

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

for the quarter ended June 30, 2002

Commission File No. 0-20847

GENESEE & WYOMING INC.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

66 Field Point Road, Greenwich, Connecticut

(Address of principal executive offices)

(203) 629-3722

(Registrant's telephone no., including area code)

06-0984624

(I.R.S. Employer
Identification No.)

06830

(Zip Code)

Shares of common stock outstanding as of the close of business on August 2, 2002:

<u>Class</u>	<u>Number of Shares Outstanding</u>
Class A Common Stock	12,855,367
Class B Common Stock	1,805,290

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

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GENESEE & WYOMING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
OPERATING REVENUES	\$52,075	\$44,243	\$100,372	\$87,114
OPERATING EXPENSES:				
Transportation	16,129	13,921	30,760	28,068
Maintenance of ways and structures	5,829	5,143	11,282	10,138
Maintenance of equipment	8,772	7,978	17,253	16,101
General and administrative	10,294	8,118	20,030	15,429
Depreciation and amortization	3,113	3,123	6,567	6,348
Total operating expenses	44,137	38,283	85,892	76,084
INCOME FROM OPERATIONS	7,938	5,960	14,480	11,030
Interest expense	(1,691)	(2,314)	(3,291)	(5,133)
Gain on sale of 50% equity in Australian operations	—	—	—	3,713
Valuation adjustment of U.S. dollar denominated foreign loans	11	(26)	4	(69)
Other income, net	478	223	589	604
Income before income taxes and equity earnings	6,736	3,843	11,782	10,145
Provision for income taxes	2,283	1,376	4,009	3,540
Income before equity earnings	4,453	2,467	7,773	6,605
Equity in net income of international affiliates:				
Australian Railroad Group	2,713	2,480	4,551	4,743
South America	269	140	499	206
Net income	7,435	5,087	12,823	11,554
Impact of preferred stock outstanding	293	236	586	472
Net income available to common stockholders	\$ 7,142	\$ 4,851	\$ 12,237	\$11,082
Basic earnings per common share	\$ 0.49	\$ 0.47	\$ 0.84	\$ 1.08
Weighted average shares	14,649	10,358	14,618	10,253
Diluted earnings per common share	\$ 0.42	\$ 0.40	\$ 0.73	\$ 0.92
Weighted average shares and equivalents	17,565	12,648	17,539	12,546

GENESEE & WYOMING INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)
(Unaudited)

	As of June 30, 2002	As of Dec. 31, 2001
ASSETS		
CURRENTS ASSETS:		
Cash and cash equivalents	\$ 13,249	\$ 28,732
Accounts receivable, net	43,505	41,025
Materials and supplies	6,199	4,931
Prepaid expenses and other	6,546	6,514
Deferred income tax assets, net	2,135	2,150
Total current assets	71,634	83,352
PROPERTY AND EQUIPMENT, net	234,564	199,102
INVESTMENT IN UNCONSOLIDATED AFFILIATES	80,257	69,402
GOODWILL	24,226	24,144
INTANGIBLE and OTHER ASSETS, net	25,085	26,519
Total assets	\$435,766	\$402,519
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 5,191	\$ 4,441
Accounts payable	44,134	45,206
Accrued expenses	12,510	12,077
Total current liabilities	61,835	61,724
LONG-TERM DEBT, less current portion	69,252	56,150
DEFERRED INCOME TAX LIABILITIES, net	26,509	24,620
DEFERRED ITEMS—grants from government agencies	35,366	35,362
DEFERRED GAIN—sale-leaseback	4,225	4,607
OTHER LONG-TERM LIABILITIES	9,374	7,731
MINORITY INTEREST	3,112	2,854
REDEEMABLE CONVERTIBLE PREFERRED STOCK	23,894	23,808
STOCKHOLDERS' EQUITY:		
Class A common stock, \$0.01 par value, one vote per share; 30,000,000 shares authorized; 15,191,721 and 15,074,462 issued and 12,853,730 and 12,737,601 outstanding (net of 2,337,991 and 2,336,861 in treasury) on June 30, 2002 and December 31, 2001	152	151
Class B common stock, \$0.01 par value, 10 votes per share; 5,000,000 shares authorized; 1,805,290 issued and outstanding on June 30, 2002 and December 31, 2001	18	18
Additional paid-in capital	125,097	123,597
Retained earnings	91,266	79,030
Accumulated other comprehensive loss	(2,083)	(4,905)
Less treasury stock, at cost	(12,251)	(12,228)
Total stockholders' equity	202,199	185,663
Total liabilities and stockholders' equity	\$435,766	\$402,519

GENESEE & WYOMING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 12,823	\$ 11,554
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	6,567	6,348
Deferred income taxes	2,157	1,068
Gain on disposition of property and equipment	(424)	(28)
Gain on sale of 50% equity in Australian operations	—	(3,713)
Equity earnings of unconsolidated international affiliates	(5,050)	(4,949)
Minority interest expense	268	197
Valuation adjustment of U.S. dollar denominated loans	(4)	69
Changes in assets and liabilities, net of acquisitions -		
Accounts receivable	(334)	1,311
Materials and supplies	(1,049)	(552)
Prepaid expenses and other	231	403
Accounts payable and accrued expenses	(4,245)	189
Other assets and liabilities, net	1,445	(380)
Net cash provided by operating activities	12,385	11,517
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment, net of proceeds from government grants	(8,900)	(5,985)
Purchase of Emons Transportation Group, Inc., net of cash received	(29,449)	—
Cash received from unconsolidated international affiliates	—	4,329
Proceeds from disposition of property, including sale-leaseback	557	6,893
Net cash (used in) provided by investing activities	(37,792)	5,237
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term borrowings	(41,497)	(67,945)
Proceeds from issuance of long-term debt	51,500	55,500
Proceeds from employee stock purchases	986	3,531
Dividend paid on Redeemable Convertible Preferred Stock	(500)	(444)
Net cash provided by (used in) financing activities	10,489	(9,358)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(565)	178
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,483)	7,574
CASH AND CASH EQUIVALENTS, beginning of period	28,732	3,373
CASH AND CASH EQUIVALENTS, end of period	\$ 13,249	\$ 10,947
CASH PAID DURING PERIOD FOR:		
Interest	\$ 3,163	\$ 4,662
Income taxes	3,429	639

GENESEE & WYOMING INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION:

The interim consolidated financial statements presented herein include the accounts of Genesee & Wyoming Inc. and its subsidiaries. References to "GWT" or the "Company" mean Genesee & Wyoming Inc. and, unless the context indicates otherwise, its consolidated subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation. These interim consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). In the opinion of management, the unaudited financial statements for the three-month and six-month periods ended June 30, 2002 and 2001, are presented on a basis consistent with audited financial statements and contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation. Certain prior period balances have been reclassified to conform with the 2002 presentation. The results of operations for interim periods are not necessarily indicative of results of operations for the full year. The interim consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2001 included in the Company's 2001 Form 10-K.

2. EXPANSION OF OPERATIONS:

United States

On February 22, 2002, after having received the necessary approvals from The Surface Transportation Board, the Company acquired Emons Transportation Group, Inc. (Emons) for approximately \$29.4 million in cash, including transaction costs and net of cash received in the acquisition. The Company purchased all of the outstanding shares of Emons at \$2.50 per share. The purchase price was allocated to current assets (\$4.0 million) and property and equipment (\$33.7 million) less assumed current liabilities (\$4.5 million) and assumed long-term liabilities (\$3.8 million). As contemplated with the acquisition, the Company implemented early retirement and severance programs under which 22 Emons employees terminated in the first quarter of 2002. The aggregate \$804,000 cost of these restructuring activities is considered a liability assumed in the acquisition and as such, was allocated to the purchase price. The majority of these costs were paid in the three months ended March 31, 2002. The Company funded the acquisition through its \$103.0 million revolving line of credit held under its primary credit agreement, all of which was available at the time of the purchase. Emons is a short line railroad holding company with operations over 340 miles of track in Maine, Vermont, New Hampshire, Quebec and Pennsylvania.

On October 1, 2001, the Company acquired all of the issued and outstanding shares of common stock of South Buffalo Railway (South Buffalo) from Bethlehem Steel Corp. (Bethlehem) for \$33.1 million in cash, including transaction costs and the assumption of certain liabilities of \$5.6 million. At the closing, the Company acquired beneficial ownership of the shares and, having received the necessary approvals from The Surface Transportation Board on November 21, 2001, assumed actual ownership on December 6, 2001. The purchase price was allocated to current assets (\$2.3 million), property and equipment (\$17.6 million) and goodwill (\$18.8 million) less assumed current liabilities (\$2.4 million) and assumed long-term liabilities (\$3.2 million). South Buffalo operates over 52 miles of owned track in Buffalo, New York. The purchase price was reduced by a \$407,000 estimated adjustment pursuant to the final determination of the net assets of South Buffalo on the sale date. This amount, along with another \$300,000 related to pre-acquisition liabilities paid by the Company on Bethlehem's behalf, are reflected in the June 30, 2002 and December 31, 2001 balance sheets as receivables. Although Bethlehem filed for voluntary

protection under U.S. bankruptcy laws on October 5, 2001, payment of this receivable can be funded from a \$3.0 million escrow account held by an independent trustee to settle amounts due to the Company pursuant to the South Buffalo acquisition.

As contemplated with the acquisition, the Company closed the former South Buffalo headquarters office in March 2002 and implemented an early retirement program under which 28 South Buffalo employees terminated in December 2001. The aggregate \$876,000 cost of these restructuring activities is considered a liability assumed in the acquisition, and therefore is included in goodwill. The majority of these costs were paid in 2001.

The acquisition of South Buffalo triggered the right of The 1818 Fund III, L.P. (the Fund), a private equity fund managed by Brown Brothers Harriman & Co., to acquire an additional \$5.0 million of the Company's Series A Redeemable Convertible Preferred Stock (the Convertible Preferred), and the Fund exercised that right on December 11, 2001.

Pro Forma Financial Results

The following table summarizes the Company's unaudited pro forma operating results for the three months and six months ended June 30, 2002 and 2001, as if Emons and South Buffalo had been acquired as of the beginning of the applicable period (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	2002	2001	2002	2001
Operating revenues	\$52,075	\$54,406	\$103,578	\$107,973
Net income	7,435	6,085	12,931	13,317
Basic earnings per share	.49	.56	.84	1.24
Diluted earnings per share	.42	.46	.74	1.02

The pro forma operating results include the acquisitions of Emons and South Buffalo adjusted for depreciation expense, net of tax resulting from the step-up of South Buffalo property based on appraised values, depreciation expense, net of tax reduction resulting from the allocation of negative goodwill to the asset values of Emons, incremental interest expense, net of tax related to borrowings used to fund the Emons and South Buffalo acquisitions, and incremental preferred stock impacts related to the issuance of \$5 million in Convertible Preferred triggered by the South Buffalo acquisition. In accordance with the Company's adoption of the Financial Accounting Standards Board's Statement No. 142, "Goodwill and Other Intangible Assets", no amortization of goodwill is reflected in the pro forma operating results.

The pro forma financial information does not purport to be indicative of the results that actually would have been obtained had all the transactions been completed as of the assumed dates and for the periods presented and are not intended to be a projection of future results or trends.

3. GAIN ON SALE OF 50% EQUITY IN AUSTRALIAN OPERATIONS

On April 20, 2001, Asia Pacific Transport Consortium (APTC) completed the arrangement of debt and equity capital to finance a project to build, own and operate the Alice Springs to Darwin railway line in the Northern Territory of Australia. As previously arranged, upon APTC reaching financial closure, Wesfarmers Limited (Wesfarmers), the Company's venture partner in Australia, contributed an additional \$7.4 million into ARG and accordingly, the Company recorded an additional first quarter gain of \$3.7 million related to the December, 2000 issuance of ARG stock to Wesfarmers. The \$3.7 million purchase price adjustment was recorded as a

one-time gain for the Company in the quarter ended March 31, 2001. A related deferred income tax expense of \$1.1 million was also recorded.

4. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the three month and six month periods ended June 30, 2002 and 2001 (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Numerators:				
Net income	\$ 7,435	\$ 5,087	\$12,823	\$11,554
Impact of Preferred Stock Outstanding	(293)	(236)	(586)	(472)
Net income available to common stockholders	\$ 7,142	\$ 4,851	\$12,237	\$11,082
Denominators:				
Basic – weighted average common shares outstanding	14,649	10,358	14,618	10,253
Dilutive effect of employee stock options	470	333	475	336
Dilutive effect of Convertible Preferred Stock	2,446	1,957	2,446	1,957
	17,565	12,648	17,539	12,546
Income per common share:				
Basic	\$ 0.49	\$ 0.47	\$ 0.84	\$ 1.08
Diluted	\$ 0.42	\$ 0.40	\$ 0.73	\$ 0.92

On February 14, 2002 and May 1, 2001 the Company announced three-for-two common stock splits in the form of 50% stock dividends distributed on March 14, 2002 to stockholders of record as of February 28, 2002, and on June 15, 2001 to stockholders of record as of May 31, 2001, respectively. All share, per share and par value amounts presented herein have been restated to reflect the retroactive effect of both of the stock splits.

In November 2001, the Company completed a universal shelf registration of up to \$200 million of various debt and equity securities of which up to \$128.5 million remains available at June 30, 2002. The form and terms of such securities shall be determined when and if these securities are issued. On December 21, 2001, as an initial draw on the shelf registration, the Company sold 3.9 million shares of Class A Common Stock in a public offering.

5. EQUITY INVESTMENTS

Australian Railroad Group (ARG)

ARG is a company which is 50%-owned by the Company and is accounted for under the equity method of accounting. The related equity earnings in this investment are shown within the Equity in Net Income of International Affiliates in the accompanying consolidated statements of income. The following are unaudited U.S. GAAP consolidated balance sheets of ARG as of June 30, 2002 and December 31, 2001, and the related unaudited consolidated statements of income for the three month and six month periods and cash flows for the six month periods ended June 30, 2002 and 2001 (in thousands of U.S. dollars). Relevant Australian dollar to U.S. dollar exchange rates are:

As of December 31, 2001	\$0.53
As of June 30, 2002	\$0.56
Average for the three months ended June 30, 2002	\$0.55
Average for the three months ended June 30, 2001	\$0.51
Average for the six months ended June 30, 2002	\$0.54
Average for the six months ended June 30, 2001	\$0.52

Australian Railroad Group Pty. Ltd.
Consolidated Balance Sheets

	June 30, 2002	December 31, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,795	\$ 9,908
Accounts receivable, net	27,662	25,983
Materials and supplies	8,557	8,390
Prepaid expenses and other	9,898	3,109
Total current assets	51,912	47,390
PROPERTY AND EQUIPMENT, net	403,310	355,818
DEFERRED INCOME TAX ASSETS, net	6,119	9,161
OTHER ASSETS, net	19,747	12,122
Total assets	\$481,088	\$424,491
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 27,577	\$ 30,275
Accrued expenses	9,748	6,634
Current income tax liabilities	3,340	1,314
Total current liabilities	40,665	38,223
LONG-TERM BANK DEBT	295,858	262,876
OTHER LONG-TERM LIABILITIES	1,059	993
FAIR VALUE OF INTEREST RATE SWAPS	7,628	9,667
TOTAL STOCKHOLDERS' EQUITY AND ADVANCES	135,878	112,732
Total liabilities and stockholders' equity	\$481,088	\$424,491

Australian Railroad Group Pty. Ltd.
Consolidated Statements of Income

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Operating revenues	\$54,209	\$45,164	\$102,977	\$ 89,031
Operating expenses	39,997	32,445	76,611	64,022
Bid costs	—	—	827	—
Total operating expenses	39,997	32,445	77,438	64,022
Income from operations	14,212	12,719	25,539	25,009
Interest expense	(6,419)	(5,446)	(12,347)	(11,067)
Other income, net	304	136	467	265
Income before income taxes	8,097	7,409	13,659	14,207
Provision for income taxes	2,672	2,449	4,558	4,722
Net income	\$ 5,425	\$ 4,960	\$ 9,101	\$ 9,485

Australian Railroad Group Pty. Ltd.
Consolidated Statements of Cash Flows

	Six Months Ended	
	June 30, 2002	June 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 9,101	\$ 9,485
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	7,882	6,478
Deferred income taxes	3,880	4,722
Gain on disposition of property	(151)	(72)
Changes in assets and liabilities	(14,300)	20,752
Net cash provided by operating activities	6,412	41,365
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(16,903)	(30,558)
Proceeds from disposition of property and equipment	151	30
Net cash used in investing activities	(16,752)	(30,528)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on short-term borrowings	—	(15,269)
Proceeds from borrowings	5,280	—
Proceeds from issuance of shares	—	7,622
Repayment of subordinated debt	—	(7,622)
Net cash provided by (used in) financing activities	5,280	(15,269)
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	947	(998)
DECREASE IN CASH AND CASH EQUIVALENTS	(4,113)	(5,430)
CASH AND CASH EQUIVALENTS, beginning of period	9,908	9,071
CASH AND CASH EQUIVALENTS, end of period	\$ 5,795	\$ 3,641

South America

The following unaudited condensed results of operations for Empresa Ferroviaria Oriental, S.A. (Oriental) for the three month and six month periods ended June 30, 2002 have a U.S. functional currency and are based on accounting principles generally accepted in the United States (in thousands). The Company has a 22.89% indirect ownership interest in Oriental.

	Three Months Ended June 30, 2002	Six Months Ended June 30, 2002
Operating revenues	\$8,278	\$15,259
Net income	1,748	3,333

Condensed balance sheet information for Oriental as of June 30, 2002 and December 31, 2001:

	June 30, 2002	December 31, 2001
Current assets	\$10,590	\$10,201
Non-current assets	54,190	54,533
Total assets	\$64,780	\$64,734
Current liabilities	\$ 5,768	\$ 5,483
Non-current liabilities	2,938	2,446
Senior debt	1,467	1,526
Shareholders' equity	54,607	55,279
Total liabilities and shareholders' equity	\$64,780	\$64,734

The above data does not include non-recourse debt of \$12.0 million held at an intermediate unconsolidated affiliate or any of the general and administrative, interest or income tax costs at various intermediate unconsolidated affiliates.

6. COMMITMENTS AND CONTINGENCIES:

Legal Proceedings

On August 6, 1998, a lawsuit was commenced against the Company and its subsidiary, Illinois & Midland Railroad, Inc. (IMRR), by Commonwealth Edison Company (ComEd) in the Circuit Court of Cook County, Illinois. The suit alleges that IMRR breached certain provisions of a stock purchase agreement entered into by a prior unrelated owner of the IMRR rail line. The provisions allegedly pertain to limitations on rates received by IMRR and the unrelated predecessor for freight hauled for ComEd's previously owned Powerton Plant. The suit seeks unspecified compensatory damages for alleged past rate overcharges. The Company believes the suit is without merit and is vigorously defending against the suit. However, an adverse outcome of this lawsuit could have a material adverse effect on the Company's financial condition.

The parent company of ComEd has sold certain of ComEd's power facilities, one of which is the Powerton plant served by IMRR under the provisions of a 1987 Service Assurance Agreement (the SAA), entered into by a prior unrelated owner of the IMRR rail line. The SAA, which is not terminable except for failure to perform, provides that IMRR has exclusive access to provide rail service to the Powerton plant. On July 7, 2000, the Company filed an amended counterclaim against ComEd in the Cook County action. The counterclaim seeks a declaration of certain rights regarding the SAA and damages for ComEd's failure to assign the SAA to the purchaser of the Powerton plant. The Company believes that its counterclaim against ComEd is well-founded and is pursuing it vigorously.

7. LOCOMOTIVE SALE-LEASEBACK:

On March 30, 2001, the Company completed the sale of 27 locomotives to a financial institution for a net sale price of \$6.5 million. The proceeds were used to reduce borrowings under the Company's revolving credit facilities. Simultaneously, the Company entered into agreements with the financial institution to lease the 27 locomotives for a period of up to 8 years including automatic renewals. The sale-leaseback transaction resulted in a deferred gain of \$1.8 million, which will be amortized over the term of the lease as a non-cash offset to equipment rent expense.

8. COMPREHENSIVE INCOME:

Comprehensive income is the total of net income and all other non-owner changes in equity. The following table sets forth the Company's comprehensive income for the three and six month periods ended June 30, 2002 and 2001 (in thousands):

Statements of Comprehensive Income
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Net income	\$7,435	\$ 5,087	\$12,823	\$11,554
Other comprehensive income (loss):				
Foreign currency translation adjustments	441	4,928	5,538	552
Transition adjustment related to change in accounting for derivative instruments and hedging activities	—	—	—	(255)
Net change in unrealized losses on qualifying cash flow hedges	(302)	(15)	(46)	(265)
Net change in unrealized losses on qualifying cash flow hedges of Australian Railroad Group	(844)	—	(2,670)	—
Comprehensive income	\$6,730	\$10,000	\$15,645	\$11,586

The Company has recorded \$2.7 million of unrealized losses on qualifying cash flow hedges of Australian Railroad Group, which represents the Company's U.S. dollar portion of ARG's unrealized losses as of June 30, 2002, as other comprehensive loss and a reduction of its investment. The liability for ARG's cash flow hedges is recorded on the balance sheet of ARG and is not the Company's liability. For the six months ended June 30, 2002, approximately \$1.2 million of net unrealized losses on qualifying cash flow hedges of Australian Railroad Group were recorded that related to 2001.

The following table sets forth the components of accumulated other comprehensive loss, net of tax, included in the consolidated balance sheets as of June 30, 2002, and December 31, 2001 (in thousands):

	June 30, 2002	December 31, 2001
Net foreign currency translation adjustments	\$ 1,363	\$(4,175)
Net unrealized losses on qualifying cash flow hedges	(776)	(730)
Net unrealized losses on qualifying cash flow hedges of Australian Railroad Group	(2,670)	—
Accumulated other comprehensive loss	\$(2,083)	\$(4,905)

9. BUSINESS SEGMENT INFORMATION:

The Company historically operated in three business segments in two geographic areas: North American Railroad Operations, which includes operating short line and regional railroads, and buying, selling, leasing and managing railroad transportation equipment within the United States, Canada and Mexico; Industrial Switching, which includes providing freight car switching and related services to industrial companies with extensive railroad facilities within their complexes in the United States; and Australian Railroad Operations, which included operating a regional railroad and providing hook and pull (hauling) services to other railroads within Australia. On December 17, 2000, concurrent with the acquisition of Westrail Freight through ARG, the Company deconsolidated ASR (i.e. Australian Railroad Operations) from its consolidated financial statements and began reporting for its 50% ownership interest in ARG under the equity method of accounting.

Corporate overhead expenses, including acquisition expense, and equity earnings of unconsolidated affiliates in Australia and South America are primarily reported in North American Railroad Operations.

The accounting policies of the reportable segments are the same as those of the consolidated Company. The Company evaluates the performance of its operating segments based on operating income. Intersegment sales and transfers are not significant. Summarized financial information for each business segment as of and for the three month and six month periods ended June 30, 2002 and 2001 is shown in the following tables:

Business Segments
(amounts in thousands)
Three Months Ended June 30,

	North American Railroad Operations	Industrial Switching Operations	Total
2002			
Operating revenues	\$ 48,156	\$3,919	\$ 52,075
Income from operations	7,423	515	7,938
Identifiable assets	429,549	6,217	435,766

	North American Railroad Operations	Industrial Switching Operations	Total
2001			
Operating revenues	\$ 41,320	\$2,923	\$ 44,243
Income from operations	5,787	173	5,960
Identifiable assets	341,726	5,555	347,281

Six Months Ended June 30,

	North American Railroad Operations	Industrial Switching Operations	Total
2002			
Operating revenues	\$ 93,090	\$7,282	\$100,372
Income from operations	14,037	443	14,480
Identifiable assets	429,549	6,217	435,766

2001	North American Railroad Operations	Industrial Switching Operations	Total
Operating revenues	\$ 81,299	\$5,815	\$ 87,114
Income from operations	10,733	297	11,030
Identifiable assets	341,726	5,555	347,281

10. DERIVATIVE FINANCIAL INSTRUMENTS:

The Company actively monitors its exposure to foreign currency exchange rate and interest rate risks and uses derivative financial instruments to manage the impact of certain of these risks. The Company uses derivatives only for purposes of managing risk associated with underlying exposures. The Company does not trade or use instruments with the objective of earning financial gains on the exchange rate or interest rate fluctuations alone, nor does it use instruments where there are not underlying exposures. The Company's use of derivative financial instruments may result in short-term gains or losses and increased earnings volatility. Complex instruments involving leverage or multipliers are not used. Management believes that its use of derivative instruments to manage risk is in the Company's best interest.

