Reconciliation of Non-GAAP Financial Measures

Non-GAAP Financial Measures Reconciliation

This presentation contains reconciliations of G&W's Adjusted Income from Operations, Adjusted Operating Ratio, Adjusted Diluted Earnings Per Common Share (EPS), Adjusted Effective Income Tax Rate, Free Cash Flow, Adjusted Income Before Income Taxes and Income From Equity Investment (Adjusted Pre-Tax Income), Earning Before Interest and Taxes (EBIT), Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), Adjusted EBITDA, Combined Company Adjusted Operating Revenues and Combined Company Average Revenues Per Carload which are "non-GAAP financial measures" as this term is defined in Regulation G of the Securities Exchange Act of 1934. In accordance with Regulation G, G&W has reconciled these non-GAAP financial measures to their most directly comparable U.S. GAAP measure.

Adjusted Income from Operations and Adjusted Operating Ratio Description and Discussion

Management views Income from Operations, calculated as Operating Revenues less Operating Expenses, and Operating Ratios, calculated as Operating Expenses divided by Operating Revenues, as important measures of G&W's operating performance. Because management believes this information is useful for investors in assessing G&W's financial results over a period of time, the Income from Operations and Operating Ratio for the three months ended December 31, 2013 used to calculate Adjusted Income from Operations and Adjusted Operating Ratio are presented excluding RailAmerica integration and acquisition-related costs, business development and financing costs and net gain on sale of assets. The Income from Operations and Operating Ratio for the twelve months ended December 31, 2013 used to calculate Adjusted Income from Operations and Adjusted Operating Ratio are presented excluding RailAmerica integration and acquisition-related costs, business development and financing costs and net gain on sale of assets. The Adjusted Income from Operations and Adjusted Operating Ratio presented excluding these effects are not intended to represent, and should not be considered more meaningful than, or as an alternative to, the Income from Operations and Operating Ratio calculated using amounts in accordance with GAAP. Adjusted Income from Operations and Adjusted Operating Ratio may be different from similarly-titled non-GAAP financial measures used by other companies.

Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of G&W's Income from Operations and Operating Ratio calculated using amounts determined in accordance with GAAP to Adjusted Income from Operations and Adjusted Operating Ratio as described above for the three months ended December 31, 2013 and the twelve months ended December 31, 2013 ($ in millions):

	Q4 2013	FY 2013
Operating revenues	$ 391.7	$ 1,569.0
Operating expenses	296.8	1,188.8
Income from operations	$ 94.8	$ 380.2
Operating ratio	75.8%	75.8%
Operating expenses	$ 296.8	$ 1,188.8
RailAmerica (RA) integration/acquisition costs	(1.0)	(17.0)
Business development and financing costs	(1.2)	(1.6)
Net gain on sale of assets	1.3	4.7
Adjusted operating expenses	$ 295.9	$ 1,174.9
Adjusted income from operations	$ 95.7	$ 394.1
Adusted operating ratio	75.6%	74.9%

Adjusted Income Before Income Taxes and Income from Equity Investment, Adjusted Net Income, Adjusted Effective Income Tax Rate and Adjusted Diluted EPS Description and Discussion

Management views Income Before Income Taxes and Income From Equity Investment, Net Income and Diluted EPS as important measures of G&W's operating performance. Because management believes this information is useful for investors in assessing G&W's financial results, the Income Before Income Taxes and Income From Equity Investment, Net Income and Diluted EPS for the three months ended December 31, 2013 used to calculate Adjusted Income Before Income Taxes and Income From Equity Investment, Adjusted Net Income, Adjusted Effective Income Tax Rate and Adjusted Diluted EPS are presented excluding RailAmerica integration and acquisition-related costs, business development and financing costs, net gain on sale of assets and valuation allowance on foreign tax credits (FTC) generated in prior years and are further adjusted to exclude the fourth quarter of 2013 short line tax credit. The Net Income and Diluted EPS for the three months ended December 31, 2012 used to calculate Adjusted Net Income and Adjusted Diluted EPS are presented excluding the RailAmerica integration and acquisition-related costs, business development and financing costs, acquisition costs incurred by RailAmerica, gain on insurance recoveries, net gain on sale of assets and contract termination expense in Australia. The Adjusted Income Before Income Taxes and Income From Equity Investment, Adjusted Net Income, Adjusted Effective Income Tax Rate and Adjusted Diluted EPS excluding these effects are not intended to represent, and should not be considered more meaningful than, or as an alternative to, the Income Before Income Taxes and Income From Equity Investment, Net Income, Effective Income Tax Rate and Diluted EPS calculated using amounts in accordance with GAAP. Adjusted Income Before Income Taxes and Income From Equity Investment, Adjusted Net Income and Adjusted Diluted EPS amounts may be different from similarly-titled non-GAAP financial measures used by other companies.

