

GREENBRIER COMPANIES INC  
Form 10-Q  
July 01, 2015

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

**Form 10-Q**

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

**for the quarterly period ended May 31, 2015**

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

**for the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 1-13146**

**THE GREENBRIER COMPANIES, INC.**

**(Exact name of registrant as specified in its charter)**

**Oregon**  
**(State of**

**93-0816972**  
**(I.R.S. Employer**

**Incorporation)**

**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 ☒ No ☐

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

The number of shares of the registrant's common stock, without par value, outstanding on June 25, 2015 was 29,400,115 shares.

***THE GREENBRIER COMPANIES, INC.***

**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 Quarterly Report 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 convert backlog of railcar orders and lease commitments;

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 or modified during their term, not renewed, may be unenforceable or breached by the customer 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;

sovereign risk related to international governments that includes, but is not limited to, governments stopping payments or repudiating their contracts, nationalizing private businesses and assets or altering foreign exchange regulations;

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;

ability to maintain good relationships with our customers and suppliers;

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

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

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;

***THE GREENBRIER COMPANIES, INC.***

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, equipment failures, changing technologies, transfer of production between facilities or non-performance of alliance partners, subcontractors or suppliers;

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

fraud, misconduct by employees and potential exposure to liabilities under the Foreign Corrupt Practices Act and other anti-corruption laws and regulations.



***THE GREENBRIER COMPANIES, INC.***

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, would, should, likely, will, may, can, designed to, future, foreseeable future and similar expressions 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 31<sup>st</sup> unless otherwise noted.

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

|                                                                                                                                      | May 31,<br>2015 | August 31,<br>2014 |
|--------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------|
| <b>Assets</b>                                                                                                                        |                 |                    |
| Cash and cash equivalents                                                                                                            | \$ 122,783      | \$ 184,916         |
| Restricted cash                                                                                                                      | 8,912           | 20,140             |
| Accounts receivable, net                                                                                                             | 214,890         | 199,679            |
| Inventories                                                                                                                          | 426,655         | 305,656            |
| Leased railcars for syndication                                                                                                      | 213,197         | 125,850            |
| Equipment on operating leases, net                                                                                                   | 257,962         | 258,848            |
| Property, plant and equipment, net                                                                                                   | 285,570         | 243,698            |
| Investment in unconsolidated affiliates                                                                                              | 91,217          | 69,359             |
| Goodwill                                                                                                                             | 43,265          | 43,265             |
| Intangibles and other assets, net                                                                                                    | 62,664          | 65,757             |
|                                                                                                                                      | \$ 1,727,115    | \$ 1,517,168       |
| <b>Liabilities and Equity</b>                                                                                                        |                 |                    |
| Revolving notes                                                                                                                      | \$ 92,507       | \$ 13,081          |
| Accounts payable and accrued liabilities                                                                                             | 405,544         | 383,289            |
| Deferred income taxes                                                                                                                | 75,572          | 81,383             |
| Deferred revenue                                                                                                                     | 24,209          | 20,603             |
| Notes payable                                                                                                                        | 346,279         | 445,091            |
| Commitments and contingencies (Note 13)                                                                                              |                 |                    |
| <b>Equity:</b>                                                                                                                       |                 |                    |
| Greenbrier                                                                                                                           |                 |                    |
| Preferred stock - without par value; 25,000 shares authorized; none outstanding                                                      |                 |                    |
| Common stock - without par value; 50,000 shares authorized; 28,925 and 27,364 shares outstanding at May 31, 2015 and August 31, 2014 |                 |                    |
| Additional paid-in capital                                                                                                           | 293,407         | 235,763            |
| Retained earnings                                                                                                                    | 396,250         | 282,559            |
| Accumulated other comprehensive loss                                                                                                 | (17,261)        | (6,932)            |
| Total equity Greenbrier                                                                                                              | 672,396         | 511,390            |
| Noncontrolling interest                                                                                                              | 110,608         | 62,331             |

|              |              |              |
|--------------|--------------|--------------|
| Total equity | 783,004      | 573,721      |
|              | \$ 1,727,115 | \$ 1,517,168 |

The accompanying notes are an integral part of these financial statements

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

|                                                                             | Three Months Ended<br>May 31, |            | Nine Months Ended<br>May 31, |              |
|-----------------------------------------------------------------------------|-------------------------------|------------|------------------------------|--------------|
|                                                                             | 2015                          | 2014       | 2015                         | 2014         |
| <b>Revenue</b>                                                              |                               |            |                              |              |
| Manufacturing                                                               | \$ 593,376                    | \$ 425,583 | \$ 1,478,566                 | \$ 1,132,811 |
| Wheels & Parts                                                              | 97,407                        | 140,663    | 286,671                      | 390,604      |
| Leasing & Services                                                          | 23,823                        | 27,039     | 74,576                       | 62,441       |
|                                                                             | 714,606                       | 593,285    | 1,839,813                    | 1,585,856    |
| <b>Cost of revenue</b>                                                      |                               |            |                              |              |
| Manufacturing                                                               | 465,658                       | 351,829    | 1,184,922                    | 969,841      |
| Wheels & Parts                                                              | 89,645                        | 129,825    | 259,285                      | 365,740      |
| Leasing & Services                                                          | 10,017                        | 14,856     | 32,942                       | 34,090       |
|                                                                             | 565,320                       | 496,510    | 1,477,149                    | 1,369,671    |
| <b>Margin</b>                                                               | 149,286                       | 96,775     | 362,664                      | 216,185      |
| Selling and administrative expense                                          | 45,595                        | 34,800     | 112,223                      | 89,034       |
| Net gain on disposition of equipment                                        | (720)                         | (5,619)    | (924)                        | (14,686)     |
| Restructuring charges                                                       |                               | 56         |                              | 1,475        |
| <b>Earnings from operations</b>                                             | 104,411                       | 67,538     | 251,365                      | 140,362      |
| <b>Other costs</b>                                                          |                               |            |                              |              |
| Interest and foreign exchange                                               | 4,285                         | 5,437      | 9,355                        | 14,280       |
| Earnings before income taxes and earnings from<br>unconsolidated affiliates | 100,126                       | 62,101     | 242,010                      | 126,082      |
| Income tax expense                                                          | (30,783)                      | (16,303)   | (76,209)                     | (36,708)     |
| Earnings before earnings from unconsolidated affiliates                     | 69,343                        | 45,798     | 165,801                      | 89,374       |
| Earnings from unconsolidated affiliates                                     | 982                           | 298        | 1,552                        | 272          |
| Net earnings                                                                | 70,325                        | 46,096     | 167,353                      | 89,646       |
| Net earnings attributable to noncontrolling interest                        | (27,514)                      | (12,508)   | (41,405)                     | (25,083)     |
| <b>Net earnings attributable to Greenbrier</b>                              | \$ 42,811                     | \$ 33,588  | \$ 125,948                   | \$ 64,563    |
| Basic earnings per common share                                             | \$ 1.54                       | \$ 1.20    | \$ 4.58                      | \$ 2.29      |
| Diluted earnings per common share                                           | \$ 1.33                       | \$ 1.03    | \$ 3.91                      | \$ 2.01      |
| Weighted average common shares:                                             |                               |            |                              |              |
| Basic                                                                       | 27,842                        | 27,956     | 27,514                       | 28,223       |

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|                                     |         |        |         |        |
|-------------------------------------|---------|--------|---------|--------|
| Diluted                             | 33,000  | 34,001 | 33,262  | 34,268 |
| Dividends declared per common share | \$ 0.15 | \$     | \$ 0.45 | \$     |

The accompanying notes are an integral part of these financial statements

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

|                                                                                              | Three Months Ended<br>May 31, |           | Nine Months Ended<br>May 31, |           |
|----------------------------------------------------------------------------------------------|-------------------------------|-----------|------------------------------|-----------|
|                                                                                              | 2015                          | 2014      | 2015                         | 2014      |
| Net earnings                                                                                 | \$ 70,325                     | \$ 46,096 | \$ 167,353                   | \$ 89,646 |
| Other comprehensive income                                                                   |                               |           |                              |           |
| Translation adjustment                                                                       | (1,299)                       | 80        | (10,990)                     | 3,402     |
| Reclassification of derivative financial instruments recognized in net earnings <sup>1</sup> | (254)                         | 4         | 417                          | 321       |
| Unrealized gain (loss) on derivative financial instruments <sup>2</sup>                      | 107                           | (659)     | (7)                          | 454       |
| Other (net of tax effect)                                                                    | 93                            | (4)       | 99                           | (3)       |
|                                                                                              | (1,353)                       | (579)     | (10,481)                     | 4,174     |
| Comprehensive income                                                                         | 68,972                        | 45,517    | 156,872                      | 93,820    |
| Comprehensive income attributable to noncontrolling interest                                 | (27,497)                      | (12,501)  | (41,253)                     | (25,137)  |
| Comprehensive income attributable to Greenbrier                                              | \$ 41,475                     | \$ 33,016 | \$ 115,619                   | \$ 68,683 |

<sup>1</sup> Net of tax of effect of \$0.04 million and \$0.1 million for the three months ended May 31, 2015 and 2014 and \$0.4 million and \$0.4 million for the nine months ended May 31, 2015 and 2014.

<sup>2</sup> Net of tax of effect of \$0.1 million and \$0.5 million for the three months ended May 31, 2015 and 2014 and \$0.6 million and \$0.2 million for the nine months ended May 31, 2015 and 2014.

