Ulta Salon, Cosmetics & Fragrance, Inc.
Form SC 13G/A
February 12, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934
(Amendment No. 1)*

Ulta Salon, Cosmetics & Fragrance, Inc.
(Name of Issuer)
Common Stock, $.01 par value per share
(Title of Class of Securities)
90384S303
(CUSIP Number)
December 31, 2008
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

o Rule 13d-1(b)

o Rule 13d-1(c)

þ Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(1)	NAMES OF REPORTING PERSONS. GRP II, L.P.	
(2)	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) þ (b) o	
(3)	SEC USE ONLY	
(4)	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**(5)**	SOLE VOTING POWER 0
	(6)	SHARED VOTING POWER 6,927,494
	(7)	SOLE DISPOSITIVE POWER 0
	(8)	SHARED DISPOSITIVE POWER 6,927,494

(9)	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 6,927,494

(10)	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
(11)	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 12.0%[1]
(12)	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) PN

[1] Based on 57,671,142 shares of the Issuer s Common Stock outstanding as of December 4, 2008, as set forth in the Issuer s quarterly report on Form 10-Q dated December 10, 2008.

(1)	NAMES OF REPORTING PERSONS. GRP II Investors, L.P.	
(2)	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) þ (b) o	
(3)	SEC USE ONLY	
(4)	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**(5)**	SOLE VOTING POWER 0
	(6)	SHARED VOTING POWER 535,042
	(7)	SOLE DISPOSITIVE POWER 0
	(8)	SHARED DISPOSITIVE POWER 535,042

(9)	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 535,042

(10)	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
(11)	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 0.9%[2]
(12)	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) PN

[2] Based on 57,671,142 shares of the Issuer s Common Stock outstanding as of December 4, 2008, as set forth in the Issuer s quarterly report on Form 10-Q dated December 10, 2008.

(1)	NAMES OF REPORTING PERSONS. GRP II Partners, L.P.	
(2)	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) þ (b) o	
(3)	SEC USE ONLY	
(4)	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**(5)**	SOLE VOTING POWER 0
	(6)	SHARED VOTING POWER 196,741
	(7)	SOLE DISPOSITIVE POWER 0
	(8)	SHARED DISPOSITIVE POWER 196,741

(9)	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 196,741

(10)	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
(11)	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 0.3%[3]
(12)	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) PN

[3] Based on 57,671,142 shares of the Issuer s Common Stock outstanding as of December 4, 2008, as set forth in the Issuer s quarterly report on Form 10-Q dated December 10, 2008.

(1)	NAMES OF REPORTING PERSONS. GRP Management Services Corp.	
(2)	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) þ (b) o	
(3)	SEC USE ONLY	
(4)	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**(5)**	SOLE VOTING POWER 0
	(6)	SHARED VOTING POWER 11,433,129
	(7)	SOLE DISPOSITIVE POWER 0
	(8)	SHARED DISPOSITIVE POWER 11,433,129

(9)	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 11,433,129

(10)	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
(11)	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 19.8%[4]
(12)	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) CO

[4] Based on 57,671,142 shares of the Issuer s Common Stock outstanding as of December 4, 2008, as set forth in the Issuer s quarterly report on Form 10-Q dated December 10, 2008.

(1)	NAMES OF REPORTING PERSONS. GRPVC, L.P.	
(2)	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) þ (b) o	
(3)	SEC USE ONLY	
(4)	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF	(5)	SOLE VOTING POWER 0
SHARES BENEFICIALLY OWNED BY	(6)	SHARED VOTING POWER 7,124,235
EACH REPORTING PERSON	(7)	SOLE DISPOSITIVE POWER 0
WITH	(8)	SHARED DISPOSITIVE POWER 7,124,235

(9)	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 7,124,235

(10)	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
(11)	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 12.4%[5]
(12)	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) PN

[5] Based on 57,671,142 shares of the Issuer s Common Stock outstanding as of December 4, 2008, as set forth in the Issuer s quarterly report on Form 10-Q dated December 10, 2008.

(1)	NAMES OF REPORTING PERSONS. Global Retail Partners, L.P.	
(2)	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) þ (b) o	
(3)	SEC USE ONLY	
(4)	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**(5)**	SOLE VOTING POWER 0
	(6)	SHARED VOTING POWER 2,933,588
	(7)	SOLE DISPOSITIVE POWER 0
	(8)	SHARED DISPOSITIVE POWER 2,933,588

(9)	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 2,933,588

(10)	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
(11)	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 5.1%[6]
(12)	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) PN

[6] Based on 57,671,142 shares of the Issuer s Common Stock outstanding as of December 4, 2008, as set forth in the Issuer s quarterly report on Form 10-Q dated December 10, 2008.

(1)	NAMES OF REPORTING PERSONS. GRP Partners, L.P.	
(2)	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) þ (b) o	
(3)	SEC USE ONLY	
(4)	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**(5)**	SOLE VOTING POWER 0
	(6)	SHARED VOTING POWER 190,496
	(7)	SOLE DISPOSITIVE POWER 0
	(8)	SHARED DISPOSITIVE POWER 190,496
(9)	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 190,496	

(10)	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
(11)	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 0.3%[7]
(12)	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) PN

[7] Based on 57,671,142 shares of the Issuer s Common Stock outstanding as of December 4, 2008, as set forth in the Issuer s quarterly report on Form 10-Q dated December 10, 2008.

(1)	NAMES OF REPORTING PERSONS. Steven E. Lebow	
(2)	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) þ (b) o	
(3)	SEC USE ONLY	
(4)	CITIZENSHIP OR PLACE OF ORGANIZATION United States	

NUMBER OF	**(5)**	SOLE VOTING POWER 79,000
SHARES BENEFICIALLY OWNED BY	**(6)**	SHARED VOTING POWER 12,288,288
EACH REPORTING PERSON	**(7)**	SOLE DISPOSITIVE POWER 79,000
WITH	**(8)**	SHARED DISPOSITIVE POWER 12,288,288

(9)	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 12,367,288

(10)	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
(11)	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 21.4%[8]
(12)	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) IN

[8] Based on 57,671,142 shares of the Issuer s Common Stock outstanding as of December 4, 2008, as set forth in the Issuer s quarterly report on Form 10-Q dated December 10, 2008.

(1)	NAMES OF REPORTING PERSONS. Yves Sisteron	
(2)	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) þ (b) o	
(3)	SEC USE ONLY	
(4)	CITIZENSHIP OR PLACE OF ORGANIZATION United States	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	(5)	SOLE VOTING POWER 193,315
	(6)	SHARED VOTING POWER 11,433,129
	(7)	SOLE DISPOSITIVE POWER 193,315
	(8)	SHARED DISPOSITIVE POWER 11,433,129

(9)	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 11,626,444

(10)	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
(11)	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 20.2%[9]
(12)	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) IN

[9] Based on 57,671,142 shares of the Issuer s Common Stock outstanding as of December 4, 2008, as set forth in the Issuer s quarterly report on Form 10-Q dated December 10, 2008.

(1)	NAMES OF REPORTING PERSONS. Hervé J.F. Defforey
(2)	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) þ (b) o
(3)	SEC USE ONLY
(4)	CITIZENSHIP OR PLACE OF ORGANIZATION France

NUMBER OF	(5)	SOLE VOTING POWER 351,362
SHARES BENEFICIALLY OWNED BY	(6)	SHARED VOTING POWER 7,659,277
EACH REPORTING PERSON	(7)	SOLE DISPOSITIVE POWER 351,362
WITH	(8)	SHARED DISPOSITIVE POWER 7,659,277

(9)	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 8,010,639

(10)	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
(11)	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 13.9%[10]
(12)	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) IN

[10] Based on 57,671,142 shares of the Issuer s Common Stock outstanding as of December 4, 2008, as set forth in the Issuer s quarterly report on Form 10-Q dated December 10, 2008.

Item 1(a). Name of Issuer:

Ulta Salon, Cosmetics & Fragrance, Inc.

Item 1(b). Address of Issuer s Principal Executive Offices:

1000 Remington Blvd., Suite 120
Bolingbrook, IL 60440

Item 2(a). Name of Person Filing:

(1) GRP II, L.P.

(2) GRP II Investors, L.P.

(3) GRP II Partners, L.P.

(4) GRP Management Services Corp.

(5) GRPVC, L.P.

(6) Global Retail Partners, L.P.

(7) GRP Partners, L.P.

(8) Steven E. Lebow

(9) Yves Sisteron

(10) Hervé J.F. Defforey

Item 2(b). Address of Principal Business Office or, if none, Residence:

2121 Avenue of the Stars
31st Floor
Los Angeles, California 90067-5014
Attn: Steven Dietz

Item 2(c). Citizenship:

GRP II, L.P., GRP II Investors, L.P., GRP II Partners, L.P., GRP Management Services Corp., GRPVC, L.P., Global Retail Partners, L.P. and GRP Partners, L.P.:
Delaware
Steven E. Lebow:
United States
Yves Sisteron
United States
Hervé J.F. Defforey
France

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)
Restructuring costs
1,127

—

Other expenses
33,174

33,342

Total operating expenses
425,620

324,410

INCOME FROM OPERATIONS
56,996

72,620

Interest income
75

26

Interest expense
(17,975
)

(13,508
)
Loss on settlement of foreign currency forward purchase contracts
—

(18,686
)
Other income, net
731

314

Income before income taxes
39,827

40,766

Provision for income taxes
(12,808
)

(16,862
)
Net income
$
27,019

$
23,904

Basic earnings per common share
$
0.47

$
0.43

Weighted average shares - Basic
57,025

55,826

Diluted earnings per common share
$
0.47

$
0.42

Weighted average shares - Diluted
57,964

57,121

The accompanying notes are an integral part of these consolidated financial statements.

