

GREENBRIER COMPANIES INC
Form 10-Q
January 08, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the quarterly period ended November 30, 2013

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the transition period from _____ to _____

Commission File No. 1-13146

THE GREENBRIER COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Oregon
(State of

Incorporation)

One Centerpointe Drive, Suite 200, Lake Oswego, OR
(Address of principal executive offices)

(503) 684-7000

93-0816972
(I.R.S. Employer

Identification No.)

97035
(Zip Code)

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

The number of shares of the registrant's common stock, without par value, outstanding on January 2, 2014 was 27,960,742 shares.

Forward-Looking Statements

From time to time, The Greenbrier Companies, Inc. and its subsidiaries (Greenbrier or the Company) or their representatives have made or may make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, without limitation, statements as to expectations, beliefs and strategies regarding the future. Such forward-looking statements may be included in, but not limited to, press releases, oral statements made with the approval of an authorized executive officer or in various filings made by us with the Securities and Exchange Commission, including this filing on Form 10-Q. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements rely on a number of assumptions concerning future events and include statements relating to:

availability of financing sources and borrowing base for working capital, other business development activities, capital spending and leased railcars for syndication (sale of railcars with lease attached);

ability to renew, maintain or obtain sufficient credit facilities and financial guarantees on acceptable terms;

ability to utilize beneficial tax strategies;

ability to grow our businesses;

ability to obtain lease and sales contracts which provide adequate protection against changes in interest rates and increased costs of materials and components;

ability to obtain adequate insurance coverage at acceptable rates;

ability to obtain adequate certification and licensing of products; and

short-term and long-term revenue and earnings effects of the above items.

The following factors, among others, could cause actual results or outcomes to differ materially from the forward-looking statements:

fluctuations in demand for newly manufactured railcars or marine barges;

fluctuations in demand for wheels, repair & parts;

delays in receipt of orders, risks that contracts may be canceled during their term or not renewed and that customers may not purchase the amount of products or services under the contracts as anticipated;

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ability to maintain sufficient availability of credit facilities and to maintain compliance with or to obtain appropriate amendments to covenants under various credit agreements;

domestic and global economic conditions including such matters as embargoes or quotas;

U.S., Mexican and other global political or security conditions including such matters as terrorism, war, civil disruption and crime;

growth or reduction in the surface transportation industry;

ability to maintain good relationships with our labor force, third party labor providers and collective bargaining units representing our direct and indirect labor force;

steel and specialty component price fluctuations and availability, scrap surcharges, steel scrap prices and other commodity price fluctuations and availability and their impact on product demand and margin;

delay or failure of acquired businesses, assets, start-up operations, or new products or services to compete successfully;

changes in product mix and the mix of revenue levels among reporting segments;

labor disputes, energy shortages or operating difficulties that might disrupt operations or the flow of cargo;

production difficulties and product delivery delays as a result of, among other matters, inefficiencies associated with the start-up of production lines or increased production rates, changing technologies, transfer of production between facilities or non-performance of alliance partners, subcontractors or suppliers;

ability to renew or replace expiring customer contracts on satisfactory terms;

ability to obtain and execute suitable contracts for leased railcars for syndication;

lower than anticipated lease renewal rates, earnings on utilization based leases or residual values for leased equipment;

discovery of defects in railcars resulting in increased warranty costs or litigation;

resolution or outcome of pending or future litigation and investigations;

natural disasters or severe weather patterns that may affect either us, our suppliers or our customers;

loss of business from, or a decline in the financial condition of, any of the principal customers that represent a significant portion of our total revenues;

competitive factors, including introduction of competitive products, new entrants into certain of our markets, price pressures, limited customer base, and competitiveness of our manufacturing facilities and products;

industry overcapacity and our manufacturing capacity utilization;

decreases or write-downs in carrying value of inventory, goodwill, intangibles or other assets due to impairment;

severance or other costs or charges associated with lay-offs, shutdowns, or reducing the size and scope of operations;

changes in future maintenance or warranty requirements;

ability to adjust to the cyclical nature of the industries in which we operate;

changes in interest rates and financial impacts from interest rates;

ability and cost to maintain and renew operating permits;

actions by various regulatory agencies including potential environmental remediation obligations;

changes in fuel and/or energy prices;

risks associated with our intellectual property rights or those of third parties, including infringement, maintenance, protection, validity, enforcement and continued use of such rights;

expansion of warranty and product support terms beyond those which have traditionally prevailed in the rail supply industry;

availability of a trained work force at a reasonable cost and with reasonable terms of employment;

availability and/or price of essential raw materials, specialties or components, including steel castings, to permit manufacture of units on order;

failure to successfully integrate acquired businesses;

discovery of previously unknown liabilities associated with acquired businesses;

failure of or delay in implementing and using new software or other technologies;

the impact of cybersecurity risks and the costs of mitigating and responding to a data security breach;

ability to replace maturing lease and management services revenue and earnings with revenue and earnings from new commercial transactions, including new railcar leases, additions to the lease fleet and new management services contracts;

credit limitations upon our ability to maintain effective hedging programs;

financial impacts from currency fluctuations and currency hedging activities in our worldwide operations; and

changes in legislation and increased costs related to health care.

Any forward-looking statements should be considered in light of these factors. Words such as anticipates, believes, forecast, potential, goal, contemplates, expects, intends, plans, projects, hopes, seeks, estimates, could, would, will, may, can, designed to, expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements. Many of the important factors that will determine these results and values are beyond our ability to control or predict. You are cautioned not to put undue reliance on any forward-looking statements. Except as otherwise required by law, we do not assume any obligation to update any forward-looking statements.

All references to years refer to the fiscal years ended August 31st unless otherwise noted.