The accompanying notes are an integral part of these financial statements

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

|                                                             | Attributable to Greenbrier |            |            |               |                 |                 |              |
|-------------------------------------------------------------|----------------------------|------------|------------|---------------|-----------------|-----------------|--------------|
|                                                             | Common                     | Additional | Retained   | Accumulated   | Total           | Attributable to |              |
|                                                             | Stock                      | Paid-in    | Earnings   | Other         | Attributable to | Noncontrolling  |              |
|                                                             | Shares                     | Capital    |            | Comprehensive | Greenbrier      | Interest        | Total Equity |
|                                                             |                            |            |            | Loss          |                 |                 |              |
| <b>Balance September 1, 2014</b>                            | 27,364                     | \$ 235,763 | \$ 282,559 | \$ (6,932)    | \$ 511,390      | \$ 62,331       | \$ 573,721   |
| Net earnings                                                |                            |            | 125,948    |               | 125,948         | 41,405          | 167,353      |
| Other comprehensive loss, net                               |                            |            |            | (10,329)      | (10,329)        | (152)           | (10,481)     |
| Noncontrolling interest adjustments                         |                            |            |            |               |                 | 20,371          | 20,371       |
| Purchase of noncontrolling interest                         |                            |            |            |               |                 | (80)            | (80)         |
| Joint venture partner distribution declared                 |                            |            |            |               |                 | (13,267)        | (13,267)     |
| Restricted stock awards (net of cancellations)              | (19)                       | 22,600     |            |               | 22,600          |                 | 22,600       |
| Unamortized restricted stock                                |                            | (24,394)   |            |               | (24,394)        |                 | (24,394)     |
| Restricted stock amortization                               |                            | 13,176     |            |               | 13,176          |                 | 13,176       |
| Excess tax benefit from restricted stock awards             |                            | 2,964      |            |               | 2,964           |                 | 2,964        |
| Conversion of convertible notes, net of debt issuance costs | 2,471                      | 91,749     |            |               | 91,749          |                 | 91,749       |
| Cash dividends                                              |                            |            | (12,257)   |               | (12,257)        |                 | (12,257)     |
| Repurchase of stock                                         | (891)                      | (48,451)   |            |               | (48,451)        |                 | (48,451)     |
| <b>Balance May 31, 2015</b>                                 | 28,925                     | \$ 293,407 | \$ 396,250 | \$ (17,261)   | \$ 672,396      | \$ 110,608      | \$ 783,004   |

|  | Attributable to Greenbrier |            |            |               |                 |                 |              |
|--|----------------------------|------------|------------|---------------|-----------------|-----------------|--------------|
|  | Common                     | Additional | Retained   | Accumulated   | Total           | Attributable to |              |
|  | Stock                      | Paid-in    | Earnings   | Other         | Attributable to | Noncontrolling  |              |
|  | Shares                     | Capital    |            | Comprehensive | Greenbrier      | Interest        | Total Equity |
|  |                            |            |            | Income (Loss) |                 |                 |              |
|  | 28,084                     | \$ 259,864 | \$ 174,842 | \$ (6,504)    | \$ 428,202      | \$ 28,625       | \$ 456,827   |

|                                                            |        |            |            |            |            |           |            |          |
|------------------------------------------------------------|--------|------------|------------|------------|------------|-----------|------------|----------|
| <b>Balance September 1, 2013</b>                           |        |            |            |            |            |           |            |          |
| Net earnings                                               |        |            | 64,563     |            |            | 64,563    | 25,083     | 89,646   |
| Other comprehensive income, net                            |        |            | 4,120      |            |            | 4,120     | 54         | 4,174    |
| Noncontrolling interest adjustments                        |        |            |            |            |            |           | 2,953      | 2,953    |
| Investment by joint venture partner                        |        |            |            |            |            |           | 419        | 419      |
| Joint venture partner distribution declared                |        |            |            |            |            |           | (5,077)    | (5,077)  |
| Restricted stock awards (net of cancellations and expense) | 46     | 11,599     |            |            |            | 11,599    |            | 11,599   |
| Unamortized restricted stock                               |        | (12,610)   |            |            |            | (12,610)  |            | (12,610) |
| Restricted stock amortization                              |        | 6,455      |            |            |            | 6,455     |            | 6,455    |
| Excess tax benefit from restricted stock awards            |        | 109        |            |            |            | 109       |            | 109      |
| Repurchase of stock                                        | (641)  | (26,293)   |            |            |            | (26,293)  |            | (26,293) |
| <b>Balance May 31, 2014</b>                                | 27,489 | \$ 239,124 | \$ 239,405 | \$ (2,384) | \$ 476,145 | \$ 52,057 | \$ 528,202 |          |

The accompanying notes are an integral part of these financial statements



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

|                                                                                     | Nine Months Ended<br>May 31, |           |
|-------------------------------------------------------------------------------------|------------------------------|-----------|
|                                                                                     | 2015                         | 2014      |
| <b>Cash flows from operating activities</b>                                         |                              |           |
| Net earnings                                                                        | \$ 167,353                   | \$ 89,646 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                              |           |
| Deferred income taxes                                                               | (5,245)                      | (6,745)   |
| Depreciation and amortization                                                       | 33,258                       | 30,824    |
| Net gain on disposition of equipment                                                | (924)                        | (14,686)  |
| Stock based compensation expense                                                    | 13,176                       | 6,454     |
| Noncontrolling interest adjustments                                                 | 20,371                       | 2,953     |
| Other                                                                               | 1,008                        | 388       |
| Increase in assets:                                                                 |                              |           |
| Accounts receivable, net                                                            | (8,769)                      | (26,226)  |
| Inventories                                                                         | (124,906)                    | (21,722)  |
| Leased railcars for syndication                                                     | (90,914)                     | (25,420)  |
| Other                                                                               | (1,666)                      | (2,491)   |
| Increase in liabilities:                                                            |                              |           |
| Accounts payable and accrued liabilities                                            | 23,135                       | 36,507    |
| Deferred revenue                                                                    | 3,680                        | 12,258    |
| Net cash provided by operating activities                                           | 29,557                       | 81,740    |
| <b>Cash flows from investing activities</b>                                         |                              |           |
| Proceeds from sales of assets                                                       | 4,628                        | 39,515    |
| Capital expenditures                                                                | (75,892)                     | (34,522)  |
| Decrease (increase) in restricted cash                                              | 228                          | (661)     |
| Investment in and advances to unconsolidated affiliates                             | (29,923)                     | (1,253)   |
| Other                                                                               | 715                          |           |
| Net cash provided by (used in) investing activities                                 | (100,244)                    | 3,079     |
| <b>Cash flows from financing activities</b>                                         |                              |           |
| Net change in revolving notes with maturities of 90 days or less                    | 73,000                       |           |
| Proceeds from revolving notes with maturities longer than 90 days                   | 42,563                       | 34,674    |
| Repayments of revolving notes with maturities longer than 90 days                   | (36,137)                     | (64,801)  |
| Proceeds from issuance of notes payable                                             |                              | 200,000   |
| Repayments of notes payable                                                         | (5,504)                      | (126,821) |
| Debt issuance costs                                                                 |                              | (382)     |
| Repurchase of stock                                                                 | (48,451)                     | (26,293)  |

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|                                                                                     |                 |                |
|-------------------------------------------------------------------------------------|-----------------|----------------|
| Dividends                                                                           | (12,069)        |                |
| Decrease in restricted cash                                                         | 11,000          |                |
| Cash distribution to joint venture partner                                          | (12,489)        | (3,109)        |
| Investment by joint venture partner                                                 |                 | 419            |
| Excess tax benefit from restricted stock awards                                     | 2,964           | 109            |
| Other                                                                               | (248)           |                |
| Net cash provided by financing activities                                           | 14,629          | 13,796         |
| Effect of exchange rate changes                                                     | (6,075)         | 2,442          |
| <b>Increase (decrease) in cash and cash equivalents</b>                             | <b>(62,133)</b> | <b>101,057</b> |
| <b>Cash and cash equivalents</b>                                                    |                 |                |
| Beginning of period                                                                 | 184,916         | 97,435         |
| End of period                                                                       | \$ 122,783      | \$ 198,492     |
| <b>Cash paid during the period for</b>                                              |                 |                |
| Interest                                                                            | \$ 13,509       | \$ 12,816      |
| Income taxes, net                                                                   | \$ 87,829       | \$ 41,643      |
| <b>Non-cash activity</b>                                                            |                 |                |
| Conversion of convertible notes, net of debt issuance costs                         | \$ 91,749       | \$             |
| Dividends declared and accrued in Accounts payable and accrued liabilities          | \$ 188          | \$             |
| Transfer from Leased railcars for syndication to Equipment on operating leases, net | \$ 3,313        | \$             |
| Capital expenditures accrued in Accounts payable and accrued liabilities            | \$ 2,304        | \$             |
| Transfer of Inventories to Leased railcars for syndication                          | \$              | \$ 2,691       |

The accompanying notes are an integral part of these financial statements

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**THE GREENBRIER COMPANIES, INC.**

**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 May 31, 2015 and for the three and nine months ended May 31, 2015 and 2014 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, operating results and cash flows for the periods indicated. The results of operations for the three and nine months ended May 31, 2015 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) jointly issued a 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 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.

In April 2015, the FASB issued Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). The FASB issued this update to simplify the presentation of debt issuance costs related to a recognized debt liability to present the debt issuance costs as a direct deduction from the carrying value of the debt liability rather than showing the debt issuance costs as an asset. The guidance is limited to the presentation of debt issuance costs and does not impact the recognition and measurement. The new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2015 with early adoption permitted and is required to be applied on a retrospective basis. The Company plans to adopt ASU 2015-03 beginning September 1, 2016. As the adoption of this new accounting standard will only amend presentation and disclosure requirements, the adoption will not affect the Company's financial position or results of operations.

*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.

**THE GREENBRIER COMPANIES, INC.**

During the three and nine months ended May 31, 2015, the Company purchased a total of 28,363 and 891,041 shares for approximately \$1.5 million and \$48.5 million, respectively, under these share repurchase programs. As of May 31, 2015 the Company had \$42.1 million available under the \$75 million 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:

| <i>(In thousands)</i>                    | May 31,<br>2015 | August 31,<br>2014 |
|------------------------------------------|-----------------|--------------------|
| Manufacturing supplies and raw materials | \$ 323,164      | \$ 235,903         |
| Work-in-process                          | 62,668          | 48,853             |
| Finished goods                           | 44,143          | 23,766             |
| Excess and obsolete adjustment           | (3,320)         | (2,866)            |
|                                          | \$ 426,655      | \$ 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:

| <i>(In thousands)</i>                         | May 31,<br>2015 | August 31,<br>2014 |
|-----------------------------------------------|-----------------|--------------------|
| Intangible assets subject to amortization:    |                 |                    |
| Customer relationships                        | \$ 65,023       | \$ 65,023          |
| Accumulated amortization                      | (32,886)        | (30,282)           |
| Other intangibles                             | 3,426           | 3,699              |
| Accumulated amortization                      | (3,084)         | (3,156)            |
|                                               | 32,479          | 35,284             |
| Intangible assets not subject to amortization | 912             | 912                |
| Nonqualified savings plan investments         | 12,666          | 10,223             |
| Prepaid and other assets                      | 12,063          | 11,736             |
| Debt issuance costs, net                      | 4,544           | 7,602              |
| Total Intangible and other assets, net        | \$ 62,664       | \$ 65,757          |

Amortization expense for the three and nine months ended May 31, 2015 was \$0.9 million and \$2.7 million and for the three and nine months ended May 31, 2014 was \$1.0 million and \$3.6 million. Amortization expense for the years ending August 31, 2015, 2016, 2017, 2018 and 2019 is expected to be \$3.6 million, \$3.6 million, \$3.6 million, \$3.4 million and \$3.4 million.

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***THE GREENBRIER COMPANIES, INC.***

**Note 4   Revolving Notes**

Senior secured credit facilities, consisting of three components, aggregated to \$346.2 million as of May 31, 2015.

