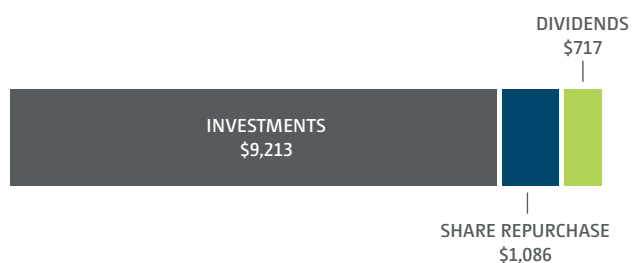
Letter from the Chairman

GATX performed well in 2018, earning \$5.22 per diluted share*, earning a 14% return on equity*, returning \$185 million to our shareholders through dividends and share repurchase, and importantly, investing \$943 million in our wholly owned rail businesses around the world.

This 2018 GAAP investment amount is not reflective of two new committed railcar supply agreements executed at Rail North America, under which 12,450 new railcars will be delivering, primarily from 2019-2023. It is also not reflective of an additional \$969 million invested by GATX and Rolls-Royce within the Rolls-Royce and Partners Finance affiliates (RRPF), where GATX is a 50% partner. All considered, 2018 was a tremendous year for investment at GATX.

In our investor presentations, we regularly explain our “capital allocation framework.” Our first priority is to create value for our shareholders by investing in economically attractive opportunities in our core businesses (Investing Capital). Our second, closely related, priority is to maintain a strong balance sheet and access to attractively-priced capital so that we can consistently invest (Retaining Capital). Our third priority is to return capital that we cannot profitably invest to our shareholders through dividends and share repurchase (Returning Capital). Given the great year for investment we had in 2018, I’ll use this letter to communicate how we think about our first priority – Investing Capital.

Capital Allocation: 2007 –2018 (\$ millions)



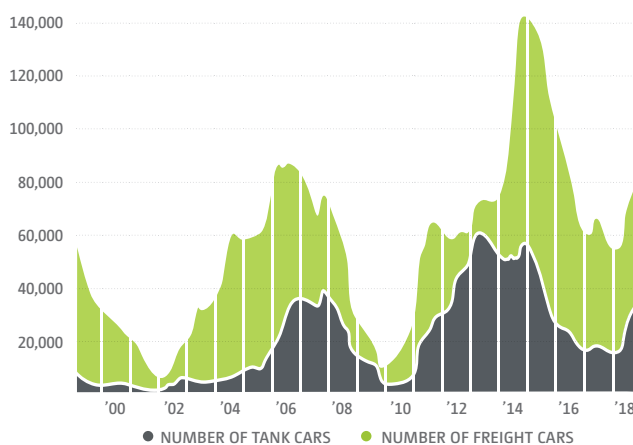
Over \$11 billion in cash invested and returned to our shareholders

The most important principles GATX considers when investing are: risk-adjusted returns, cyclical awareness, and maintaining consistent investment discipline.

GATX risk-adjusts each investment we make by varying both the equity return we require for the level of risk we are assuming, as well as the leverage that we believe each investment can support. Thus, the cost of capital we use for potential investments at GATX varies widely by a number of factors, such as the type of asset (railcars versus spare engines) and geography (North America versus India). This allows us to more accurately compare investments across the Company. It also causes us to pass on a number of investments that look great from a book accounting perspective, but fail to generate the necessary economic return. In the current environment, this methodology has caused us to invest more in our European and Indian rail businesses – as well as in RRPF, because we are seeing increasingly attractive risk-adjusted returns in these investments.

We also try to practice what we refer to as “cyclically aware” investing. The U.S. railcar leasing market has been historically characterized by extreme volatility. This is best demonstrated by historical railcar manufacturing backlogs:

Industry Backlogs



Source: Railway Supply Institute as of January 2019

We typically strive to place large, committed, multi-year railcar orders when the railcar leasing market is weak and manufacturers are eager to secure new business – because that is when we are able to secure the lowest future railcar cost. Our 2011 Supply Agreement is the best example of this strategy. We placed the order for 12,500 railcars just before the market started to recover, locking in attractive manufacturing margins. The cars delivered into a rapidly strengthening market, and we placed them with customers on long-term initial leases at very attractive lease rates. These railcars are expected to provide excellent shareholder returns for decades.

When the railcar leasing market is strong and asset prices are increasing, we try to look elsewhere for investment. Our 2014 \$340 million fleet acquisition of 18,500 boxcars is a good example of acquiring older, out-of-favor, less costly assets at the market peak. We can't always successfully execute "cyclically aware" investing – for instance, sometimes it is necessary to pay more than we would like for a new car in order to protect our competitive position with a customer – but it is something we continually strive for.

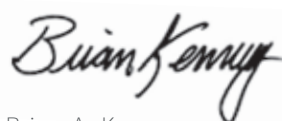
Consistent investment discipline is critical to our success, and it is the most difficult principle in practice. A number of large railcar leasing fleets have changed hands over the last decade, and we have bid on almost all of them. We have come close a few times, and missed by a wide margin on others – but we did not relax our investment discipline on any of them. But the adage that "the best deal I ever did was the one I didn't do" applies in this industry. We refuse to overpay for assets in a tremendously competitive market where you rarely control your pricing. Additionally, we are highly selective about the car types that we invest in, constantly striving for fleet diversity and limiting our exposure to railcars that are in high demand due to short-term trends. This investment discipline has resulted in higher fleet utilization and more attractive returns than our competitors. In contrast, we saw

certain competitors "gain market share" through big fleet acquisitions, and then struggle mightily because of their cost basis and concentrated fleet composition – even causing some to exit the market. We have instead chosen to complete smaller acquisitions that have been less competitive or where we have a superior, relevant skill we think we can apply to the opportunity. The \$229 million 3,100 railcar fleet acquisition we announced in November 2018 is a great example of this thinking. We will always try to maintain the discipline of only investing where we see an attractive risk-adjusted return; otherwise, we will return the capital to our owners.

Our Board of Directors plays a critical role in our investment strategy and how we think about capital allocation, as well as the other elements of our vision and strategy. They consistently prod, challenge, and debate with us about ways to provide value to our shareholders. Their input and support are invaluable to us.

GATX's 2,225 employees performed at a high level in 2018, just as they have done in the 14 years that I have been in this role. Our strategy means nothing if they are not great at executing it, and it is a true honor for me to work with them all.

Lastly, we regularly reach out to our shareholders, and they give us great input on items ranging from strategy to capital allocation to corporate governance. Some of our large shareholders have been investors in GATX for almost 40 years. If we continue to execute, I believe they will be with us for decades to come.



Brian A. Kenney
Chairman, President and Chief Executive Officer
GATX Corporation

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

Form 10-K

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

For the fiscal year ended December 31, 2018

or

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

Commission File Number 1-2328



GATX Corporation

(Exact name of registrant as specified in its charter)

New York

(State or Other Jurisdiction of incorporation or Organization)

36-1124040

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

233 South Wacker Drive

Chicago, IL 60606-7147

(Address of principal executive offices, including zip code)

(312) 621-6200

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock	New York Stock Exchange Chicago 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 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

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. 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 Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$2.8 billion as of June 30, 2018.

Common shares outstanding were 36.6 million at January 31, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

GATX CORPORATION
2018 FORM 10-K
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FORWARD-LOOKING STATEMENTS

Statements in this report not based on historical facts are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and, accordingly, involve known and unknown risks and uncertainties that are difficult to predict and could cause our actual results, performance, or achievements to differ materially from those discussed. These include statements as to our future expectations, beliefs, plans, strategies, objectives, events, conditions, financial performance, prospects, or future events. In some cases, forward-looking statements can be identified by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “outlook,” “continue,” “likely,” “will,” “would”, and similar words and phrases. Forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by us and our management, are inherently uncertain. Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of the date they are made, and are not guarantees of future performance. We do not undertake any obligation to publicly update or revise these forward-looking statements.

The following factors, in addition to those discussed under “Risk Factors” and elsewhere in this report and in our other filings with the U.S. Securities and Exchange Commission (“SEC”), could cause actual results to differ materially from our current expectations expressed in forward-looking statements:

- exposure to damages, fines, criminal and civil penalties, and reputational harm arising from a negative outcome in litigation, including claims arising from an accident involving our railcars
- inability to maintain our assets on lease at satisfactory rates due to oversupply of railcars in the market or other changes in supply and demand
- a significant decline in customer demand for our railcars or other assets or services, including as a result of:
 - weak macroeconomic conditions
 - weak market conditions in our customers’ businesses
 - declines in harvest or production volumes
 - adverse changes in the price of, or demand for, commodities
 - changes in railroad operations or efficiency
 - changes in supply chains
 - availability of pipelines, trucks, and other alternative modes of transportation
 - other operational or commercial needs or decisions of our customers
- higher costs associated with increased railcar assignments following non-renewal of leases, customer defaults, and compliance maintenance programs or other maintenance initiatives
- events having an adverse impact on assets, customers, or regions where we have a concentrated investment exposure
- financial and operational risks associated with long-term railcar purchase commitments, including increased costs due to tariffs or trade disputes
- reduced opportunities to generate asset remarketing income
- operational and financial risks related to our affiliate investments, including the Rolls-Royce & Partners Finance joint ventures (collectively the “RRPF affiliates”)
- fluctuations in foreign exchange rates
- failure to successfully negotiate collective bargaining agreements with the unions representing a substantial portion of our employees
- asset impairment charges we may be required to recognize
- deterioration of conditions in the capital markets, reductions in our credit ratings, or increases in our financing costs
- uncertainty relating to the LIBOR calculation process and potential phasing out of LIBOR after 2021
- competitive factors in our primary markets, including competitors with a significantly lower cost of capital than GATX
- risks related to our international operations and expansion into new geographic markets, including the imposition of new or additional tariffs, quotas, or trade barriers
- changes in, or failure to comply with, laws, rules, and regulations
- inability to obtain cost-effective insurance
- environmental remediation costs
- inadequate allowances to cover credit losses in our portfolio
- inability to maintain and secure our information technology infrastructure from cybersecurity threats and related disruption of our business

PART I

Item 1. *Business*

GENERAL

GATX Corporation (“GATX”, “we,” “us,” “our,” and similar terms), a New York corporation founded in 1898, is the leading global railcar lessor, owning fleets in North America, Europe, and Asia. In addition, we operate the largest fleet of U.S.-flagged vessels on the Great Lakes and, jointly with Rolls-Royce plc, we own one of the largest aircraft spare engine lease portfolios in the world. We report our financial results through four primary business segments: Rail North America, Rail International, Portfolio Management, and American Steamship Company (“ASC”).

The following description of our business should be read in conjunction with the information contained in our Management’s Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 and the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

At December 31, 2018, we had total assets of \$8.0 billion, composed largely of railcars. This amount includes \$0.4 billion of off-balance sheet assets, primarily railcars that were financed with operating leases.

OPERATIONS

GATX RAIL BUSINESS OVERVIEW

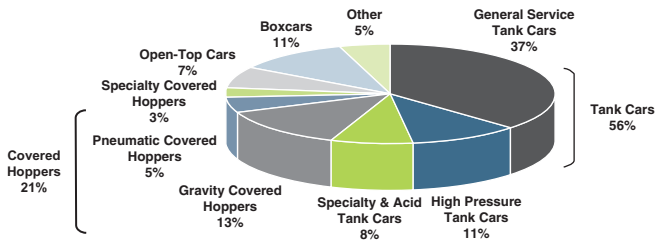
We strive to be recognized as the finest railcar leasing company in the world by our customers, our shareholders, our employees, and the communities where we operate. Our wholly owned fleet of approximately 148,000 railcars is one of the largest railcar lease fleets in the world. We currently lease tank cars, freight cars, and locomotives in North America, tank cars and freight cars in Europe and Russia, and freight cars in India. The following table sets forth our worldwide rail fleet data as of December 31, 2018:

	<u>Tank Railcars</u>	<u>Freight Railcars</u>	<u>Total Fleet</u>	<u>Managed Railcars</u>	<u>Total Railcars</u>	<u>Locomotives</u>
Rail North America	60,513	61,179	121,692	295	121,987	680
Rail International	21,128	4,691	25,819	7	25,826	—
Total	<u>81,641</u>	<u>65,870</u>	<u>147,511</u>	<u>302</u>	<u>147,813</u>	<u>680</u>

Our rail customers primarily operate in the petroleum, chemical, food/agriculture, and transportation industries. Our worldwide railcar fleet consists of diverse railcar types that our customers use to ship over 500 different commodities. The following table presents an overview of our railcar types as well as the industries of our customers and the commodities they ship.

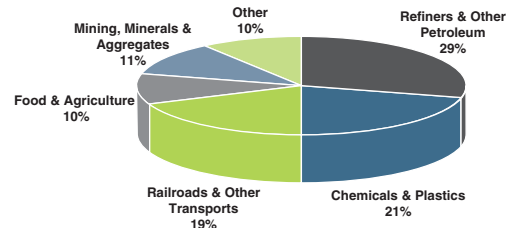
	General-Service Tank Cars	High-Pressure Tank Cars	Specialty and Acid Tank Cars	Specialty/Pneumatic Covered Hoppers	Gravity Covered Hoppers	Open-Top Cars	Boxcars
Principal Industries Served	Petroleum	Petroleum	Chemical	Plastics	Agriculture	Energy	Food
	Agriculture	Chemical	Petroleum	Food	Energy	Steel	Consumer Goods
	Construction			Industrial	Industrial	Construction	Forest Products
	Food				Construction	Forest Products	Packaging
	Chemical						Construction
Principal Commodities	Refined Petroleum Products	Natural Gas Liquids	Sulfuric Acid	Plastics	Fertilizer	Coal	Packaged Food and Beverages
	Fertilizer	Propylene	Molten Sulfur	Flour	Grain	Metals and Related	Paper and Packaging
	Biofuels	Vinyl Chloride Monomer	Hydrochloric Acid	Sugar	Sand	Aggregates	Lumber and Building Products
	Edible Oils and Syrups	Miscellaneous Chemicals	Caustic Soda	Starch	Cement	Coke	Mixed Freight
	Chemicals		Phosphoric Acid	Carbon Black	Soda Ash	Waste	

GATX's Worldwide Railcar Fleet



Approximately 148,000 Railcars as of 12/31/2018

GATX's Industries Served



Based on 2018 Combined Rail North America and Rail International revenues

RAIL NORTH AMERICA

Rail North America is composed of our operations in the United States, Canada, and Mexico. Rail North America primarily provides railcars pursuant to full-service leases under which it maintains the railcars, pays ad valorem taxes and insurance, and provides other ancillary services. These railcars have estimated useful economic lives of 27 to 45 years and an average age of approximately 20 years. Rail North America has a large and diverse customer base, serving approximately 860 customers. In 2018, no single customer accounted for more than 5% of Rail North America's total lease revenue, and the top ten customers combined accounted for approximately 18% of Rail North America's total lease revenue. Rail North America leases railcars for terms that generally range from one to ten years, which vary based on railcar types and market conditions. The average remaining lease term of the North American fleet was approximately 40 months as of December 31, 2018. Rail North America's primary competitors are Union Tank Car Company, Wells Fargo Rail, the CIT Group, Trinity Industries Leasing Company, SMBC Rail Services, LLC, the Andersons Rail Group, and American Railcar Industries, Inc. Rail North America competes primarily on the basis of lease rate, maintenance capabilities, customer relationships, engineering expertise, and availability of railcars.

Rail North America purchases new railcars from a number of manufacturers, including Trinity Rail Group, LLC, American Railcar Industries, Inc., National Steel Car Ltd., and Freightcar America. We also acquire railcars in the secondary market. In 2014, we entered into a long-term supply agreement with Trinity Rail Group, LLC ("Trinity") a subsidiary of Trinity Industries. Under the terms of that agreement, we agreed to order 8,950 newly built railcars over a four-year period from March, 2016 through March, 2020. We may order either tank or freight cars; however, we expect that the majority of the order will be for tank cars. As of December 31, 2018, 7,992 railcars have been ordered, of which 5,670 railcars have been delivered. On May 24, 2018, we amended our long-term supply agreement with Trinity to extend the term to December 2023. We agreed to purchase an additional 4,800 tank cars (1,200 per year) beginning in January 2020 and continuing through the expiration of the extended term.

On July 30, 2018, we entered into a multi-year railcar supply agreement with American Railcar Industries, Inc., pursuant to which we will purchase 7,650 newly built railcars. The order encompasses a mix of tank and freight cars that are to be delivered over a five-year period, beginning in April 2019. Under the terms of this agreement, ARI will deliver 450 railcars in 2019, with the remaining 7,200 to be delivered ratably over the four-year period of 2020 to 2023. The agreement also includes an option to order up to an additional 4,400 railcars subject to certain restrictions.

On November 12, 2018, we entered into an agreement to purchase a fleet of up to 3,100 railcars from ECN Capital Corporation. As of December 31, 2018, we had acquired 2,832 railcars, with the balance to be acquired in early 2019.

Rail North America also owns a fleet of locomotives, consisting of 644 four-axle and 36 six-axle locomotives as of December 31, 2018. Locomotive customers are primarily regional and short-line railroads, industrial users, and Class I railroads. Lease terms vary from month-to-month to ten years. As of December 31, 2018, the average remaining lease term of the locomotive fleet was approximately two years. Rail North America's primary competitors in locomotive leasing are Wells Fargo Rail, CIT Group Inc., and Progress Rail Services Corporation. Competitive factors in the market include lease rates, customer service, maintenance, and availability.

Rail North America also remarkets its rail assets, and such remarketing activities generate gains which may contribute significantly to Rail North America's segment profit.

Maintenance

Rail North America operates an extensive network of maintenance facilities in the United States and Canada dedicated to performing safe, timely, efficient, and high-quality railcar maintenance services for customers. Services include interior cleaning of railcars, routine maintenance and general repairs to the car body and safety appliances, regulatory compliance work, wheelset replacements, interior blast and lining, exterior blast and painting, and car stenciling. To the extent possible, railcar maintenance is scheduled in a manner that minimizes the amount of time the car is out of service. At December 31, 2018, Rail North America's maintenance network consisted of:

- Six major maintenance facilities that can complete all types of maintenance services.
- Four maintenance facilities that primarily focus on routine cleaning, repair, and regulatory compliance services.
- Five customer-dedicated sites operating within specific customer facilities that offer services tailored to the needs of our customers' fleets.
- Fifteen locations with mobile units that travel to many track-side field locations to provide spot repairs and interior cleaning services, thus avoiding the need to send a railcar to a major maintenance facility. Eleven of these locations operate as independent maintenance repair units that are not affiliated with physical locations.

The maintenance network is supplemented by a number of preferred third-party maintenance providers. In certain cases, we have entered into fixed-capacity contracts with these third parties under which Rail North America has secured access to maintenance capacity. In 2018, wholly owned and third-party maintenance facilities performed approximately 55,000 service events, including multiple independent service events for the same car. In 2018, third-party maintenance network expenses accounted for approximately 25% of Rail North America's total maintenance network expenses (excluding repairs performed by railroads). Approximately 75% of the maintenance hours, incurred for our tank cars and specialty freight cars during 2018, were performed internally at our own maintenance facilities.

Our maintenance activities are substantially dedicated to servicing our wholly owned railcar fleet pursuant to the provisions of our lease contracts. Additionally, our customers periodically utilize our services that are not included in the full-service lease agreement, such as repairs of railcar damage or other customer-specific requirements. Revenue earned from these types of maintenance services is recorded in other revenue.

Affiliates

Adler Funding LLC ("Adler") is a 12.5% owned railcar leasing partnership that was formed in 2010 with UniCredit Bank AG, Sperber Rail Holdings Inc., and LBT Holding Corporation. Rail North America has provided leasing, maintenance and asset remarketing services to Adler, for which it received a base service fee and a performance-based asset remarketing fee. As of December 31, 2018, all railcar assets have been sold, and the partnership is in the process of winding down remaining activities.

RAIL INTERNATIONAL

Rail International is composed of our operations in Europe ("GATX Rail Europe" or "GRE"), India ("Rail India"), and Russia ("Rail Russia"). GRE leases railcars to customers throughout Europe pursuant to full-service leases under which it maintains the railcars and provides value-adding services according to customer requirements. These railcars have estimated useful lives of 30 to 40 years and an average age of approximately 18 years. GRE has a diverse customer base with approximately 210 customers. In 2018, two customers each accounted for more than 10% of GRE's total lease revenue and the top ten customers combined accounted for approximately 60% of GRE's total lease revenue. GRE's lease terms generally range from one to ten years and as of December 31, 2018, the average remaining lease term of the European fleet was approximately 21 months. GRE competes principally on the basis of customer relationships, lease rate, maintenance expertise, and availability of railcars. Its primary competitors are VTG Aktiengesellschaft, the Ermewa Group, Nacco, Wascosa AG, and On Rail.

GRE acquires new railcars primarily from Greenbrier-Astra Rail (Wagony Swidnica sp. z.o.o and Astra Rail Industries S.A.), Tatravagónka a.s., and Legios Loco a.s. Additionally, GRE's Ostróda, Poland maintenance facility assembles several hundred tank cars each year. As of December 31, 2018, GRE had commitments to acquire approximately 1,500 newly manufactured railcars to be delivered in 2019, primarily from Tatravagónka a.s., and Greenbrier. The majority of the railcars to be delivered in 2019 have committed leases in place with customers.

Rail India began operations in 2012 as the first company registered to lease railcars under the Indian Railways Wagon Leasing Scheme. As of December 31, 2018, Rail India owned 2,053 railcars with estimated useful lives of 20-25 years. Rail India’s leases are net leases and have terms generally ranging from three to 12 years. As of December 31, 2018, the average remaining lease term of the Indian fleet was approximately six years. Rail India has a small customer base with approximately ten customers in the container, steel and automotive transport sector, as well as the public sector. As of December 31, 2018, Rail India had entered into contracts to acquire approximately 1,100 railcars to be delivered in 2019, all of which have committed leases in place with customers.

As of December 31, 2018, Rail Russia owned 354 railcars and had commitments to acquire 26 railcars to be delivered in 2019, all of which have committed leases in place with customers.

Maintenance

As of December 31, 2018, GRE operates a maintenance facility in Ostróda, Poland. In the second quarter of 2018, GRE closed its railcar maintenance facility in Hannover, Germany. The maintenance facility in Ostróda, Poland performs significant repairs, regulatory compliance and modernization work for owned railcars, and assembles railcars. This service center is supplemented by a number of third-party repair facilities, which in 2018 accounted for approximately 42% of GRE’s fleet repair costs.

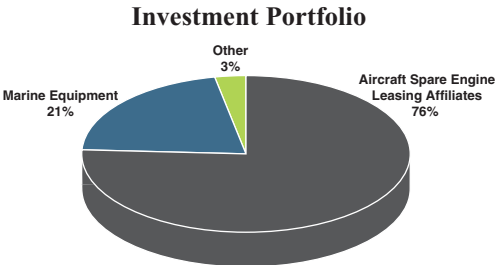
Similar to our Rail North America segment, GRE’s customers periodically require maintenance services that are not included in the full-service lease agreement. These services are generally related to the repair of railcar damage caused by customers and railways. Revenue earned from these maintenance activities is recorded in other revenue.

In India, all railcar maintenance is performed by Indian Railways or third-parties authorized by Indian Railways, in accordance with regulatory requirements.

In Russia, all railcar maintenance is performed by third-party repair facilities either owned or authorized by Russian Railways, in accordance with regulatory requirements.

PORTFOLIO MANAGEMENT

Portfolio Management is composed primarily of our ownership in a group of joint ventures with Rolls-Royce plc that lease aircraft spare engines, as well as five liquefied gas-carrying vessels (the “Norgas Vessels”). In prior years, Portfolio Management generated leasing, marine operating, asset remarketing, and management fee income through a collection of diversified wholly owned assets and joint venture investments. In 2015, we made the decision to exit the majority of these ancillary investments, including six chemical parcel tankers, a number of inland marine vessels, and our 50% interest in the Cardinal Marine joint venture. These investments were all sold as of December 31, 2017. See the Portfolio Management section in Part II, Item 7 of this Form 10-K for further details.



Aggregate Net Book Value of \$606.8 million as of 12/31/2018

Affiliates

The Rolls-Royce & Partners Finance companies (collectively the “RRPF affiliates”) are a group of seventeen 50% owned domestic and foreign joint ventures with Rolls-Royce plc (or affiliates thereof, collectively “Rolls-Royce”), a leading manufacturer of commercial aircraft jet engines. The RRPF affiliates are primarily engaged in two business activities: lease financing of aircraft spare engines to a diverse group of commercial aircraft operators worldwide and sale-leaseback financing of aircraft spare engines to Rolls-Royce for use in their engine maintenance programs. As of December 31, 2018, the RRPF affiliates, in aggregate, owned 452 engines, of which 253 were on lease to Rolls-Royce. Aircraft engines generally have an estimated economic useful life of 25 years when new and, depending on actual hours of usage and with proper maintenance, may achieve extended service well beyond the useful life estimates. As of December 31, 2018, the average age of these engines was approximately 11 years. Lease terms vary but typically range from 3 to 12 years. Rolls-Royce acts as manager for each of the RRPF affiliates and also performs substantially all required maintenance activities.

Owned and Managed Assets

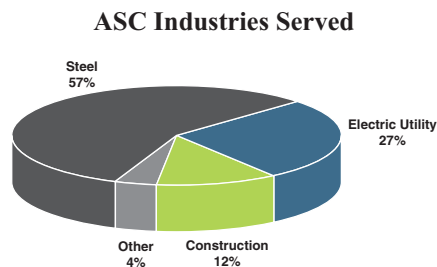
Historically, Portfolio Management’s wholly owned portfolio consisted of marine assets operating in pooling arrangements, assets subject to operating and finance leases, and secured loans. As of December 31, 2018, Portfolio Management’s remaining owned assets consisted primarily of the Norgas Vessels operating under a pooling arrangement. The Norgas Vessels specialize in the transport of pressurized gases and chemicals, such as liquefied petroleum gas, liquefied natural gas, and ethylene, primarily on shorter-term spot contracts for major oil and chemical customers worldwide.

Portfolio Management also manages portfolios of assets for third parties which generate fee and residual sharing income through portfolio administration and the remarketing of these assets. As of December 31, 2018, Portfolio Management’s managed activities consisted primarily of managing leases of three power plants.

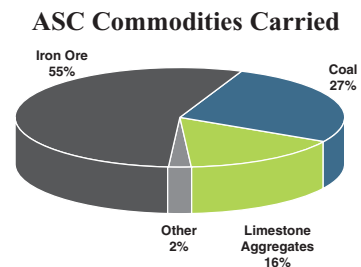
ASC

ASC operates the largest fleet of U.S.-flagged vessels on the Great Lakes, providing waterborne transportation of dry bulk commodities such as iron ore, coal, limestone aggregates, and metallurgical limestone. End markets served include steel making, domestic automobile manufacturing, electricity generation, and non-residential construction. Customer service, primarily in the form of scheduling flexibility, vessel availability, reliability, and operating safety, is key to ASC’s success. ASC’s sailing season generally runs from April 1 through December 31; however, depending on customer demand and weather conditions, vessels may commence operations in March and continue to operate into January of the following year.

At December 31, 2018, ASC’s fleet consisted of 12 vessels with a net book value of \$257.0 million. All vessels are compliant with applicable regulatory guidelines. The vessels are diesel powered, with an average age of 41 years and estimated useful lives of 65 years. For 2019, 11 of ASC’s vessels are generally available for both service contracts and spot business; the remaining vessel is dedicated to a time charter agreement that is scheduled to expire following the 2021 sailing season. ASC’s vessels operate exclusively in the fresh water of the Great Lakes and as a result, with proper maintenance and periodic refurbishment, may achieve extended service well beyond the useful life estimates.



Based on 2018 revenue



Based on 2018 volume

All of ASC’s vessels are equipped with self-unloading equipment, enabling them to discharge dry bulk cargo without shore-side assistance. This equipment enables the vessels to operate 24 hours a day, seven days a week. ASC’s vessels are capable of

transporting and unloading almost any free flowing, dry bulk commodity. In 2018, ASC served 21 customers, with the top five customers accounting for 88% of total revenue.

The following table sets forth ASC’s fleet as of December 31, 2018:

Great Lakes Vessels	Length (feet)	Capacity (gross tons)
M/V American Spirit	1004’	62,400
M/V Burns Harbor	1000’	80,900
M/V Indiana Harbor	1000’	80,900
M/V Walter J. McCarthy, Jr	1000’	80,900
M/V American Century	1000’	78,850
M/V American Integrity	1000’	78,850
M/V St. Clair	770’	44,800
M/V American Mariner	730’	37,300
M/V H. Lee White	704’	35,400
M/V John J. Boland	680’	34,000
M/V Sam Laud	634’-10”	24,300
M/V American Courage	634’-10”	23,800

ASC’s vessels operate pursuant to customer contracts that stipulate freight volume commitments and may also be supplemented with additional spot volume opportunities. In 2018, ASC operated 11 vessels and carried 26.2 million net tons of cargo. The number of vessels deployed by ASC in any given year is dependent on customer volume requirements.

ASC’s primary competitors on the Great Lakes are Interlake Steamship Company, Great Lakes Fleet, Inc., Grand River Navigation, Central Marine Logistics, and VanEnkevort Tug and Barge. ASC principally competes on the basis of service capabilities, customer relationships, and price.

The United States shipping industry is subject to the Jones Act, which requires all commercial vessels transporting goods between U.S. ports to be built, owned, operated and manned by U.S. citizens, and registered under the U.S. flag.

TRADEMARKS AND PATENTS

Patents, trademarks, and licenses are not material to our businesses taken as a whole.

SEASONAL NATURE OF BUSINESS

ASC's fleet is inactive for a significant portion of the first quarter of each year due to the winter conditions on the Great Lakes.

CUSTOMER BASE

GATX, taken as a whole, is not dependent upon a single customer nor does it have any significant customer concentrations. Segment concentrations, if material, are described above.

See "Note 13. Concentrations" in Part II, Item 8 of this Form 10-K for additional information.

EMPLOYEES AND EMPLOYEE RELATIONS

As of December 31, 2018, we employed 2,225 persons, of whom approximately 42% were union workers covered by collective bargaining agreements.

See "Note 13. Concentrations" in Part II, Item 8 of this Form 10-K for additional information about our employees and concentration of labor force.

ENVIRONMENTAL MATTERS

Our operations, facilities and properties are subject to extensive federal, state, local, and foreign environmental laws and regulations. These laws cover discharges to waters; air emissions; toxic substances; the generation, handling, storage, transportation, and disposal of waste and hazardous materials; and the investigation and remediation of contamination. These laws have the effect of increasing the cost and liability associated with leasing and operating assets, and violations can result in significant fines, penalties, or other liabilities. Environmental risks and compliance with applicable environmental laws and regulations are inherent in rail and marine operations, which frequently involve transporting chemicals and other hazardous materials.

We are subject to, and may from time to time continue to be subject to, environmental cleanup and enforcement actions in the United States and in the foreign countries in which we operate. In particular, the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the Superfund law, generally imposes joint and several liability for investigation, cleanup and enforcement costs on current and former owners and operators of a site, without regard to fault or the legality of the original conduct. Accordingly, we have been and may, in the future, be named as a potentially responsible party under CERCLA and other federal, state, local, and foreign laws or regulations for all or a portion of the costs to investigate and clean up sites at which certain contaminants may have been discharged or released by us, our current lessees, former owners or lessees of properties, or other third parties. Environmental remediation and other environmental costs are accrued when considered probable and amounts can be reasonably estimated. As of December 31, 2018, environmental costs were not material to our financial position, results of operations or cash flows. For further discussion, see "Note 22. Legal Proceedings and Other Contingencies" in Part II, Item 8 of this Form 10-K.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following information regarding our executive officers is included in Part I in lieu of inclusion in our definitive Proxy Statement:

<u>Name</u>	<u>Offices Held</u>	<u>Position Held Since</u>	<u>Age</u>
Brian A. Kenney	Chairman, President and Chief Executive Officer	2005	59
Thomas A. Ellman	Executive Vice President and Chief Financial Officer	2018	50
James M. Conniff	Executive Vice President and Chief Human Resources Officer	2018	61
Deborah A. Golden	Executive Vice President, General Counsel and Corporate Secretary	2012	64
Robert C. Lyons	Executive Vice President and President, Rail North America	2018	55
N. Gokce Tezel	Executive Vice President and President, Rail International	2018	44
Niyi A. Adedoyin	Senior Vice President and Chief Information Officer	2016	51
Michael T. Brooks	Senior Vice President, Portfolio Management	2018	49
Eric D. Harkness	Senior Vice President, Treasurer and Chief Risk Officer	2018	46
William M. Muckian	Senior Vice President, Controller and Chief Accounting Officer	2007	59
Amita Shetty	Senior Vice President, Business Development	2018	42
Paul F. Titterton	Senior Vice President and Chief Operating Officer, Rail North America	2018	43
Jeffery R. Young	Senior Vice President and Chief Tax Officer	2018	56
Robert A. Zmudka	Senior Vice President and Chief Commercial Officer, Rail North America	2018	51

- Mr. Kenney has served as Chairman, President and Chief Executive Officer since 2005. Previously, Mr. Kenney served as President from 2004 to 2005, Senior Vice President, Finance and Chief Financial Officer from 2002 to 2004, Vice President, Finance and Chief Financial Officer from 1999 to 2002, Vice President, Finance from 1998 to 1999, Vice President and Treasurer from 1997 to 1998, and Treasurer from 1995 to 1996.
- Mr. Ellman was elected Executive Vice President and Chief Financial Officer in August, 2018. Previously, Mr. Ellman served as Executive Vice President and President, Rail North America from 2013 to August 2018, Senior Vice President and Chief Commercial Officer from 2011 to 2013, and Vice President and Chief Commercial Officer from 2006 to 2011. Prior to re-joining GATX in 2006, Mr. Ellman served as Senior Vice President and Chief Risk Officer and Senior Vice President, Asset Management of GE Equipment Services, Railcar Services and held various positions at GATX in the GATX Rail Finance Group.
- Mr. Conniff was elected Executive Vice President and Chief Human Resources Officer in August 2018. Previously, Mr. Conniff served as Senior Vice President, Human Resources from 2014 to August 2018, Vice President, Human Resources in 2014, and Senior Director, Benefits and Employee Services from 2008 to 2014. Mr. Conniff joined GATX in 1981 and has held a variety of positions in finance and human resources.
- Ms. Golden has served as Executive Vice President, General Counsel and Corporate Secretary since June 2012. Previously, Ms. Golden served as Senior Vice President, General Counsel and Corporate Secretary from 2007 to June 2012. Ms. Golden joined GATX in 2006 as Vice President, General Counsel and Corporate Secretary. Prior to joining GATX, Ms. Golden served as Vice President and General Counsel of Midwest Generation, LLC from 2004 to 2005, Deputy General Counsel, State of Illinois, Office of the Governor from 2003 to 2004 and Assistant General Counsel with Ameritech Corporation/SBC Communications, Inc. from 1997 to 2001.
- Mr. Lyons was elected Executive Vice President and President, Rail North America in August 2018. Previously, Mr. Lyons served as Executive Vice President and Chief Financial Officer from 2012 to August 2018, Senior Vice President and Chief Financial Officer from 2007 to 2012, Vice President and Chief Financial Officer from 2004 to 2007, Vice President, Investor Relations from 2000 to 2004, Project Manager, Corporate Finance from 1998 to 2000, and Director of Investor Relations from 1996 to 1998.

- Mr. Tezel was elected Executive Vice President and President, Rail International in August 2018, Previously, Mr. Tezel served as Senior Vice President and President, Rail International from March 2018 to August 2018, Vice President and Senior Vice President - Business Development, Rail International from 2015 to March 2018, Vice President and Group Executive, Emerging Markets from 2012 to 2015, Vice President - International Business Development 2008 to 2012, Vice President - Strategic Growth from 2007 to 2008, Director, Marketing and Product Development from 2005 to 2007, Director, Corporate Finance from 2003 to 2005, and Associate Director, Corporate Finance from 2000 to 2003.
- Mr. Adedoyin has served as Senior Vice President and Chief Information Officer since January 2016. Previously, Mr. Adedoyin served as Vice President and Chief Information Officer from 2013 to January 2016 and Senior Director, IT Strategy and Project Management Office from 2008 to 2013.
- Mr. Brooks was elected Senior Vice President, Portfolio Management in August 2018. Previously, Mr. Brooks served as Senior Vice President and Chief Operations Officer, Rail North America from 2016 to August 2018, Senior Vice President, Operations and Technology from 2013 to 2016, and Senior Vice President and Chief Information Officer from 2008 to 2013. Prior to joining GATX, Mr. Brooks served as Chief Information Officer and Vice President of the retail division of Constellation Energy and held various consulting roles of increasing responsibility with Accenture and Oracle Corporation.
- Mr. Harkness was elected Senior Vice President, Treasurer, and Chief Risk Officer in August 2018. Previously, Mr. Harkness served as Vice President, Treasurer and Chief Risk Officer from 2012 to August 2018, Vice President, Chief Risk Officer from 2010 to 2012, and Senior Investment Risk Officer from 2007 to 2010. Prior to joining GATX, Mr. Harkness served in a variety of positions of increasing responsibility in the financial services industry.
- Mr. Muckian has served as Senior Vice President, Controller and Chief Accounting Officer since 2007. Previously, Mr. Muckian served as Vice President, Controller and Chief Accounting Officer from 2002 to 2007, Controller and Chief Accounting Officer from 2000 to 2002, and Director of Taxes of GATX from 1994 to 2000.
- Ms. Shetty was elected Senior Vice President, Business Development in August 2018. Previously, Ms. Shetty served as Vice President and Executive Director, Strategy from 2016 to August 2018, Vice President, Marketing & Customer Experience from 2014 to 2016, and Senior Director, Customer Experience from 2013 to 2014. Prior to joining GATX, Ms. Shetty spent more than ten years at various divisions of General Electric, including GE Capital Railcar Services.
- Mr. Titterton was elected Senior Vice President and Chief Operating Officer, Rail North America in August 2018. Previously, Mr. Titterton served as Senior Vice President and Chief Commercial Officer, Rail North America from 2015 to August 2018, Vice President and Chief Commercial Officer from 2013 to 2015, Vice President and Group Executive, Fleet Management, Marketing and Government Affairs from 2011 to 2013, Vice President and Executive Director, Fleet Management from 2008 to 2011, and in a variety of increasingly responsible positions since joining the company in 1997.
- Mr. Young was elected Senior Vice President and Chief Tax Officer in August 2018. Previously, Mr. Young served as Vice President and Chief Tax Officer from 2015 to August 2018, Vice President of Tax from 2007 to 2015, and as Director of Tax from 2003 to 2007. Prior to joining GATX, Mr. Young spent twenty years in a variety of increasingly responsible tax related positions in public accounting and the financial services industry.
- Mr. Zmudka was elected Senior Vice President and Chief Commercial Officer, Rail North America in August 2018. Previously, Mr. Zmudka served as Vice President and Group Executive, North American Sales & Marketing from 2010 to August 2018, Vice President and Executive Director, Strategic Sales from 2007 to 2010, and Vice President, National Accounts from 2006 to 2007. Mr. Zmudka joined GATX in 1989 and worked in various sales and fleet portfolio roles before being promoted to Vice President, Regional Sales in 2001.

AVAILABLE INFORMATION

We make available free of charge at our website, www.gatx.com, our most recent annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the “1934 Act”), as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission (“SEC”). The SEC maintains a website that contains reports, proxy, and other information that we have filed with the SEC. The SEC website may be found at <http://www.sec.gov>. Charters for the Audit Committee, Compensation Committee and Governance Committee of the Board of Directors, the Corporate Governance Guidelines, the Code of Business Conduct and Ethics and the Code of Ethics for Senior Company Officers are posted under Corporate Governance in the Investor Relations section of our website, and are available in print upon request by any shareholder. Within the time period prescribed by SEC and New York Stock Exchange regulations, we will post on our website any amendment to the Code of Ethics for Senior Company Officers and the Code of Business Conduct and Ethics or any waivers thereof. The information on our website is not incorporated by reference into this report.

Item 1A. Risk Factors

Investors should consider the risk factors described below as well as other information contained in this filing or our other filings with the U.S. Securities and Exchange Commission before investing in our securities. If any of the events described in the risk factors below occur, our business, financial condition and results of operations could be materially adversely affected.

