GREENBRIER COMPANIES INC
Form 10-Q
January 07, 2015

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, 2014

¨ **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	**93-0816972**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
One Centerpointe Drive, Suite 200, Lake Oswego, OR	**97035**
(Address of principal executive offices)	**(Zip Code)**

(503) 684-7000

(Registrant s telephone number, including area code)

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 x 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 x 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	x	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 x

The number of shares of the registrant s common stock, without par value, outstanding on January 2, 2015 was 26,481,690 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;

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 or joint ventures, 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 expansion or the start-up of production lines and new facilities or increased production rates, changing technologies, transfer of production between facilities or non-performance of alliance partners, subcontractors or suppliers;

interruption of our manufacturing operations as a result of lease termination or expiration;

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 or services resulting in increased warranty costs or litigation;

physical damage, business interruption or product or service liability claims that exceed our insurance coverage;

commencement of and ultimate 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 or failures to act by various regulatory agencies including potential environmental remediation obligations or changing tank car or other rail car regulation;

changes in commodity prices, including oil and gas;

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 joint ventures or 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;

changes in legislation and increased costs related to health care; and

misconduct by employees, including the outcome of the internal investigation into allegations raised by whistleblower complaints concerning a senior employee at our Concarril facility.

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, strategy, could, would, should, likely, will, foreseeable future and similar 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.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

Consolidated Balance Sheets

(In thousands, unaudited)

	November 30, 2014	August 31, 2014
Assets		
Cash and cash equivalents	$ 118,958	$ 184,916
Restricted cash	9,170	20,140
Accounts receivable, net	191,532	199,679
Inventories	372,039	305,656
Leased railcars for syndication	177,221	125,850
Equipment on operating leases, net	264,615	258,848
Property, plant and equipment, net	258,303	243,698
Investment in unconsolidated affiliates	72,342	69,359
Goodwill	43,265	43,265
Intangibles and other assets, net	61,937	65,757
	$ 1,569,382	$ 1,517,168
Liabilities and Equity		
Revolving notes	$ 46,527	$ 13,081
Accounts payable and accrued liabilities	374,509	383,289
Deferred income taxes	81,808	81,383
Deferred revenue	27,067	20,603
Notes payable	443,303	445,091
Commitments and contingencies (Note 12)		
Equity:		
Greenbrier		
Preferred stock - without par value; 25,000 shares authorized; none outstanding		
Common stock - without par value; 50,000 shares authorized; 26,890 and 27,364 shares outstanding at November 30, 2014 and August 31, 2014		
Additional paid-in capital	219,062	235,763
Retained earnings	311,175	282,559
Accumulated other comprehensive loss	(10,353)	(6,932)
Total equity - Greenbrier	519,884	511,390
Noncontrolling interest	76,284	62,331
Total equity	596,168	573,721
	$ 1,569,382	$ 1,517,168

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Income

(In thousands, except per share amounts, unaudited)

	Three Months Ended November 30, 2014	2013
Revenue		
Manufacturing	$ 379,949	$ 359,473
Wheels & Parts	86,624	113,401
Leasing & Services	28,485	17,481
	495,058	490,355
Cost of revenue		
Manufacturing	316,037	311,440
Wheels & Parts	76,872	107,975
Leasing & Services	14,081	9,381
	406,990	428,796
Margin	88,068	61,559
Selling and administrative expense	33,729	26,109
Net gain on disposition of equipment	(83)	(3,651)
Restructuring charges		879
Earnings from operations	54,422	38,222
Other costs		
Interest and foreign exchange	3,141	4,744
Earnings before income taxes and earnings from unconsolidated affiliates	51,281	33,478
Income tax expense	(16,054)	(10,522)
Earnings before earnings from unconsolidated affiliates	35,227	22,956
Earnings from unconsolidated affiliates	755	41
Net earnings	35,982	22,997
Net earnings attributable to noncontrolling interest	(3,196)	(7,609)
Net earnings attributable to Greenbrier	$ 32,786	$ 15,388
Basic earnings per common share:	$ 1.19	$ 0.54
Diluted earnings per common share:	$ 1.01	$ 0.49
Weighted average common shares:		
Basic	27,665	28,417
Diluted	33,713	34,462
Dividends declared per common share	$ 0.15	$

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Comprehensive Income

(In thousands, unaudited)

	Three Months Ended November 30,	
	2014	2013
Net earnings	$ 35,982	$ 22,997
Other comprehensive income (loss)		
Translation adjustment	(3,450)	2,512
Reclassification of derivative financial instruments recognized in net earnings [1]	289	137
Unrealized gain (loss) on derivative financial instruments [2]	(306)	762
Other (net of tax effect)	(2)	(1)
	(3,469)	3,410
Comprehensive income	32,513	26,407
Comprehensive income attributable to noncontrolling interest	(3,148)	(7,650)
Comprehensive income attributable to Greenbrier	$ 29,365	$ 18,757

[1] Net of tax effect of $0.2 million and $0.1 million for the three months ended November 30, 2014 and 2013.

[2] Net of tax effect of $0.4 million and $0.2 million for the three months ended November 30, 2014 and 2013.

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Equity

(In thousands, unaudited)

	Attributable to Greenbrier						
	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Attributable to Greenbrier	Attributable to Noncontrolling Interest	Total Equity
Balance September 1, 2014	27,364	$ 235,763	$ 282,559	$ (6,932)	$ 511,390	$ 62,331	$ 573,721
Net earnings			32,786		32,786	3,196	35,982
Other comprehensive income, net				(3,421)	(3,421)	(48)	(3,469)
Noncontrolling interest adjustments						12,952	12,952
Joint venture partner distribution declared						(2,147)	(2,147)
Restricted stock cancellations	(96)	(1,936)			(1,936)		(1,936)
Unamortized restricted stock		1,936			1,936		1,936
Restricted stock amortization		3,411			3,411		3,411
Excess tax benefit from restricted stock awards		2,970			2,970		2,970
Conversion of convertible notes	1	25			25		25
Cash dividends			(4,170)		(4,170)		(4,170)
Repurchase of stock	(379)	(23,107)			(23,107)		(23,107)
Balance November 30, 2014	26,890	$ 219,062	$ 311,175	$ (10,353)	$ 519,884	$ 76,284	$ 596,168

	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

The accompanying notes are an integral part of these financial statements

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Consolidated Statements of Cash Flows

(In thousands, unaudited)

	Three Months Ended November 30, 2014	2013
Cash flows from operating activities		
Net earnings	$ 35,982	$ 22,997
Adjustments to reconcile net earnings to net cash used in operating activities:		
Deferred income taxes	607	286
Depreciation and amortization	12,050	10,897
Net gain on disposition of equipment	(83)	(3,651)
Stock based compensation expense	3,411	1,359
Noncontrolling interest adjustments	12,952	169
Other	152	358
Decrease (increase) in assets:		
Accounts receivable, net	7,806	(19,305)
Inventories	(67,642)	(13,178)
Leased railcars for syndication	(54,732)	9,853
Other	2,211	2,069
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(13,032)	(25,137)
Deferred revenue	6,488	(172)
Net cash used in operating activities	(53,830)	(13,455)
Cash flows from investing activities		
Proceeds from sales of assets	2,073	14,051
Capital expenditures	(31,314)	(6,542)
Increase in restricted cash	(30)	(168)
Investment in unconsolidated affiliates	(2,500)	(1,253)
Net cash provided by (used in) investing activities	(31,771)	6,088
Cash flows from financing activities		
Net change in revolving notes with maturities of 90 days or less	15,000	
Proceeds from revolving notes with maturities longer than 90 days	23,056	7,474
Repayments of revolving notes with maturities longer than 90 days	(4,610)	(16,878)
Repayments of notes payable	(1,758)	(1,223)
Decrease in restricted cash	11,000	
Cash distribution to joint venture partner	(2,275)	
Investment by joint venture partner		419
Repurchase of stock	(21,730)	(871)
Excess tax benefit from restricted stock awards	2,970	152
Net cash provided by (used in) financing activities	21,653	(10,927)
Effect of exchange rate changes	(2,010)	2,085
Decrease in cash and cash equivalents	(65,958)	(16,209)
Cash and cash equivalents		
Beginning of period	184,916	97,435

End of period	$ 118,958	$ 81,226
Cash paid during the period for		
Interest	$ 5,736	$ 5,469
Income taxes, net	$ 28,487	$ 17,694
Non-cash activity		
Dividends declared and accrued in Accounts payable and accrued liabilities	$ 4,170	$
Transfer from Leased railcars for syndication to Equipment on operating equipment, net	$ 3,313	$
Capital expenditures accrued in Accounts payable and accrued liabilities	$ 2,957	$
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, 2014 and for the three months ended November 30, 2014 and 2013 have been prepared without audit and reflect all adjustments (consisting of normal recurring accruals) that, 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, 2014 are not necessarily indicative of the results to be expected for the entire year ending August 31, 2015.