*THE GREENBRIER COMPANIES, INC.***PART I. FINANCIAL INFORMATION****Item 1. Condensed Financial Statements****Consolidated Balance Sheets***(In thousands, unaudited)*

	November 30, 2013	August 31, 2013
Assets		
Cash and cash equivalents	\$ 81,226	\$ 97,435
Restricted cash	8,975	8,807
Accounts receivable, net	174,745	154,848
Inventories	328,235	316,783
Leased railcars for syndication	61,282	68,480
Equipment on operating leases, net	293,291	305,468
Property, plant and equipment, net	201,353	201,533
Goodwill	57,416	57,416
Intangibles and other assets, net	76,055	78,971
	\$ 1,282,578	\$ 1,289,741
Liabilities and Equity		
Revolving notes	\$ 38,805	\$ 48,209
Accounts payable and accrued liabilities	293,041	315,938
Deferred income taxes	86,501	86,040
Deferred revenue	8,706	8,838
Notes payable	372,666	373,889
Commitments and contingencies (Note 13)		
Equity:		
Greenbrier		
Preferred stock - without par value; 25,000 shares authorized; none outstanding		
Common stock - without par value; 50,000 shares authorized; 28,043 and 28,084 shares outstanding at November 30, 2013 and August 31, 2013		
Additional paid-in capital	260,504	259,864
Retained earnings	190,230	174,842
Accumulated other comprehensive loss	(3,135)	(6,504)
Total equity - Greenbrier	447,599	428,202
Noncontrolling interest	35,260	28,625
Total equity	482,859	456,827
	\$ 1,282,578	\$ 1,289,741

The accompanying notes are an integral part of these financial statements

THE GREENBRIER COMPANIES, INC.**Consolidated Statements of Income***(In thousands, except per share amounts, unaudited)*

	Three Months Ended November 30,	
	2013	2012
Revenue		
Manufacturing	\$ 359,473	\$ 285,368
Wheels, Repair & Parts	113,401	112,100
Leasing & Services	17,481	17,906
	490,355	415,374
Cost of revenue		
Manufacturing	311,440	258,492
Wheels, Repair & Parts	107,975	101,476
Leasing & Services	9,381	7,627
	428,796	367,595
Margin	61,559	47,779
Selling and administrative expense	26,109	26,100
Net gain on disposition of equipment	(3,651)	(1,408)
Restructuring charges	879	
Earnings from operations	38,222	23,087
Other costs		
Interest and foreign exchange	4,744	5,900
Earnings before income taxes and earnings (loss) from unconsolidated affiliates	33,478	17,187
Income tax expense	(10,522)	(4,586)
Earnings before earnings (loss) from unconsolidated affiliates	22,956	12,601
Earnings (loss) from unconsolidated affiliates	41	(40)
Net earnings	22,997	12,561
Net earnings attributable to noncontrolling interest	(7,609)	(2,134)
Net earnings attributable to Greenbrier	\$ 15,388	\$ 10,427
Basic earnings per common share:	\$ 0.54	\$ 0.38
Diluted earnings per common share:	\$ 0.49	\$ 0.35
Weighted average common shares:		
Basic	28,417	27,144
Diluted	34,462	33,991

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Comprehensive Income*(In thousands, unaudited)*

	Three Months Ended November 30,	
	2013	2012
Net earnings	\$ 22,997	\$ 12,561
Other comprehensive income (loss)		
Translation adjustment	2,512	2,135
Reclassification of derivative financial instruments recognized in net earnings (loss) ¹	137	(616)
Unrealized gain on derivative financial instruments ²	762	1,299
Other (net of tax effect)	(1)	
	3,410	2,818
Comprehensive income	26,407	15,379
Comprehensive income attributable to noncontrolling interest	(7,650)	(2,179)
Comprehensive income attributable to Greenbrier	\$ 18,757	\$ 13,200

¹ Net of tax of effect of \$0.1 million and \$0.04 million for the three months ended November 30, 2013 and 2012.

² Net of tax of effect of \$0.2 million and \$0.3 million for the three months ended November 30, 2013 and 2012.

The accompanying notes are an integral part of these financial statements

THE GREENBRIER COMPANIES, INC.**Consolidated Statements of Equity***(In thousands, unaudited)*

	Attributable to Greenbrier						
	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Attributable to Greenbrier	Attributable to Noncontrolling Interest	Total Equity
Balance September 1, 2013	28,084	\$ 259,864	\$ 174,842	\$ (6,504)	\$ 428,202	\$ 28,625	\$ 456,827
Net earnings			15,388		15,388	7,609	22,997
Other comprehensive income, net				3,369	3,369	41	3,410
Noncontrolling interest adjustments						169	169
Investment by joint venture partner						419	419
Joint venture partner distribution declared						(1,603)	(1,603)
Restricted stock cancellations	(13)	(376)			(376)		(376)
Unamortized restricted stock		376			376		376
Restricted stock amortization		1,359			1,359		1,359
Excess tax benefit from restricted stock awards		152			152		152
Repurchase of stock	(28)	(871)			(871)		(871)
Balance November 30, 2013	28,043	\$ 260,504	\$ 190,230	\$ (3,135)	\$ 447,599	\$ 35,260	\$ 482,859

	Attributable to Greenbrier						
	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Attributable to Greenbrier	Attributable to Noncontrolling Interest	Total Equity
Balance September 1, 2012	27,143	\$ 252,256	\$ 185,890	\$ (6,369)	\$ 431,777	\$ 21,868	\$ 453,645
Net earnings			10,427		10,427	2,134	12,561
Other comprehensive income, net				2,773	2,773	45	2,818
Noncontrolling interest adjustments						(1,805)	(1,805)
Investment by joint venture partner						1,182	1,182
Restricted stock amortization		1,886			1,886		1,886
Excess tax benefit from restricted stock awards		217			217		217
Warrants exercised	52						
Balance November 30, 2012	27,195	\$ 254,359	\$ 196,317	\$ (3,596)	\$ 447,080	\$ 23,424	\$ 470,504

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Cash Flows*(In thousands, unaudited)*

	Three Months Ended November 30,	
	2013	2012
Cash flows from operating activities		
Net earnings	\$ 22,997	\$ 12,561
Adjustments to reconcile net earnings to net cash used in operating activities:		
Deferred income taxes	286	940
Depreciation and amortization	10,897	10,923
Net gain on disposition of equipment	(3,651)	(1,408)
Accretion of debt discount		849
Stock based compensation expense	1,359	1,886
Other	527	(1,705)
Decrease (increase) in assets:		
Accounts receivable	(19,305)	(15,515)
Inventories	(13,178)	(41,465)
Leased railcars for syndication	9,853	43,501
Other	2,069	945
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(25,137)	(48,036)
Deferred revenue	(172)	11,039
Net cash used in operating activities	(13,455)	(25,485)
Cash flows from investing activities		
Proceeds from sales of assets	14,051	10,086
Capital expenditures	(6,542)	(25,141)
Increase in restricted cash	(168)	(1,045)
Investment in and net advances to unconsolidated affiliates	(1,253)	(160)
Net cash provided by (used in) investing activities	6,088	(16,260)
Cash flows from financing activities		
Net change in revolving notes with maturities of 90 days or less		27,935
Proceeds from revolving notes with maturities longer than 90 days	7,474	9,195
Repayments of revolving notes with maturities longer than 90 days	(16,878)	(8,941)
Repayments of notes payable	(1,223)	(1,230)
Investment by joint venture partner	419	1,182
Repurchase of stock	(871)	
Excess tax benefit from restricted stock awards	152	217
Net cash provided by (used in) financing activities	(10,927)	28,358
Effect of exchange rate changes	2,085	1,100
Decrease in cash and cash equivalents	(16,209)	(12,287)
Cash and cash equivalents		
Beginning of period	97,435	53,571
End of period	\$ 81,226	\$ 41,284
Cash paid during the period for		