We have been, and may continue to be, involved in various types of litigation, including claims for personal injury, property damage, environmental damage, and other claims arising from an accident involving our railcars or other assets.

The nature of our business and assets potentially exposes us to significant personal injury and property damage claims and litigation, environmental claims, or other types of lawsuits inside and outside the U.S. Customers use certain types of railcars to transport flammable liquids and other hazardous materials, and an accident involving our railcars could lead to litigation and subject us to significant liability, particularly where the accident involves serious personal injuries or the loss of life. If we do not maintain railcars in compliance with governmental regulations and industry rules, we could be subject to fines, penalties, and claims for personal injury, property damage, and environmental damage. In some jurisdictions, an accident can give rise to both civil and criminal liabilities for us and, in some cases, our employees. In the event of an unfavorable outcome, we could be subject to substantial penalties or monetary damages, including criminal penalties and fines, and our employees who are named as criminal defendants in any such litigation may be subject to incarceration and fines. A substantial adverse judgment against us could have a material effect on our financial position, results of operations, cash flows, and reputation.

We may be unable to maintain assets on lease at satisfactory rates.

Our profitability depends on our ability to lease assets at satisfactory rates and to re-lease assets upon lease expiration. Circumstances such as excess capacity in particular railcar types or generally in the marketplace, decreases in customer demand for our railcars, economic downturns, changes in customer behavior, or other changes in supply or demand can adversely affect asset utilization rates and lease rates. Economic uncertainty or a decline in customer demand for our assets could cause customers to request shorter lease terms and lower lease rates, which may result in a decrease in our asset utilization rate and reduced revenues. Alternatively, customers may seek to lock-in relatively low lease rates for longer terms, which may result in an adverse impact on current or future revenues.

We depend on continued demand from our customers to lease our railcars and utilize our other assets and services. A significant decline in customer demand could negatively impact our business and financial performance.

Customer demand for our railcars and other assets and services can be adversely affected by various economic and other factors, including:

- Weak macroeconomic conditions
- Weak market conditions in our customers’ businesses
- Declines in harvest or production volumes
- Adverse changes in the price of, or demand for, commodities
- Changes in railroad operations and efficiency
- Changes in supply chains
- Availability of pipelines, trucks, and other alternative modes of transportation
- Other operational or commercial needs or decisions of our customers.

Demand for our railcars and other assets is dependent on the strength and growth of our customers' businesses. Some of our customers operate in cyclical markets, such as the steel, energy, chemical, and construction industries, which are susceptible to macroeconomic downturns and may experience significant changes in demand over time. Weakness in certain sectors of the economy in the United States and other parts of the world may make it more difficult for us to lease certain types of railcars that are either returned at the end of a lease term or returned as a result of a customer bankruptcy or default.

Adverse changes in commodity prices or reduced demand for commodities could reduce customer demand for various types of railcars in our fleet. A significant decrease in the price of a commodity may cause producers of that commodity to reduce their production levels. A significant increase in the price of a commodity could cause our customers to switch to less expensive alternatives that are not delivered by rail. In either case, these changes in customer behavior can reduce demand for the portions of our fleet that are used to transport the commodity. In addition, demand for railcars used to transport ethanol and other renewable fuels may be affected by government subsidies and mandates, which may be enacted, changed, or eliminated from time to time.

Railroad infrastructure investments that improve efficiency or declines in rail traffic due to decreased demand could increase the average speed at which railroads can operate their trains, which may reduce the number of railcars needed for railroads to haul the same amount of cargo. Adverse weather conditions, railroad mergers, and increases in rail traffic could result in slower transit times making rail transportation less attractive to shippers versus other modes of transport. Reductions in service by railroads to conform to new financial goals or operating practices could reduce the attractiveness of rail to shippers relative to other modes of transportation. In each case, these changes could reduce demand for our railcars and negatively impact revenue and our results of operations.

The availability and relative cost of alternative modes of transportation and changes in customer transportation preferences also could reduce demand for our railcars. For example, technological innovations in the trucking industry and patterns in U.S. economic growth that favor truck over rail could result in a modal shift away from rail and reduce customer demand for our rail assets. Demand for our marine assets and shipping services is also influenced by many of the factors discussed above. A significant decline in customer demand for our assets and services could adversely affect our financial performance.

In many cases, demand for our assets also depends on our customers' desire to lease, rather than buy, the assets. Tax and accounting considerations, interest rates, and operational flexibility, among other factors, may influence a customer's decision to lease or buy assets. We have no control over these external considerations, and changes in these factors, including recent changes to lease accounting rules and the Tax Act, could negatively impact demand for our assets held for lease.

A significant decrease in lease renewals by our customers or a significant increase in the number of tank cars requiring compliance-based maintenance could negatively impact operations and substantially increase our costs.

Decreases in customer demand for our railcars could increase the number of leases that are not renewed upon expiration, resulting in the return of railcars. Railcars that are returned by our customers often must undergo maintenance and service work before being leased to new customers. A significant increase in the number of railcars requiring maintenance may negatively affect our operations and substantially increase maintenance and other related costs. In addition, low demand for certain types of railcars in our fleet may make those railcars more difficult to lease to new customers if they are returned at the end of their existing leases or following a customer default, which could negatively affect our results of operations.

We also perform a variety of government or industry-mandated maintenance programs on our full-service tank cars based on their service time. These compliance programs are cyclical in nature, and as a result, we can face significant increases in the volume of tank cars requiring extensive maintenance in any given year. A significant increase in the number of tank cars requiring maintenance may negatively impact our operations and substantially increase maintenance and other related costs. In addition, while we have contracted with third party maintenance providers to assist with these compliance procedures to the extent our demand exceeds our owned maintenance capacity, high demand faced by these providers from other tank car owners may constrain our access to the providers or may substantially increase our costs.

Events that negatively affect certain assets, customers, or geographic regions could have a negative impact on our results of operations.

We generally derive our revenues from a variety of asset types, customers, industries, and geographic locations. However, from time to time we could have a large investment in a particular asset type, a large revenue stream associated with a particular customer or industry, or a large number of customers located in a particular geographic region. Decreased demand from a discrete event impacting a specific asset type, customer, industry, or region in which we have a concentrated exposure could negatively impact our results of operations.

Our long-term railcar purchase commitments could subject us to material operational and financial risks.

Unlike some of our competitors in the railcar leasing market, we do not manufacture railcars. In order to obtain committed access to a supply of newly built railcars on competitive terms, we regularly enter into long-term supply agreements with manufacturers to purchase significant numbers of newly built railcars over a multi-year period. Some of these agreements may provide for flexibility in the pricing, timing, and quantity of our purchasing commitments, while other agreements may provide no such flexibility. Therefore, if economic conditions weaken during the term of a long-term supply agreement, it is possible that we may be required to continue to accept delivery of, and pay for, new railcars at times when it may be difficult for us to lease such railcars and our financing costs may be high, which could negatively affect our revenues and profitability. In addition, if tariffs, trade disputes, commodity prices, or other factors lead to higher prices for steel or other raw materials used to manufacture railcars, we may be required to pay higher prices to purchase new railcars, which could adversely affect our ability to profitably lease those railcars to customers.

Soft market conditions and declines in asset values may reduce opportunities for us to generate remarketing income.

We utilize our extensive knowledge and experience to remarket rail assets in order to optimize the composition of our fleet, and these activities generate income that contributes significantly to Rail North America's segment profit. Reduced demand for our assets due to adverse market conditions could reduce opportunities for us to generate remarketing income. A significant or prolonged decline in the secondary market for our assets could adversely affect our financial performance.

We have significant financial exposure related to the performance of our aircraft engine leasing affiliate investments.

GATX and Rolls-Royce plc ("Rolls Royce") each own 50% of 17 domestic and foreign joint venture entities (collectively, the "RRPF affiliates") that own and lease aircraft engines to Rolls-Royce and owners and operators of commercial aircraft. These investments expose us to various risks associated with the commercial aviation industry, including geographic exposure and customer concentrations unique to that industry. The financial results of the RRPF affiliates depend heavily on the performance of Rolls-Royce, as Rolls-Royce is both a major customer of, and a critical supplier of maintenance services to, the RRPF affiliates. In addition, Rolls-Royce manages the RRPF affiliates and, as a result, we may not have control over operational matters, which could result in actions that have an adverse economic impact on the RRPF affiliates, or us, or could expose us to potential liability. The RRPF affiliates contribute significantly to our financial results. If the financial or operating performance of the RRPF affiliates deteriorates, our results of operations and cash flows could be negatively affected.

Fluctuations in foreign exchange rates and interest rates could negatively impact our results of operations.

Upon consolidation, we translate the financial results of certain subsidiaries from their local currency to the U.S. dollar, which exposes us to foreign exchange rate fluctuations. As exchange rates vary, the translated operating results of foreign subsidiaries may differ materially from period to period. We also have gains and losses on foreign currency transactions, which could vary based on fluctuations in exchange rates and the timing of the transactions and their settlement. In addition, fluctuations in foreign exchange rates can affect the demand and price for services we provide both domestically and internationally, and could negatively impact our results of operations. We also face risks associated with fluctuations in interest rates. We may seek to limit our exposure to foreign exchange rate and interest rate risk with currency or interest rate derivatives, which may or may not be effective. A material and unexpected change in interest rates or foreign exchange rates could negatively affect our financial performance.

Many of our employees are represented by unions, and failure to successfully negotiate collective bargaining agreements may result in strikes, work stoppages, or substantially higher labor costs.

A significant portion of our employees are represented by labor unions and work under collective bargaining agreements that cover a range of workplace matters, such as wages, health and welfare benefits, and work rules. We have generally been successful in negotiating acceptable agreements with the unions without experiencing material work stoppages. However, if we fail to negotiate acceptable new agreements, our business could be disrupted by strikes or lockouts. We could also incur increased operating costs due to higher wages or benefits paid to union workers. Business disruptions or higher operating costs could both have an adverse effect on our financial position, results of operations, or cash flows.

We may incur future asset impairment charges.

We review long-lived assets and joint venture investments for impairment annually, or when circumstances indicate the carrying value of an asset or investment may not be recoverable. Among other circumstances, the following may change our estimates of the cash flows we expect our long-lived assets or joint venture investments will generate, which could require us to recognize asset impairment charges:

- A weak economic environment or challenging market conditions
- New laws, rules or regulations affecting our assets, or changes to existing laws, rules or regulations
- Events related to particular customers or asset types
- Asset or portfolio sale decisions by management.

Deterioration of conditions in the global capital markets or negative changes in our credit ratings may limit our ability to secure financing and may increase our borrowing costs.

We rely largely on banks and the capital markets to fund our operations and contractual commitments. Typical funding sources include commercial paper, bank term loans, public debt issuances, and a variety of other secured and unsecured financing structures. These markets can experience high levels of volatility and access to capital can be limited for an extended period of time. In addition to conditions in the capital markets, changes in our financial performance or credit ratings or ratings outlook, as determined by rating agencies such as Standard & Poor's and Moody's Investors Service, could cause us to incur increased borrowing costs or to have greater difficulty accessing public and private markets for secured and unsecured debt. If we are unable to secure financing on acceptable terms, our other sources of funds, including available cash, bank facilities, cash flow from operations, and portfolio proceeds, may not be adequate to fund our operations and contractual commitments.

Uncertainty relating to the LIBOR calculation process and potential phasing out of LIBOR after 2021 may adversely affect the market value of our current or future debt obligations, including our long-term debt instruments and our bank credit facilities.

We have a material amount of borrowing arrangements and financing structures that base interest rates on the London Inter-Bank Offering Rate ("LIBOR"). Regulators and law enforcement agencies in the United Kingdom and elsewhere are conducting civil and criminal investigations into whether the banks that contributed to the British Bankers' Association (the "BBA") in connection with the calculation of daily LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to this alleged manipulation of LIBOR. Actions by the BBA or any other administrator of LIBOR, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined, the phasing out of LIBOR or the establishment of alternative reference rates. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. As a result, LIBOR may be discontinued by 2021. Furthermore, in the United States, efforts to identify a set of alternative U.S. dollar reference interest rates that could replace LIBOR include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. At this time, it is not possible to predict whether any such changes will occur, whether LIBOR will be phased out or any such alternative reference rates or other reforms to LIBOR will be enacted in the United Kingdom, the United States or elsewhere or the effect that any such changes, phase out, alternative reference rates or other reforms, if they occur, would have on the amount of interest paid on, or the market value of, our current or future debt obligations, including our long-term debt instruments and our bank credit facilities. Uncertainty as to the nature of such potential changes, phase out, alternative reference rates or other reforms may materially adversely affect the trading market for LIBOR-based securities, including our long-term debt instruments and our bank credit facilities. Reform of, or the replacement or phasing out of, LIBOR and proposed regulation of LIBOR and other "benchmarks" may materially adversely affect the market value of, the applicable interest rate on and the amount of interest paid on our current or future debt obligations, including our long-term debt instruments and our bank credit facilities.

Competition could result in decreased profitability.

We operate in a highly competitive business environment. In certain cases, our competitors are larger than we are and have greater financial resources, higher credit ratings, and a lower cost of capital. These factors may enable our competitors to offer leases to customers at lower rates than we can provide, thus negatively impacting our profitability, asset utilization, and investment volume.

Risks related to our international operations and expansion into new geographic markets could adversely affect our business, financial condition, and operating results.

We generate a significant amount of our net income outside the United States. In recent years, we have increased our focus on international rail growth and expansion into select emerging markets as a means to grow and diversify earnings.

Our foreign operations and international expansion strategy are subject to the following risks associated with international operations:

- Noncompliance with U.S. laws affecting operations outside of the United States, such as the Foreign Corrupt Practices Act
- Noncompliance with a variety of foreign laws and regulations
- Failure to properly implement changes in tax laws and the interpretation of those laws
- Failure to develop and maintain data management practices that comply with laws related to cybersecurity, privacy, data localization, and data protection
- Fluctuations in currency values
- Sudden changes in foreign currency exchange controls
- Discriminatory or conflicting fiscal policies
- Difficulties enforcing contractual rights or foreclosing to obtain the return of our assets in certain jurisdictions
- Uncollectible accounts and longer collection cycles that may be more prevalent in foreign countries
- Ineffective or delayed implementation of appropriate controls, policies, and processes across our diverse operations and employee base
- Imposition of sanctions against countries where we operate or specific companies or individuals with whom we do business
- Nationalization or confiscation of assets by foreign governments, and imposition of additional or new tariffs, quotas, trade barriers, and similar restrictions on our operations outside the United States.

Our rail and marine assets and operations are subject to various laws, rules, and regulations. If these laws rules, and regulations change or we fail to comply with them, it could have a significant negative effect on our business and profitability.

Our rail and marine operations are subject to various laws, rules, and regulations administered by authorities in jurisdictions where we do business. In North America, our railcar fleet and operations are subject to safety, operations, maintenance, and mechanical standards, rules, and regulations enforced by various federal and state agencies and industry organizations, including the U.S. Department of Transportation, the Federal Railroad Administration, the Pipeline and Hazardous Materials Safety Administration of the U.S. Department of Transportation, Transport Canada, and the Association of American Railroads. State and provincial agencies regulate some health and safety matters related to rail operations not otherwise preempted by federal law. Our business and our railcar fleet may be adversely impacted by new rules or regulations, or changes to existing rules or regulations, which could require additional maintenance or substantial modification or refurbishment of our railcars, or could make certain types of railcars inoperable or obsolete or require them to be phased out prior to the end of their useful lives. In addition, violations of these rules and regulations can result in substantial fines and penalties, including potential limitations on operations or forfeitures of assets.

Similarly, our marine assets and operations are subject to rules and regulations relating to safety, U.S. citizen ownership requirements, emissions, ballast discharges, and other environmental and operational matters enforced by various federal and state agencies, including the Maritime Administration of the U.S. Department of Transportation, the U.S. Coast Guard, and the U.S. Environmental Protection Agency. If we fail to comply with these rules and regulations, we could be prohibited from operating or leasing marine assets in the U.S. market, and under certain circumstances, could incur severe fines and penalties, including potential limitations on operations or forfeitures of assets.

In addition, our foreign operations are subject to the jurisdiction of authorities in countries where we do business. If we fail to comply with these laws, rules, and regulations, or if they change in the future, the use of our assets could be restricted, or the

economic value of our assets may be reduced. These restrictions or reductions could lead to loss of revenue or cause us to incur significant expenses to comply with laws, rules, and regulations, thereby increasing operating expenses. Certain changes to or actions by authorities under existing laws, rules, and regulations, or actions, could result in the obsolescence of various assets or impose compliance costs that are significant enough to render those assets economically obsolete.

We may not be able to obtain cost-effective insurance.

We manage our exposure to risk, in part, by purchasing insurance. There is no guarantee that cost-effective insurance will consistently be available. If insurance coverage becomes prohibitively expensive, we could be forced to reduce our coverage amount and increase the amount of self-insured risk we retain, thereby increasing our exposure to uninsured adverse judgments and other losses and liabilities that could have a material effect on our financial position, results of operations, and cash flows.

We are subject to extensive environmental regulations and the costs of remediation may be material.

We are subject to extensive federal, foreign, state, and local environmental laws and regulations concerning, among other things, the discharge of hazardous materials and remediation of contaminated sites. In addition, some of our properties, including those previously owned or leased, have been used for industrial purposes, which may have resulted in discharges onto these properties. Environmental liability can extend to previously owned or operated properties in addition to properties we currently own or use. Additionally, we could incur substantial costs, including cleanup costs, fines, and costs arising out of third-party claims for property or natural resource damage and personal injury as a result of violations of or liabilities under environmental laws and regulations in connection with our or our lessees' current or historical operations. Under some environmental laws in the United States and certain other countries, the owner of a leased railcar may be liable for environmental damage, cleanup or other costs in the event of a spill or discharge of material from a railcar without regard to the owner's fault. We routinely assess environmental liabilities, including our potential obligations and commitments for remediation of contaminated sites and the possible amount of recoveries from other responsible parties. Governments or regulators may change the legislative or regulatory frameworks within which we operate, including environmental laws and regulations, without providing us any recourse to address any adverse effects such changes may have on our business. Due to the regulatory complexities, risk of unidentified contaminants on our properties, and the potential liability for the operations of our lessees, it is possible environmental and remediation costs may be materially different from the costs we have estimated.

There can be no assurance that we will continue to pay dividends or repurchase shares of our common stock at current levels.

Although we have paid regular cash dividends for over 100 consecutive years and conduct periodic share repurchase programs, the timing, amount and payment of future dividends to shareholders and repurchases of our common stock fall within the discretion of our Board of Directors (the "Board"). The Board's decisions regarding the payment of dividends and repurchase of shares depend on many factors such as our financial condition, earnings, capital requirements, debt service obligations, legal requirements, regulatory constraints, and other factors that our Board may deem relevant. We cannot guarantee that we will continue to pay dividends or repurchase shares in the future, and our payment of dividends and repurchase of shares could vary from historical practices and our stated expectations.

The fair market value of our long-lived assets may differ from the value of those assets reflected in our financial statements.

Our assets primarily consist of long-lived assets such as railcars and marine vessels. The carrying value of these assets in our financial statements may sometimes differ from their fair market value. These valuation differences may be positive or negative and could be material based on market conditions and demand for certain assets.

Our assets may become obsolete.

In addition to changes in laws, rules, and regulations that may make assets obsolete, changes in the preferred method our customers use to ship their products, changes in demand for particular products, or a shift by customers toward purchasing assets rather than leasing them may adversely impact us. Our customers' industries are driven by dynamic market forces and trends, which are influenced by economic and political factors. Changes in our customers' markets may significantly affect demand for our rail and marine assets. A pronounced reduction in customer demand or change in customers' preferred method of product transportation could result in the economic obsolescence of the assets leased by those customers.

Unfavorable conditions on the Great Lakes could impact business operations of our American Steamship Company (“ASC”) subsidiary, which could result in increases in costs and decreases in revenues.

The success of our ASC subsidiary depends on the efficiency of its operations on the Great Lakes. Disruptions at the Sault St. Marie locks or severe weather conditions, such as high wind and ice formation, could cause significant business interruptions or shortened sailing seasons. Additionally, low water levels and vessel draft restrictions may restrict the volume that ASC’s vessels can transport per trip. These conditions could negatively impact our results of operations through increased operating costs or decreased revenues.

We may be affected by climate change or market or regulatory responses to climate change.

There is increasing global regulatory focus on climate change and greenhouse gas (“GHG”) emissions. Climate change may also pose regulatory and environmental risks that could harm our results of operations and affect the way we conduct business. Severe weather, climate change, and natural disasters, such as tornadoes, flooding and earthquakes, could cause significant business interruptions and result in increased costs and liabilities and decreased revenues. Changes in laws, rules, and regulations, or actions by authorities under existing laws, rules, or regulations, to address GHG and climate change could negatively impact our customers and business. For example, restrictions on GHG emissions could significantly increase costs for our customers whose production processes require significant amounts of energy. Customers’ increased costs could reduce their demand to lease our assets. In addition, railcars in our fleet that are used to carry fossil fuels, such as coal and petroleum, could see reduced demand if new government regulations mandate a reduction in fossil fuel consumption. New government regulations could also increase our operating costs and compliance with those regulations could be costly. Any of these factors, individually or in operation with one or more of the other factors, or other unforeseen impacts of climate change could reduce the demand for our assets and could have an adverse effect on our financial position, results of operations, and cash flows.

A small number of shareholders could significantly influence our business.

Six shareholders collectively control more than 65% of our outstanding common stock. Accordingly, a small number of shareholders could affect matters that require shareholder approval, such as the election of directors and the approval of significant business transactions.

Changes to assumptions used to calculate post-retirement costs, increases in funding requirements, and investment losses in pension funds could adversely affect our results of operations.

We calculate our pension and other post-retirement costs using various assumptions, such as discount rates, long-term return on plan assets, salary increases, health care cost trend rates, and other factors. Changes to any of these assumptions could adversely affect our financial position and results of operations. Periods of low interest rates reduce the discount rate we use to calculate our funding obligations, which may increase our funding requirements. Additionally, changes to laws, regulations, or rules could require us to increase funding requirements or to compensate for investment losses in pension plan assets. If we were forced to increase contributions to our pension plans, our financial position, results of operations, and cash flows could be negatively affected.

Changes in the mix of earnings in the U.S. and foreign countries could adversely affect our effective tax rate.

We are subject to taxes in the United States and various foreign jurisdictions. As a result, our effective tax rate could be adversely affected by changes in the mix of earnings in the United States and foreign countries with differing statutory tax rates. Our effective tax rate could also be adversely affected by changes in tax laws, material audit assessments, or legislative changes that impact statutory tax rates, which could include an impact on previously-recorded deferred tax assets and liabilities.

Our allowance for losses may be inadequate.

Our allowance for losses on reservable assets may not be adequate to cover credit losses in our portfolio if unexpected adverse changes occur in macroeconomic conditions or if discrete events adversely affect specific customers, industries, or markets. If the credit quality of our customer base materially deteriorates, it may require us to incur additional credit losses and our financial position or results of operations could be negatively impacted.

We cannot predict with certainty the impact that inflation or deflation will have on our financial results.

The timing and duration of the effects of inflation are unpredictable and depend on market conditions and economic factors. Inflation in lease rates as well as inflation in residual values for rail and marine assets has historically benefited our financial results. However, these benefits may be offset by increases in the costs for goods and services we purchase, including salaries and wages, health care costs, supplies, utilities, maintenance and repair services, and materials, as well as increased financing costs. Significant increases in our cost of goods and services could adversely impact our financial performance. Conversely, a period of prolonged deflation could negatively impact our lease rate pricing, residual values, and asset remarketing opportunities. These negative impacts of deflation may be offset by decreases to our costs for goods and services, including those listed above.

We could be adversely affected by United States and global political conditions, including acts or threats of terrorism or war.

We may be adversely affected by national and international political developments, instability, and uncertainties, including political unrest and threats of terrorist attacks or war, which could lead to the following:

- Legislation or regulatory action directed toward improving the security of railcars and marine vessels against acts of terrorism, which could affect the construction or operation of railcars and marine vessels
- A decrease in demand for rail and marine services
- Lower utilization of rail and marine equipment
- Lower rail lease and marine charter rates
- Impairments of rail and marine assets
- Capital market disruption, which may raise our financing costs or limit our access to capital
- Liability or losses resulting from acts of terrorism involving our assets
- A downturn in the commercial aviation industry, which could lead to adverse financial results for our RRPf affiliates.

Depending upon the severity, scope, and duration of these circumstances, the impact on our financial position, results of operations, and cash flows could be material.

We rely on technology in all aspects of our business operations. If we are unable to adequately maintain and secure our information technology (“IT”) infrastructure from cybersecurity threats and related disruptions, our business could be negatively impacted.

Threats to IT systems associated with cybersecurity risks and cyber incidents or attacks have continued to increase in recent years. We rely on our IT infrastructure to process, transmit, and store electronic information that is used in all aspects of our business operations, including employee and customer information. All IT systems are vulnerable to security threats, such as hacking, viruses, malicious software, and other unlawful attempts to disrupt or gain access to these systems. Although we have taken steps to mitigate these risks, we may not be able to prevent breaches of our IT infrastructure, some of which is managed by third parties. Breaches of our IT infrastructure could lead to disruptions in our business, potentially including the theft, destruction, loss, misappropriation, or release of confidential employee and customer information stored on our IT systems or confidential data or other business information and subject us to potential lawsuits or other material legal liabilities. These disruptions could adversely affect our operations, financial position, and results of operations.

Our internal control over financial accounting and reporting may not detect all errors or omissions in the financial statements.

If we fail to maintain adequate internal controls over financial accounting, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. Although management has concluded that adequate internal control procedures are in place, no system of internal control provides absolute assurance that the financial statements are accurate and free of material error.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Information regarding the general character of our properties is included in Item 1, “Business” of this Form 10-K.

As of December 31, 2018, the locations of our operations were as follows:

GATX Headquarters

Chicago, Illinois

Rail North America

Business Offices
Chicago, Illinois
Houston, Texas
Burlington, Ontario
Calgary, Alberta
Mexico City, Mexico

Major Maintenance Facilities

Colton, California
Hearne, Texas
Waycross, Georgia
Montreal, Quebec
Moose Jaw, Saskatchewan
Red Deer, Alberta

Maintenance Facilities

Kansas City, Kansas
Plantersville, Texas
Terre Haute, Indiana
Sarnia, Ontario

Customer Site Locations

Catoosa, Oklahoma
Donaldsonville, Louisiana
Freeport, Texas
Geismar, Louisiana
Yazoo City, Mississippi

Rail International

Business Offices
Düsseldorf, Germany
Hamburg, Germany
Leipzig, Germany
Moscow, Russia
Gurgaon, India
Paris, France
Vienna, Austria
Warsaw, Poland

Major Maintenance Facilities

Ostróda, Poland

Customer Site Locations

Płock, Poland

American Steamship Company

Duluth, Minnesota
Toledo, Ohio
Williamsville, New York

Portfolio Management

Chicago, Illinois

Item 3. *Legal Proceedings*

Information concerning litigation and other contingencies is described in “Note 22. Legal Proceedings and Other Contingencies” in Part II, Item 8 of this Form 10-K and is incorporated herein by reference.

Item 4. *Mine Safety Disclosures*

None.

PART II

Item 5. *Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities*

Our common stock is listed on the New York and Chicago Stock Exchanges under ticker symbol “GATX”. We had approximately 1,643 common shareholders of record as of January 31, 2019.

Issuer Purchases of Equity Securities

During 2018, we repurchased 1.5 million shares for \$115.4 million, excluding commissions, under the share repurchase program authorized on January 26, 2018. As of December 31, 2018, \$134.6 million remained available under this program.

On January 25, 2019, our board of directors (“Board”) approved a \$300 million share repurchase program, pursuant to which we are authorized to purchase shares of our common stock in the open market, in privately negotiated transactions, or otherwise, including pursuant to Rule 10b5-1 plans. This authorization replaced the prior program approved in 2018. The share repurchase program does not have an expiration date, does not obligate the Company to repurchase any dollar amount or number of shares of common stock, and may be suspended or discontinued at any time. The timing of share repurchases will be dependent on market conditions and other factors.

The following is a summary of common stock repurchases completed by month during the fourth quarter of 2018 and remaining share purchase authorization under the 2018 repurchase program:

<u>Period</u>	Issuer Purchases of Equity Securities			
	(a)	(b)	(c)	(d)
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
October 1, 2018 - October 31, 2018	339,292	\$ 77.57	339,292	\$ 186.3
November 1, 2018 - November 30, 2018	366,769	\$ 79.31	366,769	\$ 157.2
December 1, 2018 - December 31, 2018	<u>311,420</u>	\$ 72.75	<u>311,420</u>	\$ 134.6
Total	<u><u>1,017,481</u></u>	\$ 76.72	<u><u>1,017,481</u></u>	

Equity Compensation Plan Information as of December 31, 2018:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in Column (a)) (c)
Equity Compensation Plans Approved by Shareholders	2,092,478 (1)	\$ 55.73 (2)	3,666,612
Equity Compensation Plans Not Approved by Shareholders	—		—
Total	<u>2,092,478</u>		<u>3,666,612</u>

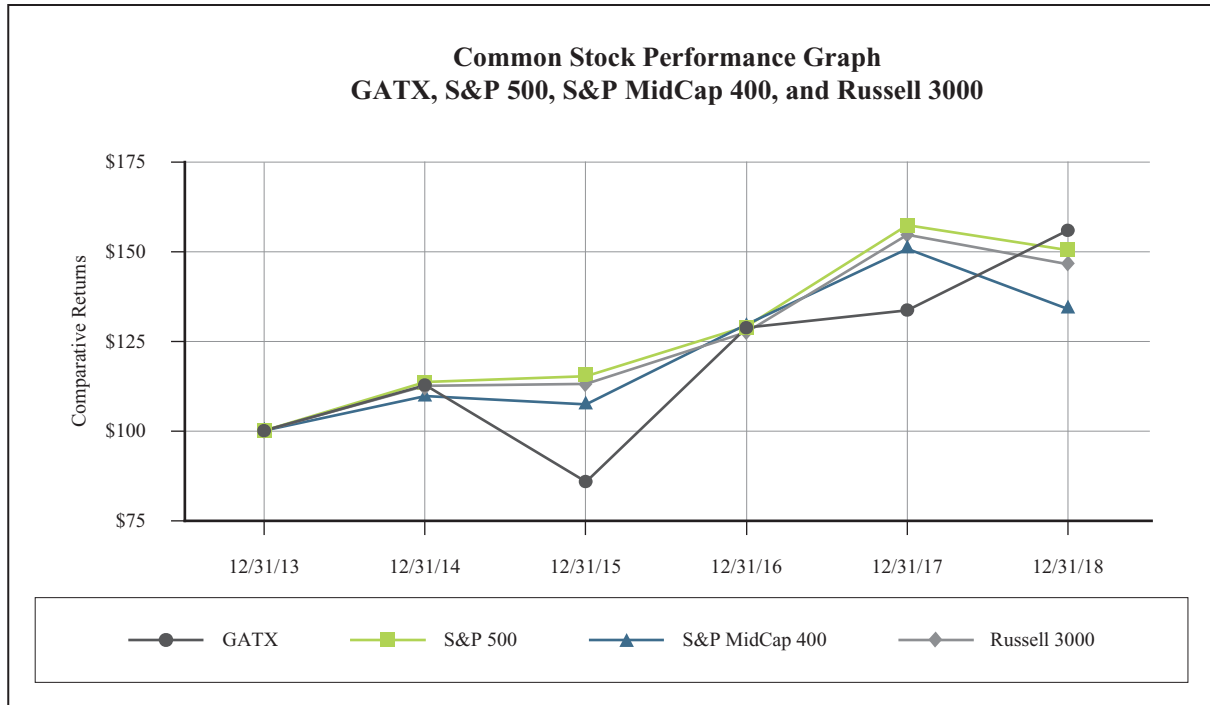
(1) Consists of 435,552 stock appreciation rights, 963,557 non-qualified stock options, 260,396 performance shares, 205,507 restricted stock units and 227,466 phantom stock units.

(2) The weighted-average exercise price does not include performance shares, restricted stock or phantom stock units.

For additional information about issuable securities under our equity compensation plans and the related weighted average exercise price, see “Note 11. Share-Based Compensation” in Part II, Item 8 of this Form 10-K.

Common Stock Performance Graph

The performance graph below compares the cumulative total shareholder return on our common stock for the five-year period ended December 31, 2018, with the cumulative total return of the S&P 500 Index, the S&P MidCap 400 Index, and the Russell 3000 Index. We are not aware of any peer companies whose businesses are directly comparable to ours and, therefore, the graph displays the returns of the indices noted above as those comprise companies with market capitalizations similar to ours. The graph and table assume that \$100 was invested in our common stock and each of the indices on December 31, 2013, and that all dividends were reinvested.



	<u>12/31/13</u>	<u>12/31/14</u>	<u>12/31/15</u>	<u>12/31/16</u>	<u>12/31/17</u>	<u>12/31/18</u>
GATX	\$ 100.00	\$ 112.70	\$ 85.86	\$ 128.64	\$ 133.51	\$ 155.73
S&P 500	100.00	113.68	115.24	129.02	157.17	150.27
S&P MidCap 400	100.00	109.74	107.34	129.60	150.63	133.91
Russell 3000	100.00	112.55	113.09	127.47	154.40	146.29

Item 6. Selected Financial Data

The following financial information has been derived from our audited consolidated financial statements for the years ended December 31 (in millions, except per share data, recourse leverage, and return on equity). This information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and accompanying notes thereto included elsewhere herein.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Results of Operations					
Revenue	\$ 1,360.9	\$ 1,376.9	\$ 1,418.3	\$ 1,449.9	\$ 1,451.0
Net gain on asset dispositions	72.8	54.1	98.0	79.2	87.2
Share of affiliates’ pre-tax income	61.1	55.9	53.1	45.4	67.8
Net income (GAAP)	211.3	502.0	257.1	205.3	205.0
Net income, excluding tax adjustments and other items (non-GAAP) (1)	199.8	185.0	235.9	234.9	205.0
Per Share Data					
Basic earnings (GAAP)	5.62	12.95	6.35	4.76	4.55
Diluted earnings (GAAP)	5.52	12.75	6.29	4.69	4.48
Diluted earnings, excluding tax adjustments and other items (non-GAAP) (1)	5.22	4.70	5.77	5.37	4.48
Dividends declared	1.76	1.68	1.60	1.52	1.32
Financial Condition					
Operating assets and facilities, net of accumulated depreciation	\$ 6,549.5	\$ 6,192.1	\$ 5,804.7	\$ 5,698.4	\$ 5,688.0
Investments in affiliated companies	464.5	441.0	387.0	348.5	357.7
Total assets	7,616.7	7,422.4	7,105.4	6,894.2	6,919.9
Off-balance sheet assets (1)	430.2	435.7	459.1	495.5	617.8
Short-term borrowings	110.8	4.3	3.8	7.4	72.1
Long-term debt and capital lease obligations	4,441.0	4,384.2	4,268.1	4,196.8	4,184.5
Shareholders’ equity (2)	1,788.1	1,792.7	1,347.2	1,280.2	1,314.0
Other Data					
Average number of common shares and common share equivalents	38.3	39.4	40.9	43.8	45.8
Net cash provided by operating activities	\$ 508.5	\$ 496.8	\$ 629.4	\$ 541.8	\$ 458.4
Portfolio proceeds	\$ 234.4	\$ 165.6	\$ 223.7	\$ 482.2	\$ 264.0
Portfolio investments and capital additions	\$ 943.4	\$ 603.4	\$ 620.7	\$ 714.7	\$ 1,030.5
Recourse leverage (3)	2.7	2.5	3.3	3.5	3.5
Return on equity (GAAP)	11.8%	32.0%	19.6%	15.8%	15.1%
Return on equity, excluding tax adjustments and other items (non-GAAP) (1)(4)	13.6%	13.1%	18.0%	18.1%	15.1%

(1) See “Non-GAAP Financial Measures” included in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K for an explanation of tax adjustments and other items, as well as a reconciliation to the most directly comparable GAAP measures.

(2) Balances for 2018 and 2017 reflect increases in shareholders’ equity resulting from the impact of the Tax Cuts and Jobs Act of 2017 (“Tax Act”).

(3) The reduction in recourse leverage beginning with 2017 is due to the increase in shareholders’ equity resulting from the impact of the Tax Act.

(4) Shareholder’s equity used in this calculation for 2018 and 2017 excludes the impact of the Tax Act.

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

OVERVIEW

We lease, operate, manage, and remarket long-lived, widely-used assets, primarily in the rail market. We report our financial results through four primary business segments: Rail North America, Rail International, Portfolio Management, and American Steamship Company ("ASC"). A more complete description of our business is included in "Item 1. Business," in Part I of this Form 10-K.

The following discussion and analysis should be read in conjunction with the audited financial statements included in "Item 8. Financial Statements and Supplementary Data" in this Form 10-K. We based the discussion and analysis that follows on financial data we derived from the financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and on certain other financial data that we prepared using non-GAAP components. For a reconciliation of these non-GAAP components to the most comparable GAAP components, see "Non-GAAP Financial Measures" at the end of this item.

DISCUSSION OF OPERATING RESULTS

The following table shows a summary of our reporting segments and consolidated financial results for years ended December 31 (in millions, except per share data):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Segment Revenues			
Rail North America	\$ 941.5	\$ 977.4	\$ 1,018.5
Rail International	217.5	197.1	189.0
Portfolio Management	16.1	29.9	56.6
ASC	185.8	172.5	154.2
	<u>\$ 1,360.9</u>	<u>\$ 1,376.9</u>	<u>\$ 1,418.3</u>
Segment Profit			
Rail North America	\$ 307.9	\$ 299.3	\$ 321.9
Rail International	68.6	68.8	63.0
Portfolio Management	38.7	56.3	136.9
ASC	33.0	24.5	10.1
	448.2	448.9	531.9
Less:			
Selling, general and administrative expense	191.1	180.0	169.0
Unallocated interest (income) expense	(8.6)	(8.5)	(4.8)
Other, including eliminations	9.5	7.1	9.2
Income taxes (\$10.8, \$12.0 and \$5.7 related to affiliates' earnings)	44.9	(231.7)	101.4
Net Income	<u>\$ 211.3</u>	<u>\$ 502.0</u>	<u>\$ 257.1</u>
Net income, excluding tax adjustments and other items (non-GAAP)	\$ 199.8	\$ 185.0	\$ 235.9
Diluted earnings per share (GAAP)	\$ 5.52	\$ 12.75	\$ 6.29
Diluted earnings per share, excluding tax adjustments and other items (non-GAAP)	\$ 5.22	\$ 4.70	\$ 5.77
Return on equity (GAAP)	11.8%	32.0%	19.6%
Return on equity, excluding tax adjustments and other items (non-GAAP)	13.6%	13.1%	18.0%
Investment Volume	\$ 943.4	\$ 603.4	\$ 620.7

2018 Summary

Net income was \$211.3 million, or \$5.52 per diluted share, for 2018 compared to \$502.0 million, or \$12.75 per diluted share, for 2017, and \$257.1 million, or \$6.29 per diluted share, for 2016. Results for 2018 include a net benefit of \$11.5 million from tax adjustments and other items, compared to a net benefit of \$317.0 million in 2017 and a net benefit of \$21.2 million in 2016 (see “Non-GAAP Financial Measures” at the end of this item for further details).

- At Rail North America, segment profit was higher in 2018 attributable to higher asset disposition gains and lower maintenance expense, resulting from fewer repairs performed by the railroads, as well as fewer tank qualifications. These positive drivers were partially offset by lower lease revenue, due to lower average lease rates and fewer railcars on lease, as well as lower lease termination fees.
- At Rail International, segment profit in 2018 approximated the prior year as expenses associated with the closure of a railcar maintenance facility in Germany were substantially offset by higher revenue from more railcars on lease and the positive impact of foreign exchange rates.
- At Portfolio Management, segment profit decreased in 2018, primarily due to lower residual sharing fees from the managed portfolio, a lower contribution from the Norgas Vessels, and the absence of operating income from the marine assets sold during 2017, partially offset by higher income from the Rolls-Royce & Partners Finance joint ventures (collectively the “RRPF affiliates”).
- At ASC, segment profit was higher in 2018, largely due to higher shipping rates, favorable operating conditions, and efficient fleet performance, which more than offset lower tonnage carried.

Total investment volume was \$943.4 million in 2018, compared to \$603.4 million in 2017, and \$620.7 million in 2016.