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 2014 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.

Prospective Accounting Changes In May 2014, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) issued a jointly converged standard on the recognition of revenue from contracts with customers. The issued guidance converges the criteria for reporting revenue, as well as requiring disclosures sufficient to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from these contracts. Companies can transition to the standard either retrospectively or as a cumulative effective adjustment as of the date of adoption. The new standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company plans to adopt this guidance beginning September 1, 2017. The Company is evaluating the impact of this standard as well as its method of adoption on its consolidated financial statements and disclosures.

Share Repurchase Programs In October 2013, the Board of Directors authorized the Company to repurchase up to $50 million of the Company s common stock. The Company completed this share repurchase program in October 2014. In October 2014, the Board of Directors authorized a new share repurchase program for the Company to repurchase up to an additional $50 million of the Company s common stock. In January 2015, the Board of Directors authorized a $25 million increase to the October 2014 share repurchase program, bringing the total to $75 million. The new share repurchase program expires June 30, 2016, but may be modified, suspended or discontinued at any time without prior notice. Under the share repurchase programs, 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 programs do not obligate the Company to acquire any specific number of shares in any period.

During the quarter ended November 30, 2014, the Company purchased a total of 378,695 shares for approximately $23.1 million under these share repurchase programs. Subsequent to November 30, 2014 and through December 31, 2014, the Company purchased an additional 408,460 shares for approximately $20.0 million under the share repurchase program.

Note 2 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:

(In thousands)	November 30, 2014	August 31, 2014
Manufacturing supplies and raw materials	$ 285,468	$ 235,903
Work-in-process	60,364	48,853
Finished goods	29,714	23,766
Excess and obsolete adjustment	(3,507)	(2,866)
	$ 372,039	$ 305,656

Note 3 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:

(In thousands)	November 30, 2014	August 31, 2014
Intangible assets subject to amortization:		
Customer relationships	$ 65,023	$ 65,023
Accumulated amortization	(31,150)	(30,282)
Other intangibles	3,610	3,699
Accumulated amortization	(3,139)	(3,156)
	34,344	35,284
Intangible assets not subject to amortization	912	912
Nonqualified savings plan investments	10,338	10,223
Prepaid and other assets	8,998	11,347
Debt issuance costs, net	6,992	7,602
Assets held for sale	353	389
Total intangible and other assets	$ 61,937	$ 65,757

Amortization expense for the three months ended November 30, 2014 and 2013 was $0.9 million and $1.7 million. Amortization expense for the years ending August 31, 2015, 2016, 2017, 2018 and 2019 is expected to be $3.7 million, $3.7 million, $3.6 million, $3.4 million and $3.4 million.

Note 4 Revolving Notes

Senior secured credit facilities, consisting of three components, aggregated to $358.2 million as of November 30, 2014.

As of November 30, 2014, a $290.0 million revolving line of credit, maturing June 2016, secured by substantially all the Company s assets in the U.S. not otherwise pledged as security for term loans, 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, 2014, lines of credit totaling $18.2 million secured by certain of the Company s European assets, with various variable rates that range from Warsaw Interbank Offered Rate (WIBOR) plus 1.2% 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 March 2015 through February 2016.

As of November 30, 2014, 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%. The Mexican joint venture will be able to draw amounts available under this facility through April 2015. 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 January 2015 and a renewal of this facility is in process.

As of November 30, 2014, outstanding commitments under the senior secured credit facilities consisted of $8.6 million in letters of credit and $15.0 million in revolving notes under the North American credit facility and $31.5 million outstanding under the Mexican joint venture credit facilities.

As of August 31, 2014, outstanding borrowings under the senior secured credit facilities consisted of $9.6 million in letters of credit under the North American credit facility and $13.1 million outstanding under the Mexican joint venture credit facilities.

Note 5 Accounts Payable and Accrued Liabilities

(In thousands)	November 30, 2014	August 31, 2014
Trade payables	$ 223,093	$ 204,744
Other accrued liabilities	62,009	66,421
Accrued payroll and related liabilities	53,432	64,959
Accrued maintenance	15,510	14,329
Accrued warranty	8,896	9,340
Other	7,932	3,787
Income taxes payable	3,637	19,709
	$ 374,509	$ 383,289

Note 6 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:

	Three Months Ended November 30,	
(In thousands)	2014	2013
Balance at beginning of period	$ 9,340	$ 12,128
Charged to cost of revenue, net	647	622
Payments	(974)	(1,472)
Currency translation effect	(117)	201
Balance at end of period	$ 8,896	$ 11,479

Note 7 Accumulated Other Comprehensive Loss

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

(In thousands)	Unrealized Income (Loss) on Derivative Financial Instruments	Foreign Currency Translation Adjustment	Other	Accumulated Other Comprehensive Loss
Balance, August 31, 2014	$ (1,601)	$ (4,813)	$ (518)	$ (6,932)
Other comprehensive loss before reclassifications	(306)	(3,402)	(2)	(3,710)
Amounts reclassified from accumulated other comprehensive loss	289			289
Balance, November 30, 2014	$ (1,618)	$ (8,215)	$ (520)	$ (10,353)

The amounts reclassified out of Accumulated other comprehensive loss into the Consolidated Statements of Income, with presentation location, were as follows:

	Three Months Ended November 30,		
(In thousands)	2014	2013	Financial Statement Location
(Gain) loss on derivative financial instruments:			
Foreign exchange contracts	$ 8	$ (150)	Revenue
Interest rate swap contracts	456	419	Interest and foreign exchange
	464	269	Total before tax
	(175)	(132)	Tax expense

$ 289	$ 137	Net of tax

Note 8 Earnings Per Share

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

(In thousands)	Three Months Ended November 30, 2014	2013
Weighted average basic common shares outstanding *(1)*	27,665	28,417
Dilutive effect of 2018 Convertible notes *(2)*	6,044	6,045
Dilutive effect of 2026 Convertible notes *(3)*	4	
Weighted average diluted common shares outstanding	33,713	34,462

(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 was included for the three months ended November 30, 2014 and 2013 as they were considered dilutive under the if converted method as further discussed below.

(3) The dilutive effect of the 2026 Convertible notes was included for the three months ended November 30, 2014 as the average stock price was greater than $48.05. The effect of the 2026 Convertible notes was excluded for the three months ended November 30, 2013 as the average stock price was less than $48.05 and therefore was considered anti-dilutive.

Dilutive EPS for the three months ended November 30, 2014 and 2013 was calculated using the more dilutive of two approaches. The first approach includes the dilutive effect of 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 are included in the calculation of both approaches using the treasury stock method when the average stock price is greater than the initial conversion price of $48.05.

	Three Months Ended November 30, 2014	2013
Net earnings attributable to Greenbrier	$ 32,786	$ 15,388
Add back:		
Interest and debt issuance costs on the 2018 Convertible notes, net of tax	1,416	1,416
Earnings before interest and debt issuance costs on convertible notes	$ 34,202	$ 16,804
Weighted average diluted common shares outstanding	33,713	34,462
Diluted earnings per share (1)	$ 1.01	$ 0.49

(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 9 Stock Based Compensation

The value of restricted stock and restricted stock unit awards is amortized as compensation expense from the date of grant through the earlier of the vesting period or the recipient s eligible retirement date. Awards are expensed upon grant when the recipient s eligible retirement date precedes the grant date.