Non-GAAP Financial Measure Reconciliation

The following tables set forth reconciliations of Income Before Income Taxes and Income From Equity Investment, Net Income and Diluted EPS calculated using amounts determined in accordance with GAAP to the Adjusted Income Before Income Taxes and Income From Equity Investment, Adjusted Net Income, Adjusted Effective Income Tax Rate and Adjusted Diluted EPS described above (in millions, except per share amounts):

Three Months Ended December 31, 2013	Income (Loss) Before Income Taxes & Income from Equity Investment (Pre-Tax Income)	Net Income	Diluted Shares	Diluted Earnings/ (Loss) Per Common Share Impact
As reported	$ 81.9	$ 58.1	56.8	$ 1.03
Add back certain items, net of tax:				
RA integration/acquisition costs	1.0	0.6		0.01
Business development and financing costs	1.2	0.7		0.01
Net gain on sale of assets	(1.3)	(0.8)		(0.01)
Valuation allowance on FTC	-	2.0		0.03
As adjusted*	$ 82.8	$ 60.6	56.8	$ 1.07
Q4 impact of 2013 short line tax credit	-	(7.7)		(0.13)
As adjusted (excluding Q4 short line tax credit)	$ 82.8	$ 53.0	56.8	$ 0.94
Calculation of adjusted effective income tax rate:				
Adjusted pre-tax income	$ 82.8			
Adjusted provision for income taxes*	$ 22.2			
Adjusted effective income tax rate	26.8%			

* Adjusted provision for income taxes calculated as $82.8 million less $60.6 million

Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of G&W's Diluted EPS calculated using amounts determined in accordance with GAAP to Adjusted Diluted EPS as described above for the three months ended December 31, 2012 (in millions, except per share amounts):

Three Months Ended December 31, 2012	Net Income	Diluted shares	Diluted Earnings/(Loss) Per Common Share Impact
As reported	$ 13.4	50.6	$ 0.18
Add back certain items, net of tax:			
RA integration/acquisition costs	17.4	6.0	$ 0.36
Business development and financing costs	10.1		0.20
Acquisition/integration costs incurred by RA	3.5		0.06
Gain on insurance recoveries	(0.4)		(0.01)
Net gain on sale of assets	(0.6)		(0.01)
Contract termination expense in Australia	0.8		0.01
As adjusted	$ 44.2	56.6	$ 0.79

Adjusted Diluted EPS Description and Discussion

Management views Diluted EPS as an important financial measure of G&W's operating performance. Because management believes this information is useful for investors in assessing G&W's financial results, the Diluted EPS for the twelve months ended December 31, 2013 used to calculate Adjusted Diluted EPS are presented excluding RailAmerica integration and acquisition-related costs, business development and financing costs, net gain on sale of assets, the retroactive fiscal year 2012 short line tax credit, valuation allowance on foreign tax credits and are further adjusted to exclude the 2013 short line tax credit. The Diluted EPS for the twelve months ended December 31, 2012 used to calculate Adjusted Diluted EPS are presented excluding RailAmerica integration and acquisition-related costs, business development and financing costs, acquisition/integration costs incurred by RailAmerica, gain on insurance recoveries, gain on sale of assets, contract termination expense in Australia and contingent forward sale contract mark-to-market expense. The Diluted EPS for the guidance for the twelve months ended December 31, 2014 used to calculate Adjusted Diluted EPS are presented including the impact of the 2014 short line tax credit, assuming it is extended. The Adjusted Diluted EPS presented excluding these effects are not intended to represent, and should not be considered more meaningful than, or as an alternative to, Diluted EPS calculated using amounts in accordance with GAAP. Adjusted Diluted EPS amounts may be different from similarly-titled non-GAAP financial measures used by other companies.

Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of G&W's Diluted EPS calculated using amounts determined in accordance with GAAP to Adjusted Diluted EPS as described above for the twelve months ended December 31, 2013 (in millions, except per share amounts):

Twelve Months Ended December 31, 2013	Net Income	Diluted Shares	Diluted Earnings/ (Loss) Per Common Share Impact
As reported	$ 272.1	56.7	$ 4.79
Add back certain items, net of tax:			
RA integration/acquisition costs	10.7		0.19
Business development and financing costs	1.4		0.03
Net gain on sale of assets	(3.2)		(0.06)
Retroactive Short Line Tax Credit for 2012	(41.0)		(0.72)
Valuation allowance on FTC	2.0		0.03
As adjusted	$ 242.0	56.7	$ 4.26
Impact of 2013 short line tax credit	(25.9)	-	(0.46)
As adjusted (excluding 2013 short line tax credit)	$ 216.1	56.7	$ 3.80

Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of G&W's Diluted EPS calculated using amounts determined in accordance with GAAP to Adjusted Diluted EPS as described above for the twelve months ended December 31, 2012 (in millions, except per share amounts):

Twelve Months Ended December 31, 2012	Net Income	Diluted shares	Diluted Earnings/ (Loss) Per Common Share Impact
As reported	$ 52.4	51.3	$ 1.02
Add back certain items, net of tax:			
RA integration/acquisition costs	21.0		0.41
Business development and financing costs	11.0		0.21
Acquisition/integration costs incurred by RailAmerica	3.5		0.07
Gain on insurance recoveries	(0.5)		(0.01)
Gain on sale of assets	(8.6)		(0.17)
Contract termination expense in Australia	0.8		0.02
Contingent forward sale contract mark-to-market expense	50.1		0.98
As adjusted	$ 129.7	51.3	$ 2.53

Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of G&W's Diluted EPS calculated using amounts determined in accordance with GAAP to Adjusted Diluted EPS as described above for the guidance for the twelve months ended December 31, 2014 (in millions, except per share amounts):

Twelve Months Ended December 31, 2014 (Guidance)	Net Income	Diluted shares	Diluted Earnings Per Common Share Impact
As reported	$ 253	57	$ 4.45
Impact of 2014 short line tax credit	26		0.46
As adjusted (including 2014 short line tax credit)	$ 279	57	$ 4.91

Free Cash Flow Description and Discussion

Management views Free Cash Flow as an important financial measure of how well G&W 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 G&W. Free Cash Flow is defined as Net Cash Provided by Operating Activities less Net Cash Used in Investing Activities, excluding net cash used for acquisitions. 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. Free Cash Flow is not intended to represent, and should not be considered more meaningful than, or as an alternative to Net Cash Provided by Operating Activities or other measures of cash flow determined in accordance with GAAP. Free Cash Flow may be different from similarly-titled non-GAAP financial measures used by other companies.

Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of G&W's Net Cash Provided by Operating Activities to G&W's Free Cash Flow for the twelve months ended December 31, 2013 ($ in millions):

Twelve Months Ended December 31, 2013		
Net cash provided by operating activities	$	411.9
Net cash used in investing activities		(208.7)
Net cash used for acquisitions		12.9
Free cash flow	$	216.1

Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of G&W's Net Cash Provided by Operating Activities to G&W's Free Cash Flow for the guidance for the twelve months ended December 31, 2014 ($ in millions):

Twelve Months Ended December 31, 2014 (Guidance)		
Net cash provided by operating activities	$	506
Net cash used in investing activities		(267)
Free cash flow	$	239

Adjusted Income Before Income Taxes and Income From Equity Investment Description and Discussion

Management views Income Before Income Taxes and Income From Equity Investment as an important financial measure of G&W's operating performance. Because management believes this information is useful for investors in assessing G&W's financial results, the Income Before Income Taxes and Income From Equity Investment for the twelve months ended December 31, 2013 used to calculate Adjusted Income Before Income Taxes and Income from Equity Investment is presented excluding RailAmerica integration and acquisition-related costs, business development and financing costs and net gain on sale of assets. The Adjusted Income Before Income Taxes and Income From Equity Investment presented excluding these effects are not intended to represent, and should not be considered more meaningful than, or as an alternative to, Income Before Income Taxes and Income From Equity Investment calculated using amounts in accordance with GAAP. Adjusted Income Before Income Taxes and Income From Equity Investment amounts may be different from similarly-titled non-GAAP financial measures used by other companies.

Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of G&W's Income Before Income Taxes and Income From Equity Investment (Pre-Tax Income) calculated using amounts determined in accordance with GAAP to Adjusted Income Before Income Taxes and Income From Equity Investment as described above for the twelve months ended December 31, 2013 ($ in million):

Twelve Months Ended December 31, 2013	Income Before Income Taxes and Income From Equity Investment (Pre-Tax Income)
As reported	$ 318.4
Add back certain items, net of tax:	
RA integration/acquisition costs	(17.0)
Business development and financing costs	(2.2)
Net gain on sale of assets	4.7
As adjusted	$ 332.9

EBITDA and Adjusted EBITDA Description and Discussion

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Adjusted EBITDA are widely used non-GAAP financial measures of operating performance. They are presented as supplemental information that management believes is useful to investors in assessing G&W's financial results. EBITDA is calculated by adding back to Net Income provision for income taxes, other income, net, interest expense, interest income and depreciation and amortization expense. Adjusted EBITDA is calculated by adding back to Net Income provision for income taxes, other income, net, interest expense, interest income, depreciation and amortization expense, non-cash compensation expense related to equity awards, RailAmerica integration and acquisition-related costs, business development and financing costs and net gain on sale of assets. EBITDA and Adjusted EBITDA should not be considered as substitutes either for Net Income, as an indicator of G&W's operating performance, or for cash flow, as a measure of G&W's liquidity. EBITDA and Adjusted EBITDA may be different from similarly-titled non-GAAP financial measures used by other companies.

Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of G&W's Net Income calculated using amounts determined in accordance with GAAP to EBITDA and to Adjusted EBITDA each as described above for the twelve months ended December 31, 2013 ($ in millions):

Twelve Months Ended	December 31, 2013
Net income - as reported	$ 272.1
Add back:	
Provision for income taxes	46.3
Other income, net	(2.1)
Interest expense	67.9
Interest income	(4.0)
Depreciation and amortization expense	141.6
EBITDA	$ 521.8
Add back certain items:	
Non-cash compensation expense related to equity awards	17.0
RailAmerica integration/acquisition costs	17.0
Business development and financing costs	1.6
Net gain on sale of assets	(4.7)
Adjusted EBITDA	$ 552.7

RCP&E EBIT and EBITDA Description and Discussion

Earnings Before Interest and Taxes (EBIT) and Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA) are widely used non-GAAP financial measures of operating performance. They are presented as supplemental information that management believes is useful to investors in assessing Rapid City, Pierre & Eastern Railroad's (RCP&E) expected financial impact. RCP&E's EBIT is calculated by adding back to RCP&E's Net Income RCP&E's provision for income taxes and interest expense. RCP&E's EBITDA is calculated by adding back to RCP&E's Net Income RCP&E's provision for income taxes, interest expense and depreciation and amortization expense. RCP&E's EBIT and EBITDA should not be considered as substitutes either for RCP&E's Net Income, as an indicator of RCP&E's operating performance, or for RCP&E's cash flow, as a measure of RCP&E's liquidity. RCP&E's EBIT and EBITDA may be different from similarly-titled non-GAAP financial measures used by other companies.

Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of RCP&E's expected Year 1 financial impact on RCP&E’s Net Income calculated using amounts determined in accordance with GAAP to RCP&E’s EBIT and EBITDA ($ in millions):

RCP&E	Expected Year 1 Financial Impact
Net income	$ 8
Add back:	
Provision for income taxes	5
Interest expense	4
EBIT	$ 17
Depreciation and amortization expense	6
EBITDA	$ 23

Combined Company Adjusted Operating Revenues Description and Discussion

Management views Operating Revenues as an important financial measure of G&W's operating performance. Because management believes this information is useful for investors in assessing G&W's financial results, compared with the same period in the prior year, the Combined Company Operating Revenues are presented excluding revenues from fuel sales to third parties and the impact from the net depreciation of the Australia and Canadian dollars and the Euro relative to the United States dollar. The Combined Company Adjusted Operating Revenues excluding these effects are not intended to represent, and should not be considered more meaningful than, or as an alternative to, Operating Revenues calculated using amounts in accordance with GAAP. Combined Company Adjusted Operating Revenues may be different from similarly-titled non-GAAP financial measures used by other companies.