2019 Outlook

Despite economic and political uncertainty, we currently expect a stable railcar leasing market in North America in 2019. A substantial portion of the new railcars to be delivered in 2019 are committed to customer leases. Our strong balance sheet also offers us flexibility to pursue secondary market acquisitions as attractive opportunities arise.

- We expect Rail North America’s segment profit in 2019 to decrease from 2018. Despite the increases in absolute lease rates experienced in 2018, we will face continued revenue pressure on the existing fleet as the average rate for expiring leases continues to move higher. As a result, we project revenue to decline compared to prior year. We also expect higher railcar maintenance expense as tank car qualification work increases in 2019. Higher interest expense, due to increased interest rates, and the impact of a new lease accounting standard will also negatively impact our expected segment profit. See “Note 2. Accounting Changes” in Part II, Item 8 of this Form 10-K for a summary of the impact of the new lease accounting standard.
- We anticipate Rail International’s segment profit in 2019 to increase from 2018. The market in Europe continues to improve, and lease revenue is expected to be higher in 2019, resulting from more cars on lease and higher lease rates. In addition, our railcar fleet in India grew in 2018, and we expect additional revenue from new investments in 2018 and 2019.
- We believe Portfolio Management’s segment profit in 2019 will be higher than 2018. Strong operating results at the RRPF affiliates are expected to continue. In addition, we anticipate higher income from our marine operations.
- We expect ASC’s segment profit in 2019 to be slightly higher than 2018. We anticipate higher revenue, resulting from higher volume and increased freight rates, partially offset by higher operating and maintenance expenses.

Segment Operations

Segment profit is an internal performance measure used by the Chief Executive Officer to assess the profitability of each segment. Segment profit includes all revenues, expenses, pre-tax earnings from affiliates, and net gains on asset dispositions that are directly attributable to each segment. We allocate interest expense to the segments based on what we believe to be the appropriate risk-adjusted borrowing costs for each segment. Segment profit excludes selling, general and administrative expenses, income taxes, and certain other amounts not allocated to the segments. These amounts are included in Other.

RAIL NORTH AMERICA

Segment Summary

The operating environment for Rail North America improved in 2018, as lease rates improved, railroad car loadings increased, and railroad velocity decreased relative to 2017. Capitalizing on the improved railcar leasing environment, Rail North America realized higher fleet utilization, a higher renewal success rate, and higher lease renewal rates than originally expected. However, despite broad increases in lease rates in 2018, revenue was still pressured as expiring lease rates increased in 2018 relative to the prior year. At December 31, 2018, Rail North America's wholly owned fleet, excluding boxcars, consisted of approximately 105,500 cars. Fleet utilization, excluding boxcars, was 99.4% at the end of 2018, compared to 98.2% at the end of 2017, and 98.9% at the end of 2016. Fleet utilization for approximately 16,200 boxcars was 94.2% at the end of 2018 compared to 92.6% at the end of 2017, and 93.8% at the end of 2016.

During 2018, an average of approximately 102,100 railcars, excluding boxcars, were on lease, compared to 102,600 in 2017, and 103,900 in 2016. The decrease in railcars on lease in the current year is largely due to railcars that were sold or scrapped exceeding the number of new railcars added to the fleet during the year. During 2018, the renewal rate change of the Lease Price Index (the "LPI", see definition below) was negative 9.8%, compared to negative 28.2% in 2017 and negative 20.3% in 2016. Lease terms on renewals for cars in the LPI averaged 38 months in 2018, compared to 33 months in 2017, and 32 months in 2016. Additionally, the renewal success rate, which represents the percentage of expiring leases that were renewed with the existing lessee, was 82.9% in 2018, compared to 74.7% in 2017, and 66.7% in 2016. Railcars returned by our customers may incur transitional costs, including additional repairs and related service prior to being leased to new customers, which may increase maintenance and associated expenses.

During 2016, we recorded impairment losses of \$31.2 million, including \$29.8 million related specifically to certain railcars in flammable service that we believed had been permanently and negatively impacted by regulatory changes.

In 2014, we entered into a long-term supply agreement with Trinity Rail Group, LLC ("Trinity") a subsidiary of Trinity Industries. Under the terms of that agreement, we agreed to order 8,950 newly built railcars over a four-year period from March, 2016 through March, 2020. We may order either tank or freight cars; however, we expect that the majority of the order will be for tank cars. As of December 31, 2018, 7,992 railcars have been ordered, of which 5,670 railcars have been delivered. On May 24, 2018, we amended our long-term supply agreement with Trinity to extend the term to December 2023. We agreed to purchase an additional 4,800 tank cars (1,200 per year) beginning in January 2020 and continuing through the expiration of the extended term.

On July 30, 2018, we entered into a multi-year railcar supply agreement with American Railcar Industries, Inc., pursuant to which we will purchase 7,650 newly built railcars. The order encompasses a mix of tank and freight cars that are to be delivered over a five-year period, beginning in April 2019. Under the terms of this agreement, ARI will deliver 450 railcars in 2019, with the remaining 7,200 to be delivered ratably over the four-year period of 2020 to 2023. The agreement also includes an option to order up to an additional 4,400 railcars subject to certain restrictions.

On November 12, 2018, we entered into an agreement to purchase a fleet of up to 3,100 railcars from ECN Capital Corporation. As of December 31, 2018, we had acquired 2,832 railcars, with the balance to be acquired in early 2019.

As of December 31, 2018, leases for approximately 17,800 tank cars and freight cars and approximately 3,100 boxcars are scheduled to expire in 2019. These amounts exclude railcars on leases expiring in 2019 that have already been renewed or assigned to a new lessee.

The following table shows Rail North America's segment results for the years ended December 31 (in millions):

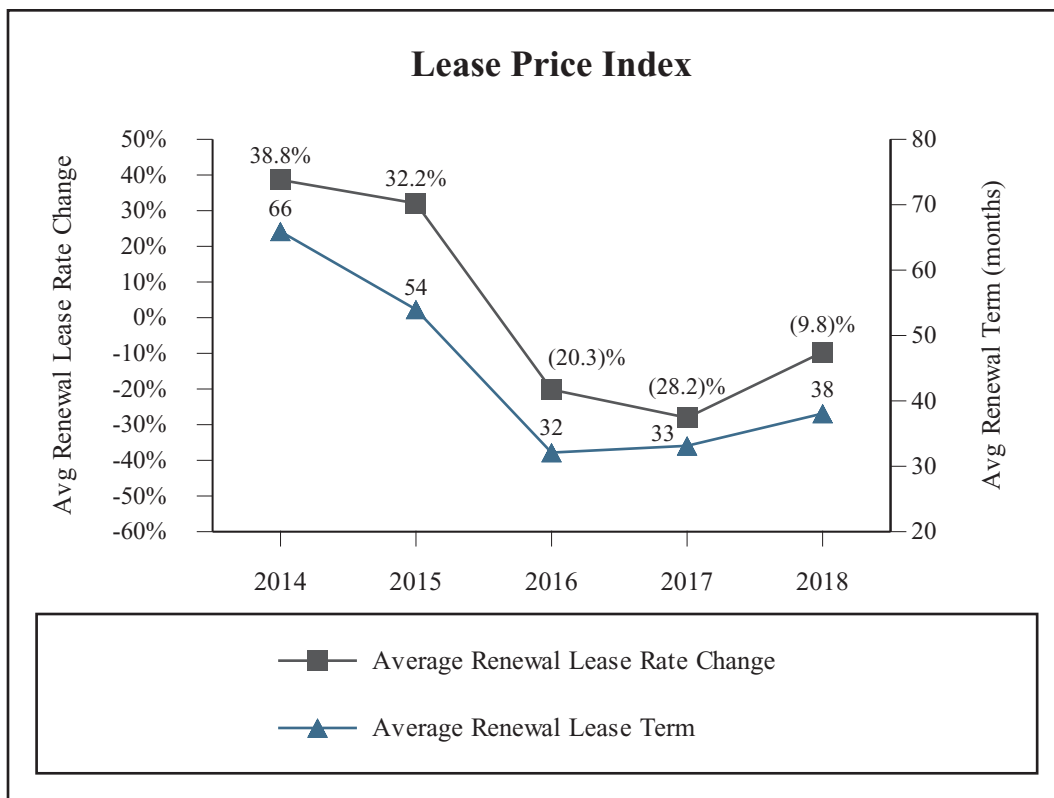
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues			
Lease revenue	\$ 873.4	\$ 899.9	\$ 935.1
Other revenue	68.1	77.5	83.4
Total Revenues	<u>941.5</u>	<u>977.4</u>	<u>1,018.5</u>
Expenses			
Maintenance expense	254.7	265.0	266.5
Depreciation expense	248.5	239.4	231.8
Operating lease expense	49.6	60.7	67.6
Other operating expense	27.3	28.7	34.1
Total Expenses	<u>580.1</u>	<u>593.8</u>	<u>600.0</u>
Other Income (Expense)			
Net gain on asset dispositions	76.3	45.2	16.6
Interest expense, net	(125.2)	(121.2)	(110.1)
Other expense	(5.2)	(5.9)	(3.6)
Share of affiliates' pre-tax income (loss)	0.6	(2.4)	0.5
Segment Profit	<u>\$ 307.9</u>	<u>\$ 299.3</u>	<u>\$ 321.9</u>
Investment Volume	\$ 737.4	\$ 460.9	\$ 495.6

The following table shows the components of Rail North America's lease revenue for the years ended December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Railcars	\$ 757.8	\$ 785.1	\$ 815.0
Boxcars	76.8	75.7	80.6
Locomotives	38.8	39.1	39.5
Total	<u>\$ 873.4</u>	<u>\$ 899.9</u>	<u>\$ 935.1</u>

Lease Price Index

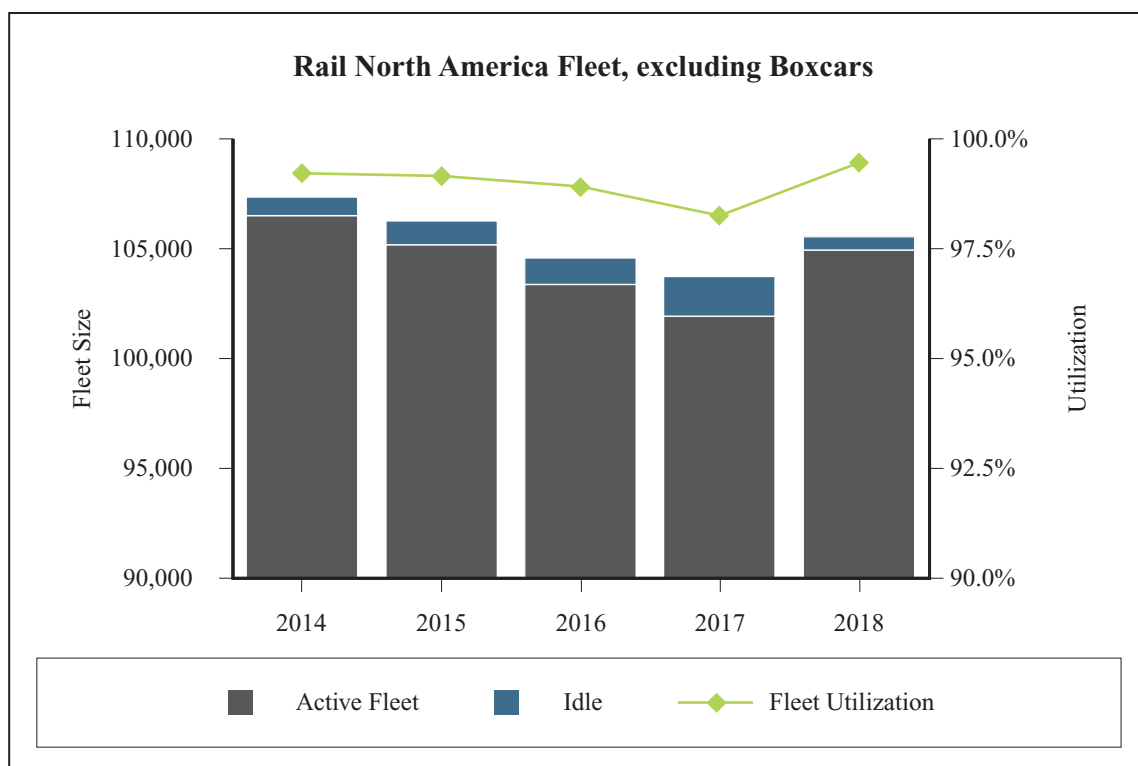
Our LPI is an internally-generated business indicator that measures lease rate pricing on renewals for our North American railcar fleet, excluding boxcars. We calculate the index using the weighted average lease rate for a group of railcar types that we believe best represents our overall North American fleet, excluding boxcars. The average renewal lease rate change is reported as the percentage change between the average renewal lease rate and the average expiring lease rate, weighted by fleet composition. The average renewal lease term is reported in months and reflects the average renewal lease term of railcar types in the LPI, weighted by fleet composition.



Rail North America Fleet Data

The following table shows fleet activity for Rail North America railcars, excluding boxcars, for the years ended December 31:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Beginning balance	103,730	104,522	106,146
Cars added	6,958	3,442	3,519
Cars scrapped	(2,211)	(2,900)	(2,479)
Cars sold	(3,005)	(1,334)	(2,664)
Ending balance	105,472	103,730	104,522
Utilization rate at year end	99.4%	98.2%	98.9%
Active railcars at year end	104,864	101,849	103,329
Average (monthly) active railcars	102,061	102,600	103,900



The following table shows fleet statistics for Rail North America boxcars for the years ended December 31:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Ending balance	16,220	16,398	17,706
Utilization rate at year end	94.2%	92.6%	93.8%

The following table shows fleet activity for Rail North America locomotives for the years ended December 31:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Beginning balance	665	660	637
Locomotives added, net of scrapped or sold	15	5	23
Ending balance	680	665	660
Utilization rate at year end	91.5%	92.5%	93.3%
Active locomotives at year end	622	615	616
Average (monthly) active locomotives	622	623	605

Segment Profit

In 2018, segment profit of \$307.9 million increased 2.9% compared to \$299.3 million in 2017. The increase was driven by higher asset disposition gains and lower maintenance expense, partially offset by lower lease revenue and lower lease termination fees.

In 2017, segment profit of \$299.3 million decreased 7.0% compared to \$321.9 million in 2016. The decrease was driven by lower lease revenue, partially offset by the absence of impairment losses recorded in 2016 for certain railcars in flammable service.

Revenues

In 2018, lease revenue decreased \$26.5 million, or 2.9%, primarily due to lower lease rates and fewer railcars on lease. Other revenue decreased \$9.4 million, largely a result of lower lease termination fees in the current year. Other revenue in 2017 included \$7.8 million as compensation for damage to returned railcars. The expenses to repair these railcars will be recognized as incurred.

In 2017, lease revenue decreased \$35.2 million, or 3.8%, primarily due to lower lease rates and fewer railcars on lease. Other revenue decreased \$5.9 million, largely a result of lower lease termination fees in 2017. Other revenue in 2016 included a lease termination fee of approximately \$10.0 million for a penalty imposed by GATX for allowing a customer to return 200 crude oil railcars prior to the contractual end of an existing lease. The majority of these railcars were subsequently placed with other GATX customers. Other revenue in 2017 included \$7.8 million of compensation for damage to returned railcars, as noted above.

Expenses

In 2018, maintenance expense decreased \$10.3 million, driven by fewer repairs performed by the railroads, as well as fewer tank qualifications and lower costs from reassigning railcars to new lessees. Depreciation expense increased \$9.1 million due to railcar investments and the purchase of railcars previously on operating leases. Operating lease expense decreased \$11.1 million, resulting from the purchase of railcars previously on operating leases. Operating lease expense is expected to increase in 2019 due to the adoption of the new lease accounting standard. See “Note 2. Accounting Changes” in Part II, Item 8 of this Form 10-K for a summary of the impact of the new lease accounting standard. Other operating expense decreased \$1.4 million, due to lower switching, storage, and freight costs, reflective of lower assignment activity attributable to a stronger overall lease environment.

In 2017, maintenance expense decreased \$1.5 million, primarily due to lower expenses for the boxcar fleet and lower repairs performed by the railroads, offset by an increase in costs associated with cars assigned to new lessees. Depreciation expense increased \$7.6 million due to new railcar investments and the purchase of railcars previously on operating leases. Operating lease expense decreased \$6.9 million, resulting from the purchase of railcars previously on operating leases. Other operating expense decreased \$5.4 million, due to lower switching, storage, and freight costs resulting from fewer railcars coming off lease and being moved into storage in 2017.

Other Income (Expense)

In 2018, net gain on asset dispositions increased \$31.1 million, attributable to more railcars sold in the current year, as well as higher scrapping gains resulting primarily from a higher scrap price per ton. See “Note 23. Financial Data of Business Segments”, Item 8 of this Form 10-K, for further details of the components of net gain on asset dispositions. The timing of disposition gains is dependent on a number of factors and will vary from year to year. Net interest expense increased \$4.0 million, driven by a higher average interest rate and a higher average debt balance.

In 2017, net gain on asset dispositions increased \$28.6 million, largely due to the impact of lower impairments. We recorded impairment losses of \$4.6 million in 2017, compared to \$31.2 million in 2016. In 2016, impairment losses included \$29.8 million related specifically to certain railcars in flammable service that we believed had been permanently and negatively impacted by regulatory changes. Excluding impairment losses in each year, net gain on asset dispositions in 2017 decreased due to fewer railcars sold, offset by higher scrapping gains, resulting from more railcars scrapped and higher scrap prices. Net interest expense increased \$11.1 million, due to a higher average interest rate and a higher average debt balance. Other expense in 2017 was comparable to 2016. Share of affiliates’ pre-tax income was lower in 2017, driven by an impairment loss recognized with respect to our Adler investment to reflect a decline in the value of railcars in that fleet.

Investment Volume

During 2018, investment volume was \$737.4 million compared to \$460.9 million in 2017, and \$495.6 million in 2016. We acquired 7,489 railcars in 2018, including 2,832 railcars purchased as part of the ECN Capital Corporation transaction, compared to 3,613 railcars in 2017, and 3,465 railcars in 2016.

Our investment volume is predominantly composed of acquired railcars, but also includes certain capitalized repairs and improvements to owned railcars and our maintenance facilities. As a result, the dollar value of investment volume does not necessarily correspond to the number of railcars acquired in any given period. In addition, the comparability of amounts invested and the number of railcars acquired in each period is impacted by the mix of railcars purchased, which may include tank cars and freight cars, as well as newly manufactured railcars or those purchased in the secondary market.

RAIL INTERNATIONAL

Segment Summary

Rail International, composed primarily of GATX Rail Europe (“GRE”), produced solid operating results in 2018. In Europe, we experienced gradual, broad improvement across the chemical, petroleum, and freight markets, and GRE achieved high utilization across all railcar types. Railcar utilization for GRE was 98.8% at the end of 2018, compared to 96.8% at the end of 2017, and 95.6% at the end of 2016. GRE’s results in 2017 benefited from lower maintenance expense, primarily due to lower wheelset costs, which were higher in 2016 due to a refurbishment program to address anti-corrosion paint issues on certain wheelsets. In addition, Rail India and Rail Russia benefited from more cars on lease as they continue to expand their fleets.

In 2018, GRE recorded \$9.5 million of expenses attributable to the closure of a railcar maintenance facility in Germany.

Rail India continued to focus on investment opportunities and diversification of its fleet, as well as developing relationships with customers, suppliers and the Indian Railways. In 2018, Rail India added 1,001 railcars, compared to 275 in 2017 and zero in 2016. Rail India expects continued fleet growth and diversification in 2019.

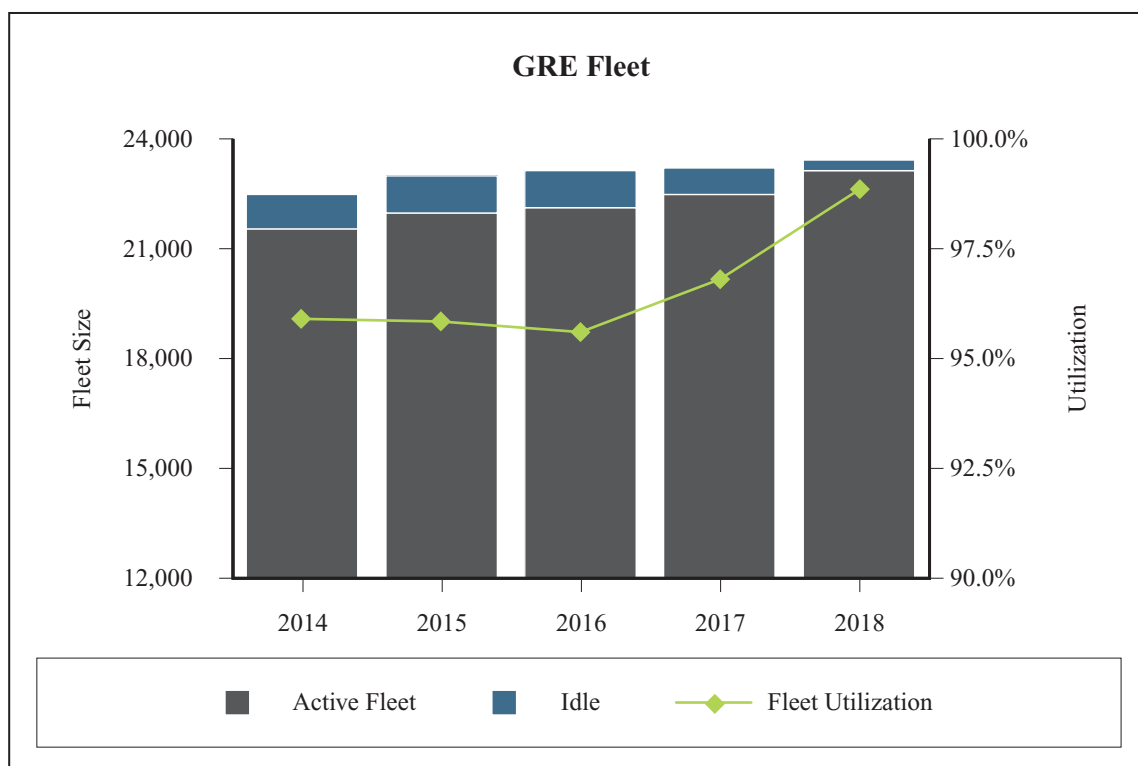
Rail Russia focused on managing its fleet and developing relationships with new customers. In 2018, Rail Russia added 184 railcars, compared to zero in 2017 and 20 railcars in 2016. Rail Russia plans to evaluate the economic environment for potential expansion of both its fleet and customer base in 2019.

The following table shows Rail International's segment results for the years ended December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues			
Lease revenue	\$ 209.3	\$ 190.3	\$ 182.0
Other revenue	8.2	6.8	7.0
Total Revenues	<u>217.5</u>	<u>197.1</u>	<u>189.0</u>
Expenses			
Maintenance expense	44.5	41.1	47.2
Depreciation expense	55.5	48.9	45.5
Other operating expense	5.8	4.7	5.3
Total Expenses	<u>105.8</u>	<u>94.7</u>	<u>98.0</u>
Other Income (Expense)			
Net (loss) gain on asset dispositions	(0.2)	3.1	1.1
Interest expense, net	(35.9)	(33.4)	(29.7)
Other (expense) income	(7.0)	(3.2)	0.8
Share of affiliates' pre-tax loss	—	(0.1)	(0.2)
Segment Profit	<u>\$ 68.6</u>	<u>\$ 68.8</u>	<u>\$ 63.0</u>
Investment Volume	\$ 152.7	\$ 90.9	\$ 87.1

The following table shows fleet activity for GRE railcars for the years ended December 31:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Beginning balance	23,166	23,122	22,923
Cars added	847	871	879
Cars scrapped or sold	<u>(601)</u>	<u>(827)</u>	<u>(680)</u>
Ending balance	23,412	23,166	23,122
Utilization rate at year end	98.8%	96.8%	95.6%
Active railcars at year end	23,124	22,422	22,108
Average (monthly) active railcars	22,619	22,137	21,869



Foreign Currency

Rail International’s reported results of operations are impacted by fluctuations in the exchange rates of the foreign currencies in which it conducts business, primarily the euro. In 2018, a stronger euro positively impacted lease revenue by approximately \$8.4 million and segment profit, excluding other income (expense), by approximately \$4.3 million compared to 2017. In 2017, fluctuations in the value of the euro positively impacted lease revenue by approximately \$4.5 million and segment profit, excluding other income (expense), by approximately \$2.5 million compared to 2016.

Segment Profit

In 2018, segment profit of \$68.6 million decreased 0.3% compared to \$68.8 million in 2017. Segment profit included expenses of approximately \$9.5 million attributable to the closure of a railcar maintenance facility in Germany. Excluding these costs, results for Rail International were \$9.3 million higher than 2017, primarily due to more railcars on lease and the positive impact of foreign exchange rates.

In 2017, segment profit of \$68.8 million increased 9.2% compared to \$63.0 million in 2016. The increase was largely due to higher lease revenue and lower maintenance expense, as well as the positive impact of foreign exchange rates.

Revenues

In 2018, lease revenue increased \$19.0 million, or 10.0%, due to more railcars on lease and the impact of foreign exchange rates. Other revenue increased \$1.4 million, driven by higher repair revenue.

In 2017, lease revenue increased \$8.3 million, or 4.6%, due to more cars on lease, as well as the impact of foreign exchange rates. Other revenue was comparable to the prior year.

Expenses

In 2018, maintenance expense increased \$3.4 million, primarily due to higher wheelset costs and the impact of foreign exchange rates, partially offset by lower regulatory compliance costs. Depreciation expense increased \$6.6 million, driven by the impact of new railcars added to the fleet, as well as the impact of foreign exchange rates.

In 2017, maintenance expense decreased \$6.1 million, primarily due to lower wheelset costs and reimbursements received in 2017 from manufacturers, partially offset by the impact of foreign exchange rates. Wheelset costs at GRE were higher in 2016 due to a refurbishment program to address anti-corrosion paint issues on certain wheelsets. In 2017, GRE received reimbursements from manufacturers for a portion of the previously incurred refurbishment costs. Other operating expense was comparable to prior year.

Other Income (Expense)

In 2018, net gain on asset dispositions decreased \$3.3 million, attributable to the impairment recorded for the maintenance facility in Germany. Net interest expense increased \$2.5 million, due to a higher average debt balance and a higher average interest rate. Other expense increased \$3.8 million, driven by the railcar maintenance facility closure costs and higher legal expenses, partially offset by the favorable impact of changes in foreign exchange rates on non-functional currency items and derivatives.

In 2017, net gain on asset dispositions increased \$2.0 million, primarily due to higher scrapping gains resulting from more railcars scrapped. Net interest expense increased \$3.7 million, due to a higher average interest rate and a higher average debt balance. Other expense increased \$4.0 million, driven by the unfavorable impact of changes in foreign exchange rates on non-functional currency items and derivatives.

Investment Volume

Investment volume was \$152.7 million in 2018, \$90.9 million in 2017, and \$87.1 million in 2016. During 2018, we acquired approximately 847 railcars at GRE (including 316 assembled at the Ostroda, Poland facility), 1,001 rail cars at Rail India, and 184 railcars at Rail Russia, compared to 871 railcars at GRE (including 272 assembled at the Ostroda, Poland facility) and 275 railcars at Rail India in 2017, and 879 railcars at GRE (including 357 assembled at the Ostroda, Poland facility) and 20 in Rail Russia 2016.

Our investment volume is predominantly composed of acquired railcars, but may also include certain capitalized repairs and improvements to owned railcars. As a result, the dollar value of investment volume does not necessarily correspond to the number of railcars acquired in any given period. In addition, the comparability of amounts invested and the number of railcars acquired in each period is impacted by the mix of the various car types acquired, as well as fluctuations in the exchange rates of the foreign currencies in which Rail International conducts business.

PORTFOLIO MANAGEMENT

Segment Summary

Portfolio Management's segment profit is primarily attributable to income from the RRPf affiliates, a group of seventeen 50% owned domestic and foreign joint ventures with Rolls-Royce plc (or affiliates thereof, collectively "Rolls-Royce"), a leading manufacturer of commercial aircraft jet engines. Segment profit included earnings from the RRPf affiliates of \$60.5 million for 2018, \$57.3 million for 2017, and \$51.8 million for 2016. Portfolio Management invested \$14.1 million in the RRPf affiliates in 2018, compared to \$36.6 million in 2017 and \$25.0 million in 2016. Dividend distributions from the RRPf affiliates totaled \$35.2 million in 2018, compared to \$30.2 million in 2017 and \$35.2 million in 2016. The RRPf affiliates owned 452 aircraft spare engines with a net book value of approximately \$4,435.6 million at the end of 2018 compared to 432 aircraft spare engines with a net book value of approximately \$3,764.5 million at the end of 2017 and 407 aircraft spare engines with a net book value of \$3,291.9 million at the end of 2016.

As we have disclosed previously, we made the decision to exit the majority of our marine investments, including six chemical parcel tankers (the "Nordic Vessels"), most of our inland marine vessels, and our 50% interest in the Cardinal Marine joint venture. As a result, we recorded impairment losses on certain of the assets, including \$6.7 million in 2016. As of December 31, 2017, we had completed all planned sales of the marine assets, including our 50% interest in the Cardinal Marine joint venture. We received proceeds of \$46.8 million and \$59.9 million in 2017 and 2016. These sales resulted in net gains of \$1.8 million in 2017 and \$4.2 million in 2016.

Portfolio Management continues to own other marine assets, consisting primarily of five liquefied gas-carrying vessels (the “Norgas Vessels”). The Norgas Vessels specialize in the transport of pressurized gases and chemicals, such as liquefied petroleum gas, liquefied natural gas, and ethylene, primarily on shorter-term spot contracts for major oil and chemical customers worldwide.

In 2016, we also realized residual sharing income of \$82.8 million. Income of \$49.1 million was recorded as a result of the settlement of a prior year residual sharing dispute. This transaction originated in 2001 and was related to a residual value guarantee we provided on certain rail assets in the U.K. Receipt of the settlement fee concludes our participation in this transaction. Additionally, a customer sold its interest in two leased power plant facilities and, as manager of the leases, we received residual sharing fees of \$30.1 million.

Portfolio Management’s total asset base was \$606.8 million at December 31, 2018, compared to \$582.8 million at December 31, 2017, and \$593.5 million at December 31, 2016.

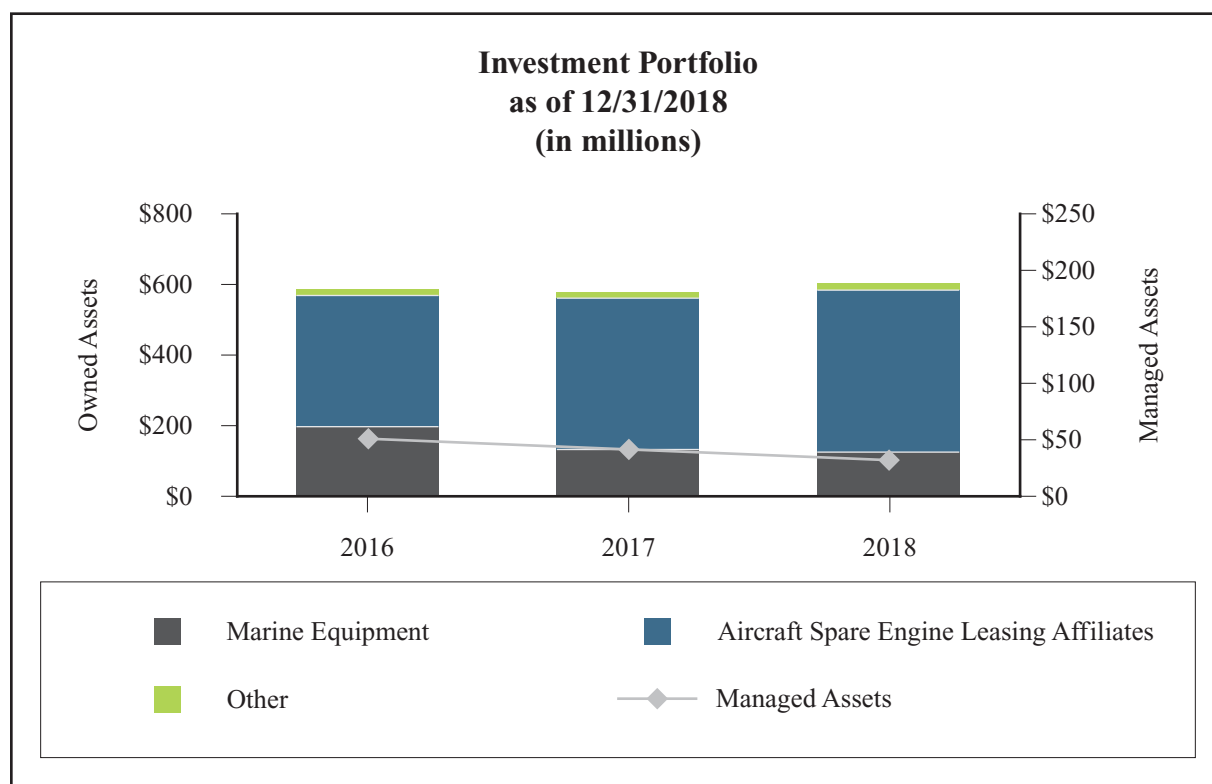
The following table shows Portfolio Management’s segment results for the years ended December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues			
Lease revenue	\$ 1.0	\$ 3.8	\$ 5.8
Marine operating revenue	14.3	25.0	49.3
Other revenue	<u>0.8</u>	<u>1.1</u>	<u>1.5</u>
Total Revenues	16.1	29.9	56.6
Expenses			
Marine operating expense	16.8	24.8	32.8
Depreciation expense	7.3	7.0	7.0
Other operating expense	<u>—</u>	<u>1.0</u>	<u>4.4</u>
Total Expenses	24.1	32.8	44.2
Other Income (Expense)			
Net (loss) gain on asset dispositions	(3.4)	7.7	80.3
Interest expense, net	(10.4)	(9.2)	(8.6)
Other income	—	2.3	—
Share of affiliates’ pre-tax income	<u>60.5</u>	<u>58.4</u>	<u>52.8</u>
Segment Profit	<u>\$ 38.7</u>	<u>\$ 56.3</u>	<u>\$ 136.9</u>
Investment Volume	\$ 14.1	\$ 36.6	\$ 25.0

The following table sets forth the approximate net book value of Portfolio Management's assets as of December 31 (in millions):

	Investment in RRP Affiliates	Owned Assets	Managed Assets (1)
2018	\$ 464.3	\$ 142.5	\$ 32.3
2017	434.2	148.6	41.6
2016	375.3	218.2	51.8

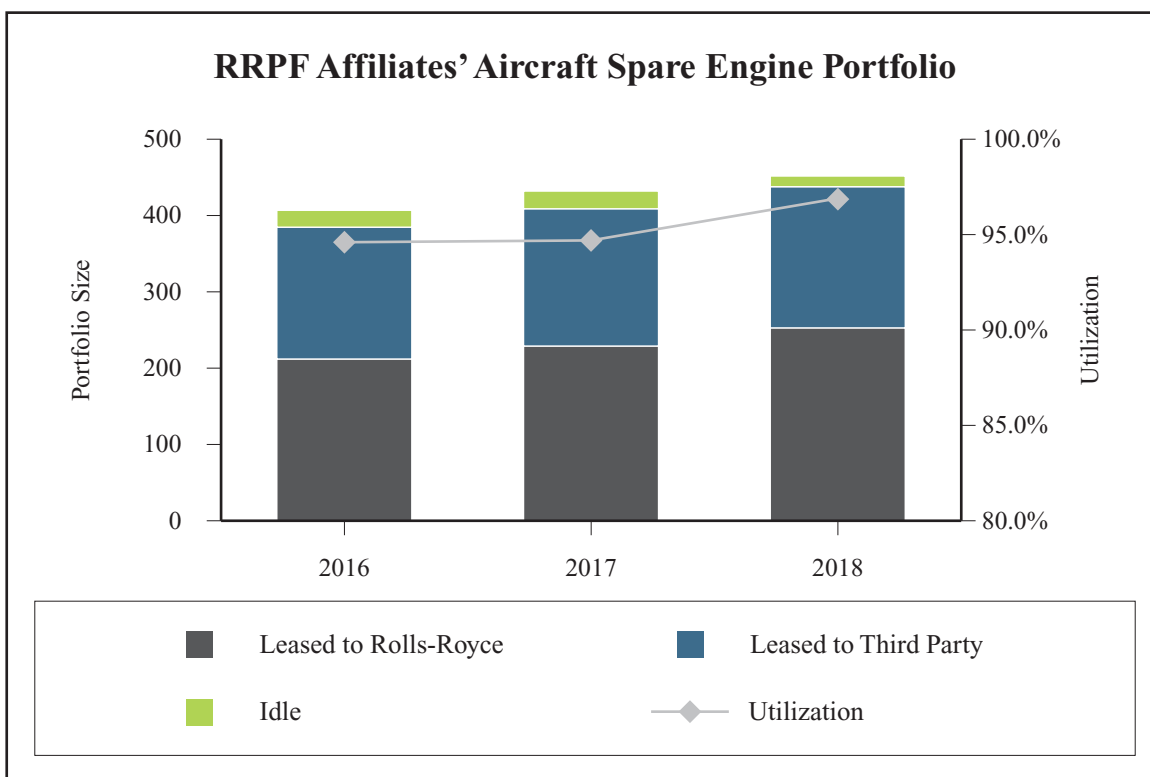
(1) Amounts shown represent the estimated net book value of assets managed for third parties and are not included in our consolidated balance sheets.



RRPF Affiliates Engine Portfolio Data

The following table shows portfolio activity for the RRP affiliates' aircraft spare engines for the years ended December 31:

	2018	2017	2016
Beginning balance	432	407	436
Engine acquisitions	48	35	25
Engine dispositions	(28)	(10)	(54)
Ending balance	452	432	407
Utilization rate at December 31	96.9%	94.7%	94.6%



Comparison of Reported Results

Comparisons of reported results for each year are impacted by the sale of marine investments.

Segment Profit

In 2018, segment profit was \$38.7 million compared to \$56.3 million in 2017. Segment profit for 2017 included net gains of approximately \$1.8 million associated with the planned exit of marine investments. Excluding this item, results for the Portfolio Management segment were \$15.8 million lower in 2018 compared to 2017, primarily due to the absence of operating income from the marine assets sold during 2017, lower residual sharing fees from the managed portfolio, and a lower contribution from the Norgas Vessels. The difficult market fundamentals experienced in 2017 for the Norgas Vessels continued in 2018, marked by substantially lower shipping rates that negatively impacted revenue due to decreased demand and the excess supply provided by new vessels that have entered the market. The decreases were partially offset by higher RRPf affiliate income.

In 2017, segment profit was \$56.3 million compared to \$136.9 million in 2016. Segment profit included net gains of approximately \$1.8 million in 2017 and net losses of approximately \$1.5 million in 2016 associated with the planned exit of marine investments. In addition, segment profit in 2016 included \$49.1 million of income from the settlement of a prior year residual sharing dispute. Excluding these items, results for the Portfolio Management segment were \$34.8 million lower in 2017, primarily due to lower residual sharing fees from the managed portfolio and lower aggregate marine operating results. These decreases were partially offset by higher RRPf affiliate income.

Revenues

In 2018, lease revenue decreased \$2.8 million, primarily due to the impact of the sales of assets in 2017. Marine operating revenue decreased \$10.7 million, largely due to lower revenue from the Norgas Vessels and the absence of revenue from the marine assets that were sold in 2017. The revenue from the Norgas Vessels declined due to continued pressure on charter rates and lower utilization, resulting from weak demand and oversupply of vessels in the market.

In 2017, lease revenue decreased \$2.0 million, primarily due to the impact of the sales of leased assets in 2016. Marine operating revenue decreased \$24.3 million, largely due to lower revenue from the Norgas Vessels resulting from substantially lower shipping rates, as well as the absence of revenue from the Nordic Vessels and other inland marine assets that were sold in 2016 and 2017.

Expenses

In 2018, marine operating expense decreased \$8.0 million, primarily due to the absence of the marine assets that were sold in 2017, as well as lower expenses from the Norgas vessels, which included higher drydocking costs in the prior year.