Compensation expense for restricted stock unit grants was $3.4 million for the three months ended November 30, 2014. Compensation expense for restricted stock and restricted stock unit grants was $1.4 million for the three months ended November 30, 2013. Compensation expense related to restricted stock and restricted stock unit grants is recorded in Selling and administrative expense and Cost of revenue on the Consolidated Statements of Income.

Note 10 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 used 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 is recorded in accumulated other comprehensive income or loss.

At November 30, 2014, exchange rates, forward exchange contracts for the purchase of Polish Zloty and the sale of Euro aggregated $100.4 million. The fair value of the contracts is included in Accounts payable and accrued liabilities when there is a loss, or Accounts receivable, net when there is a gain, on the Consolidated Balance Sheets. As the contracts mature at various dates through February 2016, 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, 2014, an interest rate swap agreement had a notional amount of $98.3 million and matures March 2020. 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, 2014 interest rates, approximately $1.8 million would be reclassified to interest expense in the next 12 months.

Fair Values of Derivative Instruments

	Asset Derivatives			Liability Derivatives		
(In thousands)	Balance sheet location	November 30, 2014 Fair Value	August 31, 2014 Fair Value	Balance sheet location	November 30, 2014 Fair Value	August 31, 2014 Fair Value
Derivatives designated as hedging instruments						
Foreign forward exchange contracts	Accounts receivable, net	$ 616	$ 129	Accounts payable and accrued liabilities	$ 175	$ 704
Interest rate swap contracts	Other assets			Accounts payable and accrued liabilities	2,126	1,286
		$ 616	$ 129		$ 2,301	$ 1,990
Derivatives not designated as hedging instruments						
Foreign forward exchange contracts	Accounts receivable, net	$ 24	$ 71	Accounts payable and accrued liabilities	$	$ 5

The Effect of Derivative Instruments on the Statements of Income

Derivatives in cash flow hedging relationships	Location of gain recognized in income on derivative	Gain recognized in income on derivative three months ended November 30, 2014	2013
Foreign forward exchange contract	Interest and foreign exchange	$ 54	$ 74
Interest rate swap contracts	Interest and foreign exchange	56	
		$ 110	$ 74

Derivatives in cash flow hedging relationships	Gain (loss) recognized in OCI on derivatives (effective portion) three months ended November 30, 2014	2013	Location of gain (loss) reclassified from accumulated OCI into income	Gain (loss) reclassified from accumulated OCI into income (effective portion) three months ended November 30, 2014	2013	Location of gain in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Gain recognized on derivative (ineffective portion and amount excluded from effectiveness testing) three months ended November 30, 2014	2013
Foreign forward exchange contracts	$ 600	$ 955	Revenue	$ (8)	$ 150	Interest and foreign exchange	$ 494	$ 170
Interest rate swap contracts	(1,335)	1	Interest and foreign exchange	(456)	(419)	Interest and foreign exchange		
	$ (735)	$ 956		$ (464)	$ (269)		$ 494	$ 170

Note 11 Segment Information

Through July 18, 2014, Greenbrier operated in three reportable segments: Manufacturing; Wheels, Repair & Parts; and Leasing & Services. On July 18, 2014, the Company completed the formation of GBW, an unconsolidated 50/50 joint venture with Watco which became the Company s fourth reportable segment (GBW Joint Venture) upon formation. The Wheels & Parts segment (previously known as Wheels, Repair & Parts through 2014) included the results of operations for its repair, refurbishment, maintenance and retrofitting (Repair) operations through July 18, 2014. After July 18, 2014, the results of GBW were included as part of Earnings from unconsolidated affiliates as the Company accounts for its interest in GBW under the equity method of accounting. Certain assets including real property, personal property, accounts receivable and accounts payable were not contributed or sold to GBW and remained as part of the Wheels & Parts segment.

The results of operations for the GBW Joint Venture are not reflected in the tables below as the investment is accounted for under the equity method of accounting. For the three months ended November 30, 2014, GBW generated total revenue of $82.5 million and had total assets of $231.3 million and $210.6 million as of November 30, 2014 and August 31, 2014. The Company recorded $0.4 million in Earnings from unconsolidated affiliates associated with GBW for the three months ended November 30, 2014. The Company s total investment in GBW at November 30, 2014 was $58.8 million which is included in unallocated assets in the tables below.

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 2014 Annual Report on Form 10-K. Performance is evaluated based on Earnings 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 our integrated business. The Company does not allocate Interest and foreign exchange or Income tax 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, 2014:

	Revenue			Earnings (loss) from operations		
	External	Intersegment	Total	External	Intersegment	Total
Manufacturing	$ 379,949	$ 7,420	$ 387,369	$ 52,051	$ 786	$ 52,837
Wheels & Parts	86,624	6,911	93,535	7,932	784	8,716
Leasing & Services	28,485	13,184	41,669	11,042	13,184	24,226
Eliminations		(27,515)	(27,515)		(14,754)	(14,754)
Corporate				(16,603)		(16,603)
	$ 495,058	$	$ 495,058	$ 54,422	$	$ 54,422

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 & 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

	Total assets	
	November 30, 2014	August 31, 2014
Manufacturing	$ 585,240	$ 521,711
Wheels & Parts	301,300	298,009
Leasing & Services	493,048	436,075
Unallocated	189,794	261,373
	$ 1,569,382	$ 1,517,168

Note 12 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.

In December 2000, the U.S. Environmental Protection Agency (EPA) classified portions of the Willamette River bed known as 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 $110 million during a 14-year period. The Company s aggregate expenditure has not been material during the 14-year period. Some or all of any such outlay may be recoverable from other responsible parties. EPA expects the investigation to continue until 2017.

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 2016.

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, currently scheduled by the EPA for 2017. Based on the investigation to date, the Company believes that it did not contribute in any material way to contamination in the river sediments or 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 or restoration 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.

The Company has also signed an Order on Consent with the 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 the Company is currently discussing with the DEQ potential remedial actions which may be required. Our aggregate expenditure has not been material, however the Company could incur significant expenses for remediation. Some or all of any such outlay may be recoverable from other responsible parties.

On October 13, 2014, the Company disclosed that it received various complaints through its whistleblower hotline concerning alleged misconduct involving a senior employee at its Concarril manufacturing facility in Sahagun, Mexico. The Company retained outside counsel who conducted an independent investigation of the matter. In addition, the Company voluntarily contacted the United States Securities and Exchange Commission and the United States Department of Justice to advise both agencies that an independent investigation was underway, and has kept such agencies informed of the progress of the investigation. The investigation suggests that there were conflicts of interest in connection with procurement of supplies and materials at the Concarril facility, and inappropriate personal use of Company assets and resources. As a result of the investigation, the involved employee has left the Company. No information has been discovered to suggest that the misconduct involves the Company s other operations, or executive officers or other senior managers, or that the misconduct had a material impact on the Company s financial condition or results of operations.

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 $4.8 million in bank and third party warranty and performance guarantee facilities, all of which have been utilized as of November 30, 2014. To date no amounts have been drawn under these guarantee facilities.

As of November 30, 2014, the Mexican joint venture had $33.1 million of third party debt outstanding, for which the Company and its joint venture partner had each guaranteed approximately $29.0 million.

As of November 30, 2014, the Company had outstanding letters of credit aggregating $8.6 million associated with performance guarantees, facility leases and workers compensation insurance.

On July 18, 2014, the Company and Watco contributed its respective Repair operations to GBW, an unconsolidated 50/50 joint venture. The Company made a $10.0 million cash contribution at closing, a $2.5 million cash contribution in August 2014 and a $2.5 million cash contribution in November 2014. The Company is likely to make additional capital contributions or loans to GBW in the future. As of November 30, 2014, the Company had an account receivable of $21.0 million from GBW for the initial sale of inventory to GBW which may be converted into a note receivable during the year.