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GENESEE & WYOMING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
FOR THE THREE MONTHS ENDED MARCH 31, 2016 and 2015 (Unaudited)
(dollars in thousands)

	Three Months Ended March 31,	
	2016	2015
NET INCOME	$27,019	$23,904
OTHER COMPREHENSIVE INCOME/(LOSS):		
Foreign currency translation adjustment	31,121	(46,747)
Net unrealized loss on qualifying cash flow hedges, net of tax benefit of $6,288 and $4,207, respectively	(9,431)	(6,311)
Changes in pension and other postretirement benefits, net of tax (provision) of ($520) and ($30), respectively	1,923	53
Other comprehensive income/(loss)	23,613	(53,005)
COMPREHENSIVE INCOME/(LOSS)	$50,632	$(29,101)

The accompanying notes are an integral part of these consolidated financial statements.

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GENESEE & WYOMING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 and 2015 (Unaudited)
(dollars in thousands)

	Three Months Ended March 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$27,019	$23,904
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,330	41,813
Stock-based compensation	5,074	3,881
Excess tax benefit from share-based compensation	(53)	(834)
Deferred income taxes	5,029	10,236
Net loss/(gain) on sale and impairment of assets	12,825	(317)
Loss on settlement of foreign currency forward purchase contracts	—	18,686
Changes in assets and liabilities which provided/(used) cash, net of effect of acquisitions:		
Accounts receivable, net	9,617	20,547
Materials and supplies	(1,381)	543
Prepaid expenses and other	(6,564)	(3,410)
Accounts payable and accrued expenses	(26,877)	(32,133)
Other assets and liabilities, net	4,048	1,078
Net cash provided by operating activities	78,067	83,994
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(55,993)	(66,267)
Grant proceeds from outside parties	16,229	16,369
Cash paid for acquisitions, net of cash acquired	—	(723,944)
Net payment from settlement of foreign currency forward purchase contracts related to an acquisition	—	(18,686)
Insurance proceeds for the replacement of assets	2,418	1,421
Proceeds from disposition of property and equipment	292	1,082
Net cash used in investing activities	(37,054)	(790,025)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on revolving line-of-credit, long-term debt and capital lease obligations	(143,684)	(125,307)
Proceeds from revolving line-of-credit and long-term borrowings	104,316	892,805
Debt amendment/issuance costs	—	(5,933)
Proceeds from employee stock purchases	2,668	2,727
Treasury stock purchases	(1,974)	(2,847)
Excess tax benefit from share-based compensation	53	834
Net cash (used in)/provided by financing activities	(38,621)	762,279
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	780	(3,555)
INCREASE IN CASH AND CASH EQUIVALENTS	3,172	52,693
CASH AND CASH EQUIVALENTS, beginning of period	35,941	59,727
CASH AND CASH EQUIVALENTS, end of period	$39,113	$112,420

The accompanying notes are an integral part of these consolidated financial statements.

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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. All significant intercompany transactions and accounts have been eliminated in consolidation. These interim consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and are unaudited. They do not contain all disclosures which would be required in a full set of financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In the opinion of management, the unaudited financial statements for the three months ended March 31, 2016 and 2015 are presented on a basis consistent with the audited financial statements and contain all adjustments, consisting only of normal recurring adjustments, necessary to provide a fair statement of the results for the interim periods presented. The results of operations for interim periods are not necessarily indicative of results of operations for the full year. The consolidated balance sheet data for 2015 was derived from the audited financial statements in the Company's 2015 Annual Report on Form 10-K but does not include all disclosures required by U.S. GAAP.

The results of operations of the foreign entities are maintained in the local currency of the respective subsidiary and translated into United States dollars at the applicable exchange rates for inclusion in the consolidated financial statements. As a result, any appreciation or depreciation of these currencies against the United States dollar will impact the Company's results of operations.

The interim consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2015 included in the Company's 2015 Annual Report on Form 10-K.

Certain reclassifications have been made to prior period balances to conform to the current year presentation, including (1) debt issuance costs, current portion of long-term debt and long-term debt, less current portion (see Note 5, Long-Term Debt) and (2) current deferred income tax assets, long-term deferred income tax assets and long-term deferred income tax liabilities (see Note 9, Income Taxes).

When comparing the Company's results of operations from one reporting period to another, it is important to consider that the Company has historically experienced fluctuations in revenues and expenses due to acquisitions, changing economic conditions, commodity prices, competitive forces, changes in foreign currency exchange rates, rail network congestion, one-time freight moves, fuel price fluctuations, customer plant expansions and shutdowns, sales of property and equipment, derailments and weather-related conditions, such as hurricanes, cyclones, tornadoes, high winds, droughts, heavy snowfall, unseasonably hot or cold weather, freezing and flooding, among other factors. In periods when these events occur, the Company's results of operations are not easily comparable from one period to another. Finally, certain of the Company's railroads have commodity shipments that are sensitive to general economic conditions, global commodity prices and foreign exchange rates, such as steel products, iron ore, paper products, lumber and forest products and agricultural products, as well as product specific market conditions, such as the availability of lower priced alternative sources of power generation (coal) and energy commodity price differentials (crude oil). Other shipments are relatively less affected by economic conditions and are more closely affected by other factors, such as winter weather (salt) and seasonal rainfall (agricultural products). As a result of these and other factors, the Company's results of operations in any reporting period may not be directly comparable to the Company's results of operations in other reporting periods.

2. CHANGES IN OPERATIONS:

Australia

Arrium Limited: Between 2011 and 2014, the Company's subsidiary, Genesee & Wyoming Australia Pty Ltd (GWA) invested a total of approximately $78 million to purchase locomotives and railcars, as well as to construct a standard gauge rolling-stock maintenance facility to support iron ore shipments from Arrium Limited's (Arrium) Southern Iron mine and the Whyalla-based operations, which include the Middleback Range iron ore mines and the Whyalla steelworks.

Arrium mothballed its Southern Iron mine in April 2015, citing the significant decline in the price of iron ore. During 2015, GWA carried approximately 8,300 carloads of iron ore from the Southern Iron mine and, in total, generated approximately A$83 million in freight and freight-related revenues (or approximately $62 million at the average exchange rate for the year ended December 31, 2015) under the fixed and variable payment structure that is customary in large contracts in Australia.

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

On April 7, 2016, following prolonged financial distress, Arrium announced it had entered into voluntary administration. As a result of this announcement, the Company recorded a $13.0 million non-cash charge related to the impairment of GWA's now idle rolling-stock maintenance facility and an allowance for doubtful accounts charge of $8.1 million associated with accounts receivable from Arrium. As a result of the voluntary administration, the Company expects all payments to GWA associated with the Southern Iron rail haulage agreement to cease. GWA expects to redeploy rolling-stock previously used to provide service under the Southern Iron rail haulage agreement to serve other customers.
As a consequence of the voluntary administration process, GWA could lose some or all of the revenue associated with the remaining haulage agreement to serve several iron ore mines in the Middleback Range and the Whyalla Steelworks operations. The continuation of payments and service under GWA's remaining rail haulage agreement represent A$35 million (or approximately $26 million at the current exchange rate) of revenue on an annual basis. In the event of an adverse determination regarding the viability of the Middleback Range or the Whyalla Steelworks operations, or a termination of the remaining rail haulage agreement, all or a portion of GWA's assets deployed to provide service under this agreement, which consist largely of narrow gauge locomotives and wagons, could be redeployed elsewhere in Australia.
Europe
Freightliner Group Limited: On March 25, 2015, the Company completed the acquisition of all of the outstanding share capital of RailInvest Holding Company Limited, the parent company of London-based Freightliner Group Limited (Freightliner), pursuant to the terms of a Share Purchase Agreement dated February 24, 2015. Certain former management shareholders of Freightliner (Management Shareholders) retained an approximate 6% economic interest in Freightliner in the form of deferred consideration. The Company expects to settle the deferred consideration by the end of 2020.
Headquartered in London, England, Freightliner is an international freight rail operator with operations in the United Kingdom (U.K.), Poland, Germany, the Netherlands and Australia. Freightliner's principal business is located in the U.K. where it is the largest maritime intermodal operator and the second largest freight rail operator, providing service throughout England, Scotland and Wales. In Continental Europe, Freightliner Poland primarily serves aggregates and coal customers in Poland. In addition, Freightliner's ERS subsidiary, based in Rotterdam, provides cross-border intermodal services connecting the northern European ports of Rotterdam, Bremerhaven and Hamburg to key cities in Germany, Poland, Italy and beyond. In Australia, Freightliner currently transports coal and containerized agricultural products for its customers in New South Wales. As of the acquisition date, Freightliner employed approximately 2,500 people worldwide and had a fleet of primarily leased equipment, which included approximately 250 diesel locomotives, approximately 45 electric locomotives and 5,500 railcars.
The Company funded the acquisition with borrowings under the Company's Second Amended and Restated Senior Secured Syndicated Credit Facility Agreement, as amended (the Credit Agreement) (see Note 5, Long-Term Debt) and available cash. The foreign exchange rate used to translate the total consideration to United States dollars was $1.49 for one British pound (GBP). The calculation of the total consideration for the Freightliner acquisition is presented below (amounts in thousands):

	GBP	USD
Cash consideration	£492,083	$733,006
Deferred consideration	24,200	36,048
Total consideration	£516,283	$769,054

As of March 25, 2015, the Company recorded a contingent liability within other long-term liabilities of £24.2 million (or $36.0 million at the exchange rate on March 25, 2015). This contingent liability represented the aggregate fair value of the shares transferred to the Company by the Management Shareholders representing an economic interest of approximately 6% on the acquisition date at the Freightliner acquisition price per share, in exchange for the right to receive cash consideration for the representative economic interest in the future (deferred consideration). The Company will recalculate the estimated fair value of the deferred consideration in each reporting period until it is paid in full by using a contractual formula designed to estimate the economic value of the Management Shareholders' retained interest in a manner consistent with that used to derive the Freightliner acquisition price per share on the acquisition date. Accordingly, a change in the fair value of the deferred consideration could have a material effect on the Company's results of operations for the period in which a change in estimate occurs. The fair value of the contingent liability has not materially changed since the March 25, 2015 acquisition date (see Note 7, Fair Value of Financial Instruments).

