



Reconciliation of Non-GAAP Financial Measures

Non-GAAP Financial Measures

This presentation contains references to Adjusted Income from Operations, Adjusted Operating Expenses, Adjusted Operating Ratios, Adjusted Income Before Income Taxes, Adjusted Net Income, Adjusted Diluted Earnings Per Common Share (EPS), Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), Free Cash Flow and Free Cash Flow Before New Business Investments 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 and Free Cash Flow Before New Business Investments, 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 and Free Cash Flow Before New Business Investments measures 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 Expenses and Adjusted Operating Ratio

	Three Months Ended December 31,	
	2014	2013
Operating revenues	\$ 415.6	\$ 391.7
Operating expenses	302.2	296.8
Income from operations (a)	<u>\$ 113.5</u>	<u>\$ 94.8</u>
Operating ratio (b)	72.7%	75.8%
Operating expenses	\$ 302.2	\$ 296.8
Business development and related costs	(1.6)	(1.2)
RailAmerica integration/acquisition costs	-	(1.0)
Net gain on sale of assets	1.7	1.3
Adjusted operating expenses	<u>\$ 302.2</u>	<u>\$ 295.9</u>
Adjusted income from operations	<u>\$ 113.4</u>	<u>\$ 95.7</u>
FX		(2.6)
Adjusted income from operations excluding FX		<u>\$ 93.1</u>
Adjusted operating ratio	72.7%	75.6%

(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 Expenses and Adjusted Operating Ratio (cont'd)

	Three Months Ended March 31,	
	2014	2015 (Outlook)
Operating revenues	\$ 376.3	\$ 400
Operating expenses	301.4	302
Income from operations (a)	<u>\$ 74.9</u>	<u>\$ 98</u>
Operating ratio (b)	80.1%	75% - 76%
Operating expenses	\$ 301.4	\$ 302
Business development and related costs	(1.2)	-
Net gain on sale of assets	0.8	-
Australia severance	-	(4)
Adjusted operating expenses	<u>\$ 301.1</u>	<u>\$ 298</u>
Adjusted income from operations	<u>\$ 75.2</u>	<u>\$ 102</u>
Adjusted operating ratio	80.0%	74% - 75%

(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 Expenses and Adjusted Operating Ratio – by Segment

	North American & European Operations		Australian Operations
Three Months Ended December 31, 2014			
Operating revenues	\$	343.3	\$ 72.3
Operating expenses		253.5	48.7
Income from operations (a)	\$	<u>89.8</u>	\$ <u>23.6</u>
Operating ratio (b)		73.8%	67.3%
Operating expenses	\$	253.5	\$ 48.7
Business development and related costs		(1.6)	-
Net gain on sale of assets		1.5	0.2
Adjusted operating expenses	\$	<u>253.4</u>	\$ <u>48.8</u>
Adjusted income from operations	\$	<u>89.9</u>	\$ <u>23.5</u>
Adjusted operating ratio		73.8%	67.5%

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

Three Months Ended December 31, 2013	North American & European Operations	Australian Operations
Operating revenues	\$ 308.5	\$ 83.2
Operating expenses	238.3	58.6
Income from operations (a)	<u>\$ 70.2</u>	<u>\$ 24.6</u>
Operating ratio (b)	77.2%	70.4%
Operating expenses	\$ 238.3	\$ 58.6
Business development and related costs	(1.2)	-
RailAmerica integration/acquisition costs	(1.0)	-
Net gain/(loss) on sale of assets	1.5	(0.2)
Adjusted operating expenses	<u>\$ 237.6</u>	<u>\$ 58.4</u>
Adjusted income from operations	<u>\$ 70.9</u>	<u>\$ 24.9</u>
Adjusted operating ratio	77.0%	70.1%

(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 and Adjusted Operating Expenses – by Segment

Twelve Months Ended December 31, 2014	North American & European Operations	Australian Operations	Total Operations
Operating revenues	\$ 1,325.8	\$ 313.2	\$ 1,639.0
Operating expenses	995.3	222.2	1,217.4
Income from operations (a)	<u>\$ 330.6</u>	<u>\$ 91.0</u>	<u>\$ 421.6</u>
Operating expenses	\$ 995.3	\$ 222.2	\$ 1,217.4
Business development and related costs	(4.9)	(0.3)	(5.2)
Net gain on sale of assets	4.7	0.4	5.1
Adjusted operating expenses	<u>\$ 995.1</u>	<u>\$ 222.3</u>	<u>\$ 1,217.4</u>
Adjusted income from operations	<u>\$ 330.8</u>	<u>\$ 90.9</u>	<u>\$ 421.6</u>

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

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

Twelve Months Ended December 31, 2015 (Outlook)	North American & European Operations		
	North American & European Operations	Australian Operations	Total Operations
Operating revenues	\$ 1,395	\$ 225	\$ 1,620
Operating expenses	982	174	1,156
Income from operations (a)	<u>\$ 413</u>	<u>\$ 51</u>	<u>\$ 464</u>
Operating expenses	\$ 982	\$ 174	\$ 1,156
Australia severance	-	(6)	(6)
Adjusted operating expenses	<u>\$ 982</u>	<u>\$ 168</u>	<u>\$ 1,150</u>
Adjusted income from operations	<u>\$ 413</u>	<u>\$ 57</u>	<u>\$ 470</u>

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

Adjusted Income Before Income Taxes, Adjusted Net Income and Adjusted Diluted EPS

Three Months Ended December 31, 2014	Income Before Income Taxes	Net Income	Diluted EPS
As reported	\$ 102.3	\$ 87.6	\$ 1.53
Add back certain items:			
Business development and related costs	1.6	1.0	0.02
Net gain on sale of assets	(1.7)	(1.0)	(0.02)
2014 Short Line Tax Credit	-	(27.0)	(0.47)
Application of full year effective tax rate to Q1 - Q3 2014 results	-	3.5	0.06
As adjusted	<u>\$ 102.3</u>	<u>\$ 64.0</u>	<u>\$ 1.12</u>

Adjusted Income Before Income Taxes, Adjusted Net Income and Adjusted Diluted EPS (cont.)