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Interest	\$ 5,469	\$ 9,362
Income taxes, net	\$ 17,694	\$ 6,845
Non-cash activity		
Transfer of Inventories to Leased railcars for syndication	\$ 2,740	\$

The accompanying notes are an integral part of these financial statements

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1 Interim Financial Statements

The Condensed Consolidated Financial Statements of The Greenbrier Companies, Inc. and Subsidiaries (Greenbrier or the Company) as of November 30, 2013, for the three months ended November 30, 2013 and 2012 have been prepared without audit and reflect all adjustments (consisting of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the financial position and operating results and cash flows for the periods indicated. The results of operations for the three months ended November 30, 2013 are not necessarily indicative of the results to be expected for the entire year ending August 31, 2014.

Certain notes and other information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the Consolidated Financial Statements contained in the Company's 2013 Annual Report on Form 10-K.

Management Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires judgment on the part of management to arrive at estimates and assumptions on matters that are inherently uncertain. These estimates may affect the amount of assets, liabilities, revenue and expenses reported in the financial statements and accompanying notes and disclosure of contingent assets and liabilities within the financial statements. Estimates and assumptions are periodically evaluated and may be adjusted in future periods. Actual results could differ from those estimates.

Initial Adoption of Accounting Policies In the first quarter of 2014, the Company adopted an accounting standard update regarding the testing of indefinite-lived intangible assets for impairment. This update was intended to reduce the cost and complexity of testing indefinite-lived intangible assets for impairment by providing entities with an option to perform a qualitative assessment to determine whether further impairment testing is necessary. This update impacted testing steps only and therefore the adoption did not have an impact on the Company's Consolidated Financial Statements.

In the first quarter of 2014, the Company adopted an accounting standard update which amended prior reporting requirements with respect to comprehensive income by requiring additional disclosures by component about the amounts reclassified out of accumulated other comprehensive loss. The adoption of this accounting standard update did require additional disclosures, but did not have an impact on the Company's financial position, results of operations or cash flows.

Share Repurchase Program In October 2013, the Board of Directors authorized the Company to repurchase up to \$50 million of the Company's common stock. Under the share repurchase program, shares of common stock may be purchased on the open market or through privately negotiated transactions from time-to-time. The timing and amount of purchases will be based upon market conditions, securities law limitations and other factors. The share repurchase program does not obligate the Company to acquire any specific number of shares in any period. The share repurchase program expires April 30, 2015, but may be modified, suspended or discontinued at any time without prior notice. During the three months ended November 30, 2013, the Company repurchased a total of 28,610 shares for approximately \$0.9 million. Subsequent to November 30, 2013 and through January 6, 2014, the Company purchased an additional 81,794 shares for approximately \$2.5 million.

Note 2 Restructuring

During 2013, the Company implemented a restructuring plan to sell or close certain Wheels, Repair & Parts facilities to enhance margins and improve capital efficiency and anticipates completing the restructuring plan during 2014. Restructuring charges related to this plan, associated with the Company's Wheels, Repair & Parts segment, totaled \$0.9 million for the three months ended November 30, 2013 and were included in the Consolidated Statement of Income. The Company anticipates that there will be additional restructuring charges in 2014 as the Company completes the plan.

<i>(In thousands)</i>	Accrual at August 31, 2013	Charged to Expense	Paid or Settled	Accrual at November 30, 2013
Employee termination costs	\$ 1,409	\$ 843	\$ 1,952	\$ 300
Contract termination costs				
Other costs	299	36	130	205
	\$ 1,708	\$ 879	\$ 2,082	\$ 505

Note 3 Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Work-in-process includes material, labor and overhead. The following table summarizes the Company's inventory balance:

<i>(In thousands)</i>	November 30, 2013	August 31, 2013
Manufacturing supplies and raw materials	\$ 203,165	\$ 217,182
Work-in-process	51,087	48,990
Finished goods	78,924	54,839
Excess and obsolete adjustment	(4,941)	(4,228)
	\$ 328,235	\$ 316,783

Note 4 Intangibles and Other Assets, net

Intangible assets that are determined to have finite lives are amortized over their useful lives. Intangible assets with indefinite useful lives are not amortized and are periodically evaluated for impairment.

The following table summarizes the Company's identifiable intangible and other assets balance:

<i>(In thousands)</i>	November 30, 2013	August 31, 2013
Intangible assets subject to amortization:		
Customer relationships	\$ 66,288	\$ 66,288
Accumulated amortization	(28,551)	(26,964)
Other intangibles	5,046	4,967
Accumulated amortization	(4,279)	(4,162)
	38,504	40,129
Intangible assets not subject to amortization	912	912
Investment in unconsolidated affiliates	11,985	10,739
Prepaid and other assets	8,691	10,601
Nonqualified savings plan investments	8,202	7,687
Debt issuance costs, net	7,258	7,802
Assets held for sale	503	1,101
Total intangible and other assets	\$ 76,055	\$ 78,971

Amortization expense for the three months ended November 30, 2013 and 2012 was \$1.7 million and \$1.3 million. Amortization expense for the years ending August 31, 2014, 2015, 2016, 2017 and 2018 is expected to be \$4.5 million, \$3.8 million, \$3.8 million, \$3.7 million and \$3.4 million.

Note 5 Revolving Notes

Senior secured credit facilities, consisting of three components, aggregated to \$359.8 million as of November 30, 2013.

As of November 30, 2013, a \$290.0 million revolving line of credit secured by substantially all the Company's assets in the U.S. not otherwise pledged as security for term loans and maturing June 2016, was available to provide working capital and interim financing of equipment, principally for the U.S. and Mexican operations. Advances under this facility bear interest at LIBOR plus 2.25% or Prime plus 1.25% depending on the type of borrowing. Available borrowings under the credit facility are generally based on defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and fixed charges coverage ratios.

As of November 30, 2013, lines of credit totaling \$19.8 million secured by certain of the Company's European assets, with various variable rates that range from Warsaw Interbank Offered Rate (WIBOR) plus 1.3% to WIBOR plus 1.5%, were available for working capital needs of the European manufacturing operation. European credit facilities are continually being renewed. Currently these European credit facilities have maturities that range from December 2014 through June 2015.

