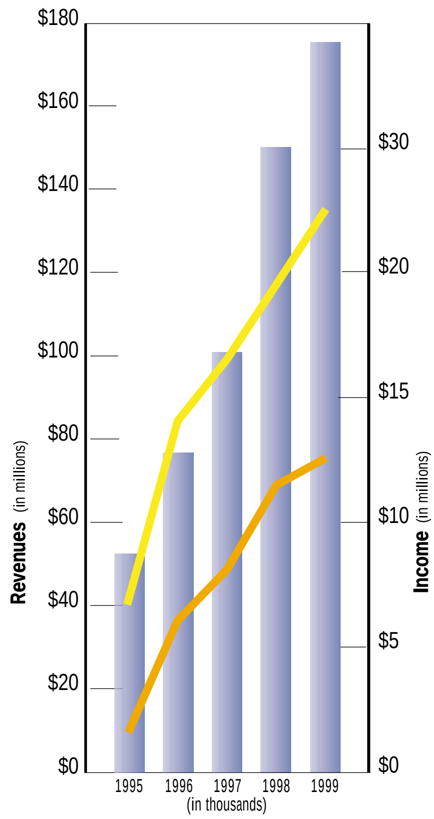
Financial Highlights

(in thousands, except per share data)	Years Ended	
December 31	**1999**	**1998**
Income Statement Data		
Operating revenues	$175,586	$147,472
Operating income	$22,368	$19,568
Net income	$12,533	$11,434
Diluted earnings per common share	$2.76	$2.19
Weighted average number of shares of common stock–diluted	4,540	5,229
Balance sheet data as of period end		
Total assets	$301,940	$216,760
Total debt	$108,376	$65,690
Stockholders' equity	$81,829	$74,537

GWI is a holding company whose subsidiaries own and operate regional freight railroads and provide related rail services. The Company generates revenues primarily from the movement of freight over track owned or operated by its railroads. The Company also generates nonfreight revenues primarily by providing freight car switching and rail-related services to industrial companies with extensive railroad facilities within their complexes.

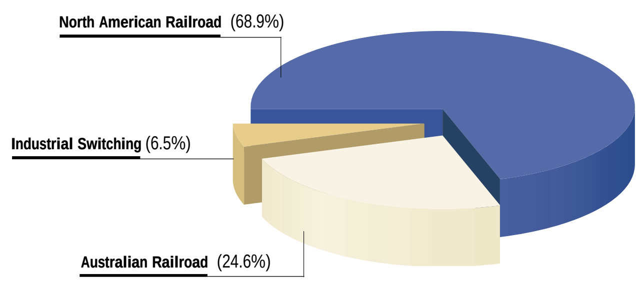
Revenues, Operating and Net Income



	1995	1996	1997	1998	1999
Revenues	$53,387	$77,795	$103,643	$147,472	$175,586
Operating Income	6,572	13,994	16,443	19,568	22,368
Net Income	1,657	5,905	7,998	11,434	12,533

Revenue Sources By Business Segment

by 1999 revenues

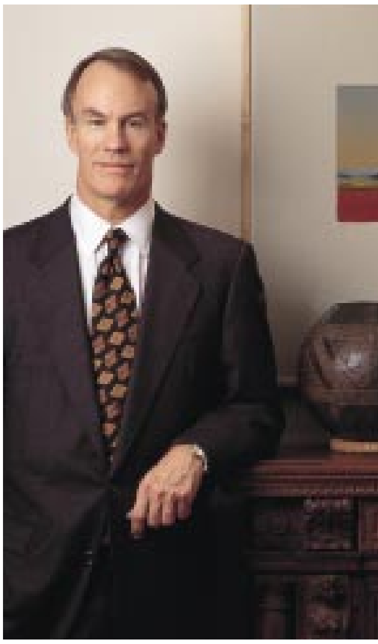


Letter to the Shareholders

Our financial performance in 1999, our centennial year, was the best in the Company's history. Income after taxes increased 9.7 percent to $12.5 million from $11.4 million in 1998. Diluted earnings per share were $2.76, with 4.5 million weighted average shares outstanding, compared with $2.19 in 1998, with 5.2 million shares outstanding. Revenues increased to $175.6 million in 1999, up 19.1 percent from $147.5 million in 1998.