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

The results of operations from Freightliner have been included in the Company's consolidated statement of operations since the March 25, 2015 acquisition date. The results of operations from Freightliner for the five business days included in the Company's consolidated statement of operations for the three months ended March 31, 2015 were not material. U.K. and Continental Europe operations are included in the Company's U.K./European Operations segment and the results of Freightliner's Australia operations are included in the Company's Australian Operations segment (see Note 13, Segment and Geographic Area Information). The Company incurred $12.6 million of acquisition-related costs associated with Freightliner during the three months ended March 31, 2015, which were included within other expenses in the Company's consolidated statement of operations. In addition, the Company recorded a loss of $18.7 million on the settlement of foreign currency forward purchase contracts during the three months ended March 31, 2015, which were entered into in contemplation of the Freightliner acquisition (see Note 6, Derivative Financial Instruments).

Pro Forma Financial Results (Unaudited)

The following table summarizes the Company's unaudited pro forma operating results for the three months ended March 31, 2015 as if the acquisition of Freightliner had been consummated as of January 1, 2014. The following pro forma financial information does not include the impact of any costs to integrate the operations or the impact of derivative instruments that the Company has entered into or may enter into to mitigate interest rate risk (dollars in thousands, except per share amounts):

	Three Months Ended March 31, 2015
Operating revenues	$553,649
Net income	$47,789
Basic earnings per common share	$0.86
Diluted earnings per common share	$0.84

The unaudited pro forma operating results included the acquisition of Freightliner adjusted, net of tax, for depreciation and amortization expense resulting from the determination of fair values of the acquired property and equipment and amortizable intangible assets, the inclusion of interest expense related to borrowings used to fund the acquisition, the amortization of debt issuance costs related to the Company's entry into the Credit Agreement and the elimination of Freightliner's interest expense related to debt not assumed in the acquisition. Since the pro forma financial results assume the acquisition was consummated on January 1, 2014, the 2015 unaudited pro forma operating results for the three months ended March 31, 2015 excluded $12.6 million ($9.5 million, net of tax) of costs incurred by the Company related to the acquisition of Freightliner, $12.2 million ($9.1 million, net of tax) of transaction-related costs incurred by Freightliner and an $18.7 million ($11.6 million, net of tax) loss on settlement of foreign currency forward purchase contracts directly attributable to the acquisition of Freightliner.

Prior to the acquisition, Freightliner's fiscal year was based on a 52/53 week period ending on the nearest Saturday on or before March 31. Since Freightliner and the Company had different fiscal year end dates, the unaudited pro forma operating results were prepared based on comparable periods. The unaudited pro forma operating results for the three months ended March 31, 2015 were based upon the Company's consolidated statement of operations for the three months ended March 31, 2015 and the sum of Freightliner's historical operating results for the 12 weeks ended March 28, 2015, adjusted for the five days already included in the Company's first quarter results. The foreign exchange rate used to translate Freightliner's historical operating results to United States dollars was $1.51 for one British pound (which was calculated based on average daily exchange rates during the three month period ended March 31, 2015).

The pro forma financial information does not purport to be indicative of the results that actually would have been obtained had the transactions been completed as of January 1, 2014 and for the periods presented and are not intended

to be a projection of future results or trends.
United States
Pinsly's Arkansas Division: On January 5, 2015, the Company completed the acquisition of certain subsidiaries of Pinsly Railroad Company (Pinsly) that constituted Pinsly's Arkansas Division (Pinsly Arkansas) for $41.3 million in cash. The Company funded the acquisition with borrowings under the Company's Amended and Restated Senior Secured Syndicated Credit Facility Agreement (the Prior Credit Agreement). The results of operations from Pinsly Arkansas have been included in the Company's consolidated statements of operations since the acquisition date within the Company's North American Operations segment.

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Headquartered in Jones Mill, Arkansas, Pinsly Arkansas serves the Hot Springs and Little Rock areas, as well as the southwestern and southeastern portions of Arkansas and includes: (1) Arkansas Midland Railroad Company, Inc. (AKMD), which is comprised of seven non-contiguous branch lines; (2) The Prescott and Northwestern Railroad Company (PNW); (3) Warren & Saline River Railroad Company (WSR); and (4) two Arkansas transload operations. Operations are comprised of 137 miles of owned and leased track, 77 employees and 16 locomotives. The railroads currently haul approximately 35,000 carloads per year and serve a diverse customer base in industries including aluminum, forest products, aggregates, energy and carton board.

3. EARNINGS PER COMMON SHARE:

The following table sets forth the computation of basic and diluted earnings per common share for the three months ended March 31, 2016 and 2015 (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2016	2015
Numerator:		
Net income	$27,019	$23,904
Denominators:		
Weighted average Class A common shares outstanding - Basic	57,025	55,826
Weighted average Class B common shares outstanding	793	1,002
Dilutive effect of employee stock-based awards	146	293
Weighted average shares - Diluted	57,964	57,121
Basic earnings per common share	$0.47	$0.43
Diluted earnings per common share	$0.47	$0.42

The following total number of Class A Common Stock shares issuable under the assumed exercise of stock-based awards computed based on the treasury stock method were excluded from the calculation of diluted earnings per common share, as the effect of including these shares would have been antidilutive (in thousands):

	Three Months Ended March 31,	
	2016	2015
Antidilutive shares	1,311	503

4. ACCOUNTS RECEIVABLE:

Accounts receivable consisted of the following as of March 31, 2016 and December 31, 2015 (dollars in thousands):

	March 31, 2016	December 31, 2015
Accounts receivable - trade	$340,331	$ 339,100
Accounts receivable - grants from outside parties	13,687	22,997
Accounts receivable - insurance and other third-party claims	25,074	26,574
Total accounts receivable	379,092	388,671
Less: Allowance for doubtful accounts	(16,659)	(6,213)
Accounts receivable, net	$362,433	$ 382,458

The Company recorded an allowance for doubtful accounts of $8.1 million during the three months ended March 31, 2016 associated with an Australian iron ore customer entering into voluntary administration following significant financial hardship (see Note 2, Changes in Operations for additional information).

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Grants from Outside Parties

The Company periodically receives grants for the upgrade and construction of rail lines and the upgrade of locomotives from federal, provincial, state and local agencies in the United States and provinces in Canada in which the Company operates. These grants typically reimburse the Company for 50% to 100% of the actual cost of specific projects. In total, the Company received grant proceeds of $16.2 million and $16.4 million for the three months ended March 31, 2016 and 2015, respectively, from such grant programs. The proceeds were presented as cash inflows from investing activities within each of the applicable periods.

None of the Company's grants represent a future liability of the Company unless the Company abandons the rehabilitated or new track structure within a specified period of time or fails to maintain the upgraded or new track to certain standards, fails to make certain minimum capital improvements or ceases use of the locomotives within the specified geographic area and time period, in each case, as defined in the applicable grant agreement. As the Company intends to comply with the requirements of these agreements, the Company has recorded additions to track property and locomotives and has deferred the amount of the grants. The amortization of deferred grants is a non-cash offset to depreciation expense over the useful lives of the related assets.

The following table sets forth the offset to depreciation expense from the amortization of deferred grants recorded by the Company during the three months ended March 31, 2016 and 2015 (dollars in thousands):

	Three Months Ended March 31,	
	2016	2015
Amortization of deferred grants	$2,949	$2,799

Insurance and Third-Party Claims

Accounts receivable from insurance and other third-party claims at March 31, 2016 included $12.8 million from the Company's North American Operations, $6.2 million from the Company's Australian Operations and $6.1 million from the Company's U.K./European Operations. The balance from the Company's North American Operations resulted predominately from the Company's anticipated insurance recoveries associated with a derailment in Alabama (the Aliceville Derailment) in November 2013. The balance from the Company's Australian Operations resulted primarily from the Company's anticipated insurance recoveries associated with derailments in Australia in 2012. The balance from the Company's U.K./European Operations resulted primarily from the Company's anticipated insurance recoveries associated with a rail-related collision in Germany in 2014 that occurred prior to the Company's acquisition of Freightliner. The Company received proceeds from insurance totaling $2.4 million and $1.4 million for the three months ended March 31, 2016 and 2015, respectively.