Note 13 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 that 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, 2014 were:

(In thousands)	Total	Level 1	Level 2 [(1)]	Level 3
Assets:				
Derivative financial instruments	$ 640	$	$ 640	$
Nonqualified savings plan investments	10,338	10,338		
Cash equivalents	10,053	10,053		
	$ 21,031	$ 20,391	$ 640	$
Liabilities:				
Derivative financial instruments	$ 2,301	$	$ 2,301	$

(1) Level 2 assets and liabilities include derivative financial instruments that are valued based on observable inputs. See Note 10 Derivative Instruments for further discussion.

Assets and liabilities measured at fair value on a recurring basis as of August 31, 2014 were:

(In thousands)	Total	Level 1	Level 2	Level 3
Assets:				
Derivative financial instruments	$ 200	$	$ 200	$
Nonqualified savings plan investments	10,223	10,223		
Cash equivalents	35,036	35,036		
	$ 45,459	$ 45,259	$ 200	$
Liabilities:				
Derivative financial instruments	$ 1,995	$	$ 1,995	$

Note 14 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, Greenbrier Railcar Leasing, Inc and GBW Railcar Holdings, LLC. 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, 2014 and August 31, 2014, for the three months ended November 30, 2014 and 2013. 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.

Condensed Consolidating Balance Sheet

November 30, 2014

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 78,347	$ 1,577	$ 39,034	$	$ 118,958
Restricted cash		2,268	6,902		9,170
Accounts receivable, net	734	393,166	47,079	(249,447)	191,532
Inventories		124,284	247,829	(74)	372,039
Leased railcars for syndication		192,729		(15,508)	177,221
Equipment on operating leases, net		263,914	3,413	(2,712)	264,615
Property, plant and equipment, net	6,604	104,300	147,399		258,303
Investment in unconsolidated affiliates	992,388	151,457	3,930	(1,075,433)	72,342
Goodwill		43,265			43,265
Intangibles and other assets, net	16,273	42,614	13,831	(10,781)	61,937
	$ 1,094,346	$ 1,319,574	$ 509,417	$ (1,353,955)	$ 1,569,382
Liabilities and Equity					
Revolving notes	$ 15,000	$	$ 31,527	$	$ 46,527
Accounts payable and accrued liabilities	293,444	183,082	190,856	(292,873)	374,509
Deferred income taxes	21,070	72,225		(11,487)	81,808
Deferred revenue	122	26,068	834	43	27,067
Notes payable	244,826	196,947	1,530		443,303
Total equity - Greenbrier	519,884	841,252	208,695	(1,049,947)	519,884
Noncontrolling interest			75,975	309	76,284
Total equity	519,884	841,252	284,670	(1,049,638)	596,168
	$ 1,094,346	$ 1,319,574	$ 509,417	$ (1,353,955)	$ 1,569,382

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Income

For the three months ended November 30, 2014

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	$	$ 273,812	$ 365,746	$ (259,609)	$ 379,949
Wheels & Parts		88,465		(1,841)	86,624
Leasing & Services	(122)	28,466		141	28,485
	(122)	390,743	365,746	(261,309)	495,058
Cost of revenue					
Manufacturing		235,652	313,773	(233,388)	316,037
Wheels & Parts		78,658		(1,786)	76,872
Leasing & Services		14,105		(24)	14,081
		328,415	313,773	(235,198)	406,990
Margin	(122)	62,328	51,973	(26,111)	88,068
Selling and administrative	15,788	7,695	10,111	135	33,729
Net gain on disposition of equipment		(83)			(83)
Earnings (loss) from operations	(15,910)	54,716	41,862	(26,246)	54,422
Other costs					
Interest and foreign exchange	2,985	1,606	(1,450)		3,141
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(18,895)	53,110	43,312	(26,246)	51,281
Income tax (expense) benefit	(1,210)	(19,993)	(4,825)	9,974	(16,054)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(20,105)	33,117	38,487	(16,272)	35,227
Earnings (loss) from unconsolidated affiliates	52,891	5,383	47	(57,566)	755
Net earnings (loss)	32,786	38,500	38,534	(73,838)	35,982
Net (earnings) loss attributable to noncontrolling interest			(16,148)	12,952	(3,196)
Net earnings (loss) attributable to Greenbrier	$ 32,786	$ 38,500	$ 22,386	$ (60,886)	$ 32,786

The Greenbrier Companies, Inc.

Consolidating Statement of Comprehensive Income (Loss)

For the three months ended November 30, 2014

(In thousands)	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net earnings (loss)	$ 32,786	$ 38,500	$ 38,534	$ (73,838)	$ 35,982
Other comprehensive income (loss)					
Translation adjustment			(3,450)		(3,450)
Reclassification of derivative financial instruments recognized in net earnings (loss)		283	6		289
Unrealized gain (loss) on derivative financial instruments		(831)	525		(306)
Other (net of tax effect)			(2)		(2)
		(548)	(2,921)		(3,469)
Comprehensive income (loss)	32,786	37,952	35,613	(73,838)	32,513
Comprehensive (income) loss attributable to noncontrolling interest			(16,100)	12,952	(3,148)
Comprehensive income (loss) attributable to Greenbrier	$ 32,786	$ 37,952	$ 19,513	$ (60,886)	$ 29,365

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Cash Flows

For the three months ended November 30, 2014

(In thousands, unaudited)

(In thousands)	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	$ 32,786	$ 38,500	$ 38,534	$ (73,838)	$ 35,982
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	8,962	(8,264)	(91)		607
Depreciation and amortization	455	6,618	5,001	(24)	12,050
Net gain on disposition of equipment		(83)			(83)
Stock based compensation expense	3,411				3,411
Noncontrolling interest adjustments				12,952	12,952
Other			152		152
Decrease (increase) in assets:					
Accounts receivable, net	(108)	25,614	15,362	(33,062)	7,806
Inventories		(11,166)	(56,454)	(22)	(67,642)
Leased railcars for syndication		(67,286)		12,554	(54,732)
Other	3,259	977	475	(2,500)	2,211
Increase (decrease) in liabilities:					
Accounts payable and accrued liabilities	27,277	(38,790)	4,686	(6,205)	(13,032)
Deferred revenue		6,118	370		6,488
Net cash provided by (used in) operating activities	76,042	(47,762)	8,035	(90,145)	(53,830)
Cash flows from investing activities:					
Proceeds from sales of assets		2,073			2,073
Capital expenditures	(839)	(11,845)	(19,024)	394	(31,314)
Increase in restricted cash		(30)			(30)
Investment in unconsolidated affiliates	(87,576)	(4,675)		89,751	(2,500)
Net cash provided by (used in) investing activities	(88,415)	(14,477)	(19,024)	90,145	(31,771)
Cash flows from financing activities:					
Net changes in revolving notes with maturities of 90 days or less	15,000				15,000
Proceeds from revolving notes with maturities longer than 90 days			23,056		23,056
Repayment of revolving notes with maturities longer than 90 days			(4,610)		(4,610)
Intercompany advances	(55,267)	55,477	(210)		
Repayments of notes payable		(1,758)			(1,758)
Decrease in restricted cash		11,000			11,000
Cash distribution to joint venture partner			(2,275)		(2,275)
Excess tax benefit from restricted stock awards	2,970				2,970

Repurchase of stock	(21,730)				(21,730)
Net cash provided by (used in) financing activities	(59,027)	64,719	15,961		21,653
Effect of exchange rate changes		(1,015)	(995)		(2,010)
Increase (decrease) in cash and cash equivalents	(71,400)	1,465	3,977		(65,958)
Cash and cash equivalents					
Beginning of period	149,747	112	35,057		184,916
End of period	$ 78,347	$ 1,577	$ 39,034	$	$ 118,958

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The Greenbrier Companies, Inc.