Net income was impacted in both 1999 and 1998 by one-time items. Net income in 1999 included a $4.2-million ($.93 per share) income tax benefit resulting from legislation passed in Australia, as well as a $262,000 ($.06 per share) after-tax extraordinary charge. Net income in 1998 included the after-tax effect ($.75 per share) of a $6.0-million insurance settlement. The strength and growth of the Company's results for 1999 are particularly noteworthy in light of our $.07 per share loss in the first quarter due to some significant nonrecurring expenses.

Our growth in earnings per share in 1999 also benefited from our repurchase of one million shares at an average of $11 per share. The buy-back program began in August 1998 and concluded in April 1999.



Mortimer B. Fuller III
Chairman of the Board of Directors and Chief Executive Officer

A Year of Growth and Transition

Nineteen ninety-nine can best be described as a year of growth and transition for Genesee & Wyoming (GWI). In North America, the restructuring of Genesee·Rail-One and our acquisition of our joint venture partner's 47.5-percent interest in April 1999 led to improved profitability in Canada. The New York/Pennsylvania region also went through dramatic change in 1999, with the breakup of Conrail and related service problems. Results from that region, however, improved by year end 1999. Construction continued on the new salt mine located near the mine that collapsed in 1994. Until its closure, that mine had been the dominant source of the Genesee and Wyoming Railroad's revenue since the Company was founded in 1899. Salt shipments should resume late this year.

Coal shipments returned to normal levels on the Illinois & Midland Railroad following the rebuilding of boilers at its largest coal customer's power plant. Coal transport business also improved in the third and fourth quarters due to conversion of another Illinois-based customer's plant to burn Powder River Basin coal, and the addition of three new coal delivery contracts in Illinois and New York/Pennsylvania. After years of planning, our Oregon subsidiary, Portland & Western (P&W), began regular local shipments of aggregates for the state's largest producer, which in 1999 became the P&W's largest customer.

Building on the experience we gained from our management contract on Línea Coahuila Durango (LCD) in Mexico, our wholly owned subsidiary, Compañía de Ferrocarriles Chiapas-Mayab, S.A. de C.V. (FCCM), acquired a concession from the government of Mexico to operate the 960-mile Chiapas-Mayab lines starting in September 1999. We subsequently shifted our LCD relationship to a technical assistance contract, enabling our management in Mexico to focus on FCCM.

Although results in Australia were impacted by the discontinuation of a high-volume, low-margin major coal contract in January 1999, the Australia Southern Railroad (ASR) finished the year in a strong position. Carloadings, excluding coal, increased 20 percent over 1998.

Two new Australian opportunities occurred in 1999. In December, ASR began a five-year service agreement with Broken Hill Proprietary Co. Ltd. (BHP) for the management and operation of BHP Whyalla Steelworks' rail network. In addition, the Asia Pacific Transport Consortium (APTC), in which Genesee & Wyoming Australia Pty. Ltd. (GWA) is a participant, was mandated to build and operate the 1,420-kilometer rail line from Alice Springs to Darwin. Subject to completion of contract negotiations and financial close, construction is scheduled to begin in the third quarter of 2000. The project will take three years to complete. As a member of the APTC, GWA's role is to operate the railroad.

The results of our industrial switching operations improved in 1999 from 1998. Rail Link exited a large, unprofitable contract on May 31, 1999, and secured additional more profitable business during the year. The specialized industrial switching capabilities that Rail Link provides continue to support our growth. Indeed, Rail Link's expertise was helpful in securing the BHP contract in Australia.

The Company ended the year in a much stronger position than year end 1998. This transition was brought about through:

- Restructuring where necessary;
- Leveraging strategic opportunities;
- Supporting our core business; and
- Adding profitable new business.

We progressed through the year, always maintaining a sharp focus on executing our strategy through application of disciplined management. Our achievements in 1999 should provide the basis for improved results in the future.

Focus on Core Operations and Infrastructure

Our focus on improving our core operations continues. During the year, our cross-regional management teams in North America were charged with improving the efficiencies of each of the functional areas of rail operations. Each team has identified opportunities for improvement and "best practices" to be applied across the entire organization. We have set cost-reduction targets and established measurements to track our success.

Our safety initiative, with a variety of programs led by our Vice President of Safety, yielded impressive results in 1999 in terms of reduced personal injuries. The injury rate declined 35 percent from 1997 to 1998 and another 28 percent from 1998 to 1999.

We also strengthened our senior management team in 1999 with our appointment of Mark Hastings as Executive Vice President, Corporate Development, and the addition of Jack Hellmann as Chief Financial Officer. Mark's focus will be on driving external growth through acquisition. Jack will communicate our strong financial performance to the public investor community, and will address the apparent anomaly between our performance and our stock price.