5. LONG-TERM DEBT:

Credit Agreement

In anticipation of its acquisition of Freightliner, the Company entered into the Credit Agreement on March 20, 2015. The credit facilities under the Credit Agreement are comprised of a $1,782.0 million United States term loan, an A$324.6 million (or $252.5 million at the exchange rate on March 20, 2015) Australian term loan, a £101.7 million (or $152.2 million at the exchange rate on March 20, 2015) U.K. term loan and a $625.0 million revolving credit facility. The revolving credit facility includes borrowing capacity for letters of credit and swingline loans. In connection with entering into the Credit Agreement, the Company wrote-off $2.0 million of unamortized deferred financing fees and deferred $5.8 million of new fees. The maturity date of each of the Company's credit facilities under the Credit Agreement is March 31, 2020.

On January 1, 2016, the Company adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2015-03, Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be recorded as a direct reduction of the debt liability on the balance sheet rather than as an asset. The Company applied this guidance to all of its outstanding debt issuance costs retrospectively to all periods presented. The December 31, 2015 consolidated balance sheet and related disclosures were adjusted to reflect the reclassification of $23.5 million of debt issuance costs from other assets to a reduction in current portion of long-term debt of $6.0 million and a reduction in long-term debt, less current portion, of $17.5 million. There was no other impact on the consolidated financial statements from the adoption of this guidance.

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During the three months ended March 31, 2016, the Company made prepayments on its United States term loan of $35.0 million and Australian term loan of A$13.0 million (or $9.6 million at the exchange rates on the dates the payments were made). As of March 31, 2016, the Company had the following outstanding term loans (amounts in thousands, except percentages):

	Local Currency	United States Dollar Equivalent	Interest Rate
United States dollar	$ 1,737,000	$1,737,000	2.43 %
Australian dollar	A$276,627	$212,228	4.14 %
British pound	£ 101,681	$146,350	2.51 %

The Company's availability to draw from the unused borrowing capacity is subject to covenant limitations. As of March 31, 2016, the Company had the following unused borrowing capacity under its revolving credit facility (amounts in thousands):

Composition	March 31, 2016
Total available borrowing capacity	$625,000
Outstanding revolving loans	$57,937
Outstanding letter of credit guarantees	$5,123
Unused borrowing capacity	$561,940

As of March 31, 2016, the Company had the following outstanding revolving loans (amounts in thousands, except percentages):

	Local Currency	United States Dollar Equivalent	Interest Rate
British pound (swingline loan)	£ 1,400	$ 2,015	2.48 %
British pound	£ 18,000	$ 25,907	2.51 %
Canadian dollar	C$23,000	$ 17,724	2.88 %
Euro	€ 10,800	$ 12,292	2.00 %

As of March 31, 2016, the Company was in compliance with the covenants under the Credit Agreement.

6. DERIVATIVE FINANCIAL INSTRUMENTS:

The Company actively monitors its exposure to interest rate and foreign currency exchange rate risks and uses derivative financial instruments to manage the impact of these risks. The Company uses derivatives only for purposes of managing risk associated with underlying exposures. The Company does not trade or use derivative instruments with the objective of earning financial gains on the interest rate or exchange rate fluctuations alone, nor does the Company use derivative instruments where it does not have underlying exposures. Complex instruments involving leverage or multipliers are not used. The Company manages its hedging position and monitors the credit ratings of counterparties and does not anticipate losses due to counterparty nonperformance. Management believes its use of derivative instruments to manage risk is in the Company's best interest. However, the Company's use of derivative financial instruments may result in short-term gains or losses and increased earnings volatility. The Company's instruments are recorded in the consolidated balance sheets at fair value in prepaid expenses and other, other assets, net, accrued expenses or other long-term liabilities.

The Company may designate derivatives as a hedge of a forecasted transaction or a hedge of the variability of the cash flows to be received or paid in the future related to a recognized asset or liability (cash flow hedge). The portion of the changes in the fair value of the derivative used as a cash flow hedge that is offset by changes in the expected cash flows related to a recognized asset or liability (the effective portion) is recorded in other comprehensive income/(loss).

As the hedged item is realized, the gain or loss included in accumulated other comprehensive income/(loss) is reported in the consolidated statements of operations on the same line item as the hedged item. The portion of the changes in the fair value of derivatives used as cash flow hedges that is not offset by changes in the expected cash flows related to a recognized asset or liability (the ineffective portion) is immediately recognized in earnings on the same line item as the hedged item.

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The Company matches the hedge instrument to the underlying hedged item (assets, liabilities, firm commitments or forecasted transactions). At inception of the hedge 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 thereafter are recognized in earnings during the period in which it no longer qualifies for hedge accounting.
From time to time, the Company may enter into certain derivative instruments that may not be designated as hedges for accounting purposes. For example, to mitigate currency exposures related to intercompany debt, cross-currency swap contracts may be entered into for periods consistent with the underlying debt. The Company believes such instruments are closely correlated with the underlying exposure, thus reducing the associated risk. The gains or losses from the changes in the fair value of derivative instruments not accounted for using hedge accounting are recognized in current period earnings within other income/(loss), net. Derivative instruments entered into in conjunction with contemplated acquisitions also do not qualify as hedges for accounting purposes.
Interest Rate Risk Management
The Company uses interest rate swap agreements to manage its exposure to the changes in interest rates on the Company's variable rate debt. These swap agreements are recorded in the consolidated balance sheets at fair value. Changes in the fair value of the swap agreements are recorded in net income or other comprehensive income/(loss), based on whether the agreements are designated as part of a hedge transaction and whether the agreements are effective in offsetting the change in the value of the future interest payments attributable to the underlying portion of the Company's variable rate debt. Interest payments accrued each reporting period for these interest rate swaps are recognized in interest expense. 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.
The following table summarizes the terms of the Company's outstanding interest rate swap agreements entered into to manage the Company's exposure to changes in interest rates on its variable rate debt (dollars in thousands):

		Notional Amount			
Effective Date	Expiration Date	Date	Amount	Pay Fixed Rate	Receive Variable Rate
9/30/2015	9/30/2016	9/30/2015	$ 350,000	0.93%	1-month LIBOR
9/30/2016	9/30/2026	9/30/2026	$ 100,000	2.79%	3-month LIBOR
9/30/2016	9/30/2026	9/30/2026	$ 100,000	2.79%	3-month LIBOR
9/30/2016	9/30/2026	9/30/2026	$ 100,000	2.80%	3-month LIBOR

On November 9, 2012, the Company entered into multiple 10-year forward starting interest rate swap agreements to manage the exposure to changes in interest rates on the Company's variable rate debt. It remains probable that the Company will either issue $300.0 million of fixed-rate debt or have $300.0 million of variable-rate debt under the Company's commercial banking lines throughout the term of the outstanding swap agreements. The forward starting interest rate swap agreements are expected to settle in cash based on the fair market value of the interest rate swaps on September 30, 2016. The Company expects to amortize any gains or losses on the settlements over the life of the respective swap.
The fair values of the Company's interest rate swap agreements were estimated based on Level 2 inputs. The Company's effectiveness testing during the three months ended March 31, 2016 and 2015 resulted in no amount of gain or loss reclassified from accumulated other comprehensive loss into earnings due to ineffectiveness. During the three months ended March 31, 2016 and 2015, $0.3 million and $0.8 million, respectively, of existing net losses were

realized and recorded as interest expense in the consolidated statements of operations. Based on the Company's fair value assumptions as of March 31, 2016, it expects to realize $0.8 million of existing net losses that are reported in accumulated other comprehensive loss into earnings within the next 12 months. See Note 11, Accumulated Other Comprehensive Loss, for additional information regarding the Company's cash flow hedges.