Condensed Consolidating Balance Sheet

August 31, 2014

(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 149,747	$ 112	$ 35,057	$	$ 184,916
Restricted cash		13,238	6,902		20,140
Accounts receivable, net	626	474,409	62,421	(337,777)	199,679
Inventories		113,117	192,634	(95)	305,656
Leased railcars for syndication		128,965		(3,115)	125,850
Equipment on operating leases, net		257,415	3,613	(2,180)	258,848
Property, plant and equipment, net	6,220	102,972	134,506		243,698
Investment in unconsolidated affiliates	910,732	143,768	3,961	(989,102)	69,359
Goodwill		43,265			43,265
Intangibles and other assets, net	17,031	45,013	14,221	(10,508)	65,757
	$ 1,084,356	$ 1,322,274	$ 453,315	$ (1,342,777)	$ 1,517,168
Liabilities and Equity					
Revolving notes	$	$	$ 13,081	$	$ 13,081
Accounts payable and accrued liabilities	315,879	221,863	185,335	(339,788)	383,289
Deferred income taxes	12,109	80,489		(11,215)	81,383
Deferred revenue	122	19,950	487	44	20,603
Notes payable	244,856	198,705	1,530		445,091
Total equity Greenbrier	511,390	801,267	190,861	(992,128)	511,390
Noncontrolling interest			62,021	310	62,331
Total equity	511,390	801,267	252,882	(991,818)	573,721
	$ 1,084,356	$ 1,322,274	$ 453,315	$ (1,342,777)	$ 1,517,168

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 & 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 & 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.

Consolidating Statement of Comprehensive Income (Loss)

For the three months ended November 30, 2013

(In thousands)	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.

Condensed Consolidating Statement of Cash Flows

For the three months ended November 30, 2013

	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
Noncontrolling interest adjustments				169	169
Other		341	17		358
Decrease (increase) in assets:					
Accounts receivable, net	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 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)

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

Note 15 Subsequent Events

On January 7, 2015 the Company announced that it has entered an agreement to acquire a 19.5% ownership in Amsted-Maxion Hortolândia, the leading railcar manufacturer in South America, for $15 million. The agreement also provides Greenbrier with an option to acquire an additional 40.5% ownership interest, to be exercised no later than September 30, 2017. The strategic investment is subject to customary closing conditions and is expected to close in the second calendar quarter of 2015.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

Through July 18, 2014, we operated in three reportable segments: Manufacturing; Wheels, Repair & Parts; and Leasing & Services. Our segments are operationally integrated. On July 18, 2014, we and Watco Companies, LLC (Watco), our joint venture partner, contributed our respective Repair operations to GBW Railcar Services LLC (GBW), an unconsolidated 50/50 joint venture that became our fourth reportable segment (GBW Joint Venture) upon formation. The Manufacturing segment, operating from facilities in the United States, Mexico and Poland, produces double-stack intermodal railcars, tank cars, conventional railcars, automotive railcar products and marine vessels. The Wheels & Parts segment (previously known as Wheels, Repair & Parts through 2014) performs wheel and axle servicing, as well as production and reconditioning of a variety of parts for the railroad industry in North America and included the results of operations for our Repair operations through July 18, 2014. After July 18, 2014, the results of these operations were included as part of Earnings from unconsolidated affiliates as we account for our interest in GBW under the equity method of accounting. The Leasing & Services segment owns approximately 8,500 railcars and provides management services for approximately 238,000 railcars for railroads, shippers, carriers, institutional investors and other leasing and transportation companies in North America. The GBW Joint Venture segment provides railcar repair, refurbishment, retrofitting and maintenance services through 39 shops throughout North America, 14 of which are currently tank car certified by the Association of American Railroads (AAR) and one location operated exclusively by our company for GBW. We also produce rail castings through an unconsolidated joint venture.

Multi-year supply agreements are a part of rail industry practice. Customer orders may be subject to cancellations or modifications and contain terms and conditions customary in the industry. In most cases, little variation has been experienced between the quantity ordered and the quantity actually delivered.

Our total manufacturing backlog of railcar units as of November 30, 2014 was approximately 41,200 units with an estimated value of $4.20 billion compared to 13,500 units with an estimated value of $1.43 billion as of November 30, 2013. Currently, the entire backlog is expected to be sold to third parties, therefore no orders in our backlog are expected to be placed into our owned lease fleet. A portion of the orders included in backlog reflects an assumed product mix. Under terms of the orders, the exact mix will be determined in the future which may impact the dollar amount of backlog. Marine backlog as of November 30, 2014 was approximately $100 million compared to $5 million as of November 30, 2013. Our backlog of railcar units and marine vessels is not necessarily indicative of future results of operations. Subsequent to quarter end we received new railcar orders for 3,500 units valued at approximately $400 million. The new orders referenced are subject to customary documentation and completion of terms.

We operated two manufacturing facilities in Sahagun, Mexico, one of which we own and currently operate and one of which had a lease that expired in November 2014. We replaced part of this leased capacity with an alternative site in Tlaxcala, Mexico which was purchased during 2014 and began production in October 2014. We are also expanding capacity at our other manufacturing facilities in Mexico.

On January 7, 2015 we announced that we have entered an agreement to acquire a 19.5% ownership in Amsted-Maxion Hortolândia, the leading railcar manufacturer in South America, for $15 million. The agreement also provides us with an option to acquire an additional 40.5% ownership interest, to be exercised no later than September 30, 2017. The strategic investment is subject to customary closing conditions and is expected to close in the second calendar quarter of 2015.

Three Months Ended November 30, 2014 Compared to Three Months Ended November 30, 2013

Overview

Total revenue for the three months ended November 30, 2014 was $495.1 million, an increase of $4.7 million from revenues of $490.4 million in the prior comparable period. The increase was the result of higher revenues in the Manufacturing segment of our business primarily attributed to a higher volume of deliveries. This was partially offset by a decrease in revenue in our Wheels & Parts segment as the three months ended November 30, 2014 excluded repair revenue while the three months ended November 30, 2013 included repair revenue.

Net earnings attributable to Greenbrier for the three months ended November 30, 2014 were $32.8 million or $1.01 per diluted common share compared to $15.4 million or $0.49 per diluted common share for the three months ended November 30, 2013. The increase in earnings was primarily attributed to an increase in gross margin in all of our segments, in particular our Manufacturing segment.

Revenue, margin and operating profit, presented below, include amounts from external parties and exclude intersegment activity that is eliminated in consolidation. Performance for our segments is evaluated based on operating profit. Corporate includes selling and administrative costs not directly related to goods and services and certain costs that are intertwined among segments due to our integrated business. Management does not allocate Interest and foreign exchange or Income tax expense for either external or internal reporting purposes.

	Three Months Ended November 30,	
(In thousands)	2014	2013
Revenue:		
Manufacturing	$ 379,949	$ 359,473
Wheels & Parts	86,624	113,401
Leasing & Services	28,485	17,481
	495,058	490,355
Margin:		
Manufacturing	63,912	48,033
Wheels & Parts	9,752	5,426
Leasing & Services	14,404	8,100
	88,068	61,559
Operating profit (loss):		
Manufacturing	52,051	38,314
Wheels & Parts	7,932	(374)
Leasing & Services	11,042	8,670
Corporate	(16,603)	(8,388)
Earnings from operations	54,422	38,222
Interest and foreign exchange	3,141	4,744
Earnings before income taxes and earnings from unconsolidated affiliates	51,281	33,478
Income tax expense	(16,054)	(10,522)
Earnings before earnings from unconsolidated affiliates	35,227	22,956
Earnings from unconsolidated affiliates	755	41
Net earnings	35,982	22,997
Net earnings attributable to noncontrolling interest	(3,196)	(7,609)

Net earnings attributable to Greenbrier	$ 32,786	$ 15,388
Diluted earnings per common share	$ 1.01	$ 0.49

Manufacturing Segment

Manufacturing revenue for the three months ended November 30, 2014 was $379.9 million compared to $359.5 million in the comparable period of the prior year, an increase of $20.4 million. The increase in revenue was primarily attributed to a higher volume of deliveries. Railcar unit deliveries, which are the primary source of manufacturing revenue, were approximately 4,000 units in the current period compared to approximately 3,700 units in the prior comparable period.

Manufacturing margin as a percentage of revenue for the three months ended November 30, 2014 was 16.8% compared to a margin of 13.4% for the three months ended November 30, 2013. The increase in margin as a percentage of revenue was primarily attributed to a higher volume of syndication of new railcars with leases attached and improved production efficiencies and overhead absorption. Transition costs for the new manufacturing facility in Mexico did not have a significant impact on margin.