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138. In accordance with the provisions of SFAS No. 133, the Company recorded a transition adjustment upon adoption of the standard to recognize its derivative instruments at then fair value of a liability of \$388,000. The effect of this transition adjustment was not material to both reported earnings and accumulated other comprehensive income.

Initially, upon adoption of the new derivative accounting standard, and prospectively as of the date new derivatives are entered into, the Company designates the derivative as a hedge of a forecasted transaction or the variability of cash flows to be received or paid in the future related to a recognized asset or liability (cash flow hedge). The effective portion of the changes in the fair value of the derivative that is designated as a cash flow hedge is recorded in accumulated other comprehensive income. When the hedged item is realized, the gain or loss included in accumulated other comprehensive income is reported on the same line in the condensed consolidated statements of income, as the hedged item. In addition, the ineffective portion of the changes in the fair value of derivatives used as cash flow hedges are immediately recognized.

The Company formally documents its hedge relationships, including identifying the hedge instruments and hedged items, as well as its risk management objectives and strategies for entering into the hedge transaction. Derivatives are recorded in the condensed consolidated balance sheets at fair value in other assets and other liabilities. This process includes matching the hedge instrument to the underlying hedged item (assets, liabilities, firm commitments or forecasted transactions). At hedge inception and at least quarterly thereafter, the Company assesses whether the derivatives used to hedge transactions are highly effective in offsetting changes in either the fair value or cash flows of the hedged item. When it is determined that a derivative ceases to be a highly effective hedge, the Company discontinues hedge accounting, and any gains or losses on the derivative instrument would be recognized in earnings during the period it no longer qualifies as a hedge. Summarized below are the specific accounting policies by market risk category.

Foreign Currency Exchange Rate Risk

The Company uses forward contracts and purchased options to manage foreign currency exchange rate risk related to certain projected cash flows related to foreign operations. Under SFAS No. 133, the instruments are carried at fair value in the condensed consolidated balance sheets as a component of other current assets or other current liabilities. Changes in the fair value of derivative instruments that are used to manage exchange rate risk in foreign currency denominated cash flows are recognized in the consolidated statements of income as foreign exchange loss or gain. Changes in the fair value of such instruments used to manage exchange rate risk on net investments in economies that are not highly inflationary are recognized in the consolidated balance sheets as a component of accumulated other comprehensive income in common stockholders' equity. At June 30, 2002 and December 31, 2001, the Company did not have any derivative instruments that hedge the value of foreign net investments.

During 2002, 2001 and 2000, the Company entered into various exchange rate options that established exchange rates for converting Mexican Pesos to U.S. Dollars. The options expire at various dates through March 13, 2003. The options give the Company the right to sell Mexican Pesos for U.S. Dollars at exchange rates ranging from 10.10 to 10.55 Mexican Pesos to the U.S. Dollar. The notional amounts under these options were \$3.9 million and \$2.2 million at June 30, 2002 and December 31, 2001, respectively. At June 30, 2002 and December 31, 2001, the fair values of these currency options were assets of \$140,000 and \$17,000, respectively.

Interest Rate Risk

The Company uses interest rate swap agreements to manage its exposure to changes in interest rates for its floating rate debt. Interest rate swap agreements are accounted for as cash flow hedges. Interest rate differentials to be received or paid on the swaps are recognized in the consolidated statements of income as a reduction or increase in interest expense, respectively. In accordance with the new derivative requirements, the effective portion of the change in the fair value of the derivative instrument is recorded in the consolidated balance sheets as a component of current assets or liabilities and other comprehensive income. The ineffective portion of the change in the fair value of the derivative instrument, along with the gain or loss on the hedged item, is recorded in earnings and reported in the consolidated statements of income, on the same line as the hedged item.

During 2001 and 2000, the Company entered into various interest rate swaps fixing its base interest rate by exchanging its variable LIBOR interest rates on long-term debt for a fixed interest rate. The swaps expire at various dates through September 15, 2006 and the fixed base rates range from 5.46% to 6.47%. The notional amounts under these agreements were \$30.6 million at June 30, 2002 and December 31, 2001. The fair value of these interest rate swaps were liabilities of \$1.3 million and \$1.1 million at June 30, 2002 and December 31, 2001, respectively, the long-term portion of which was recorded in other liabilities and the current portion of which was recorded in accrued expenses.

11. INTANGIBLE AND OTHER ASSETS, NET AND GOODWILL:

Acquired intangible assets and other assets are as follows (in thousands):

	June 30, 2002		December 31, 2001	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Chiapas-Mayab Operating License	\$ 7,935	\$ 856	\$ 8,651	\$ 762
Deferred financing costs	3,759	1,450	3,642	1,140
Other amortizable assets	104	15	557	23
Non-amortizable intangible assets:				
Service Assurance Agreement	10,566	—	10,566	—
Other assets	5,042	—	5,028	—
Total	\$27,406	\$2,321	\$28,444	\$1,925

The Company adopted Statement of Financial Accounting Standards No. 142 (SFAS No. 142) as of January 1, 2002 (See Note 12.). Upon adoption of SFAS No. 142, the Service Assurance Agreement (SAA) was determined to have an indefinite useful life and therefore is no longer subject to amortization.

The Chiapas-Mayab Operating License is being amortized over 30 years which is the life of the concession agreement with the state-owned Mexican rail company, Ferronales. Deferred financing costs are amortized over terms of the related debt using the straight-line method, which is not materially different from amortization computed using the effective-interest method.

Goodwill for all acquisitions prior to June 2001 has been amortized on a straight-line basis over lives of 15-20 years through December 31, 2001, and in accordance with the adoption of SFAS No. 142, amortization of goodwill was discontinued as of January 1, 2002. The changes in the carrying amount of goodwill are as follows:

	Six Months Ended June 30, 2002	Year Ended December 31, 2001
Goodwill:		
Balance at beginning of period	\$24,144	\$ 5,295
Goodwill acquired during period	—	19,116
Amortization	—	(360)
Currency translation adjustments	82	93
Impairment losses	—	—
Balance at end of period	\$24,226	\$24,144

The Company's adjusted net income and per share amounts are as follows:

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001
Reported net income	\$7,435	\$5,087
Addback:		
Goodwill amortization, net of tax	—	59
SAA amortization, net of tax	—	122
Adjusted net income	\$7,435	\$5,268

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Reported net income	\$12,823	\$11,554
Addback:		
Goodwill amortization, net of tax	—	118
SAA amortization, net of tax	—	244
Adjusted net income	\$12,823	\$11,916
	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001
Reported basic earnings per share	\$0.49	\$0.47
Addback:		
Goodwill amortization, net of tax	—	0.01
SAA amortization, net of tax	—	0.01
Adjusted basic earnings per share	\$0.49	\$0.49
	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Reported basic earnings per share	\$0.84	\$1.08
Addback:		
Goodwill amortization, net of tax	—	0.01
SAA amortization, net of tax	—	0.02
Adjusted basic earnings per share	\$0.84	\$1.11
	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001
Reported diluted earnings per share	\$0.42	\$0.40
Addback:		
Goodwill amortization, net of tax	—	0.01
SAA amortization, net of tax	—	0.01
Adjusted diluted earnings per share	\$0.42	\$0.42
	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Reported diluted earnings per share	\$0.73	\$0.92
Addback:		
Goodwill amortization, net of tax	—	0.01
SAA amortization, net of tax	—	0.02
Adjusted diluted earnings per share	\$0.73	\$0.95

12. RECENTLY ISSUED ACCOUNTING STANDARDS:

In June 2002, the Financial Accounting Standards Board issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS No. 146). SFAS No. 146 is effective for the Company's fiscal year beginning January 1, 2003. The Company is in the process of evaluating what impact, if any, this standard will have on the Company's Consolidated Financial Statements.

On May 1, 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145 (SFAS No. 145), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 143 is effective for the Company's fiscal year beginning January 1, 2003. The Company is in the process of evaluating what impact, if any, this standard will have on the Company's Consolidated Financial Statements.

On October 3, 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 (SFAS No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 144, however, retains the fundamental provisions of SFAS No. 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS No. 144 supersedes the accounting and reporting provisions of APB Opinion No. 30 ("Opinion 30"), "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for segments of a business to be disposed of. SFAS No. 144, however, retains the requirement of Opinion 30 to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of (by sale, by abandonment, or in a distribution to owners) or is classified as held for sale. The Company adopted SFAS No. 144 on January 1, 2002 and did not record any impairment charges upon adoption.

In August 2001, the Financial Accounting Standards Board issued Statement No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). SFAS No. 143 is effective for the Company's fiscal year beginning January 1, 2003, and requires the Company to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The Company is in the process of evaluating what impact, if any, this standard will have on the Company's Consolidated Financial Statements.

On June 30, 2001, the Financial Accounting Standards Board issued Statement No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). Under SFAS No. 142, goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives. In accordance with this statement, the Company adopted SFAS 142 as of January 1, 2002 for the Service Assurance Agreement, existing goodwill and intangible assets. The Company completed the appropriate impairment tests on goodwill and intangible assets upon adoption of SFAS No. 142 and did not record any impairment charges.

On June 30, 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations" (SFAS No. 141). Under SFAS No. 141, all business combinations initiated after June 30, 2001 must be accounted for using the purchase method of accounting. Use of the pooling-of-interests method is prohibited. Additionally, Statement No. 141 requires that certain intangible assets that can be identified and named be recognized as assets apart from goodwill. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company's consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, and with the consolidated financial statements, related notes and other financial information included in the Company's 2001 Form 10-K.

General

The Company is a holding company whose subsidiaries and unconsolidated affiliates own and/or operate short line and regional freight railroads and provide related rail services in North America, South America and Australia. The Company, through its U.S. industrial switching subsidiary, also provides freight car switching and related services to industrial companies located in the United States with extensive railroad facilities within their complexes. The Company generates revenues primarily from the movement of freight over track owned or operated by its railroads. The Company also generates non-freight revenues primarily by providing freight car switching and related rail services such as railcar leasing, railcar repair and storage to the aforementioned industrial companies, to shippers along its lines, and to the Class I railroads that connect with its North American lines.

The Company's operating expenses include wages and benefits, equipment rents (including car hire), purchased services, depreciation and amortization, diesel fuel, casualties and insurance, materials and other expenses. Car hire is a charge paid by a railroad to the owners of railcars used by that railroad in moving freight. Other expenses generally include property and other non-income taxes, professional services, communication and data processing costs and general overhead expenses.

When comparing the Company's results of operations from one reporting period to another, the following factors should be taken into consideration. The Company has historically experienced fluctuations in revenues and expenses such as one-time freight moves, customer plant expansions and shut-downs, rolling stock sales, accidents and derailments. In periods when these events occur, results of operations are not easily comparable to other periods. Also, the Company has completed a number of recent acquisitions. The Company completed the acquisition of Emons Transportation Group, Inc., in February, 2002, and South Buffalo Railway in October, 2001. Because of variations in the structure, timing and size of these acquisitions and differences in economics among the Company's railroads resulting from differences in the rates and other material terms established through negotiation, the Company's results of operations in any reporting period may not be directly comparable to its results of operations in other reporting periods.