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Foreign Currency Exchange Rate Risk
As of March 31, 2016, the Company's foreign subsidiaries had $515.2 million of third-party debt, including capital leases, denominated in the local currencies in which the Company's foreign subsidiaries operate, including the Australian dollar, the British pound, the Canadian dollar and the Euro. The debt service obligations associated with this foreign currency debt are generally funded directly from those foreign operations. As a result, foreign currency risk related to this portion of the Company's debt service payments is limited. However, in the event the foreign currency debt service is not paid by the Company's foreign subsidiaries and is paid by its United States subsidiaries, the Company may face exchange rate risk if the Australian dollar, the British pound, the Canadian dollar or the Euro were to appreciate relative to the United States dollar and require higher United States dollar equivalent cash.
The Company is also exposed to foreign currency exchange rate risk related to its foreign subsidiaries, including non-functional currency intercompany debt, typically associated with intercompany debt from the Company's United States subsidiaries to its foreign subsidiaries, associated with acquisitions and any timing difference between announcement and closing of an acquisition of a foreign business. To mitigate currency exposures of non-United States dollar-denominated acquisitions, the Company may enter into foreign currency forward purchase contracts. To mitigate currency exposures related to non-functional currency denominated intercompany debt, cross-currency swaps or foreign currency forward contracts may be entered into for periods consistent with the underlying debt. In determining the fair value of the derivative contract, the significant inputs to valuation models are quoted market prices of similar instruments in active markets. However, cross-currency swap contracts and foreign currency forward contracts used to mitigate exposures on foreign currency intercompany debt may not qualify for hedge accounting. In cases where the cross-currency swap contracts and foreign currency forward contracts do not qualify for hedge accounting, the Company believes that such instruments are closely correlated with the underlying exposure, thus reducing the associated risk. The gains or losses from changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized in current period earnings within other income, net.
On February 25, 2015, the Company announced its entry into an agreement to acquire all of the outstanding share capital of RailInvest Holding Company Limited, the parent company of Freightliner, for cash consideration of approximately £490 million (or approximately $755 million at the exchange rate on February 25, 2015). Shortly after the announcement of the acquisition, the Company entered into British pound forward purchase contracts to fix £307.1 million of the purchase price to US$475.0 million and £84.7 million of the purchase price to A$163.8 million. The subsequent decrease in value of the British pound versus the United States and Australian dollars between the dates the British pound forward purchase contracts were entered into and March 23, 2015, the date that the £391.8 million in funds were delivered, resulted in a loss on settlement of foreign currency forward purchase contracts of $18.7 million for the three months ended March 31, 2015.
On March 25, 2015, the Company closed on the Freightliner transaction and paid cash consideration for the acquisition of £492.1 million (or $733.0 million at the exchange rate on March 25, 2015). The Company financed the acquisition through a combination of available cash and borrowings under the Company's Credit Agreement. A portion of the funds were transferred from the United States to the U.K. through an intercompany loan with a notional amount of £120.0 million (or $181.0 million at the exchange rate on the effective date of the loan) and accrued interest as of March 31, 2016 of £7.6 million (or $11.0 million at the exchange rate on March 31, 2016), each of which are expected to remain until maturity of the loan. To mitigate the foreign currency exchange rate risk related to this non-functional currency intercompany loan and the related interest, the Company entered into British pound forward contracts, which are accounted for as cash flow hedges. The fair values of the Company's British pound forward contracts were estimated based on Level 2 inputs. The Company's effectiveness testing during the three months ended March 31, 2016 and 2015 resulted in no amount of gain or loss reclassified from accumulated other comprehensive income/(loss) into earnings due to ineffectiveness.
The following table summarizes the Company's outstanding British pound forward contracts (British pounds in thousands):

Effective Date	Settlement Date	Notional Amount	Exchange Rate

3/25/2015	3/31/2020	£60,000	1.50
3/25/2015	3/31/2020	£60,000	1.51
6/30/2015	3/31/2020	£2,035	1.57
9/30/2015	3/31/2020	£1,846	1.51
12/31/2015	3/31/2020	£1,873	1.48
3/31/2016	3/31/2020	£1,881	1.45

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The following table summarizes the fair value of the Company's derivative instruments recorded in the consolidated balance sheets as of March 31, 2016 and December 31, 2015 (dollars in thousands):

	Balance Sheet Location	Fair Value March 31, 2016	Fair Value December 31, 2015
Asset Derivatives:			
Derivatives designated as hedges:			
British pound forward contracts	Other assets, net	$5,706	$ 1,530
Total derivatives designated as hedges		$5,706	$ 1,530
Liability Derivatives:			
Derivatives designated as hedges:			
Interest rate swap agreements	Accrued expenses	$27,992	$ 846
Interest rate swap agreements	Other long-term liabilities	—	11,655
British pound forward contracts	Other long-term liabilities	18	—
Total liability derivatives designated as hedges		$28,010	$ 12,501

The following table shows the effect of the Company's derivative instruments designated as cash flow hedges for the three months ended March 31, 2016 and 2015 in other comprehensive income/(loss) (OCI) (dollars in thousands):

	Total Cash Flow Hedge OCI Activity, Net of Tax Three Months Ended March 31, 2016	2015
Derivatives Designated as Cash Flow Hedges:		
Effective portion of changes in fair value recognized in OCI:		
Interest rate swap agreements	$(9,302)	$(5,839)
British pound forward contracts	2,503	(472)
	$(6,799)	$(6,311)

The following table shows the effect of the Company's derivative instruments not designated as hedges for the three months ended March 31, 2016 and 2015 in the consolidated statements of operations (dollars in thousands):

	Location of Amount Recognized in Earnings	Amount Recognized in Earnings Three Months Ended March 31, 2016	2015
Derivative Instruments Not Designated as Hedges:			
British pound forward purchase contracts	Loss on settlement of foreign currency forward purchase contracts	$—	$(18,686)
		$—	$(18,686)

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7. FAIR VALUE OF FINANCIAL INSTRUMENTS:
The Company applies the following three-level hierarchy of valuation inputs for measuring fair value:

- Level 1 - Quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs are observable market data.
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments held by the Company:

- Financial Instruments Carried at Fair Value: Derivative instruments are recorded on the consolidated balance sheets as either assets or liabilities measured at fair value. During the reporting period, the Company's derivative financial instruments consisted of interest rate swap agreements and foreign currency forward contracts. The Company estimated the fair value of its interest rate swap agreements based on Level 2 valuation inputs, including fixed interest rates, LIBOR implied forward interest rates and the remaining time to maturity. The Company estimated the fair value of its British pound forward contracts based on Level 2 valuation inputs, including LIBOR implied forward interest rates, British pound LIBOR implied forward interest rates and the remaining time to maturity.
- The Company's recurring fair value measurements using significant unobservable inputs (Level 3) relate solely to the Company's deferred consideration from the Freightliner acquisition. The fair value of the deferred consideration liability was estimated by discounting, to present value, contingent payments expected to be made.
- Financial Instruments Carried at Historical Cost: Since the Company's long-term debt is not actively traded, fair value was estimated using a discounted cash flow analysis based on Level 2 valuation inputs, including borrowing rates the Company believes are currently available to it for loans with similar terms and maturities.

The following table presents the Company's financial instruments carried at fair value using Level 2 inputs as of March 31, 2016 and December 31, 2015 (dollars in thousands):

	March 31, 2016	December 31, 2015
Financial instruments carried at fair value using Level 2 inputs:		
Financial assets carried at fair value:		
British pound forward contracts	$ 5,706	$ 1,530
Total financial assets carried at fair value	$ 5,706	$ 1,530
Financial liabilities carried at fair value:		
Interest rate swap agreements	$ 27,992	$ 12,501
British pound forward contracts	18	—
Total financial liabilities carried at fair value	$ 28,010	$ 12,501

The following table presents the Company's financial instrument carried at fair value using Level 3 inputs as of March 31, 2016 and December 31, 2015 (amounts in thousands):

	March 31, 2016		December 31, 2015	
	GBP	USD	GBP	USD
Financial instrument carried at fair value using Level 3 inputs:				
Financial liabilities carried at fair value:				
Accrued deferred consideration	£24,266	$34,926	£24,200	$35,680

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The Company's recurring fair value measurements using significant unobservable inputs (Level 3) relate solely to the Company's deferred consideration from the Freightliner acquisition. This contingent liability represented the aggregate fair value of the shares transferred to the Company by the Management Shareholders. The contingent liability represents an economic interest of approximately 6% on the acquisition date at the Freightliner acquisition price per share, in exchange for the right to receive cash consideration for the representative economic interest in the future (deferred consideration). Each of the Management Shareholders may elect to receive one third of their respective deferred consideration valued as of March 31, 2018, 2019 and 2020. The remaining portion of the deferred consideration will be valued as of March 31, 2020 and paid by the end of 2020.
The Company recalculates the estimated fair value of the deferred consideration in each reporting period until it is paid in full by using a contractual formula designed to estimate the economic value of the Management Shareholders' retained interest in a manner consistent with that used to derive the Freightliner acquisition price per share on the acquisition date. The Company expects to recognize all future changes in the contingent liability for the estimated fair value of the deferred consideration through other expenses within the Company's consolidated statement of operations. These future changes in the estimated fair value of the deferred consideration are not expected to be deductible for tax purposes. The fair value of the deferred consideration has not materially changed since December 31, 2015.
The following table presents the carrying value and fair value using Level 2 inputs of the Company's financial instruments carried at historical cost as of March 31, 2016 and December 31, 2015 (dollars in thousands):

	March 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial liabilities carried at historical cost:				
United States term loan	$1,721,760	$1,721,971	$1,755,736	$1,750,040
Australian term loan	210,508	211,299	209,242	210,128
U.K. term loan	146,039	145,734	149,500	150,030
Revolving credit facility	53,088	57,663	39,737	44,833
Other debt	3,092	3,068	3,123	3,090
Total	$2,134,487	$2,139,735	$2,157,338	$2,158,121

8. U.K. PENSION PLAN:
In connection with the acquisition of Freightliner, the Company assumed a defined benefit pension plan for its U.K. employees through a standalone shared cost arrangement within the Railways Pension Scheme (Pension Program). The Pension Program is managed and administered by a professional pension administration company and is overseen by trustees with professional advice from independent actuaries and other advisers. The Pension Program is a shared cost arrangement with required contributions shared between Freightliner and its employees with Freightliner contributing 60% and the remaining 40% contributed by active employees. The Company engages independent actuaries to compute the amounts of liabilities and expenses relating to the Pension Program subject to the assumptions that the Company selects.
The following table summarizes the components of the Pension Program related to the net benefit costs recognized in labor and benefits in the Company's consolidated statement of operations for the three months ended March 31, 2016 (dollars in thousands):

	Three Months Ended March 31, 2016
Service cost	$3,427
Interest cost	3,188

Expected return on plan assets	(4,074)
Net periodic benefit cost	$2,541

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During the three months ended March 31, 2016, the Company contributed $3.0 million to fund the Pension Program. The Company expects to contribute $9.7 million to the Pension Program for the remainder of 2016. The Pension Program's assets may undergo significant changes over time as a result of market conditions. In the event that the Pension Program's projected assets and liabilities reveal additional funding requirements, the shared cost arrangement generally means that the Company will be required to pay 60% of any additional contributions, with active members contributing the remaining 40%, in each case over an agreed recovery period. If the Pension Program was to be terminated and wound up, any deficit would fall entirely on the Company and would not be shared with active members. Currently, the Company has no intention of terminating the Pension Program.