Well Positioned for Future Growth

Our 1999 accomplishments position us well for future growth. Same-store carloads in North America grew by 11.9 percent, excluding Canada and Mexico, which were not reported in our carload results until April 15 and September 1, 1999, respectively. Both have strong future potential.

We continue to make selective strategic acquisitions despite aggressive competition. We are well situated for future acquisition opportunities in markets where we have a strong position, and we continue to investigate new markets selectively. We have a world-class management team and a corporate culture that is committed to growth and continuous improvement. And we have the capability and experience to execute our acquisition and operations strategy in diverse markets.

Above all, we have a proud, century-old tradition of excellence that is unique in railroading today. As we look back on the men and women who had a hand in our growth over the years, we are reminded of all that went into transforming Genesee & Wyoming from a 14-mile railroad that transported salt to the growing Company we are today.

As we proudly conclude our first century, we look forward with enthusiasm to the next 100 years of service.

Mortimer B. Fuller III
Chairman and Chief Executive Officer
February 29, 2000

North American Operations

During 1999, the Company continued its growth and momentum. North American operations in the fourth quarter were particularly strong, with carloads up 77.3 percent, to 98,223 carloads, compared with 55,391 carloads in the fourth quarter of 1998.

Mexico

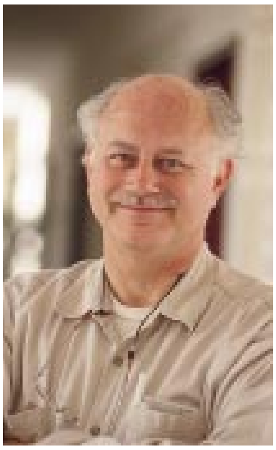
In September 1999, a new, wholly owned subsidiary, Compañía de Ferrocarriles Chiapas-Mayab, S.A. de C.V. (FCCM), was awarded a 30-year license to operate certain railways owned by the Mexican government. The purchase included $12.3 million in rolling stock and $9.7 million in improvements to state-owned track.

The Chiapas-Mayab concession consists of two separate rail lines, spanning a total of 960 miles of track. The two railroads are connected via trackage rights over a government-owned line.

- The Chiapas runs for approximately 280 miles between Ixtepec in the Mexican state of Oaxaca, and Ciudad Hidalgo, in Chiapas on the Guatemalan border. The Chiapas principally hauls cement, corn, petroleum and agricultural products.

- The Mayab extends approximately 680 miles from Coatzacoalcos in the Mexican state of Veracruz, beyond Mérida in the Mexican state of Yucatán. The Mayab hauls cement, silica sand and agricultural products.

In December 1999, GW Mexico, S.A. de C.V., a wholly owned subsidiary formed in 1998 to operate Línea Coahuila Durango (LCD), agreed to replace its day-to-day operations agreement with a new technical service agreement. This change enabled GWI's Mexico-based management team to focus on FCCM.



Above left: Paul Victor, Senior Vice President, Genesee & Wyoming, and President, FCCM. *Above right:* Shops in Mérida at the FCCM facility. *Opposite:* Apasco cement plant in Tabasco served by FCCM.

1899

Forging a Crucial Link

Edward Laton Fuller had moved wisely when he purchased the debt of the Genesee and Wyoming Valley Railway in 1899, and compelled its owners to bow to his control of the company. In spite of the fact that the renamed railroad, the Genesee and Wyoming Railroad Company (G&W), had a shorter route than many short lines, reaching only 14 1/2 miles from Greigsville through Retsof to Caledonia, it prospered under the ownership of the Fuller family. Indeed, over time, the G&W connected with the Delaware, Lackawanna & Western, the Lehigh Valley Railroad, the Erie, the New York Central and the Buffalo, Rochester & Pittsburgh. The G&W and its trunk line connections were pivotal to marketing products from the Retsof mine of the International Salt Company. It became a crucial link in the business enterprises of the Fuller family.

In its early years, the railroad was willing to carry anything and everything. It operated a passenger division, generating profits of $680.45 in 1908 and $724.95 in 1909. It also carried mail and freight. The exports from local farms included hay, grain, apples, beans and cabbages while from nearby sawmills it picked up cargoes of lumber. In 1910, the railroad brought in 7,000 tons of coal, 1,470 tons of merchandise for the Retsof Store, and 1,500 tons of mining equipment. The railroad hauled coal to heat houses and drive machinery at the Retsof mine and it carried manufactured goods, from furniture to clothing, foodstuffs and musical instruments, destined for the store owned and operated by the Retsof Mining Company. In 1909, it exported 10,099 tons of different products and 221,293 tons of salt.