As of May 31, 2015, 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 May 31, 2015, lines of credit totaling \$16.2 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 1.3%, 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 February 2016 through June 2017.

The Company's Mexican joint venture has two lines of credit totaling \$40.0 million. The first line of credit provides up to \$10.0 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 June 2016. 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 2019.

As of May 31, 2015, outstanding commitments under the senior secured credit facilities consisted of \$49.8 million in letters of credit and \$73.0 million in revolving notes under the North American credit facility and \$19.5 million outstanding in revolving notes under the Mexican joint venture credit facilities.

As of August 31, 2014, outstanding commitments 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 in revolving notes under the Mexican joint venture credit facilities.

**THE GREENBRIER COMPANIES, INC.****Note 5 Accounts Payable and Accrued Liabilities**

| <i>(In thousands)</i>                   | May 31,<br>2015 | August 31,<br>2014 |
|-----------------------------------------|-----------------|--------------------|
| Trade payables                          | \$ 251,634      | \$ 204,744         |
| Other accrued liabilities               | 64,189          | 66,421             |
| Accrued payroll and related liabilities | 57,839          | 64,959             |
| Accrued maintenance                     | 17,965          | 14,329             |
| Accrued warranty                        | 10,198          | 9,340              |
| Income taxes payable                    | 163             | 19,709             |
| Other                                   | 3,556           | 3,787              |
|                                         | \$ 405,544      | \$ 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:

| <i>(In thousands)</i>           | Three Months Ended<br>May 31, |           | Nine Months Ended<br>May 31, |           |
|---------------------------------|-------------------------------|-----------|------------------------------|-----------|
|                                 | 2015                          | 2014      | 2015                         | 2014      |
| Balance at beginning of period  | \$ 9,188                      | \$ 10,673 | \$ 9,340                     | \$ 12,128 |
| Charged to cost of revenue, net | 2,036                         | 170       | 3,982                        | 1,418     |
| Payments                        | (994)                         | (1,208)   | (2,797)                      | (4,191)   |
| Currency translation effect     | (32)                          | 83        | (327)                        | 363       |
| Balance at end of period        | \$ 10,198                     | \$ 9,718  | \$ 10,198                    | \$ 9,718  |

**Note 7 Notes Payable**

The Company's 3.5% convertible senior notes will mature on April 1, 2018, unless repurchased earlier by the Company or converted in accordance with their terms. Holders may convert at their option at any time prior to the business day immediately preceding the stated maturity date. During 2015, \$93.1 million in principal of the original \$230.0 million was converted into 2.5 million shares of the Company's common stock which resulted in a principal balance of \$136.9 million as of May 31, 2015. Associated debt issuance costs of \$1.3 million were removed from Intangibles and other assets, net and charged against additional paid in capital.



In March 2014, the Company refinanced approximately \$125 million of existing senior term debt, due in March 2014 and May 2015, secured by a pool of leased railcars with new 6-year \$200 million senior term debt also secured by a pool of leased railcars. The new debt bears a floating interest rate of LIBOR plus 1.75% with principal of \$1.75 million paid quarterly in arrears and a balloon payment of \$160 million due at maturity. An interest rate swap agreement was entered into on 50% of the initial balance to swap the floating interest rate of LIBOR plus 1.75% to a fixed rate of 3.7375%.

**THE GREENBRIER COMPANIES, INC.****Note 8 Accumulated Other Comprehensive Loss**

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

| <i>(In thousands)</i>                                          | Unrealized<br>Loss on<br>Derivative<br>Financial<br>Instruments | Foreign<br>Currency<br>Translation<br>Adjustment | Other    | Accumulated<br>Other<br>Comprehensive<br>Loss |
|----------------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------|----------|-----------------------------------------------|
| Balance, August 31, 2014                                       | \$ (1,601)                                                      | \$ (4,813)                                       | \$ (518) | \$ (6,932)                                    |
| Other comprehensive income (loss) before reclassifications     | (7)                                                             | (10,838) <sup>1</sup>                            | 99       | (10,746)                                      |
| Amounts reclassified from accumulated other comprehensive loss | 417                                                             |                                                  |          | 417                                           |
| Balance, May 31, 2015                                          | \$ (1,191)                                                      | \$ (15,651)                                      | \$ (419) | \$ (17,261)                                   |

<sup>1</sup> Primarily relates to the foreign currency translation of the Company's Zloty functional currency operations in Poland to US Dollars.

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

| <i>(In thousands)</i>                            | Three Months Ended<br>May 31, |          | Nine Months Ended<br>May 31, |          | Financial Statement<br>Location |
|--------------------------------------------------|-------------------------------|----------|------------------------------|----------|---------------------------------|
|                                                  | 2015                          | 2014     | 2015                         | 2014     |                                 |
| (Gain) loss on derivative financial instruments: |                               |          |                              |          |                                 |
| Foreign exchange contracts                       | \$ (652)                      | \$ (335) | \$ (518)                     | \$ (575) | Revenue                         |
| Interest rate swap contracts                     | 442                           | 446      | 1,349                        | 1,275    | Interest and foreign exchange   |
|                                                  | (210)                         | 111      | 831                          | 700      | Total before tax                |
|                                                  | (44)                          | (107)    | (414)                        | (379)    | Tax expense                     |
|                                                  | \$ (254)                      | \$ 4     | \$ 417                       | \$ 321   | Net of tax                      |

**THE GREENBRIER COMPANIES, INC.****Note 9 Earnings Per Share**

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

|                                                                 | Three Months Ended<br>May 31, |        | Nine Months Ended<br>May 31, |        |
|-----------------------------------------------------------------|-------------------------------|--------|------------------------------|--------|
| (In thousands)                                                  | 2015                          | 2014   | 2015                         | 2014   |
| Weighted average basic common shares outstanding <sup>(1)</sup> | 27,842                        | 27,956 | 27,514                       | 28,223 |
| Dilutive effect of 2018 Convertible notes <sup>(2)</sup>        | 5,155                         | 6,045  | 5,745                        | 6,045  |
| Dilutive effect of 2026 Convertible notes <sup>(3)</sup>        | 3                             |        | 3                            |        |
| Weighted average diluted common shares outstanding              | 33,000                        | 34,001 | 33,262                       | 34,268 |

- (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 and nine months ended May 31, 2015 and 2014 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 and nine months ended May 31, 2015 as the average stock price was greater than \$48.05, as further described below. The effect of the 2026 Convertible notes was excluded for the three and nine months ended May 31, 2014 as the average stock price was less than \$48.05 and therefore was considered anti-dilutive.

Dilutive EPS for the three and nine months ended May 31, 2015 and 2014 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<br>May 31, |           | Nine Months Ended<br>May 31, |           |
|----------------------------------------------------------------------------|-------------------------------|-----------|------------------------------|-----------|
|                                                                            | 2015                          | 2014      | 2015                         | 2014      |
| Net earnings attributable to Greenbrier                                    | \$ 42,811                     | \$ 33,588 | \$ 125,948                   | \$ 64,563 |
| Add back:                                                                  |                               |           |                              |           |
| Interest and debt issuance costs on the 2018 Convertible notes, net of tax | 1,234                         | 1,416     | 4,066                        | 4,248     |

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|                                                                       |           |           |            |           |
|-----------------------------------------------------------------------|-----------|-----------|------------|-----------|
| Earnings before interest and debt issuance costs on convertible notes | \$ 44,045 | \$ 35,004 | \$ 130,014 | \$ 68,811 |
| Weighted average diluted common shares outstanding                    | 33,000    | 34,001    | 33,262     | 34,268    |
| Diluted earnings per share <sup>(1)</sup>                             | \$ 1.33   | \$ 1.03   | \$ 3.91    | \$ 2.01   |

(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

**THE GREENBRIER COMPANIES, INC.****Note 10 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 and restricted stock unit grants was \$6.0 million and \$13.2 million for the three and nine months ended May 31, 2015 and \$3.6 million and \$6.5 million for the three and nine months ended May 31, 2014. 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 11 Derivative Instruments**

Foreign operations give rise to market risks from changes in foreign currency exchange rates. Foreign currency forward exchange contracts with established financial institutions are utilized to hedge a portion of that risk in Euro. Interest rate swap agreements are 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 May 31, 2015 exchange rates, forward exchange contracts for the purchase of Polish Zloty and the sale of Euro aggregated \$73.7 million. The fair value of the contracts is included on the Consolidated Balance Sheets as Accounts payable and accrued liabilities when there is a loss, or as Accounts receivable, net when there is a gain. As the contracts mature at various dates through February 2017, 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 May 31, 2015, an interest rate swap agreement maturing in March 2020 had a notional amount of \$96.5 million. 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 May 31, 2015 interest rates, approximately \$1.7 million would be reclassified to interest expense in the next 12 months.

**Fair Values of Derivative Instruments**

|                                                      | Asset Derivatives         |                 |                    | Liability Derivatives     |                 |                    |
|------------------------------------------------------|---------------------------|-----------------|--------------------|---------------------------|-----------------|--------------------|
|                                                      |                           | May 31,<br>2015 | August 31,<br>2014 |                           | May 31,<br>2015 | August 31,<br>2014 |
| (In thousands)                                       | Balance sheet<br>location | Fair<br>Value   | Fair<br>Value      | Balance sheet<br>location | Fair<br>Value   | Fair<br>Value      |
| <b>Derivatives designated as hedging instruments</b> |                           |                 |                    |                           |                 |                    |
|                                                      |                           | \$ 1,271        | \$ 129             |                           | \$ 177          | \$ 704             |

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|                                    |                                   |                                          |          |          |
|------------------------------------|-----------------------------------|------------------------------------------|----------|----------|
| Foreign forward exchange contracts | Accounts receivable, net          | Accounts payable and accrued liabilities |          |          |
| Interest rate swap contracts       | Intangibles and other assets, net | Accounts payable and accrued liabilities | 2,525    | 1,286    |
|                                    |                                   |                                          |          |          |
|                                    | \$ 1,271                          | \$ 129                                   | \$ 2,702 | \$ 1,990 |

**Derivatives not designated as hedging instruments**

|                                    |                          |        |       |                                          |    |      |
|------------------------------------|--------------------------|--------|-------|------------------------------------------|----|------|
| Foreign forward exchange contracts | Accounts receivable, net | \$ 256 | \$ 71 | Accounts payable and accrued liabilities | \$ | \$ 5 |
|------------------------------------|--------------------------|--------|-------|------------------------------------------|----|------|

