



**Reconciliation of Non-GAAP Financial Measures**  
**4<sup>th</sup> Quarter 2006 Earnings Conference Call**

# Non-GAAP Financial Measure Reconciliation

## **Reconciliation of non-GAAP Financial Measures**

Genesee & Wyoming Inc.'s (GWI) Q4 2006 earnings release contains free cash flow and adjusted earnings per share, 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, GWI has reconciled these non-GAAP financial measures to their most directly comparable U.S. GAAP measures.

# Non-GAAP Financial Measure Reconciliation

## Free Cash Flow Description and Discussion

Management views Free Cash Flow, as reconciled within this earnings release, as an important financial measure of how well GWI 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 GWI. Free Cash Flow is defined as Net Cash Provided by Operating Activities less Net Cash Used in/Provided by Investing Activities, excluding the Cost of Acquisitions/Proceeds from Divestitures. Key limitations of the Free Cash Flow measure include the assumptions that GWI will be able to refinance its existing debt when it matures and meet other cash flow obligations from financing activities, such as required dividend payments and 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, measures of cash flow determined in accordance with Generally Accepted Accounting Principles (GAAP).

# Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of GWI's Free Cash Flow for the years ended December 31, 2006 and December 31, 2005.

	Year Ended December 31,	
	<u>2006</u>	<u>2005</u>
Net cash provided by operating activities	\$83.3	\$68.1
Net cash provided by (used in) investing activities	227.5	(271.8)
Cash proceeds from divestitures	(306.7)	--
Cash used for acquisitions	20.4	244.7
Free Cash Flow	<u>\$24.4</u>	<u>\$41.0</u>

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## **Net Income and Earnings Per Share Description and Discussion**

Management views Earnings per Share - Diluted, calculated as Net Income divided by Weighted Average Shares - Diluted, as an important measure of GWI's operating performance. Management presents Adjusted Net Income and Adjusted Earnings per Share - Diluted because it believes these measures are useful for investors to be able to assess GWI's financial results compared to the same period in the prior year. Adjusted Net Income and Adjusted Earnings per Share - Diluted exclude the effects of the ARG Sale and the non-cash impairments in Mexico and Bolivia in the year ended December 31, 2006, which makes this comparison possible. Adjusted Net Income and Adjusted Earnings per Share - Diluted are not intended to represent and should not be considered more meaningful than, or as an alternative to, Net Income or Earnings per Share calculations determined in accordance with GAAP.

# Non-GAAP Financial Measure Reconciliation

The following table sets forth a reconciliation of GWI's Adjusted Net Income and Adjusted Earnings Per Share – Diluted For the Year Ended December 31, 2006.

<b>(\$ in millions)</b>	<b><u>Net Income</u></b>	<b><u>Diluted EPS</u></b>
As Reported	\$134.0	\$ 3.16
Impact of Australian transactions	(114.5)	(2.70)
Mexico & Bolivia impairments	39.8	0.94
Excluding above items	<u>\$59.3</u>	<u>\$ 1.40</u>