Non-GAAP Financial Measure Reconciliation

The following tables set forth a reconciliation of Operating Revenues to the Combined Company Operating Revenues described above for the three months ended December 31, 2012 ($ in millions):

Three Months Ended December 31, 2012	G&W As Reported	RailAmerica As Reported	Eliminations/ Adjustments (a)	Combined Company
Freight revenues	$ 165.4	$ 113.1	$ (2.4)	$ 276.1
Non-freight revenues	61.9	38.0	(2.9)	97.0
Operating revenues	$ 227.3	$ 151.1	$ (5.2)	$ 373.1

(a) Includes the elimination of non-freight revenues earned during the three months ended December 31, 2012 by a subsidiary of RailAmerica for work performed for various subsidiaries of G&W and reclassifications of certain revenues of RailAmerica to align with G&W's accounting policies.

Non-GAAP Financial Measure Reconciliation

The following tables set forth a reconciliation of Operating Revenues to the Combined Company Adjusted Operating Revenues described above for the three months ended December 31, 2013 ($ in millions):

	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012	Change $	Change %
Combined Company operating revenues	$ 391.7	$ 373.1	$ 18.5	5.0%
Fuel sales to third parties		(0.9)	0.9	
Foreign Exchange		(10.3)	10.3	
Combined Company adjusted operating revenues	$ 391.7	$ 361.9	$ 29.8	8.2%

Non-GAAP Financial Measure Reconciliation

The following tables set forth a reconciliation of Operating Revenues to the Combined Company Adjusted Operating Freight Revenues described above for the three months ended December 31, 2013 ($ in millions):

	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012	Change $	Change %
Combined Company freight revenues	$ 297.5	$ 276.1	$ 21.4	7.7%
Foreign Exchange		(8.2)	8.2	
Combined Company adjusted freight revenues	$ 297.5	$ 267.9	$ 29.6	11.0%

Non-GAAP Financial Measure Reconciliation

The following tables set forth a reconciliation of Operating Revenues to the Combined Company Adjusted Operating Non-Freight Revenues described above for the three months ended December 31, 2013 ($ in millions):

	Three Months Ended December 31,		Change	
	2013	2012	$	%
Combined Company non-freight revenues	$ 94.2	$ 97.0	$ (2.8)	(2.9)%
Fuel sales to third parties		(0.9)	0.9	
Foreign Exchange		(2.1)	2.1	
Combined Company adjusted non-freight revenues	$ 94.2	$ 94.0	$ 0.2	0.2%

Combined Company Average Revenues per Carload Description and Discussion

Management views Average Revenues per Carload as an important financial measure of G&W's operating performance. Because management believes this information is useful for investors in assessing G&W's financial results, compared with the same period in the prior year, the Average Revenues per Carload for the three months ended December 31, 2012 used to calculate Combined Company Average Revenues per Carload are presented including adjustment of carloads and reclassifications of certain revenues of RailAmerica to align with G&W's accounting policies. The Combined Company Average Revenues per Carload presented including these effects are not intended to represent, and should not be considered more meaningful than, or as an alternative to, Average Revenues per Carload calculated using amounts in accordance with GAAP. Combined Company Average Revenues per Carload amounts may be different from similarly-titled non-GAAP financial measures used by other companies.

Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of G&W's Average Revenues per Carload calculated using amounts determined in accordance with GAAP to Combined Company Average Revenues per Carload as described above for the three months ended December 31, 2012 ($ in millions except average freight revenues per carload):

Three Months Ended December 31, 2012	G&W As Reported	RailAmerica As Reported	Eliminations/ Adjustments (a)	Combined Company
Freight revenues	$ 165.4	$ 113.1	$ (2.4)	$ 276.1
Carloads	229,818	214,272	(5,172)	438,918
Average revenues per carload	$ 720	$ 528		$ 629

(a) Includes adjustments of carloads and reclassifications of certain revenues of RA to align with G&W's accounting policies.

Zero Injuries

Our Goal Every Day