As of November 30, 2013, the Company's Mexican joint venture had two lines of credit totaling \$50.0 million. The first line of credit provides up to \$20.0 million and is secured by certain of the joint venture's accounts receivable and inventory. Advances under this facility bear interest at LIBOR plus 2.5%. Advances under this facility may be drawn through December 2013 and bear interest at LIBOR plus 2.5%. This line of credit is currently in the process of being renewed. The Mexican joint venture was able to draw amounts available under this facility through December 2013 and the line of credit is currently in the process of being renewed. Borrowings outstanding under this facility are due from January 2014 to May 2014. The second line of credit provides up to \$30.0 million and is fully guaranteed by each of the joint venture partners, including the Company. Advances under this facility bear interest at LIBOR plus 2.0%. The Mexican joint venture will be able to draw against this facility through February 2015.

As of November 30, 2013, outstanding borrowings under the senior secured credit facilities consisted of \$6.2 million in letters of credit under the North American credit facility and \$38.8 million outstanding under the Mexican joint venture credit facilities.

As of August 31, 2013, outstanding borrowings under the senior secured credit facilities consisted of \$6.8 million in letters of credit under the North American credit facility and \$48.2 million outstanding under the Mexican joint venture credit facilities.

Note 6 Accounts Payable and Accrued Liabilities

<i>(In thousands)</i>	November 30, 2013	August 31, 2013
Trade payables	\$ 161,845	\$ 163,490
Other accrued liabilities	58,809	70,691
Accrued payroll and related liabilities	40,163	42,047
Accrued maintenance	12,480	11,420
Accrued warranty	11,479	12,128
Income taxes payable	4,041	13,094
Other	4,224	3,068
	\$ 293,041	\$ 315,938

Note 7 Warranty Accruals

Warranty costs are estimated and charged to operations to cover a defined warranty period. The estimated warranty cost is based on the history of warranty claims for each particular product type. For new product types without a warranty history, preliminary estimates are based on historical information for similar product types. The warranty accruals, included in Accounts payable and accrued liabilities on the Consolidated Balance Sheets, are reviewed periodically and updated based on warranty trends and expirations of warranty periods.

Warranty accrual activity:

<i>(In thousands)</i>	Three Months Ended November 30,	
	2013	2012
Balance at beginning of period	\$ 12,128	\$ 9,221
Charged to cost of revenue, net	622	1,585
Payments	(1,472)	(801)
Currency translation effect	201	97
Balance at end of period	\$ 11,479	\$ 10,102

Note 8 Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, net of tax effect as appropriate, consisted of the following:

<i>(In thousands)</i>	Unrealized Income (Loss) on Derivative Financial Instruments	Foreign Currency Translation Adjustment	Other	Accumulated Other Comprehensive Income (Loss)
Balance, August 31, 2013	\$ (1,053)	\$ (4,923)	\$ (528)	\$ (6,504)
Other comprehensive income (loss) before reclassifications	762	2,471	(1)	3,232
Amounts reclassified from accumulated other comprehensive income (loss)	137			137
Balance, November 30, 2013	\$ (154)	\$ (2,452)	\$ (529)	\$ (3,135)

Details about Accumulated other comprehensive loss components	Amounts reclassified from Accumulated other comprehensive loss	Affected line in the statement where Net earnings is presented
Gain (loss) on derivative financial instruments:		
Foreign exchange contracts	\$ (150)	Revenue
Interest rate swap contracts	419	Interest and foreign exchange
	269	Total before tax
	(132)	Tax expense

\$ 137 Net of tax

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Note 9 Earnings Per Share

The shares used in the computation of the Company's basic and diluted earnings per common share are reconciled as follows:

<i>(In thousands)</i>	Three Months Ended	
	November 30,	
	2013	2012
Weighted average basic common shares outstanding ⁽¹⁾	28,417	27,144
Dilutive effect of warrants		802
Dilutive effect of convertible notes ⁽²⁾	6,045	6,045
Weighted average diluted common shares outstanding	34,462	33,991

(1) Restricted stock grants and restricted stock units, including some grants subject to certain performance criteria, are included in weighted average basic common shares outstanding when the Company is in a net earnings position.

(2) The dilutive effect of the 2018 Convertible notes are included as they were considered dilutive under the if converted method as further discussed below. The dilutive effect of the 2026 Convertible notes was excluded from the share calculations as the stock price for each period presented was less than the initial conversion price of \$48.05 and therefore considered anti-dilutive.

Dilutive EPS for the three months ended November 30, 2013 and 2012 was calculated using the more dilutive of two approaches. The first approach includes the dilutive effect of outstanding warrants and shares underlying the 2026 Convertible notes in the share count using the treasury stock method. The second approach supplements the first by including the if converted effect of the 2018 Convertible notes issued in March 2011. Under the if converted method debt issuance and interest costs, both net of tax, associated with the convertible notes are added back to net earnings and the share count is increased by the shares underlying the convertible notes. The 2026 Convertible notes would only be included in the calculation of both approaches if the current stock price is greater than the initial conversion price of \$48.05 using the treasury stock method.

	Three Months Ended	
	November 30,	
	2013	2012
Net earnings attributable to Greenbrier	\$ 15,388	\$ 10,427
Add back:		
Interest and debt issuance costs on the 2018 Convertible notes, net of tax	1,416	1,430
Earnings before interest and debt issuance costs on convertible notes	\$ 16,804	\$ 11,857
Weighted average diluted common shares outstanding	34,462	33,991
Diluted earnings per share ⁽¹⁾	\$ 0.49	\$ 0.35

(1) Diluted earnings per share was calculated as follows:

Earnings before interest and debt issuance costs (net of tax) on convertible notes

Weighted average diluted common shares outstanding

Note 10 Stock Based Compensation

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The value, at the date of grant, of restricted stock and restricted stock unit awards is amortized as compensation expense over the lesser of the vesting period or to the recipient's eligible retirement date. Awards are expensed upon grant when the recipient's eligible retirement date precedes the grant date.

For the three months ended November 30, 2013, \$1.4 million in compensation expense was recorded for restricted stock and restricted stock unit grants. For the three months ended November 30, 2012, \$1.9 million in compensation expense was recorded for restricted stock grants. Compensation expense related to restricted stock and restricted stock unit grants is recorded in Selling and administrative expense on the Consolidated Statements of Income.

Note 11 Derivative Instruments

Foreign operations give rise to market risks from changes in foreign currency exchange rates. Foreign currency forward exchange contracts with established financial institutions are utilized to hedge a portion of that risk in Euro. Interest rate swap agreements are utilized to reduce the impact of changes in interest rates on certain debt. The Company's foreign currency forward exchange contracts and interest rate swap agreements are designated as cash flow hedges, and therefore the effective portion of unrealized gains and losses are recorded in accumulated other comprehensive income or loss.