The financial statement accounts that are subject to significant estimation include reserves for litigation, casualty and environmental matters, deferred income taxes and the carrying value of long-lived assets. In accordance with SFAS No. 5, an accrual for a loss contingency is established if information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred or an asset has been impaired. These estimates have been developed in consultation with outside counsel handling our defense in these matters and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. Subsequent changes to those estimates are reflected in the Company's statement of operations in the period of the change.

Deferred income taxes are recognized based on differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance based on historical taxable income, projected future taxable

income, and the expected timing of the reversals of existing temporary differences. If the Company is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, the Company could be required to establish an additional valuation allowance against a portion of its deferred tax asset, resulting in an increase in the Company's effective tax rate and an adverse impact on earnings.

In addition, property, plant and equipment comprised 54% and 49% of the Company's total assets as of June 30, 2002 and December 31, 2001, respectively. These assets are stated at cost, less accumulated depreciation. Expenditures that increase asset values or extend useful lives are capitalized. Repair and maintenance expenditures are charged to operating expense when the work is performed. The Company periodically reviews the carrying value of its long-lived assets for impairment. This review is based upon the Company's projections of anticipated future cash flows. While the Company believes that its estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially effect the Company's evaluations.

For a complete description of the Company's accounting policies, see Note 2 to the audited consolidated financial statements for the year ended December 31, 2001 included in the Company's 2001 Form 10-K.

United States

On February 22, 2002, after having received the necessary approvals from The Surface Transportation Board, the Company acquired Emons Transportation Group, Inc. (Emons) for approximately \$29.4 million in cash, including transaction costs and net of cash received in the acquisition. The Company purchased all of the outstanding shares of Emons at \$2.50 per share. The purchase price was allocated to current assets (\$4.0 million) and property and equipment (\$33.7 million) less assumed current liabilities (\$4.5 million) and assumed long-term liabilities (\$3.8 million). As contemplated with the acquisition, the Company implemented early retirement and severance programs under which 22 Emons employees terminated in the first quarter of 2002. The aggregate \$804,000 cost of these restructuring activities is considered a liability assumed in the acquisition and as such, was allocated to the purchase price. The majority of these costs were paid in the three months ended March 31, 2002. The Company funded the acquisition through its \$103.0 million revolving line of credit held under its primary credit agreement, all of which was available at the time of the purchase. Emons is a short line railroad holding company with operations over 340 miles of track in Maine, Vermont, New Hampshire, Quebec and Pennsylvania.

On October 1, 2001, the Company acquired all of the issued and outstanding shares of common stock of South Buffalo Railway (South Buffalo) from Bethlehem Steel Corp. (Bethlehem) for \$33.1 million in cash, including transaction costs and the assumption of certain liabilities of \$5.6 million. At the closing, the Company acquired beneficial ownership of the shares and, having received the necessary approvals from The Surface Transportation Board on November 21, 2001, assumed actual ownership on December 6, 2001. The purchase price was allocated to current assets (\$2.3 million), property and equipment (\$17.6 million) and goodwill (\$18.8 million) less assumed current liabilities (\$2.4 million) and assumed long-term liabilities (\$3.2 million). South Buffalo operates over 52 miles of owned track in Buffalo, New York. The purchase price was reduced by a \$407,000 estimated adjustment pursuant to the final determination of the net assets of South Buffalo on the sale date. This amount, along with another \$300,000 related to pre-acquisition liabilities paid by the Company on Bethlehem's behalf, are reflected in the June 30, 2002 and December 31, 2001 balance sheets as receivables. Although Bethlehem filed for voluntary protection under U.S. bankruptcy laws on October 5, 2001, payment of this receivable

can be funded from a \$3.0 million escrow account held by an independent trustee to settle amounts due to the Company pursuant to the South Buffalo acquisition.

As contemplated with the acquisition, the Company closed the former South Buffalo headquarters office in March 2002 and implemented an early retirement program under which 28 South Buffalo employees terminated in December 2001. The aggregate \$876,000 cost of these restructuring activities is considered a liability assumed in the acquisition, and therefore is included in goodwill. The majority of these costs were paid in 2001.

The acquisition of South Buffalo triggered the right of The 1818 Fund III, L.P. (the Fund), a private equity fund managed by Brown Brothers Harriman & Co., to acquire an additional \$5.0 million of the Company's Series A Redeemable Convertible Preferred Stock (the Convertible Preferred), and the Fund exercised that right on December 11, 2001.

Results of Operations

Three Months Ended June 30, 2002 Compared to Three Months Ended June 30, 2001

Consolidated Operating Revenues

Consolidated operating revenues were \$52.1 million in the quarter ended June 30, 2002 compared to \$44.2 million in the quarter ended June 30, 2001, a net increase of \$7.9 million or 18.0%. The net increase was attributable to \$10.0 million in revenues attributable to new South Buffalo and Emons railroad operations and a \$1.0 million increase in industrial switching revenues, offset by a \$3.1 million decrease in existing North American railroad revenues.

The following two sections provide information on railroad revenues in North America and industrial switching revenues in the United States.

North American Railroad Operating Revenues

North American railroad operating revenues were \$48.2 million in the quarter ended June 30, 2002 compared to \$41.3 million in the quarter ended June 30, 2001, an increase of \$6.8 million or 16.5%. The net increase in operating revenue was attributable to a \$5.8 million increase in freight revenues which consisted of \$7.7 million in freight revenue from new South Buffalo and Emons railroad operations offset by a \$1.9 million decrease (primarily coal) on existing North American railroad operations; and a \$1.0 million increase in non-freight revenues which consisted of \$1.9 million in non-freight revenue from new South Buffalo and Emons railroad operations, offset by a \$879,000 decrease on existing North American railroad operations.

The following table compares North American freight revenues, carloads and average freight revenues per carload for the quarters ended June 30, 2002 and 2001:

North American Freight Revenues and Carloads Comparison by Commodity Group
 Quarters Ended June 30, 2002 and 2001
 (dollars in thousands, except average per carload)

Commodity Group	Freight Revenues				Carloads				Average Freight Revenues Per Carload	
	2002	% of Total	2001	% of Total	2002	% of Total	2001	% of Total	2002	2001
	Pulp & Paper	\$ 6,526	16.5%	\$ 4,843	14.4%	16,403	14.9%	12,603	13.0%	\$398
Minerals & Stone	5,736	14.5%	5,294	15.7%	13,167	12.0%	11,318	11.7%	436	468
Petroleum Products	5,610	14.2%	4,799	14.3%	7,795	7.1%	7,615	7.9%	720	630
Coal, Coke & Ores	5,523	14.0%	7,783	23.1%	27,431	24.9%	33,265	34.4%	201	234
Metals	4,046	10.2%	2,547	7.6%	14,431	13.1%	9,281	9.6%	280	274
Lumber & Forest Products	3,294	8.3%	2,294	6.8%	9,122	8.3%	6,634	6.9%	361	346
Chemicals & Plastics	2,567	6.5%	2,187	6.5%	5,231	4.7%	4,262	4.4%	491	513
Farm & Food Products	2,498	6.3%	2,146	6.4%	5,744	5.2%	5,477	5.7%	435	392
Autos & Auto Parts	2,135	5.4%	322	1.0%	4,985	4.5%	508	0.5%	428	634
Intermodal	355	0.9%	—	—	1,515	1.4%	—	—	234	—
Other	1,206	3.2%	1,447	4.2%	4,340	3.9%	5,822	5.9%	278	249
Total	\$39,496	100.0%	\$33,662	100.0%	110,164	100.0%	96,785	100.0%	359	348

Pulp & paper revenues were \$6.5 million in the quarter ended June 30, 2002 compared to \$4.8 million in the quarter ended June 30, 2001, an increase of \$1.7 million or 34.8%. The increase of \$1.7 million consists of \$1.5 million from new South Buffalo and Emons railroad operations and an increase of \$198,000 from existing North American railroad operations.

Petroleum products revenues were \$5.6 million in the quarter ended June 30, 2002 compared to \$4.8 million in the quarter ended June 30, 2001, an increase of \$811,000 or 29.0%. The increase of \$811,000 consists of \$207,000 from new South Buffalo and Emons railroad operations and an increase of \$604,000 from existing North American railroad operations primarily in Mexico as a result of a new long-haul contract.

Coal, coke and ores revenues were \$5.5 million in the quarter ended June 30, 2002 compared to \$7.8 million in the quarter ended June 30, 2001, a net decrease of \$2.3 million or 29.0%. The net decrease of \$2.3 million consists of an increase of \$443,000 from new South Buffalo and Emons railroad operations, offset by a decrease of \$2.7 million from existing North American railroad operations primarily on the Company's Illinois and New York-Pennsylvania operations as a result customers' excess coal inventory and plant shut-downs related to maintenance.

Metals revenues were \$4.0 million in the quarter ended June 30, 2002 compared to \$2.5 million in the quarter ended June 30, 2001, an increase of \$1.5 million or 58.9%. The increase of \$1.5 million consists of \$1.7 million from new South Buffalo and Emons railroad operations, offset by a decrease of \$160,000 from existing North American railroad operations.

Lumber and forest products revenues were \$3.3 million in the quarter ended June 30, 2002 compared to \$2.3 million in the quarter ended June 30, 2001, an increase of \$1.0 million or 43.6%. The increase of \$1.0 million consists of \$597,000 from new South Buffalo and Emons railroad operations and an increase of \$403,000 from existing North American railroad operations primarily in Canada.

Total North American carloads were 110,164 in the quarter ended June 30, 2002 compared to 96,785 in the quarter ended June 30, 2001, an increase of 13,379 or 13.8%. The increase of 13,379 consists of 22,401 carloads from new South Buffalo and Emons railroad operations offset by a decrease of 9,022 carloads from existing North American railroad operations of which 8,037 carloads were coal. The average revenue per carload increased to \$359 in the quarter ended June 30, 2002, compared to \$348 per carload in the quarter ended June 30, 2001, an increase of 3.2%.

North American non-freight railroad revenues were \$8.7 million in the quarter ended June 30, 2002 compared to \$7.7 million in the quarter ended June 30, 2001, an increase of \$1.0 million or 13.1%. The following table compares North American non-freight revenues for the quarters ended June 30, 2002 and 2001:

North American Railroad
Non-Freight Operating Revenue Comparison
Quarters Ended June 30, 2002 and 2001
(dollars in thousands)

	2002		2001	
	\$	% of Non-Freight Revenue	\$	% of Non-Freight Revenue
Railroad switching	\$2,878	33.2%	\$2,027	26.5%
Car hire and rental income	1,808	20.9%	1,666	21.8%
Car repair services	1,004	11.6%	821	10.7%
Other operating income	2,970	34.3%	3,144	41.0%
Total non-freight revenues	\$8,660	100.0%	\$7,658	100.0%

The \$1.0 million increase in non-freight revenues consisted of \$1.9 million in non-freight revenue from new South Buffalo and Emons railroad operations, offset by an \$879,000 decrease on existing North American railroad operations. The decrease of \$879,000 on existing North American railroad operations consisted of increases in switching of \$141,000 and car repair of \$59,000, offset by decreases in car hire and rental of \$100,000 and other operating income of approximately \$779,000. The decrease in other operating income of \$779,000 was primarily due to decreases in management fees of \$329,000, demurrage and storage of \$280,000 and trackage rights and all other operating income items of \$170,000. The decreases in other operating income primarily results from decreases in revenues which are ancillary to coal traffic.

Industrial Switching Revenues

Revenues from U.S. industrial switching activities were \$3.9 million in the quarter ended June 30, 2002 compared to \$2.9 million in the quarter ended June 30, 2001, an increase of \$1.0 million or 34.1% due primarily to new switching contracts.

Consolidated Operating Expenses

Consolidated operating expenses were \$44.1 million in the quarter ended June 30, 2002, compared to \$38.3 million in the quarter ended June 30, 2001, an increase of \$5.8 million or 15.3%. The net increase was attributable to \$6.9 million from new South Buffalo and Emons railroad operations and a \$655,000 increase in industrial switching operating expenses, offset by a \$1.7 million decrease in existing North American railroad operating expenses.