**THE GREENBRIER COMPANIES, INC.****The Effect of Derivative Instruments on the Statements of Income**

| Derivatives in cash flow hedging relationships | Location of gain (loss) recognized in income on derivatives | Gain (loss) recognized in income on derivatives nine months ended May 31, |        |
|------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------------------|--------|
|                                                |                                                             | 2015                                                                      | 2014   |
| Foreign forward exchange contract              | Interest and foreign exchange                               | \$ (22)                                                                   | \$ 230 |
| Interest rate swap contracts                   | Interest and foreign exchange                               | 69                                                                        |        |
|                                                |                                                             | \$ 47                                                                     | \$ 230 |

| Derivatives in cash flow hedging relationships | Gain (loss) recognized in OCI on derivatives (effective portion) nine months ended May 31, |          | Location of gain (loss) reclassified from accumulated OCI into income | Gain (loss) reclassified from accumulated OCI into income (effective portion) nine months ended May 31, |          | Location of gain in income on derivative (ineffective portion and amount excluded from effectiveness testing) | Gain recognized derivative (ineffective portion and amount excluded from effectiveness testing) nine months ended May 31, |       |
|------------------------------------------------|--------------------------------------------------------------------------------------------|----------|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------|
|                                                | 2015                                                                                       | 2014     |                                                                       | 2015                                                                                                    | 2014     |                                                                                                               | 2015                                                                                                                      | 2014  |
| Foreign forward exchange contracts             | \$ 1,867                                                                                   | \$ 1,558 | Revenue                                                               | \$ 518                                                                                                  | \$ 575   | Interest and foreign exchange                                                                                 | \$ 1,024                                                                                                                  | \$ 68 |
| Interest rate swap contracts                   | (2,640)                                                                                    | (1,281)  | Interest and foreign exchange                                         | (1,349)                                                                                                 | (1,275)  | Interest and foreign exchange                                                                                 |                                                                                                                           |       |
|                                                | \$ (773)                                                                                   | \$ 277   |                                                                       | \$ (831)                                                                                                | \$ (700) |                                                                                                               | \$ 1,024                                                                                                                  | \$ 68 |

**Note 12 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 (loss) 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 and nine months ended May 31, 2015, GBW generated total revenue of \$88.8 million and \$254.7 million. GBW had total assets of \$230.1 million and \$210.6 million as of May 31, 2015 and August 31, 2014. The Company recorded earnings of \$0.4 million in Earnings from unconsolidated affiliates associated with GBW for both the three and nine months ended May 31, 2015. The Company's total investment in GBW at May 31, 2015 was \$57.6 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 GREENBRIER COMPANIES, INC.**

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 May 31, 2015:

|                    | Revenue    |              |            | Earnings (loss) from operations |              |            |
|--------------------|------------|--------------|------------|---------------------------------|--------------|------------|
|                    | External   | Intersegment | Total      | External                        | Intersegment | Total      |
| Manufacturing      | \$ 593,376 | \$ 33        | \$ 593,409 | \$ 115,675                      | \$           | \$ 115,675 |
| Wheels & Parts     | 97,407     | 7,605        | 105,012    | 5,078                           | 607          | 5,685      |
| Leasing & Services | 23,823     | 11,722       | 35,545     | 10,824                          | 11,722       | 22,546     |
| Eliminations       |            | (19,360)     | (19,360)   |                                 | (12,329)     | (12,329)   |
| Corporate          |            |              |            | (27,166)                        |              | (27,166)   |
|                    | \$ 714,606 | \$           | \$ 714,606 | \$ 104,411                      | \$           | \$ 104,411 |

For the nine months ended  
May 31, 2015:

|                    | Revenue      |              |              | Earnings (loss) from operations |              |            |
|--------------------|--------------|--------------|--------------|---------------------------------|--------------|------------|
|                    | External     | Intersegment | Total        | External                        | Intersegment | Total      |
| Manufacturing      | \$ 1,478,566 | \$ 7,534     | \$ 1,486,100 | \$ 258,602                      | \$ 795       | \$ 259,397 |
| Wheels & Parts     | 286,671      | 20,450       | 307,121      | 20,986                          | 2,044        | 23,030     |
| Leasing & Services | 74,576       | 43,533       | 118,109      | 31,677                          | 43,533       | 75,210     |
| Eliminations       |              | (71,517)     | (71,517)     |                                 | (46,372)     | (46,372)   |
| Corporate          |              |              |              | (59,900)                        |              | (59,900)   |
|                    | \$ 1,839,813 | \$           | \$ 1,839,813 | \$ 251,365                      | \$           | \$ 251,365 |

For the three months ended  
May 31, 2014:

|                        | Revenue    |              |            | Earnings (loss) from operations |              |           |
|------------------------|------------|--------------|------------|---------------------------------|--------------|-----------|
|                        | External   | Intersegment | Total      | External                        | Intersegment | Total     |
| Manufacturing          | \$ 425,583 | \$           | \$ 425,583 | \$ 61,116                       | \$           | \$ 61,116 |
| Wheels, Repair & Parts | 140,663    | 3,783        | 144,446    | 5,524                           | 473          | 5,997     |
| Leasing & Services     | 27,039     | 9,334        | 36,373     | 14,582                          | 9,334        | 23,916    |
| Eliminations           |            | (13,117)     | (13,117)   |                                 | (9,807)      | (9,807)   |
| Corporate              |            |              |            | (13,684)                        |              | (13,684)  |
|                        | \$ 593,285 | \$           | \$ 593,285 | \$ 67,538                       | \$           | \$ 67,538 |

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For the nine months ended  
May 31, 2014:

|                        | Revenue      |              |              | Earnings (loss) from operations |              |            |
|------------------------|--------------|--------------|--------------|---------------------------------|--------------|------------|
|                        | External     | Intersegment | Total        | External                        | Intersegment | Total      |
| Manufacturing          | \$ 1,132,811 | \$           | \$ 1,132,811 | \$ 129,542                      | \$           | \$ 129,542 |
| Wheels, Repair & Parts | 390,604      | 7,743        | 398,347      | 8,724                           | 546          | 9,270      |
| Leasing & Services     | 62,441       | 17,623       | 80,064       | 32,888                          | 17,623       | 50,511     |
| Eliminations           |              | (25,366)     | (25,366)     |                                 | (18,169)     | (18,169)   |
| Corporate              |              |              |              | (30,792)                        |              | (30,792)   |
|                        | \$ 1,585,856 | \$           | \$ 1,585,856 | \$ 140,362                      | \$           | \$ 140,362 |

|                    | Total assets    |                    |
|--------------------|-----------------|--------------------|
|                    | May 31,<br>2015 | August 31,<br>2014 |
| Manufacturing      | \$ 697,342      | \$ 521,711         |
| Wheels & Parts     | 290,363         | 298,009            |
| Leasing & Services | 538,896         | 436,075            |
| Unallocated        | 200,514         | 261,373            |
|                    | \$ 1,727,115    | \$ 1,517,168       |

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**THE GREENBRIER COMPANIES, INC.****Note 13 Commitments and Contingencies**

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

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 has agreed to initially bear a percentage of the total costs incurred by the LWG in connection with the investigation. The Company's aggregate expenditure has not been material during the 14-year period. Some or all of any such outlay may be recoverable from other responsible parties. The 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 GREENBRIER COMPANIES, INC.***

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.

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 \$3.5 million in third party warranty guarantee facilities. To date no amounts have been drawn under these guarantee facilities.

As of May 31, 2015, the Mexican joint venture had \$20.8 million of third party debt outstanding, for which the Company and its joint venture partner had each guaranteed approximately \$18.8 million.

As of May 31, 2015, the Company had outstanding letters of credit aggregating \$49.8 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 \$12.5 million in cash contributions in 2014 and \$3.2 million in cash contributions and \$7.5 million in loans during the nine months ended May 31, 2015. The Company expects to loan additional amounts, up to \$7.0 million, during the fourth quarter of 2015. The Company is likely to make additional capital contributions or loans to GBW in the future. As of May 31, 2015, the Company had a \$7.5 million note receivable and a \$21.0 million account receivable from GBW. The account receivable from GBW was for the initial sale of inventory to GBW which may be converted into a note receivable during the year. The Company receives approximately \$5 million annually from GBW in lease payments for the Company's owned facilities and equipment leased to GBW as well as quarterly distributions of a portion of GBW's earnings. During the nine months ended May 31, 2015, the Company received \$0.7 million in quarterly distributions from GBW.

**THE GREENBRIER COMPANIES, INC.****Note 14 Fair Value Measures**

Certain assets and liabilities are reported at fair value on either a recurring or nonrecurring basis. Fair value, for this disclosure, is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, under a three-tier fair value hierarchy 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 May 31, 2015 were:

| <i>(In thousands)</i>                 | Total     | Level 1   | Level 2 <sup>(1)</sup> | Level 3 |
|---------------------------------------|-----------|-----------|------------------------|---------|
| <b>Assets:</b>                        |           |           |                        |         |
| Derivative financial instruments      | \$ 1,527  | \$        | \$ 1,527               | \$      |
| Nonqualified savings plan investments | 12,666    | 12,666    |                        |         |
| Cash equivalents                      | 5,068     | 5,068     |                        |         |
|                                       | \$ 19,261 | \$ 17,734 | \$ 1,527               | \$      |
| <b>Liabilities:</b>                   |           |           |                        |         |
| Derivative financial instruments      | \$ 2,702  | \$        | \$ 2,702               | \$      |

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

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

| <i>(In thousands)</i>                 | Total     | Level 1   | Level 2 | Level 3 |
|---------------------------------------|-----------|-----------|---------|---------|
| <b>Assets:</b>                        |           |           |         |         |
| 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 | \$ |
|----------------------------------|----------|----|----------|----|

***THE GREENBRIER COMPANIES, INC.***

**Note 15 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 Greenbrier Rail Services 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 Europe Holdings B.V.; Greenbrier Germany GmbH; WagonSwidnica S.A.; Zaklad Naprawy Taboru Kolejowego Olawa sp. z o.o.; Zaklad Transportu Kolejowego SIARKOPOL sp. z o.o.; Gunderson-Concarril, S.A. de C.V.; 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.; Greenbrier do Brasil Participações Ltda; Greenbrier Tank Components, LLC; Gunderson-Gimsa S.A. de C.V., Greenbrier; S.A. de C.V.; Greenbrier Industries, 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 May 31, 2015 and August 31, 2014, for the three and nine months ended May 31, 2015 and 2014. The information is presented on the basis of Greenbrier accounting for its ownership of its wholly owned subsidiaries using the equity method of accounting. The equity method investment for each subsidiary is recorded by the parent in intangibles and other assets. Intercompany transactions of goods and services between the guarantor and non-guarantor subsidiaries are presented as if the sales or transfers were at fair value to third parties and eliminated in consolidation.



