



Reconciliation of Non-GAAP Financial Measures

Non-GAAP Financial Measures

This presentation contains references to Adjusted Net Income Attributable to G&W, Adjusted Diluted Earnings Per Common Share (EPS), Adjusted Operating Income, Adjusted Operating Ratio, Free Cash Flow, Free Cash Flow Before New Business Investments and Net Adjusted Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (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 or, in the case of Free Cash Flow, an important financial measure of how well G&W is managing its assets and a useful indicator of cash flow that may be available for discretionary use by G&W. Management also views these non-GAAP financial measures as a way to assess comparability between periods. Key limitations of the Free Cash Flow measure include the assumptions that G&W will be able to refinance its existing debt when it matures and meet other cash flow obligations from financing activities, such as principal payments on debt.

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, 2017	Income Before Income Taxes	Provision for Income Taxes	Net Income Attributable to G&W	Diluted EPS
As reported	\$ 83.9	\$ 30.5	\$ 50.2	\$ 0.80
Add back certain items:				
Corporate development and related costs	1.7	0.8	1.4	0.02
Restructuring costs	2.6	0.4	2.2	0.04
Recognition of unrecognized tax benefits	-	3.3	(3.3)	(0.05)
As adjusted	\$ 88.3	\$ 35.0	\$ 50.6	\$ 0.81
Weighted average shares - diluted				62.5

Three Months Ended September 30, 2016	Income Before Income Taxes	Provision for Income Taxes	Net Income Attributable to G&W	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. tax rate	-	4.3	(4.3)	(0.07)
Q3 2016 Short Line Tax Credit	-	7.8	(7.8)	(0.13)
As adjusted	\$ 80.9	\$ 33.0	\$ 47.9	\$ 0.82
Weighted average shares - diluted				58.2

Adjusted Operating Income – by Segment

Three Months Ended September 30, 2017	North American Operations	Australian Operations	U.K./European Operations	Total
Operating revenues	\$ 318.9	\$ 81.3	\$ 176.7	\$ 576.9
Operating expenses	236.8	59.0	169.6	465.4
Operating income ^(a)	<u>\$ 82.1</u>	<u>\$ 22.3</u>	<u>\$ 7.1</u>	<u>\$ 111.5</u>
Operating ratio ^(b)	74.3%	72.6%	96.0%	80.7%
Operating expenses	\$ 236.8	\$ 59.0	\$ 169.6	\$ 465.4
Corporate development and related costs	(0.6)	0.5	(1.6)	(1.7)
Restructuring costs	(0.3)	-	(2.3)	(2.6)
Adjusted operating expenses	\$ 235.9	\$ 59.5	\$ 165.7	\$ 461.1
Adjusted operating income	\$ 83.0	\$ 21.8	\$ 11.0	\$ 115.9
Adjusted operating ratio	74.0%	73.2%	93.8%	79.9%

(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 – by Segment (cont.)

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)
Adjusted operating expenses	<u>\$ 221.9</u>	<u>\$ 46.8</u>	<u>\$ 135.9</u>	<u>\$ 404.7</u>
Adjusted operating income	<u>\$ 88.3</u>	<u>\$ 7.4</u>	<u>\$ 0.7</u>	<u>\$ 96.4</u>
FX ^(c)	0.1	0.3	-	0.4
Adjusted operating income excluding FX	<u>\$ 88.4</u>	<u>\$ 7.7</u>	<u>\$ 0.7</u>	<u>\$ 96.8</u>
Adjusted operating ratio	71.5%	86.4%	99.5%	80.8%

(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.

Same Railroad Adjusted Operating Income – North American Operations

Three Months Ended September 30, 2017	Total	New Operations	Same Railroad
Operating revenues	\$ 318.9	\$ 9.7	\$ 309.2
Operating expenses	236.8	8.0	228.8
Operating income ^(a)	<u>\$ 82.1</u>	<u>\$ 1.7</u>	<u>\$ 80.4</u>
Operating expenses	\$ 236.8	\$ 8.0	\$ 228.8
Corporate development and related costs	(0.6)	(0.4)	(0.3)
Restructuring costs	(0.3)	-	(0.3)
Adjusted operating expenses	\$ 235.9	\$ 7.7	\$ 228.2
Adjusted operating income	\$ 83.0	\$ 2.1	\$ 81.0

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

Same Railroad Adjusted Operating Income – Australian Operations

Three Months Ended September 30, 2017	Total	New Operations	Same Railroad
Operating revenues	\$ 81.3	\$ 17.7	\$ 63.6
Operating expenses	59.0	8.7	50.3
Operating income ^(a)	<u>\$ 22.3</u>	<u>\$ 9.0</u>	<u>\$ 13.3</u>
Operating expenses	\$ 59.0	\$ 8.7	\$ 50.3
Corporate development and related costs	0.5	0.2	0.3
Adjusted operating expenses	<u>\$ 59.5</u>	<u>\$ 8.9</u>	<u>\$ 50.6</u>
Adjusted operating income	<u>\$ 21.8</u>	<u>\$ 8.8</u>	<u>\$ 13.0</u>

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

Same Railroad Adjusted Operating Income – U.K./European Operations

Three Months Ended September 30, 2017	Total	New Operations	Same Railroad
Operating revenues	\$ 176.7	\$ 39.2	\$ 137.5
Operating expenses	169.6	38.0	131.7
Operating income ^(a)	<u>\$ 7.1</u>	<u>\$ 1.3</u>	<u>\$ 5.9</u>
Operating expenses	\$ 169.6	\$ 38.0	\$ 131.7
Corporate development and related costs	(1.6)	(1.5)	(0.2)
Restructuring costs	(2.3)	-	(2.3)
Adjusted operating expenses	\$ 165.7	\$ 36.5	\$ 129.2
Adjusted operating income	\$ 11.0	\$ 2.7	\$ 8.3