The following two sections provide information on railroad expenses in North America and industrial switching expenses in the United States.

North American Railroad Operating Expenses

The following table sets forth a comparison of the Company's North American railroad operating expenses in the quarters ended June 30, 2002 and 2001:

North American Railroad
Operating Expense Comparison
Quarters Ended June 30, 2002 and 2001
(dollars in thousands)

	2002		2001	
	\$	% of Operating Revenue	\$	% of Operating Revenue
Labor and benefits	\$16,988	35.3%	\$14,150	34.2%
Equipment rents	4,999	10.4%	5,162	12.5%
Purchased services	3,834	8.0%	2,829	6.8%
Depreciation and amortization	2,986	6.2%	2,967	7.2%
Diesel fuel	2,927	6.1%	2,906	7.0%
Casualties and insurance	2,085	4.3%	1,889	4.6%
Materials	3,073	6.3%	2,527	6.1%
Other expenses	3,840	8.0%	3,103	7.6%
Total operating expenses	\$40,732	84.6%	\$35,533	86.0%

Labor and benefits expense was \$17.0 million in the quarter ended June 30, 2002 compared to \$14.2 million in the quarter ended June 30, 2001, an increase of \$2.8 million or 20.1%. The increase was attributable to \$3.1 million from new South Buffalo and Emons railroad operations, offset by a \$262,000 decrease in existing North American railroad operations.

Purchased services expense was \$3.8 million in the quarter ended June 30, 2002 compared to \$2.8 million in the quarter ended June 30, 2001, an increase of \$1.0 million or 35.5%. The increase was attributable to \$661,000 from new South Buffalo and Emons railroad operations and a \$344,000 increase in existing North American railroad operations.

Other expense was \$3.8 million in the quarter ended June 30, 2002 compared to \$3.1 million in the quarter ended June 30, 2001, an increase of \$737,000 or 23.8%. The increase was attributable to \$728,000 from new South Buffalo and Emons railroad operations and a \$9,000 increase in existing North American railroad operations.

U.S. Industrial Switching Operating Expenses

The following table sets forth a comparison of the Company's U.S. industrial switching operating expenses in the quarters ended June 30, 2002 and 2001:

U.S. Industrial Switching
Operating Expense Comparison
Quarters Ended June 30, 2002 and 2001
(dollars in thousands)

	2002		2001	
	\$	% of Operating Revenue	\$	% of Operating Revenue
Labor and benefits	\$2,124	54.2%	\$1,847	63.2%
Equipment rents	85	2.2%	75	2.6%
Purchased services	123	3.1%	88	3.0%
Depreciation and amortization	127	3.2%	156	5.3%
Diesel fuel	204	5.2%	112	3.8%
Casualties and insurance	270	6.9%	95	3.3%
Materials	195	5.0%	194	6.6%
Other expenses	277	7.1%	183	6.3%
Total operating expenses	\$3,405	86.9%	\$2,750	94.1%

Labor and benefits expense was \$2.1 million in the quarter ended June 30, 2002 compared to \$1.8 million in the quarter ended June 30, 2001, a net increase of \$277,000 or 15.0%. The net increase was due primarily to costs associated with new switching contracts of approximately \$591,000 offset by a decrease in pension expense of \$314,000. The decrease in pension expense of \$314,000 results from a \$286,000 credit in the 2002 period due to the curtailment of a pension plan compared to \$28,000 of pension expense in the 2001 period.

Operating Ratios

The Company's combined operating ratio improved to 84.8% in the quarter ended June 30, 2002 from 86.5% in the quarter ended June 30, 2001. The operating ratio for North American railroad operations improved to 84.6% in the quarter ended June 30, 2002 from 86.0% in the quarter ended June 30, 2001 primarily due to lower operating ratios on new South Buffalo and Emons railroad operations. The operating ratio for U.S. industrial switching operations improved to 86.9% in the quarter ended June 30, 2002 from 94.1% in the quarter ended June 30, 2001.

Interest Expense

Interest expense was \$1.7 million in the quarter ended June 30, 2002 compared to \$2.3 million in the quarter ended June 30, 2001, a decrease of \$623,000 or 26.9% due primarily to a decrease in outstanding debt.

Valuation Adjustment of U.S. Dollar Denominated Foreign Loans

Amounts previously outstanding under the Company's credit agreement which were borrowed by FCCM represented U.S. dollar denominated foreign debt of the Company's Mexican subsidiary. As the Mexican peso moves against the U.S. dollar, the revaluation of this outstanding debt to its Mexican peso equivalent results in non-cash gains and losses. On June 16, 2000, pursuant to a corporate and financial restructuring of the Company's Mexican subsidiaries, the income statement impact of the U.S. dollar denominated foreign loans was significantly reduced. For the quarters ended June 30, 2002 and 2001, the Company recorded approximately \$11,000 of non-cash income and \$26,000 of non-cash expense, respectively, related to valuation adjustments on these loans.

Other Income, Net

Other income, net in the quarter ended June 30, 2002, was \$478,000 compared to \$223,000 in the quarter ended June 30, 2001, an increase of \$255,000. Other income, net consists primarily of interest income, other minor non-operating income and gains (losses) on asset sales, net, offset by minority interest expense. The increase of \$255,000 results from increases in gains on asset sales of approximately \$401,000 and other non-operating income of \$84,000, offset by a decrease in interest income of \$203,000 and an increase in minority interest expense of \$27,000. The decrease in interest income results primarily from earnings on a special deposit in Mexico in the 2001 period that were not earned in the 2002 period due to the elimination of the special deposit, and secondarily to a decrease in market rates for overnight investments in the 2002 period.

Income Taxes

The Company's effective income tax rate in the quarter ended June 30, 2002 was 33.9% which compared to 35.8% in the quarter ended June 30, 2001 due primarily to a lower effective income tax rate for the Company's operations in Mexico in the 2002 period.

Equity in Net Income of Unconsolidated International Affiliates

Equity earnings of unconsolidated international affiliates in the quarter ended June 30, 2002, were \$3.0 million compared to \$2.6 million in the quarter ended June 30, 2001, an increase of \$362,000 or 13.8%. The equity earnings in the quarters ended June 30, 2002 and 2001, consisted of \$2.7 million and \$2.5 million from Australian Railroad Group, and \$269,000 and \$140,000 from South American affiliates, respectively.

Net Income and Earnings Per Share

The Company's net income in the quarter ended June 30, 2002 was \$7.4 million compared to net income in the quarter ended June 30, 2001 of \$5.1 million, an increase of \$2.3 million. The increase in net income is the result of an increase in net income from North American railroad operations of \$1.7 million, an increase in equity in net income of unconsolidated international affiliates of \$362,000, and an increase in the net income of industrial switching operations of \$272,000.

Basic and Diluted Earnings Per Share in the quarter ended June 30, 2002 were \$0.49 and \$0.42 respectively, on weighted average shares of 14.6 million and 17.6 million respectively, compared to \$0.47 and \$0.40 respectively, on weighted average shares of 10.4 million and 12.6 million respectively, in the quarter ended June 30, 2001. The increase in weighted average shares outstanding for Basic Earnings Per Share of 4.3 million is primarily attributable to the 3.9 million shares of Class A Common Stock the Company sold in a public offering on December 21, 2001, and secondarily to the exercise of employee stock options. The increase in weighted average shares outstanding for Diluted Earnings Per Share of 4.9 million is primarily attributable to the 3.9 million shares of Class A Common Stock the Company sold in a public offering on December 21, 2001, the dilutive impact of the common stock equivalents (489,132 shares) associated with the issuance of the additional Redeemable Convertible Preferred Stock in December 2001, and the dilutive impact of the common stock equivalents associated with unexercised employee stock options due to a higher market price of the Company's Class A Common Stock.

Supplemental Information – Australian Railroad Group

ARG is a joint venture owned 50% by the Company and 50% by Wesfarmers Limited, a public corporation based in Perth, Western Australia. The Company accounts for its 50% ownership in ARG under the equity method of accounting. The average currency translation rate for quarter ended June 30, 2002 was 7.8% more favorable than the rate for the quarter ended June 30, 2001, the impact of which should be considered in the following discussions of equity earnings, freight and non-freight operating revenues, and operating expenses.

In the quarters ended June 30, 2002 and 2001, the Company recorded \$2.7 million and \$2.5 million, respectively, of equity earnings in the Equity in Net Income of International Affiliates – Australian Railroad Group caption in the accompanying consolidated statements of income. The following table provides ARG’s freight revenues, carloads and average freight revenues per carload for the quarters ended June 30, 2002 and 2001:

Australian Railroad Group Freight Revenues and Carloads by Commodity Group
Quarters Ended June 30, 2002 and 2001
(U.S. dollars in thousands, except average per carload)

Commodity Group	Freight Revenues				Carloads				Average Freight Revenues Per Carload	
	2002	% of Total	2001	% of Total	2002	% of Total	2001	% of Total	2002	2001
Grain	\$14,819	32.0%	\$12,445	30.6%	44,800	20.4%	41,827	20.0%	\$331	\$298
Other Ores and Minerals	9,859	21.3%	10,219	25.2%	26,557	12.1%	25,612	12.2%	371	399
Iron Ore	7,499	16.2%	4,822	11.9%	47,022	21.5%	39,857	19.1%	159	121
Alumina	3,483	7.5%	4,392	10.8%	37,636	17.2%	37,035	17.7%	93	119
Bauxite	2,530	5.5%	2,131	5.2%	31,452	14.3%	30,515	14.6%	80	70
Hook and Pull(Haulage)	1,713	3.7%	2,367	5.8%	5,877	2.7%	10,370	5.0%	291	228
Gypsum	643	1.4%	445	1.1%	10,446	4.8%	8,494	4.1%	62	52
Other	5,797	12.4%	3,802	9.4%	15,405	7.0%	15,459	7.3%	376	246
Total	\$46,343	100.0%	\$40,623	100.0%	219,195	100.0%	209,169	100.0%	211	194

ARG’s freight revenues were \$46.3 million in the quarter ended June 30, 2002 compared to \$40.6 million in the quarter ended June 30, 2001, an increase of \$5.7 million or 14.1%. ARG’s freight revenue increase of \$5.7 million was primarily attributable to increases in iron ores of \$2.7 million, grain of \$2.4 million and other of \$2.0 million, offset by decreases in alumina of \$909,000 and hook and pull of \$654,000, with revenue from all remaining commodities increasing a net \$237,000.

Total ARG carloads were 219,195 in the quarter ended June 30, 2002 compared to 209,169 in the quarter ended June 30, 2001, an increase of 10,026 or 4.8%. The increase of 10,026 carloads consists primarily of 7,165 carloads of iron ores, 2,973 carloads of grain, 1,952 carloads of gypsum and 945 carloads of other ores and minerals, offset by a decrease in hook and pull of 4,493 carloads, with carloads from all remaining commodities increasing a net 1,484. The average revenue per carload increased to \$211 in the quarter ended June 30, 2002, compared to \$194 per carload in the quarter ended June 30, 2001, an increase of 8.8%.

ARG’s non-freight railroad revenues were \$7.9 million in the quarter ended June 30, 2002 compared to \$4.5 million in the quarter June 30, 2001, an increase of \$3.4 million or 73.2%. ARG’s non-freight revenue increase of \$3.4 million was primarily

attributable to new revenues resulting from the construction of the Alice Springs to Darwin rail line.