Canada

Genesee·Rail-One Inc. (GRO), a joint venture, was formed in 1996 to enable GWI and Rail-One to pursue acquisition opportunities in Canada. In April 1999, GWI purchased Rail-One's ownership interest in GRO, increasing the Company's ownership from 47.5 percent to 95 percent, and assumed operational control. GRO currently operates two short line railroads: the Huron Central Railway, which leases 179 miles along the north shore of Lake Huron in Ontario; and the Québec Gatineau Railway, a 357-mile line running from Québec City through Montreal to Gatineau, near Ottawa. Huron Central serves the important mill of Algoma Steel in Sault Ste. Marie, Ontario, and has been successful in increasing its share of that traffic. Québec Gatineau has a diverse traffic base, with significant recent gains in forest products, aluminum, cement, and automobiles.

New York/Pennsylvania

The five railroads in Genesee & Wyoming's New York/Pennsylvania region (operating over 650 miles of track) serve customers in western New York and western Pennsylvania.

After five years of permitting, legal, ownership and financial challenges, American Rock Salt began construction of a new salt mine at Hampton's Corner in 1999. The new mine replaces a 100-year-old mine that collapsed and flooded in 1994. By the end of 1999, two shafts had been sunk to the salt vein 1,400 feet below the surface, and salt was beginning to be brought to the surface. Full-scale mining operations are slated to begin in 2000.

To ensure that the new mine would be served by efficient, effective rail service, in 1999 GWI began to construct a two-mile rail spur to the mine site and to rehabilitate eight miles of dormant railroad. By year end, the roadbed, bridges, access roads and other features of the spur were complete. GWI will lay rails and ties in the spring of 2000 to complete the connection to the American Rock Salt property. Once the mine and rail connection are complete, the Genesee & Wyoming Railroad will resume its century-long service in Livingston County. The Company expects salt shipments by rail to begin in the late summer of 2000.

As the industry anticipated, the acquisition of Consolidated Rail Corporation by CSX Transportation and Norfolk Southern (NS) had a significant impact on the New York/Pennsylvania region in 1999, bringing both new growth opportunities and challenges. In conjunction with NS, GWI signed a new contract to ship approximately 6,000 carloads of coal per year to Eastman Kodak in Rochester. To circumvent congestion on their own railroads, both CSX and NS contracted with GWI to move trains. The Company expects to continue to increase the number of carloads it ships for both carriers over the next several years.

Above left: Martin D. Lacombe, Senior Vice President, Genesee & Wyoming, and President, Genesee·Rail-One. *Above right:* Alcoa plant in Deschambault, Québec, west of Québec City, served by the Québec Gatineau Railway. *Opposite:* American Rock Salt's new salt mine under construction in upstate New York will be served by the Genesee and Wyoming Railroad when rail shipments begin in late 2000.

At the same time, when the CSX–Norfolk Southern deal closed in June, GWI saw 5,500 carloads per year diverted to CSX routings. Furthermore, the Company lost another 1,300 carloads due to service difficulties experienced by both CSX and NS. GWI has maintained strong and regular communications with affected customers, and as service returns to predictable levels, GWI is confident that it will recover this loss.

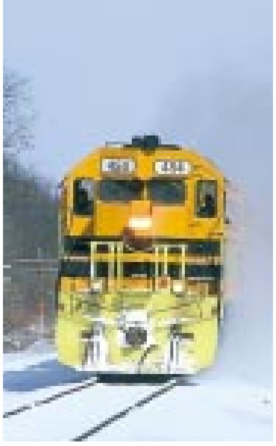
Illinois

The Illinois & Midland Railroad (I&M) serves greater Peoria, Springfield, Havana and other communities in central Illinois. By volume, coal continued to be the most significant commodity hauled by the I&M. In 1999 tonnage to existing customers grew and a new customer was added.

The largest of three power stations served directly by I&M is the Powerton plant near Peoria. Over the past two years, shipments to the plant were reduced while the plant boilers were being rebuilt. Construction was completed in mid-1999, and coal consumption there returned to normal levels. In December, the owner of the plant, Commonwealth Edison of Chicago, sold the plant to Midwest Generation, a subsidiary of Edison Mission Energy of Irvine, California. I&M continues to serve the plant.