At November 30, 2013 exchange rates, forward exchange contracts for the purchase of Polish Zloty and the sale of Euro aggregated \$58.1 million. Adjusting the foreign currency exchange contracts to the fair value of the cash flow hedges at November 30, 2013 resulted in an unrealized pre-tax gain of \$0.4 million that was recorded in accumulated other comprehensive loss. The fair value of the contracts is included in Accounts payable and accrued liabilities when there is a loss, or Accounts receivable when there is a gain, on the Consolidated Balance Sheets. As the contracts mature at various dates through June 2015, any such gain or loss remaining will be recognized in manufacturing revenue along with the related transactions. In the event that the underlying sales transaction does not occur or does not occur in the period designated at the inception of the hedge, the amount classified in accumulated other comprehensive loss would be reclassified to the current year's results of operations in Interest and foreign exchange.

At November 30, 2013, an interest rate swap agreement had a notional amount of \$41.2 million and matures March 2014. The fair value of this cash flow hedge at November 30, 2013 resulted in an unrealized pre-tax loss of \$0.8 million. The loss is included in Accumulated other comprehensive loss and the fair value of the contract is included in Accounts payable and accrued liabilities on the Consolidated Balance Sheets. As interest expense on the underlying debt is recognized, amounts corresponding to the interest rate swap are reclassified from accumulated other comprehensive loss and charged or credited to interest expense. At November 30, 2013 interest rates, approximately \$0.8 million would be reclassified to interest expense in the next 12 months.

Fair Values of Derivative Instruments

(In thousands)	Asset Derivatives			Liability Derivatives		
	Balance sheet location	November 30, 2013 Fair Value	August 31, 2013 Fair Value	Balance sheet location	November 30, 2013 Fair Value	August 31, 2013 Fair Value
Derivatives designated as hedging instruments						
Foreign forward exchange contracts	Accounts receivable	\$ 770	\$ 819	Accounts payable and accrued liabilities	\$ 143	\$ 342
Interest rate swap contracts	Other assets			Accounts payable and accrued liabilities	829	1,250
		\$ 770	\$ 819		\$ 972	\$ 1,592
Derivatives not designated as hedging instruments						
Foreign forward exchange contracts	Accounts receivable	\$ 365	\$ 223	Accounts payable and accrued liabilities	\$	\$ 40

The Effect of Derivative Instruments on the Statement of Income

Derivatives in cash flow hedging relationships	Gain (loss) recognized in OCI on derivatives (effective portion) Three months ended November 30, 2013 2012		Location of gain recognized in income on derivative	Gain recognized in income on derivative		Three months ended November 30,	
				2013	2012	2013	2012
Foreign forward exchange contract			Interest and foreign exchange	\$ 74	\$ 155		
						Location of	
						gain in income	
			Location of			on derivative	
			gain (loss)			(ineffective	
			reclassified			portion and	
			from			amount	
Derivatives in cash flow hedging relationships			accumulated	Gain (loss) reclassified from accumulated OCI into income (effective portion) Three months ended November 30, 2013 2012		excluded from effectiveness testing)	Gain recognized on derivative (ineffective portion and amount excluded from effectiveness testing) Three months ended November 30, 2013 2012
Foreign forward exchange contracts	\$ 955	\$ 1,509	Revenue	\$ 150	\$ 1,080	Interest and foreign exchange	\$ 170 \$ 896
Interest rate swap contracts	1	(28)	Interest and foreign exchange	(419)	(420)	Interest and foreign exchange	
	\$ 956	\$ 1,481		\$ (269)	\$ 660		\$ 170 \$ 896

Note 12 Segment Information

Greenbrier operates in three reportable segments: Manufacturing; Wheels, Repair & Parts; and Leasing & Services. The accounting policies of the segments are described in the summary of significant accounting policies in the Consolidated Financial Statements contained in the Company's 2013 Annual Report on Form 10-K. Performance for each of these segments is evaluated based on earnings (loss) from operations. Corporate includes selling and administrative costs not directly related to goods and services and certain costs that are intertwined among segments due to the Company's integrated business. Greenbrier's management does not allocate Interest and foreign exchange or Income tax benefit (expense) for either external or internal reporting purposes. Intersegment sales and transfers are valued as if the sales or transfers were to third parties. Related revenue and margin are eliminated in consolidation and therefore are not included in consolidated results in the Company's Consolidated Financial Statements.

The information in the following table is derived directly from the segments' internal financial reports used for corporate management purposes.

For the three months ended November 30, 2013:

	Revenue			Earnings (loss) from operations		
	External	Intersegment	Total	External	Intersegment	Total
Manufacturing	\$ 359,473	\$	\$ 359,473	\$ 38,314	\$	\$ 38,314
Wheels, Repair & Parts	113,401	1,653	115,054	(374)	31	(343)
Leasing & Services	17,481	2,869	20,350	8,670	2,869	11,539
Eliminations		(4,522)	(4,522)		(2,900)	(2,900)
Corporate				(8,388)		(8,388)
	\$ 490,355	\$	\$ 490,355	\$ 38,222	\$	\$ 38,222

For the three months ended November 30, 2012:

	Revenue			Earnings (loss) from operations		
	External	Intersegment	Total	External	Intersegment	Total
Manufacturing	\$ 285,368	\$ 6,949	\$ 292,317	\$ 15,502	\$ (45)	\$ 15,457
Wheels, Repair & Parts	112,100	5,386	117,486	6,137	(63)	6,074
Leasing & Services	17,906	4,392	22,298	8,701	4,392	13,093
Eliminations		(16,727)	(16,727)		(4,284)	(4,284)
Corporate				(7,253)		(7,253)
	\$ 415,374	\$	\$ 415,374	\$ 23,087	\$	\$ 23,087

	Total assets	
	November 30, 2013	August 31, 2013
Manufacturing	\$ 461,096	\$ 401,630
Wheels, Repair & Parts	304,249	318,483
Leasing & Services	427,023	463,381
Unallocated	90,210	106,247
	\$ 1,282,578	\$ 1,289,741

Note 13 Commitments and Contingencies

The Company's Portland, Oregon manufacturing facility is located adjacent to the Willamette River. The Company has entered into a Voluntary Cleanup Agreement with the Oregon Department of Environmental Quality (DEQ) in which the Company agreed to conduct an investigation of whether, and to what extent, past or present operations at the Portland property may have released hazardous substances into the environment. The Company is also conducting groundwater remediation relating to a historical spill on the property which preceded its ownership.