ARG Operating Expenses

ARG's operating expenses were \$40.0 million in the quarter ended June 30, 2002, compared to \$32.4 million in the quarter ended June 30, 2001, an increase of \$7.6 million or 23.3%. The following table sets forth a comparison of Australian Railroad Group's operating expenses in the quarters ended June 30, 2002 and 2001:

Australian Railroad Group
Operating Expense Comparison
Quarters Ended June 30, 2002 and 2001
(dollars in thousands)

	2002		2001	
	\$	% of Operating Revenue	\$	% of Operating Revenue
Transportation	\$15,366	28.4%	\$12,923	28.6%
Maintenance of ways and structure	6,039	11.1%	5,004	11.1%
Maintenance of equipment	6,121	11.3%	4,549	10.0%
General and administrative	8,334	15.4%	6,358	14.1%
Depreciation and amortization	4,137	7.6%	3,611	8.0%
Total operating expenses	\$39,997	73.8%	\$32,445	71.8%

Six Months Ended June 30, 2002 Compared to Six Months Ended June 30, 2001

Consolidated Operating Revenues

Consolidated operating revenues were \$100.4 million in the six months ended June 30, 2002 compared to \$87.1 million in the six months ended June 30, 2001, a net increase of \$13.3 million or 15.2%. The net increase was attributable to \$16.0 million in revenues attributable to new South Buffalo and Emons railroad operations and a \$1.5 million increase in industrial switching revenues, offset by a \$4.2 million decrease in existing North American railroad revenues.

The following two sections provide information on railroad revenues in North America and industrial switching revenues in the United States.

North American Railroad Operating Revenues

North American railroad operating revenues were \$93.1 million in the six months ended June 30, 2002 compared to \$81.3 million in the six months ended June 30, 2001, a net increase of \$11.8 million or 14.5%. The net increase in operating revenue was attributable to a \$10.6 million increase in freight revenues which consisted of \$12.6 million in freight revenue from new South Buffalo and Emons railroad operations offset by a \$2.0 million decrease on existing North American railroad operations; and a \$1.2 million increase in non-freight revenues which consisted of \$3.4 million in non-freight revenue from new South Buffalo and Emons railroad operations, offset by a \$2.2 million decrease on existing North American railroad operations.

The following table compares North American freight revenues, carloads and average freight revenues per carload for the six months ended June 30, 2002 and 2001:

North American Freight Revenues and Carloads Comparison by Commodity Group
Six Months Ended June 30, 2002 and 2001
(dollars in thousands, except average per carload)

Commodity Group	Freight Revenues				Carloads				Average Freight Revenues Per Carload	
	2002	% of Total	2001	% of Total	2002	% of Total	2001	% of Total	2002	2001
Pulp & Paper	\$12,116	15.8%	\$ 9,733	14.8%	30,717	14.2%	25,635	13.4%	\$394	\$380
Coal, Coke & Ores	11,709	15.3%	14,752	22.4%	56,459	26.1%	64,575	33.7%	207	\$228
Minerals & Stone	11,125	14.5%	9,635	14.6%	24,262	11.2%	20,920	10.9%	459	461
Petroleum Products	10,647	13.9%	9,522	14.5%	14,855	6.9%	15,276	8.0%	717	623
Metals	7,784	10.2%	5,218	7.9%	27,899	12.9%	18,694	9.8%	279	279
Lumber & Forest Products	6,248	8.2%	4,176	6.3%	17,480	8.1%	12,166	6.4%	357	343
Farm & Food Products	5,225	6.8%	5,328	8.1%	14,076	6.5%	15,169	7.9%	371	351
Chemicals & Plastics	4,774	6.2%	4,442	6.7%	9,779	4.5%	8,621	4.5%	488	515
Autos & Auto Parts	3,912	5.1%	667	1.0%	9,421	4.4%	1,104	0.6%	415	604
Intermodal	561	0.8%	—	—	2,377	1.1%	—	—	236	—
Other	2,387	3.2%	2,417	3.7%	8,673	4.1%	9,371	4.8%	275	258
Total	\$76,488	100.0%	\$65,890	100.0%	215,998	100.0%	191,531	100%	354	344

Pulp & paper revenues were \$12.1 million in the six months ended June 30, 2002 compared to \$9.7 million in the six months ended June 30, 2001, an increase of \$2.4 million or 24.5%. The increase of \$2.4 million consists of \$2.1 million from new South Buffalo and Emons railroad operations and an increase of \$266,000 from existing North American railroad operations.

Coal, coke and ores revenues were \$11.7 million in the six months ended June 30, 2002 compared to \$14.8 million in the six months ended June 30, 2001, a net decrease of \$3.0 million or 20.6%. The net decrease of \$3.0 million consists of an increase of \$682,000 from new South Buffalo and Emons railroad operations, offset by a decrease of \$3.7 million from existing North American railroad operations primarily on the Company's Illinois and New York-Pennsylvania operations as a result customers' excess coal inventory and plant shut-downs related to maintenance.

Minerals and stone revenues were \$11.1 million in the six months ended June 30, 2002 compared to \$9.6 million in the six months ended June 30, 2001, an increase of \$1.5 million or 15.5%. The increase of \$1.5 million consists of \$656,000 from new South Buffalo and Emons railroad operations and an increase of \$834,000 from existing North American railroad operations which is primarily from increased salt shipments on the Company's New York – Pennsylvania region.

Petroleum products revenues were \$10.6 million in the six months ended June 30, 2002 compared to \$9.5 million in the six months ended June 30, 2001, an increase of \$1.1 million or 11.8%. The increase of \$1.1 million consists of \$337,000 from new South Buffalo and Emons railroad operations and an increase of \$788,000 from existing North American railroad operations primarily in Mexico as a result of a new long-haul contract.

Metals revenues were \$7.8 million in the six months ended June 30, 2002 compared to \$5.2 million in the six months ended June 30, 2001, an increase of \$2.6 million

or 49.2%. The increase of \$2.6 million consists of \$3.2 million from new South Buffalo and Emons railroad operations, offset by a decrease of \$616,000 from existing North American railroad operations.

Lumber and forest products revenues were \$6.2 million in the six months ended June 30, 2002 compared to \$4.2 million in the six months ended June 30, 2001, an increase of \$2.0 million or 49.6%. The increase of \$2.0 million consists of \$1.1 million from new South Buffalo and Emons railroad operations and an increase of \$937,000 from existing North American railroad operations primarily in Canada.

Auto and auto parts revenues were \$3.9 million in the six months ended June 30, 2002 compared to \$667,000 in the six months ended June 30, 2001, an increase of \$3.2 million. The increase of \$3.2 million consists of \$2.7 million from new South Buffalo and Emons railroad operations and an increase of \$504,000 from existing North American railroad operations.

Total North American carloads were 215,998 in the six months ended June 30, 2002 compared to 191,531 in the six months ended June 30, 2001, an increase of 24,467 carloads. The increase of 24,467 consists of 37,516 carloads from new South Buffalo and Emons railroad operations offset by a decrease of 13,049 carloads in existing North American railroad operations of which 11,705 carloads were coal. The average revenue per carload increased to \$354 in the six months ended June 30, 2002, compared to \$344 per carload in the six months ended June 30, 2001, an increase of 2.9%.

North American non-freight railroad revenues were \$16.6 million in the six months ended June 30, 2002 compared to \$15.4 million in the six months ended June 30, 2001, an increase of \$1.2 million or 7.7%. The following table compares North America non-freight revenues for the six months ended June 30, 2002 and 2001:

North American Railroad
Non-Freight Operating Revenue Comparison
Six Months Ended June 30, 2002 and 2001
(dollars in thousands)

	2002		2001	
	\$	% of Non-Freight Revenue	\$	% of Non-Freight Revenue
Railroad switching	\$ 5,483	33.0%	\$ 4,282	27.8%
Car hire and rental income	3,778	22.8%	3,718	24.1%
Car repair services	1,765	10.6%	1,654	10.7%
Other operating income	5,576	33.6%	5,755	37.4%
Total non-freight revenues	\$16,602	100.0%	\$15,409	100.0%

The \$1.2 million increase in non-freight revenues consisted of \$3.0 million in non-freight revenue from new South Buffalo and Emons railroad operations, offset by a \$1.8 million decrease on existing North American railroad operations. The decrease of \$1.8 million on existing North American railroad operations consisted of decreases in switching of \$50,000, car hire and rental of \$265,000, car repair of \$57,000 and other operating income of approximately \$1.4 million. The decrease in other operating income of \$1.4 million was primarily due to decreases in management fees of \$629,000, demurrage and storage of \$386,000, trackage rights and all other operating income items of \$415,000. The decreases in other operating income primarily result from decreases in revenues which are ancillary to coal traffic.

Industrial Switching Revenues

Revenues from U.S. industrial switching activities were \$7.3 million in the six months ended June 30, 2002 compared to \$5.8 million in the six months ended June 30, 2001, an increase of \$1.5 million or 25.2% due primarily to new switching contracts.

Consolidated Operating Expenses

Consolidated operating expenses were \$85.9 million in the six months ended June 30, 2002, compared to \$76.1 million in the six months ended June 30, 2001, an increase of \$9.8 million or 12.9%. The net increase was attributable to \$10.9 million from new South Buffalo and Emons railroad operations and a \$1.3 million increase in industrial switching operating expenses, offset by a \$2.4 million decrease in existing North American railroad operating expenses.

The following two sections provide information on railroad expenses in North America and industrial switching expenses in the United States.

North America Railroad Operating Expenses

The following table sets forth a comparison of the Company's North American railroad operating expenses in the six months ended June 30, 2002 and 2001:

North American Railroad
Operating Expense Comparison
Six Months Ended June 30, 2002 and 2001
(dollars in thousands)

	2002		2001	
	\$	% of Operating Revenue	\$	% of Operating Revenue
Labor and benefits	\$33,206	35.7%	\$28,042	34.5%
Equipment rents	9,022	9.7%	10,189	12.5%
Purchased services	7,141	7.7%	5,429	6.7%
Depreciation and amortization	6,328	6.8%	6,037	7.4%
Diesel fuel	5,641	6.1%	6,438	7.9%
Casualties and insurance	3,931	4.2%	3,294	4.1%
Materials	5,741	6.2%	5,275	6.5%
Other expenses	8,043	8.5%	5,863	7.2%
Total operating expenses	\$79,053	84.9%	\$70,567	86.8%

Labor and benefits expense was \$33.2 million in the six months ended June 30, 2002 compared to \$28.0 million in the six months ended June 30, 2001, an increase of \$5.2 million or 18.4%. The increase was attributable to \$4.9 million from new South Buffalo and Emons railroad operations and a \$267,000 increase in existing North American railroad operations.

Purchased services expense was \$7.1 million in the six months ended June 30, 2002 compared to \$5.4 million in the six months ended June 30, 2001, an increase of \$1.7 million or 31.5%. The increase was attributable to \$975,000 from new South Buffalo and Emons railroad operations and a \$737,000 increase in existing North American railroad operations.

Diesel fuel expense was \$5.6 million in the six months ended June 30, 2002 compared to \$6.4 million in the six months ended June 30, 2001, a net decrease of \$797,000 or 12.4%. The net decrease was attributable to an increase of \$694,000 from new South

Buffalo and Emons railroad operations, offset by a \$1.5 million decrease in existing North American railroad operations.

Other expense was \$8.0 million in the six months ended June 30, 2002 compared to \$5.9 million in the six months ended June 30, 2001, an increase of \$2.2 million or 37.2%. The increase was attributable to \$1.2 million from new South Buffalo and Emons railroad operations and a \$1.0 million increase in existing North American railroad operations which consisted of \$434,000 in legal costs, \$177,000 in information technology costs, \$150,000 in trackage rights expense, and \$189,000 in all other expenses.

U. S. Industrial Switching Operating Expenses

The following table sets forth a comparison of the Company's U.S. industrial switching operating expenses in the six months ended June 30, 2002 and 2001:

**U.S. Industrial Switching
Operating Expense Comparison
Six Months Ended June 30, 2002 and 2001
(dollars in thousands)**

	2002		2001	
	\$	% of Operating Revenue	\$	% of Operating Revenue
Labor and benefits	\$4,532	62.2%	\$3,654	62.8%
Equipment rents	157	2.2%	143	2.5%
Purchased services	228	3.1%	180	3.1%
Depreciation and amortization	238	3.3%	311	5.3%
Diesel fuel	319	4.4%	256	4.4%
Casualties and insurance	526	7.2%	171	2.9%
Materials	338	4.6%	377	6.5%
Other expenses	501	6.9%	425	7.4%
Total operating expenses	\$6,839	93.9%	\$5,517	94.9%

Labor and benefits expense was \$4.5 million in the six months ended June 30, 2002 compared to \$3.7 million in the six months ended June 30, 2001, a net increase of \$878,000 or 24.0%. The net increase of \$878,000 was due primarily to costs associated with new switching contracts of approximately \$1.3 million offset by a decrease in pension expense of \$395,000. The decrease in pension expense of \$395,000 results from a \$286,000 credit in the 2002 period due to the curtailment of a pension plan compared to \$109,000 of pension expense in the 2001 period.