In 2017, marine operating expense decreased \$8.0 million, primarily due to the absence of the Nordic Vessels and other inland marine assets that were sold in 2016 and 2017, partially offset by higher expenses for the Norgas Vessels. Depreciation expense was comparable to 2016. Other operating expense was \$3.4 million lower, due to a loss accrual recorded in 2016 in connection with one investment.

Other Income (Expense)

In 2018, net gain on asset dispositions decreased \$11.1 million. Net gains of approximately \$1.8 million were recorded in 2017 associated with the planned exit of marine investments. Excluding this item, net gain on asset dispositions decreased \$9.3 million due to lower residual sharing fees from the managed portfolio, as well as higher impairment losses for certain inland marine supply vessels.

In 2017, net gain on asset dispositions decreased \$72.6 million. Net gains of approximately \$1.8 million were recorded in 2017 associated with the planned exit of marine investments, compared to net losses of approximately \$2.5 million recorded in 2016. In addition, income of \$49.1 million was recorded in 2016 from the settlement of a prior year residual sharing dispute. Excluding these items, net gain on asset dispositions decreased \$27.8 million primarily due to lower residual sharing fees from the managed portfolio in 2017. Net interest expense increased \$0.6 million, primarily due to a higher average interest rate.

In 2018, income from our share of affiliates' earnings increased \$2.1 million, primarily from earnings at the RRPF affiliates due to higher operating income, driven by engines added to the fleet in 2018, partially offset by lower net disposition gains on engines sold.

In 2017, income from our share of affiliates' earnings increased \$5.6 million, primarily from earnings at the RRPF affiliates due to higher operating results driven by engines added to the fleet in 2017.

Investment Volume

Investment volume of \$14.1 million in 2018, \$36.6 million in 2017, and \$25.0 million in 2016 consisted primarily of investments in the RRPF affiliates.

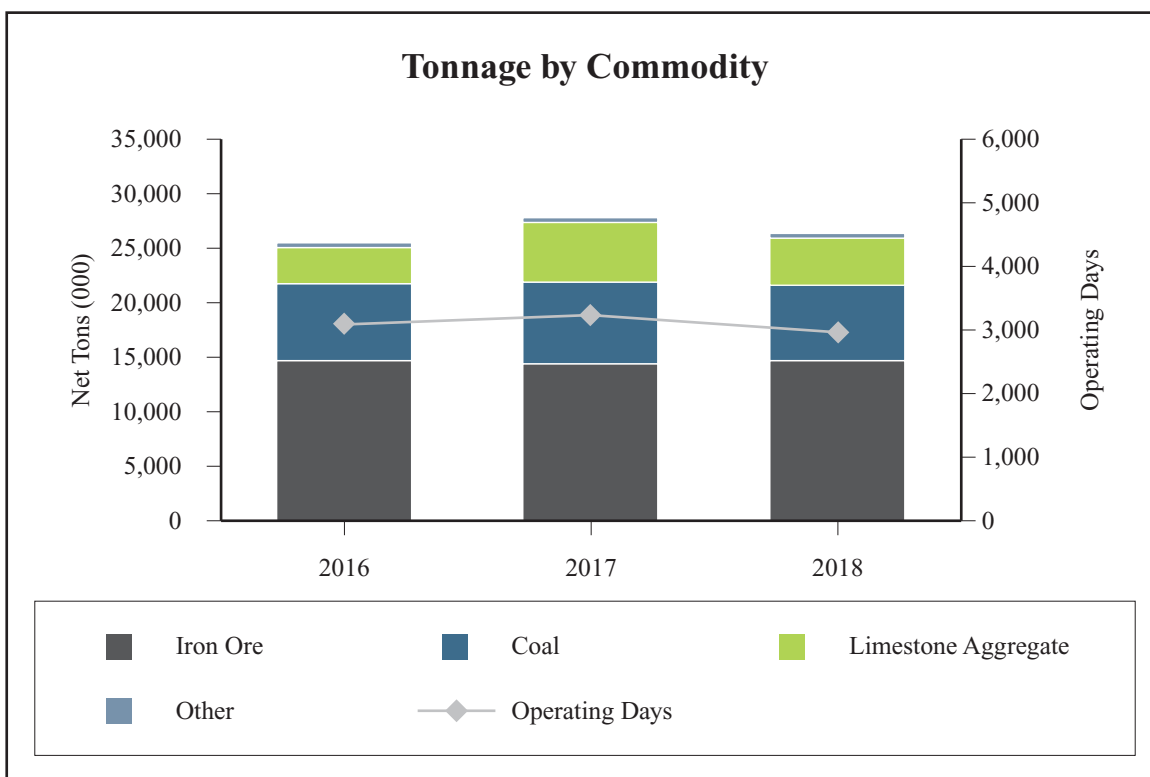
Segment Summary

ASC generated strong operating results in 2018, driven by increased operational efficiency, favorable operating conditions, and strong demand. ASC deployed 11 vessels, carrying 26.2 million net tons of freight in 2018 compared to 12 vessels carrying 27.8 million net tons in 2017 and 11 vessels carrying 25.4 million net tons in 2016.

During 2017, ASC sold three of its vessels for total proceeds of \$8.3 million, resulting in a net loss of \$1.8 million. In addition, ASC returned two leased vessels.

The following table shows ASC's segment results for the years ended December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues			
Lease revenue	\$ 4.1	\$ 4.1	\$ 4.2
Marine operating revenue	181.7	168.4	150.0
Total Revenues	<u>185.8</u>	<u>172.5</u>	<u>154.2</u>
Expenses			
Maintenance expense	22.6	22.2	18.6
Marine operating expense	114.1	106.2	96.7
Depreciation expense	10.6	12.0	12.9
Operating lease expense	<u>—</u>	<u>1.8</u>	<u>6.0</u>
Total Expenses	<u>147.3</u>	<u>142.2</u>	<u>134.2</u>
Other Income (Expense)			
Net gain (loss) on asset dispositions	0.1	(1.9)	—
Interest expense, net	(5.7)	(5.2)	(4.5)
Other income (expense)	0.1	1.3	(5.4)
Segment Profit	<u>\$ 33.0</u>	<u>\$ 24.5</u>	<u>\$ 10.1</u>
Investment Volume	\$ 15.8	\$ 14.0	\$ 9.1
Total Net Tons Carried	26.2	27.8	25.4



Segment Profit

In 2018, segment profit was \$33.0 million, compared to \$24.5 million in 2017. In 2018, higher rates, favorable operating conditions, and efficient fleet performance more than offset lower volume.

In 2017, segment profit was \$24.5 million, compared to \$10.1 million in 2016. The increase in segment profit was primarily due to higher volume and a favorable commodity mix, as well as the absence of \$5.0 million of expenses recorded in 2016 related to an accrual for asbestos-related litigation and costs associated with the scheduled return of a leased vessel.

Revenues

In 2018, marine operating revenue increased \$13.3 million, or 7.9%, primarily due to higher rates and late 2017 sailing season surcharges realized in 2018. Higher fuel revenue, which is offset in marine operating expense, also contributed to the variance. The terms of our contracts provide that a substantial portion of fuel costs are passed on to customers.

In 2017, marine operating revenue increased \$18.4 million, or 12.3%, resulting from higher volume, higher freight rates and a favorable mix of commodities shipped. Higher fuel revenue, which is offset in marine operating expense, also contributed to the variance.

Expenses

In 2018, maintenance expense was comparable to prior year. Marine operating expense increased \$7.9 million, largely driven by higher fuel costs, partially offset by fewer operating days.

In 2017, maintenance expense increased \$3.6 million, driven by more winter work and higher operating repairs. Marine operating expense increased \$9.5 million, a result of the impact of an additional vessel in operation and more overall operating days, as well as higher fuel costs.

Operating lease expense in 2017 and 2016 included rent for the lease of ASC's tug-barge vessel that was returned at the beginning of 2017 and rent for a vessel that was returned in December 2017.

Other Income (Expense)

In 2018, other income (expense) was unfavorable by \$1.2 million, driven by expenses recorded in 2018 related to an accrual for asbestos-related litigation.

In 2017, other income (expense) improved by \$6.7 million, due to the absence of \$5.0 million of expenses recorded in 2016 related to an accrual for asbestos-related litigation and costs associated with the scheduled return of a leased vessel in 2017.

Investment Volume

ASC's investments in each of 2018, 2017, and 2016 consisted of structural and mechanical upgrades to our vessels.

OTHER

Other comprises selling, general and administrative expenses ("SG&A"), unallocated interest expense, and miscellaneous income and expense not directly associated with the reporting segments and eliminations.

The following table shows components of Other for the years ended December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Selling, general and administrative expense	\$ 191.1	\$ 180.0	\$ 169.0
Unallocated interest (income) expense	(8.6)	(8.5)	(4.8)
Other expense (income), including eliminations	9.5	7.1	9.2

SG&A, Unallocated Interest and Other

During 2017, we exercised our option to terminate the office lease at our corporate headquarters early. As a result, accelerated depreciation on leasehold improvements was recorded in SG&A, and lease termination costs were recorded in other expense (income). Amounts reported in other expense (income) for 2016 also reflected costs associated with a voluntary early retirement program, including a pension settlement accounting adjustment of \$6.1 million attributable to lump sum payments elected by eligible retirees.

In 2018, SG&A of \$191.1 million increased \$11.1 million from 2017. The increase was primarily due to higher employee compensation expenses and higher information technology expense. SG&A was also negatively impacted by a full year of accelerated depreciation of leasehold improvements resulting from the early lease termination of the office lease.

In 2017, SG&A of \$180.0 million increased \$11.0 million from 2016. The increase was due to the impact of the accelerated depreciation expense adjustment noted above, as well as higher compensation and employee benefits costs.

Unallocated interest expense (the difference between external interest expense and interest expense allocated to the reporting segments) in any year is affected by our consolidated leverage position, the timing of debt issuances and investing activities, and intercompany allocations.

In 2018, other expense (income), including eliminations increased \$2.4 million, driven by provisions recorded for environmental reserves and litigation accruals, as well as incremental pension expense associated with certain lump sum distributions in 2018, partially offset by the absence of costs recorded in 2017 associated with the early termination of the office lease.

In 2017, other expense (income), including eliminations decreased \$2.1 million, attributable to lower non-service costs related to pension expense, including the absence of the pension settlement accounting adjustment recorded in 2016, and the absence of an environmental remediation accrual recorded in 2016 related to properties sold in prior years. These positive drivers were offset by an increase to a litigation accrual recorded in 2017 and the early lease termination costs noted above.

Consolidated Income Taxes

In 2017, the Tax Cuts and Jobs Act (the “Tax Act”) made broad and complex changes to the U.S. federal income tax laws. The Tax Act had a significant impact on our earnings in 2017, as we recorded a one-time net tax benefit of \$315.9 million, which represented our provisional estimate of the impact of the Tax Act. This amount included a net benefit of \$371.4 million associated with the remeasurement of our net deferred tax liability utilizing the lower U.S. federal income tax rate. The Tax Act also imposed a one-time transitional repatriation tax of \$57.2 million on certain undistributed earnings of our non-U.S. subsidiaries and affiliates. Additional guidance was issued by the Internal Revenue Service, the U.S. Department of the Treasury, and state taxing authorities during 2018 and, as a result, we recorded an adjustment to our provisional estimates. Specifically, in the fourth quarter of 2018, we recorded an additional net tax benefit of \$16.5 million based on this clarifying guidance, the filing of our 2017 income tax returns, and the final determination of our foreign undistributed earnings and associated tax attributes. We do not expect to record any future material adjustments associated with the Tax Act. As part of the Tax Act, the U.S. corporation income tax rate was reduced to 21% from 35%, and this reduction favorably impacted our consolidated effective tax rate, net income, and diluted earnings per share; however, the Tax Act has not had a material impact on our cash flows. See “Note 12. Income Taxes” in Part II, Item 8 of this Form 10-K for additional information on income taxes.

BALANCE SHEET DISCUSSION

Assets

Total assets (including on- and off-balance sheet) were \$8.0 billion at December 31, 2018, compared to \$7.9 billion at December 31, 2017. The increase was primarily driven by an increase in operating assets at Rail North America and Rail International, as well as additional investment in the RRPf affiliates, partially offset by a decrease in cash and cash equivalents at Corporate. In addition to the assets we recorded on our balance sheet, we utilized off-balance sheet assets, primarily railcars, which we leased pursuant to operating lease agreements. The off-balance sheet assets represent the estimated present value of our committed future operating lease payments for certain railcars that have been financed through sale-leasebacks. See “Non-GAAP Financial Measures” at the end of this item.

The following table shows on- and off-balance sheet assets by segment as of December 31 (in millions):

	2018			2017		
	On-Balance Sheet	Off-Balance Sheet	Total	On-Balance Sheet	Off-Balance Sheet	Total
Rail North America	\$ 5,236.6	\$ 430.2	\$ 5,666.8	\$ 4,915.0	\$ 435.7	\$ 5,350.7
Rail International	1,363.2	—	1,363.2	1,332.9	—	1,332.9
Portfolio Management	606.8	—	606.8	582.8	—	582.8
ASC	297.8	—	297.8	286.7	—	286.7
Other	112.3	—	112.3	305.0	—	305.0
Total	<u>\$ 7,616.7</u>	<u>\$ 430.2</u>	<u>\$ 8,046.9</u>	<u>\$ 7,422.4</u>	<u>\$ 435.7</u>	<u>\$ 7,858.1</u>

Gross Receivables

Receivables of \$213.4 million at December 31, 2018 decreased \$6.1 million from December 31, 2017, primarily due to the timing of payments by customers.

Allowance for Losses

As of December 31, 2018, allowance for losses totaled \$6.4 million, or 7.3% of rent and other receivables, compared to \$6.4 million, or 7.7%, at December 31, 2017, both balances related entirely to general allowances.

See “Note 17. Allowance for Losses” in Part II, Item 8 of this Form 10-K.

Operating Assets and Facilities

Net operating assets and facilities increased \$357.4 million from 2017. The increase was primarily due to investments of \$904.1 million and the acquisition of railcars previously on operating leases of \$66.5 million, offset by depreciation of \$326.9 million, asset dispositions of \$238.7 million (including the impact of sale leasebacks), and negative foreign exchange rate effects of \$65.4 million.

Investments in Affiliated Companies

Investments in affiliated companies increased \$23.5 million in 2018 (see table below). The increase was driven by our share of earnings from RRPf and an investment of \$14.1 million in an RRPf affiliate to fund the purchase of additional aircraft spare engines, partially offset by distributions from RRPf. In addition, all of Adler’s railcar assets have been sold, and the partnership is in the process of winding down remaining activities.

The following table shows our investments in affiliated companies by segment as of December 31 (in millions):

	<u>2018</u>	<u>2017</u>
Rail North America	\$ 0.2	\$ 6.8
Portfolio Management	464.3	434.2
Total	<u>\$ 464.5</u>	<u>\$ 441.0</u>

See “Note 6. Investments in Affiliated Companies” in Part II, Item 8 of this Form 10-K.

Goodwill

In 2018 and 2017, changes in the balance of our goodwill, all of which are attributable to the Rail North America and Rail International segments, resulted from fluctuations in foreign currency exchange rates. We tested our goodwill for impairment in the fourth quarter of 2018, and no impairment was indicated.

See “Note 16. Goodwill” in Part II, Item 8 of this Form 10-K.

Debt

Total debt increased \$163.3 million from the prior year. Issuances of long-term debt of \$700.0 million were offset by maturities and principal payments of \$634.0 million and the effects of foreign exchange on foreign debt balances.

The following table shows the details of our long-term debt issuances in 2018 (\$ in millions):

<u>Type of Debt</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
Recourse Unsecured	10.5 Years	4.55% Fixed	\$ 300.0
Recourse Unsecured	5.3 Years	4.35% Fixed	300.0
Recourse Unsecured	3.0 Years	3.30% Floating (1)	100.0
			<u>\$ 700.0</u>

(1) Floating interest rate at December 31, 2018.

As of December 31, 2018, our outstanding debt had a weighted average remaining term of 8.9 years and a weighted average interest rate of 4.01%, compared to 9.2 years and 3.96% at December 31, 2017.

The following table shows the carrying value of our debt obligations by major component, including off-balance sheet debt, as of December 31 (in millions):

	2018			2017
	Secured	Unsecured	Total	Total
Commercial paper and borrowings under bank credit facilities	\$ —	\$ 110.8	\$ 110.8	\$ 4.3
Recourse debt	—	4,429.7	4,429.7	4,371.7
Capital lease obligations	11.3	—	11.3	12.5
Balance sheet debt	11.3	4,540.5	4,551.8	4,388.5
Recourse off-balance sheet debt (1)	430.2	—	430.2	435.7
Total	<u>\$ 441.5</u>	<u>\$ 4,540.5</u>	<u>\$ 4,982.0</u>	<u>\$ 4,824.2</u>

(1) Off-balance sheet debt represents the estimated present value of committed operating lease payments for certain railcars that have been financed through sale-leasebacks and is equal to the amount reported as off-balance sheet assets. See “Non-GAAP Financial Measures” at the end of this item.

See “Note 7. Debt” in Part II, Item 8 of this Form 10-K.

Equity

Total equity decreased \$4.6 million in 2018, primarily due to stock repurchases of \$115.5 million, including commissions, dividends of \$69.0 million, \$47.5 million of foreign currency translation adjustments due to the balance sheet effects of a stronger U.S. dollar and \$4.2 million from the impact of adoption of new accounting standards as of January 1, 2018. These decreases were offset by net income of \$211.3 million, \$8.4 million from the effects of share-based compensation, \$7.4 million from the effects of post-retirement benefit plan adjustments and \$4.5 million of net unrealized gains on derivatives.

See “Note 19. Shareholders’ Equity” in Part II, Item 8 of this Form 10-K.

CASH FLOW DISCUSSION

We generate a significant amount of cash from operating activities and investment portfolio proceeds. We also access domestic and international capital markets by issuing unsecured or secured debt and commercial paper. We use these resources, along with our available cash balances, to fulfill our debt, lease, and dividend obligations, to support our share repurchase programs, and to fund portfolio investments and capital additions. We primarily use cash from operations to fund daily operations.

The timing of asset dispositions and changes in working capital impact cash flows from portfolio proceeds and operations. As a result, these cash flow components may vary materially from quarter to quarter and year to year. As of December 31, 2018, we had an unrestricted cash balance of \$100.2 million.

The following table shows our principal sources and uses of cash for the years ended December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Principal sources of cash			
Net cash provided by operating activities	\$ 508.5	\$ 496.8	\$ 629.4
Portfolio proceeds	234.4	165.6	223.7
Other asset sales	37.3	30.3	23.0
Proceeds from sale-leasebacks	59.1	90.6	82.5
Proceeds from issuance of debt, commercial paper, and credit facilities	800.2	792.6	859.4
Total	<u>\$ 1,639.5</u>	<u>\$ 1,575.9</u>	<u>\$ 1,818.0</u>
Principal uses of cash			
Portfolio investments and capital additions	\$ (943.4)	\$ (603.4)	\$ (620.7)
Repayments of debt, commercial paper, and credit facilities	(632.8)	(703.3)	(803.6)
Purchases of leased-in assets	(66.6)	(111.8)	(117.1)
Payments on capital lease obligations	(1.2)	(2.4)	(3.6)
Stock repurchases	(115.5)	(100.0)	(120.1)
Dividends	(69.3)	(68.2)	(67.4)
Total	<u>\$ (1,828.8)</u>	<u>\$ (1,589.1)</u>	<u>\$ (1,732.5)</u>

Net Cash Provided by Operating Activities

Net cash provided by operating activities of \$508.5 million increased \$11.7 million compared to 2017. This increase was driven by lower operating lease payments and maintenance expenses, higher affiliate dividends, as well as the positive impact of changes in foreign exchange rates, partially offset by lower lease revenue, lower fee income, and higher interest payments.

Portfolio Investments and Capital Additions

Portfolio investments and capital additions primarily consist of purchases of operating assets, investments in affiliates, and capitalized asset improvements. Portfolio investments and capital additions of \$943.4 million increased \$340.0 million compared to 2017, primarily due to more railcars acquired at Rail North America, including \$204.2 million for the purchase of 2,832 railcars from ECN Capital Corporation, as well as more railcars acquired at Rail International, partially offset by lower investments at the RRPf affiliates at Portfolio Management. The timing of investments depends on purchase commitments, transaction opportunities, and market conditions.

The following table shows portfolio investments and capital additions by segment for the years ended December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Rail North America	\$ 737.4	\$ 460.9	\$ 495.6
Rail International	152.7	90.9	87.1
Portfolio Management	14.1	36.6	25.0
ASC	15.8	14.0	9.1
Other	23.4	1.0	3.9
Total	<u>\$ 943.4</u>	<u>\$ 603.4</u>	<u>\$ 620.7</u>

Portfolio Proceeds

Portfolio proceeds primarily consist of proceeds from sales of operating assets, loan and finance lease receipts, proceeds from sales of securities, and capital distributions from affiliates. Portfolio proceeds of \$234.4 million increased \$68.8 million compared to 2017, primarily due to higher asset dispositions at Rail North America, partially offset by lower asset dispositions at Portfolio Management. Portfolio proceeds included \$46.8 million in 2017 and \$58.8 million in 2016 from the sales of marine investments as part of our decision to exit the majority of the marine assets at our Portfolio Management segment.

The following table shows portfolio proceeds for the years ended December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proceeds from sales of operating assets	\$ 217.3	\$ 145.9	\$ 201.8
Finance lease rents received, net of earned income	9.7	11.3	11.0
Loan principal received	—	5.4	1.2
Capital distributions and proceeds related to affiliates	6.3	3.0	2.5
Proceeds from sales of securities	—	—	6.1
Other portfolio proceeds	1.1	—	1.1
Total	<u>\$ 234.4</u>	<u>\$ 165.6</u>	<u>\$ 223.7</u>

Other Investing Activity

Rail North America acquired 2,177 railcars in 2018, 3,970 railcars in 2017, and 3,328 railcars in 2016 that were previously on operating leases. Proceeds from sales of other assets for all periods were primarily related to railcar scrapping. Rail North America completed sale-leaseback financings for 467 railcars in 2018, 699 railcars in 2017, and 574 railcars in 2016.

The following table shows other investing activity for the years ended December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Purchases of leased-in assets	\$ (66.6)	\$ (111.8)	\$ (117.1)
Proceeds from sales of other assets	37.3	30.3	23.0
Proceeds from sale-leasebacks	59.1	90.6	82.5
Other	3.1	0.4	2.3
Total	<u>\$ 32.9</u>	<u>\$ 9.5</u>	<u>\$ (9.3)</u>

Net Cash provided by (used in) Financing Activities

The following table shows net cash used in financing activities for the years ended December 31 (in millions):

	2018	2017	2016
Net proceeds from issuances of debt (original maturities longer than 90 days)	\$ 693.7	\$ 792.6	\$ 859.4
Repayments of debt (original maturities longer than 90 days)	(632.8)	(703.0)	(800.0)
Net decrease in debt with original maturities of 90 days or less	106.5	(0.3)	(3.6)
Payments on capital lease obligations	(1.2)	(2.4)	(3.6)
Stock repurchases (1)	(115.5)	(100.0)	(120.1)
Dividends	(69.3)	(68.2)	(67.4)
Other	(2.8)	(2.6)	4.8
Total	\$ (21.4)	\$ (83.9)	\$ (130.5)

(1) During 2018, we repurchased 1.5 million shares of common stock for \$115.5 million, including commissions paid, compared to 1.7 million shares for \$100.0 million in 2017 and 2.7 million shares for \$120.1 million in 2016.

LIQUIDITY AND CAPITAL RESOURCES

General

We fund our investments and meet our debt, lease, and dividend obligations, using our available cash balances, as well as cash generated from operating activities, sales of assets, commercial paper issuances, committed revolving credit facilities, distributions from affiliates, and issuances of secured and unsecured debt. We primarily use cash from operations to fund daily operations. We use both domestic and international capital markets and banks to meet our debt financing needs.

Contractual and Other Commercial Commitments

The following table shows our contractual commitments, including debt principal and related interest payments, lease payments, and purchase commitments at December 31, 2018 (in millions):

	Payments Due by Period						
	Total	2019	2020	2021	2022	2023	Thereafter
Recourse debt	\$ 4,473.1	\$ 250.0	\$ 350.0	\$ 663.1	\$ 250.0	\$ 250.0	\$ 2,710.0
Interest on recourse debt (1)	1,871.1	171.8	164.0	152.1	127.8	116.6	1,138.8
Commercial paper and credit facilities	110.8	110.8	—	—	—	—	—
Capital lease obligations, including interest	11.6	11.6	—	—	—	—	—
Recourse operating leases	579.3	68.2	68.8	65.4	56.9	54.3	265.7
Purchase commitments (2)	2,231.9	622.3	452.5	377.0	385.4	394.7	—
Total	\$ 9,277.8	\$ 1,234.7	\$ 1,035.3	\$ 1,257.6	\$ 820.1	\$ 815.6	\$ 4,114.5

- (1) For floating rate debt, future interest payments are based on the applicable interest rate as of December 31, 2018.
(2) Primarily railcar purchase commitments. The amounts shown for all years are based on management’s estimates of the timing, anticipated car types, and related costs of railcars to be purchased under its agreements.

In 2014, we entered into a long-term supply agreement with Trinity Rail Group, LLC (“Trinity”) a subsidiary of Trinity Industries. Under the terms of that agreement, we agreed to order 8,950 newly built railcars over a four-year period from March, 2016 through March, 2020. We may order either tank or freight cars; however, we expect that the majority of the order will be for tank cars. As of December 31, 2018, 7,992 railcars have been ordered, of which 5,670 railcars have been delivered. On May 24,

2018, we amended our long-term supply agreement with Trinity to extend the term to December 2023. We agreed to purchase an additional 4,800 tank cars (1,200 per year) beginning in January 2020 and continuing through the expiration of the extended term.

On July 30, 2018, we entered into a multi-year railcar supply agreement with American Railcar Industries, Inc., pursuant to which we will purchase 7,650 newly built railcars. The order encompasses a mix of tank and freight cars that are to be delivered over a five-year period, beginning in April 2019. Under the terms of this agreement, ARI will deliver 450 railcars in 2019, with the remaining 7,200 to be delivered ratably over the four-year period of 2020 to 2023. The agreement also includes an option to order up to an additional 4,400 railcars subject to certain restrictions.

On November 12, 2018, we entered into an agreement to purchase a fleet of up to 3,100 railcars from ECN Capital Corporation. As of December 31, 2018, we had acquired 2,832 railcars, with the balance to be acquired in early 2019.

The following table shows our future contractual cash receipts arising from finance leases and future rental receipts from noncancelable operating leases as of December 31, 2018 (in millions):

	Contractual Cash Receipts by Period						
	Total	2019	2020	2021	2022	2023	Thereafter
Finance leases	\$ 119.5	\$ 20.9	\$ 28.9	\$ 15.0	\$ 25.4	\$ 7.3	\$ 22.0
Operating leases	3,242.3	935.1	732.1	548.1	383.1	277.5	366.4
Total	\$ 3,361.8	\$ 956.0	\$ 761.0	\$ 563.1	\$ 408.5	\$ 284.8	\$ 388.4

Our aggregate future contractual cash receipts at December 31, 2018 decreased \$324.3 million compared to 2017, primarily as a result of lease receipts in 2018 and lower rates and shortened lease terms for new leases and renewals completed during 2017, partially offset by the impact of the new railcars added to the fleet as part of the ECN Capital Corporation transaction.

2019 Liquidity Outlook

In addition to our contractual obligations, expenditures in 2019 may also include the purchase of railcars that are currently leased and other discretionary capital spending for opportunistic asset purchases or strategic investments. We plan to fund these expenditures in 2019 using available cash at December 31, 2018 in combination with cash from operations, portfolio proceeds, long-term debt issuances, and our revolving credit facilities.

Short-Term Borrowings

We primarily use short-term borrowings as a source of working capital and to temporarily fund differences between our operating cash flows and portfolio proceeds, and our capital investments and debt maturities. We do not maintain or target any particular level of short-term borrowings on a permanent basis. Rather, we will temporarily utilize short-term borrowings at levels we deem appropriate until we decide to pay down these balances.

The following table shows additional information regarding our short-term borrowings:

	North America (1)			Europe (2)		
	2018	2017	2016	2018	2017	2016
Balance as of December 31 (in millions)	\$100.0	\$ —	\$ —	\$ 10.8	\$ 4.3	\$ 3.8
Weighted average interest rate	3.0%	—%	—%	0.6%	1.0%	1.0%
Euro/Dollar exchange rate	n/a	n/a	n/a	1.15	1.20	1.05
Average daily amount outstanding during year (in millions)	\$ 3.3	\$ —	\$ 0.5	\$ 3.8	\$ 9.2	\$ 13.2
Weighted average interest rate	3.0%	—%	0.7%	0.9%	0.7%	0.6%
Average Euro/Dollar exchange rate	n/a	n/a	n/a	1.18	1.13	1.11
Average daily amount outstanding during 4 th quarter (in millions)	\$ 13.0	\$ —	\$ —	\$ 4.2	\$ 12.0	\$ 5.9
Weighted average interest rate	3.0%	—%	—%	0.8%	0.6%	0.8%
Average Euro/Dollar exchange rate	n/a	n/a	n/a	1.14	1.18	1.08
Maximum daily amount outstanding (in millions)	\$100.0	\$ —	\$ 20.0	\$ 84.8	\$ 78.2	\$ 31.2
Euro/Dollar exchange rate	n/a	n/a	n/a	1.13	1.18	1.11

(1) Short-term borrowings in North America are composed of commercial paper issued in the U.S.

(2) Short-term borrowings in Europe are composed of borrowings under bank credit facilities.

Credit Lines and Facilities

We have a \$600 million, five-year unsecured revolving credit facility in the U.S. that matures in May 2023. As of December 31, 2018, available capacity is \$500 million, reflecting \$100 million of outstanding commercial paper, which is backed by the facility. Additionally, we have a \$250 million five-year secured railcar facility in the U.S. with a three-year revolving period that matures in May 2022. As of December 31, 2018, the full \$250 million was available under this facility.

Restrictive Covenants

Our credit facility and certain other debt agreements contain various restrictive covenants. See “Note 7. Debt” in Part II, Item 8 of this Form 10-K.

Credit Ratings

The global capital market environment and outlook may affect our funding options and our financial performance. Our access to capital markets at competitive rates depends on our credit rating and rating outlook, as determined by rating agencies. As of December 31, 2018, our long-term unsecured debt was rated BBB by Standard & Poor’s and Baa2 by Moody’s Investor Service and our short-term unsecured debt was rated A-2 by Standard & Poor’s and P-2 by Moody’s Investor Service. Our rating outlook from both agencies was stable.

Shelf Registration Statement

During 2016, we filed an automatic shelf registration statement that enables us to issue debt securities and pass-through certificates. The registration statement is effective for three years and does not limit the amount of debt securities and pass-through certificates we can issue.

Commercial Commitments

We have entered into various commercial commitments, such as guarantees, standby letters of credit, and performance bonds, related to certain transactions. These commercial commitments require us to fulfill specific obligations in the event of third-party demands. Similar to our balance sheet investments, these commitments expose us to credit, market, and equipment risk. Accordingly, we evaluate these commitments and other contingent obligations using techniques similar to those we use to evaluate funded transactions.

The following table shows our commercial commitments at December 31, 2018 (in millions):

	Amount of Commitment Expiration by Period						
	Total	2019	2020	2021	2022	2023	Thereafter
Lease payment guarantees	\$ 2.0	\$ 2.0	\$ —	\$ —	\$ —	\$ —	\$ —
Standby letters of credit and performance bonds	9.5	9.5	—	—	—	—	—
Total	<u>\$ 11.5</u>	<u>\$ 11.5</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Lease payment guarantees are commitments to financial institutions to make lease payments for a third party in the event they default. We reduce any liability that may result from these guarantees by the value of the underlying asset or group of assets.

We are also parties to standby letters of credit and performance bonds, which primarily relate to contractual obligations and general liability insurance coverages. No material claims have been made against these obligations, and no material losses are anticipated.

Defined Benefit Plan Contributions

In 2018, we contributed \$9.1 million to our defined benefit pension plans and other post-retirement benefit plans. In 2019, we expect to contribute approximately \$5.7 million. As of December 31, 2018, our funded pension plans were 97.4% funded in aggregate. Additional contributions will depend primarily on plan asset investment returns and actuarial experience, and subject to the impact of these factors, we may make additional material plan contributions.

Separately, the shipboard personnel at ASC participate in various multiemployer benefit plans that provide pension, health care, and post-retirement and other benefits to active and retired employees. We contributed \$8.1 million to these plans in 2018 and recognized that amount as marine operating expense. We expect our 2019 contributions to approximate 2018 amounts, but our contributions will ultimately depend on the number of vessels deployed and crew hours worked during the year. See “Note 10. Pension and Other Post-Retirement Benefits” in Part II, Item 8 of this Form 10-K for additional information on our benefit plans.

GATX Common Stock Repurchases

On January 25, 2019, our board of directors (“Board”) approved a \$300 million share repurchase program, pursuant to which we are authorized to purchase shares of our common stock in the open market, in privately negotiated transactions, or otherwise, including pursuant to Rule 10b5-1 plans. This authorization replaced the prior program approved in 2018. The share repurchase program does not have an expiration date, does not obligate the Company to repurchase any dollar amount or number of shares of common stock, and may be suspended or discontinued at any time. The timing of share repurchases will be dependent on market conditions and other factors. During 2018, we repurchased 1.5 million shares for \$115.4 million, excluding commissions, under the program, compared to 1.7 million shares for \$100.0 million in 2017 and 2.7 million shares for \$120.0 million in 2016. As of December 31, 2018, \$134.6 million remained available under the repurchase authorizations in place at that date.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in conformity with GAAP, which requires us to use judgment in making estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses, as well as information in the related disclosures. We regularly evaluate our estimates and judgments based on historical experience, market indicators, and other relevant factors and circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Operating Assets

We state operating assets, including assets acquired under capital leases, at cost and depreciate them over their estimated economic useful lives to an estimated residual value using the straight-line method. We determine the economic useful life based on our estimate of the period over which the asset will generate revenue. For the majority of our operating assets, the economic useful life is greater than 30 years. The residual values are based on historical experience and economic factors. We periodically review the appropriateness of our estimates of useful lives and residual values based on changes in economic circumstances and other factors. Changes in these estimates would result in a change in future depreciation expense.

Lease Classification

We analyze all new and modified leases to determine whether we should classify the lease as an operating or capital lease. Our lease classification analysis relies on certain assumptions that require judgment, such as the asset's fair value, the asset's estimated residual value, the interest rate implicit in the lease, and the asset's economic useful life. While most of our leases are classified as operating leases, changes in the assumptions we use could result in a different lease classification, which could change the impacts of the lease transactions on our results of operations and financial position. See "Note 5. Leases" in Part II, Item 8 of this Form 10-K.

Impairment of Long-Lived Assets

We review long-lived assets, such as operating assets and facilities, for impairment annually, or whenever circumstances indicate that the carrying amount of those assets may not be recoverable. We evaluate the recoverability of assets to be held and used by comparing the carrying amount of the asset to the undiscounted future net cash flows we expect the asset to generate. We base estimated future cash flows on a number of assumptions, including lease rates, lease term (including renewals), freight rates and volume, operating costs, the life of the asset, and final disposition proceeds. If we determine an asset is impaired, we recognize an impairment loss equal to the amount the carrying amount exceeds the asset's fair value. We classify assets we plan to sell or otherwise dispose of as held for sale, provided they meet specified accounting criteria, and we record those assets at the lower of their carrying amount or fair value less costs to sell. See "Note 9. Asset Impairments and Assets Held for Sale" in Part II, Item 8 of this Form 10-K.

Impairment of Investments in Affiliated Companies

We review the carrying amount of our investments in affiliates annually, or whenever circumstances indicate that their value may have declined. If management determines that indicators of impairment are present for an investment, we perform an analysis to estimate the fair value of that investment. Active markets do not typically exist for our affiliate investments and as a result, we may estimate fair value using a discounted cash flow analysis at the investee level, price-earnings ratios based on comparable businesses, or other valuation techniques that are appropriate for the particular circumstances of the affiliate. For all fair value estimates, we use observable inputs whenever possible and appropriate.

Once we make an estimate of fair value, we compare the estimate of fair value to the investment's carrying value. If the investment's estimated fair value is less than its carrying value, then we consider the investment impaired. If an investment is impaired, we assess whether the impairment is other-than-temporary. We consider factors such as the expected operating results for the near future, the length of the economic life cycle of the underlying assets of the investee, and our ability to hold the investment through the end of the underlying assets' useful life to determine if the impairment is other-than-temporary. We may also consider actions we anticipate the investee will take to improve its business prospects if it seems probable the investee will take those actions. If we determine an investment to be only temporarily impaired, we do not record an impairment loss. Alternatively, if we determine an impairment is other-than-temporary, we record a loss equal to the difference between the estimated fair value of the investment and its carrying value. See "Note 6. Investments in Affiliated Companies" and "Note 9. Asset Impairments and Assets Held for Sale" in Part II, Item 8 of this Form 10-K.

Impairment of Goodwill

We review the carrying amount of our goodwill annually, or if circumstances indicate an impairment may have occurred. We perform the impairment review at the reporting unit level, which is one level below an operating segment. The goodwill impairment test is a two-step process and requires us to make certain judgments to determine the assumptions we use in the calculation. The first step requires us to estimate the fair value of each reporting unit, which we determine using a discounted cash flow model. We base our estimates of the future cash flows on revenue and expense forecasts and include assumptions for future growth. When estimating the fair value of the reporting unit, we also consider observable multiples of book value and earnings for

companies that we believe are comparable to the applicable reporting units. We then compare our estimate of the fair value of the reporting unit with the reporting unit's carrying amount, which includes goodwill. If the estimated fair value is less than the carrying amount, we compare the implied fair value of the reporting unit's goodwill with the carrying amount of the goodwill. If the carrying amount of the goodwill exceeds its implied fair value, we record an impairment loss for the amount the carrying amount of the goodwill exceeds its implied fair value. See "Note 16. Goodwill" in Part II, Item 8 of this Form 10-K.

Pension and Post-Retirement Benefits Assumptions

We use actuarial assumptions to calculate pension and other post-retirement benefit obligations and related costs. The discount rate and the expected return on plan assets are two assumptions that influence the plan expense and liability measurement. Other assumptions involve demographic factors such as expected retirement age, mortality, employee turnover, health care cost trends, and the rate of compensation increases.

We use a discount rate to calculate the present value of expected future pension and post-retirement cash flows as of the measurement date. The discount rate is based on yields for high-quality, long-term bonds with durations similar to the projected benefit obligation. We base the expected long-term rate of return on plan assets on current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. We evaluate these assumptions annually and make adjustments as required in accordance with changes in underlying market conditions, valuation of plan assets, or demographics. Changes in these assumptions may increase or decrease periodic benefit plan expense as well as the carrying value of benefit plan obligations. See "Note 10. Pension and Other Post-Retirement Benefits" in Part II, Item 8 of this Form 10-K for additional information regarding these assumptions.

Share-Based Compensation

We grant equity awards to certain employees and non-employee directors in the form of non-qualified stock options, stock appreciation rights, restricted stock, performance shares, and phantom stock. We recognize compensation expense for our equity awards over the applicable service period for each award, based on the award's grant date fair value. We use the Black-Scholes options valuation model to calculate the grant date fair value of stock options and stock appreciation rights. This model requires us to make certain assumptions that affect the amount of compensation expense we will record. The assumptions we use in the model include the expected stock price volatility (based on the historical volatility of our stock price), the risk-free interest rate (based on the treasury yield curve), the expected life of the equity award (based on historical exercise patterns and post-vesting termination behavior), and the dividend equivalents we expect to pay during the estimated life of the equity award since our stock options and stock appreciation rights are dividend participating. We base the fair value of other equity awards on our stock price on the grant date. We recognize forfeitures when they occur. See "Note 11. Share-Based Compensation" in Part II, Item 8 of this Form 10-K.

Income Taxes

Our operations are subject to taxes in the United States, various states, and foreign countries, and as a result, we may be subject to audit in all of these jurisdictions. Tax audits may involve complex issues and disagreements with taxing authorities that could require several years to resolve. GAAP requires that we presume the relevant tax authority will examine uncertain income tax positions. We must determine whether, based on the technical merits of our position, it is more likely than not that our uncertain income tax positions will be sustained by taxing authorities upon examination, which may include related appeals or litigation processes. We must then evaluate income tax positions that meet the "more likely than not" recognition threshold to determine the probable amount of benefit we would recognize in the financial statements. Establishing accruals for uncertain tax benefits requires us to make estimates and assessments with respect to the ultimate outcome of tax audit issues for amounts recorded in the financial statements. The ultimate resolution of uncertain tax benefits may differ from our estimates, potentially impacting our financial position, results of operations, or cash flows.

