



Reconciliation of Non-GAAP Financial Measures

Non-GAAP Financial Measures

This presentation contains references to Adjusted Net Income, Adjusted Diluted Earnings Per Common Share (EPS), Adjusted Operating Income, Adjusted Operating Ratio, Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Net Adjusted Debt to Adjusted EBITDA, which are “non-GAAP financial measures” as this term is defined in Item 10(e) of Regulation S-K under the Securities Act of 1933 and the Securities Exchange Act of 1934 and Regulation G under the Securities Exchange Act of 1934. In accordance with these rules, G&W has reconciled these non-GAAP financial measures to their most directly comparable U.S. GAAP measures.

Management views these non-GAAP financial measures as important measures of G&W’s operating performance. Management also views these non-GAAP financial measures as a way to assess comparability between periods.

These non-GAAP financial measures are not intended to represent, and should not be considered more meaningful than, or as an alternative to, their most directly comparable GAAP measures. These non-GAAP financial measures may be different from similarly-titled non-GAAP financial measures used by other companies.

The following tables set forth reconciliations of each of these non-GAAP financial measures to their most directly comparable GAAP measure (in millions, except percentages and per share amounts).

Adjusted Net Income and Adjusted Diluted EPS

Three Months Ended September 30, 2016	Income Before Income Taxes	Provision for Income Taxes	Net Income	Diluted EPS
As reported	\$ 76.4	\$ 19.6	\$ 56.8	\$ 0.98
Add back certain items:				
Corporate development and related costs	4.3	1.2	3.1	0.05
Restructuring costs	0.2	0.1	\$ 0.2	-
Impact of reduction in U.K. income tax rate		4.3	\$ (4.3)	(0.07)
Net gain on sale of assets	(0.5)	(0.1)	(0.4)	(0.01)
As adjusted	\$ 80.4	\$ 25.0	\$ 55.4	\$ 0.95
Short Line Tax Credit	-	(7.8)	(7.8)	(0.13)
As adjusted (excluding Short Line Tax Credit)	\$ 80.4	\$ 17.2	\$ 47.6	\$ 0.82

Adjusted Operating Income and Adjusted Operating Ratio – by Segment

Three Months Ended September 30, 2016	North American Operations	Australian Operations	U.K./European Operations	Total
Operating revenues	\$ 310.2	\$ 54.2	\$ 136.7	\$ 501.0
Operating expenses	223.0	49.8	136.3	409.2
Operating income ^(a)	<u>\$ 87.2</u>	<u>\$ 4.4</u>	<u>\$ 0.3</u>	<u>\$ 91.9</u>
Operating ratio ^(b)	71.9%	91.9%	99.8%	81.7%
Operating expenses	\$ 223.0	\$ 49.8	\$ 136.3	\$ 409.2
Corporate development and related costs	(1.0)	(2.9)	(0.3)	(4.3)
Restructuring costs	(0.1)	(0.1)	-	(0.2)
Net gain on sale of assets	0.5	-	0.1	0.5
Adjusted operating expenses	<u>222.4</u>	<u>46.8</u>	<u>136.0</u>	<u>405.2</u>
Adjusted operating income	<u>\$ 87.8</u>	<u>\$ 7.4</u>	<u>\$ 0.6</u>	<u>\$ 95.8</u>
Adjusted operating ratio	71.7%	86.3%	99.5%	80.9%

(a) Operating income is calculated as operating revenues less operating expenses.

(b) Operating ratio is calculated as operating expenses divided by operating revenues.

Adjusted Operating Income and Adjusted Operating Ratio – by Segment (cont.)

Three Months Ended September 30, 2015	North American Operations	Australian Operations	U.K./European Operations	Total
Operating revenues	\$ 314.6	\$ 61.0	\$ 170.7	\$ 546.3
Operating expenses	224.0	46.0	158.7	428.7
Operating income ^(a)	<u>\$ 90.6</u>	<u>\$ 15.0</u>	<u>\$ 12.0</u>	<u>\$ 117.6</u>
Operating ratio ^(b)	71.2%	75.5%	93.0%	78.5%
Operating expenses	\$ 224.0	\$ 46.0	\$ 158.7	\$ 428.7
Corporate development and related costs	(1.2)	(0.7)	(0.1)	(2.0)
Net gain on sale of assets	1.0	-	0.1	1.2
Adjusted operating expenses	<u>\$ 223.9</u>	<u>\$ 45.4</u>	<u>\$ 158.7</u>	<u>\$ 428.0</u>
Adjusted operating income	<u>\$ 90.7</u>	<u>\$ 15.6</u>	<u>\$ 12.0</u>	<u>\$ 118.3</u>
FX ^(c)	-	0.6	(1.7)	(1.0)
Adjusted operating income excluding FX	<u>\$ 90.7</u>	<u>\$ 16.2</u>	<u>\$ 10.3</u>	<u>\$ 117.3</u>
Adjusted operating ratio	71.2%	74.4%	93.0%	78.3%

(a) Operating income is calculated as operating revenues less operating expenses.