9. INCOME TAXES:

The Company's effective income tax rate for the three months ended March 31, 2016 was 32.2%, compared with 41.4% for the three months ended March 31, 2015. The lower effective income tax rate for the three months ended March 31, 2016 was driven primarily by the United States Short Line Tax Credit. The Company's provision for income taxes for the three months ended March 31, 2016 included an income tax benefit of $6.3 million associated with the United States Short Line Tax Credit. In December 2015, the United States Short Line Tax Credit (which had previously expired on December 31, 2014), was extended for fiscal years 2015 and 2016. As the extension was passed in December 2015 for the 2015 fiscal year, the United States Short Line Tax Credit associated with results for the three months ended March 31, 2015 was recorded in the fourth quarter of 2015.

The United States Short Line Tax Credit is an income tax track maintenance credit for Class II and Class III railroads to reduce their federal income tax based on qualified railroad track maintenance expenditures. Qualified expenditures include amounts incurred for maintaining track, including roadbed, bridges and related track structures owned or leased by a Class II or Class III railroad. The credit is equal to 50% of the qualified expenditures, subject to an annual limitation of $3,500 multiplied by the number of miles of railroad track owned or leased by the Class II or Class III railroad as of the end of its tax year.

The Company's provision for income taxes for the three months ended March 31, 2016 also included a valuation allowance of A$2.6 million (or $2.0 million at the average exchange rate in March of 2016) associated with the impairment of GWA's rolling-stock maintenance facility (see Note 2, Changes in Operations).

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. For public entities, the amendments in this guidance are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted as of the beginning of an interim or annual reporting period. The Company early adopted the provisions of this ASU as of January 1, 2016 and applied it retrospectively to all periods presented. The December 31, 2015 consolidated balance sheet was adjusted to reflect a reduction of current deferred income tax assets of $69.2 million, an increase in non-current deferred income tax assets of $0.2 million and a reduction in non-current deferred income tax liabilities of $69.0 million. There was no other impact on the consolidated financial statements from the adoption of this guidance.

10. COMMITMENTS AND CONTINGENCIES:

From time to time, the Company is a defendant in certain lawsuits resulting from the Company's operations in the ordinary course as the nature of the Company's business exposes it to the potential for various claims and litigation, including those related to property damage, personal injury, freight loss, labor and employment, environmental and other matters. The Company maintains insurance policies to mitigate the financial risk associated with such claims. Any material changes to pending litigation or a catastrophic rail accident or series of accidents involving material freight loss or property damage, personal injury and environmental liability or other claims against the Company that are not covered by insurance could have a material adverse effect on the Company's results of operations, financial condition and liquidity.

Management believes there are adequate provisions in the financial statements for any probable liabilities that may result from disposition of the pending lawsuits. Based upon currently available information, the Company does not believe it is reasonably possible that any such lawsuit or related lawsuits would be material to the Company's results of operations or have a material adverse effect on the Company's financial position or liquidity.

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11. ACCUMULATED OTHER COMPREHENSIVE LOSS:

The following tables set forth the components of accumulated other comprehensive loss included in the consolidated balance sheets and consolidated statements of comprehensive income/(loss) (dollars in thousands):

	Foreign Currency Translation Adjustment	Defined Benefit Plans		Net Unrealized Gain/(Loss) on Cash Flow Hedges		Accumulated Other Comprehensive Loss
Balance, December 31, 2015	$(156,146)	$11,005		$(8,316)		$(153,457)
Other comprehensive loss before reclassifications	31,121	—		(9,261)		21,860
Amounts reclassified from accumulated other comprehensive loss, net of tax (provision)/benefit of $(520) and $113, respectively	—	1,923	(a)	(170)	(b)	1,753
Current period change	31,121	1,923		(9,431)		23,613
Balance, March 31, 2016	$(125,025)	$12,928		$(17,747)		$(129,844)

	Foreign Currency Translation Adjustment	Defined Benefit Plans		Net Unrealized Gain/(Loss) on Cash Flow Hedges		Accumulated Other Comprehensive Loss
Balance, December 31, 2014	$(70,746)	$1,405		$(2,911)		$(72,252)
Other comprehensive loss before reclassifications	(46,747)	—		(5,859)		(52,606)
Amounts reclassified from accumulated other comprehensive loss, net of tax (provision)/benefit of ($30) and $301, respectively	—	53	(a)	(452)	(b)	(399)
Current period change	(46,747)	53		(6,311)		(53,005)
Balance, March 31, 2015	$(117,493)	$1,458		$(9,222)		$(125,257)

(a) Existing net gains realized were recorded in labor and benefits on the consolidated statements of operations.

(b) Existing net losses realized were recorded in interest expense on the consolidated statements of operations (see Note 6, Derivative Financial Instruments).

12. SIGNIFICANT NON-CASH INVESTING AND FINANCING ACTIVITIES:

As of March 31, 2016 and 2015, the Company had outstanding receivables from outside parties for the funding of capital expenditures of $13.7 million and $20.3 million, respectively. At March 31, 2016 and 2015, the Company also had $7.6 million and $27.2 million, respectively, of purchases of property and equipment that were not paid and, accordingly, were accrued in accounts payable in the normal course of business.

13. SEGMENT AND GEOGRAPHIC AREA INFORMATION:

Segment Information

The Company presents the financial results of its 11 operating regions as three distinct operating segments: North American Operations, Australian Operations and U.K./European Operations. Each of the Company's segments generates the following three categories of revenues from external customers: freight revenues, freight-related revenues and all other revenues. The Company's nine North American regions are aggregated into one segment as a result of having similar economic and operating characteristics.

The results of operations of the foreign entities are maintained in the respective local currency (the Australian dollar, the British pound, the Canadian dollar and the Euro) and then translated into United States dollars at the applicable exchange rates for inclusion in the consolidated financial statements. As a result, any appreciation or depreciation of these currencies against the United States dollar will impact the Company's results of operations.

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The following table reflects the average exchange rates used to translate the foreign entities respective local currency results of operations into United States dollars for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
United States dollar per Australian dollar	$0.72	$0.79
United States dollar per British pound	$1.43	$1.51
United States dollar per Canadian dollar	$0.73	$0.81
United States dollar per Euro	$1.10	$1.13

The following tables set forth the Company's operating segments for the three months ended March 31, 2016 and 2015 (dollars in thousands):

	Three Months Ended March 31, 2016			
	North American Operations	Australian Operations	U.K./European Operations	Total Operations
Operating revenues:				
Freight revenues	$221,825	$24,777	$ 79,812	$326,414
Freight-related revenues	61,525	25,490	46,443	133,458
All other revenues	16,428	1,531	4,785	22,744
Total Operating revenues	$299,778	$51,798	$ 131,040	$482,616
Income/(loss) from operations	$69,978	$(11,751)	$ (1,231)	$56,996
Depreciation and amortization	$36,189	$6,656	$ 6,485	$49,330
Interest expense, net	$10,465	$2,395	$ 5,040	$17,900
Provision for/(benefit from) income taxes	$16,009	$(2,525)	$ (676)	$12,808
Expenditures for additions to property & equipment, net of grants from outside parties	$29,177	$5,187	$ 5,400	$39,764

	Three Months Ended March 31, 2015			
	North American Operations	Australian Operations	U.K./European Operations	Total Operations
Operating revenues:				
Freight revenues	$243,030	$ 46,358	$ 8,821	$298,209
Freight-related revenues	58,061	10,864	9,200	78,125
All other revenues	16,533	2,720	1,443	20,696
Total Operating revenues	$317,624	$ 59,942	$ 19,464	$397,030
Income/(loss) from operations	$57,081	$ 14,236	$ 1,303	$72,620
Depreciation and amortization	$35,305	$ 6,226	$ 686	$42,217
Interest expense, net	$10,773	$ 2,333	$ 376	$13,482
Loss on settlement of foreign currency forward purchase contracts	$16,374	$ 2,312	$ —	$18,686
Provision for/(benefit from) income taxes	$14,157	$ 2,928	$ (223)	$16,862
Expenditures for additions to property & equipment, net of grants from outside parties	$45,270	$ 4,615	$ 13	$49,898

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GENESEE & WYOMING INC. AND SUBSIDIARIES
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The following tables set forth the property and equipment recorded in the consolidated balance sheets for the Company's operating segments as of March 31, 2016 and December 31, 2015 (dollars in thousands):

	March 31, 2016			
	North American Operations	Australian Operations	U.K./European Operations	Total Operations
Property and equipment, net	$3,447,028	$ 469,722	$ 313,761	$4,230,511

	December 31, 2015			
	North American Operations	Australian Operations	U.K./European Operations	Total Operations
Property and equipment, net	$3,433,669	$ 465,123	$ 316,271	$4,215,063

Geographic Area Information

Operating revenues for each geographic area for the three months ended March 31, 2016 and 2015 were as follows (dollars in thousands):