In December 2000, the U.S. Environmental Protection Agency (EPA) has classified portions of the river bed of the Portland Harbor, including the portion fronting the Company's manufacturing facility, as a federal National Priority List or Superfund site due to sediment contamination (the Portland Harbor Site). The Company and more than 140 other parties have received a General Notice of potential liability from the EPA relating to the Portland Harbor Site. The letter advised the Company that it may be liable for the costs of investigation and remediation (which liability may be joint and several with other potentially responsible parties) as well as for natural resource damages resulting from releases of hazardous substances to the site. At this time, ten private and public entities, including the Company (the Lower Willamette Group or LWG), have signed an Administrative Order on Consent (AOC) to perform a remedial investigation/feasibility study (RI/FS) of the Portland Harbor Site under EPA oversight, and several additional entities have not signed such consent, but are nevertheless contributing money to the effort. The EPA-mandated RI/FS is being conducted by the LWG and has cost over \$100 million during a 13-year period. The Company has agreed to initially bear a percentage of the total costs incurred by the LWG in connection with the investigation. The Company's aggregate expenditure has not been material during the 13-year period. Some or all of any such outlay may be recoverable from other responsible parties. The investigation is expected to continue for at least one more year.

Eighty-three parties, including the State of Oregon and the federal government, have entered into a non-judicial mediation process to try to allocate costs associated with the Portland Harbor site. Approximately 110 additional parties have signed tolling agreements related to such allocations. On April 23, 2009, the Company and the other AOC signatories filed suit against 69 other parties due to a possible limitations period for some such claims; Arkema Inc. et al v. A & C Foundry Products, Inc. et al, US District Court, District of Oregon, Case #3:09-cv-453-PK. All but 12 of these parties elected to sign tolling agreements and be dismissed without prejudice, and the case has now been stayed by the court, pending completion of the RI/FS. Although, as described below, the draft feasibility study has been submitted, the RI/FS will not be complete until the EPA approves it, which is not likely to occur until at least 2015.

A draft of the remedial investigation study was submitted to the EPA on October 27, 2009. The draft feasibility study was submitted to the EPA on March 30, 2012. The draft feasibility study evaluates several alternative cleanup approaches. The approaches submitted would take from 2 to 28 years with costs ranging from \$169 million to \$1.8 billion for cleanup of the entire Portland Harbor Site, depending primarily on the selected remedial action levels. The draft feasibility study suggests costs ranging from \$9 million to \$163 million for cleanup of the area of the Willamette River adjacent to the Company's Portland, Oregon manufacturing facility, depending primarily on the selected remedial action level.

The draft feasibility study does not address responsibility for the costs of clean-up or allocate such costs among the potentially responsible parties, or define precise boundaries for the cleanup. Responsibility for funding and implementing the EPA's selected cleanup will be determined after the issuance of the Record of Decision. Based on the investigation to date, the Company believes that it did not contribute in any material way to the damage of natural resources in the Portland Harbor Site and that the damage in the area of the Portland Harbor Site adjacent to its property precedes its ownership of the Portland, Oregon manufacturing facility. Because these environmental investigations are still underway, sufficient information is currently not available to determine the Company's liability, if any, for the cost of any required remediation of the Portland Harbor Site or to estimate a range of potential loss. Based on the results of the pending investigations and future assessments of natural resource damages, the Company may be required to incur costs associated with additional phases of investigation or remedial action, and may be liable for damages to natural resources. In addition, the Company may be required to perform periodic maintenance dredging in order to continue to launch vessels from its launch ways in Portland, Oregon, on the Willamette River, and the river's classification as a Superfund site could result in some limitations on future dredging and launch activities. Any of these matters could adversely affect the Company's business and Consolidated Financial Statements, or the value of its Portland property.

We have also signed an Order on Consent with DEQ to finalize the investigation of potential onsite sources of contamination that may have a release pathway to the Willamette River. Interim precautionary measures are also required in the order and those are in the process of being completed. Our aggregate expenditure has not been material during the 13-year period. Some or all of any such outlay may be recoverable from other responsible parties.

From time to time, Greenbrier is involved as a defendant in litigation in the ordinary course of business, the outcome of which cannot be predicted with certainty. While the ultimate outcome of such legal proceedings cannot be determined at this time, management believes that the resolution of these actions will not have a material adverse effect on the Company's Consolidated Financial Statements.

In accordance with customary business practices in Europe, the Company has \$2.7 million in bank and third party warranty guarantee facilities, all of which have been utilized as of November 30, 2013. To date no amounts have been drawn under these guarantee facilities.

As of November 30, 2013, the Mexican joint venture had \$40.8 million of third party debt outstanding, for which the Company has guaranteed approximately \$32.9 million.

As of November 30, 2013, the Company had outstanding letters of credit aggregating \$6.2 million associated with facility leases and workers compensation insurance.

Note 14 Fair Value Measures

Certain assets and liabilities are reported at fair value on either a recurring or nonrecurring basis. Fair value, for this disclosure, is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, under a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - observable inputs such as unadjusted quoted prices in active markets for identical instruments;
 Level 2 - inputs, other than the quoted market prices in active markets for similar instruments, which are observable, either directly or indirectly; and
 Level 3 - unobservable inputs for which there is little or no market data available, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value on a recurring basis as of November 30, 2013 are:

<i>(In thousands)</i>	Total	Level 1	Level 2 ⁽¹⁾	Level 3
Assets:				
Derivative financial instruments	\$ 1,135	\$	\$ 1,135	\$
Nonqualified savings plan				
investments	8,202	8,202		
Cash equivalents	1,005	1,005		
	\$ 10,342	\$ 9,207	\$ 1,135	\$
Liabilities:				
Derivative financial instruments	\$ 972	\$	\$ 972	\$

- (1) Level 2 assets and liabilities include derivative financial instruments which are valued based on observable inputs. See Note 11 Derivative Instruments for further discussion.

Assets and liabilities measured at fair value on a recurring basis as of August 31, 2013 are:

<i>(In thousands)</i>	Total	Level 1	Level 2	Level 3
Assets:				
Derivative financial instruments	\$ 1,042	\$	\$ 1,042	\$
Nonqualified savings plan				
investments	7,687	7,687		
Cash equivalents	1,004	1,004		
	\$ 9,733	\$ 8,691	\$ 1,042	\$
Liabilities:				
Derivative financial instruments	\$ 1,632	\$	\$ 1,632	\$

Note 15 Variable Interest Entities

March 2012 Agreement

In March 2012, the Company purchased a 1% interest in three trusts (the Trusts) which are 99% owned by a third party. As of August 31, 2013, the Company had completed the sale of railcars to the Trusts for an aggregate value of \$99.6 million.