Manufacturing operating profit was $52.1 million or 13.7% of revenue for the three months ended November 30, 2014 compared to $38.3 million or 10.7% for the three months ended November 30, 2013. The increase in operating profit as compared to the prior comparable period was primarily attributed to higher margin.

Wheels & Parts Segment

This segment included the results of operations for our Repair operations through July 18, 2014. On July 18, 2014 we and Watco, our joint venture partner, contributed our respective Repair operations to GBW, an unconsolidated 50/50 joint venture. After July 18, 2014, the results of GBW were included as part of Earnings from unconsolidated affiliates as we account for our interest in GBW under the equity method of accounting.

Wheels & Parts revenue was $86.6 million for the three months ended November 30, 2014 compared to $113.4 million in the comparable period of the prior year. The decrease of $26.8 million in revenue was primarily attributed to the three months ended November 30, 2014 excluding repair revenue while the three months ended November 30, 2013 included repair revenue. This was partially offset by an increase in wheel set and component volumes as a result of increased demand.

Wheels & Parts margin as a percentage of revenue was 11.3% for the three months ended November 30, 2014 compared to 4.8% for the three months ended November 30, 2013. The increase in margin as a percentage of revenue was the result of improved results in our wheels business, which includes a favorable change in wheel pricing. In addition, the three months ended November 30, 2014 excluded the results of our repair operations which historically have had lower margins as a percentage of revenue than the rest of the segment.

Wheels & Parts operating profit was $7.9 million or 9.2% of revenue for the three months ended November 30, 2014 compared to an operating loss of $0.4 million for the three months ended November 30, 2013. The increase in operating profit as compared to the prior comparable period was primarily attributed to an increase in margin in the current year and restructuring charges of $0.9 million incurred in the prior year.

Leasing & Services Segment

Leasing & Services revenue was $28.5 million for the three months ended November 30, 2014 compared to $17.5 million in the comparable period of the prior year. The increase of $11.0 million was primarily a result of a syndication of railcars purchased from a third party. These railcars were not manufactured by our company, but rather purchased from a third party with a lease attached, with the intent to sell them. The gross proceeds of $7.8 million from the sale of these railcars with leases attached were recorded as revenue and the cost of purchasing these railcars from a third party were recorded in cost of sales. The increase in revenue as compared to the prior year was also a result of higher average volumes of rent-producing leased railcars for syndication.

Leasing & Services margin as a percentage of revenue was 50.6% for the three months ended November 30, 2014 compared to 46.3% for the three months ended November 30, 2013. The increase in margin as a percentage of revenue was primarily related to higher average volumes of rent-producing leased railcars for syndication as compared to the prior year. This was partially offset by a lower margin percentage on syndication of railcars purchased from a third party.

Leasing & Services operating profit was $11.0 million or 38.8% of revenue for the three months ended November 30, 2014 compared to $8.7 million or 49.6% for the three months ended November 30, 2013. The increase in operating profit as compared to the prior comparable period was primarily attributed to an increase in margin partially offset by a decrease in Net gain on disposition of equipment compared to the prior year.

The percentage of owned units on lease as November 30, 2014 was 98.1% compared to 97.0% at November 30, 2013.

GBW Joint Venture Segment

On July 18, 2014, we and Watco, our joint venture partner, contributed our respective Repair operations to GBW, an unconsolidated 50/50 joint venture which became our fourth reportable segment (GBW Joint Venture) upon formation. The results of operations for the GBW Joint Venture are not consolidated in our financial statements as the investment is accounted for under the equity method of accounting. We recorded $0.4 million in Earnings from unconsolidated affiliates associated with GBW for the three months ended November 30, 2014.

For the three months ended November 30, 2014, GBW generated total revenue of $82.5 million from its 38 railcar repair, refurbishment and retrofitting shops. For the three months ended November 30, 2014, GBW margin as a percentage of revenue was 6.0%. Results were impacted during the three months ended November 30, 2014 by costs associated with the integration and startup of the joint venture.

Selling and Administrative Expense

Selling and administrative expense was $33.7 million or 6.8% of revenue for the three months ended November 30, 2014 compared to $26.1 million or 5.3% of revenue for the prior comparable period. The increase was primarily attributed to an increase in employee related costs including additional headcount and an increase in incentive compensation based on current levels of performance. The increase is also attributed to an increase in travel and entertainment expenses for new business development. In addition, the current period includes $1.9 million in legal, accounting and consulting costs associated with the previously disclosed investigation at our Concarril manufacturing facility.

Net Gain on Disposition of Equipment

Net gain on disposition of equipment was $0.1 million for the three months ended November 30, 2014, compared to $3.7 million for the prior comparable period. Assets from our lease fleet are periodically sold in the normal course of business in order to take advantage of market conditions and to manage risk and liquidity.

Restructuring Charges

During the fourth quarter of 2013, we implemented a restructuring plan to sell or close certain wheels, repair and parts facilities to enhance margins and improve capital efficiency. Restructuring charges related to this plan totaled $0.9 million for the three months ended November 30, 2013 and consisted of employee related termination costs and other expenses.

Other Costs

Interest and foreign exchange expense was comprised of the following:

(In thousands)	Three Months Ended November 30, 2014	2013	Increase (Decrease)
Interest and foreign exchange:			
Interest and other expense	$ 4,800	$ 4,396	$ 404
Foreign exchange (gain) loss	(1,659)	348	(2,007)
	$ 3,141	$ 4,744	$ (1,603)

The decrease in interest and foreign exchange expense as compared to the prior comparable period was primarily attributed to a favorable change in the Peso which resulted in a foreign exchange gain in the current year compared to a foreign exchange loss in the prior year.

Income Tax

The tax rate for the three months ended November 30, 2014 was 31.3% as compared to 31.4% in the prior comparable period. The provision for income taxes is based on projected consolidated results of operations and geographical mix of earnings for the entire year. The tax rate may fluctuate from period to period due to a change in the geographical mix of pre-tax earnings or from the impact of discrete items.

Earnings from Unconsolidated Affiliates

Earnings from unconsolidated affiliates were $0.8 million for the three months ended November 30, 2014 and primarily included our share of after-tax earnings from our GBW joint venture including eliminations associated with GBW transactions with other Greenbrier entities and our share of after-tax earnings from our castings joint venture. Earnings from unconsolidated affiliates were $41 thousand for the three months ended November 30, 2013 and primarily included the results of operations from our castings joint venture.

Noncontrolling Interest

Net earnings attributable to noncontrolling interest was $3.2 million for the three months ended November 30, 2014 compared to $7.6 million in the prior comparable period. These amounts primarily represent our joint venture partner s share in the results of operations of our Mexican railcar manufacturing joint venture, adjusted for intercompany sales. The decrease from the prior year is primarily a result of higher intercompany activity associated with increased volumes of lease syndications in the current year for which the revenue and related margin is not recognized until the railcar is sold to a third party investor.

Liquidity and Capital Resources

(In thousands)	Three Months Ended November 30, 2014	2013
Net cash used in operating activities	$ (53,830)	$ (13,455)
Net cash provided by (used in) investing activities	(31,771)	6,088
Net cash provided by (used in) financing activities	21,653	(10,927)
Effect of exchange rate changes	(2,010)	2,085
Net decrease in cash and cash equivalents	$ (65,958)	$ (16,209)

We have been financed through cash generated from operations and borrowings. At November 30, 2014, cash and cash equivalents were $119.0 million, a decrease of $65.9 million from $184.9 million at August 31, 2014.

Cash used in operating activities was $53.8 million for the three months ended November 30, 2014 compared to $13.5 million for the three months ended November 30, 2013. The change from the prior year was primarily due to a change in the timing of working capital needs and timing of sales of leased railcars for syndication as well as billings in excess of costs, which are recorded in deferred revenue, for our marine barges recorded under the percentage of completion method.

Cash provided by or used in investing activities primarily related to capital expenditures net of proceeds from the sale of assets. Cash used in investing activities for the three months ended November 30, 2014 was $31.8 million compared to cash provided by investing activities of $6.1 million for the three months ended November 30, 2013.