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

Free Cash Flow

Nine Months Ended September 30,	2017	2016
Net cash provided by operating activities	\$ 350.4	\$ 303.6
Net cash used in investing activities	(232.9)	(117.2)
Net cash used for acquisitions/divestitures	113.0	1.3
Free cash flow and Free cash flow attributable to G&W	230.4	187.6
New business investments, net of grants from outside parties	3.0	8.6
Free cash flow before new business investments	<u>\$ 233.4</u>	<u>\$ 196.2</u>

Free Cash Flow – Australian Operations

Nine Months Ended September 30,	2017
Net cash provided by operating activities	\$ 54.3
Net cash used in investing activities	(6.7)
Net cash received from working capital acquisition adjustment	(2.9)
Free cash flow	<u>\$ 44.7</u>

EBITDA – Total G&W

	Three Months Ended December 31, 2016	Three Months Ended March 31, 2017	Three Months Ended June 30, 2017	Three Months Ended September 30, 2017	Twelve Months Ended September 30, 2017
Net income	\$ 8.9	\$ 27.3	\$ 48.1	\$ 53.4	\$ 137.7
Add back:					
Provision for income taxes	19.8	21.9	29.6	30.5	101.9
Interest expense	22.6	26.4	25.8	28.3	103.0
Depreciation and amortization expense	54.1	60.8	61.5	64.2	240.6
EBITDA	<u>\$ 105.4</u>	<u>\$ 136.4</u>	<u>\$ 165.0</u>	<u>\$ 176.4</u>	<u>\$ 583.2</u>

EBITDA – Australian Operations

	Three Months Ended December 31, 2016	Three Months Ended March 31, 2017	Three Months Ended June 30, 2017	Three Months Ended September 30, 2017	Twelve Months Ended September 30, 2017
Net income/(loss)	\$ (4.8)	\$ 2.1	\$ 4.3	\$ 6.4	\$ 8.1
Add back:					
Provision for income taxes	0.5	0.9	1.9	2.0	5.3
Interest expense	7.0	14.1	14.0	14.0	49.1
Depreciation and amortization expense	9.8	15.2	15.0	15.8	55.8
EBITDA	<u>\$ 12.5</u>	<u>\$ 32.3</u>	<u>\$ 35.2</u>	<u>\$ 38.2</u>	<u>\$ 118.2</u>

Net Adjusted Debt/Adjusted EBITDA – G&W

Twelve Months Ended September 30, 2017	Total G&W	Less: Australian Operations ^(a)	Adjustments ^(b)	Acquisitions ^(c)	G&W
Net income	\$ 137.7	\$ 8.1	\$ -		\$ 129.6
Add back:					
Provision for income taxes	101.9	5.3	-		96.6
Interest expense	103.0	49.1	10.8		64.7
Depreciation and amortization expense	240.6	55.8	-		184.8
EBITDA	\$ 583.2	\$ 118.2	\$ 10.8	\$ 17.2	\$ 492.9
Add back certain items					
Non-cash compensation cost related to equity awards			17.3		17.3
Impairment and related costs			19.4		19.4
Corporate development and related costs			8.9		8.9
Restructuring costs			10.3		10.3
Australia dividends, distributions of cash payments			7.4		7.4
Net gain on sale of assets			(0.3)		(0.3)
Hedging agreement expense			4.5		4.5
U.K. coal railcar leases			8.0		8.0
Adjusted EBITDA					\$ 568.3
Total debt	\$ 2,385	\$ 707	\$ 4		\$ 1,682
Add back: Deferred financing fees	28	13	-		15
Adjusted debt	\$ 2,412	\$ 720	\$ 4		\$ 1,697
Less: Cash	80	48	(5)		27.6
Net adjusted debt	\$ 2,332	\$ 672	\$ 9		\$ 1,669
Net adjusted debt/Adjusted EBITDA ratio					2.9 : 1.0

(a) Australia Operations are excluded from G&W's Senior Secured Syndicated Credit Facility Agreement.

(b) Adjustments based on Credit Facility Agreement.

(c) Includes P&W for 10/1/16 - 10/31/16, GRail for 10/1/16 - 11/30/16, Pentaver for 10/1/16 - 4/30/17 and HOG for 10/1/16-5/30/17.

Adjusted Operating Income and Adjusted Operating Ratio – Full Year Guidance

Twelve Months Ended December 31, 2017 - Guidance	North American Operations	Australian Operations	U.K./European Operations
Operating revenues	\$1,260 - \$1,270	\$310 - \$315	\$620 - \$630
Operating expenses	\$958 - \$963	\$228 - \$231	\$610 - \$618
Operating income ^(a)	\$302 - \$307	\$82 - \$84	\$10 - \$12
Operating ratio ^(b)	~76%	~73%	~98%
Operating expenses	\$958 - \$963	\$228 - \$231	\$610 - \$618
Corporate development and related costs	(8)	-	(4)
Restructuring costs	-	-	(8)
Adjusted operating expenses	\$950 - \$955	\$228 - \$231	\$598 - \$606
Adjusted operating income	\$310 - \$315	\$82 - \$84	\$22 - \$24
Adjusted operating ratio	~75%	~73%	~96%

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

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

Free Cash Flow - Guidance

Twelve Months Ended December 31, 2017	Guidance (February 2017)	Guidance (October 2017)
Net cash provided by operating activities	\$ 552	\$ 499
Net cash used in investing activities	(252)	(214)
Free cash flow	300	285
Distributions to noncontrolling interest	(22)	(28)
Free cash flow attributable to G&W	<u>\$ 278</u>	<u>\$ 257</u>