Three Months Ended December 31, 2013	Income Before		
	Income Taxes	Net Income	Diluted EPS
As reported	\$ 81.9	\$ 58.1	\$ 1.03
Add back certain items:			
Business development and related costs	1.2	0.7	0.01
RailAmerica integration/acquisition related costs	1.0	0.6	0.01
Net gain on sale of assets	(1.3)	(0.8)	(0.01)
Valuation allowance on FTC	-	2.0	0.03
2013 Short Line Tax Credit	-	(7.6)	(0.13)
As adjusted	<u>\$ 82.8</u>	<u>\$ 53.0</u>	\$ 0.94
FX			(0.03)
As adjusted excluding FX			<u>\$ 0.91</u>

Adjusted Income Before Income Taxes, Adjusted Net Income and Adjusted Diluted EPS (cont.)

Twelve Months Ended December 31, 2014	Income Before Income Taxes	Net Income	Diluted EPS
As reported	\$ 368.1	\$ 261.0	\$ 4.58
Add back certain items:			
Business development and related costs	5.2	3.2	0.06
Credit facility refinancing-related	4.7	2.9	0.05
Net gain on sale of assets	(5.1)	(3.5)	(0.06)
2014 Short Line Tax Credit	-	(27.0)	(0.47)
RailAmerica-related tax benefit	-	(3.9)	(0.07)
Adjustments for tax returns from previous fiscal year	-	0.7	0.01
As adjusted	<u>\$ 372.8</u>	<u>\$ 233.5</u>	<u>\$ 4.10</u>

Adjusted Income Before Income Taxes, Adjusted Net Income and Adjusted Diluted EPS (cont.)

Twelve Months Ended December 31, 2013	Income Before Income Taxes	Net Income	Diluted EPS
As reported	\$ 318.4	\$ 272.1	\$ 4.79
Add back certain items:			
Business development and related costs	2.2	1.4	0.03
RailAmerica integration/acquisition related costs	17.0	10.7	0.19
Net gain on sale of assets	(4.7)	(3.2)	(0.06)
Retroactive Short Line Tax Credit for 2012	-	(41.0)	(0.72)
2013 Short Line Tax Credit	-	(25.9)	(0.46)
Valuation allowance on FTC	-	2.0	0.03
Adjustment for tax returns from previous fiscal year	-	(1.4)	(0.02)
As adjusted	\$ 332.9	\$ 214.7	\$ 3.78
FX impact	(6.8)		
As adjusted excluding FX	\$ 326.1		

Adjusted Diluted EPS

Three Months Ended March 31, 2014		Diluted EPS
As reported	\$	0.70
Add back certain items, net of tax:		
Business development and related costs		0.01
Net gain on sale of assets		(0.01)
As adjusted	\$	<u>0.70</u>

Three Months Ended March 31, 2015 (Outlook)		Diluted EPS
As reported	\$	0.94
Add back certain items, net of tax:		
Australia severance		0.04
As adjusted	\$	<u>0.98</u>

EBITDA

	2015 (Outlook)
Net income	\$ 266
Add back:	
Provision for income taxes	160
Other income, net	(2)
Interest expense	40
Interest income	-
Depreciation and amortization expense	173
EBITDA	<u>\$ 637</u>

Adjusted Income Before Income Taxes

	Q2 2014	Q3 2104	Q4 2014	Q2-Q4 2014
Income before income taxes - as reported	\$ 93.5	\$ 109.8	\$ 102.3	\$ 305.6
Add back certain items:				
Business development and related costs	1.7	0.7	1.6	4.0
Credit facility refinancing-related costs	4.7	-	-	4.7
Net gain on sale of assets	(1.4)	(1.2)	(1.7)	(4.3)
Income before income taxes - as adjusted	<u>\$ 98.4</u>	<u>\$ 109.3</u>	<u>\$ 102.3</u>	<u>\$ 310.0</u>

	Q2 2013	Q3 2013	Q4 2013	Q2-Q4 2013
Income before income taxes - as reported	\$ 90.3	\$ 88.5	\$ 81.9	\$ 260.6
Add back certain items:				
Business development and related costs	0.2	0.2	1.2	1.5
RailAmerica integration/acquisition costs	1.2	2.1	1.0	4.3
Net gain on sale of assets	(1.0)	(0.7)	(1.3)	(3.0)
Income before income taxes - as adjusted	<u>\$ 90.6</u>	<u>\$ 90.0</u>	<u>\$ 82.8</u>	<u>\$ 263.4</u>
FX impact	(1.4)	(0.2)	(2.3)	(4.0)
Income before income taxes - as adjusted excluding FX	<u>\$ 89.2</u>	<u>\$ 89.8</u>	<u>\$ 80.4</u>	<u>\$ 259.4</u>

Adjusted Income Before Income Taxes (cont.)

	2015 (Outlook)
Income before income taxes	\$ 424
Add back certain items:	
Australia severance	6
Income before income taxes - as adjusted	<u>\$ 430</u>

Free Cash Flow

	Twelve Months Ended December 31,	
	2014	2015 (Outlook)
Net cash provided by operating activities	\$ 491.5	\$ 569
Net cash used in investing activities	(509.8)	(277)
Net cash used for acquisitions	221.5	-
Free cash flow	\$ 203.1	\$ 292
New business investments	92.9	36
Free cash flow before new business investments	<u>\$ 295.9</u>	<u>\$ 328</u>