**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.

Condensed Consolidating Balance Sheet

May 31, 2015

*(In thousands, unaudited)*

|                                          | Parent         | Combined<br>Guarantor<br>Subsidiaries | Combined<br>Non-<br>Guarantor<br>Subsidiaries | Eliminations       | Consolidated   |
|------------------------------------------|----------------|---------------------------------------|-----------------------------------------------|--------------------|----------------|
| <b>Assets</b>                            |                |                                       |                                               |                    |                |
| Cash and cash equivalents                | \$ 55,896      | \$ 487                                | \$ 66,400                                     | \$                 | \$ 122,783     |
| Restricted cash                          |                | 2,009                                 | 6,903                                         |                    | 8,912          |
| Accounts receivable, net                 | 576            | 474,518                               | 15,268                                        | (275,472)          | 214,890        |
| Inventories                              |                | 152,396                               | 275,883                                       | (1,624)            | 426,655        |
| Leased railcars for syndication          |                | 234,560                               |                                               | (21,363)           | 213,197        |
| Equipment on operating leases, net       |                | 257,653                               | 2,973                                         | (2,664)            | 257,962        |
| Property, plant and equipment, net       | 7,116          | 104,124                               | 174,330                                       |                    | 285,570        |
| Investment in unconsolidated affiliates  | 1,116,076      | 166,455                               | 23,099                                        | (1,214,413)        | 91,217         |
| Goodwill                                 |                | 43,265                                |                                               |                    | 43,265         |
| Intangibles and other assets, net        | 17,035         | 41,625                                | 12,186                                        | (8,182)            | 62,664         |
|                                          | \$ 1,196,699   | \$ 1,477,092                          | \$ 577,042                                    | \$ (1,523,718)     | \$ 1,727,115   |
| <b>Liabilities and Equity</b>            |                |                                       |                                               |                    |                |
| Revolving notes                          | \$ 73,000      | \$                                    | \$ 19,507                                     | \$                 | \$ 92,507      |
| Accounts payable and accrued liabilities | 287,539        | 247,506                               | 192,335                                       | (321,836)          | 405,544        |
| Deferred income taxes                    | 11,971         | 72,489                                |                                               | (8,888)            | 75,572         |
| Deferred revenue                         |                | 24,028                                | 137                                           | 44                 | 24,209         |
| Notes payable                            | 151,792        | 193,175                               | 1,312                                         |                    | 346,279        |
| Total equity Greenbrier                  | 672,397        | 939,894                               | 253,236                                       | (1,193,131)        | 672,396        |
| Noncontrolling interest                  |                |                                       | 110,515                                       | 93                 | 110,608        |
| <b>Total equity</b>                      | <b>672,397</b> | <b>939,894</b>                        | <b>363,751</b>                                | <b>(1,193,038)</b> | <b>783,004</b> |
|                                          | \$ 1,196,699   | \$ 1,477,092                          | \$ 577,042                                    | \$ (1,523,718)     | \$ 1,727,115   |

**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Income

For the three months ended May 31, 2015

*(In thousands, unaudited)*

|                                                                                               | Parent   | Combined<br>Guarantor<br>Subsidiaries | Combined<br>Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------------------------------------------------------------|----------|---------------------------------------|-----------------------------------------------|--------------|--------------|
| <b>Revenue</b>                                                                                |          |                                       |                                               |              |              |
| Manufacturing                                                                                 | \$       | \$ 280,928                            | \$ 492,302                                    | \$ (179,854) | \$ 593,376   |
| Wheels & Parts                                                                                |          | 98,746                                |                                               | (1,339)      | 97,407       |
| Leasing & Services                                                                            | (90)     | 23,762                                |                                               | 151          | 23,823       |
|                                                                                               | (90)     | 403,436                               | 492,302                                       | (181,042)    | 714,606      |
| <b>Cost of revenue</b>                                                                        |          |                                       |                                               |              |              |
| Manufacturing                                                                                 |          | 230,143                               | 418,273                                       | (182,758)    | 465,658      |
| Wheels & Parts                                                                                |          | 91,131                                |                                               | (1,486)      | 89,645       |
| Leasing & Services                                                                            |          | 10,041                                |                                               | (24)         | 10,017       |
|                                                                                               |          | 331,315                               | 418,273                                       | (184,268)    | 565,320      |
| <b>Margin</b>                                                                                 | (90)     | 72,121                                | 74,029                                        | 3,226        | 149,286      |
| Selling and administrative expense                                                            | 24,851   | 10,688                                | 9,912                                         | 144          | 45,595       |
| Net (gain) loss on disposition of equipment                                                   |          | (724)                                 | 7                                             | (3)          | (720)        |
| <b>Earnings (loss) from operations</b>                                                        | (24,941) | 62,157                                | 64,110                                        | 3,085        | 104,411      |
| <b>Other costs</b>                                                                            |          |                                       |                                               |              |              |
| Interest and foreign exchange                                                                 | 3,240    | 1,649                                 | (604)                                         |              | 4,285        |
| <b>Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates</b> | (28,181) | 60,508                                | 64,714                                        | 3,085        | 100,126      |
| Income tax (expense) benefit                                                                  | 4,215    | (26,025)                              | (7,888)                                       | (1,085)      | (30,783)     |
| <b>Earnings (loss) before earnings (loss) from unconsolidated affiliates</b>                  | (23,966) | 34,483                                | 56,826                                        | 2,000        | 69,343       |
| Earnings (loss) from unconsolidated affiliates                                                | 66,777   | 5,142                                 | 47                                            | (70,984)     | 982          |
| <b>Net earnings (loss)</b>                                                                    | 42,811   | 39,625                                | 56,873                                        | (68,984)     | 70,325       |
| Net earnings attributable to noncontrolling interest                                          |          |                                       | (26,415)                                      | (1,099)      | (27,514)     |

|                                                       |           |           |           |             |           |
|-------------------------------------------------------|-----------|-----------|-----------|-------------|-----------|
| <b>Net earnings (loss) attributable to Greenbrier</b> | \$ 42,811 | \$ 39,625 | \$ 30,458 | \$ (70,083) | \$ 42,811 |
|-------------------------------------------------------|-----------|-----------|-----------|-------------|-----------|

**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.

## Condensed Consolidating Statement of Income

For the nine months ended May 31, 2015

*(In thousands, unaudited)*

|                                                                                        | Parent   | Combined<br>Guarantor<br>Subsidiaries | Combined<br>Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|----------------------------------------------------------------------------------------|----------|---------------------------------------|-----------------------------------------------|--------------|--------------|
| <b>Revenue</b>                                                                         |          |                                       |                                               |              |              |
| Manufacturing                                                                          | \$       | \$ 877,405                            | \$ 1,285,603                                  | \$ (684,442) | \$ 1,478,566 |
| Wheels & Parts                                                                         |          | 290,917                               |                                               | (4,246)      | 286,671      |
| Leasing & Services                                                                     | 83       | 74,064                                | 1                                             | 428          | 74,576       |
|                                                                                        | 83       | 1,242,386                             | 1,285,604                                     | (688,260)    | 1,839,813    |
| <b>Cost of revenue</b>                                                                 |          |                                       |                                               |              |              |
| Manufacturing                                                                          |          | 735,414                               | 1,091,498                                     | (641,990)    | 1,184,922    |
| Wheels & Parts                                                                         |          | 263,755                               |                                               | (4,470)      | 259,285      |
| Leasing & Services                                                                     |          | 33,014                                |                                               | (72)         | 32,942       |
|                                                                                        |          | 1,032,183                             | 1,091,498                                     | (646,532)    | 1,477,149    |
| <b>Margin</b>                                                                          | 83       | 210,203                               | 194,106                                       | (41,728)     | 362,664      |
| Selling and administrative expense                                                     | 55,116   | 26,905                                | 30,169                                        | 33           | 112,223      |
| Net (gain) loss on disposition of equipment                                            |          | (927)                                 | 7                                             | (4)          | (924)        |
| <b>Earnings (loss) from operations</b>                                                 | (55,033) | 184,225                               | 163,930                                       | (41,757)     | 251,365      |
| <b>Other costs</b>                                                                     |          |                                       |                                               |              |              |
| Interest and foreign exchange                                                          | 9,345    | 4,998                                 | (4,988)                                       |              | 9,355        |
| Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates | (64,378) | 179,227                               | 168,918                                       | (41,757)     | 242,010      |
| Income tax (expense) benefit                                                           | (4,476)  | (62,438)                              | (22,559)                                      | 13,264       | (76,209)     |
| Earnings (loss) before earnings (loss) from unconsolidated affiliates                  | (68,854) | 116,789                               | 146,359                                       | (28,493)     | 165,801      |
| Earnings (loss) from unconsolidated affiliates                                         | 194,802  | 21,377                                | 142                                           | (214,769)    | 1,552        |
| <b>Net earnings (loss)</b>                                                             | 125,948  | 138,166                               | 146,501                                       | (243,262)    | 167,353      |

|                                                             |  |  |  |          |        |          |
|-------------------------------------------------------------|--|--|--|----------|--------|----------|
| Net (earnings) loss attributable to noncontrolling interest |  |  |  | (61,992) | 20,587 | (41,405) |
|-------------------------------------------------------------|--|--|--|----------|--------|----------|

|                                                       |            |            |           |              |            |
|-------------------------------------------------------|------------|------------|-----------|--------------|------------|
| <b>Net earnings (loss) attributable to Greenbrier</b> | \$ 125,948 | \$ 138,166 | \$ 84,509 | \$ (222,675) | \$ 125,948 |
|-------------------------------------------------------|------------|------------|-----------|--------------|------------|

**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Comprehensive Income (Loss)

For the three months ended May 31, 2015

*(In thousands, unaudited)*

| <i>(In thousands)</i>                                                                     | Parent    | Combined<br>Guarantor<br>Subsidiaries | Combined<br>Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------------------------------------------------------|-----------|---------------------------------------|-----------------------------------------------|--------------|--------------|
| Net earnings (loss)                                                                       | \$ 42,811 | \$ 39,625                             | \$ 56,873                                     | \$ (68,984)  | \$ 70,325    |
| Other comprehensive income (loss)                                                         |           |                                       |                                               |              |              |
| Translation adjustment                                                                    |           | (18)                                  | (1,281)                                       |              | (1,299)      |
| Reclassification of derivative financial<br>instruments recognized in net earnings (loss) |           | 275                                   | (529)                                         |              | (254)        |
| Unrealized gain (loss) on derivative financial<br>instruments                             |           | (443)                                 | 550                                           |              | 107          |
| Other (net of tax effect)                                                                 |           |                                       | 93                                            |              | 93           |
|                                                                                           |           | (186)                                 | (1,167)                                       |              | (1,353)      |
| Comprehensive income (loss)                                                               | 42,811    | 39,439                                | 55,706                                        | (68,984)     | 68,972       |
| Comprehensive income attributable to<br>noncontrolling interest                           |           |                                       | (26,398)                                      | (1,099)      | (27,497)     |
| Comprehensive income (loss) attributable to<br>Greenbrier                                 | \$ 42,811 | \$ 39,439                             | \$ 29,308                                     | \$ (70,083)  | \$ 41,475    |