Operating Ratios

The Company's combined operating ratio improved to 85.6% in the six months ended June 30, 2002 from 87.3% in the six months ended June 30, 2001. The operating ratio for North American railroad operations improved to 84.9% in the six months ended June 30, 2002 from 86.8% in the six months ended June 30, 2001 primarily due to lower operating ratios on new South Buffalo and Emons railroad operations. The operating ratio for U.S. industrial switching operations improved to 93.9% in the six months ended June 30, 2002 from 94.9% in the six months ended June 30, 2001.

Interest Expense

Interest expense in the six months ended June 30, 2002 was \$3.3 compared to \$5.1 million in the six months ended June 30, 2001, a decrease of \$1.8 million or 35.9% due primarily to a decrease in outstanding debt.

Gain on 50% Sale of Asia Pacific Transport Consortium (APTC) to Australian Railroad Group

On April 20, 2001, APTC completed the arrangement of debt and equity capital to finance a project to build, own and operate the Alice Springs to Darwin railway line in the Northern Territory of Australia. As previously arranged, upon APTC reaching financial closure, Wesfarmers contributed an additional \$7.4 million into ARG and accordingly, the Company recorded an additional first six months 2001 gain of \$3.7 million related to the December, 2000 issuance of ARG stock to Wesfarmers. The \$3.7 million purchase price adjustment was recorded as a one-time gain for the Company in the six months ended March 31, 2001. A related deferred income tax expense of \$1.1 million was also recorded. In the second six months of 2001, ARG paid the \$7.4 million to its two shareholders, in equal amounts of \$3.7 million each, as partial payment of each shareholder's non-interest bearing note.

Valuation Adjustment of U.S. Dollar Denominated Foreign Loans

Amounts previously outstanding under the Company's credit agreement which were borrowed by FCCM represented U.S. dollar denominated foreign debt of the Company's Mexican subsidiary. As the Mexican peso moved against the U.S. dollar, the revaluation of this outstanding debt to its Mexican peso equivalent resulted in non-cash gains and losses. On June 16, 2000, pursuant to a corporate and financial restructuring of the Company's Mexican subsidiaries, the income statement impact of the U.S. dollar denominated foreign loans was significantly reduced. For the six months ended June 30, 2002 and 2001, the Company recorded approximately \$4,000 of non-cash income and \$69,000 of non-cash expense, respectively, related to valuation adjustments on these loans.

Other Income, Net

Other income, net in the six months ended June 30, 2002, was \$589,000 compared to \$604,000 in the six months ended June 30, 2001, a net decrease of \$15,000. Other income, net consists primarily of interest income, other minor non-operating income and gains (losses) on asset sales, net, offset by minority interest expense. The net decrease of \$15,000 results from increases in gains on asset sales of approximately \$395,000 and other non-operating income of \$86,000, offset by a decrease in interest income of \$424,000 and an increase in minority interest expense of \$72,000. The decrease in interest income results primarily from earnings on a special deposit in Mexico in the 2001 period that were not earned in the 2002 period due to the elimination of the special deposit, and secondarily to a decrease in market rates for overnight investments in the 2002 period.

Income Taxes

The Company's effective income tax rate in the six months ended June 30, 2002 was 34.0% which compared to 34.9% in the six months ended June 30, 2001. The decrease is attributable to a lower income tax rate recorded on the Company's operations in Mexico.

Equity in Net Income of Unconsolidated International Affiliates

Equity earnings of unconsolidated international affiliates in the six months ended June 30, 2002, were \$5.1 million compared to equity earnings of unconsolidated international affiliates of \$4.9 million in the six months ended June 30, 2001. The equity earnings in the six months ended June 30, 2002 and 2001, consisted of \$4.6

million and \$4.7 million from Australian Railroad Group, and \$499,000 and \$206,000 from South America affiliates, respectively.

Net Income and Earnings Per Share

The Company's net income in the six months ended June 30, 2002 was \$12.8 million compared to net income in the six months ended June 30, 2001 of \$11.6 million, an increase of \$1.3 million. The increase in net income is the net result of an increase in net income from North American railroad operations of \$943,000 (\$3.5 million excluding a \$2.6 million after-tax gain on the APTC sale in the 2001 period), an increase in equity in net income of unconsolidated international affiliates of \$101,000, and an increase in net income of industrial switching operations of \$225,000.

Basic and Diluted Earnings Per Share in the six months ended June 30, 2002 were \$0.84 and \$0.73 respectively, on weighted average shares of 14.6 million and 17.5 million respectively, compared to \$1.08 and \$0.92 respectively, on weighted average shares of 10.3 million and 12.5 million respectively, in the six months ended June 30, 2001. The increase in weighted average shares outstanding for Basic Earnings Per Share of 4.3 million is primarily attributable to the 3.9 million shares of Class A Common Stock the Company sold in a public offering on December 21, 2001, and secondarily to the exercise of employee stock options. The increase in weighted average shares outstanding for Diluted Earnings Per Share of 5.0 million is primarily attributable to the 3.9 million shares of Class A Common Stock the Company sold in a public offering on December 21, 2001, the dilutive impact of the common stock equivalents (489,132 shares) associated with the issuance of the additional Redeemable Convertible Preferred Stock in December 2001, and the dilutive impact of the common stock equivalents associated with unexercised employee stock options due to a higher market price of the Company's Class A Common Stock.

Supplemental Information – Australian Railroad Group

ARG is a joint venture owned 50% by the Company and 50% by Wesfarmers Limited, a public corporation based in Perth, Western Australia. The Company accounts for its 50% ownership in ARG under the equity method of accounting. The average currency translation rate for six months ended June 30, 2002 was 3.6% more favorable than the rate for the six months ended June 30, 2001, the impact of which should be considered in the following discussions of equity earnings, freight and non-freight operating revenues, and operating expenses.

In the six months ended June 30, 2002 and 2001, the Company recorded \$4.6 million and \$4.7 million, respectively, of equity earnings in the Equity in Net Income of International Affiliates – Australian Railroad Group caption in the accompanying consolidated statements of income. The following table provides ARG's freight revenues, carloads and average freight revenues per carload for the six months ended June 30, 2002 and 2001.

Australian Railroad Group Freight Revenues and Carloads by Commodity Group
Six Months Ended June 30, 2002 and 2001
(U.S. dollars in thousands, except average per carload)

Commodity Group	Freight Revenues				Carloads				Average Freight Revenues Per Carload	
	2002	% of Total	2001	% of Total	2002	% of Total	2001	% of Total	2002	2001
Grain	\$27,943	31.6%	\$24,820	30.9%	93,536	21.3%	82,498	20.1%	\$299	\$301
Other Ores and Minerals	18,910	21.4%	20,390	25.4%	50,926	11.6%	49,424	12.0%	371	413
Iron Ore	13,749	15.5%	8,969	11.2%	88,159	20.1%	75,728	18.5%	156	118
Alumina	6,769	7.7%	8,816	11.0%	75,388	17.2%	72,342	17.6%	90	122
Bauxite	4,958	5.6%	4,328	5.4%	63,059	14.4%	61,488	15.0%	79	70
Hook and Pull(Haulage)	4,448	5.0%	4,448	5.5%	17,204	3.9%	19,325	4.7%	259	230
Gypsum	1,223	1.4%	983	1.2%	20,455	4.7%	18,322	4.5%	60	54
Other	10,425	11.8%	7,648	9.4%	29,665	6.8%	31,130	7.6%	351	246
Total	\$88,425	100.0%	\$80,402	100.0%	438,392	100.0%	410,257	100.0%	202	196

ARG's freight revenues were \$88.4 million in the six months ended June 30, 2002 compared to \$80.4 million in the six months ended June 30, 2001, an increase of \$8.0 million or 10.0%. ARG's freight revenue increase of \$8.0 million was primarily attributable to increases in iron ores of \$4.8 million, grain of \$3.1 million and other of \$2.8 million, offset by decreases in alumina of \$2.0 million and other ores and minerals of \$1.5 million, with revenue from all remaining commodities increasing a net \$870,000.

Total ARG carloads were 438,392 in the six months ended June 30, 2002 compared to 410,257 in the six months ended June 30, 2001, an increase of 28,135 or 6.9%. The increase of 28,135 carloads consists primarily of 12,431 carloads of iron ores, 11,038 carloads of grain, 3,046 carloads of alumina, 2,133 carloads of gypsum, 1,571 carloads of bauxite and 1,502 carloads of other ores and minerals, offset by a decrease in hook and pull of 2,121 carloads and other of 1,465 carloads. The average revenue per carload increased to \$202 in the six months ended June 30, 2002, compared to \$196 per carload in the six months ended June 30, 2001, an increase of 3.1%.

ARG's non-freight railroad revenues were \$14.6 million in the six months ended June 30, 2002 compared to \$8.6 million in the six months ended June 30, 2001, an increase of \$6.0 million or 68.6%. This increase was primarily attributable to new revenues resulting from the construction of the Alice Springs to Darwin rail line.

ARG Operating Expenses

ARG's operating expenses were \$77.4 million in the six months ended June 30, 2002, compared to \$64.0 million in the six months ended June 30, 2001, an increase of \$13.4 million or 21.0%. The following table sets forth a comparison of Australian Railroad Group's operating expenses in the six months ended June 30, 2002 and 2001:

Australian Railroad Group
Operating Expense Comparison
Six Months Ended June 30, 2002 and 2001
(dollars in thousands)

	2002		2001	
	\$	% of Operating Revenue	\$	% of Operating Revenue
Transportation	\$30,255	29.4%	\$26,006	29.2%
Maintenance of ways and structure	11,238	10.9%	9,464	10.6%
Maintenance of equipment	10,883	10.6%	10,191	11.4%
General and administrative	17,180	16.7%	11,883	13.4%
Depreciation and amortization	7,882	7.6%	6,478	7.3%
Total operating expenses	\$77,438	75.2%	\$64,022	71.9%

General and administrative expenses of \$17.2 million in the six months ended June 30, 2002 include \$1.5 million of expense resulting from the mechanical failure of a locomotive and a subsequent collision at a switching yard in Kalgoorlie, Western Australia, and \$827,000 of bid costs from the unsuccessful bid for the privatization of an Australian railroad.

Liquidity and Capital Resources

During the six months ended June 30, 2002 the Company generated cash from operations of \$12.4 million, invested \$29.4 million (net of \$2.0 million in cash received) in the purchase of Emons Transportation Group, Inc., invested \$8.9 million in capital assets (net of \$870,000 in state grant funds received for track rehabilitation and construction), received \$557,000 in proceeds from the disposition of property, and received \$986,000 in proceeds from employee stock purchases. The Company paid \$500,000 of dividends on the Company's Redeemable Convertible Preferred Stock, and had a net increase in debt of \$10.0 million during this same period primarily related to the Emons acquisition.

During the six months ended June 30, 2001 the Company generated cash from operations of \$11.5 million, invested \$6.0 million in capital assets (net of \$227,000 in state grant funds received for track rehabilitation and construction), received \$6.9 million in proceeds from the disposition of property including \$6.5 million from a sale-leaseback of locomotives, received \$617,000 in dividends from an unconsolidated South American affiliate, received a \$3.7 million purchase price adjustment from an unconsolidated Australian affiliate, and received \$3.5 million in proceeds from employee stock purchases. The proceeds from employee stock purchases relate primarily to the exercise of employee stock options that carried an expiration date of June 23, 2001. The Company also paid \$444,000 of dividends on the Company's Redeemable Convertible Preferred Stock, and had a net decrease in debt of \$12.4 million during this same period.