As of November 30, 2013, the carrying amount of the Company s investment in the Trusts is \$1.0 million, which is recorded in Intangibles and other assets, net on the Consolidated Balance Sheets.

May 2013 Agreement

In May 2013, the Company purchased an 8% interest in an entity that owns a portfolio of railcar assets that are leased to third parties, the remaining 92% is owned by a third party. In the first quarter of 2014, the Company sold 204 railcars to this entity for \$16.0 million resulting in a total of 468 railcars manufactured by the Company and subject to operating leases sold for \$39.2 million to this entity as of November 30, 2013.

As of November 30, 2013, the carrying amount of the Company s investment in this entity is \$3.1 million which is recorded in Intangibles and other assets, net on the Consolidated Balance Sheets.

Note 16 Guarantor/Non-Guarantor

The convertible senior notes due 2026 (the Notes) issued on May 22, 2006 are fully and unconditionally and jointly and severally guaranteed by substantially all of Greenbrier's material 100% owned U.S. subsidiaries: Autostack Company LLC, Greenbrier-Concarril, LLC, Greenbrier Leasing Company LLC, Greenbrier Leasing Limited Partner, LLC, Greenbrier Management Services, LLC, Greenbrier Leasing, L.P., Greenbrier Railcar LLC, Gunderson LLC, Gunderson Marine LLC, Gunderson Rail Services LLC, Meridian Rail Holding Corp., Meridian Rail Acquisition Corp., Meridian Rail Mexico City Corp., Brandon Railroad LLC, Gunderson Specialty Products, LLC and Greenbrier Railcar Leasing, Inc. No other subsidiaries guarantee the Notes including Greenbrier Union Holdings I LLC, Greenbrier MUL Holdings I LLC, Greenbrier Leasing Limited, Greenbrier Europe B.V., Greenbrier Germany GmbH, WagonySwidnica S.A., Zaklad Naprawczy Taboru Kolejowego Olawa sp. z o.o., Zaklad Transportu Kolejowego SIARKOPOL sp. z o.o., Gunderson-Concarril, S.A. de C.V., Greenbrier Rail Services Canada, Inc., Mexico Meridianrail Services, S.A. de C.V., Greenbrier Railcar Services - Tierra Blanca S.A. de C.V., YSD Doors, S.A. de C.V., Gunderson-Gimsa S.A. de C.V., Greenbrier, S.A. de C.V. and Greenbrier-Gimsa, LLC.

The following represents the supplemental consolidating condensed financial information of Greenbrier and its guarantor and non-guarantor subsidiaries, as of November 30, 2013 and August 31, 2013, for the three months ended November 30, 2013 and 2012. The information is presented on the basis of Greenbrier accounting for its ownership of its wholly owned subsidiaries using the equity method of accounting. The equity method investment for each subsidiary is recorded by the parent in intangibles and other assets. Intercompany transactions of goods and services between the guarantor and non-guarantor subsidiaries are presented as if the sales or transfers were at fair value to third parties and eliminated in consolidation.

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Condensed Consolidating Balance Sheet

November 30, 2013

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 46,462	\$ 71	\$ 34,693	\$	\$ 81,226
Restricted cash		2,074	6,901		8,975
Accounts receivable, net	653	125,992	47,978	122	174,745
Inventories		152,244	176,094	(103)	328,235
Leased railcars for syndication		61,796		(514)	61,282
Equipment on operating leases, net		291,892	3,815	(2,416)	293,291
Property, plant and equipment, net	4,469	99,932	96,952		201,353
Goodwill		57,416			57,416
Intangibles and other assets, net	743,318	114,966	15,116	(797,345)	76,055
	\$ 794,902	\$ 906,383	\$ 381,549	\$ (800,256)	\$ 1,282,578
Liabilities and Equity					
Revolving notes	\$	\$	\$ 38,805	\$	\$ 38,805
Accounts payable and accrued					
liabilities	90,196	51,215	151,630		293,041
Deferred income taxes	12,135	83,674		(9,308)	86,501
Deferred revenue	116	8,201	345	44	8,706
Notes payable	244,856	125,842	1,968		372,666
Total equity - Greenbrier	447,599	637,451	154,366	(791,817)	447,599
Noncontrolling interest			34,435	825	35,260
Total equity	447,599	637,451	188,801	(790,992)	482,859
	\$ 794,902	\$ 906,383	\$ 381,549	\$ (800,256)	\$ 1,282,578

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Income

For the three months ended November 30, 2013

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	\$	\$ 186,004	\$ 312,311	\$ (138,842)	\$ 359,473
Wheels, Repair & Parts		114,721		(1,320)	113,401
Leasing & Services	390	16,935		156	17,481
	390	317,660	312,311	(140,006)	490,355
Cost of revenue					
Manufacturing		167,537	282,523	(138,620)	311,440
Wheels, Repair & Parts		109,287		(1,312)	107,975
Leasing & Services		9,402		(21)	9,381
		286,226	282,523	(139,953)	428,796
Margin	390	31,434	29,788	(53)	61,559
Selling and administrative	8,600	9,213	8,147	149	26,109
Net gain on disposition of equipment		(3,174)	(343)	(134)	(3,651)
Restructuring charges		879			879
Earnings (loss) from operations	(8,210)	24,516	21,984	(68)	38,222
Other costs					
Interest and foreign exchange	2,934	804	1,006		4,744
Earnings (loss) before income taxes					
and earnings (loss) from unconsolidated affiliates	(11,144)	23,712	20,978	(68)	33,478
Income tax (expense) benefit	3,154	(9,453)	(4,251)	28	(10,522)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(7,990)	14,259	16,727	(40)	22,956
Earnings (loss) from unconsolidated affiliates	23,378	802	32	(24,171)	41
Net earnings (loss)	15,388	15,061	16,759	(24,211)	22,997
Net (earnings) loss attributable to noncontrolling interest			(7,263)	(346)	(7,609)
Net earnings (loss) attributable to Greenbrier	\$ 15,388	\$ 15,061	\$ 9,496	\$ (24,557)	\$ 15,388

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Consolidating Statement of Comprehensive Income (Loss)