We evaluate the need for a deferred tax asset valuation allowance by assessing the likelihood that we will realize tax assets, including net operating loss and tax credit carryforward benefits. Our assessment of whether a valuation allowance is required involves judgment, including forecasting future taxable income and evaluating tax planning initiatives, if applicable.

We expect to continue to reinvest foreign earnings outside the United States indefinitely. If future earnings are repatriated to the United States, or if we expect such earnings to be repatriated, a provision for additional taxes may be required. Under provisions of the Tax Act, the territorial tax system will generally exempt such repatriated earnings from further United States income taxation, however, incremental income taxes may occur from withholding taxes, foreign exchange gains, or other taxable gains recognized in connection with tax basis differences in our foreign investments. The ultimate tax cost of repatriating such earnings will depend on tax laws in effect and other circumstances at that time. See “Note 12. Income Taxes” in Part II, Item 8 of this Form 10-K for additional information on income taxes.

NEW ACCOUNTING PRONOUNCEMENTS

See “Note 2. Accounting Changes” in Part II, Item 8 of this Form 10-K for a summary of new accounting pronouncements that may impact our business.

NON-GAAP FINANCIAL MEASURES

In addition to financial results reported in accordance with GAAP, we compute certain financial measures using non-GAAP components, as defined by the SEC. These measures are not in accordance with, or a substitute for, GAAP, and our financial measures may be different from non-GAAP financial measures used by other companies. We have provided a reconciliation of our non-GAAP components to the most directly comparable GAAP components.

Reconciliation of Non-GAAP Components Used in the Computation of Certain Financial Measures

Balance Sheet Measures

We include total on- and off-balance sheet assets because a portion of our North American railcar fleet has been financed through sale-leasebacks that are accounted for as operating leases and are not recorded on the balance sheet. Similarly, ASC’s fleet previously included vessels that were accounted for as operating leases and were not recorded on the balance sheet. We include these leased-in assets in our calculation of total assets (as adjusted) because we believe it gives investors a more comprehensive representation of the magnitude of the assets we operate and that drive our financial performance. In addition, this calculation of total assets (as adjusted) provides consistency with other non-financial information we disclose about our fleet, including the number of railcars in the fleet, average number of cars on lease, and utilization. We also provide information regarding our leverage ratios, which are expressed as a ratio of debt (including off-balance sheet debt) to equity. The off-balance sheet debt amount in this calculation is the equivalent of the off-balance sheet asset amount. We believe reporting this corresponding off-balance sheet debt amount provides investors and other users of our financial statements with a more comprehensive representation of our debt obligations, leverage, and capital structure.

The following table shows total assets as of December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total assets (GAAP)	\$ 7,616.7	\$ 7,422.4	\$ 7,105.4	\$ 6,894.2	\$ 6,919.9
Off-balance sheet assets:					
Rail North America	430.2	435.7	456.5	488.7	606.1
ASC	—	—	2.6	6.8	11.7
Total off-balance sheet assets	<u>\$ 430.2</u>	<u>\$ 435.7</u>	<u>\$ 459.1</u>	<u>\$ 495.5</u>	<u>\$ 617.8</u>
Total assets, as adjusted (non-GAAP)	<u>\$ 8,046.9</u>	<u>\$ 7,858.1</u>	<u>\$ 7,564.5</u>	<u>\$ 7,389.7</u>	<u>\$ 7,537.7</u>
Shareholders’ Equity (GAAP)	\$ 1,788.1	\$ 1,792.7	\$ 1,347.2	\$ 1,280.2	\$ 1,314.0

The following table shows the components of recourse leverage as of December 31 (in millions, except recourse leverage ratio):

	2018	2017	2016	2015	2014
Debt, net of unrestricted cash:					
Unrestricted cash	\$ (100.2)	\$ (296.5)	\$ (307.5)	\$ (202.4)	\$ (209.9)
Commercial paper and bank credit facilities	110.8	4.3	3.8	7.4	72.1
Recourse debt	4,429.7	4,371.7	4,253.2	4,171.5	4,162.3
Nonrecourse debt	—	—	—	6.9	15.9
Capital lease obligations	11.3	12.5	14.9	18.4	6.3
Total debt, net of unrestricted cash (GAAP)	4,451.6	4,092.0	3,964.4	4,001.8	4,046.7
Off-balance sheet recourse debt	430.2	435.7	459.1	495.5	566.7
Off-balance sheet nonrecourse debt	—	—	—	—	51.1
Total debt, net of unrestricted cash, as adjusted (non-GAAP)	<u>\$ 4,881.8</u>	<u>\$ 4,527.7</u>	<u>\$ 4,423.5</u>	<u>\$ 4,497.3</u>	<u>\$ 4,664.5</u>
Total recourse debt (1)	\$ 4,881.8	\$ 4,527.7	\$ 4,423.5	\$ 4,490.4	\$ 4,597.5
Shareholders' Equity (2)	\$ 1,788.1	\$ 1,792.7	\$ 1,347.2	\$ 1,280.2	\$ 1,314.0
Recourse Leverage (3)	2.7	2.5	3.3	3.5	3.5

- (1) Includes on- and off-balance sheet recourse debt, capital lease obligations, and commercial paper and bank credit facilities, net of unrestricted cash.
- (2) Balances for 2018 and 2017 reflect increases in shareholders' equity resulting from the impact of the Tax Act.
- (3) Calculated as total recourse debt / shareholder's equity. The reduction in recourse leverage beginning with 2017 is due to the increase in shareholders' equity resulting from the impact of the Tax Act.

Net Income Measures

We exclude the effects of certain tax adjustments and other items for purposes of presenting net income, diluted earnings per share, and return on equity because we believe these items are not attributable to our business operations. Management utilizes net income, excluding tax adjustments and other items, when analyzing financial performance because such amounts reflect the underlying operating results that are within management's ability to influence. Accordingly, we believe presenting this information provides investors and other users of our financial statements with meaningful supplemental information for purposes of analyzing year-to-year financial performance on a comparable basis and assessing trends.

The following tables show our net income, diluted earnings per share, and return on equity, excluding tax adjustments and other items for the years ended December 31 (in millions, except per share data):

Impact of Tax Adjustments and Other Items on Net Income:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net income (GAAP)	\$ 211.3	\$ 502.0	\$ 257.1	\$ 205.3	\$ 205.0
Adjustments attributable to consolidated pre-tax income:					
Cost attributable to the closure of a maintenance facility at Rail International (1) . .	9.5	—	—	—	—
Railcar impairment at Rail North America (2)	—	—	29.8	—	—
Net (gain) loss on wholly owned Portfolio Management marine investments (3) . . .	—	(1.8)	2.5	9.2	—
Residual sharing settlement at Portfolio Management (4)	—	—	(49.1)	—	—
Early retirement program (5)	—	—	—	9.0	—
Total adjustments attributable to consolidated pre-tax income	\$ 9.5	\$ (1.8)	\$ (16.8)	\$ 18.2	\$ —
Income taxes thereon, based on applicable effective tax rate	\$ (3.1)	\$ 0.7	\$ 7.2	\$ (6.9)	\$ —
Other income tax adjustments attributable to consolidated income:					
Income tax rate changes (6)	—	—	—	14.1	—
Impact of the Tax Act (7)	(16.5)	(315.9)	—	—	—
Foreign tax credit utilization (8)	(1.4)	—	(7.1)	—	—
Total other income tax adjustments attributable to consolidated income	\$ (17.9)	\$ (315.9)	\$ (7.1)	\$ 14.1	\$ —
Adjustments attributable to affiliates' earnings, net of taxes:					
Net (gain) loss on Portfolio Management marine affiliate (3)	—	—	(0.6)	11.9	—
Income tax rate changes (9)	—	—	(3.9)	(7.7)	—
Total adjustments attributable to affiliates' earnings, net of taxes	\$ —	\$ —	\$ (4.5)	\$ 4.2	\$ —
Net income, excluding tax adjustments and other items (non-GAAP)	<u>\$ 199.8</u>	<u>\$ 185.0</u>	<u>\$ 235.9</u>	<u>\$ 234.9</u>	<u>\$ 205.0</u>

Impact of Tax Adjustments and Other Items on Diluted Earnings per Share:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Diluted earnings per share (GAAP)	\$ 5.52	\$ 12.75	\$ 6.29	\$ 4.69	\$ 4.48
Adjustments attributable to consolidated income, net of taxes:					
Cost attributable to the closure of a maintenance facility at Rail International (1)	0.17	—	—	—	—
Railcar impairment at Rail North America (2)	—	—	0.47	—	—
Net (gain) loss on wholly owned Portfolio Management marine investments (3)	—	(0.03)	0.04	0.13	—
Residual sharing settlement at Portfolio Management (4)	—	—	(0.74)	—	—
Early retirement program (5)	—	—	—	0.13	—
Income tax rate changes (6)	—	—	—	0.32	—
Impact of the Tax Act (7)	(0.43)	(8.02)	—	—	—
Foreign tax credit utilization (8)	(0.04)	—	(0.17)	—	—
Adjustments attributable to affiliates' earnings, net of taxes:					
Net (gain) loss on Portfolio Management marine affiliate (3)	—	—	(0.02)	0.27	—
Income tax rate changes (9)	—	—	(0.10)	(0.18)	—
Diluted earnings per share, excluding tax adjustments and other items (non-GAAP)* . .	<u>\$ 5.22</u>	<u>\$ 4.70</u>	<u>\$ 5.77</u>	<u>\$ 5.37</u>	<u>\$ 4.48</u>

* Sum of individual components may not be additive, due to rounding.

- (1) Expenses attributable to the closure of a maintenance facility.
- (2) Impairment losses related specifically to certain railcars in flammable service that we believe have been permanently and negatively impacted by regulatory changes.
- (3) In 2015, we made the decision to exit the majority of our non-core, marine investments within our Portfolio Management segment. As a result, we recorded gains and losses associated with the impairments and sales of certain investments.
- (4) Income recognized from the settlement of a residual sharing agreement related to a residual guarantee we provided on certain rail assets.
- (5) Expenses associated with an early retirement program offered to certain eligible employees.
- (6) Deferred income tax adjustments attributable to an increase of our effective state income tax rate.
- (7) Amounts attributable to the impact of corporate income tax changes enacted by the Tax Act.
- (8) Benefits attributable to the utilization of foreign tax credits.
- (9) Deferred income tax adjustments due to enacted statutory rate decreases in the United Kingdom for each of 2016 and 2015.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Return on Equity (GAAP)	11.8%	32.0%	19.6%	15.8%	15.1%
Return on Equity, excluding tax adjustments and other items (non-GAAP) (1) . . .	13.6%	13.1%	18.0%	18.1%	15.1%

- (1) Shareholders' equity used in this calculation for 2018 and 2017 excludes the increases resulting from the impact of the Tax Act, as described above.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to interest rate and foreign currency exchange rate risks that could impact our financial results. To manage these risks we may enter into certain derivative transactions, principally interest rate swaps, Treasury rate locks, options and currency forwards and swaps. These instruments and other derivatives are entered into only for hedging existing underlying exposures. We do not hold or issue derivative financial instruments for speculative purposes.

Interest Rate Exposure — Our reported interest expense is affected by changes in interest rates, primarily LIBOR, as a result of the issuance of floating rate debt instruments. We generally manage the amount of floating rate debt exposure based on the relationship between lease revenues and interest rates. Based on our floating rate debt instruments at December 31, 2018, and giving effect to related derivatives, a hypothetical increase in market interest rates of 100 basis points would cause an increase in after-tax interest expense of \$8.1 million in 2019. Comparatively, at December 31, 2017, a hypothetical 100 basis point increase in interest rates would have resulted in a \$7.3 million increase in after-tax interest expense in 2018. Our earnings are also exposed to interest rate changes from affiliates' earnings. Certain affiliates issue floating rate debt instruments to finance their investments.

Foreign Currency Exchange Rate Exposure — Certain of our foreign subsidiaries conduct business in currencies other than the U.S. dollar, principally those operating in Austria, Canada, Germany, and Poland. As a result, we are exposed to foreign currency risk attributable to changes in the exchange value of the U.S. dollar in terms of the euro, Canadian dollar, and Polish zloty. Based on 2018 local currency earnings and considering non-functional currency assets and liabilities recorded as of December 31, 2018, and giving effect to related derivatives, a uniform and hypothetical 10% strengthening in the U.S. dollar versus applicable foreign currencies would decrease after-tax income in 2019 by \$3.9 million. Comparatively, based on 2017 local currency earnings and considering non-functional currency assets and liabilities recorded as of December 31, 2017, a uniform and hypothetical 10% strengthening in the U.S. dollar versus applicable foreign currencies would have decreased after-tax income in 2018 by \$4.2 million.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm on Financial Statements

To the Shareholders and the Board of Directors of GATX Corporation

Opinion on the Financial Statements

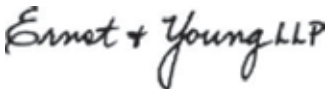
We have audited the accompanying consolidated balance sheets of GATX Corporation and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the 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 regarding the amounts and disclosures in the 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

We have served as the Company's auditor since 1916.
Chicago, Illinois
February 25, 2019

GATX CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	December 31	
	2018	2017
Assets		
Cash and Cash Equivalents	\$ 100.2	\$ 296.5
Restricted Cash	6.5	3.2
Receivables		
Rent and other receivables	87.0	83.4
Finance leases	126.4	136.1
Less: allowance for losses	(6.4)	(6.4)
	207.0	213.1
Operating Assets and Facilities	9,565.2	9,045.4
Less: allowance for depreciation	(3,015.7)	(2,853.3)
	6,549.5	6,192.1
Investments in Affiliated Companies	464.5	441.0
Goodwill	82.9	85.6
Other Assets	206.1	190.9
Total Assets	\$ 7,616.7	\$ 7,422.4
Liabilities and Shareholders' Equity		
Accounts Payable and Accrued Expenses	\$ 177.5	\$ 154.3
Debt		
Commercial paper and borrowings under bank credit facilities	110.8	4.3
Recourse	4,429.7	4,371.7
Capital lease obligations	11.3	12.5
	4,551.8	4,388.5
Deferred Income Taxes	877.8	853.7
Other Liabilities	221.5	233.2
Total Liabilities	5,828.6	5,629.7
Shareholders' Equity		
Common stock, \$0.625 par value:		
Authorized shares — 120,000,000		
Issued shares — 67,329,081 and 67,083,149		
Outstanding shares — 36,612,227 and 37,895,641	41.6	41.6
Additional paid in capital	706.4	698.0
Retained earnings	2,419.2	2,261.7
Accumulated other comprehensive loss	(164.6)	(109.6)
Treasury stock at cost (30,716,854 and 29,187,508 shares)	(1,214.5)	(1,099.0)
Total Shareholders' Equity	1,788.1	1,792.7
Total Liabilities and Shareholders' Equity	\$ 7,616.7	\$ 7,422.4

See accompanying notes to consolidated financial statements.

GATX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions, except per share data)

	Year Ended December 31		
	2018	2017	2016
Revenues			
Lease revenue	\$ 1,087.8	\$ 1,098.1	\$ 1,127.1
Marine operating revenue	196.0	193.4	199.3
Other revenue	77.1	85.4	91.9
Total Revenues	1,360.9	1,376.9	1,418.3
Expenses			
Maintenance expense	321.8	328.3	332.3
Marine operating expense	130.9	131.0	129.5
Depreciation expense	321.9	307.3	297.2
Operating lease expense	49.6	62.5	73.5
Other operating expense	33.1	34.4	43.8
Selling, general and administrative expense	191.1	180.0	169.0
Total Expenses	1,048.4	1,043.5	1,045.3
Other Income (Expense)			
Net gain on asset dispositions	72.8	54.1	98.0
Interest expense, net	(168.6)	(160.5)	(148.1)
Other expense	(21.6)	(12.6)	(17.5)
Income before Income Taxes and Share of Affiliates' Earnings	195.1	214.4	305.4
Income taxes	(34.1)	243.7	(95.7)
Share of affiliates' earnings, net of taxes	50.3	43.9	47.4
Net Income	\$ 211.3	\$ 502.0	\$ 257.1
Other Comprehensive Income, Net of Taxes			
Foreign currency translation adjustments	(47.5)	93.2	(26.0)
Unrealized gain on securities	—	—	0.3
Unrealized gain on derivative instruments	4.5	4.8	0.6
Post-retirement benefit plans	7.4	3.5	12.8
Other comprehensive (loss) income	(35.6)	101.5	(12.3)
Comprehensive Income	\$ 175.7	\$ 603.5	\$ 244.8
Share Data			
Basic earnings per share	\$ 5.62	\$ 12.95	\$ 6.35
Average number of common shares	37.6	38.8	40.5
Diluted earnings per share	\$ 5.52	\$ 12.75	\$ 6.29
Average number of common shares and common share equivalents	38.3	39.4	40.9
Dividends declared per common share	\$ 1.76	\$ 1.68	\$ 1.60

See accompanying notes to consolidated financial statements.

GATX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31		
	2018	2017	2016
Operating Activities			
Net income	\$ 211.3	\$ 502.0	\$ 257.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	338.2	322.7	310.2
Change in accrued operating lease expense	(4.0)	(13.9)	3.0
Net gains on sales of assets	(79.4)	(52.5)	(52.9)
Asset impairments	9.0	8.6	38.5
Employee benefit plans	4.6	3.3	7.1
Share-based compensation	16.4	9.9	15.8
Deferred income taxes	19.2	(260.5)	72.8
Share of affiliates' earnings, net of dividends	(15.2)	(13.7)	(12.2)
Other	8.4	(9.1)	(10.0)
Net cash provided by operating activities	508.5	496.8	629.4
Investing Activities			
Additions to operating assets and facilities	(929.3)	(566.8)	(595.7)
Investments in affiliates	(14.1)	(36.6)	(25.0)
Portfolio investments and capital additions	(943.4)	(603.4)	(620.7)
Purchases of leased-in assets	(66.6)	(111.8)	(117.1)
Portfolio proceeds	234.4	165.6	223.7
Proceeds from sales of other assets	37.3	30.3	23.0
Proceeds from sale-leasebacks	59.1	90.6	82.5
Other	3.1	0.4	2.3
Net cash used in investing activities	(676.1)	(428.3)	(406.3)
Financing Activities			
Net proceeds from issuances of debt (original maturities longer than 90 days)	693.7	792.6	859.4
Repayments of debt (original maturities longer than 90 days)	(632.8)	(703.0)	(800.0)
Net increase (decrease) in debt with original maturities of 90 days or less	106.5	(0.3)	(3.6)
Payments on capital lease obligations	(1.2)	(2.4)	(3.6)
Stock repurchases	(115.5)	(100.0)	(120.1)
Dividends	(69.3)	(68.2)	(67.4)
Other	(2.8)	(2.6)	4.8
Net cash used in financing activities	(21.4)	(83.9)	(130.5)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(4.0)	4.0	(1.2)
Net (decrease) increase in Cash, Cash Equivalents, and Restricted Cash during the year	(193.0)	(11.4)	91.4
Cash, Cash Equivalents, and Restricted Cash at beginning of year	299.7	311.1	219.7
Cash, Cash Equivalents, and Restricted Cash at end of year	\$ 106.7	\$ 299.7	\$ 311.1

See accompanying notes to consolidated financial statements.

GATX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In millions)

	2018 Shares	2018 Dollars	2017 Shares	2017 Dollars	2016 Shares	2016 Dollars
Common Stock						
Balance at beginning of year	67.1	\$ 41.6	67.0	\$ 41.5	66.8	\$ 41.5
Issuance of common stock	0.2	—	0.1	0.1	0.2	—
Balance at end of year	<u>67.3</u>	<u>41.6</u>	<u>67.1</u>	<u>41.6</u>	<u>67.0</u>	<u>41.5</u>
Treasury Stock						
Balance at beginning of year	(29.2)	(1,099.0)	(27.5)	(999.0)	(24.8)	(878.9)
Stock repurchases	(1.5)	(115.5)	(1.7)	(100.0)	(2.7)	(120.1)
Balance at end of year	<u>(30.7)</u>	<u>(1,214.5)</u>	<u>(29.2)</u>	<u>(1,099.0)</u>	<u>(27.5)</u>	<u>(999.0)</u>
Additional Paid In Capital						
Balance at beginning of year		698.0		687.8		677.4
Share-based compensation effects		8.4		10.0		10.4
Cumulative impact of accounting standard adoption		—		0.2		—
Balance at end of year		<u>706.4</u>		<u>698.0</u>		<u>687.8</u>
Retained Earnings						
Balance at beginning of year		2,261.7		1,828.0		1,639.0
Net income		211.3		502.0		257.1
Dividends declared		(69.0)		(68.2)		(68.1)
Cumulative impact of accounting standard adoption		15.2		(0.1)		—
Balance at end of year		<u>2,419.2</u>		<u>2,261.7</u>		<u>1,828.0</u>
Accumulated Other Comprehensive Loss						
Balance at beginning of year		(109.6)		(211.1)		(198.8)
Other comprehensive (loss) income		(35.6)		101.5		(12.3)
Cumulative impact of accounting standard adoption		(19.4)		—		—
Balance at end of year		<u>(164.6)</u>		<u>(109.6)</u>		<u>(211.1)</u>
Total Shareholders' Equity		<u>\$ 1,788.1</u>		<u>\$ 1,792.7</u>		<u>\$ 1,347.2</u>

See accompanying notes to consolidated financial statements.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Description of Business

As used herein, “GATX,” “we,” “us,” “our,” and similar terms refer to GATX Corporation and its subsidiaries, unless indicated otherwise.

We lease, operate, manage, and remarket long-lived, widely-used assets, primarily in the rail market. We report our financial results through four primary business segments: Rail North America, Rail International, Portfolio Management, and American Steamship Company (“ASC”).

NOTE 2. Accounting Changes

New Accounting Pronouncements Adopted

Standard/Description	Effective Date and Adoption Considerations	Effect on Financial Statements or Other Significant Matters
<p><u>Revenue from Contracts with Customers</u></p> <p>In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, <i>Revenue from Contracts with Customers (Topic 606)</i>, which supersedes most current revenue recognition guidance, including industry-specific guidance. Subsequently, the FASB has issued updates which provide additional implementation guidance. The new guidance requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services.</p>	<p>We adopted this guidance in the first quarter of 2018 applying the modified retrospective approach.</p>	<p>We have completed our review of all revenue sources in scope for the new standard, and marine operating revenue is our largest component. In accordance with the new standard, the basis for determining revenue and expenses allocable to in-process shipments has been modified; however, the impact does not have a material impact on our financial statements. The net cumulative effect adjustment for this change was immaterial to retained earnings as of January 1, 2018.</p>
<p><u>Financial Instruments</u></p> <p>In January 2016, the FASB issued ASU 2016-01, <i>Financial Instruments - Overall (Topic 825): Recognition and Measurement of Financial Assets and Financial Liabilities</i>, which modifies the accounting and reporting requirements for certain equity securities and financial liabilities.</p>	<p>We adopted the new guidance in the first quarter of 2018.</p>	<p>The application of this new guidance did not impact our financial statements or related disclosures.</p>
<p><u>Income Taxes</u></p> <p>In October 2016, the FASB issued ASU 2016-16, <i>Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory</i>, which modifies how an entity will recognize the income tax consequences of an intra-entity transfer of an asset when the transfer occurs.</p>	<p>We adopted the new guidance in the first quarter of 2018, applying the modified retrospective method.</p>	<p>The application of this new guidance had an immaterial impact on our financial statements and related disclosures, including the net cumulative effect adjustment recorded in retained earnings as of January 1, 2018.</p>
<p><u>Compensation</u></p> <p>In March 2017, the FASB issued ASU 2017-07, <i>Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost</i>, which modifies how an entity must present service costs and other components of net benefit cost.</p>	<p>We adopted the new guidance in the first quarter of 2018, applying the retrospective method. The optional practical expedient was elected.</p>	<p>Application of the new guidance had an immaterial impact on the presentation of our financial statements as certain components of our net periodic pension and other post-retirement benefits costs were reclassified to an alternative income statement line.</p>

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

New Accounting Pronouncements Adopted (Continued)

Standard/Description	Effective Date and Adoption Considerations	Effect on Financial Statements or Other Significant Matters
<p><u>Deferred Income Tax</u></p> <p>In December 2017, the FASB issued ASU 2017-15, <i>Codification Improvements to Topic 995, U.S. Steamship Entities</i>, which supersedes obsolete guidance in Topic 995 on unrecognized deferred taxes related to certain statutory reserve deposits. If an entity has unrecognized deferred income taxes related to statutory deposits made on or before December 15, 1992, the entity would be required to recognize the unrecognized income taxes in accordance with Topic 740.</p>	<p>We elected to early adopt this new guidance in the first quarter of 2018, applying the modified retrospective method.</p>	<p>The application of this new guidance had an immaterial impact on our financial statements and related disclosures, including the net cumulative effect adjustment recorded in retained earnings as of January 1, 2018.</p>
<p><u>Accumulated Other Comprehensive Income</u></p> <p>In February 2018, the FASB issued ASU 2018-02, <i>Income Statement Reporting - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income</i>, which permits reclassification of certain stranded tax effects from the Tax Cuts and Jobs Act from Accumulated Other Comprehensive Income to Retained Earnings. The amount of the reclassification is calculated on the basis of the difference between the historical and newly enacted tax rates recorded for the applicable AOCI components.</p>	<p>We adopted the new guidance in the first quarter of 2018.</p>	<p>The application of this new guidance resulted in the reclassification of stranded tax effects resulting from the newly enacted Tax Act of \$19.4 million from Accumulated Other Comprehensive Income to Retained Earnings.</p>

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

New Accounting Pronouncements Not Yet Adopted

Standard/Description	Effective Date and Adoption Considerations	Effect on Financial Statements or Other Significant Matters
<p><u>Leases</u></p> <p>In February 2016, the FASB issued ASU 2016-02, <i>Leases (Topic 842)</i>, which supersedes most current lease guidance. The FASB subsequently issued ASU 2018-10, ASU 2018-11, and ASU 2018-20, <i>Lease (Topic 842)</i>, for codification and targeted improvements to the standard. The new guidance requires companies to recognize most leases on the balance sheet and modifies accounting, presentation, and disclosure for both lessors and lessees.</p>	<p>The new guidance is effective for us in the first quarter of 2019 with early adoption permitted.</p> <p>We will adopt this guidance on January 1, 2019, using a modified retrospective transition method with a cumulative effect adjustment upon adoption. Comparative periods will not be restated.</p> <p>We will elect the package of practical expedients related to whether a contract is or contains a lease, lease classification and initial direct costs. We will also elect the practical expedient that allows lessors to not separate non-lease components from the associated lease components.</p>	<p>The adoption of this new standard will require us to recognize right of use assets and lease liabilities on our balance sheet attributable to operating leases for railcars, offices, and certain equipment. We estimate this will result in the recognition of right of use assets and lease liabilities of approximately \$470 million and \$480 million, respectively, as of January 1, 2019.</p> <p>The adoption of this new standard also requires us to eliminate deferred gains associated with our railcar sale-leaseback financing arrangements, and we will record a one-time increase to equity of approximately \$40 million. Elimination of these deferred gains will increase reported operating lease expense going forward. In 2019, we expect this impact to be approximately \$4.0 million.</p> <p>We do not expect the adoption of this standard to have an impact on our cash flows.</p>

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

New Accounting Pronouncements Not Yet Adopted (Continued)

Standard/Description	Effective Date and Adoption Considerations	Effect on Financial Statements or Other Significant Matters
<p><u><i>Credit Losses</i></u></p> <p>In June 2016, the FASB issued ASU 2016-13, <i>Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i>, which modifies how entities will measure credit losses.</p>	<p>The new guidance is effective for us in the first quarter of 2020, with early adoption permitted.</p>	<p>We are evaluating the effect the new guidance will have on our financial statements and related disclosures.</p>
<p><u><i>Derivatives and Hedging</i></u></p> <p>In August 2017, the FASB issued ASU 2017-12, <i>Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities</i>, which expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness.</p>	<p>The update to the standard is effective for us beginning in the first quarter of 2019, with early adoption permitted in any interim period.</p> <p>We plan to adopt this standard January 1, 2019.</p>	<p>We do not expect the new guidance to have a significant impact on our financial statements or related disclosures.</p>
<p><u><i>Compensation</i></u></p> <p>In June 2018, the FASB issued ASU 2018-07, <i>Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting</i>, which modifies the accounting for nonemployee share-based payments.</p>	<p>The new guidance is effective for us in the first quarter of 2019, with early adoption permitted in any interim period.</p> <p>We plan to adopt this standard January 1, 2019.</p>	<p>We do not expect the new guidance to have a significant impact on our financial statements or related disclosures.</p>

NOTE 3. Significant Accounting Policies

Basis of Presentation

We prepared the accompanying consolidated financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”). Certain prior year amounts have been reclassified to conform to the 2018 presentation.

Consolidation

Our consolidated financial statements include our assets, liabilities, revenues, and expenses, as well as the assets, liabilities, revenues, and expenses of subsidiaries in which we had a controlling financial interest. We have eliminated intercompany transactions and balances.

Use of Estimates

Preparing financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts we report. We regularly evaluate our estimates and judgments based on historical experience and other relevant facts and circumstances. Actual amounts could differ from our estimates.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Lease Classification

We determine the classification of a lease at its inception. If the provisions of the lease subsequently change, other than by renewal or extension, we evaluate whether that change would have resulted in a different lease classification had the change been in effect at inception. If so, the revised agreement is considered a new lease for lease classification purposes. See “Note 5. Leases.”

In 2019, we will adopt ASU 2016-02, *Leases (Topic 842)* which slightly modifies the criteria for lease classification. We do not anticipate any significant changes to our lease classification after adoption. See “Note 2. Accounting Changes.”

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods and services.

We disaggregate revenue into three categories as presented on our income statement:

Lease Revenue

Lease revenue, which includes operating lease revenue and financial lease revenue, is our primary source of revenue which continues to be within the scope of existing lease guidance. Therefore, the adoption of Topic 606 had no impact on our recognition or presentation of lease revenue.

Operating Lease Revenue

We lease railcars and other operating assets under full-service and net operating leases. We price full-service leases as an integrated service that includes amounts related to executory costs, such as maintenance, insurance, and ad valorem taxes. We do not offer stand-alone maintenance service contracts and are unable to separate executory costs from full-service lease revenue. Operating lease revenue, including amounts related to executory costs, is recognized on a straight-line basis over the term of the underlying lease. As a result, we may not recognize lease revenue in the same period as maintenance and other executory costs, which we expense as incurred. Contingent rents are recognized when the contingency is resolved. Revenue is not recognized if collectability is not reasonably assured. See “Note 5. Leases.”

Finance Lease Revenue

In certain cases, we lease railcars and other operating assets that, at lease inception, are classified as finance leases. We recognize unearned income as lease revenue using the interest method, which produces a constant yield over the lease term. Initial unearned income is the amount that the original lease payment receivable and the estimated residual value of the leased asset exceeds the original cost or carrying value of the leased asset.

We regularly review the finance lease portfolio and classify finance leases as non-performing if it is probable that we will be unable to collect all amounts due under the lease. We generally stop accruing income on non-performing finance leases until all contractual payments are current. We apply payments received for non-performing finance leases to the lease payment receivable. See “Note 5. Leases.”

Marine Operating Revenue

We generate marine operating revenue through shipping services completed by our marine vessels. Upon adoption of Topic 606, marine operating revenue is recognized over time as the performance obligation is satisfied, beginning when cargo is loaded through its delivery and discharge. Revenue is recognized pro rata over the projected duration of each voyage.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Revenue

Other revenue comprises customer liability repair revenue, fee income, interest on loans, and other miscellaneous revenues. Select components of other revenue are within the scope of Topic 606 but based on our assessment, we determined that our current revenue elements and timing for purposes of income recognition are consistent with applicable provisions in the new standard. The remaining items are considered lease components that continue to be within the scope of existing lease guidance.

Cash and Cash Equivalents

We classify all highly liquid investments with a maturity of three months or less as cash equivalents.

Restricted Cash

Restricted cash is cash and cash equivalents that are restricted as to withdrawal and use. Our restricted cash primarily relates to contractually required cash balances for one wholly owned special purpose limited liability company and required cash balances pursuant to terms of a bank guarantee.

Finance Lease Receivables

We record a gross lease payment receivable and an estimated residual value, net of unearned income, for our finance leases. For sales-type leases, we may also recognize a gain or loss in the period the lease is recorded. Gross lease payment receivables are the rents we expect to receive through the end of the lease term for a leased asset. Estimated residual values are our estimates of value of an asset at the end of a finance lease term. We review our estimates of residual values annually or whenever circumstances indicate that residual values may have declined. Other-than-temporary declines in value are recognized as impairments.

Allowance for Losses

The allowance for losses is our estimate of credit losses associated with receivables balances. Receivables include rent and other receivables, loans, and finance lease receivables.

Our loss reserves for rent and other receivables are based on historical loss experience and judgments about the impact of economic conditions, the state of the markets we operate in, and collateral values, if applicable. In addition, we may establish specific reserves for known troubled accounts. We evaluate reserve estimates for loans and finance lease receivables on a customer-specific basis, considering each customer's particular credit situation. We also consider the factors we use to evaluate rent and other receivables, which are outlined above.

We charge amounts against the allowance when we deem them uncollectable. We made no material changes in our estimation methods or assumptions for the allowance during 2018. We believe that the allowance is adequate to cover losses inherent in our receivables balances as of December 31, 2018. Since the allowance is based on judgments and estimates, it is possible that actual losses incurred will differ from the estimate. See "Note 17. Allowance for Losses."

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Operating Assets and Facilities

We record operating assets, facilities, and capitalized improvements at cost. We also include assets classified as capital leases in operating assets, and we record the related obligations as liabilities. We depreciate operating assets and facilities over their estimated useful lives or lease terms to estimated residual values using the straight-line method. We depreciate leasehold improvements over the shorter of their useful lives or the lease term. Our estimated depreciable lives of operating assets and facilities are as follows:

Railcars	20–45 years
Locomotives	10–20 years
Buildings	40–50 years
Leasehold improvements	5–15 years
Marine vessels	30–65 years
Other equipment	5–30 years

We review our operating assets and facilities for impairment annually, or if circumstances indicate that the carrying amount of those assets may not be recoverable. We evaluate the recoverability of assets to be held and used by comparing the carrying amount of the asset to the undiscounted future net cash flows we expect the asset to generate. If we determine an asset is impaired, we recognize an impairment loss equal to the amount the carrying amount exceeds the asset’s fair value. We classify assets we plan to sell or otherwise dispose of as held for sale, provided they meet specified accounting criteria, and we record those assets at the lower of their carrying amount or fair value less costs to sell. See “Note 9. Asset Impairments and Assets Held for Sale” for further information about asset impairment losses and assets held for sale.

Investments in Affiliates

We use the equity method to account for investments in joint ventures and other unconsolidated entities if we have the ability to exercise significant influence over the financial and operating policies of those investees. Under the equity method, we record our initial investments in these entities at cost and subsequently adjust the investment for our share of the affiliates’ earnings (losses), and distributions. We include loans to and from affiliates as part of our investment in the affiliate and include interest on any such loans in our share of the affiliates’ earnings. We review the carrying amount of our investments in affiliates annually, or whenever circumstances indicate that the value of these investments may have declined. If we determine an investment is impaired on an other-than-temporary basis, we record a loss equal to the difference between the fair value of the investment and its carrying amount. See “Note 6. Investments in Affiliated Companies.”

Variable Interest Entities

We evaluate whether an entity is a variable interest entity based on the sufficiency of the entity’s equity and by determining whether the equity holders have the characteristics of a controlling financial interest. To determine if we are the primary beneficiary of a variable interest entity, we assess whether we have the power to direct the activities that most significantly impact the economic performance of the entity as well as the obligation to absorb losses or the right to receive benefits that may be significant to the entity. These determinations are both qualitative and quantitative, and they require us to make judgments and assumptions about the entity’s forecasted financial performance and the volatility inherent in those forecasted results. We evaluate new investments for variable interest entity determination and regularly review all existing entities for events that may result in an entity becoming a variable interest entity or us becoming the primary beneficiary of an existing variable interest entity.

Goodwill

We recognize goodwill when the consideration paid to acquire a business exceeds the fair value of the net assets acquired. We assign goodwill to the same reporting unit as the net assets of the acquired business and we assess our goodwill for impairment on an annual basis in the fourth quarter, or if impairment indicators are present. If the carrying amount of the applicable reporting unit exceeds its fair value, we compare the implied fair value of the reporting unit’s goodwill with the carrying amount of goodwill. We record an impairment loss if the carrying amount of goodwill exceeds its implied fair value. The fair values of our reporting units are determined using discounted cash flow models. See “Note 16. Goodwill.”

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Inventory

Our inventory consists of railcar and locomotive repair components and marine vessel spare parts. All inventory balances are stated at lower of cost or market. Railcar repair components are valued using the average cost method. Vessel spare parts inventory is valued using the first-in, first-out method. Inventory is included in other assets on the balance sheet.

Income Taxes

We calculate provisions for federal, state, and foreign income taxes on our reported income before income taxes. We base our calculations of deferred tax assets and liabilities on the differences between the financial statement and tax bases of assets and liabilities, using enacted rates in effect for the year we expect the differences will reverse. We reflect the cumulative effect of changes in tax rates from those we previously used to determine deferred tax assets and liabilities in the provision for income taxes in the period the change is enacted. During 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted, which made broad and complex changes to the U.S. tax laws. As a result, we recorded a one-time net tax benefit of \$315.9 million, which represented our provisional estimate of the impact of the Tax Act. Additional guidance was issued by the Internal Revenue Service, the U.S. Department of the Treasury, and state taxing authorities during 2018 and, as a result, we recorded an adjustment to our provisional estimates. Specifically, in the fourth quarter of 2018, we recorded an additional net tax benefit of \$16.5 million based on this clarifying guidance, the filing of our 2017 income tax returns, and the final determination of our foreign undistributed earnings and associated tax attributes. We do not expect to record any further material adjustments associated with the Tax Act. Provisions for income taxes in any given period can differ from those currently payable or receivable because certain items of income and expense are recognized in different periods for financial reporting purposes than for income tax purposes. We may deduct expenses or defer income attributable to uncertain tax positions for tax purposes, and include those items in our liability for uncertain tax positions in other liabilities on the balance sheet. See “Note 12. Income Taxes.”

Fair Value Measurements

Fair value is the price that a market participant would receive to sell an asset or pay to transfer a liability in an orderly transaction at the measurement date. We classify fair value measurements according to the three-level hierarchy defined by GAAP, and those classifications are based on our judgment about the reliability of the inputs we use in the fair value measurement. Level 1 inputs are quoted prices available in active markets for identical assets or liabilities. Level 2 inputs are observable, either directly or indirectly, and may include quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. For assets or liabilities with a specified contractual term, Level 2 inputs must be observable for substantially the full term of that asset or liability. Level 3 inputs are unobservable, meaning they are supported by little or no market activity. Fair value measurements classified as Level 3 typically rely on pricing models and discounted cash flow methodologies, both of which require significant judgment. See “Note 8. Fair Value Disclosure.”

Derivatives

We use derivatives, such as interest rate swap agreements, Treasury rate locks, options, cross currency swaps, and currency forwards, to hedge our exposure to interest rate and foreign currency exchange rate risk on existing and anticipated transactions. We formally designate derivatives that meet specific accounting criteria as qualifying hedges at inception. These criteria require us to have the expectation that the derivative will be highly effective at offsetting changes in the fair value or expected cash flows of the hedged exposure, both at the inception of the hedging relationship and on an ongoing basis.

We recognize all derivative instruments at fair value and classify them on the balance sheet as either other assets or other liabilities. We generally base the classification of derivative activity in the statements of comprehensive income and cash flows on the nature of the hedged item. For derivatives we designate as fair value hedges, we recognize changes in the fair value of both the derivative and the hedged item in earnings. For derivatives we designate as cash flow hedges, we record the effective portion of the change in the fair value of the derivative as part of other comprehensive income (loss), and we recognize those changes in earnings in the period the hedged transaction affects earnings. We recognize any ineffective portion of the change in the fair value of the derivative immediately in earnings. Although we do not hold or issue derivative financial instruments for purposes other than hedging, we may not designate certain derivatives as accounting hedges. We recognize changes in the fair value of these derivatives in earnings immediately. We classify gains and losses on derivatives that are not designated as hedges as other expenses, and we include the related cash flows in cash flows from operating activities. See “Note 8. Fair Value Disclosure.”