**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Comprehensive Income (Loss)

For the nine months ended May 31, 2015

*(In thousands, unaudited)*

| <i>(In thousands)</i>                                                                     | Parent     | Combined<br>Guarantor<br>Subsidiaries | Combined<br>Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------------------------------------------------------|------------|---------------------------------------|-----------------------------------------------|--------------|--------------|
| Net earnings (loss)                                                                       | \$ 125,948 | \$ 138,166                            | \$ 146,501                                    | \$ (243,262) | \$ 167,353   |
| Other comprehensive income (loss)                                                         |            |                                       |                                               |              |              |
| Translation adjustment                                                                    |            | (137)                                 | (10,853)                                      |              | (10,990)     |
| Reclassification of derivative financial<br>instruments recognized in net earnings (loss) |            | 837                                   | (420)                                         |              | 417          |
| Unrealized gain (loss) on derivative financial<br>instruments                             |            | (1,640)                               | 1,633                                         |              | (7)          |
| Other (net of tax effect)                                                                 |            |                                       | 99                                            |              | 99           |
|                                                                                           |            | (940)                                 | (9,541)                                       |              | (10,481)     |
| Comprehensive income (loss)                                                               | 125,948    | 137,226                               | 136,960                                       | (243,262)    | 156,872      |
| Comprehensive (income) loss attributable to<br>noncontrolling interest                    |            |                                       | (61,840)                                      | 20,587       | (41,253)     |
| Comprehensive income (loss) attributable to<br>Greenbrier                                 | \$ 125,948 | \$ 137,226                            | \$ 75,120                                     | \$ (222,675) | \$ 115,619   |

**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.

## Condensed Consolidating Statement of Cash Flows

For the nine months ended May 31, 2015

*(In thousands, unaudited)*

| <i>(In thousands)</i>                                                                                      | Parent     | Combined<br>Guarantor<br>Subsidiaries | Combined<br>Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------------------------------------------------------------|------------|---------------------------------------|-----------------------------------------------|--------------|--------------|
| <b>Cash flows from operating activities:</b>                                                               |            |                                       |                                               |              |              |
| Net earnings (loss)                                                                                        | \$ 125,948 | \$ 138,166                            | \$ 146,501                                    | \$ (243,262) | \$ 167,353   |
| Adjustments to reconcile net earnings (loss)<br>to net cash provided by (used in) operating<br>activities: |            |                                       |                                               |              |              |
| Deferred income taxes                                                                                      | (138)      | (8,000)                               | 2,893                                         |              | (5,245)      |
| Depreciation and amortization                                                                              | 1,484      | 19,909                                | 11,936                                        | (71)         | 33,258       |
| Net (gain)loss on disposition of equipment                                                                 |            | (927)                                 | 7                                             | (4)          | (924)        |
| Stock based compensation expense                                                                           | 13,176     |                                       |                                               |              | 13,176       |
| Noncontrolling interest adjustments                                                                        |            |                                       |                                               | 20,371       | 20,371       |
| Other                                                                                                      | 43         | 105                                   | 860                                           |              | 1,008        |
| Decrease (increase) in assets:                                                                             |            |                                       |                                               |              |              |
| Accounts receivable, net                                                                                   | 50         | (10,046)                              | 37,034                                        | (35,807)     | (8,769)      |
| Inventories                                                                                                |            | (39,279)                              | (87,156)                                      | 1,529        | (124,906)    |
| Leased railcars for syndication                                                                            |            | (109,324)                             |                                               | 18,410       | (90,914)     |
| Other                                                                                                      | 20,641     | 763                                   | (33,634)                                      | 10,564       | (1,666)      |
| Increase (decrease) in liabilities:                                                                        |            |                                       |                                               |              |              |
| Accounts payable and accrued liabilities                                                                   | (3,824)    | 25,612                                | 9,112                                         | (7,765)      | 23,135       |
| Deferred revenue                                                                                           | (122)      | 4,078                                 | (276)                                         |              | 3,680        |
| Net cash provided by (used in) operating<br>activities                                                     | 157,258    | 21,057                                | 87,277                                        | (236,035)    | 29,557       |
| <b>Cash flows from investing activities:</b>                                                               |            |                                       |                                               |              |              |
| Proceeds from sales of assets                                                                              |            | 4,623                                 | 5                                             |              | 4,628        |
| Capital expenditures                                                                                       | (2,424)    | (18,807)                              | (55,059)                                      | 398          | (75,892)     |
| Decrease (increase) in restricted cash                                                                     |            | 229                                   | (1)                                           |              | 228          |
| Investment in and net advances to<br>unconsolidated affiliates                                             | (245,594)  | (19,966)                              |                                               | 235,637      | (29,923)     |
| Other                                                                                                      | 715        |                                       |                                               |              | 715          |
|                                                                                                            | (247,303)  | (33,921)                              | (55,055)                                      | 236,035      | (100,244)    |



Net cash provided by (used in) investing activities

**Cash flows from financing activities:**

|                                                                   |           |          |           |            |
|-------------------------------------------------------------------|-----------|----------|-----------|------------|
| Net changes in revolving notes with maturities of 90 days or less | 73,000    |          |           | 73,000     |
| Proceeds from revolving notes with maturities longer than 90 days |           | 42,563   |           | 42,563     |
| Repayments of revolving notes with maturities longer than 90 days |           | (36,137) |           | (36,137)   |
| Repayments of notes payable                                       | (5)       | (5,280)  | (219)     | (5,504)    |
| Intercompany advances                                             | (18,997)  | 9,788    | 9,209     |            |
| Repurchase of stock                                               | (48,451)  |          |           | (48,451)   |
| Dividends                                                         | (12,069)  |          |           | (12,069)   |
| Decrease in restricted cash                                       |           | 11,000   |           | 11,000     |
| Cash distributions to joint venture partner                       |           | (12,489) |           | (12,489)   |
| Excess tax benefit from restricted stock awards                   | 2,964     |          |           | 2,964      |
| Other                                                             | (248)     |          |           | (248)      |
| Net cash provided by (used in) financing activities               | (3,806)   | 15,508   | 2,927     | 14,629     |
| Effect of exchange rate changes                                   |           | (2,269)  | (3,806)   | (6,075)    |
| Increase (decrease) in cash and cash equivalents                  | (93,851)  | 375      | 31,343    | (62,133)   |
| <b>Cash and cash equivalents</b>                                  |           |          |           |            |
| Beginning of period                                               | 149,747   | 112      | 35,057    | 184,916    |
| End of period                                                     | \$ 55,896 | \$ 487   | \$ 66,400 | \$ 122,783 |

**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.

Condensed Consolidating Balance Sheet

August 31, 2014

*(In thousands)*

|                                          | Parent         | Combined<br>Guarantor<br>Subsidiaries | Combined<br>Non-Guarantor<br>Subsidiaries | Eliminations     | Consolidated   |
|------------------------------------------|----------------|---------------------------------------|-------------------------------------------|------------------|----------------|
| <b>Assets</b>                            |                |                                       |                                           |                  |                |
| 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   |
| <b>Liabilities and Equity</b>            |                |                                       |                                           |                  |                |
| 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         |
| <b>Total equity</b>                      | <b>511,390</b> | <b>801,267</b>                        | <b>252,882</b>                            | <b>(991,818)</b> | <b>573,721</b> |
|                                          | \$ 1,084,356   | \$ 1,322,274                          | \$ 453,315                                | \$ (1,342,777)   | \$ 1,517,168   |

**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Income

For the three months ended May 31, 2014

*(In thousands, unaudited)*

|                                                                                        | Parent   | Combined<br>Guarantor<br>Subsidiaries | Combined<br>Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|----------------------------------------------------------------------------------------|----------|---------------------------------------|-----------------------------------------------|--------------|--------------|
| <b>Revenue</b>                                                                         |          |                                       |                                               |              |              |
| Manufacturing                                                                          | \$       | \$ 211,921                            | \$ 363,401                                    | \$ (149,739) | \$ 425,583   |
| Wheels, Repair & Parts                                                                 |          | 142,625                               |                                               | (1,962)      | 140,663      |
| Leasing & Services                                                                     | 108      | 26,771                                |                                               | 160          | 27,039       |
|                                                                                        | 108      | 381,317                               | 363,401                                       | (151,541)    | 593,285      |
| <b>Cost of revenue</b>                                                                 |          |                                       |                                               |              |              |
| Manufacturing                                                                          |          | 184,870                               | 315,398                                       | (148,439)    | 351,829      |
| Wheels, Repair & Parts                                                                 |          | 131,769                               |                                               | (1,944)      | 129,825      |
| Leasing & Services                                                                     |          | 14,876                                |                                               | (20)         | 14,856       |
|                                                                                        |          | 331,515                               | 315,398                                       | (150,403)    | 496,510      |
| <b>Margin</b>                                                                          | 108      | 49,802                                | 48,003                                        | (1,138)      | 96,775       |
| Selling and administrative                                                             | 13,987   | 10,645                                | 10,016                                        | 152          | 34,800       |
| Net gain on disposition of equipment                                                   |          | (5,411)                               | (205)                                         | (3)          | (5,619)      |
| Restructuring charges                                                                  |          | 56                                    |                                               |              | 56           |
| <b>Earnings (loss) from operations</b>                                                 | (13,879) | 44,512                                | 38,192                                        | (1,287)      | 67,538       |
| <b>Other costs</b>                                                                     |          |                                       |                                               |              |              |
| Interest and foreign exchange                                                          | 2,918    | 1,417                                 | 1,102                                         |              | 5,437        |
| Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates | (16,797) | 43,095                                | 37,090                                        | (1,287)      | 62,101       |
| Income tax (expense) benefit                                                           | 3,337    | (11,506)                              | (8,388)                                       | 254          | (16,303)     |
| Earnings (loss) before earnings (loss) from unconsolidated affiliates                  | (13,460) | 31,589                                | 28,702                                        | (1,033)      | 45,798       |
| Earnings (loss) from unconsolidated affiliates                                         | 47,048   | 5,412                                 | 44                                            | (52,206)     | 298          |
| Net earnings (loss)                                                                    | 33,588   | 37,001                                | 28,746                                        | (53,239)     | 46,096       |
| Net (earnings) loss attributable to                                                    |          |                                       | (12,830)                                      | 322          | (12,508)     |

noncontrolling interest

**Net earnings (loss) attributable to  
Greenbrier**

|           |           |           |             |           |
|-----------|-----------|-----------|-------------|-----------|
| \$ 33,588 | \$ 37,001 | \$ 15,916 | \$ (52,917) | \$ 33,588 |
|-----------|-----------|-----------|-------------|-----------|