Other coal movement on I&M has been growing substantially. The second-largest power plant on the railroad is the Kincaid Station, owned by Dominion Resources, where rail shipments increased by 60 percent. Contributing to that increase, in 1999 the plant was converted to burn Powder River Basin coal, a cleaner but less energy-intense coal that requires more volume to produce the same amount of power. In addition, in 1999 I&M acquired a new rail-barge movement of coal destined for Illinois Power Company's Hennepin plant, which is located off-line.

In 1998, Commonwealth Edison brought suit against I&M and GWI, alleging violations of a 1987 transportation contract with a predecessor railroad and seeking damages for alleged overcharges. GWI believes it has a strong defense to the suit and is optimistic that a favorable outcome will be reached. The discovery phase of the case is scheduled to begin in early 2000.



Above left: A Buffalo & Pittsburgh train blasts through the snow in upstate New York. *Above right:* Mark W. Hastings, Executive Vice President, Corporate Development, and Charles N. Marshall, Genesee & Wyoming's President and Chief Operating Officer. *Opposite:* A Cargill grain elevator, served by the Illinois & Midland Railroad, is located next to the I&M's Springfield, Illinois, freight yard and headquarters.

1917-45

Supporting the Nation

The G&W Railroad weathered World War I and World War II by continuing to do what it was designed to do—haul salt. This was not without difficulty. On December 26, 1917, President Woodrow Wilson took control of some 800 short line railroads and 35,000 miles of track. The wartime measure resulted in decades of filing accounting reports of earnings and assets with the Interstate Commerce Commission. Salt, like coal and other natural resources, was deemed critical to the war effort. During World War I, preservation of food dramatically increased. Soldiers consumed millions of pounds of salted beef, bacon and flour. During World War II, salt went into food, rubber tires, iron ore, bleaching materials and even anti-knock additives for gasoline. All of these uses for salt supported the war efforts and kept the G&W going in a highly regulated environment.

1977
Addressing Challenges

The G&W accomplished much since it was founded in 1899. The line provided connections for most of the salt transported from the Retsof mine, which became the largest producing salt mine in the world. It helped International Salt grow into a major corporation and assisted the nation through two world wars and massive growth of industry and transportation. But there was danger in the railroad's dependence on a single commodity and one primary shipper. In addition, the bankrupt northeast rail system faced a questionable future. Could the system which had been taken over by the federal government be returned to the private sector or would it remain under government control? G&W faced extraordinary challenges: Change. Uncertainty. Diversification. Leadership. These challenges were soon to be addressed by Mortimer B. Fuller III.

Oregon

In April 1999, $6.0 million in new shipper-funded railroad infrastructure in Oregon finally went into operation when the Portland & Western Railroad (P&W) began hauling aggregates for Morse Bros., Oregon's largest producer. In fact, burgeoning aggregates traffic accounted for 4,549 carloads by year end 1999, propelling Morse Bros. into position as P&W's largest shipper. Seventeen rapid-discharge cars, moving in a dedicated unit train, generated 4,429 revenue loads between April and December, and 10 railroad-owned flat-bottom gondolas generated 120 revenue trips during the last quarter of 1999. This new traffic is not dependent on interline arrangements with Class I carriers, and demonstrates that rail can be competitive with highway transport in short-haul markets.

GWI believes that its relationship with Morse Bros. will grow in 2000. During 1999, Morse acquired Georgia-Pacific's export wood chip terminal on P&W at Linnton in Northwest Portland, to use in the distribution of aggregates arriving by rail. Morse and P&W are working together to connect rail service to Watters Quarry near St. Helens. Watters, with reserves of millions of tons of high-quality rock, is expected to be a major supplier of aggregates to the Portland metropolitan area over the next few decades.

Louisiana

Headquartered in New Iberia, Louisiana & Delta Railroad (L&D) operates over more than 114 miles of owned and leased track, and 92 miles of the Burlington Northern–Santa Fe main line.

Harvested sugar cane continues to be an important part of L&D's traffic base. However, L&D's performance in 1999 was slowed by maintenance windows on other carriers' trackage and problems with the new conveyor system at Lake Charles. As a result, some growers shipped sugar cane to the mills by truck at the beginning of the season.

L&D has worked with government agencies, sugar mills, farmers and landowners to promote transportation of sugar cane by rail. The operation has already reduced wear on state highways and increased economic opportunity. Public interest in the project is high, and has brought additional traffic to L&D. In addition, in 1999 L&D signed a five-year contract to haul raw sugar.