For the three months ended November 30, 2013

<i>(In thousands)</i>	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net earnings (loss)	\$ 15,388	\$ 15,061	\$ 16,759	\$ (24,211)	\$ 22,997
Other comprehensive income (loss)					
Translation adjustment		45	2,467		2,512
Reclassification of derivative financial instruments recognized in net earnings (loss)		259	(122)		137
Unrealized gain on derivative financial instruments		1	761		762
Other (net of tax effect)			(1)		(1)
		305	3,105		3,410
Comprehensive income (loss)	15,388	15,366	19,864	(24,211)	26,407
Comprehensive (income) loss attributable to noncontrolling interest			(7,304)	(346)	(7,650)
Comprehensive income (loss) attributable to Greenbrier	\$ 15,388	\$ 15,366	\$ 12,560	\$ (24,557)	\$ 18,757

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Cash Flows

For the three months ended November 30, 2013

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	\$ 15,388	\$ 15,061	\$ 16,759	\$ (24,211)	\$ 22,997
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	4,041	(2,935)	(792)	(28)	286
Depreciation and amortization	494	7,519	2,905	(21)	10,897
Net gain on disposition of equipment		(3,174)	(343)	(134)	(3,651)
Stock based compensation expense	1,359				1,359
Other		341	17	169	527
Decrease (increase) in assets:					
Accounts receivable	36,970	91,276	7,026	(154,577)	(19,305)
Inventories		(3,997)	(9,189)	8	(13,178)
Leased railcars for syndication		9,686		167	9,853
Other	(60)	1,742	2,060	(1,673)	2,069
Increase (decrease) in liabilities:					
Accounts payable and accrued liabilities	(14,200)	(159,156)	(6,231)	154,450	(25,137)
Deferred revenue	(39)	(393)	258	2	(172)
Net cash provided by (used in) operating activities	43,953	(44,030)	12,470	(25,848)	(13,455)
Cash flows from investing activities:					
Proceeds from sales of assets		13,592	459		14,051
Capital expenditures	(992)	(2,608)	(2,942)		(6,542)
Decrease (increase) in restricted cash		(167)	(1)		(168)
Investment in and net advances to unconsolidated affiliates	(25,051)	(797)	(1,253)	25,848	(1,253)
Net cash provided by (used in) investing activities	(26,043)	10,020	(3,737)	25,848	6,088
Cash flows from financing activities:					
Proceeds from revolving notes with maturities longer than 90 days			7,474		7,474
Repayment of revolving notes with maturities longer than 90 days			(16,878)		(16,878)
Intercompany advances	(33,902)	34,562	(660)		
Repayments of notes payable		(1,021)	(202)		(1,223)
Investment by joint venture partner			419		419
Repurchase of stock	(871)				(871)
Excess tax benefit from restricted stock awards	152				152
Net cash provided by (used in) financing activities	(34,621)	33,541	(9,847)		(10,927)

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Effect of exchange rate changes		515	1,570	2,085
Increase (decrease) in cash and cash equivalents	(16,711)	46	456	(16,209)
Cash and cash equivalents				
Beginning of period	63,173	25	34,237	97,435
End of period	\$ 46,462	\$ 71	\$ 34,693	\$ 81,226

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Condensed Consolidating Balance Sheet

August 31, 2013

(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 63,173	\$ 25	\$ 34,237	\$	\$ 97,435
Restricted cash		1,907	6,900		8,807
Accounts receivable, net	37,623	217,268	54,412	(154,455)	154,848
Inventories		151,023	165,855	(95)	316,783
Leased railcars for syndication		68,827		(347)	68,480
Equipment on operating leases, net		304,234	3,809	(2,575)	305,468
Property, plant and equipment, net	2,112	103,315	96,106		201,533
Goodwill		57,416			57,416
Intangibles and other assets, net	716,029	118,541	13,515	(769,114)	78,971
	\$ 818,937	\$ 1,022,556	\$ 374,834	\$ (926,586)	\$ 1,289,741
Liabilities and Equity					
Revolving notes	\$	\$	\$ 48,209	\$	\$ 48,209
Accounts payable and accrued liabilities	137,631	178,662	154,096	(154,451)	315,938
Deferred income taxes	8,093	86,610		(8,663)	86,040
Deferred revenue	155	8,546	98	39	8,838
Notes payable	244,856	126,863	2,170		373,889
Total equity - Greenbrier	428,202	621,875	141,945	(763,820)	428,202
Noncontrolling interest			28,316	309	28,625
Total equity	428,202	621,875	170,261	(763,511)	456,827
	\$ 818,937	\$ 1,022,556	\$ 374,834	\$ (926,586)	\$ 1,289,741

THE GREENBRIER COMPANIES, INC.

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Income

For the three months ended November 30, 2012

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	\$	\$ 133,511	\$ 229,508	\$ (77,651)	\$ 285,368
Wheels, Repair & Parts		116,224		(4,124)	112,100
Leasing & Services	91	17,823		(8)	17,906
	91	267,558	229,508	(81,783)	415,374
Cost of revenue					
Manufacturing		124,385	215,170	(81,063)	258,492
Wheels, Repair & Parts		105,659		(4,183)	101,476
Leasing & Services		7,650		(23)	7,627
		237,694	215,170	(85,269)	367,595
Margin	91	29,864	14,338	3,486	47,779
Selling and administrative	9,786	8,131	8,183		26,100
Gain on disposition of equipment		(1,044)		(364)	(1,408)
Earnings (loss) from operations	(9,695)	22,777	6,155	3,850	23,087
Other costs					
Interest and foreign exchange	3,616	902	1,498	(116)	5,900
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(13,311)	21,875	4,657	3,966	17,187
Income tax (expense) benefit	5,769	(8,081)	(1,423)	(851)	(4,586)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(7,542)	13,794	3,234	3,115	12,601
Earnings (loss) from unconsolidated affiliates	17,969	36	9	(18,054)	(40)
Net earnings (loss)	10,427	13,830	3,243	(14,939)	12,561
Net (earnings) loss attributable to noncontrolling interest			(535)	(1,599)	(2,134)
Net earnings (loss) attributable to Greenbrier	\$ 10,427	\$ 13,830	\$ 2,708	\$ (16,538)	\$ 10,427

The Greenbrier Companies, Inc.

Consolidating Statement of Comprehensive Income (Loss)

For the three months ended November 30, 2012

<i>(In thousands)</i>	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net earnings (loss)	\$ 10,427	\$ 13,830	\$ 3,243	\$ (14,939)	\$ 12,561
Other comprehensive income (loss)					
Translation adjustment		167	1,968		2,135
Reclassification of derivative financial instruments recognized in net earnings (loss)		259	(875)		(616)
Unrealized loss on derivative financial instruments		(17)	1,316		1,299
		409	2,409		2,818
Comprehensive income (loss)	10,427	14,239	5,652	(14,939)	15,379
Comprehensive (income) loss attributable to noncontrolling interest					