



Reconciliation of Non-GAAP Financial Measures

Non-GAAP Financial Measures

This presentation contains references to Adjusted Income from Operations, Adjusted Operating Ratio, Adjusted Operating Expenses, Adjusted Net Income, Adjusted Diluted Earnings Per Common Share, Adjusted Income Before Income Taxes and Free Cash Flow 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 Income from Operations, Adjusted Operating Ratio and Adjusted Operating Expenses

	Three Months Ended	
	2014	2013
Operating revenues	\$ 432.5	\$ 401.4
Operating expenses	309.4	299.6
Income from operations (a)	<u>\$ 123.1</u>	<u>\$ 101.7</u>
Operating ratio (b)	71.5%	74.7%
Operating expenses	\$ 309.4	\$ 299.6
Business development and related costs	(0.7)	(2.0)
Net gain on sale of assets	1.2	0.7
Adjustment to depreciation and amortization expense for final allocation of fair values to RailAmerica's assets and liabilities (6 mos.)	-	(2.0)
Adjusted operating expenses	<u>\$ 309.9</u>	<u>\$ 296.3</u>
Adjusted income from operations	<u>\$ 122.6</u>	<u>\$ 105.0</u>
Adjusted operating ratio	71.7%	73.8%

(a) Income from operations is calculated as operating revenues less operating expenses.

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

Adjusted Income from Operations, Adjusted Operating Ratio and Adjusted Operating Expenses – by Segment

	North American & European Operations		Australian Operations
Three Months Ended September 30, 2014			
Operating revenues	\$	351.1	\$ 81.5
Operating expenses		250.6	58.9
Income from operations (a)	\$	<u>100.5</u>	\$ <u>22.6</u>
Operating ratio (b)		71.4%	72.3%
Operating expenses	\$	250.6	\$ 58.9
Business development and related costs		(0.6)	(0.1)
Net gain on sale of assets		1.2	0.1
Adjusted operating expenses	\$	<u>251.1</u>	\$ <u>58.8</u>
Adjusted income from operations	\$	<u>99.9</u>	\$ <u>22.7</u>
Adjusted operating ratio		71.5%	72.2%
% change in adjusted income from operations		24.3%	(8.1)%

(a) Income from operations is calculated as operating revenues less operating expenses.

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

Adjusted Income from Operations, Adjusted Operating Ratio and Adjusted Operating Expenses – by Segment (cont.)

Three Months Ended September 30, 2013	North American & European Operations	Australian Operations
Operating revenues	\$ 319.1	\$ 82.3
Operating expenses	242.1	57.6
Income from operations (a)	<u>\$ 77.0</u>	<u>\$ 24.7</u>
Operating ratio (b)	75.9%	70.0%
Operating expenses	\$ 242.1	\$ 57.6
Adjustment to depreciation and amortization expense for final allocation of fair values to RailAmerica's assets and liabilities (6 mos.)	(2.0)	-
RailAmerica integration costs	(2.0)	-
Net gain on sale of assets	0.7	-
Adjusted operating expenses	<u>\$ 238.7</u>	<u>\$ 57.6</u>
Adjusted income from operations	<u>\$ 80.4</u>	<u>\$ 24.7</u>
Adjusted operating ratio	74.8%	70.0%

(a) Income from operations is calculated as operating revenues less operating expenses.

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

Adjusted Net Income and Adjusted Diluted Earnings Per Common Share

Three Months Ended September 30, 2014	Net Income	Diluted Earnings/ (Loss) Per Common Share Impact
As reported	\$ 72.9	\$ 1.27
Add back certain items, net of tax:		
Business development and related costs	0.5	0.01
Net gain on sale of assets	(0.9)	(0.02)
RailAmerica-related tax benefit	(3.9)	(0.07)
Adjustments for tax returns from previous fiscal year	0.7	0.01
As adjusted	\$ 69.3	\$ 1.21

Three Months Ended September 30, 2013	Net Income	Diluted Earnings/ (Loss) Per Common Share Impact
As reported	\$ 66.2	\$ 1.16
Add back certain items, net of tax:		
Business development and related costs	1.3	0.02
Net gain on sale of assets	(0.5)	(0.01)
Adjustment to depreciation and amortization expense for final allocation of fair values of RailAmerica's assets and liabilities (6 mos.)	1.3	0.02
Short line tax credit	(6.8)	(0.12)
Adjustments for tax returns from previous year	(1.7)	(0.03)
As adjusted	\$ 59.8	\$ 1.04

Adjusted Income Before Income Taxes

	As Reported Three Months Ended September 30,		As Adjusted Three Months Ended September 30,	
	2014	2013	2014	2013
Operating revenues	\$ 432.5	\$ 401.4	\$ 432.5	\$ 401.4
Operating expenses	309.4	299.6	309.4	299.6
Operating expense adjustments:				
Business development and related costs			(0.7)	(2.0)
Net gain on sale of assets			1.2	0.7
Adjustment to depreciation and amortization expense for final allocation of fair values to RailAmerica's assets and liabilities (6 mos.)			-	(2.0)
Operating expenses	<u>309.4</u>	<u>299.6</u>	<u>309.9</u>	<u>296.3</u>
Income from operations (a)	123.1	101.7	122.6	105.0
Interest income	0.1	1.0	0.1	1.0
Interest expense	(12.7)	(16.0)	(12.7)	(16.0)
Other (loss)/income, net	(0.7)	1.8	(0.7)	1.8
Income before income taxes	<u>\$ 109.8</u>	<u>\$ 88.5</u>	<u>\$ 109.3</u>	<u>\$ 91.8</u>
% change in income before income taxes		24.1%		19.1%

(a) Income from operations is calculated as operating revenues less operating expenses.

Free Cash Flow

Nine Months Ended September 30, 2014

Net cash provided by operating activities	\$	369.0
Net cash used in investing activities (a)		(440.0)
Net cash used for acquisitions		220.5
Free cash flow	\$	<u>149.5</u>

(a) Includes \$71.5 million of new business investments.