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**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Income

For the nine months ended May 31, 2014

*(In thousands, unaudited)*

|                                                                                        | Parent   | Combined<br>Guarantor<br>Subsidiaries | Combined<br>Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|----------------------------------------------------------------------------------------|----------|---------------------------------------|-----------------------------------------------|--------------|--------------|
| <b>Revenue</b>                                                                         |          |                                       |                                               |              |              |
| Manufacturing                                                                          | \$       | \$ 617,120                            | \$ 981,040                                    | \$ (465,349) | \$ 1,132,811 |
| Wheels, Repair & Parts                                                                 |          | 395,537                               |                                               | (4,933)      | 390,604      |
| Leasing & Services                                                                     | 865      | 61,101                                | 1                                             | 474          | 62,441       |
|                                                                                        | 865      | 1,073,758                             | 981,041                                       | (469,808)    | 1,585,856    |
| <b>Cost of revenue</b>                                                                 |          |                                       |                                               |              |              |
| Manufacturing                                                                          |          | 552,871                               | 876,395                                       | (459,425)    | 969,841      |
| Wheels, Repair & Parts                                                                 |          | 370,626                               |                                               | (4,886)      | 365,740      |
| Leasing & Services                                                                     |          | 34,152                                |                                               | (62)         | 34,090       |
|                                                                                        |          | 957,649                               | 876,395                                       | (464,373)    | 1,369,671    |
| <b>Margin</b>                                                                          | 865      | 116,109                               | 104,646                                       | (5,435)      | 216,185      |
| Selling and administrative                                                             | 31,698   | 29,802                                | 27,083                                        | 451          | 89,034       |
| Net gain on disposition of equipment                                                   |          | (13,556)                              | (820)                                         | (310)        | (14,686)     |
| Restructuring charges                                                                  |          | 1,475                                 |                                               |              | 1,475        |
| <b>Earnings (loss) from operations</b>                                                 | (30,833) | 98,388                                | 78,383                                        | (5,576)      | 140,362      |
| <b>Other costs</b>                                                                     |          |                                       |                                               |              |              |
| Interest and foreign exchange                                                          | 8,751    | 3,180                                 | 2,349                                         |              | 14,280       |
| Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates | (39,584) | 95,208                                | 76,034                                        | (5,576)      | 126,082      |
| Income tax (expense) benefit                                                           | 10,772   | (31,059)                              | (18,044)                                      | 1,623        | (36,708)     |
| Earnings (loss) before earnings (loss) from unconsolidated affiliates                  | (28,812) | 64,149                                | 57,990                                        | (3,953)      | 89,374       |
| Earnings (loss) from unconsolidated affiliates                                         | 93,375   | 7,857                                 | 121                                           | (101,081)    | 272          |
| Net earnings (loss)                                                                    | 64,563   | 72,006                                | 58,111                                        | (105,034)    | 89,646       |

|                                     |  |  |          |       |          |
|-------------------------------------|--|--|----------|-------|----------|
| Net (earnings) loss attributable to |  |  |          |       |          |
| noncontrolling interest             |  |  | (27,362) | 2,279 | (25,083) |

|                                                       |           |           |           |              |           |
|-------------------------------------------------------|-----------|-----------|-----------|--------------|-----------|
| <b>Net earnings (loss) attributable to Greenbrier</b> | \$ 64,563 | \$ 72,006 | \$ 30,749 | \$ (102,755) | \$ 64,563 |
|-------------------------------------------------------|-----------|-----------|-----------|--------------|-----------|

**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Comprehensive Income (Loss)

For the three months ended May 31, 2014

*(In thousands, unaudited)*

| <i>(In thousands)</i>                                                                     | Parent    | Combined<br>Guarantor<br>Subsidiaries | Combined<br>Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------------------------------------------------------|-----------|---------------------------------------|-----------------------------------------------|--------------|--------------|
| Net earnings (loss)                                                                       | \$ 33,588 | \$ 37,001                             | \$ 28,746                                     | \$ (53,239)  | \$ 46,096    |
| Other comprehensive income (loss)                                                         |           |                                       |                                               |              |              |
| Translation adjustment                                                                    |           | 73                                    | 7                                             |              | 80           |
| Reclassification of derivative financial<br>instruments recognized in net earnings (loss) |           | 276                                   | (272)                                         |              | 4            |
| Unrealized gain (loss) on derivative<br>financial instruments                             |           | 139                                   | (798)                                         |              | (659)        |
| Other (net of tax effect)                                                                 |           |                                       | (4)                                           |              | (4)          |
|                                                                                           |           | 488                                   | (1,067)                                       |              | (579)        |
| Comprehensive income (loss)                                                               | 33,588    | 37,489                                | 27,679                                        | (53,239)     | 45,517       |
| Comprehensive (income) loss attributable to<br>noncontrolling interest                    |           |                                       | (12,823)                                      | 322          | (12,501)     |
| Comprehensive income (loss) attributable to<br>Greenbrier                                 | \$ 33,588 | \$ 37,489                             | \$ 14,856                                     | \$ (52,917)  | \$ 33,016    |

**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Comprehensive Income (Loss)

For the nine months ended May 31, 2014

*(In thousands, unaudited)*

| <i>(In thousands)</i>                                                                     | Parent    | Combined<br>Guarantor<br>Subsidiaries | Combined<br>Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------------------------------------------------------|-----------|---------------------------------------|-----------------------------------------------|--------------|--------------|
| Net earnings (loss)                                                                       | \$ 64,563 | \$ 72,006                             | \$ 58,111                                     | \$ (105,034) | \$ 89,646    |
| Other comprehensive income (loss)                                                         |           |                                       |                                               |              |              |
| Translation adjustment                                                                    |           | 86                                    | 3,316                                         |              | 3,402        |
| Reclassification of derivative financial<br>instruments recognized in net earnings (loss) |           | 787                                   | (466)                                         |              | 321          |
| Unrealized gain (loss) on derivative financial<br>instruments                             |           | 1,245                                 | (791)                                         |              | 454          |
| Other (net of tax effect)                                                                 |           |                                       | (3)                                           |              | (3)          |
|                                                                                           |           | 2,118                                 | 2,056                                         |              | 4,174        |
| Comprehensive income (loss)                                                               | 64,563    | 74,124                                | 60,167                                        | (105,034)    | 93,820       |
| Comprehensive (income) loss attributable to<br>noncontrolling interest                    |           |                                       | (27,416)                                      | 2,279        | (25,137)     |
| Comprehensive income (loss) attributable to<br>Greenbrier                                 | \$ 64,563 | \$ 74,124                             | \$ 32,751                                     | \$ (102,755) | \$ 68,683    |



**THE GREENBRIER COMPANIES, INC.**

The Greenbrier Companies, Inc.

## Condensed Consolidating Statement of Cash Flows

For the nine months ended May 31, 2014

*(In thousands, unaudited)*

| <i>(In thousands)</i>                                                                                      | Parent    | Combined<br>Guarantor<br>Subsidiaries | Combined<br>Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------------------------------------------------------------|-----------|---------------------------------------|-----------------------------------------------|--------------|--------------|
| <b>Cash flows from operating activities:</b>                                                               |           |                                       |                                               |              |              |
| Net earnings (loss)                                                                                        | \$ 64,563 | \$ 72,006                             | \$ 58,111                                     | \$ (105,034) | \$ 89,646    |
| Adjustments to reconcile net earnings (loss)<br>to net cash provided by (used in) operating<br>activities: |           |                                       |                                               |              |              |
| Deferred income taxes                                                                                      | (4,194)   | (1,789)                               | (762)                                         |              | (6,745)      |
| Depreciation and amortization                                                                              | 1,427     | 20,713                                | 8,746                                         | (62)         | 30,824       |
| Net gain on disposition of equipment                                                                       |           | (13,556)                              | (820)                                         | (310)        | (14,686)     |
| Stock based compensation expense                                                                           | 6,454     |                                       |                                               |              | 6,454        |
| Noncontrolling interest adjustments                                                                        |           |                                       |                                               | 2,953        | 2,953        |
| Other                                                                                                      |           | 372                                   | 16                                            |              | 388          |
| Decrease (increase) in assets:                                                                             |           |                                       |                                               |              |              |
| Accounts receivable                                                                                        | 36,573    | (43,867)                              | 694                                           | (19,626)     | (26,226)     |
| Inventories                                                                                                |           | 20,456                                | (42,225)                                      | 47           | (21,722)     |
| Leased railcars for syndication                                                                            |           | (28,371)                              |                                               | 2,951        | (25,420)     |
| Other                                                                                                      | (1,220)   | 81                                    | (2,788)                                       | 1,436        | (2,491)      |
| Increase (decrease) in liabilities:                                                                        |           |                                       |                                               |              |              |
| Accounts payable and accrued liabilities                                                                   | (22,404)  | 9,143                                 | 31,774                                        | 17,994       | 36,507       |
| Deferred revenue                                                                                           | (116)     | 10,798                                | 1,574                                         | 2            | 12,258       |
| Net cash provided by (used in) operating<br>activities                                                     | 81,083    | 45,986                                | 54,320                                        | (99,649)     | 81,740       |
| <b>Cash flows from investing activities:</b>                                                               |           |                                       |                                               |              |              |
| Proceeds from sales of assets                                                                              |           | 38,509                                | 1,006                                         |              | 39,515       |
| Capital expenditures                                                                                       | (3,543)   | (9,929)                               | (21,050)                                      |              | (34,522)     |
| Decrease (increase) in restricted cash                                                                     |           | (660)                                 | (1)                                           |              | (661)        |
| Investment in and net advances to<br>unconsolidated affiliates                                             | (91,939)  | (7,710)                               | (1,253)                                       | 99,649       | (1,253)      |
| Net cash provided by (used in) investing<br>Activities                                                     | (95,482)  | 20,210                                | (21,298)                                      | 99,649       | 3,079        |

**Cash flows from financing activities:**

|                                                                   |            |           |           |            |
|-------------------------------------------------------------------|------------|-----------|-----------|------------|
| Net changes in revolving notes with maturities of 90 days or less |            |           |           |            |
| Proceeds from revolving notes with maturities longer than 90 days |            |           | 34,674    | 34,674     |
| Repayment of revolving notes with maturities longer than 90 days  |            |           | (64,801)  | (64,801)   |
| Intercompany advances                                             | 137,633    | (139,741) | 2,108     |            |
| Proceeds from notes payable                                       |            | 200,000   |           | 200,000    |
| Repayments of notes payable                                       |            | (126,400) | (421)     | (126,821)  |
| Debt issuance costs                                               |            | (382)     |           | (382)      |
| Repurchase of stock                                               | (26,293)   |           |           | (26,293)   |
| Cash distribution to joint venture partner                        |            |           | (3,109)   | (3,109)    |
| Investment by joint venture partner                               |            |           | 419       | 419        |
| Excess tax benefit from restricted stock Awards                   | 109        |           |           | 109        |
| Net cash provided by (used in) financing Activities               | 111,449    | (66,523)  | (31,130)  | 13,796     |
| Effect of exchange rate changes                                   |            | 362       | 2,080     | 2,442      |
| Increase in cash and cash equivalents                             | 97,050     | 35        | 3,972     | 101,057    |
| <b>Cash and cash equivalents</b>                                  |            |           |           |            |
| Beginning of period                                               | 63,173     | 25        | 34,237    | 97,435     |
| End of period                                                     | \$ 160,223 | \$ 60     | \$ 38,209 | \$ 198,492 |

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*THE GREENBRIER COMPANIES, INC.***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 (loss) from unconsolidated affiliates as we account for our interest in GBW under the equity method of accounting. The Leasing & Services segment owns approximately 8,800 railcars (6,300 railcars held as equipment on operating leases and 2,500 held as leased railcars for syndication) and provides management services for approximately 245,000 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 33 shops throughout North America, 12 of which are currently tank car certified by the Association of American Railroads (AAR). We also produce rail castings through an unconsolidated joint venture.