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign Currency

We translate the assets and liabilities of our operations that have non-US dollar functional currencies at exchange rates in effect at year-end. Revenue, expenses, and cash flows are translated monthly using average exchange rates. We defer gains and losses resulting from foreign currency translation and record those gains and losses as a separate component of accumulated other comprehensive income (loss). Gains and losses resulting from foreign currency transactions and from the remeasurement of non-functional currency assets and liabilities are recognized net of related hedges in other expense during the periods in which they occur. Net gains (losses) recognized were \$(3.4) million, \$6.0 million and \$(3.8) million for 2018, 2017, and 2016.

Environmental Liabilities

We record accruals for environmental remediation costs at sites relating to past or discontinued operations when they are probable and when we can reasonably estimate the expected costs. We record adjustments to initial estimates as necessary. Since these accruals are based on estimates, actual environmental remediation costs may differ. We expense or capitalize environmental remediation costs related to current or future operations as appropriate. See “Note 22. Legal Proceedings and Other Contingencies.”

Defined Benefit Pension and Other Post-Retirement Plans

Our balance sheet reflects the funded status of our pension and post-retirement plans, which is the difference between the fair value of the plan assets and the projected benefit obligation. We recognize the aggregate overfunding of any plans in other assets, the aggregate underfunding of any plans in other liabilities, and the corresponding adjustments for unrecognized actuarial gains (losses) and prior service cost (credits) in accumulated other comprehensive income (loss). We record the service cost component of net periodic cost in selling, general, and administrative expense and the other components of net periodic cost in other expense. See “Note 10. Pension and Other Post-Retirement Benefits.”

Maintenance and Repair Costs

We expense maintenance and repair costs as incurred. We capitalize certain costs incurred in connection with planned major maintenance activities if those activities improve the asset or extend its useful life. We depreciate those capitalized costs over the estimated useful life of the improvement. We capitalize required regulatory survey costs for vessels and amortize those costs over the applicable survey period, which is generally five years.

Operating Lease Expense

We classify leases of certain railcars and other assets and facilities, such as maintenance facilities and equipment, as operating leases. We record the lease expense associated with these leases on a straight-line basis. We defer gains and transaction costs associated with sale-leasebacks of certain railcars and amortize those gains and costs as a component of operating lease expense over the related leaseback term. Upon adoption of the new lease standard, deferred gains will be eliminated and we will record a one-time increase to equity of approximately \$40 million, net of income taxes. The elimination of deferred gains will increase reported operating lease expense in future years over the remaining terms of the sale-leasebacks, including approximately \$4.0 million in 2019. See “Note 2. Accounting Changes.” We also classify our leases of office facilities and related administrative assets as operating leases, and we record the associated expense in selling, general and administrative expense. See “Note 5. Leases.”

ASC Expense Seasonality

ASC’s sailing season runs from April 1 to December 31 of each year. We defer certain expenses incurred prior to the beginning of the sailing season, such as winter maintenance, insurance, operating lease expense, and depreciation and amortize them ratably over the sailing season.

Share-Based Compensation

We base our measurement of share-based compensation expense on the grant date fair value of an award, and we recognize the expense over the requisite service period. Forfeitures are recorded when they occur. See “Note 11. Share-Based Compensation.”

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net Gain on Asset Dispositions

Net gain on dispositions includes gains and losses on sales of operating assets and residual sharing income, which we also refer to as asset remarketing income; non-remarketing disposition gains, primarily from scrapping of railcars; and asset impairment losses. We recognize disposition gains, including non-remarketing gains, upon completion of the sale or scrapping of operating assets. Residual sharing income includes fees we receive from the sale of managed assets and assets subject to residual value guarantees, and we recognize these fees upon completion of the underlying transactions.

The following table presents the net gain on asset dispositions for the years ending December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net disposition gains	\$ 64.8	\$ 44.1	\$ 49.7
Residual sharing income	2.5	10.2	83.6
Non-remarketing net disposition gains	14.5	8.4	3.2
Asset impairment losses (1)	<u>(9.0)</u>	<u>(8.6)</u>	<u>(38.5)</u>
Net Gain on Asset Dispositions	<u>\$ 72.8</u>	<u>\$ 54.1</u>	<u>\$ 98.0</u>

(1) See “Note 9. Asset Impairments and Assets Held for Sale” for further information about asset impairment losses.

Interest Expense, net

Interest expense is the interest we accrue on indebtedness and the amortization of debt issuance costs and debt discounts and premiums. We defer debt issuance costs and debt discounts and premiums and amortize them over the term of the related debt. We report interest expense net of interest income on bank deposits. Interest income on bank deposits was \$5.7 million in 2018, \$3.1 million in 2017, and \$1.9 million in 2016.

Other Income (Expense)

We include fair value adjustments on certain financial instruments, gains and/or losses on foreign currency transactions and remeasurements, legal defense costs and litigation settlements, along with other miscellaneous income and expense items in other income (expense).

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. Supplemental Cash Flow Information and Noncash Investing Transactions

	2018	2017	2016
Supplemental Cash Flow Information (in millions)			
Interest paid (1)	\$ 164.0	\$ 154.6	\$ 145.4
Income taxes paid, net	\$ 18.1	\$ 21.5	\$ 28.6
	2018	2017	2016
Noncash Investing Transactions (in millions)			
Purchase of leased-in assets (2)	\$ —	\$ 11.6	\$ —

- (1) Interest paid consisted of interest on debt obligations, interest rate swaps (net of interest received), and capital leases. The interest expense we capitalized as part of the cost of construction of major assets was immaterial for all periods presented.
- (2) In 2017, we acquired 1,224 railcars that were previously on operating lease for a cash payment of \$20.7 million and assumed a debt obligation in the amount of \$11.6 million.

NOTE 5. Leases

GATX as Lessor

The following table shows the components of our direct finance leases as of December 31 (in millions):

	2018	2017
Total contractual lease payments receivable	\$ 119.5	\$ 140.3
Estimated unguaranteed residual value of leased assets	57.5	58.3
Unearned income	(50.6)	(62.5)
Finance leases	\$ 126.4	\$ 136.1

Usage rents

We earn lease revenue for certain operating leases, primarily boxcars, based on equipment usage. Lease revenue from such usage rents was \$65.4 million in 2018, \$64.5 million in 2017, and \$74.5 million in 2016. The decrease in 2017 compared to 2016 was driven by the redeployment of certain boxcars from utilization leases to fixed term leases.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Future receipts

The following table shows our future contractual receipts from finance leases and noncancelable operating leases as of December 31, 2018 (in millions):

	Finance Leases	Operating Leases (1)	Total
2019	\$ 20.9	\$ 935.1	\$ 956.0
2020	28.9	732.1	761.0
2021	15.0	548.1	563.1
2022	25.4	383.1	408.5
2023	7.3	277.5	284.8
Years thereafter	22.0	366.4	388.4
	<u>\$ 119.5</u>	<u>\$ 3,242.3</u>	<u>\$ 3,361.8</u>

(1) The future contractual receipts due under our full-service operating leases include executory costs such as maintenance, car taxes, and insurance.

GATX as Lessee

Capital Lease Assets

The following table shows assets we financed with capital lease obligations as of December 31 (in millions):

	2018	2017
Railcars	\$ 19.3	\$ 19.3
Less: allowance for depreciation	(2.4)	(1.6)
	<u>\$ 16.9</u>	<u>\$ 17.7</u>

Operating Leases

We lease assets that are utilized in our revenue generating operations. At December 31, 2018, we leased approximately 8,400 railcars at Rail North America. During 2017, ASC returned two vessels that were previously on operating leases. In addition, we lease office facilities and other general purpose equipment. Total operating lease expense, which includes amounts recorded in selling, general and administrative expense, was \$65.9 million in 2018, \$67.4 million in 2017, and \$77.6 million in 2016.

Lease Obligations

For some leases, we have the option to renew the leases or purchase the underlying assets at the end of the lease term. The specific terms of the renewal and purchase options vary, and we did not include these amounts in our future contractual rental payments. Additionally, the contractual rental payments do not include amounts we are required to pay for licenses, taxes, insurance, and maintenance.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows our future contractual rental payments due under noncancelable leases as of December 31, 2018 (in millions):

	Capital Leases	Operating Leases
2019	\$ 11.6	\$ 68.2
2020	—	68.8
2021	—	65.4
2022	—	56.9
2023	—	54.3
Years thereafter	—	265.7
	<u>\$ 11.6</u>	<u>\$ 579.3</u>
Less: amounts representing interest	<u>(0.3)</u>	
Present value of future contractual capital lease payments	<u>\$ 11.3</u>	

NOTE 6. Investments in Affiliated Companies

Investments in affiliated companies represent investments in and loans to domestic and foreign affiliates, and primarily include entities that lease aircraft spare engines and railcars. The loan amount included in investments in affiliated companies was zero and \$6.5 million at December 31, 2018 and 2017.

During 2017, we recorded an impairment loss of \$3.0 million to reflect a decline in the value of the railcars remaining in the Adler Funding LLC fleet. As of December 31, 2018, all railcar assets have been sold, and the partnership is in the process of winding down remaining activities.

In 2015, as a result of our decision to exit the majority of our marine investments within our Portfolio Management segment, we sold our 50% interest in the Cardinal Marine joint venture. In 2016 and 2017, we recognized gains of \$1.0 million and \$1.1 million resulting from additional proceeds received related to the sale.

The following table presents our investments in affiliated companies and our ownership percentage in those companies by segment as of December 31, 2018 (in millions):

	Segment	Investment	Percentage Ownership
Rolls-Royce & Partners Finance (1)	Portfolio Management	\$ 464.3	50.0%
Adler Funding LLC	Rail North America	0.2	12.5%
Investments in Affiliated Companies		<u>\$ 464.5</u>	

(1) Combined investment balances of seventeen separate joint ventures (collectively, the “RRPF affiliates”).

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows our share of affiliates' income by segment for the years ending December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Rail North America (1)	\$ 0.6	\$ (2.4)	\$ 0.5
Rail International	—	(0.1)	(0.2)
Portfolio Management	<u>60.5</u>	<u>58.4</u>	<u>52.8</u>
Share of affiliates' pre-tax income	61.1	55.9	53.1
Income taxes	<u>(10.8)</u>	<u>(12.0)</u>	<u>(5.7)</u>
Share of Affiliates' Income	<u>\$ 50.3</u>	<u>\$ 43.9</u>	<u>\$ 47.4</u>

(1) Amount for 2017 includes impairment losses of \$3.0 million.

The following table shows our cash investments in and distributions and loan payments from our affiliates by segment for the years ended December 31 (in millions):

	<u>Cash Investments</u>			<u>Cash Distributions (1)</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Rail North America	\$ —	\$ —	\$ —	\$ 6.3	\$ 0.7	\$ 1.5
Portfolio Management	14.1	36.6	25.0	35.2	30.2	35.2
Total	<u>\$ 14.1</u>	<u>\$ 36.6</u>	<u>\$ 25.0</u>	<u>\$ 41.5</u>	<u>\$ 30.9</u>	<u>\$ 36.7</u>

(1) Cash distributions exclude proceeds from sales of affiliates of zero in 2018, \$2.3 million in 2017, and \$1.0 million in 2016.

Summarized Financial Data of Affiliates

The following table shows the aggregated operating results for the years ended December 31 for the affiliated companies we held at December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues	\$ 458.8	\$ 350.7	\$ 333.7
Net gains on sales of assets	5.8	27.4	23.6
Net income	120.5	100.4	99.3

The following table shows aggregated summarized balance sheet data for our affiliated companies as of December 31 (in millions):

	<u>2018</u>	<u>2017</u>
Current assets	\$ 306.6	\$ 144.8
Noncurrent assets	<u>4,428.7</u>	<u>3,847.2</u>
Total assets	<u>\$ 4,735.3</u>	<u>\$ 3,992.0</u>
Current liabilities	\$ 830.6	\$ 446.8
Noncurrent liabilities	3,013.0	2,704.9
Shareholders' equity	<u>891.7</u>	<u>840.3</u>
Total liabilities and shareholders' equity	<u>\$ 4,735.3</u>	<u>\$ 3,992.0</u>

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Summarized Financial Data for the RRPf Affiliates

Our affiliate investments include 50% interests in each of the RRPf affiliates, a group of seventeen domestic and foreign joint ventures with Rolls-Royce plc (or affiliates thereof, collectively “Rolls-Royce”), a leading manufacturer of commercial aircraft jet engines. The RRPf affiliates are primarily engaged in two business activities: lease financing of aircraft spare engines to a diverse group of commercial aircraft operators worldwide and lease financing of aircraft spare engines to Rolls-Royce for use in their engine maintenance programs. In aggregate, the RRPf affiliates owned 452 aircraft engines at December 31, 2018, of which 253 were on lease to Rolls-Royce. Aircraft engines are generally depreciated over a useful life of 25 years to an estimated residual value. Lease terms vary but typically range from 3 to 12 years. Rolls-Royce manages each of the RRPf affiliates and also performs substantially all required maintenance activities. Our share of affiliates’ earnings (after-tax) from the RRPf affiliates was \$49.8 million in 2018, \$44.8 million in 2017, and \$46.6 million in 2016.

We derived the following financial information from the combined financial statements of the RRPf affiliates.

The following table shows condensed income statements of the RRPf affiliates for the years ending December 31 (in millions):

	2018	2017	2016
Lease revenue from third parties	\$ 200.5	\$ 168.8	\$ 173.7
Lease revenue from Rolls-Royce	232.7	176.0	150.2
Depreciation expense	(195.6)	(176.4)	(171.6)
Interest expense	(94.3)	(64.3)	(59.2)
Other expenses	(28.1)	(8.9)	(8.0)
Net gains on sales of assets	6.1	20.5	19.1
Income before income taxes	121.3	115.7	104.2
Income taxes (1)	(18.1)	(13.2)	(6.9)
Net income	<u>\$ 103.2</u>	<u>\$ 102.5</u>	<u>\$ 97.3</u>

(1) Represents income taxes directly attributable to the RRPf affiliates in the United Kingdom. Certain of the RRPf affiliates are disregarded entities for income tax purposes and, as a result, income taxes are incurred at the shareholder level. Amounts shown for 2016 are net of income tax benefits of approximately \$7.8 million attributable to statutory rate decreases enacted in the United Kingdom.

The following table shows the condensed balance sheets of the RRPf affiliates as of December 31 (in millions):

	2018	2017
Current assets	\$ 304.7	\$ 135.3
Noncurrent assets, including operating assets, net of accumulated depreciation of \$1,024.7 and \$943.5 (a)	4,428.7	3,772.4
Total assets	<u>\$ 4,733.4</u>	<u>\$ 3,907.7</u>
Accounts payable and accrued expenses	\$ 97.9	\$ 53.9
Debt:		
Current	732.1	392.0
Noncurrent, net of adjustments for hedges	2,733.6	2,359.1
Other liabilities	279.4	274.1
Shareholders’ equity	890.4	828.6
Total liabilities and shareholders’ equity	<u>\$ 4,733.4</u>	<u>\$ 3,907.7</u>

(a) All operating assets were pledged as collateral for long-term debt obligations.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows contractual future lease receipts from noncancelable leases of the RRPf affiliates as of December 31, 2018 (in millions):

	<u>Rolls-Royce</u>	<u>Third Parties</u>	<u>Total</u>
2019	\$ 270.1	\$ 173.0	\$ 443.1
2020	258.7	153.5	412.2
2021	246.4	131.3	377.7
2022	235.4	115.9	351.3
2023	213.9	101.6	315.5
Thereafter	689.1	312.1	1,001.2
Total	<u>\$ 1,913.6</u>	<u>\$ 987.4</u>	<u>\$ 2,901.0</u>

The following table shows the scheduled principal payments of debt obligations of the RRPf affiliates as of December 31, 2018 (in millions):

2019 (1)	\$ 732.1
2020	420.3
2021	286.0
2022	425.6
2023	274.6
Thereafter	<u>1,330.7</u>
Total debt principal (2)	<u>\$ 3,469.3</u>

(1) Includes \$369.0 million outstanding on a credit facility and \$259.0 million related to a bridge loan, both of which were refinanced in February, 2019 with long-term debt issuances.

(2) All debt obligations are nonrecourse to the shareholders.

NOTE 7. Debt

Commercial Paper and Borrowings Under Bank Credit Facilities (\$ in millions)

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Balance	\$ 110.8	\$ 4.3
Weighted average interest rate	2.77%	1.02%

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Debt Obligations

The following table shows the outstanding balances of our debt obligations and the applicable interest rates as of December 31 (\$ in millions):

	Date of Issue	Final Maturity	Interest Rate	2018	2017
Recourse Fixed Rate Debt					
Unsecured	03/04/14	07/30/19	2.50%	\$ 250.0	\$ 250.0
Unsecured	10/31/14	03/30/20	2.60%	250.0	250.0
Unsecured	02/06/15	03/30/20	2.60%	100.0	100.0
Unsecured	05/27/11	06/01/21	4.85%	250.0	250.0
Unsecured	09/20/11	06/01/21	4.85%	50.0	50.0
Unsecured	06/11/12	06/15/22	4.75%	250.0	250.0
Unsecured	03/19/13	03/30/23	3.90%	250.0	250.0
Unsecured	11/05/18	02/15/24	4.35%	300.0	—
Unsecured	02/06/15	03/30/25	3.25%	300.0	300.0
Unsecured	09/13/16	09/15/26	3.25%	350.0	350.0
Unsecured	02/09/17	03/30/27	3.85%	300.0	300.0
Unsecured	11/02/17	03/15/28	3.50%	300.0	300.0
Unsecured	05/07/18	11/07/28	4.55%	300.0	—
Unsecured	03/04/14	03/15/44	5.20%	300.0	300.0
Unsecured	02/06/15	03/30/45	4.50%	250.0	250.0
Unsecured	05/16/16	05/30/66	5.63%	150.0	150.0
Unsecured (1)	11/19/13	03/15/19	2.50%	—	300.0
Unsecured	01/30/15	12/31/18	1.20%	—	60.0
Unsecured	11/29/10	11/30/18	3.70%	—	3.0
Unsecured	12/27/10	10/31/18	3.84%	—	12.0
Unsecured	03/19/13	07/30/18	2.38%	—	250.0
Secured (2)	08/28/96	02/28/18	7.86%	—	11.6
Total recourse fixed rate debt				<u>\$ 3,950.0</u>	<u>\$ 3,986.6</u>
Recourse Floating Rate Debt					
Unsecured	11/06/17	11/05/21	3.30%	\$ 300.0	\$ 200.0
Unsecured	12/22/16	12/20/21	0.85%	63.1	66.0
Unsecured	08/28/14	08/28/24	4.00%	100.0	100.0
Unsecured	09/23/15	09/23/25	4.07%	60.0	60.0
Total recourse floating rate debt				<u>\$ 523.1</u>	<u>\$ 426.0</u>
Total debt principal				\$ 4,473.1	\$ 4,412.6
Unamortized debt discount and debt issuance costs				(35.9)	(36.2)
Debt adjustment for fair value hedges				(7.5)	(4.7)
Total Debt				<u>\$ 4,429.7</u>	<u>\$ 4,371.7</u>

(1) Debt repaid prior to the final maturity.

(2) During 2017, we assumed this debt as part of a transaction to acquire railcars that were previously leased.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows the scheduled principal payments of our debt obligations as of December 31, 2018 (in millions):

2019	\$ 250.0
2020	350.0
2021	663.1
2022	250.0
2023	250.0
Thereafter	2,710.0
Total debt principal	<u>\$ 4,473.1</u>

At December 31, 2018, \$281.1 million of our operating assets were pledged as collateral for the secured railcar facility.

Shelf Registration Statement

During 2016, we filed an automatic shelf registration statement that enables us to issue debt securities and pass-through certificates. The registration statement is effective for three years and does not limit the amount of debt securities and pass-through certificates we can issue.

Credit Lines and Facilities

We have a \$600 million, 5-year unsecured revolving credit facility in the U.S. that matures in May 2023. As of December 31, 2018, available capacity is \$500 million, reflecting \$100 million of outstanding commercial paper, which is backed by the facility. Additionally, we have a \$250 million 5-year secured railcar facility in the U.S. with a 3-year revolving period that matures in May 2022. As of December 31, 2018, the full \$250 million was available under this facility.

Annual commitment fees for GATX’s credit facilities were \$2.0 million for 2018, \$2.0 million for 2017, and \$1.5 million for 2016.

Restrictive Covenants

Our \$600 million revolving credit facility contains various restrictive covenants, including requirements to maintain a fixed charge coverage ratio and an asset coverage test. Our ratio of earnings to fixed charges, as defined in this facility, was 2.3 for the period ended December 31, 2018, which is in excess of the minimum covenant ratio of 1.2. At December 31, 2018, we were in compliance with all covenants and conditions of the facility. Some of our bank term loans have the same financial covenants as the facility.

The indentures for our public debt also contain various restrictive covenants, including limitation on liens provisions that restrict the amount of additional secured indebtedness that we may incur. As of December 31, 2018, this limit was \$1,444.5 million. Additionally, certain exceptions to the covenants permit us to incur an unlimited amount of purchase money and nonrecourse indebtedness. At December 31, 2018, we were in compliance with all covenants and conditions of the indentures.

At December 31, 2018, our European rail subsidiaries (“GATX Rail Europe” or “GRE”) had one outstanding loan agreement, which is guaranteed by GATX Corporation.

We do not anticipate any covenant violations nor do we anticipate that any of these covenants will restrict our operations or our ability to obtain additional financing.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8. Fair Value Disclosure

The following tables show our assets and liabilities that are measured at fair value on a recurring basis (in millions):

<u>Assets</u>	Total December 31 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign exchange rate derivatives (1)	\$ 4.4	\$ —	\$ 4.4	\$ —
Foreign exchange rate derivatives (2)	0.5	—	0.5	—
Liabilities				
Interest rate derivatives (1)	7.7	—	7.7	—
Foreign exchange rate derivatives (1)	18.2	—	18.2	—
Foreign exchange rate derivatives (2)	4.7	—	4.7	—

<u>Assets</u>	Total December 31 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate derivatives (1)	\$ 1.2	\$ —	\$ 1.2	\$ —
Liabilities				
Interest rate derivatives (1)	4.7	—	4.7	—
Foreign exchange rate derivatives (1)	27.7	—	27.7	—
Foreign exchange rate derivatives (2)	6.9	—	6.9	—

- (1) Designated as hedges.
(2) Not designated as hedges.

We value derivatives using a pricing model with inputs (such as yield curves and foreign currency rates) that are observable in the market or that can be derived principally from observable market data.

In addition, we review long-lived assets, such as operating assets and facilities, for impairment whenever circumstances indicate that the carrying amount of these assets may not be recoverable or when assets may be classified as held for sale. We determine the fair value of the respective assets using Level 3 inputs, including estimates of discounted future cash flows (including net proceeds from sale), independent appraisals, and market comparables, as applicable. Certain assets were subject to non-recurring Level 3 fair value measurements during 2018 and 2017 and continue to be held and used at December 31, 2018 and 2017. The fair value of such assets at the time of their measurement was \$10.9 million in 2018 and \$32.2 million in 2017 and included railcars, inland marine vessels, maintenance facilities and an affiliate investment. See “Note 9. Asset Impairments and Assets Held for Sale” for further information.

Derivative instruments

Fair Value Hedges

We use interest rate swaps to manage the fixed-to-floating rate mix of our debt obligations by converting a portion of our fixed rate debt to floating rate debt. For fair value hedges, we recognize changes in fair value of both the derivative and the hedged item as interest expense. We had nine instruments outstanding with an aggregate notional amount of \$500.0 million as of December 31, 2018 with

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maturities ranging from 2019 to 2022 and ten instruments outstanding with an aggregate notional amount of \$550.0 million as of December 31, 2017 with maturities ranging from 2018 to 2022.

Cash Flow Hedges

We use Treasury rate locks and swap rate locks to hedge our exposure to interest rate risk on anticipated transactions. We also use currency swaps to hedge our exposure to fluctuations in the exchange rates of the foreign currencies in which we conduct business. We had eight instruments outstanding with an aggregate notional amount of \$501.9 million as of December 31, 2018 that mature from 2019 to 2022 and five instruments outstanding with an aggregate notional amount of \$285.6 million as of December 31, 2017 with maturities ranging from 2019 to 2022. Within the next 12 months, we expect to reclassify \$4.1 million (\$3.1 million after-tax) of net losses on previously terminated derivatives from accumulated other comprehensive income (loss) to interest expense or operating lease expense, as applicable. We reclassify these amounts when interest and operating lease expense on the related hedged transactions affect earnings.

Non-designated Derivatives

We do not hold derivative financial instruments for purposes other than hedging, although certain of our derivatives are not designated as accounting hedges. We recognize changes in the fair value of these derivatives in other (income) expense immediately.

Some of our derivative instruments contain credit risk provisions that could require us to make immediate payment on net liability positions in the event that we default on certain outstanding debt obligations. The aggregate fair value of our derivative instruments with credit risk related contingent features that are in a liability position as of December 31, 2018 was \$25.9 million. We are not required to post any collateral on our derivative instruments and do not expect the credit risk provisions to be triggered.

In the event that a counterparty fails to meet the terms of an interest rate swap agreement or a foreign exchange contract, our exposure is limited to the fair value of the swap, if in our favor. We manage the credit risk of counterparties by transacting with institutions that we consider financially sound and by avoiding concentrations of risk with a single counterparty. We believe that the risk of non-performance by any of our counterparties is remote.

The following table shows the impacts of our derivative instruments on our statement of comprehensive income for the years ended December 31 (in millions):

Derivative Designation	Location of Loss (Gain) Recognized	2018	2017	2016
Fair value hedges (1)	Interest expense	\$ 3.0	\$ 5.3	\$ 0.8
Cash flow hedges	Other comprehensive loss (effective portion)	12.6	(41.5)	4.9
Cash flow hedges	Interest expense (effective portion reclassified from accumulated other comprehensive loss)	4.2	6.8	6.9
Cash flow hedges	Operating lease expense (effective portion reclassified from accumulated other comprehensive loss)	0.1	0.1	1.1
Cash flow hedges (2)	Other (income) expense (effective portion reclassified from accumulated other comprehensive loss)	(11.7)	38.9	(11.9)
Non-designated	Other (income) expense	(2.2)	8.0	(2.6)

- (1) The fair value adjustments related to the underlying debt equally offset the amounts recognized in interest expense.
(2) Includes (income) expense on foreign currency derivatives that are substantially offset by foreign currency remeasurement adjustments on related hedged instruments, also recognized in Other (income) expense.

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Other Financial Instruments

The carrying amounts of cash and cash equivalents, restricted cash, rent and other receivables, accounts payable, and commercial paper and bank credit facilities approximate fair value due to the short maturity of those instruments. We estimate the fair values of loans and fixed and floating rate debt using discounted cash flow analyses that are based on interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The inputs we use to estimate each of these values are classified in Level 2 of the fair value hierarchy because they are directly or indirectly observable inputs.

The following table shows the carrying amounts and fair values of our other financial instruments as of December 31 (in millions):

	2018 Carrying Amount	2018 Fair Value	2017 Carrying Amount	2017 Fair Value
Liabilities				
Recourse fixed rate debt	\$ 3,933.4	\$ 3,836.0	\$ 3,971.2	\$ 4,089.1
Recourse floating rate debt	522.7	515.1	426.0	428.7

NOTE 9. Asset Impairments and Assets Held for Sale

We review our operating assets annually, or whenever indicators of impairment may be present. The following table summarizes the components of asset impairments for the years ending December 31 (in millions):

	2018	2017	2016
Attributable to Consolidated Assets			
Rail North America - certain railcars in flammable service	\$ —	\$ —	\$ 29.8
Rail International - railcar maintenance facility closure	3.0	—	—
Portfolio Management - marine assets to be sold	—	—	6.7
Other	6.0	8.6	2.0
Total	<u>\$ 9.0</u>	<u>\$ 8.6</u>	<u>\$ 38.5</u>

Attributable to Affiliate Investments

Rail North America	\$ —	\$ 3.0	\$ —
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In 2015, the Pipeline and Hazardous Materials Safety Administration of the U.S. Department of Transportation (“PHMSA”) and Transport Canada (“TC”) each issued rules that established new design standards for tank cars utilized in flammable liquids service in North America. In addition to setting standards for newly built tank cars, the regulations established guidelines for modifying existing tank cars utilized in certain flammable liquids service and deadlines for modifying or removing noncompliant cars from service.

During 2016, excess railcar supply, muted demand for certain railcar types, and increased railroad efficiency combined to put pressure on lease rates for most car types. Within the flammable tank car market, the challenge of keeping existing tank cars in service was compounded by the increased availability of newer cars with enhanced designs, including those that comply with new regulations, to serve this market. Further, our expectations of redeploying certain tank cars in flammable service into nonflammable service diminished as a substantial oversupply of tank cars developed to serve these alternative markets. We expected those conditions to continue and potentially worsen. As a result of those changed expectations, we believed indicators of impairment were present for certain tank cars impacted by the new regulations, and a comprehensive impairment analysis was completed.

While all of GATX’s railcars subject to the new regulations were reviewed, approximately 2,400 railcars with a carrying value of approximately \$90 million were determined to be most vulnerable based on their age, configuration, and carrying values. For purposes of this review, we modeled multiple scenarios of net cash flows using a range of assumptions, including revised estimated useful lives for these railcars. Based on this analysis, we concluded that our carrying values exceeded our estimates of projected undiscounted cash

GATX CORPORATION AND SUBSIDIARIES
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flows, indicating an impairment for this group of railcars. The market for this group of railcars is fairly illiquid, given the circumstances noted above. Accordingly, the fair value of this railcar group was estimated based on discounting our estimated cash flows using a discount rate we believe reflected the applicable return for typical buyers and sellers of these types of assets. Concurrently with this analysis, we entered into an agreement to sell approximately 400 of these railcars, for total proceeds consistent with our valuations. As a result, we recorded impairment losses of \$29.8 million related to these tank cars. Lastly, we shortened the depreciable lives for these tank cars consistent with our revised expectations, beginning January 1, 2017; however, the impact of adjusting the useful lives for these assets was not material to subsequent financial results.

In 2015, we made the decision to exit the majority of our marine investments within the Portfolio Management segment, including six chemical parcel tankers (the “Nordic Vessels”), most of our inland marine vessels, and our 50% interest in the Cardinal Marine joint venture. As a result, we recorded impairment losses of \$6.7 million in 2016 related to certain of the assets. Impairment losses in 2016 were recorded based on final disposition results and revised estimates of expected net sales proceeds for assets that remained classified as held for sale at December 31, 2016. As of December 31, 2017, we had completed all planned sales of the marine assets, including our 50% interest in the Cardinal Marine joint venture. In 2017 and 2016, disposition gains of \$1.8 million and \$5.2 million were realized from the sale of these marine assets.

Other impairment losses recorded in each year included railcars with declines in value due to excessive damage or functional obsolescence. In some instances, these railcars may be designated for scrap. In 2018 and 2017, impairment losses were also recorded for certain inland marine supply vessels.

In 2017, an impairment loss of \$3.0 million attributable to affiliate investments was related to our investment in Adler Funding LLC, resulting from a decline in the value of certain railcars in the fleet.

In 2018, GRE recorded \$3.0 million of impairment losses associated with the closure of a railcar maintenance facility in Germany.

In the consolidated statements of comprehensive income, impairment losses related to consolidated assets were included in net (loss) gains on asset dispositions, and impairment losses related to affiliate investments were recorded in share of affiliates' earnings.

As of December 31, 2018 and 2017, assets held for sale were \$1.3 million and \$4.5 million, all of which were at Rail North America. All assets held for sale at December 31, 2018 are expected to be sold in 2019.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10. Pension and Other Post-Retirement Benefits

We maintain both funded and unfunded noncontributory defined benefit pension plans covering our domestic employees and the employees of our subsidiaries. We also have a funded noncontributory defined benefit pension plan related to a former business in the United Kingdom that has no active employees. The plans base benefits payable on years of service and/or final average salary. We base our funding policies for the pension plans on actuarially determined cost methods allowable under IRS regulations and statutory requirements in the UK.

In addition to the pension plans, we have other post-retirement plans that provide health care, life insurance, and other benefits for certain retired domestic employees who meet established criteria. Most domestic employees that retire with immediate benefits under our pension plan are eligible for health care and life insurance benefits. The other post-retirement plans are either contributory or noncontributory, depending on various factors.

In 2018, we adopted ASU 2017-07 which modifies how an entity must present service costs and other components of net benefit cost. See “Note 2. Accounting Changes” for further details. In accordance with this new guidance, the service cost component of net periodic cost is recorded in the applicable operating expense line, including maintenance expense and selling, general and administrative expense in the Statements of Comprehensive Income; and the other components are recorded in other expense.

We recorded settlement accounting expenses of \$2.1 million, \$0.2 million, and \$6.1 million in 2018, 2017, and 2016 attributable to lump sum distributions made during each year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We use a December 31 measurement date for all of our plans. The following tables show pension obligations, plan assets, and other post-retirement obligations as of December 31 (in millions):

	2018 Pension Benefits	2017 Pension Benefits	2018 Retiree Health and Life	2017 Retiree Health and Life
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$ 480.1	\$ 464.4	\$ 33.7	\$ 30.3
Service cost	8.2	6.5	0.2	0.2
Interest cost	14.7	15.4	1.0	1.1
Actuarial (gain) loss	(40.9)	34.8	(5.0)	5.5
Benefits paid	(46.5)	(44.2)	(2.4)	(3.4)
Effect of foreign exchange rate changes	(1.9)	3.2	—	—
Benefit obligation at end of year	<u>\$ 413.7</u>	<u>\$ 480.1</u>	<u>\$ 27.5</u>	<u>\$ 33.7</u>
Change in Fair Value of Plan Assets				
Plan assets at beginning of year	435.6	413.5	—	—
Actual return on plan assets	(23.9)	61.3	—	—
Effect of exchange rate changes	(2.0)	3.4	—	—
Company contributions	6.6	1.6	2.4	3.4
Benefits paid	(46.5)	(44.2)	(2.4)	(3.4)
Plan assets at end of year	<u>\$ 369.8</u>	<u>\$ 435.6</u>	<u>\$ —</u>	<u>\$ —</u>
Funded Status at end of year	<u>\$ (43.9)</u>	<u>\$ (44.5)</u>	<u>\$ (27.5)</u>	<u>\$ (33.7)</u>
Amount Recognized				
Other liabilities and other assets (net)	\$ (43.9)	\$ (44.5)	\$ (27.5)	\$ (33.7)
Accumulated other comprehensive loss:				
Net actuarial loss (gain)	125.2	132.5	(2.2)	2.8
Prior service credit	—	(0.1)	(1.4)	(1.6)
Accumulated other comprehensive loss (income)	<u>125.2</u>	<u>132.4</u>	<u>(3.6)</u>	<u>1.2</u>
Total recognized	<u>\$ 81.3</u>	<u>\$ 87.9</u>	<u>\$ (31.1)</u>	<u>\$ (32.5)</u>
After-tax amount recognized in accumulated other comprehensive loss (gain)	<u>\$ 95.4</u>	<u>\$ 82.7</u>	<u>\$ (2.8)</u>	<u>\$ 0.9</u>

The aggregate accumulated benefit obligation for the defined benefit pension plans was \$394.8 million at December 31, 2018 and \$457.0 million at December 31, 2017.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows our pension plans that have a projected benefit obligation in excess of plan assets as of December 31 (in millions):

	2018	2017
Projected benefit obligations	\$ 303.8	\$ 350.7
Fair value of plan assets	255.5	299.9

The following table shows our pension plans that have an accumulated benefit obligation in excess of plan assets as of December 31 (in millions):

	2018	2017
Accumulated benefit obligations	\$ 30.0	\$ 37.1
Fair value of plan assets	—	—

The following table shows the components of net periodic cost (benefit) for the year ended December 31 (in millions):

	2018 Pension Benefits	2017 Pension Benefits	2016 Pension Benefits	2018 Retiree Health and Life	2017 Retiree Health and Life	2016 Retiree Health and Life
Service cost	\$ 8.2	\$ 6.5	\$ 6.1	\$ 0.2	\$ 0.2	\$ 0.2
Interest cost	14.7	15.4	15.3	1.0	1.1	0.9
Expected return on plan assets	(22.2)	(24.0)	(25.6)	—	—	—
Settlement expense	2.1	0.2	6.1	—	—	—
Amortization of:						
Unrecognized prior service credit	—	—	(1.0)	(0.1)	(0.2)	(0.2)
Unrecognized net actuarial loss (gain)	10.0	9.3	10.5	—	(0.3)	(0.3)
Net periodic cost	\$ 12.8	\$ 7.4	\$ 11.4	\$ 1.1	\$ 0.8	\$ 0.6

We amortize the unrecognized prior service credit using a straight-line method over the average remaining service period of the employees we expect to receive benefits under the plan. We amortize the unrecognized net actuarial loss (gain), which is subject to certain averaging conventions, over the average remaining service period of active employees.

The following table shows the amounts we expect to recognize as components of net periodic cost in 2019 from amounts recorded in accumulated comprehensive loss (income) as of December 31, 2018 (in millions):

	Pension Benefits	Retiree Health and Life
Unrecognized net actuarial loss	\$ 7.7	\$ —
Unrecognized prior service cost	—	(0.2)

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We use the following assumptions to measure the benefit obligation, compute the expected long-term return on assets, and measure the periodic cost for our defined benefit pension plans and other post-retirement benefit plans for the years ended December 31:

	2018	2017
Domestic defined benefit pension plans		
Benefit Obligation at December 31:		
Discount rate — salaried funded plans	4.32%	3.68%
Discount rate — salaried unfunded plans	3.72% - 4.26%	3.07% - 3.45%
Discount rate — hourly funded plan	4.42%	3.73%
Rate of compensation increases — salaried funded and unfunded plans	3.00%	2.50%
Rate of compensation increases — hourly funded plans	n/a	n/a
Net Periodic Cost (Benefit) for the years ended December 31:		
Discount rate — salaried funded and unfunded plans	3.68%	4.23%
Discount rate — hourly funded plan	3.74%	4.31%
Expected return on plan assets — salaried funded plan	5.90%	6.25%
Expected return on plan assets — hourly funded plan	5.50%	6.15%
Rate of compensation increases — salaried funded and unfunded plans	2.50%	2.50%
Rate of compensation increases — hourly funded plan	n/a	n/a
Foreign defined benefit pension plan		
Benefit Obligation at December 31:		
Discount rate	2.60%	2.40%
Rate of pension-in-payment increases	3.20%	3.10%
Net Periodic Cost (Benefit) for the years ended December 31:		
Discount rate	2.40%	2.60%
Expected return on plan assets	4.10%	4.20%
Rate of pension-in-payment increases	3.10%	3.20%
Other post-retirement benefit plans		
Benefit Obligation at December 31:		
Discount rate - combined health	4.06%	3.40%
Discount rate - combined life insurance	4.32%	3.66%
Rate of compensation increases	n/a	n/a
Net Periodic Cost (Benefit) for the years ended December 31:		
Discount rate - salaried health	n/a	3.67%
Discount rate - hourly health	n/a	4.00%
Discount rate - combined health	3.41%	n/a
Discount rate - salaried life insurance	n/a	4.19%
Discount rate - hourly life insurance	n/a	3.84%
Discount rate - combined life insurance	3.66%	n/a
Rate of compensation increases	n/a	n/a

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We calculate the present value of expected future pension and post-retirement cash flows as of the measurement date using a discount rate. We base the discount rate on yields for high-quality, long-term bonds with durations similar to that of our projected benefit obligation. We base the expected return on our plan assets on current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. We routinely review our historical returns along with current market conditions to ensure our expected return assumption is reasonable and appropriate.

