

Genesee & Wyoming Inc.

Reconciliation of Non-GAAP Measures

3rd Quarter 2006 Earnings Conference Call



Non-GAAP Reconciliation Free Cash Flow

Free Cash Flow Description and Discussion

Management views Free Cash Flow as an important financial measure of how well GWI is managing its assets. Subject to the limitations discussed below, Free Cash Flow is a useful indicator of cash flow that may be available for discretionary use by GWI. Free Cash Flow is defined as Net Cash Provided by Operating Activities less Net Cash Used in/Provided by Investing Activities, excluding the Cost of Acquisitions/Proceeds from Divestitures. Key limitations of the Free Cash Flow measure include the assumptions that GWI will be able to refinance its existing debt when it matures and meet other cash flow obligations from financing activities, such as required dividend payments and principal payments on debt. Free Cash Flow is not intended to represent, and should not be considered more meaningful than, or as an alternative to, measures of cash flow determined in accordance with Generally Accepted Accounting Principles (GAAP).



Non-GAAP Reconciliation Free Cash Flow

The following table sets forth a reconciliation of GWI's Net Cash Provided by Operating Activities to GWI's Free Cash Flow:

	Nine Months Ended <u>September 30,</u>	
	<u>2006</u>	<u>2005</u>
Net cash provided by operating activities	\$63,816	\$50,933
Net cash provided by (used in) investing activities	252,557	(261,875)
Cash proceeds from divestitures	(306,746)	-
Cash used for acquisitions	21,189	244,704
Free cash flow	<u>\$30,816</u>	<u>\$ 33,762</u>



Non-GAAP Reconciliation Operating Ratio

Operating Ratio Description and Discussion

Management views the Operating Ratio, calculated as total Operating Expenses divided by total Revenues, as an important measure of GWI's operating performance. Because management believes it is useful for investors in assessing GWI's financial results compared to the same period in the prior year, Adjusted Operating Ratios are also presented excluding the effects of a legal settlement as well as the impairment loss on its Mexican assets and the effects of its operations in Mexico in the three month period ended September 30, 2006. GWI also discloses Adjusted Operating Ratios that exclude the effects of the sale of surplus rail as well as the effects of its operations in Mexico in the three month periods ended September 30, 2005. The Adjusted Operating Ratios presented excluding these effects are not intended to represent, and should not be considered more meaningful than, or as an alternative to, the Operating Ratios calculated using amounts determined in accordance with GAAP.



Non-GAAP Reconciliation Operating Ratio

	<u>For the Three Months Ended September 30, 2006</u>			
	<u>Total</u>	<u>Total</u>	<u>Operating</u>	<u>Operating</u>
	<u>Revenues</u>	<u>Operating</u>	<u>Income</u>	<u>Ratio</u>
		<u>Expenses</u>	<u>(Loss)</u>	
As Reported	\$128,304	\$ 141,269	(\$12,965)	110.1%
Legal Settlement		(1,138)	1,138	
Mexico Impairment		(34,156)	34,156	
Excluding Above Items	<u>128,304</u>	<u>105,975</u>	<u>22,329</u>	82.6%
Mexico Operations	<u>(7,285)</u>	<u>(9,262)</u>	<u>1,977</u>	
Excluding Above Items and Mexico	<u>\$121,019</u>	<u>\$96,713</u>	<u>\$24,306</u>	79.9%

	<u>For the Three Months Ended September 30, 2005</u>			
	<u>Total</u>	<u>Total</u>	<u>Operating</u>	<u>Operating</u>
	<u>Revenues</u>	<u>Operating</u>	<u>Income</u>	<u>Ratio</u>
		<u>Expenses</u>	<u>(Loss)</u>	
As Reported	\$105,250	\$81,171	\$24,079	77.1%
Sale of Surplus Rail		3,398	(3,398)	
Excluding Above Items	<u>105,250</u>	<u>84,569</u>	<u>20,681</u>	80.4%
Mexico Operations	<u>(10,107)</u>	<u>(8,901)</u>	<u>(1,206)</u>	
Excluding Above Items and Mexico	<u>\$ 95,143</u>	<u>\$75,668</u>	<u>\$19,475</u>	79.5%



Non-GAAP Reconciliation Earnings (Loss) Per Share-Diluted

Earnings (Loss) Per Share - Diluted Description and Discussion

Management views the Earnings (Loss) Per Share - Diluted, calculated as Net (Loss) Income divided by Weighted Average Shares - Diluted, as an important measure of GWI's operating performance. Because management believes it is useful for investors in assessing GWI's financial results compared to the same period in the prior year, Adjusted Earnings (Loss) Per Share - Diluted are also presented excluding the effects of post-closing adjustments from the sale of an Australian investment, a legal settlement as well as the impairment loss on its Mexican assets and the effects of its operations in Mexico in the three month period ended September 30, 2006. In accordance with GAAP, because of the loss reported, the reported diluted shares outstanding for the third quarter of 2006 exclude the effects of 4.6 million potential common shares from our Class B common stock and our stock based compensation plans. Because management believes it is useful for investors in assessing GWI's financial results compared to the same period in the prior year, the Earnings (Loss) Per Share - Diluted are also presented with these potential common shares included in the calculation. The Earnings (Loss) Per Share - Diluted presented excluding these effects are not intended to represent, and should not be considered more meaningful than, or as an alternative to, the Earnings (Loss) Per Share - Diluted calculated using amounts determined in accordance with GAAP.



Non-GAAP Reconciliation Earnings (Loss) Per Share-Diluted

For the Three Months Ended September 30, 2006

	<u>Weighted Average Shares – Diluted</u>
As Reported	37,739
Potential Common Shares:	
Class B Common	3,975
Stock-Based Compensation Plans	652
Including Potential Common Shares	<u>42,366</u>

For the Three Months Ended September 30, 2006

	<u>Net (Loss) Income</u>	<u>Earnings (Loss) Per Share – Diluted</u>	
		<u>As Reported</u>	<u>Including Potential Common Shares</u>
As Reported	(\$12,106)	(\$0.32)	(\$0.29)
ARG Sale Post-Closing Adjustments	(6,784)	(0.18)	(0.16)
Legal Settlement	694	0.02	0.02
Mexico Impairment	34,097	0.90	0.80
Excluding Above Items	<u>15,901</u>	<u>0.42</u>	<u>0.38</u>
Mexico Operations	1,384	0.04	0.03
Excluding Above Items and Mexico	<u>\$17,285</u>	<u>\$0.46</u>	<u>\$0.41</u>