	Three Months Ended			
	March 31, 2016		March 31, 2015	
	Amount	% of Total	Amount	% of Total
Operating revenues:				
United States	$276,755	57.3 %	$290,419	73.1 %
Non-United States:				
Australia	$51,798	10.7 %	$59,941	15.1 %
Canada	23,023	4.8 %	27,205	6.9 %
U.K.	95,676	19.8 %	9,654	2.4 %
Netherlands	24,761	5.2 %	7,433	1.9 %
Other	10,603	2.2 %	2,378	0.6 %
Total Non-United States	$205,861	42.7 %	$106,611	26.9 %
Total operating revenues	$482,616	100.0 %	$397,030	100.0 %

Property and equipment for each geographic area as of March 31, 2016 and December 31, 2015 were as follows (dollars in thousands):

	March 31, 2016		December 31, 2015	
	Amount	% of Total	Amount	% of Total
Property and equipment located in:				
United States	$3,204,941	75.8 %	$3,202,963	76.0 %
Non-United States:				
Australia	$469,722	11.0 %	$465,123	11.0 %
Canada	242,088	5.7 %	230,706	5.5 %
U.K.	298,792	7.1 %	303,210	7.2 %
Other	14,968	0.4 %	13,061	0.3 %
Total Non-United States	$1,025,570	24.2 %	$1,012,100	24.0 %
Total property and equipment, net	$4,230,511	100.0 %	$4,215,063	100.0 %

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14. RECENTLY ISSUED ACCOUNTING STANDARDS:

Accounting Standards Not Yet Effective

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and includes the specific steps for recognizing revenue and disclosure requirements. In August 2015, the FASB issued ASU 2015-14, which approved a one-year deferral of the effective date of the new revenue recognition standard. In March 2016, the FASB issued ASU 2016-08, which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, which provides clarification when identifying performance obligations and providing implementation guidance on licensing. The new standards will become effective for the Company on January 1, 2018, and can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. The Company is currently assessing the impact of adopting this guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will require lessees to recognize leases on their balance sheets as a right-of-use asset with a corresponding liability. Lessees are permitted to make an accounting policy election to not recognize an asset and liability for leases with a term of 12 months or less. Lessor accounting under the provisions of the standard is substantially unchanged. Additional qualitative and quantitative disclosures, including significant judgments made by management, will also be required. The amendments are effective for fiscal years beginning after December 15, 2018, requiring a modified retrospective transition approach and includes a number of practical expedients. Early application is permitted. The standard will become effective for the Company beginning January 1, 2019. The Company is currently assessing the impact of adopting this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for employee share-based compensation arrangements, including the accounting for income taxes, forfeitures, statutory tax withholding requirements, as well as classification of related amounts within the statement of cash flows. The amendments will be effective for the Company January 1, 2017. The Company is currently assessing the impact of adopting this guidance on its consolidated financial statements.

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

The following discussion should be read in conjunction with our consolidated financial statements, related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and our 2015 Annual Report on Form 10-K. When comparing our results of operations from one reporting period to another, it is important to consider that we have historically experienced fluctuations in revenues and expenses due to acquisitions, changing economic conditions, commodity prices, competitive forces, changes in foreign currency exchange rates, rail network congestion, one-time freight moves, fuel price fluctuations, customer plant expansions and shutdowns, sales of property and equipment, derailments and weather-related conditions, such as hurricanes, cyclones, tornadoes, high winds, droughts, heavy snowfall, unseasonably hot or cold weather, freezing and flooding, among other factors. In periods when these events occur, our results of operations are not easily comparable from one period to another. Finally, certain of our railroads have commodity shipments that are sensitive to general economic conditions, global commodity prices and foreign exchange rates, such as steel products, iron ore, paper products, lumber and forest products and agricultural products, as well as product specific market conditions, such as the availability of lower priced alternative sources of power generation (coal) and energy commodity price differentials (crude oil). Other shipments are relatively less affected by economic conditions and are more closely affected by other factors, such as winter weather (salt) and seasonal rainfall (agricultural products). As a result of these and other factors, our results of operations in any reporting period may not be directly comparable to our results of operations in other reporting periods.

Overview

We own and operate 121 freight railroads worldwide that are organized in 11 operating regions with 7,500 employees and more than 2,800 customers. The financial results of our 11 operating regions are reported in the following three distinct segments:

- Our North American Operations segment includes nine operating regions that serve 41 U.S. states and four Canadian provinces. This segment includes 114 short line and regional freight railroads with more than 13,000 track-miles.
- Our Australian Operations segment provides rail freight services in South Australia, the Northern Territory and New South Wales. Included in the Australian Operations segment is our operation of the 1,400-mile Tarcoola-to-Darwin rail line, which is the sole north-south rail corridor outside the coasts and primarily carries intermodal and commodity freight.
- Our U.K./European Operations segment includes the majority of the operations of Freightliner Group Limited (Freightliner), which we acquired in March 2015. Freightliner is the United Kingdom's (U.K.) largest rail maritime intermodal operator and the U.K.'s second-largest rail freight company. Our U.K./European Operations segment also includes heavy-haul freight operations in Poland and Germany and cross-border intermodal services connecting Northern European seaports with key industrial regions throughout the continent.

Overview of Three Month Results

Our operating revenues increased $85.6 million, or 21.6%, to $482.6 million for the three months ended March 31, 2016, compared with $397.0 million for the three months ended March 31, 2015. Income from operations for the three months ended March 31, 2016 was $57.0 million, compared with $72.6 million for the three months ended March 31, 2015. Our operating ratio, defined as operating expenses divided by operating revenues, was 88.2% for the three months ended March 31, 2016, compared with 81.7% for the three months ended March 31, 2015. Our operations for the three months ended March 31, 2016 included a full quarter of results from Freightliner, which we acquired on March 25, 2015. Freightliner operates in an open access environment using primarily leased equipment resulting in lower operating margins.

Net income for the three months ended March 31, 2016 was $27.0 million, compared with net income of $23.9 million for the three months ended March 31, 2015. Our diluted earnings per common share (EPS) for the three months ended March 31, 2016 were $0.47 with 58.0 million weighted average shares outstanding, compared with diluted EPS of $0.42 with 57.1 million weighted average shares outstanding for the three months ended March 31, 2015.

Our effective income tax rate for the three months ended March 31, 2016 was 32.2%, compared with 41.4% for the three months ended March 31, 2015. Our effective income tax rate for the three months ended March 31, 2016 included a $6.3 million income tax benefit associated with the United States Short Line Tax Credit. The Short Line Tax Credit was in existence from 2005 through 2014 and was further extended in December 2015 for fiscal years 2015 and 2016. As the extension was passed in December 2015 for the 2015 fiscal year, the Short Line Tax Credit associated with results for the three months ended March 31, 2015 was recorded in the fourth quarter of 2015.

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Our results for the three months ended March 31, 2016 and 2015 included certain items affecting comparability between the periods that are set forth below (dollars in millions, except per share amounts):

	Income/(Loss) Before Taxes Impact	After-Tax Net Income/(Loss) Impact	Diluted Earnings/(Loss) Per Common Share Impact
Three Months Ended March 31, 2016			
Australia impairment and related costs	$ (21.1)	$ (16.8)	$ (0.29)
Business development and related costs	$ (0.5)	$ (0.3)	$ —
Restructuring costs	$ (1.1)	$ (0.8)	$ (0.01)
Net gain on sale of assets	$ 0.2	$ 0.1	$ —
Short Line Tax Credit	$ —	$ 6.3	$ 0.11
Three Months Ended March 31, 2015			
Loss on settlement of Freightliner acquisition-related foreign currency forward purchase contracts	$ (18.7)	$ (11.6)	$ (0.2)
Freightliner acquisition-related costs	$ (12.6)	$ (9.5)	$ (0.17)
Credit facility refinancing-related costs	$ (2.0)	$ (1.3)	$ (0.02)
Australian severance costs	$ (1.7)	$ (1.2)	$ (0.02)
Net gain on sale of assets	$ 0.3	$ 0.2	$ —

For the three months ended March 31, 2016, our Australian Operations' results included impairment and related costs of $21.1 million, consisting of a $13.0 million non-cash write-down of a rolling-stock maintenance facility and the write-off of accounts receivable of $8.1 million, both of which were associated with an iron ore customer entering into voluntary administration following significant financial hardship. Our results for the three months ended March 31, 2016 also included an income tax benefit of $6.3 million associated with the extension of the Short Line Tax Credit.
For the three months ended March 31, 2015, our results included $33.3 million of costs associated with our Freightliner acquisition in late March of 2015, including an $18.7 million loss on the settlement of foreign currency forward purchase contracts, $12.6 million of acquisition-related costs and a non-cash write-off of deferred financing fees of $2.0 million associated with the refinancing of our credit facility. For the three months ended March 31, 2015, our results also included Australian severance costs of $1.7 million.
Operating revenues from our North American Operations decreased $17.8 million, or 5.6%, to $299.8 million for the three months ended March 31, 2016, compared with $317.6 million for the three months ended March 31, 2015. Excluding a $2.6 million decrease from the impact of foreign currency depreciation, our North American Operations revenues decreased by $15.2 million, or 4.8%, primarily due to declines in coal and grain shipments.
North American Operations traffic decreased 39,521 carloads, or 9.3%, to 383,192 carloads for the three months ended March 31, 2016. The traffic decrease was principally due to decreases of 30,934 carloads of coal and coke traffic (primarily in the Midwest, Ohio Valley, Central and Northeast regions), 3,703 carloads of minerals and stone traffic (primarily in the Northeast Region) and 2,322 carloads of agricultural products traffic (primarily in the Mountain West Region). All remaining traffic decreased by a net 2,562 carloads.
Income from operations from our North American Operations for the three months ended March 31, 2016 was $70.0 million, compared with $57.1 million for the three months ended March 31, 2015. The operating ratio from our North American Operations for the three months ended March 31, 2016 was 76.7%, compared with 82.0% for the three months ended March 31, 2015. The three months ended March 31, 2015 included $12.6 million of acquisition-related costs incurred in 2015 as a result of the acquisition of our Freightliner operations.
Operating revenues from our Australian Operations decreased $8.1 million, or 13.6%, to $51.8 million, for the three months ended March 31, 2016, compared with $59.9 million for the three months ended March 31, 2015. Excluding $10.9 million of revenues from our newly acquired Freightliner Australia operations and a $4.9 million decrease from the impact of foreign currency depreciation, our Australian Operations same railroad operating revenues decreased by $14.2 million, or 25.8%, primarily due to the impact of declining iron ore shipments.