(b) Operating ratio is calculated as operating expenses divided by operating revenues.

(c) Foreign Exchange (FX) impact is calculated by comparing the prior period results translated from local currency to U.S. dollars using current period exchange rates to the prior period results in U.S. dollars as reported.

Adjusted Operating Income – U.K./Europe

	Nine Months Ended September 30, 2016		Q4 Outlook	Total		
Operating revenues	\$	409.2	\$	130	\$	539
Operating expenses		411.3		124		535
Operating income ^(a)	\$	(2.1)	\$	6	\$	4
Operating expenses	\$	411.3	\$	124	\$	535
Restructuring costs		(4.7)		-		(4.7)
Corporate development and related costs		(0.2)		-		(0.2)
Net gain on sale of assets		0.1		-		0.1
Adjusted operating expenses		406.6		124		531
Adjusted operating income	\$	2.6	\$	6	\$	9

(a) Operating income is calculated as operating revenues less operating expenses.

Net Adjusted Debt/Adjusted EBITDA

	Three Months Ended December 31, 2015	Three Months Ended March 31, 2016	Three Months Ended June 30, 2016	Three Months Ended September 30, 2016	Twelve Months Ended September 30, 2016
Net income	\$ 84.9	\$ 27.0	\$ 48.4	\$ 56.8	\$ 217.1
Add back:					
Provision for/(benefit from) income taxes	(7.1)	12.8	17.7	19.6	43.1
Interest expense	18.3	18.0	22.1	17.3	75.7
Depreciation and amortization expense	50.0	49.3	50.9	50.8	201.1
EBITDA	\$ 146.1	\$ 107.1	\$ 139.2	\$ 144.6	\$ 537.0
Add back certain items					
Non-cash compensation cost related to equity awards	\$ 4.3	\$ 5.0	\$ 4.4	\$ 4.4	\$ 18.0
Australia impairment and related costs	-	13.0	-	-	13.0
Corporate development and related costs	2.4	0.3	0.4	-	3.1
Restructuring costs	-	1.1	5.0	-	6.1
Net gain on sale of assets	(0.3)	(0.2)	(0.3)	(0.5)	(1.3)
Adjusted EBITDA	\$ 152.5	\$ 126.3	\$ 148.6	\$ 148.5	\$ 575.9
Total debt					\$ 2,063
Less: Cash					26
Net debt					\$ 2,037
Add back: Deferred financing fees					19
Net adjusted debt					\$ 2,056
Net adjusted debt/Adjusted EBITDA ratio					3.6 : 1.0

Adjusted EBITDA - GWA

\$ in AUD in millions	Three Months Ended March 31, 2016	Three Months Ended June 30, 2016	Three Months Ended September 30, 2016	Three Months Ended December 31, 2016 - Guidance	Twelve Months Ended December 31, 2016 - Guidance
Net income/(loss)	\$ (14.9)	\$ 6.0	\$ 1.1	\$ 3.7	\$ (4.1)
Add back:					
Provision for/(benefit from) income taxes	(3.3)	3.0	1.1	1.7	2.5
Interest expense - net	3.3	3.2	2.9	2.8	12.2
Depreciation and amortization expense	9.3	9.7	9.4	9.9	38.3
EBITDA	\$ (5.6)	\$ 21.9	\$ 14.4	\$ 18.1	\$ 48.9
Add back certain items					
Australia impairment and related costs	28.2	-	-	-	28.2
Corporate development and related costs	0.2	1.1	3.9	0.1	5.3
Restructuring costs	0.9	-	0.1	-	1.0
Net gain on sale of assets	-	-	-	0.2	0.2
Adjusted EBITDA	<u>\$ 23.7</u>	<u>\$ 23.0</u>	<u>\$ 18.4</u>	<u>\$ 18.5</u>	<u>\$ 83.6</u>
Adjusted EBITDA Rounded					<u>\$ 80</u>

Adjusted EBITDA – GWA Combined

\$ in AUD in millions	GWA	Incremental Transaction Impact	GWA Combined
Net income/(loss)	\$ (4)	\$ 4	\$ -
Add back:			
Provision for income taxes	2	1	3
Interest expense - net	12	53	65
Depreciation and amortization expense	38	42	80
EBITDA	49	\$ 100	\$ 149
Add back certain items:			
Australia impairment and related costs	28	-	28
Corporate development and related costs	5	-	5
Restructuring costs	1	-	1
Adjusted EBITDA Rounded	\$ 80	\$ 100	\$ 180

EBITDA – GRail Incremental Transaction Impact

\$ in AUD in millions	GRail Incremental Transaction Impact	
	Year 1	Medium-Term
Net income	\$ 4	\$ 32
Add back:		
Provision for income taxes	1	13
Interest expense - net	53	59
Depreciation and amortization expense	42	46
EBITDA	<u>\$ 100</u>	<u>\$ 150</u>