	2018	2017
Assumed Health Care Cost Trend Rates at December 31		
Health care cost trend assumed for next year		
Medical claims - pre age 65	6.70%	6.70%
Medical claims - post age 65	5.80%	4.90%
Prescription drugs claims - pre age 65	9.30%	11.10%
Prescription drugs claims - post age 65	9.20%	11.10%
Rate to which the cost trend is expected to decline (the ultimate trend rate)		
Medical claims	4.50%	4.50%
Prescription drugs claims	4.50%	4.50%
Year that rate reaches the ultimate trend rate		
Medical claims	2026	2025
Prescription drugs claims	2026	2025

The health care cost trend, which is based on projected growth rates for medical and prescription drug claims, has an effect on our other post-retirement benefit costs and obligations. The following table shows the effects of a one percentage point change in the health care cost trend rate on service and interest costs for the year ended December 31, 2018 and the post-retirement benefit obligation as of December 31, 2018 (in millions):

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost (1)	\$ —	\$ —
Effect on post-retirement benefit obligation	0.8	(0.7)

(1) The effect of a one percentage point increase (decrease) was less than \$0.1 million.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our investment policies require that asset allocations of domestic and foreign funded pension plans be maintained at certain targets. The following table shows our weighted-average asset allocations of our domestic funded pension plans at December 31, 2018 and 2017, and current target asset allocation for 2019, by asset category:

Asset Category	Target	Plan Assets for Salaried Employees at December 31	
		2018	2017
Equity securities	45.6%	44.1%	50.7%
Debt securities	51.0%	51.8%	44.8%
Real estate	3.4%	3.9%	3.7%
Cash	—%	0.2%	0.8%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Asset Category	Target	Plan Assets for Hourly Employees at December 31	
		2018	2017
Equity securities	32.7%	30.3%	39.4%
Debt securities	64.1%	64.9%	56.8%
Real estate	3.2%	4.7%	3.7%
Cash	—%	0.1%	0.1%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The following table shows the weighted-average asset allocations of our foreign funded pension plan at December 31, 2018 and 2017, and current target asset allocation for 2019, by asset category:

Asset Category	Target	Plan Assets at December 31	
		2018	2017
Equity securities	36.8%	33.4%	36.0%
Debt securities	63.2%	66.6%	64.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth the fair value of our pension plan assets as of December 31 (in millions):

	2018	2017
Assets measured at net asset value (1):		
Short-term investment fund	\$ 0.7	\$ 2.6
Common stock collective trust funds	148.2	204.1
Fixed income group trusts	207.1	211.0
Real estate collective trust funds	13.8	14.8
Loan fund	—	3.1
Total	\$ 369.8	\$ 435.6

(1) In accordance with the relevant accounting standards, investments measured at fair value using the net asset value per share (or its equivalent) practical expedient are not recorded in any specific category of the fair value hierarchy.

The following is a description of the valuation techniques and inputs used as of December 31, 2018 and 2017.

Short-term investment fund

We value the short-term investment fund based on the closing net asset values (“NAV”) quoted by the funds. The short-term investment fund is a highly liquid investment in obligations of the U.S. Government, or its agencies or instrumentalities, and the related money market instruments. The short-term investment fund has no unfunded commitments, restrictions on redemption frequency, or advance notice periods required for redemption. The fund seeks to provide safety of principal, daily liquidity, and a competitive yield over the long term.

Common stock collective trust funds and fixed income group trusts

We value common stock collective trust funds and fixed income group trusts based on the closing NAV prices quoted by the funds. None of the collective trusts or the group trusts have unfunded commitments, restrictions on redemption frequency, or advance notice periods required for redemption. The investment objective of each of the common stock funds is long-term total return through capital appreciation and current income. The fixed income funds are each designed to deliver safety and stability by preserving principal and accumulated earnings. The group trust seeks to achieve, over an extended period of time, total returns comparable or superior to broad measures of the long-term domestic investment grade credit bond market.

Real estate collective trust funds

We value real estate collective trust funds based on the NAV provided by the funds’ administrators. A lack of liquidity in the funds may limit or delay redemptions. The investment objective of the real estate funds, which are diversified by location and property type, is long-term return through property appreciation, current income, and timely sales.

Loan fund

The loan fund is a limited liability company (“LLC”) and is valued using the NAV provided by the administrator of the fund. As of December 31, 2017, we held investments in one LLC. Generally, capital may be withdrawn as of the last day of the month upon written notice given on no later than 30 days prior to the withdrawal date. The investment manager may determine in its discretion to allow withdrawals on any such other date. The LLC fund seeks to achieve risk-adjusted total returns by buying and selling investments that are anticipated to have a primarily bank loan focus. Investments will be primarily in debt securities of midsize and large capitalizations. There are no unfunded commitments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The primary investing objective of the pension plans is to provide benefits to plan participants and their beneficiaries. To achieve this goal, we invest in a diversified portfolio of equities, debt, and real estate investments to maximize return and to keep long-term investment risk at a reasonable level. Equity investments are diversified across U.S. and non-U.S. stocks, growth and value stocks, and small cap and large cap stocks. Debt securities are predominately investments in long-term, investment-grade corporate bonds. Real estate investments include investments in funds that are diversified by location and property type.

On a timely basis, but not less than twice a year, we formally review pension plan investments to ensure we adhere to investment guidelines and our stated investment approach. Our review also evaluates the reasonableness of our investment decisions and risk positions. We compare our investments' performance to indices and peers to determine if investment performance has been acceptable.

In 2019, we expect to contribute approximately \$5.7 million to our pension and other post-retirement benefit plans. Additional contributions to the domestic funded pension plans will depend on investment returns on plan assets and actuarial experience.

The following table shows benefit payments, which reflect expected future service (in millions):

	Funded Plans	Unfunded Plans	Retiree Health and Life
2019	\$ 28.3	\$ 2.5	\$ 3.2
2020	27.6	2.8	3.0
2021	27.5	2.6	2.8
2022	27.5	2.9	2.6
2023	27.8	3.0	2.4
Years 2024-2028	137.2	14.9	9.5
Total	<u>\$ 275.9</u>	<u>\$ 28.7</u>	<u>\$ 23.5</u>

In addition to our defined benefit plans, we have two 401(k) retirement savings plans available to substantially all salaried employees and certain other employee groups. We may contribute to the plans as specified by their respective terms and as our board of directors determines. Contributions to our 401(k) retirement plans were \$2.2 million for 2018, \$1.9 million for 2017, and \$1.8 million for 2016.

Multiemployer Plans

Most of the shipboard personnel at ASC participate in various multiemployer benefit plans that provide pension, health care, and post-retirement and other benefits to active and retired employees. Unlike single employer plans, we do not recognize plan assets or obligations for multiemployer plans on our balance sheet. Rather, we recognize our contributions to the plans as marine operating expenses. The amounts we contribute are based on the number of crew hours worked, which depends on the number of vessels deployed and aggregate operating days in a particular year. The risks of participating in these multiemployer plans are different from single employer plans in the following aspects:

- Assets contributed by one employer may be used to provide benefits to employees of other participating employers;
- If a participating employer fails to make its required contributions, any unfunded obligations of the plan may be the responsibility of the remaining participating employers; and
- If an employer chooses to stop participating in a multiemployer plan, the plan may require the withdrawing company to make additional contributions.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows our contributions to multiemployer benefit plans for the years indicated (in millions):

Multiemployer Plans	EIN and Pension Plan Number	Pension Protection Act Zone Status	GATX Contributions			Collective Bargaining Agreement Expiration Date
			2018	2017	2016	
American Maritime Officers Pension Plan (1)	13-1969709-001	Green	\$ 2.3	\$ 2.3	\$ 1.2	February 7, 2021
Other multiemployer post-retirement plans			5.8	6.1	5.9	
Total			\$ 8.1	\$ 8.4	\$ 7.1	

(1) As of December 31, 2018, the actuary for the American Maritime Officers Pension Plan certified that the plan is in the “green zone” as defined by the Pension Protection Act of 2006. Our share of the total contributions was less than 5% in 2018 and more than 5% in 2017 and 2016. No surcharges were imposed for 2018, 2017, or 2016.

NOTE 11. Share-Based Compensation

We provide equity awards to our employees under the GATX Corporation 2012 Incentive Award Plan, including grants of non-qualified stock options, stock appreciation rights, restricted stock units, performance shares, and phantom stock awards. As of December 31, 2018, 6.6 million shares were authorized under the 2012 Plan and 3.7 million shares were available for future issuance. We recognize compensation expense for our equity awards in selling, general and administrative expenses over the applicable service period of each award. Share-based compensation expense was \$19.3 million for 2018, \$14.3 million for 2017, and \$15.8 million for 2016, and the related tax benefits were \$4.8 million for 2018, \$5.5 million for 2017, and \$6.0 million for 2016.

Stock Options and Stock Appreciation Rights

Stock options and stock appreciation rights entitle the holder to purchase shares of common stock for periods up to seven years from the grant date. Stock appreciation rights entitle the holder to receive the difference between the market price of our common stock at the time of exercise and the exercise price, either in shares of common stock, cash, or a combination thereof, at our discretion. Stock options entitle the holder to purchase shares of our common stock at a specified exercise price. The dividends that accrue on all stock options and stock appreciation rights are paid upon vesting and continue to be paid until the stock options or stock appreciation rights are exercised, canceled, or expire. The exercise price for stock options and stock appreciation rights is equal to the average of the high and low trading prices of our common stock on the date of grant. We recognize compensation expense on a straight-line basis over the vesting period of the award, which is generally three years.

The estimated fair value of a stock option or stock appreciation right is the sum of the value we derive using the Black-Scholes option pricing model and the present value of dividends we expect to pay over the expected term of the award. The Black-Scholes valuation incorporates various assumptions, including expected term, expected volatility, and risk free interest rates. We base the expected term on historical exercise patterns and post-vesting terminations, and we base the expected volatility on the historical volatility of our stock price over a period equal to the expected term. We use risk-free interest rates that are based on the implied yield on recently-issued U.S. Treasury zero-coupon bonds with a term comparable to the expected term. No stock appreciation rights were issued during 2018, 2017, and 2016.

The following table shows the weighted average fair value for our stock options and the assumptions we used to estimate fair value:

	2018	2017	2016
Weighted average estimated fair value	\$ 21.87	\$ 19.40	\$ 13.86
Quarterly dividend rate	\$ 0.44	\$ 0.42	\$ 0.40
Expected term of stock options, in years	4.5	4.7	4.7
Risk-free interest rate	2.4%	1.9%	1.4%
Dividend yield	2.5%	2.8%	4.1%
Expected stock price volatility	27.9%	27.7%	29.4%
Present value of dividends	\$ 7.51	\$ 7.50	\$ 7.27

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows information about outstanding stock options and stock appreciation rights for the year ended December 31, 2018:

	Number of Stock Options and Stock Appreciation Rights (in thousands)	Weighted Average Exercise Price
Outstanding at beginning of the year	1,723	\$ 50.07
Granted	320	69.73
Exercised	(611)	47.19
Forfeited/Cancelled	(33)	53.94
Outstanding at end of the year	1,399	55.73
Vested and exercisable at end of the year	733	51.17

The following table shows the aggregate intrinsic value of stock options and stock appreciation rights exercised in 2018, 2017, and 2016, and the weighted average remaining contractual term and aggregate intrinsic value of stock options and stock appreciation rights outstanding and vested as of December 31, 2018:

Stock Options and Stock Appreciation Rights	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Exercised in 2016		\$ 6.2
Exercised in 2017		4.4
Exercised in 2018		17.2
Outstanding at December 31, 2018 (a)	4.2	21.5
Vested and exercisable at December 31, 2018	3.1	14.6

(a) As of December 31, 2018, 435,552 stock appreciation rights and 963,557 stock options were outstanding.

Total cash received from employees for exercises of stock options during the year ended December 31, 2018 was \$3.7 million and \$1.6 million during the year ended December 31, 2017. No cash was received from employees for exercises of stock options during the year ended December 31, 2016. As of December 31, 2018, we had \$7.1 million of unrecognized compensation expense related to nonvested stock options and stock appreciation rights, which we expect to recognize over a weighted average period of 1.7 years.

Restricted Stock Units and Performance Shares

Restricted stock units entitle the recipient to receive a specified number of restricted shares of common stock upon vesting. Restricted stock units do not carry voting rights and are not transferable prior to the expiration of a specified restriction period, which is generally three years, as determined by the Compensation Committee of the Board of Directors (“Compensation Committee”). We accrue dividends on all restricted stock units and pay those dividends when the awards vest. We recognize compensation expense for these awards over the applicable vesting period.

Performance shares are restricted shares that we grant to key employees for achieving certain strategic objectives. The shares convert to common stock at the end of a specified performance period if predetermined performance goals are achieved, as determined by the

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Compensation Committee. We estimate the number of shares we expect will vest as a result of actual performance against the performance criteria at the time of grant to determine total compensation expense to be recognized. We reevaluate the estimate annually and adjust total compensation expense for any changes to the estimate of the number of shares we expect to vest. The performance shares granted include an option to settle shares earned in cash upon vesting for certain eligible employees. As a result, these awards are accounted for as liability awards, and the liability and related compensation expense is adjusted to reflect the fair value of the underlying shares at the end of each reporting period. We recognize compensation expense for these awards over the applicable vesting period, which is generally three years.

We value our restricted stock units and performance share awards using the average of the high and low values of our common stock on the grant date of the awards. As of December 31, 2018, there was \$10.4 million of unrecognized compensation expense related to these awards, which we expect to be recognized over a weighted average period of 2.4 years.

The following table shows information about restricted stock units and performance shares for the year ended December 31, 2018:

	Number of Share Units Outstanding (in thousands)	Weighted Average Grant-Date Fair Value
Restricted Stock Units:		
Nonvested at beginning of the year	187	\$ 50.62
Granted	73	73.60
Vested	(52)	55.56
Forfeited	(4)	53.82
Nonvested at end of the year	<u>204</u>	<u>57.57</u>
Performance Shares:		
Nonvested at beginning of the year	161	\$ 46.25
Granted	58	65.00
Net increase due to estimated performance	49	53.27
Vested	(117)	38.83
Forfeited	(8)	51.28
Nonvested at end of the year	<u>143</u>	<u>62.08</u>

The total fair value of restricted stock units and performance shares that vested during the year was \$12.0 million in 2018, \$6.5 million in 2017, and \$7.5 million in 2016.

Phantom Stock Awards

We grant phantom stock awards to non-employee directors as a component of their compensation for service on our board of directors. In accordance with the terms of the phantom stock awards, each director is credited with a quantity of units that equate to, but are not, common shares. Phantom stock awards are dividend participating, and all dividends are reinvested in additional phantom shares at the average of the high and low trading prices of our stock on the dividend payment date. At the expiration of each director's service on the board of directors, or in accordance with his or her deferral election, whole units of phantom stock will be settled with shares of common stock and fractional units will be paid in cash. In 2018, we granted 23,377 units of phantom stock and there were 227,466 units outstanding as of December 31, 2018.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12. Income Taxes

In 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted and we recorded a one-time net tax benefit of \$315.9 million, which represented our provisional estimate of the impact of the Tax Act. This amount included a net benefit of \$371.4 million associated with the remeasurement of our net deferred tax liability utilizing the lower U.S. tax rate. The Tax Act also imposed a one-time transitional repatriation tax of \$57.2 million on certain undistributed earnings of our non-U.S. subsidiaries and affiliates. Additional guidance was issued by the Internal Revenue Service, the U.S. Department of the Treasury, and state taxing authorities during 2018 and, as a result, we recorded an adjustment to our provisional estimates. Specifically, in the fourth quarter of 2018, we recorded an additional net tax benefit of \$16.5 million based on this clarifying guidance, the filing of our 2017 income tax returns, and the final determination of our foreign undistributed earnings and associated tax attributes. We do not expect to record any further material adjustments associated with the Tax Act.

Deferred income taxes are the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We expect at this time to continue reinvestment of foreign earnings outside the U.S. indefinitely. Consequently, our tax provision does not include any deferred tax costs that might arise due to book versus tax basis differences in investments in foreign subsidiaries. While the Tax Act provided an exemption from U.S. income taxation on future dividend distributions from foreign subsidiaries and affiliates, taxes may arise from withholding taxes or on foreign exchange or other gains recognized in connection with the basis differences in our investments in foreign subsidiaries. The ultimate tax cost of repatriating these earnings depends on tax laws in effect and other circumstances at the time of distribution.

The following table shows the significant components of our deferred tax liabilities and assets as of December 31 (in millions):

	<u>2018</u>	<u>2017</u>
Deferred Tax Liabilities		
Book/tax basis difference due to depreciation	\$ 890.7	\$ 872.8
Investments in affiliated companies	36.2	43.6
Lease accounting	12.2	9.0
Other	1.9	6.3
Total deferred tax liabilities	<u>\$ 941.0</u>	<u>\$ 931.7</u>
Deferred Tax Assets		
Federal net operating loss	—	4.1
Alternative minimum tax credit	3.4	8.0
Foreign tax credit	0.2	—
Valuation allowance on foreign tax credit	(0.2)	—
State net operating loss	26.4	29.5
Valuation allowance on state net operating loss	(12.6)	(10.3)
Foreign net operating loss	2.1	2.1
Valuation allowance on foreign net operating loss	(0.3)	(0.4)
Accruals not currently deductible for tax purposes	24.8	21.7
Allowance for losses	1.1	1.1
Pension and post-retirement benefits	17.8	19.6
Other	0.5	2.6
Total deferred tax assets	<u>\$ 63.2</u>	<u>\$ 78.0</u>
Net deferred tax liabilities	<u>\$ 877.8</u>	<u>\$ 853.7</u>

At December 31, 2018, our prior U.S. federal tax net operating loss carryforward has been fully utilized. We have an alternative minimum tax credit of \$3.4 million, which may be utilized or refunded over the next three years. We also have foreign tax credits of \$0.2 million that expire after 2027. We have recorded a \$0.2 million valuation allowance related to these credits, as we believe it is more likely than not that we will be unable to utilize them.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2018, we have state tax net operating losses of \$26.4 million, net of federal benefits that are scheduled to expire at various times beginning in 2019. We have recorded a \$12.6 million valuation allowance related to state net operating losses, as we believe it is more likely than not that we will be unable to use all of these losses. Additionally, we have foreign net operating losses, net of valuation allowances, of \$1.8 million which have an unlimited carryforward period. Our use of future operating losses depends on a number of variables, including the amount of taxable income, and state apportionment factors for state net operating loss carryforwards.

During the year ended December 31, 2017, based upon the status of our state income tax audits, we reduced the balance of our unrecognized tax benefits and recorded an income tax benefit of \$4.3 million (\$2.8 million, net of federal tax). We recognize interest and penalties related to unrecognized tax benefits as income tax expense. We have not accrued any amounts for penalties. To the extent interest is not assessed or is otherwise reduced with respect to uncertain tax positions, we will record any required adjustment as a reduction of income tax expense.

We file one consolidated federal income tax return with our domestic subsidiaries in the U.S. jurisdiction, as well as tax returns in various state and foreign jurisdictions. As of December 31, 2018, all audits or statutes of limitations with respect to our federal tax returns for years prior to 2014 have been closed or expired. Additionally, we currently have four ongoing state income tax audits.

The following table shows the components of income before income taxes, excluding affiliates, for the years ending December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Domestic	\$ 108.9	\$ 124.5	\$ 211.0
Foreign	86.2	89.9	94.4
Total	<u>\$ 195.1</u>	<u>\$ 214.4</u>	<u>\$ 305.4</u>

The following table shows income taxes, excluding domestic and foreign affiliates, for the years ending December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current			
Domestic:			
Federal	\$ (3.3)	\$ (1.1)	\$ 6.0
State and local	0.7	(0.1)	—
	<u>\$ (2.6)</u>	<u>\$ (1.2)</u>	<u>\$ 6.0</u>
Foreign	17.5	18.0	16.9
	<u>\$ 14.9</u>	<u>\$ 16.8</u>	<u>\$ 22.9</u>
Deferred			
Domestic:			
Federal	2.1	(270.0)	55.8
State and local	8.7	1.2	10.5
	<u>\$ 10.8</u>	<u>\$ (268.8)</u>	<u>\$ 66.3</u>
Foreign	8.4	8.3	6.5
	<u>\$ 19.2</u>	<u>\$ (260.5)</u>	<u>\$ 72.8</u>
Income taxes	<u>\$ 34.1</u>	<u>\$ (243.7)</u>	<u>\$ 95.7</u>

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows the differences between our effective income tax rate and the federal statutory income tax rate for the years ending December 31 (in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Income taxes at federal statutory rate	\$ 41.0	\$ 75.0	\$ 106.9
Adjust for effect of:			
Foreign tax credits	(1.4)	—	(7.8)
Foreign earnings taxed at applicable statutory rates	7.8	(5.5)	(9.7)
Corporate owned life insurance	(1.0)	(0.9)	(1.7)
State income taxes	5.2	(0.5)	6.8
State deferred tax rate change impact	—	5.0	—
Other	(1.0)	(0.9)	1.2
Tax Act:			
Revaluation of deferred tax liabilities	9.4	(371.4)	—
Transition tax on foreign earnings and profits	(23.1)	57.2	—
Other	(2.8)	(1.7)	—
Total Tax Act impact	<u>\$ (16.5)</u>	<u>\$ (315.9)</u>	<u>\$ —</u>
Income taxes	<u>\$ 34.1</u>	<u>\$ (243.7)</u>	<u>\$ 95.7</u>
Effective income tax rate	<u>17.5%</u>	<u>(113.7)%</u>	<u>31.3%</u>

In 2018, our effective tax rate was 17.5% compared to (113.7)% in 2017 and 31.3% in 2016. The current year effective tax rate includes a net benefit of \$16.5 million associated with the finalization of the accounting for the income tax effects from the adoption of the Tax Act on our operations. This amount included a net expense of \$9.4 million associated with the remeasurement of our net deferred tax liability based on the filing of our 2017 income tax returns. It also included a net benefit of \$23.1 million with respect to the transitional repatriation tax, based on our final determination of all applicable tax attributes associated with the undistributed earnings of our non-U.S. subsidiaries and affiliates. The 2018 effective tax rate also reflects the net benefit of \$1.4 million from the utilization of foreign tax credits. Excluding the impacts of the Tax Act adjustment and foreign tax credits, our effective tax rate was 26.7% in 2018. The 2017 effective tax rate reflected our provisional net tax benefit of \$315.9 million, associated with the initial impact of the Tax Act. The 2017 effective tax rate also included an incremental deferred state income tax of \$5.0 million associated with a change in our consolidated effective state tax rate. Excluding the impact of the Tax Act adjustment, our 2017 effective tax rate was 33.7%. The 2016 effective tax rate reflected the utilization of \$7.8 million in foreign tax credits. Excluding the impact of the foreign tax credits, our 2016 effective tax rate was 33.9%.

The adjustment for foreign earnings in each year reflects the impact of applicable statutory tax rates on income earned at our foreign subsidiaries. State income taxes are recognized on domestic pretax income or loss. The amount of our domestic income subject to state taxes relative to our total worldwide income impacts the effect state income tax has on our overall income tax rate.

Separately, our affiliates incurred income taxes of \$10.8 million, \$12.0 million, and \$5.7 million respectively in 2018, 2017, and 2016. The 2016 amount was favorably impacted by a tax benefit of \$3.9 million, as a result of income tax rate reductions enacted in the United Kingdom.

NOTE 13. Concentrations

Concentration of Revenues

We derived revenue from a wide range of industries and companies. In 2018, we generated approximately 25% of our total revenues from customers in the petroleum industry, 18% from the chemical industry, 17% from the transportation industry, 9% from the mining, minerals and aggregates industry, and 9% from food/agriculture industries. Our foreign identifiable revenues were primarily derived in Canada, Germany, Poland, Mexico, and Austria.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Concentration of Credit Risk

We did not have revenue concentrations greater than 10% from any particular customer for any of the years ended December 31, 2018, 2017, and 2016. Under our lease agreements with customers, we typically retain legal ownership of the assets unless such assets have been financed by sale-leasebacks. We perform a credit evaluation prior to approval of a lease contract. Subsequently, we monitor the creditworthiness of the customer and the value of the collateral on an ongoing basis. We maintain an allowance for losses to provide for credit losses inherent in our receivables balances.

Concentration of Labor Force

As of December 31, 2018, collective bargaining agreements covered approximately 42% of our employees, of which agreements covering 26% of employees will expire within the next year. The hourly employees at our US service centers are represented by the United Steelworkers. Employees at three of Rail North America's Canadian service centers are represented by Unifor, the union formerly known as the Communication, Energy and Paperworkers Union of Canada, and the Employee Shop Committee of Riviere-des-Prairies. The unlicensed shipboard personnel on nine of the ASC vessels are represented by the Seafarers International Union. Licensed personnel on ASC's vessels, other than captains, are represented by the American Maritime Officers. Certain employees of GATX Rail Europe are represented by one union in Germany and three unions in Poland. We have begun negotiating new terms for the agreements expiring in 2019, and no work interruptions or other adverse events are currently expected.

NOTE 14. Commercial Commitments

We have entered into various commercial commitments, such as guarantees, standby letters of credit, and performance bonds, related to certain transactions. These commercial commitments require us to fulfill specific obligations in the event of third-party demands. Similar to our balance sheet investments, these commitments expose us to credit, market, and equipment risk. Accordingly, we evaluate these commitments and other contingent obligations using techniques similar to those we use to evaluate funded transactions.

The following table shows our commercial commitments as of December 31 (in millions):

	<u>2018</u>	<u>2017</u>
Lease payment guarantees	\$ 2.0	\$ 4.9
Standby letters of credit and performance bonds	9.5	17.8
Total commercial commitments (1)	<u>\$ 11.5</u>	<u>\$ 22.7</u>

(1) The carrying value of liabilities on the balance sheet for commercial commitments was \$0.9 million at December 31, 2018 and \$2.0 million at December 31, 2017. The expirations of these commitments range from 2019 to 2023. We are not aware of any event that would require us to satisfy any of our commitments.

Lease payment guarantees are commitments to financial institutions to make lease payments for a third party in the event they default. We reduce any liability that may result from these guarantees by the value of the underlying asset or group of assets.

We are also parties to standby letters of credit and performance bonds, which primarily relate to contractual obligations and general liability insurance coverages. No material claims have been made against these obligations, and no material losses are anticipated.

NOTE 15. Earnings per Share

We compute basic earnings per share by dividing net income available to our common shareholders by the weighted average number of shares of our common stock outstanding. We weighted shares issued or reacquired during the year for the portion of the year that they were outstanding. Our diluted earnings per share reflect the impacts of our potentially dilutive securities, which include our equity compensation awards.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows the computation of our basic and diluted net income per common share for the years ending December 31 (in millions, except per share amounts):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Numerator:			
Net income	\$ 211.3	\$ 502.0	\$ 257.1
Denominator:			
Weighted average shares outstanding - basic	37.6	38.8	40.5
Effect of dilutive securities:			
Equity compensation plans	0.7	0.6	0.4
Weighted average shares outstanding - diluted	38.3	39.4	40.9
Basic earnings per share	\$ 5.62	\$ 12.95	\$ 6.35
Diluted earnings per share	\$ 5.52	\$ 12.75	\$ 6.29

NOTE 16. Goodwill

Our goodwill, all of which pertains to Rail North America and Rail International, was \$82.9 million as of December 31, 2018 and \$85.6 million as of December 31, 2017. In the fourth quarter of 2018, we performed a review for impairment of goodwill, and concluded that goodwill was not impaired. For 2018 and 2017, changes in the carrying amount of our goodwill resulted from fluctuations in foreign currency exchange rates.

NOTE 17. Allowance for Losses

The following table shows changes in the allowance for losses at December 31 (in millions):

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 6.4	\$ 6.1
(Reversal) provision for losses	(0.3)	0.6
Charges to allowance	(0.1)	0.2
Recoveries and other, including foreign exchange adjustments	0.4	(0.5)
Ending balance	\$ 6.4	\$ 6.4

As of December 31, 2018, the general allowance for trade receivables was \$6.4 million, or 7.3% of rent and other receivables, compared to \$6.4 million, or 7.7% of rent and other receivables at December 31, 2017.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18. Other Assets and Other Liabilities

The following table shows the components of other assets reported on our balance sheets as of December 31 (in millions):

	<u>2018</u>	<u>2017</u>
Inventory	\$ 63.7	\$ 57.2
Office furniture, fixtures and other equipment, net of accumulated depreciation	34.3	20.5
Prepaid items	10.0	16.9
Derivatives	4.9	1.2
Prepaid pension	4.4	6.2
Deferred financing costs	3.1	3.8
Assets held for sale	1.3	4.5
Other	84.4	80.6
Total other assets	<u>\$ 206.1</u>	<u>\$ 190.9</u>

The following table shows the components of other liabilities reported on our balance sheets as of December 31 (in millions):

	<u>2018</u>	<u>2017</u>
Accrued pension and other post-retirement benefits	\$ 75.8	\$ 84.4
Deferred gains on sale-leasebacks	53.8	55.9
Derivatives	30.6	39.3
Environmental accruals	13.7	13.1
Accrued operating lease expense	4.3	8.3
Other	43.3	32.2
Total other liabilities	<u>\$ 221.5</u>	<u>\$ 233.2</u>

NOTE 19. Shareholders' Equity

On January 25, 2019, our board of directors ("Board") approved a \$300 million share repurchase program, pursuant to which we are authorized to purchase shares of our common stock in the open market, in privately negotiated transactions, or otherwise, including pursuant to Rule 10b5-1 plans. This authorization replaced a prior program approved in 2018. During 2018, we purchased 1.5 million shares of common stock for \$115.5 million, including commissions. In 2017, we purchased 1.7 million shares of common stock for \$100.0 million. In 2016, we purchased 2.7 million shares of common stock for \$120.1 million. The share repurchase program does not have an expiration date, does not obligate the Company to repurchase any dollar amount or number of shares of common stock, and may be suspended or discontinued at any time. The timing of share repurchases will be dependent on market conditions and other factors.

In accordance with our certificate of incorporation, 120 million shares of common stock are authorized, at a par value of \$0.625 per share. As of December 31, 2018, 67.3 million shares were issued and 36.6 million shares were outstanding.

The following shares of common stock were reserved as of December 31, 2018 (in millions):

GATX Corporation 2004 Equity Incentive Compensation Plan	2.2
GATX Corporation 2012 Incentive Award Plan	6.6
Total	<u>8.8</u>

Our certificate of incorporation also authorizes five million shares of preferred stock at a par value of \$1.00 per share. We had no outstanding shares of preferred stock as of December 31, 2018 and December 31, 2017.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 20. Accumulated Other Comprehensive Income (Loss)

The following table shows the change in components for accumulated other comprehensive loss (in millions):

	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Securities	Unrealized Loss on Derivative Instruments	Post- Retirement Benefit Plans	Total
Balance at December 31, 2015	\$ (77.7)	\$ (0.3)	\$ (20.9)	\$ (99.9)	\$ (198.8)
Change in component	(26.0)	2.5	7.3	11.7	(4.5)
Reclassification adjustments into earnings (1)	—	(1.9)	(3.9)	9.0	3.2
Income tax effect	—	(0.3)	(2.8)	(7.9)	(11.0)
Balance at December 31, 2016	(103.7)	—	(20.3)	(87.1)	(211.1)
Change in component	93.2	—	(39.6)	(3.2)	50.4
Reclassification adjustments into earnings (1)	—	—	45.8	8.8	54.6
Income tax effect	—	—	(1.4)	(2.1)	(3.5)
Balance at December 31, 2017	(10.5)	—	(15.5)	(83.6)	(109.6)
Change in component	(47.5)	—	12.9	2.1	(32.5)
Reclassification adjustments into earnings (1)	—	—	(7.4)	9.9	2.5
Income tax effect	—	—	(1.0)	(4.6)	(5.6)
Reclassification adjustments into retained earnings (2)	—	—	(3.0)	(16.4)	(19.4)
Balance at December 31, 2018	<u>\$ (58.0)</u>	<u>\$ —</u>	<u>\$ (14.0)</u>	<u>\$ (92.6)</u>	<u>\$ (164.6)</u>

- (1) See “Note 8. Fair Value Disclosure” and “Note 10. Pension and Other Post-Retirement Benefits” for impacts of the reclassification adjustments on the statement of comprehensive income.
- (2) As detailed in “Note 2. Accounting Changes”, we adopted ASU 2018-02, which permits reclassification of certain stranded tax effects related to the Tax Act from Accumulated Other Comprehensive Income to Retained Earnings.

NOTE 21. Foreign Operations

For the years ended December 31, 2018, 2017, and 2016, we did not derive revenues in excess of 10% of our consolidated revenues from any one foreign country. Additionally, at December 31, 2018 and 2017, we did not have more than 10% of our identifiable assets in any one foreign country.

The following table shows our domestic and foreign revenues and identifiable assets for the years ended or as of December 31 (in millions):

	2018	2017	2016
Revenues			
Foreign	\$ 333.5	\$ 324.0	\$ 320.7
United States	1,027.4	1,052.9	1,097.6
Total	<u>\$ 1,360.9</u>	<u>\$ 1,376.9</u>	<u>\$ 1,418.3</u>
Identifiable Assets			
Foreign	\$ 2,470.9	\$ 2,407.2	\$ 2,098.2
United States	5,145.8	5,015.2	5,007.2
Total	<u>\$ 7,616.7</u>	<u>\$ 7,422.4</u>	<u>\$ 7,105.4</u>

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 22. Legal Proceedings and Other Contingencies

Various legal actions, claims, assessments and other contingencies arising in the ordinary course of business are pending against GATX and certain of our subsidiaries. These matters are subject to many uncertainties, and it is possible that some of these matters could ultimately be decided, resolved or settled adversely.

Viareggio Derailment

In June 2009, a train consisting of fourteen liquefied petroleum gas (“LPG”) tank cars owned by GATX Rail Austria GmbH and its subsidiaries (collectively, “GRA”) derailed while passing through the City of Viareggio, in the province of Lucca, Italy. Five tank cars overturned and one of the overturned cars was punctured by a peg or obstacle along the side of the track, resulting in a release of LPG, which subsequently ignited. The accident resulted in multiple deaths, personal injuries and property damage. The LPG tank cars were leased to FS Logistica S.p.A., a subsidiary of the Italian state-owned railway, Ferrovie dello Stato S.p.A (the “Italian Railway”).

In January 2017, the court of Lucca found various Italian Railway companies, GRA, and certain of their employees guilty of negligence-based crimes related to the accident. The court imposed a fine of 1.4 million Euros against GRA and prison sentences against the employees. GRA has appealed and, pending the final disposition of the appeal, these fines and penalties are not enforceable. GRA believes that it and its employees acted diligently and in accordance with all applicable laws and regulations at all times. Appellate hearings began on November 13, 2018, but the duration of the first level of appeal is currently unknown. With respect to civil claims, the insurers for the Italian Railway and GRA have fully settled and resolved most of the claims arising out of the accident. GRA will continue to incur legal expenses for the criminal appeals although they are not expected to be material. We cannot predict the outcome of the appellate process and thus cannot reasonably estimate the possible amount or range of costs that may be ultimately incurred in connection with this litigation.

Other Litigation

GATX and its subsidiaries have been named as defendants in various other legal actions and claims, governmental proceedings, and private civil suits arising in the ordinary course of business, including environmental matters, workers’ compensation claims, and other personal injury claims. Some of these proceedings include claims for punitive as well as compensatory damages. Several of our subsidiaries have also been named as defendants or co-defendants in cases alleging injury caused by exposure to asbestos. The plaintiffs seek an unspecified amount of damages based on common law, statutory, or premises liability or, in the case of claims against ASC, the Jones Act, which provides limited remedies to certain maritime employees. In addition, demand has been made against GATX for asbestos-related claims under limited indemnities given in connection with the sale of certain of our former subsidiaries.

Litigation Accruals

We have recorded accruals totaling \$5.8 million at December 31, 2018 for losses related to those litigation matters that we believe to be probable and for which an amount of loss can be reasonably estimated. However, we cannot determine a reasonable estimate of the maximum possible loss or range of loss for these matters given that they are at various stages of the litigation process and each case is subject to the inherent uncertainties of litigation (such as the strength of our legal defenses and the availability of insurance recovery). Although the maximum amount of liability that may ultimately result from any of these matters cannot be predicted with absolute certainty, management expects that none of the matters for which we have recorded an accrual, when ultimately resolved, will have a material adverse effect on our consolidated financial position or liquidity. It is possible, however, that the ultimate resolution of one or more of these matters could have a material adverse effect on our results of operations in a particular quarter or year if such resolution results in liability that materially exceeds the accrued amount.

In addition, we have other litigation matters pending for which we have not recorded any accruals because our potential liability for those matters is not probable or cannot be reasonably estimated based on currently available information. For those matters where we have not recorded an accrual but a loss is reasonably possible, we cannot determine a reasonable estimate of the maximum possible loss or range of loss for these matters given that they are at various stages of the litigation process and each case is subject to the inherent uncertainties of litigation (such as the strength of our legal defenses and the availability of insurance recovery). Although the maximum amount of liability that may ultimately result from any of these matters cannot be predicted with absolute certainty, management expects that none of the matters for which we have not recorded an accrual, when ultimately resolved, will have a material adverse effect on our consolidated financial position or liquidity. It is possible, however, that the ultimate resolution of one or more of these matters could have a material adverse effect on our results of operations in a particular quarter or year if such resolution results in a significant liability for GATX.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Environmental

Our operations are subject to extensive federal, state, and local environmental regulations. Our operating procedures include practices to protect the environment from the risks inherent in full service railcar leasing, which involves maintaining railcars used by customers to transport chemicals and other hazardous materials. Under some environmental laws in the U.S. and certain other countries, the owner of a leased railcar may be liable for environmental damage and cleanup or other costs in the event of a spill or discharge of material from a railcar without regard to the owner's fault. While our standard master railcar lease agreement requires the lessee to indemnify us against environmental claims and to carry liability insurance coverage, such indemnities and insurance may not fully protect us against claims for environmental damage. Additionally, some of our real estate holdings, including previously owned properties, are or have been used for industrial or transportation-related purposes or leased to commercial or industrial companies whose activities might have resulted in discharges on the property. As a result, we are subject to environmental cleanup and enforcement actions. In particular, the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the Superfund law, as well as similar state laws, impose joint and several liability for cleanup and enforcement costs on current and former owners and operators of a site without regard to fault or the legality of the original conduct. If there are other potentially responsible parties ("PRPs"), we generally contribute to the cleanup of these sites through cost-sharing agreements with terms that vary from site to site. Costs are typically allocated based on the relative volumetric contribution of material, the period of time the site was owned or operated, and/or the portion of the site owned or operated by each PRP.

At the time a potential environmental issue is identified, initial accruals for environmental liability are established when such liability is determined to be probable and a reasonable estimate of the associated costs can be made. Costs are estimated based on the type and level of investigation and/or remediation activities that our internal environmental staff (and where appropriate, independent consultants) have advised to be necessary to comply with applicable laws and regulations. Activities include surveys and environmental studies of potentially contaminated sites as well as costs for remediation and restoration of sites determined to be contaminated. In addition, we have provided indemnities for potential environmental liabilities to buyers of divested companies. In these instances, accruals are based on the scope and duration of the respective indemnities together with the extent of known contamination. Estimates are periodically reviewed and adjusted as required to reflect additional information about facility or site characteristics or changes in regulatory requirements. We conduct a quarterly environmental contingency analysis, which considers a combination of factors including independent consulting reports, site visits, legal reviews, analysis of the likelihood of participation in and the ability of other PRPs to pay for cleanup, and historical trend analyses.

We are involved in administrative and judicial proceedings and other voluntary and mandatory cleanup efforts at 13 sites, including Superfund sites, for which we are contributing to the cost of performing the study or cleanup, or both, of alleged environmental contamination. As of December 31, 2018, we have recorded accruals of \$13.7 million for remediation and restoration costs that we believe to be probable and for which the amount of loss can be reasonably estimated. These amounts are included in other liabilities on our balance sheet. Our environmental liabilities are not discounted.

We did not materially change our methodology for identifying and calculating environmental liabilities in the last three years. Currently, no known trends, demands, commitments, events or uncertainties exist that are reasonably likely to occur and materially affect the methodology or assumptions described above.