In 2002, the Company budgeted approximately \$18.0 million in capital expenditures, net of \$1.8 million that was expected to be funded by grants from state and federal agencies. With the acquisition of Emons in February 2002, the Company now plans to invest an additional \$3.4 million (\$1.7 million in track and \$1.7 million in equipment). Approximately \$8.9 million of the budgeted capital expenditures was completed as of June 30, 2002.

At June 30, 2002 the Company had long-term debt, including current portion, totaling \$74.4 million, which comprised 24.8% of its total capitalization including

the Convertible Preferred. At December 31, 2001 the Company had long-term debt, including current portion, totaling \$60.6 million, which comprised 22.4% of its total capitalization including the Convertible Preferred.

The Company has historically relied primarily on cash generated from operations to fund working capital and capital expenditures relating to ongoing operations, while relying on borrowed funds and stock issuances to finance acquisitions and investments in unconsolidated affiliates. The Company believes that its cash flow from operations together with amounts available under the credit facilities will enable the Company to meet its liquidity and capital expenditure requirements relating to ongoing operations for at least the duration of the credit facilities.

The Company has the potential to draw on its remaining universal shelf registration up to \$128.5 million of various debt and equity securities. The form and terms of such securities shall be determined when and if these securities are issued.

Recently Issued Accounting Standards

In June 2002, the Financial Accounting Standards Board issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS No. 146). SFAS No. 146 is effective for the Company's fiscal year beginning January 1, 2003. The Company is in the process of evaluating what impact, if any, this standard will have on the Company's Consolidated Financial Statements.

On May 1, 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145 (SFAS No. 145), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 143 is effective for the Company's fiscal year beginning January 1, 2003. The Company is in the process of evaluating what impact, if any, this standard will have on the Company's Consolidated Financial Statements.

On October 3, 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 (SFAS No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 144, however, retains the fundamental provisions of SFAS No. 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS No. 144 supersedes the accounting and reporting provisions of APB Opinion No. 30 ("Opinion 30"), "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for segments of a business to be disposed of. SFAS No. 144, however, retains the requirement of Opinion 30 to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of (by sale, by abandonment, or in a distribution to owners) or is classified as held for sale. The Company adopted SFAS No. 144 on January 1, 2002 and did not record any impairment charges upon adoption.

In August 2001, the Financial Accounting Standards Board issued Statement No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). SFAS No. 143 is effective for the Company's fiscal year beginning January 1, 2003, and requires the Company to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The Company is in the process of evaluating what impact, if any, this standard will have on the Company's Consolidated Financial Statements.

On June 30, 2001, the Financial Accounting Standards Board issued Statement No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). Under SFAS No. 142, goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives. In accordance with this statement, the Company adopted SFAS 142 as of January 1, 2002 for the Service Assurance Agreement, existing goodwill and intangible assets. The Company completed the appropriate impairment tests on goodwill and intangible assets upon adoption of SFAS No. 142 and did not record any impairment charges.

On June 30, 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations" (SFAS No. 141). Under SFAS No. 141, all business combinations initiated after June 30, 2001 must be accounted for using the purchase method of accounting. Use of the pooling-of-interests method is prohibited. Additionally, Statement No. 141 requires that certain intangible assets that can be identified and named be recognized as assets apart from goodwill. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001.

Forward-Looking Statements

This report and the documents incorporated herein by reference may contain forward-looking statements based on current expectations, estimates and projections about the Company's industry, management's beliefs, and assumptions made by management. Words such as "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are no guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to forecast. Therefore, actual results may differ materially from those expressed or forecast in any such forward-looking statements. Such risks and uncertainties include, in addition to those set forth in this Item 2, those noted in the documents incorporated by reference. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company actively monitors its exposure to foreign currency exchange rate and interest rate risks and uses derivative financial instruments to manage the impact of certain of these risks. The Company uses derivatives only for purposes of managing risk associated with underlying exposures. The Company does not trade or use instruments with the objective of earning financial gains on the exchange rate or interest rate fluctuations alone, nor does it use instruments where there are not underlying exposures. The Company's use of derivative financial instruments may result in short-term gains or losses and increased earnings volatility. Complex instruments involving leverage or multipliers are not used. Management believes that its use of derivative instruments to manage risk is in the Company's best interest.

During 2001 and 2000, the Company entered into various interest rate swaps fixing its base interest rate by exchanging its variable LIBOR interest rates on long-term debt for a fixed interest rate. The swaps expire at various dates through September 15, 2006 and the fixed base rates range from 5.46% to 6.47%. The notional amounts under these agreements were \$30.6 million at June 30, 2002 and December 31, 2001. The fair value of these interest rate swaps were liabilities of \$1.3 million and \$1.1 million at June 30, 2002 and December 31, 2001, respectively, the long-term portion of which was recorded in other liabilities and the current portion of which was recorded in accrued expenses.

During 2002, 2001 and 2000, the Company entered into various exchange rate options that established exchange rates for converting Mexican Pesos to U.S. Dollars. The options expire at various dates through March 13, 2003. The options give the Company the right to sell Mexican Pesos for U.S. Dollars at exchange rates ranging from 10.10 to 10.55 Mexican Pesos to the U.S. Dollar. The notional amounts under these options were \$3.9 million and \$2.2 million at June 30, 2002 and December 31, 2001, respectively. At June 30, 2002 and December 31, 2001, the fair values of these currency options were assets of \$140,000 and \$17,000, respectively.

The Company has recorded \$2.7 million of unrealized losses on qualifying cash flow hedges of Australian Railroad Group, which represents the Company's U.S. dollar portion of ARG's unrealized losses as of June 30, 2002, as other comprehensive loss and a reduction of its investment. The liability for ARG's cash flow hedges is recorded on the balance sheet of ARG and is not the Company's liability. For the six months ended June 30, 2002, approximately \$1.2 million of net unrealized losses on qualifying cash flow hedges of Australian Railroad Group were recorded that related to 2001.

The Company is exposed to the impact of foreign currency exchange rate risk at its foreign operations in Canada, Mexico and Australia. In particular, the Company is exposed to the non-cash impact of its equity earnings in ARG which uses the Australian dollar as its functional currency. The functional currency of the Company's Bolivian operations is the U.S. dollar.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS — NONE

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS — NONE

ITEM 3. DEFAULTS UPON SENIOR SECURITIES — NONE

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 23, 2002, the Stockholders of the Company voted on the following proposals at the Annual Meeting:

Proposal 1: To elect three directors to serve for a three-year term expiring in 2005:

	For	Authority Withheld
Mortimer B. Fuller, III	29,495,975	2,267,395
T. Michael Long	31,510,344	253,026
Robert M. Melzer	31,601,022	162,348

The other directors, whose terms of office continued after the meeting, are James M. Fuller, John M. Randolph, Hon. M. Douglas Young, P.C., C. Sean Day, Louis S. Fuller and Philip J. Ringo.

Proposal 2: To approve and ratify an amendment to the Genesee & Wyoming Inc. 1996 Stock Option Plan which increases the total number of shares available for option grants thereunder from 2,362,500 to 3,112,500:

For	29,684,626
Against	485,810
Abstain	4,380
Broker non-votes	1,588,554

Proposal 3: To approve and ratify the selection of PricewaterhouseCoopers LLP as the Company's independent auditors for the year ending December 31, 2002:

For	31,602,364
Against	157,698
Abstain	3,380

ITEM 5. OTHER INFORMATION — NONE

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS — SEE INDEX TO EXHIBITS

(B) REPORTS ON FORM 8-K

Report on Form 8-K dated April 5, 2002 reporting on Item 4. Changes in Registrant's Certifying Accountant was filed during the quarter covered by this report.

INDEX TO EXHIBITS

- (2) Plan of acquisition, reorganization, arrangement, liquidation or succession
Not applicable.
- (3) (i) Articles of Incorporation
The Exhibits referenced under 4.1 through 4.4 hereof are incorporated herein by reference.
- (ii) By-laws
The By-laws referenced under 4.5 hereof are incorporated herein by reference.
- (4) Instruments defining the rights of security holders, including indentures
- 4.1 Restated Certificate of Incorporation (Exhibit 3.1) 4
- 4.2 Certificate of Designation of 4.0% Senior Redeemable Convertible Preferred Stock, Series A (Exhibit 3.2) 4
- 4.3 Certificate of Correction to the Restated Certificate of Incorporation (Exhibit 3.1) 6
- 4.4 Certificate of Amendment of the Restated Certificate of Incorporation (Exhibit 3.1) 6
- 4.5 By-laws (Exhibit 3.1) 1
- 4.6 Specimen stock certificate representing shares of Class A Common Stock (Exhibit 4.1) 3
- 4.7 Form of Class B Stockholders' Agreement dated as of May 20, 1996, among the Registrant, its executive officers and its Class B stockholders (Exhibit 4.2) 2
- 4.8 Voting Agreement and Stock Purchase Option dated March 21, 1980 among Mortimer B. Fuller, III, Mortimer B. Fuller, Jr. and Frances A. Fuller, and amendments thereto dated May 7, 1988 and March 29, 1996 (Exhibit 9.1) 1
- 4.9 Stock Purchase Agreement by and between Genesee & Wyoming Inc. and The 1818 Fund III, L.P. dated October 19, 2000 (Exhibit 10.1) 4
- 4.10 Registration Rights Agreement between Genesee & Wyoming Inc. and The 1818 Fund III, L.P. dated December 12, 2000 (Exhibit 10.2) 4
- 4.11 Letter Agreement between Genesee & Wyoming Inc., The 1818 Fund III, L.P. and Mortimer B. Fuller, III dated December 12, 2000 (Exhibit 10.3) 4
- 4.12 Form of Senior Debt Indenture (Exhibit j) 5

4.13 Form of Subordinated Debt Indenture (Exhibit k) 5

- (10) Material Contracts
- *(10.1) Amended and Restated Genesee & Wyoming Inc. 1996 Stock Option Plan
- *(11.1) Statement re computation of per share earnings
- (15) Letter re unaudited interim financial information
Not applicable.
- (18) Letter re change in accounting principles
Not applicable.
- (19) Report furnished to security holders
Not applicable.
- (22) Published report regarding matters submitted to vote of security holders
Not applicable.
- (23) Consents of experts and counsel
Not applicable.
- (24) Power of attorney
Not applicable.
- (99) Additional Exhibits
- *(99.1) Chief Executive Officer Certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
- *(99.2) Chief Financial Officer Certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

*Exhibit filed with this Report.

(1) Exhibit previously filed as part of, and incorporated herein by reference to, the Registrant's Registration Statement on Form S-1 (Registration No. 333-3972). The exhibit number contained in parenthesis refers to the exhibit number in such Registration Statement.

(2) Exhibit previously filed as part of, and incorporated herein by reference to, Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (Registration No. 333-3972). The exhibit number contained in parenthesis refers to the exhibit number in such Amendment.

(3) Exhibit previously filed as part of, and incorporated herein by reference to, Amendment No. 2 to the Registrant's Registration Statement on Form S-1

(Registration No. 333-3972). The exhibit number contained in parenthesis refers to the exhibit number in such Amendment.

(4) Exhibit previously filed as part of, and incorporated herein by reference to, the Registrant's Report on Form 8-K dated December 7, 2000. The exhibit number contained in parenthesis refers to the exhibit number in such Report.

(5) Exhibit previously filed as part of, and incorporated herein by reference to, Amendment No. 1 to the Registrant's Registration Statement on Form S-3 (Registration No. 333-73026). The exhibit number contained in parenthesis refers to the exhibit number in such Amendment.

(6) Exhibit previously filed as part of, and incorporated herein by reference to, the Registrant's Report on Form 8-K dated December 17, 2001. The exhibit number contained in parenthesis refers to the exhibit number in such Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GENESEE & WYOMING INC.

Date: August 14, 2002

By: /s/John C. Hellmann

Name: John C. Hellmann
Title: Chief Financial Officer

Date: August 14, 2002

By: /s/Alan R. Harris

Name: Alan R. Harris
Title: Senior Vice President and
Chief Accounting Officer