Capital expenditures totaled $31.3 million and $6.6 million for the three months ended November 30, 2014 and 2013. Proceeds from the sale of assets, which primarily related to sales of railcars from our lease fleet within Leasing & Services, were approximately $2.1 million and $14.1 million for the three months ended November 30, 2014 and 2013.

Approximately $21.5 million and $3.9 million of capital expenditures for the three months ended November 30, 2014 and 2013 were attributable to Manufacturing operations. Capital expenditures for Manufacturing are expected to be approximately $95.0 million in 2015 and primarily relate to enhancements to our manufacturing facilities and replacement of certain leased manufacturing capacity in Mexico with an alternative site and expansion of capacity, with the capability for tank car production, at our manufacturing facilities in Mexico.

Approximately $8.0 million and $1.1 million of capital expenditures for the three months ended November 30, 2014 and 2013 were attributable to Leasing & Services operations. Leasing & Services and corporate capital expenditures for 2015 are expected to be approximately $35.0 million. Proceeds from sales of leased railcar equipment are expected to be approximately $10.0 million for 2015. We regularly sell assets from our lease fleet.

Wheels & Parts capital expenditures for the three months ended November 30, 2014 and 2013 were $1.8 million and $1.6 million and are expected to be approximately $10.0 million in 2015 for maintenance and improvement of existing facilities.

Cash provided by financing activities was $21.7 million for the three months ended November 30, 2014 compared to cash used in financing activities of $10.9 million for the three months ended November 30, 2013. Cash provided by and used in financing activities primarily related to proceeds from debt, net of repayments, and repurchase of stock.

A quarterly dividend of $0.15 per share was declared on January 6, 2015.

In October 2014, the Board of Directors authorized a new share repurchase program for our company to repurchase up to $50 million of our common stock. In January 2015, the Board of Directors authorized a $25 million increase to the October 2014 share repurchase program, bringing the total to $75 million. During the three months ended November 30, 2014, we repurchased a total of 378,695 shares for approximately $23.1 million under our share repurchase programs.

Senior secured credit facilities, consisting of three components, aggregated to $358.2 million as of November 30, 2014. We had an aggregate of $292.2 million available to draw down under the committed credit facilities as of November 30, 2014. This amount consists of $255.5 million available on the North American credit facility, $18.2 million on the European credit facilities and $18.5 million on the Mexican joint venture credit facilities as of November 30, 2014.

As of November 30, 2014 a $290.0 million revolving line of credit secured by substantially all of our assets in the U.S. not otherwise pledged as security for term loans, 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, 2014, lines of credit totaling $18.2 million secured by certain of our European assets, with various variable rates that range from Warsaw Interbank Offered Rate (WIBOR) plus 1.2% 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 March 2015 through February 2016.

As of November 30, 2014 our 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%. The Mexican joint venture will be able to draw amounts available under this facility through April 2015. The second line of credit provides up to $30.0 million and is fully guaranteed by each of the joint venture partners, including our 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 January 2015 and a renewal of this facility is in process.

As of November 30, 2014, outstanding commitments under the senior secured credit facilities consisted of $8.6 million in letters of credit and $15.0 million in revolving notes under the North American credit facility and $31.5 million outstanding under the Mexican joint venture credit facilities.

The revolving and operating lines of credit, along with notes payable, contain covenants with respect to us and our various subsidiaries, the most restrictive of which, among other things, limit our ability to: incur additional indebtedness or guarantees; pay dividends or repurchase stock; enter into sale leaseback transactions; create liens; sell assets; engage in transactions with affiliates, including joint ventures and non U.S. subsidiaries, including but not limited to loans, advances, equity investments and guarantees; enter into mergers, consolidations or sales of substantially all our assets; and enter into new lines of business. The covenants also require certain maximum ratios of debt to total capitalization and minimum levels of fixed charges (interest plus rent) coverage.

We may from time to time seek to repurchase or otherwise retire or exchange securities, including outstanding borrowings and equity securities, and take other steps to reduce our debt or otherwise improve our balance sheet. These actions may include open market repurchases, unsolicited or solicited privately negotiated transactions or other retirements, repurchases or exchanges. Such repurchases or exchanges, if any, will depend on a number of factors, including, but not limited to, prevailing market conditions, trading levels of our debt, our liquidity requirements and contractual restrictions, if applicable.

We have operations in Mexico and Poland that conduct business in their local currencies as well as other regional currencies. To mitigate the exposure to transactions denominated in currencies other than the functional currency, we enter into foreign currency forward exchange contracts with established financial institutions to protect the margin on a portion of foreign currency sales in firm backlog primarily in Euro. No provision has been made for credit loss due to counterparty non-performance.

As of November 30, 2014, the Mexican joint venture had $33.1 million of third party debt, of which we and our joint venture partner have each guaranteed approximately $29.0 million.

In accordance with customary business practices in Europe, we have $4.8 million in bank and third party warranty and performance guarantee facilities as of November 30, 2014. To date no amounts have been drawn under these guarantee facilities.

On July 18, 2014, we and Watco contributed our respective Repair operations to GBW, an unconsolidated 50/50 joint venture. We made a $10.0 million cash contribution at closing, a $2.5 million cash contribution in August 2014 and a $2.5 million cash contribution in November 2014. As of November 30, 2014, we had an account receivable of $21.0 million from GBW for the initial sale of inventory to GBW which may be converted into a note receivable during the year.

We expect existing funds and cash generated from operations, together with proceeds from financing activities including borrowings under existing credit facilities and long-term financings, to be sufficient to fund dividends, working capital needs, planned capital expenditures and expected debt repayments during the next twelve months.

Off Balance Sheet Arrangements

We do not currently have off balance sheet arrangements that have or are likely to have a material current or future effect on our Consolidated Financial Statements.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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.

Income taxes - For financial reporting purposes, income tax expense is estimated based on amounts anticipated to be reported on tax return filings. Those anticipated amounts may change from when the financial statements are prepared to when the tax returns are filed. Further, because tax filings are subject to review by taxing authorities, there is risk that a position taken in preparation of a tax return may be challenged by a taxing authority. If a challenge is successful, differences in tax expense or between current and deferred tax items may arise in future periods. Any material effect of such differences would be reflected in the financial statements when management considers the effect probable of occurring and the amount reasonably estimable. Valuation allowances reduce deferred tax assets to amounts more likely than not will be realized based on information available when the financial statements are prepared. This information may include estimates of future income and other assumptions that are inherently uncertain.

Maintenance obligations - We are responsible for maintenance on a portion of the managed and owned lease fleet under the terms of maintenance obligations defined in the underlying lease or management agreement. The estimated maintenance liability is based on maintenance histories for each type and age of railcar. These estimates involve judgment as to the future costs of repairs and the types and timing of repairs required over the lease term. As we cannot predict with certainty the prices, timing and volume of maintenance needed in the future on railcars under long-term leases, this estimate is uncertain and could be materially different from maintenance requirements. The liability is periodically reviewed and updated based on maintenance trends and known future repair or refurbishment requirements. These adjustments could be material due to the inherent uncertainty in predicting future maintenance requirements.

Warranty accruals - Warranty costs to cover a defined warranty period are estimated and charged to operations. The estimated warranty cost is based on historical 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. These estimates are inherently uncertain as they are based on historical data for existing products and judgment for new products. If warranty claims are made in the current period for issues that have not historically been the subject of warranty claims and were not taken into consideration in establishing the accrual or if claims for issues already considered in establishing the accrual exceed expectations, warranty expense may exceed the accrual for that particular product. Conversely, there is the possibility that claims may be lower than estimates. The warranty accrual is periodically reviewed and updated based on warranty trends. However, as we cannot predict future claims, the potential exists for the difference in any one reporting period to be material.

Environmental costs - At times we may be involved in various proceedings related to environmental matters. We estimate future costs for known environmental remediation requirements and accrue for them when it is probable that we have incurred a liability and the related costs can be reasonably estimated based on currently available information. If further developments or resolution of an environmental matter result in facts and circumstances that are significantly different than the assumptions used to develop these reserves, the accrual for environmental remediation could be materially understated or overstated. Adjustments to these liabilities are made when additional information becomes available that affects the estimated costs to study or remediate any environmental issues or when expenditures for which reserves are established are made. Due to the uncertain nature of estimating potential environmental matters, there can be no assurance that we will not become involved in future litigation or other proceedings or, if we were found to be responsible or liable in any litigation or proceeding, that such costs would not be material to us.