Above left: Thomas P. Loftus, Genesee & Wyoming's Vice President, Finance. *Above right:* The Louisiana & Delta Railroad loading sugar cane in St. Charles, Louisiana. *Opposite:* Morse Bros.'s new aggregate loading facility near Salem, Oregon. Morse Bros. is GWI's Oregon region's largest new customer.


3002
3002

Australian Operations

In December 1999, Australia Southern Railroad (ASR), a wholly owned subsidiary of Genesee & Wyoming Australia Pty. Ltd. (GWA), took over management and operation of the BHP Whyalla Steelworks' rail network in South Australia. The mill, owned by Broken Hill Proprietary Co. Ltd. (BHP), is Australia's largest integrated steel plant. Raw ore is shipped by rail from BHP-owned mines to the mill, where it is pelletized, smelted and cast into semifinished products. Railcars are used to move raw ore, ore pellets, molten steel, and steel coils and billets. During the year, ASR also purchased and began to rehabilitate seven locomotives and is upgrading BHP-owned track and railcars. This five-year renewable service agreement should result in productivity gains for BHP and more than $18.5 million (U.S.) in revenue for ASR.

GWA is part of the Asia Pacific Transport Consortium, which was mandated in 1999 to build, own and operate the 1,420-kilometer Alice Springs to Darwin Railway. The line will transport ocean containers and bulk commodities that are moving between Australia and the Asia Pacific region. Estimated construction cost of the line is $617 million. Upon completion of contract negotiations and financial closing, construction is scheduled to begin in 2000. GWA has a small equity participation in the consortium. In addition, ASR will have an operating contract for the railroad once it is in operation.

In 1999, the Australian government passed a new law that will allow ASR to deduct, for income tax purposes, increased depreciation of certain fixed assets acquired from the government in November 1997 in excess of their purchase price. The net income tax benefit recorded in the third quarter of 1999 as a result of this tax law change was $4.2 million.

The Australian government has enacted legislation that will cut the corporate income tax rate in two phases beginning in 2000.

Above left: Charles W. Chabot, Genesee & Wyoming's Senior Vice President, Australia, and CEO, Australia Southern Railroad. *Above right:* Loading a "Hook 'n' Pull" consist in Adelaide, South Australia. *Opposite:* BHP Whyalla Steelworks' mill in South Australia. G&W manages and operates the rail network for BHP Whyalla Steelworks.

1980s

Leading the Restructuring

Mortimer B. Fuller III's leadership marked a new beginning and a promising future for the little short line that faithfully hauled salt from Retsof to Greigsville and Caledonia for 80 years. Fuller focused sharply on opportunities for business growth. Congress provided such opportunity with the Staggers Act. This legislation deregulated the railroads, allowing them to dispose of routes they could not operate profitably, and helped to restore their financial health. Acquiring these rail lines fit into Fuller's plan to spin a corporate evolution away from the railroad's vulnerable dependence on a single customer. He helped lenders to recognize the investment opportunity associated with these rail lines and their future in America. Fuller's confidence, capabilities, determination and accumulated experience attracted the financing for GWI's expansion over the next decade.

1990s

Expanding Internationally

Domestically, between 1982 and 1996, Genesee & Wyoming expanded its enterprise to a total of 14 railroads with operations in New York, Pennsylvania, Louisiana, Oregon and Illinois. Then, in 1996, the Company added an industrial switching company, which operated in more than a dozen states. As the Company's domestic expansion was under way, new opportunities abroad were equally compelling. A new world economy was encouraging many governments to stem their losses in the operations of their public utilities and railroads through privatization. For expertise, they turned to the U.S., which, along with Canada, had the only broad-based private freight rail systems in the world. As a result, exciting new international opportunities arose for Genesee & Wyoming in Canada, Mexico and Australia—opportunities that the Company not only recognized as timely, but knew could be executed in a way to create long-term shareholder value.

Industrial Switching Operations

Rail Link

Rail Link, Inc., has 22 rail switching operations. It offers shippers a wide range of railcar handling services, including industrial switching, track maintenance, locomotive leasing, railcar cleaning and minor car repairs. In 1999, Rail Link secured four new switching contracts, including a second coal unloading operation in east Texas.

Rail Link crews in Wyoming's Powder River Basin helped two coal producers set all-time records for numbers of tons in a 24-hour period. In 1999, Rail Link loaded 6,852 unit trains—more than 800,000 carloads—for a total of more than 90 million tons of Powder River Basin coal.

Above: Unloading Power River Basin coal at San Antonio City Public Service, a customer of Rail Link.