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Australian Operations traffic decreased 7,801 carloads, or 14.4%, to 46,223 carloads for the three months ended March 31, 2016. The traffic decrease was principally due to a decrease of 8,428 carloads of metallic ores traffic and 1,023 carloads of agricultural products traffic, partially offset by an increase of 2,378 carloads of minerals and stone traffic. All remaining traffic decreased by a net 728 carloads.

Our Australian Operations had a loss from operations of $11.8 million for the three months ended March 31, 2016, compared with income from operations of $14.2 million for the three months ended March 31, 2015. For the three months ended March 31, 2016, Australian Operations recorded charges of $21.1 million, including a $13.0 million non-cash charge related to the impairment of a now idle rolling-stock maintenance facility and a write-off of accounts receivable of $8.1 million, resulting from an iron ore customer entering into voluntary administration.

Operating revenues from our U.K./European Operations increased $111.6 million to $131.0 million for the three months ended March 31, 2016, compared with $19.5 million for the three months ended March 31, 2015 due to revenues from our newly acquired Freightliner U.K./European operations. U.K./European Operations traffic consisted of 251,969 carloads for the three months ended March 31, 2016, primarily related to traffic from our newly acquired Freightliner U.K./European operations.

Our U.K./European Operations had a loss from operations of $1.2 million for the three months ended March 31, 2016, compared with income from operations of $1.3 million for the three months ended March 31, 2015.

Changes in Operations

Australia

Arrium Limited: Between 2011 and 2014, our subsidiary, Genesee & Wyoming Australia Pty Ltd (GWA) invested a total of approximately $78 million to purchase locomotives and railcars, as well as to construct a standard gauge rolling-stock maintenance facility to support iron ore shipments from Arrium Limited's (Arrium) Southern Iron mine and the Whyalla-based operations, which include the Middleback Range iron ore mines and the Whyalla steelworks. Arrium mothballed its Southern Iron mine in April 2015, citing the significant decline in the price of iron ore. During 2015, GWA carried approximately 8,300 carloads of iron ore from the Southern Iron mine and, in total, generated approximately A$83 million in freight and freight-related revenues (or approximately $62 million at the average exchange rate for the year ended December 31, 2015) under the fixed and variable payment structure that is customary in large contracts in Australia.

On April 7, 2016, following prolonged financial distress, Arrium announced it had entered into voluntary administration. As a result of this announcement, we recorded a $13.0 million non-cash charge related to the impairment of GWA's now idle rolling-stock maintenance facility and an allowance for doubtful accounts of $8.1 million associated with accounts receivable from Arrium. As a result of the voluntary administration, we expect all payments to GWA associated with the Southern Iron rail haulage agreement to cease. GWA expects to redeploy rolling-stock previously used to provide service under the Southern Iron rail haulage agreement to serve other customers.

As a consequence of the voluntary administration process, GWA could lose some or all of the revenue associated with the remaining haulage agreement to serve several iron ore mines in the Middleback Range and the Whyalla Steelworks operations. The continuation of payments and service under GWA's remaining rail haulage agreement represent A$35 million (or approximately $26 million at the current exchange rate) of revenue on an annual basis. In the event of an adverse determination regarding the viability of the Middleback Range or the Whyalla Steelworks operations, or a termination of the remaining rail haulage agreement, all or a portion of GWA's assets deployed to provide service under this agreement, which consist largely of narrow gauge locomotives and wagons, could be redeployed elsewhere in Australia.

Europe

Freightliner Group Limited: On March 25, 2015, we completed the acquisition of all of the outstanding share capital of RailInvest Holding Company Limited, the parent company of London-based Freightliner, pursuant to the terms of a Share Purchase Agreement dated February 24, 2015. Management Shareholders retained an approximate 6% economic interest in Freightliner in the form of deferred consideration. We expect to settle the deferred consideration by the end of 2020.

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Headquartered in London, England, Freightliner is an international freight rail operator with operations in the United Kingdom (U.K.), Poland, Germany, the Netherlands and Australia. Freightliner's principal business is located in the U.K. where it is the largest maritime intermodal operator and the second largest freight rail operator, providing service throughout England, Scotland and Wales. In Continental Europe, Freightliner Poland primarily serves aggregates and coal customers in Poland. In addition, Freightliner's ERS subsidiary, based in Rotterdam, provides cross-border intermodal services connecting the northern European ports of Rotterdam, Bremerhaven and Hamburg to key cities in Germany, Poland, Italy and beyond. In Australia, Freightliner currently transports coal and containerized agricultural products for its customers in New South Wales. As of the acquisition date, Freightliner employed approximately 2,500 people worldwide and had a fleet of primarily leased equipment, which included approximately 250 diesel locomotives, approximately 45 electric locomotives and 5,500 railcars.

We funded the acquisition with borrowings under the Credit Agreement (see Note 5, Long-Term Debt, to our Consolidated Financial Statements) and available cash. The foreign exchange rate used to translate the total consideration to United States dollars was $1.49 for one British pound. The calculation of the total consideration for the Freightliner acquisition is presented below (amounts in thousands):

	GBP	USD
Cash consideration	£492,083	$733,006
Deferred consideration	24,200	36,048
Total consideration	£516,283	$769,054

For additional information regarding the acquisition of Freightliner, see Note 2, Changes in Operations, to our Consolidated Financial Statements.

United States

Pinsly's Arkansas Division: On January 5, 2015, we completed the acquisition of certain subsidiaries of Pinsly Railroad Company (Pinsly) that constituted Pinsly's Arkansas Division (Pinsly Arkansas) for $41.3 million in cash. We funded the acquisition with borrowings under our Amended and Restated Senior Secured Syndicated Credit Facility Agreement (the Prior Credit Agreement). The results of operations from Pinsly Arkansas have been included in our consolidated statement of operations since the acquisition date within our North American Operations segment. For additional information regarding Pinsly Arkansas, see Note 2, Changes in Operations, to our Consolidated Financial Statements.

Three Months Ended March 31, 2016 Compared with Three Months Ended March 31, 2015

Consolidated Operating Results

Operating Revenues

The following table sets forth our operating revenues by new operations and existing operations for the three months ended March 31, 2016 and 2015 (dollars in thousands):

	Three Months Ended March 31,				Increase in Total Operations		Increase/(Decrease) in Existing Operations		
	2016			2015					
	Total Operations	New Operations	Existing Operations	Total Operations	Amount	%	Amount	%	Currency Impact
Freight revenues	$326,414	$73,414	$253,000	$298,209	$28,205	9.5 %	$ (45,209)	(15.2)%	$(5,815)
Freight-related revenues	133,458	49,395	84,063	78,125	55,333	70.8%	5,938	7.6 %	(1,603)
All other revenues	22,744	4,651	18,093	20,696	2,048	9.9 %	(2,603)	(12.6)%	(600)
Total operating revenues	$482,616	$127,460	$355,156	$397,030	$85,586	21.6%	$ (41,874)	(10.5)%	$(8,018)
Carloads	681,384	231,791	449,593	502,364	179,020	35.6%	(52,771)	(10.5)%	

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Operating Expenses

Total operating expenses for the three months ended March 31, 2016 increased $101.2 million, or 31.2%, to $425.6 million, compared with $324.4 million for the three months ended March 31, 2015. The increase consisted of $126.9 million from new operations, partially offset by a decrease of $25.7 million from existing operations. When we discuss expenses from existing operations, we are referring to the change in our expenses, period-over-period, associated with operations that we managed in both periods (excluding the impact of acquisitions). The decrease from existing operations was primarily due to a $6.9 million decrease from the depreciation of foreign currencies relative to the United States dollar as well as decreases of $12.5 million in diesel fuel used in train operations, $10.5 million in labor and benefits, $4.6 million in other expenses, $3.1 million in equipment rents, $2.6 million in materials and $1.9 million in purchased services. These decreases were partially offset by a $12.8 million net loss on sale and impairment of assets, which was driven primarily by an iron ore customer entering into voluntary administration.

The following table sets forth our total operating expenses for the three months ended March 31, 2016 and 2015 (dollars in thousands):

	Three Months Ended March 31,							
	2016		2015					
	Amount	% of Operating Revenues	Amount	% of Operating Revenues	Increase/(Decrease)	Currency Impact	2015 Constant Currency	Increase/(Decrease)(Constant Currency)
Labor and benefits	$163,114	33.8 %	$132,118	33.3 %	$ 30,996	$(2,578)	$129,540	$ 33,574
Equipment rents	38,430	8.0 %						