Revenue recognition - Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectability is reasonably assured.

Railcars are generally manufactured, repaired or refurbished and wheels and parts produced under firm orders from third parties. Revenue is recognized when these products or services are completed, accepted by an unaffiliated customer and contractual contingencies removed. Certain leases are operated under car hire arrangements whereby revenue is earned based on utilization, car hire rates and terms specified in the lease agreement. Car hire revenue is reported from a third party source two months in arrears; however, such revenue is accrued in the month earned based on estimates of use from historical activity and is adjusted to actual as reported. These estimates are inherently uncertain as they involve judgment as to the estimated use of each railcar. Adjustments to actual have historically not been significant. Revenues from construction of marine barges are either recognized on the percentage of completion method during the construction period or on the completed contract method based on the terms of the contract. Under the percentage of completion method, judgment is used to determine a definitive threshold against which progress towards completion can be measured to determine timing of revenue recognition.

We will periodically sell railcars with leases attached to financial investors. In addition we will often perform management or maintenance services at market rates for these railcars. Pursuant to the guidance in ASC 840-20-40, we evaluate the terms of any remarketing agreements and any contractual provisions that represent retained risk and the level of retained risk based on those provisions. We determine whether the level of retained risk exceeds 10% of the individual fair value of the railcars with leases attached that are delivered. For any contracts with multiple elements (i.e. railcars, maintenance, management services, etc.) we allocate revenue among the deliverables primarily based upon objective and reliable evidence of the fair value of each element in the arrangement. If objective and reliable evidence of fair value of any element is not available, we will use the element s estimated selling price for purposes of allocating the total arrangement consideration among the elements.

Impairment of long-lived assets - When changes in circumstances indicate the carrying amount of certain long-lived assets may not be recoverable, the assets are evaluated for impairment. If the forecast undiscounted future cash flows are less than the carrying amount of the assets, an impairment charge to reduce the carrying value of the assets to fair value is recognized in the current period. These estimates are based on the best information available at the time of the impairment and could be materially different if circumstances change. If the forecast undiscounted future cash flows exceeded the carrying amount of the assets it would indicate that the assets were not impaired.

Goodwill and acquired intangible assets - We periodically acquire businesses in purchase transactions in which the allocation of the purchase price may result in the recognition of goodwill and other intangible assets. The determination of the value of such intangible assets requires management to make estimates and assumptions. These estimates affect the amount of future period amortization and possible impairment charges.

Goodwill and indefinite-lived intangible assets are tested for impairment annually during the third quarter. Goodwill and indefinite-lived intangible assets are also tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. When changes in circumstances, such as a decline in the market price of our common stock, changes in demand or in the numerous variables associated with the judgments, assumptions and estimates made in assessing the appropriate valuation of goodwill indicate the carrying amount of certain indefinite lived assets may not be recoverable, the assets are evaluated for impairment. Among other things, our assumptions used in the valuation of goodwill include growth of revenue and margins, market multiples, discount rates and increased cash flows over time. If actual operating results were to differ from these assumptions, it may result in an impairment of our goodwill.

The provisions of Accounting Standards Codification (ASC) 350, Intangibles - Goodwill and Other, require that we perform a two-step impairment test on goodwill. In the first step, we compare the fair value of each reporting unit with its carrying value. We determine the fair value of our reporting units based on a weighting of income and market approaches. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. Under the market approach, we estimate the fair value based on observed market multiples for comparable businesses. The second step of the goodwill impairment test is required only in situations where the carrying value of the reporting unit exceeds its fair value as determined in the first step. In the second step, we would compare the implied fair value of goodwill to its carrying value. The implied fair value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is recorded to the extent that the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill. The goodwill balance relates to the Wheels & Parts segment.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

We have operations in Mexico and Poland that conduct business in their local currencies as well as other regional currencies. To mitigate the exposure to transactions denominated in currencies other than the functional currency of each entity, we enter into foreign currency forward exchange contracts to protect the margin on a portion of forecast foreign currency sales. At November 30, 2014, $100.4 million of forecast sales in Europe were hedged by foreign exchange contracts. Because of the variety of currencies in which purchases and sales are transacted and the interaction between currency rates, it is not possible to predict the impact a movement in a single foreign currency exchange rate would have on future operating results.

In addition to exposure to transaction gains or losses, we are also exposed to foreign currency exchange risk related to the net asset position of our foreign subsidiaries. At November 30, 2014, net assets of foreign subsidiaries aggregated $59.0 million and a 10% strengthening of the United States dollar relative to the foreign currencies would result in a decrease in equity of $5.9 million, or 1.1% of Total equity - Greenbrier. This calculation assumes that each exchange rate would change in the same direction relative to the United States dollar.

Interest Rate Risk

We have managed a portion of our variable rate debt with interest rate swap agreements, effectively converting $98.3 million of variable rate debt to fixed rate debt. As a result, we are exposed to interest rate risk relating to our revolving debt and a portion of term debt, which are at variable rates. At November 30, 2014, 70% of our outstanding debt had fixed rates and 30% had variable rates. At November 30, 2014, a uniform 10% increase in variable interest rates would result in approximately $0.3 million of additional annual interest expense.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our President and Chief Executive Officer and our Chief Financial Officer, the effectiveness of the Company s disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the Exchange Act). Based on that evaluation, our President and Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our President and Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended November 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There is hereby incorporated by reference the information disclosed in Note 12 to Consolidated Financial Statements, Part I of this quarterly report.

Item 1A. Risk Factors

This Form 10-Q should be read in conjunction with the risk factors and information disclosed in our Annual Report on Form 10-K for the year ended August 31, 2014. There have been no material changes in the risk factors described in our Annual Report on Form 10-K for the year ended August 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In October 2013, the Board of Directors authorized the Company to repurchase up to $50 million of the Company s common stock. The Company completed this share repurchase program in October 2014. In October 2014, the Board of Directors authorized a new share repurchase program for the Company to repurchase up to an additional $50 million of the Company s common stock. In January 2015, the Board of Directors authorized a $25 million increase to the October 2014 share repurchase program, bringing the total to $75 million. The new share repurchase program expires June 30, 2016, but may be modified, suspended or discontinued at any time without prior notice. Under the share repurchase programs, 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 programs do not obligate the Company to acquire any specific number of shares in any period.

Shares repurchased under these share repurchase programs in aggregate during the three months ended November 30, 2014 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share (Including Commissions)	Total Number of Shares Purchased as Part of Publically Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1]
September 1, 2014 - September 30, 2014	87,000	$ 73.07	87,000	$ 9,204,883
October 1, 2014 - October 31, 2014	166,016	$ 55.56	166,016	$ 50,000,000
November 1, 2014 - November 30, 2014	125,679	$ 59.89	125,679	$ 42,473,219
	378,695		378,695	

[1] The $50 million share repurchase program authorized in October 2013 was completed in October 2014 and replaced by the new $50 million share repurchase program authorized in October 2014.

Item 6. Exhibits

(a) List of Exhibits:

10.1*	Amendment No. 3 to the Greenbrier Companies Nonqualified Deferred Compensation Plan Adoption Agreement, dated January 1, 2014.
10.2*	Amendment No. 4 to the Greenbrier Companies Nonqualified Deferred Compensation Plan Adoption Agreement, dated October 28, 2014
31.1	Certification pursuant to Rule 13a 14 (a).
31.2	Certification pursuant to Rule 13a 14 (a).
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Company s Quarterly Report on Form 10-Q for the period ended November 30, 2014, formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Equity, (v) the Consolidated Statements of Cash Flows; and (vi) the Notes to Condensed Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement

SIGNATURES

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

THE GREENBRIER COMPANIES, INC.

Date: January 7, 2015

By: /s/ Mark J. Rittenbaum
Mark J. Rittenbaum
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: January 7, 2015

By: /s/ Adrian J. Downes
Adrian J. Downes
Senior Vice President and
Chief Accounting Officer
(Principal Accounting Officer)