The recorded accruals represent our best estimate of all costs for remediation and restoration of affected sites, without reduction for anticipated recoveries from third parties, and include both asserted and unasserted claims. However, we are unable to provide a reasonable estimate of the maximum potential loss associated with these sites because cleanup costs cannot be predicted with certainty. Various factors beyond our control can impact the amount of loss GATX will ultimately incur with respect to these sites, including the extent of corrective actions that may be required; evolving environmental laws and regulations; advances in environmental technology, the extent of other parties' participation in cleanup efforts; developments in periodic environmental analyses related to sites determined to be contaminated, and developments in environmental surveys and studies of potentially contaminated sites. As a result, future charges associated with these sites could have a significant effect on results of operations in a particular quarter or year if the costs materially exceed the accrued amount as individual site studies and remediation and restoration efforts proceed. However, management believes it is unlikely that the ultimate cost to GATX for any of these sites, either individually or in the aggregate, will have a material adverse effect on our consolidated financial position or liquidity.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 23. Financial Data of Business Segments

The financial data presented below depicts the profitability, financial position, and capital expenditures of each of our business segments.

We lease, operate, manage, and remarket long-lived, widely-used assets, primarily in the rail market. We report our financial results through four primary business segments: Rail North America, Rail International, Portfolio Management, and American Steamship Company (“ASC”).

Rail North America is composed of our operations in the United States, Canada, and Mexico, as well as an affiliate investment. Rail North America primarily provides railcars pursuant to full-service leases under which it maintains the railcars, pays ad valorem taxes and insurance, and provides other ancillary services.

Rail International is composed of our operations in Europe (“GATX Rail Europe” or “GRE”), India (“Rail India”), and Russia (“Rail Russia”). GRE leases railcars to customers throughout Europe pursuant to full-service leases under which it maintains the railcars and provides value-adding services according to customer requirements.

Portfolio Management is composed primarily of our ownership in a group of joint ventures with Rolls-Royce plc that lease aircraft spare engines, as well as five liquefied gas carrying vessels (the “Norgas Vessels”) and assorted other marine assets. In prior years, Portfolio Management generated leasing, marine operating, asset remarketing, and management fee income through a collection of diversified wholly owned assets and joint venture investments. In 2015, we made the decision to exit the majority of the marine investments, excluding the Norgas Vessels, within our Portfolio Management segment, including six chemical parcel tankers, a number of inland marine vessels, and our 50% interest in the Cardinal Marine joint venture, all of which have been sold as of December 31, 2017.

ASC operates the largest fleet of US-flagged vessels on the Great Lakes, providing waterborne transportation of dry bulk commodities such as iron ore, coal, limestone aggregates, and metallurgical limestone.

Segment profit is an internal performance measure used by the Chief Executive Officer to assess the profitability of each segment. Segment profit includes all revenues, expenses, pre-tax earnings from affiliates, and net gains on asset dispositions that are directly attributable to each segment. We allocate interest expense to the segments based on what we believe to be the appropriate risk-adjusted borrowing costs for each segment. Segment profit excludes selling, general and administrative expenses, income taxes, and certain other amounts not allocated to the segments. These amounts are included in Other.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables show certain segment data for the years ended December 31, 2018, 2017, and 2016 (in millions):

	<u>Rail North America</u>	<u>Rail International</u>	<u>Portfolio Management</u>	<u>ASC</u>	<u>Other</u>	<u>GATX Consolidated</u>
2018 Profitability						
Revenues						
Lease revenue	\$ 873.4	\$ 209.3	\$ 1.0	\$ 4.1	\$ —	\$ 1,087.8
Marine operating revenue	—	—	14.3	181.7	—	196.0
Other revenue	68.1	8.2	0.8	—	—	77.1
Total Revenues	941.5	217.5	16.1	185.8	—	1,360.9
Expenses						
Maintenance expense	254.7	44.5	—	22.6	—	321.8
Marine operating expense	—	—	16.8	114.1	—	130.9
Depreciation expense	248.5	55.5	7.3	10.6	—	321.9
Operating lease expense	49.6	—	—	—	—	49.6
Other operating expense	27.3	5.8	—	—	—	33.1
Total Expenses	580.1	105.8	24.1	147.3	—	857.3
Other Income (Expense)						
Net gain (loss) on asset dispositions	76.3	(0.2)	(3.4)	0.1	—	72.8
Interest (expense) income, net	(125.2)	(35.9)	(10.4)	(5.7)	8.6	(168.6)
Other (expense) income	(5.2)	(7.0)	—	0.1	(9.5)	(21.6)
Share of affiliates' pre-tax income	0.6	—	60.5	—	—	61.1
Segment profit (loss)	\$ 307.9	\$ 68.6	\$ 38.7	\$ 33.0	\$ (0.9)	447.3
Less:						
Selling, general and administrative expense						191.1
Income taxes (includes \$10.8 related to affiliates' earnings)						44.9
Net income						\$ 211.3
Net Gain (Loss) on Asset Dispositions						
<u>Asset Remarketing Income:</u>						
Disposition gains on owned assets	\$ 64.7	\$ —	\$ —	\$ 0.1	\$ —	\$ 64.8
Residual sharing income	1.4	—	1.1	—	—	2.5
Non-remarketing disposition gains (1)	10.8	3.7	—	—	—	14.5
Asset impairments	(0.6)	(3.9)	(4.5)	—	—	(9.0)
	\$ 76.3	\$ (0.2)	\$ (3.4)	\$ 0.1	\$ —	\$ 72.8
Capital Expenditures						
Portfolio investments and capital additions	\$ 737.4	\$ 152.7	\$ 14.1	\$ 15.8	\$ 23.4	\$ 943.4
Selected Balance Sheet Data						
Investments in affiliated companies	\$ 0.2	\$ —	\$ 464.3	\$ —	\$ —	\$ 464.5
Identifiable assets	\$ 5,236.6	\$ 1,363.2	\$ 606.8	\$ 297.8	\$ 112.3	\$ 7,616.7

(1) Includes scrapping gains.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	<u>Rail North America</u>	<u>Rail International</u>	<u>Portfolio Management</u>	<u>ASC</u>	<u>Other</u>	<u>GATX Consolidated</u>
2017 Profitability						
Revenues						
Lease revenue	\$ 899.9	\$ 190.3	\$ 3.8	\$ 4.1	\$ —	\$ 1,098.1
Marine operating revenue	—	—	25.0	168.4	—	193.4
Other revenue	77.5	6.8	1.1	—	—	85.4
Total Revenues	977.4	197.1	29.9	172.5	—	1,376.9
Expenses						
Maintenance expense	265.0	41.1	—	22.2	—	328.3
Marine operating expense	—	—	24.8	106.2	—	131.0
Depreciation expense	239.4	48.9	7.0	12.0	—	307.3
Operating lease expense	60.7	—	—	1.8	—	62.5
Other operating expense	28.7	4.7	1.0	—	—	34.4
Total Expenses	593.8	94.7	32.8	142.2	—	863.5
Other Income (Expense)						
Net gain (loss) on asset dispositions	45.2	3.1	7.7	(1.9)	—	54.1
Interest (expense) income, net	(121.2)	(33.4)	(9.2)	(5.2)	8.5	(160.5)
Other (expense) income	(5.9)	(3.2)	2.3	1.3	(7.1)	(12.6)
Share of affiliates' pre-tax (loss) income	(2.4)	(0.1)	58.4	—	—	55.9
Segment profit	\$ 299.3	\$ 68.8	\$ 56.3	\$ 24.5	\$ 1.4	450.3
Less:						
Selling, general and administrative expense						180.0
Income taxes (includes \$12.0 related to affiliates' earnings)						(231.7)
Net income						\$ 502.0
Net Gain (Loss) on Asset Dispositions						
<u>Asset Remarketing Income:</u>						
Disposition gains (losses) on owned assets	\$ 44.0	\$ 0.1	\$ 1.8	\$ (1.8)	\$ —	\$ 44.1
Residual sharing income	0.6	—	9.6	—	—	10.2
Non-remarketing disposition gains (losses) (1)	5.2	3.3	—	(0.1)	—	8.4
Asset impairments	(4.6)	(0.3)	(3.7)	—	—	(8.6)
	\$ 45.2	\$ 3.1	\$ 7.7	\$ (1.9)	\$ —	\$ 54.1
Capital Expenditures						
Portfolio investments and capital additions	\$ 460.9	\$ 90.9	\$ 36.6	\$ 14.0	\$ 1.0	\$ 603.4
Selected Balance Sheet Data						
Investments in affiliated companies	\$ 6.8	\$ —	\$ 434.2	\$ —	\$ —	\$ 441.0
Identifiable assets	\$ 4,915.0	\$ 1,332.9	\$ 582.8	\$ 286.7	\$ 305.0	\$ 7,422.4

(1) Includes scrapping gains.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	<u>Rail North America</u>	<u>Rail International</u>	<u>Portfolio Management</u>	<u>ASC</u>	<u>Other</u>	<u>GATX Consolidated</u>
2016 Profitability						
Revenues						
Lease revenue	\$ 935.1	\$ 182.0	\$ 5.8	\$ 4.2	\$ —	\$ 1,127.1
Marine operating revenue	—	—	49.3	150.0	—	199.3
Other revenue	83.4	7.0	1.5	—	—	91.9
Total Revenues	1,018.5	189.0	56.6	154.2	—	1,418.3
Expenses						
Maintenance expense	266.5	47.2	—	18.6	—	332.3
Marine operating expense	—	—	32.8	96.7	—	129.5
Depreciation expense	231.8	45.5	7.0	12.9	—	297.2
Operating lease expense	67.6	—	—	6.0	(0.1)	73.5
Other operating expense	34.1	5.3	4.4	—	—	43.8
Total Expenses	600.0	98.0	44.2	134.2	(0.1)	876.3
Other Income (Expense)						
Net gain on asset dispositions	16.6	1.1	80.3	—	—	98.0
Interest (expense) income, net	(110.1)	(29.7)	(8.6)	(4.5)	4.8	(148.1)
Other (expense) income	(3.6)	0.8	—	(5.4)	(9.3)	(17.5)
Share of affiliates' pre-tax income (loss)	0.5	(0.2)	52.8	—	—	53.1
Segment profit	\$ 321.9	\$ 63.0	\$ 136.9	\$ 10.1	\$ (4.4)	527.5
Less:						
Selling, general and administrative expense						169.0
Income taxes (includes \$5.7 related to affiliates' earnings)						101.4
Net income						\$ 257.1
Net Gain on Asset Dispositions						
<u>Asset Remarketing Income:</u>						
Disposition gains on owned assets	\$ 45.5	\$ —	\$ 4.2	\$ —	\$ —	\$ 49.7
Residual sharing income	0.8	—	82.8	—	—	83.6
Non-remarketing disposition gains (1)	1.5	1.7	—	—	—	3.2
Asset impairments	(31.2)	(0.6)	(6.7)	—	—	(38.5)
	\$ 16.6	\$ 1.1	\$ 80.3	\$ —	\$ —	\$ 98.0
Capital Expenditures						
Portfolio investments and capital additions	\$ 495.6	\$ 87.1	\$ 25.0	\$ 9.1	\$ 3.9	\$ 620.7
Selected Balance Sheet Data						
Investments in affiliated companies	\$ 10.5	\$ 1.2	\$ 375.3	\$ —	\$ —	\$ 387.0
Identifiable assets	\$ 4,775.6	\$ 1,128.7	\$ 593.5	\$ 278.8	\$ 328.8	\$ 7,105.4

(1) Includes scrapping gains.

GATX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 24. Selected Quarterly Financial Data (unaudited)

	<u>First Quarter</u>	<u>Second Quarter (2)</u>	<u>Third Quarter</u>	<u>Fourth Quarter (3)</u>	<u>Total</u>
In millions, except per share data					
2018					
Total revenues	\$ 305.3	\$ 349.5	\$ 349.7	\$ 356.4	\$ 1,360.9
Net income	\$ 76.3	\$ 38.8	\$ 47.0	\$ 49.2	\$ 211.3
Per Share Data (1)					
Basic	\$ 2.02	\$ 1.03	\$ 1.25	\$ 1.32	\$ 5.62
Diluted	\$ 1.98	\$ 1.01	\$ 1.22	\$ 1.30	\$ 5.52
2017					
Total revenues	\$ 316.1	\$ 348.4	\$ 359.6	\$ 352.8	\$ 1,376.9
Net income	\$ 57.5	\$ 53.4	\$ 49.0	\$ 342.1	\$ 502.0
Per Share Data (1)					
Basic	\$ 1.46	\$ 1.37	\$ 1.27	\$ 8.98	\$ 12.95
Diluted	\$ 1.44	\$ 1.35	\$ 1.25	\$ 8.83	\$ 12.75

- (1) Quarterly earnings per share may not be additive, as per share amounts are computed independently for each quarter and the full year is based on the respective weighted average common shares and common stock equivalents outstanding.
- (2) In the second quarter of 2018, net income included \$5.8 million of expense (net of income taxes) attributable to the closure of a maintenance facility.
- (3) In the fourth quarters of 2018 and 2017, net income included \$17.9 million and \$315.9 million of income tax benefits, primarily related to the impacts of the enacted Tax Act.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Management's Report Regarding the Effectiveness of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")). Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective.

Management's Report Regarding the Effectiveness of Internal Control and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act for us. Our internal control over financial reporting is 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. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our 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. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate as a result of changes in conditions, or that the degree of compliance with the applicable policies and procedures may deteriorate.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of our internal control over financial reporting as of the end of the period covered by this annual report based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Such evaluation included reviewing the documentation of our internal controls, evaluating the design effectiveness of the internal controls and testing their operating effectiveness.

Based on such evaluation, our management has concluded that as of the end of the period covered by this annual report, our internal control over financial reporting was effective. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Ernst & Young LLP, the independent registered public accounting firm that audited the financial statements included in this annual report, has issued a report on our internal control over financial reporting. That report follows.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

To the Shareholders and the Board of Directors of GATX Corporation

Opinion on Internal Control over Financial Reporting

We have audited GATX Corporation and subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, GATX Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and our report dated February 25, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible 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 Report Regarding the Effectiveness of Internal Control and Procedures. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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.

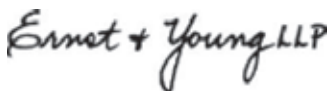
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

Chicago, Illinois
February 25, 2019

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) occurred during the fiscal quarter ended December 31, 2018, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item regarding directors, our Code of Business Conduct and Ethics, Code of Ethics for Senior Company Officers, Audit Committee Financial Experts, compliance with Section 16(a) of the Exchange Act, and corporate governance is contained in sections entitled “Director Criteria and Nomination Process”, “Nominees for Election to the Board of Directors”, “Board of Directors”, “Board Independence”, “Board Leadership Structure”, “Board Committees”, “Director and Officer Indemnification and Insurance Arrangements”, “Communication with the Board”, “Audit Committee Report”, and “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive Proxy Statement to be filed on or about March 18, 2019, which sections are incorporated herein by reference.

Information regarding executive officers is included after Item 1 in Part I of this Form 10-K.

Item 11. Executive Compensation

Information required by this item regarding compensation of our directors and executive officers is contained in sections entitled “Director Compensation”, “Compensation Discussion and Analysis”, “Compensation Committee Report”, and “Executive Compensation Tables”, in our definitive Proxy Statement to be filed on or about March 18, 2019, which sections are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item regarding security ownership of certain beneficial owners and management is contained in sections entitled “Security Ownership of Directors and Executive Officers” and “Principal Shareholders” in our definitive Proxy Statement to be filed on or about March 18, 2019, which sections are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item regarding transactions with related persons and director independence is contained in the sections entitled “Related Party Transactions” and “Board Independence” in our definitive Proxy Statement to be filed on or about March 18, 2019, which sections are incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information required by this item regarding fees paid to Ernst & Young is contained in sections entitled “Pre-Approval Policy” and “Audit and Other Related Fees” in our definitive Proxy Statement to be filed on or about March 18, 2019, which sections are incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

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Documents Filed as Part of this Report:	
Report of Independent Registered Public Accounting Firm with respect to the consolidated financial statements	62
Consolidated Balance Sheets — December 31, 2018 and 2017	63
Consolidated Statements of Comprehensive Income — Years Ended December 31, 2018, 2017, and 2016	64
Consolidated Statements of Cash Flows — Years Ended December 31, 2018, 2017, and 2016	65
Consolidated Statements of Changes in Shareholders' Equity — Years Ended December 31, 2018, 2017, and 2016	66
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2. Financial Statement Schedules:

Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and, therefore, have been omitted.

3. Exhibits.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Description</u>
---------------------------	----------------------------

Filed with this Report:

- | | |
|------|--|
| 21 | Subsidiaries of the Registrant. |
| 23 | Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm. |
| 24 | Powers of Attorney with respect to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018. |
| 31.1 | Certification Pursuant to Exchange Act Rule 13a-14(a) and Rule 15d-14(a) (CEO Certification). |
| 31.2 | Certification Pursuant to Exchange Act Rule 13a-14(a) and Rule 15d-14(a) (CFO Certification). |
| 32 | Certification Pursuant to 18 U.S.C. Section 1350 (CEO and CFO Certification). |
| 101 | The following materials from GATX Corporation's Annual Report on Form 10-K for the year ended December 31, 2018, are formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2018 and December 31, 2017, (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017, and 2016, (iii) Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017, and 2016, and (iv) Notes to the Consolidated Financial Statements. |

Incorporated by Reference:

- | | |
|-----|--|
| 3.1 | Restated Certificate of Incorporation of GATX Corporation is incorporated herein by reference to Exhibit 3.2 to GATX's Form 8-K dated October 31, 2013, file number 1-2328. |
| 3.2 | Amended and Restated By-Laws of GATX Corporation are incorporated herein by reference to Exhibit 3.1 of GATX's Form 8-K dated August 5, 2015, file number 1-2328. |
| 4.1 | Indenture dated as of November 1, 2003 between GATX Financial Corporation and JP Morgan Chase Bank is incorporated herein by reference to Exhibit 4Q to GATX Financial Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, file number 1-8319. |

- 4.2 Indenture dated as of February 6, 2008, between GATX Corporation and U.S. Bank National Association, as Trustee, is incorporated herein by reference to Exhibit 4.12 to GATX's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, file number 1-2328.
- 10.1 Five Year Credit Agreement dated as of April 30, 2013, with Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint book managers, Bank of America, N.A., as syndication agent, PNC Bank, National Association, U.S. Bank, National Association, and Bayerische Landesbank, acting through its New York branch, as co-documentation agents, Citibank, N.A., as administrative agent, and the lenders party thereto is incorporated herein by reference to Exhibit 10.1 to GATX's Form 8-K dated May 3, 2013, file number 1-2328.
- i. Amendment No. 1 to the Credit Agreement, dated as of July 8, 2014, among GATX Corporation, as borrower, Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint book managers, Bank of America, N.A., as syndication agent, PNC Bank, N.A., U.S. Bank, National Association and Bayerische Landesbank, acting through its New York branch, as co-documentation agents, Citibank, N.A., as administrative agent, and the lenders party thereto is incorporated by reference to Exhibit 10.1 to GATX's Current Report on Form 8-K dated July 11, 2014, file number 1-2328.
- ii. Amendment No. 2 to the Credit Agreement, dated as of May 20, 2015, among GATX Corporation, as borrower, Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint book managers, Bank of America, N.A., as syndication agent, PNC Bank, N.A., U.S. Bank, National Association and Bayerische Landesbank, acting through its New York branch, as co-documentation agents, Citibank, N.A., as administrative agent, and the lenders party thereto is incorporated by reference to Exhibit 10.1 to GATX's Current Report on Form 10-Q dated June 30, 2015, file number 1-2328.
- 10.2 Five Year Credit Agreement dated as of May 26, 2016, among Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint book managers, Bank of America, N.A., as syndication agent, PNC Bank, N.A., U.S. Bank, National Association, and Bayerische Landesbank, acting through its New York branch, as co-documentation agents, Citibank, N.A., as administrative agent, and the lenders party thereto is incorporated herein by reference to Exhibit 10.1 to GATX's Form 8-K dated June 2, 2016, file number 1-2328.
- 10.3 Supply Agreement by and between GATX Corporation, as Buyer, and Trinity Rail Group, LLC, as Seller, dated March 14, 2011 is incorporated by reference to Exhibit 10.1.A to GATX's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2011, file number 1-2328 (Note: Portions of this document have been omitted pursuant to a Request for Confidential Treatment filed with the Securities and Exchange Commission on April 27, 2011).
- i. First Amendment to Supply Agreement by and between GATX Corporation, as Buyer, and Trinity Rail Group, LLC, as Seller, dated April 25, 2011 is incorporated by reference to GATX's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2011, file number 1-2328.
- 10.4 Supply Agreement by and between GATX Corporation, as Buyer, and Trinity Rail Group, LLC, as Seller, dated November 3, 2014 is incorporated by reference to Exhibit 10.25 to GATX's Form 10-K for the fiscal year ended December 31, 2014, file number 1-2328 (Note: Portions of this document have been omitted pursuant to a Request for Confidential Treatment filed with the Securities and Exchange Commission on February 5, 2015).
- i. First Amendment to Supply Agreement by and between GATX Corporation, as Buyer, and Trinity Rail Group, LLC, as Seller, dated May 24, 2018 is incorporated by reference to Exhibit 10.1 to GATX's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018 (Note: Portions of this document have been omitted pursuant to a Request for Confidential Treatment filed with the Securities and Exchange Commission on July 27, 2018).
- 10.5 Summary of GATX Corporation Non-Employee Directors' Compensation is incorporated herein by reference to the section entitled "Director Compensation" in GATX's Definitive Proxy Statement filed on March 19, 2018, in connection with GATX's 2018 Annual Meeting of Shareholders, file number 1-2328.*
- 10.6 GATX Corporation 2004 Equity Incentive Compensation Plan is incorporated herein by reference to Exhibit C to the Definitive Proxy Statement filed on March 18, 2004 in connection with GATX's 2004 Annual Meeting of Shareholders, file number 1-2328.*
- i. Amendment of said Plan, effective as of December 7, 2007, is incorporated herein by reference to Exhibit 10.28 to GATX's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, file number 1-2328.*
- ii. Second Amendment of GATX Corporation 2004 Equity Incentive Compensation Plan effective October 22, 2010.*
- 10.7 Form of GATX Corporation Stock-Settled Stock Appreciation Right (SAR) Agreement for grants under the 2004 Equity Incentive Compensation Plan to executive officers on or after January 1, 2009, incorporated herein by reference to Exhibit 10.2 to GATX's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, file number 1-2328.*
- 10.8 GATX Corporation 2012 Incentive Award Plan is incorporated herein by reference to Exhibit A to the Definitive Proxy Statement filed on March 16, 2012 in connection with GATX's 2012 Annual Meeting of Shareholders, file number 1-2328.*

- i. Amendment and Restatement of said Plan, effective May 5, 2017, is incorporated herein by reference to Exhibit C to the Definitive Proxy Statement filed on March 24, 2017 in connection with GATX's 2017 Annual Meeting of Shareholders, file number 1-2328.*
- 10.9 GATX Corporation Cash Incentive Compensation Plan is incorporated herein by reference to Exhibit D to the Definitive Proxy Statement filed on March 18, 2004 in connection with GATX's 2004 Annual Meeting of Shareholders, file number 1-2328.*
 - i. Amendment of said Plan, effective as of December 7, 2007, is incorporated herein by reference to Exhibit 10.30 to GATX's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, file number 1-2328.*
 - 10.10 Form of Amended and Restated Agreement for Employment Following a Change of Control dated as of January 1, 2009, between GATX Corporation and Brian A. Kenney is incorporated herein by reference to Exhibit 10.27 to GATX's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, file number 1-2328.*
 - 10.11 Form of Amended and Restated Agreement for Employment Following a Change of Control dated as of January 1, 2009, between GATX Corporation and Robert C. Lyons, Deborah A. Golden, William M. Muckian, and Michael T. Brooks is incorporated herein by reference to Exhibit 10.28 to GATX's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, file number 1-2328.*
 - 10.12 Form of Agreement for Employment Following a Change of Control between GATX Corporation and James M. Conniff (dated as of February 1, 2015) and Thomas A. Ellman (dated as of January 1, 2014) is incorporated herein by reference to Exhibit 10.1 to GATX's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015, file number 1-2328.*
 - 10.13 Form of Agreement for Employment following a Change of Control between GATX Corporation and Niyi Adedoyin (dated as of January 29, 2016), Eric D. Harkness (dated as of February 1, 2015), Amita Shetty (dated as of August 9, 2018), Paul F. Titterton (dated as of January 1, 2014), Jeffrey D. Young (dated as of February 1, 2015), and Robert A. Zmudka (dated as of August 9, 2018) is incorporated by reference to Exhibit 10.2 to GATX's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015, file number 1-2328.*
 - 10.14 Form of Agreement for Employment Following a Change of Control between GATX Corporation and N. Gokce Tezel (dated as of March 1, 2018) is incorporated herein by reference to Exhibit 10.1 to GATX's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015, file number 1-2328.*
 - 10.15 Form of GATX Corporation Indemnification Agreement for directors as of February 23, 2009, is incorporated herein by reference to Exhibit 10.1 to GATX's Form 8-K dated February 24, 2009, file number 1-2328.
 - 10.16 Form of Stock-Settled Stock Appreciation Right (SAR) Agreement for awards under the GATX Corporation 2012 Incentive Award Plan to executive officers with Agreements for Employment Following a Change of Control is incorporated by reference to Exhibit 10.24 of GATX's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, file number 1-2328.*
 - 10.17 Form of Performance Share Agreement for grants under the GATX Corporation 2012 Incentive Award Plan to executive officers with Agreements for Employment Following a Change of Control is incorporated by reference to Exhibit 10.25 of GATX's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, file number 1-2328.*
 - 10.18 Form of Performance Share Agreement (with cash-election option) for grants under the GATX Corporation 2012 Incentive Award Plan to executive officers with Agreements for Employment Following a Change of Control is incorporated by reference to Exhibit 10.1 to GATX's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014, file number 1-2328.*
 - 10.19 Form of Performance Share Agreement (with cash-election option) for grants under the GATX Corporation Amended and Restated 2012 Incentive Award Plan to executive officers following adoption of the Tax Cuts and Jobs Act of 2017 is incorporated by reference to Exhibit 10.1 to GATX's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018.*
 - 10.20 Form of Option Agreement for awards under the GATX Corporation 2012 Incentive Award Plan to executive officers with Agreements for Employment Following a Change of Control, is incorporated by reference to Exhibit 10.1 to GATX's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, file number 1-2328.*
 - 10.21 Form of Restricted Stock Unit Agreement for grants under the Amended and Restated 2012 Incentive Award Plan to Robert C. Lyons and Thomas A. Ellman is incorporated by reference to Exhibit 10.1 to GATX's Form 8-K dated August 10, 2018, file number 1-2328.*
 - 10.22 Form of Confidential Information, Non-Competition, and Non-Solicitation Agreement between the Corporation and Robert C. Lyons and Thomas A. Ellman is incorporated by reference to Exhibit 10.2 to GATX's Form 8-K dated August 10, 2018, file number 1-2328.*
 - 10.23 Amended and Restated GATX Corporation Directors' Voluntary Deferred Fee Plan, effective as of December 2, 2016, is incorporated by reference to Exhibit 10.1 to GATX's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, file number 1-2328.*
 - 10.24 Amended and Restated GATX Corporation Director's Phantom Stock Plan, effective as of December 2, 2016, is incorporated by reference to Exhibit 10.2 to GATX's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, file number 1-2328.*

- 10.25 Employment Agreement dated as of October 27, 2017, between GATX Corporation and James F. Earl is incorporated by reference to Exhibit 10.1 of GATX's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, file number 1-2328.*
- 99.1 Undertakings to the GATX Corporation Salaried Employees' Retirement Savings Plan is incorporated herein by reference to GATX's Annual Report on Form 10-K for the fiscal year ended December 31, 1982, file number 1-2328.* (Paper copy).
- 99.2 Certain instruments evidencing long-term indebtedness of GATX Corporation are not being filed as exhibits to this Report because the total amount of securities authorized under any such instrument does not exceed 10% of GATX Corporation's total assets. GATX Corporation will furnish copies of any such instruments upon request of the Securities and Exchange Commission.

(*) Compensatory Plans or Arrangements

Item 16. Form 10-K Summary

N/A.

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.

GATX CORPORATION

Registrant

/s/ BRIAN A. KENNEY

Brian A. Kenney

Chairman, President and Chief
Executive Officer

February 25, 2019

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 and on the dates indicated.

/s/ BRIAN A. KENNEY

Brian A. Kenney
February 25, 2019

Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

/s/ THOMAS A. ELLMAN

Thomas A. Ellman
February 25, 2019

Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)

/s/ WILLIAM M. MUCKIAN

William M. Muckian
February 25, 2019

Senior Vice President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)

Diane Aigotti
Anne L. Arvia
Ernst A. Häberli
James B. Ream
Robert J. Ritchie
David S. Sutherland
Casey J. Sylla
Stephen R. Wilson
Paul G. Yovovich

Director
Director
Director
Director
Director
Director
Director
Director
Director

/s/ DEBORAH A. GOLDEN

Deborah A. Golden
February 25, 2019

Executive Vice President, General
Counsel and Corporate Secretary
(Attorney in Fact)

SUBSIDIARIES OF THE REGISTRANT

The following is a list of subsidiaries included in our consolidated financial statements and the state or country of incorporation of each:

Company Name	State or Country of Incorporation
GATX Terminals Overseas Holding Corporation (1)	Delaware
GATX Global Finance B.V. (1)	Netherlands
GATX Global Holding GmbH (1)	Switzerland
GATX Rail Austria GmbH (1)	Austria
GATX Beteiligungs GmbH	Germany
GATX Rail Germany GmbH (2)	Germany
GATX Rail Poland Sp. z o.o. (1)(2)	Poland
GATX International Limited (1)(2)	United Kingdom
GATX Canada Holdings, Inc.	Canada
GATX Rail Canada Corporation	Canada
General American Transportation Holding Corp	Delaware
Grupo GATX de Mexico, Inc	Delaware
GATX de Mexico, Inc	Delaware
GATX Third Aircraft LLC (3)	Delaware
American Steamship Company (1)(4)	New York
GATX Asia Investments Private Limited (5)	Singapore
GATX Rail Locomotive Group, LLC	Delaware
GATX Rail Funding II, LLC (1)	Delaware

(1) Company is a significant subsidiary as defined in Rule 1-02(w) of Regulation S-X.

(2) Company includes one foreign subsidiary.

(3) Company includes two domestic subsidiaries

(4) Company includes 14 domestic subsidiaries.

(5) Company includes seven foreign subsidiaries.

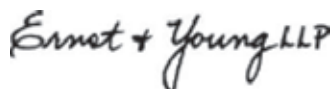
Certain subsidiaries which, if considered as a single subsidiary, would not constitute a “significant subsidiary” as defined in Regulation S-X, have been omitted.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-3 No. 333-213160) and related prospectus of GATX Corporation,
2. Registration Statement (Form S-8 No. 333-219346) pertaining to the Amended and Restated 2012 Incentive Award Plan,
3. Registration Statement (Form S-8 No. 333-182219) pertaining to the 2012 Incentive Award Plan,
4. Registration Statement (Form S-8 No. 333-116626) pertaining to the 2004 Equity Incentive Compensation Plan, the 1995 Long-Term Incentive Compensation Plan, and the 1985 Long-Term Incentive Compensation Plan,
5. Registration Statement (Form S-8 No. 333-145581) pertaining to the Salaried Employees Retirement Savings Plan,
6. Registration Statement (Form S-8 No. 33-41007) pertaining to the Salaried Employees Retirement Savings Plan,
7. Registration Statement (Form S-8 No. 2-92404) pertaining to the Salaried Employees Savings Plan, and
8. Registration Statement (Form S-8 No. 333-145583) pertaining to the Hourly Employees Retirement Savings Plan of GATX Corporation;

of our reports dated February 25, 2019, with respect to the consolidated financial statements of GATX Corporation and the effectiveness of internal control over financial reporting of GATX Corporation included in this Annual Report (Form 10-K) of GATX Corporation for the year ended December 31, 2018.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Chicago, Illinois
February 25, 2019

Certification of Principal Executive Officer

I, Brian A. Kenney, certify that:

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

/s/ BRIAN A. KENNEY

Brian A. Kenney
Chairman, President and Chief Executive Officer

February 25, 2019

Certification of Principal Financial Officer

I, Thomas A. Ellman, certify that:

1. I have reviewed this Annual Report on Form 10-K of GATX Corporation (the “Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

/s/ THOMAS A. ELLMAN

Thomas A. Ellman

Executive Vice President and Chief Financial Officer

February 25, 2019

GATX CORPORATION AND SUBSIDIARIES
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report of GATX Corporation (the “Company”) on Form 10-K for the period ending December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ BRIAN A. KENNEY

/s/ THOMAS A. ELLMAN

Brian A. Kenney

Thomas A. Ellman

Chairman, President and Chief Executive Officer

Executive Vice President and Chief Financial Officer

February 25, 2019

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by GATX Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to GATX Corporation and will be retained by GATX Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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Board of Directors

Diane M. Aigotti ^(1,3)

Executive Vice President, Managing Director & Chief Financial Officer, Ryan Specialty Group LLC

Anne L. Arvia ^(1,3)

Executive Vice President, Banking & Financial Services, The Auto Club Group; President & CEO of Auto Club Trust

Ernst A. Häberli ^(2,3)

Retired; Former President, Commercial Operations International, The Gillette Company

James B. Ream ^(A)

Former Senior Vice President – Operations, American Airlines

Robert J. Ritchie ^(1,3)

Retired; Former Chief Executive Officer, Canadian Pacific Railway Company

David S. Sutherland ^(2,3)

Retired; Former President and Chief Executive Officer, IPSCO, Inc.

Casey J. Sylla ^(1,2,4)

Retired; Former Chairman and Chief Executive Officer, Allstate Life Insurance Company

Stephen R. Wilson ^(1,2)

Retired; Former Chairman, President and Chief Executive Officer, CF Industries Holdings, Inc.

Paul G. Yovovich ^(2,3)

President, Lake Capital

Brian A. Kenney

Chairman, President and Chief Executive Officer, GATX Corporation

^(A) *Lead Director*

⁽¹⁾ *Member, Audit Committee*

⁽²⁾ *Member, Compensation Committee*

⁽³⁾ *Member, Governance Committee*

⁽⁴⁾ *Mr. Sylla will not be standing for re-election and will be retiring at the 2019 Annual Meeting of Shareholders.*

Executive Officers

Brian A. Kenney

Chairman, President and Chief Executive Officer

Thomas A. Ellman

Executive Vice President and Chief Financial Officer

James M. Conniff

Executive Vice President and Chief Human Resources Officer

Deborah A. Golden

Executive Vice President, General Counsel and Corporate Secretary

Robert C. Lyons

Executive Vice President and President, Rail North America

N. Gokce Tezel

Executive Vice President and President, Rail International

Niyi A. Adedoyin

Senior Vice President and Chief Information Officer

Michael T. Brooks

Senior Vice President, Portfolio Management

Eric D. Harkness

Senior Vice President, Treasurer and Chief Risk Officer

William M. Muckian

Senior Vice President, Controller and Chief Accounting Officer

Amita Shetty

Senior Vice President, Business Development

Paul F. Titterton

Senior Vice President and Chief Operations Officer, Rail North America

Jeffery R. Young

Senior Vice President and Chief Tax Officer

Robert A. Zmudka

Senior Vice President and Chief Commercial Officer, Rail North America

ANNUAL MEETING

Monday, April 29, 2019, 12:00 p.m. Central Time
GATX Corporation Headquarters
233 South Wacker Drive, 52nd Floor
Chicago, IL 60606

SHAREHOLDER INQUIRIES

Inquiries regarding dividend checks, the dividend reinvestment plan, stock certificates, replacement of lost certificates, address changes, account consolidation, transfer procedures, and year-end tax information should be addressed to GATX Corporation's transfer agent and registrar:

Computershare
P.O. Box 505000, Louisville, KY 40233
Toll Free Number: (866) 767-6259
TDD for Hearing Impaired: (800) 231-5469
Outside the U.S.: (201) 680-6578
TDD Outside the U.S.: (201) 680-6610
www.computershare.com/investor

INFORMATION RELATED TO SHAREHOLDER OWNERSHIP, DIVIDEND PAYMENTS, OR SHARE TRANSFERS

Lisa M. Ibarra, Assistant Secretary
Telephone: (312) 621-6603
eFax: (312) 499-7567
Email: lisa.ibarra@gatx.com

FINANCIAL INFORMATION AND PRESS RELEASES

A copy of the Company's Annual Report on Form 10-K for 2018 and selected other information are available without charge. Corporate information and press releases can be found at GATX's website, www.gatx.com. Requests for information can be made through the site, and many GATX publications can be directly viewed or downloaded. A variety of current and historical financial information is also available at this site.

GATX Corporation welcomes and encourages questions and comments from its shareholders, potential investors, financial professionals, and the public at large. To better serve interested parties, the following GATX personnel may be contacted by email, telephone, letter, or eFax:

TO REQUEST PUBLISHED FINANCIAL INFORMATION AND FINANCIAL REPORTS

GATX Corporation
Investor Relations Department
233 South Wacker Drive, Chicago, IL 60606-7147
Telephone: (800) 428-8161 eFax: (312) 499-7149
Email: ir@gatx.com

REQUEST LINE FOR MATERIALS

(312) 621-6300

ANALYST, INSTITUTIONAL SHAREHOLDER, AND FINANCIAL COMMUNITY INQUIRIES

Jennifer McManus, Senior Director, Investor Relations
Telephone: (312) 621-6409 eFax: (312) 499-7149
Email: jennifer.mcmanus@gatx.com

INDIVIDUAL INVESTOR INQUIRIES

Irma Dominguez, Investor Relations Coordinator
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QUESTIONS REGARDING SALES, SERVICE, LEASE INFORMATION, OR CUSTOMER SOLUTIONS

Rail North America/Rail International: (312) 621-6200
American Steamship Company: (716) 635-0222
Portfolio Management: (312) 621-6200

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP

Statements in this report not based on historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and, accordingly, involve known and unknown risks and uncertainties that are difficult to predict and could cause our actual results, performance, or achievements to differ materially from those discussed. These include statements as to our future expectations, beliefs, plans, strategies, objectives, events, conditions, financial performance, prospects, or future events. In some cases, forward-looking statements can be identified by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," "outlook," "continue," "likely," "will," "would," and similar words and phrases. Forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by us and our management, are inherently uncertain. Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of the date they are made, and are not guarantees of future performance. We do not undertake any obligation to publicly update or revise these forward-looking statements.

The following factors, in addition to those discussed in our other filings with the SEC, including our Form 10-K for the year ended December 31, 2018, and subsequent reports on Form 10-Q, could cause actual results to differ materially from our current expectations expressed in forward-looking statements:

- > exposure to damages, fines, criminal and civil penalties, and reputational harm arising from a negative outcome in litigation, including claims arising from an accident involving our railcars
- > inability to maintain our assets on lease at satisfactory rates due to oversupply of railcars in the market or other changes in supply and demand
- > a significant decline in customer demand for our railcars or other assets or services, including as a result of:
 - weak macroeconomic conditions
 - weak market conditions in our customers' businesses
 - declines in harvest or production volumes
 - adverse changes in the price of, or demand for, commodities
 - changes in railroad operations or efficiency
 - changes in supply chains
 - availability of pipelines, trucks, and other alternative modes of transportation
 - other operational or commercial needs or decisions of our customers
- > higher costs associated with increased railcar assignments following non-renewal of leases, customer defaults, and compliance maintenance programs or other maintenance initiatives
- > events having an adverse impact on assets, customers, or regions where we have a concentrated investment exposure
- > financial and operational risks associated with long-term railcar purchase commitments, including increased costs due to tariffs or trade disputes
- > reduced opportunities to generate asset remarketing income
- > operational and financial risks related to our affiliate investments, including the Rolls-Royce & Partners Finance joint ventures (collectively the "RRPF affiliates")
- > fluctuations in foreign exchange rates
- > failure to successfully negotiate collective bargaining agreements with the unions representing a substantial portion of our employees
- > asset impairment charges we may be required to recognize
- > deterioration of conditions in the capital markets, reductions in our credit ratings, or increases in our financing costs
- > uncertainty relating to the LIBOR calculation process and potential phasing out of LIBOR after 2021
- > competitive factors in our primary markets, including competitors with a significantly lower cost of capital than GATX
- > risks related to our international operations and expansion into new geographic markets, including the imposition of new or additional tariffs, quotas, or trade barriers
- > changes in, or failure to comply with, laws, rules, and regulations
- > inability to obtain cost-effective insurance
- > environmental remediation costs
- > inadequate allowances to cover credit losses in our portfolio
- > inability to maintain and secure our information technology infrastructure from cybersecurity threats and related disruption of our business



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