Our total manufacturing backlog of railcar units as of May 31, 2015 was approximately 45,100 units with an estimated value of \$4.86 billion of which 37,500 units with a value of \$4.21 billion are for direct sales and 7,600 units with a value of \$0.65 billion are intended for syndications to third parties with a lease attached. Backlog as of May 31, 2014 was 26,400 units with an estimated value of \$2.75 billion. Currently no orders in our backlog are intended to be placed into our owned lease fleet. Multi-year supply agreements are a part of rail industry practice. 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 May 31, 2015 was \$70 million compared to \$110 million as of May 31, 2014.

Our backlog of railcar units and marine vessels is not necessarily indicative of future results of operations. Certain orders in backlog are subject to customary documentation and completion of terms. Customer orders 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, though the timing of deliveries may be modified from time to time.

On May 6, 2015, we announced that we have closed on the previously reported acquisition of a 19.5% ownership stake in Amsted-Maxion Hortolândia, the leading railcar manufacturer in South America, for approximately \$15 million. We have an option to acquire an additional 40.5% ownership interest, to be exercised no later than September 30, 2017.

**THE GREENBRIER COMPANIES, INC.****Three Months Ended May 31, 2015 Compared to Three Months Ended May 31, 2014****Overview**

Revenue, cost of revenue, margin and operating profit presented below, include amounts from external parties and exclude intersegment activity that is eliminated in consolidation.

| <i>(In thousands)</i>                                                       | Three Months Ended<br>May 31, |            |
|-----------------------------------------------------------------------------|-------------------------------|------------|
|                                                                             | 2015                          | 2014       |
| Revenue:                                                                    |                               |            |
| Manufacturing                                                               | \$ 593,376                    | \$ 425,583 |
| Wheels & Parts                                                              | 97,407                        | 140,663    |
| Leasing & Services                                                          | 23,823                        | 27,039     |
|                                                                             | 714,606                       | 593,285    |
| Cost of revenue:                                                            |                               |            |
| Manufacturing                                                               | 465,658                       | 351,829    |
| Wheels & Parts                                                              | 89,645                        | 129,825    |
| Leasing & Services                                                          | 10,017                        | 14,856     |
|                                                                             | 565,320                       | 496,510    |
| Margin:                                                                     |                               |            |
| Manufacturing                                                               | 127,718                       | 73,754     |
| Wheels & Parts                                                              | 7,762                         | 10,838     |
| Leasing & Services                                                          | 13,806                        | 12,183     |
|                                                                             | 149,286                       | 96,775     |
| Selling and administrative                                                  | 45,595                        | 34,800     |
| Net gain on disposition of equipment                                        | (720)                         | (5,619)    |
| Restructuring charges                                                       |                               | 56         |
| Earnings from operations                                                    | 104,411                       | 67,538     |
| Interest and foreign exchange                                               | 4,285                         | 5,437      |
| Earnings before income taxes and earnings from<br>unconsolidated affiliates | 100,126                       | 62,101     |
| Income tax expense                                                          | (30,783)                      | (16,303)   |
| Earnings before earnings from unconsolidated affiliates                     | 69,343                        | 45,798     |
| Earnings from unconsolidated affiliates                                     | 982                           | 298        |
| Net earnings                                                                | 70,325                        | 46,096     |
| Net earnings attributable to noncontrolling interest                        | (27,514)                      | (12,508)   |

|                                         |           |           |
|-----------------------------------------|-----------|-----------|
| Net earnings attributable to Greenbrier | \$ 42,811 | \$ 33,588 |
|-----------------------------------------|-----------|-----------|

|                                   |         |         |
|-----------------------------------|---------|---------|
| Diluted earnings per common share | \$ 1.33 | \$ 1.03 |
|-----------------------------------|---------|---------|

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 model. Management does not allocate Interest and foreign exchange or Income tax expense for either external or internal reporting purposes.

|                          | Three Months Ended<br>May 31, |           |
|--------------------------|-------------------------------|-----------|
| (In thousands)           | 2015                          | 2014      |
| Operating profit (loss): |                               |           |
| Manufacturing            | \$ 115,675                    | \$ 61,116 |
| Wheels & Parts           | 5,078                         | 5,524     |
| Leasing & Services       | 10,824                        | 14,582    |
| Corporate                | (27,166)                      | (13,684)  |
|                          | \$ 104,411                    | \$ 67,538 |

**THE GREENBRIER COMPANIES, INC.****Consolidated Results**

| (In thousands)                          | Three Months Ended<br>May 31, |            | Increase<br>(Decrease) | %<br>Change |
|-----------------------------------------|-------------------------------|------------|------------------------|-------------|
|                                         | 2015                          | 2014       |                        |             |
| Revenue                                 | \$ 714,606                    | \$ 593,285 | \$ 121,321             | 20.4%       |
| Cost of revenue                         | \$ 565,320                    | \$ 496,510 | \$ 68,810              | 13.9%       |
| Margin (%)                              | 20.9%                         | 16.3%      | 4.6%                   | *           |
| Net earnings attributable to Greenbrier | \$ 42,811                     | \$ 33,588  | \$ 9,223               | 27.5%       |

\* Not meaningful

Through our integrated business model, we provide a broad range of custom products and services in each of our segments which have various average selling prices and margins. The demand for and mix of products and services delivered changes from period to period which causes fluctuations in our results of operations.

Revenue was \$714.6 million and \$593.3 million for the three months ended May 31, 2015 and 2014, respectively. The 20.4% increase in revenue was primarily due to a 39.4% increase in Manufacturing revenue as a result of a 33% higher volume of deliveries due to strong demand in the freight car market. These were partially offset by a decrease of 30.8% in Wheels & Parts revenue. On July 18, 2014 we contributed our Repair operations to GBW, an unconsolidated 50/50 joint venture. After July 18, 2014, the results of GBW were included as part of Earnings (loss) from unconsolidated affiliates as we account for our interest in GBW under the equity method of accounting. The decrease in Wheels & Parts revenue was primarily due to the three months ended May 31, 2015 excluding repair revenue as a result of contributing our repair business to GBW, while the three months ended May 31, 2014 included repair revenue. In addition, the increase in revenue was partially offset by a decrease of 11.9% in Leasing & Services revenue primarily the result of revenue recognized on the sale of railcars we purchased from a third party in the prior year.

Cost of revenue was \$565.3 million and \$496.5 million for the three months ended May 31, 2015 and 2014, respectively. The 13.9% increase in cost of revenue was primarily due to a 32.4% increase in Manufacturing cost of revenue primarily due to a 33% increase in railcar deliveries partially offset by improved production efficiencies and favorable foreign currency exchange rates. The increase in cost of revenue was partially offset by a decrease in cost of revenue of 30.9% in Wheels & Parts primarily due to the three months ended May 31, 2015 excluding repair cost of revenue as a result of contributing our repair business to an unconsolidated joint venture, GBW, in July 2014. The three months ended May 31, 2014 included repair cost of revenue. In addition, the increase in cost of revenue was partially offset by a decrease of 32.6% in Leasing & Services cost of revenue primarily due to the cost of purchasing railcars from a third party that were sold in the prior year.

Margin as a percentage of revenue was 20.9% and 16.3% for the three months ended May 31, 2015 and 2014, respectively. The overall 4.6% increase in margin was due to an increase in margin in all three of our segments. Manufacturing margin increased to 21.5% for the three months ended May 31, 2015 compared to 17.3% for the three months ended May 31, 2014 primarily due to a favorable change in pricing, improved production efficiencies and favorable foreign currency exchange rates. In addition, the three months ended May 31, 2015 had higher volumes of new railcar sales with leases attached which typically result in higher sales prices and margins. Wheels & Parts margin

increased to 8.0% for the three months ended May 31, 2015 compared to 7.7% for the three months ended May 31, 2014. The three months ended May 31, 2015 excluded the results of our repair operations which in the recent past have had lower margins as a percentage of revenue than the rest of the segment. The increase in Wheels & Parts margin was partially offset by the adverse effect of declines in scrap metal pricing on wheel margins during the three months ended May 31, 2015. Leasing & Services margin increased to 58.0% for the three months ended May 31, 2015 compared to 45.1% for the three months ended May 31, 2014 primarily due to a higher average volume of rent-producing leased railcars for syndication.

Net earnings attributable to Greenbrier were \$42.8 million and \$33.6 million for the three months ended May 31, 2015 and May 31, 2014, respectively. The \$9.2 million increase in net earnings was primarily attributable to an increase in margin as compared to the prior comparable period partially offset by an increase in selling and administrative expense.

**THE GREENBRIER COMPANIES, INC.****Manufacturing Segment**

| (In thousands)        | Three Months Ended<br>May 31, |            | Increase<br>(Decrease) | %<br>Change |
|-----------------------|-------------------------------|------------|------------------------|-------------|
|                       | 2015                          | 2014       |                        |             |
| Revenue               | \$ 593,376                    | \$ 425,583 | \$ 167,793             | 39.4%       |
| Cost of revenue       | \$ 465,658                    | \$ 351,829 | \$ 113,829             | 32.4%       |
| Margin (%)            | 21.5%                         | 17.3%      | 4.2%                   | *           |
| Operating profit (\$) | \$ 115,675                    | \$ 61,116  | \$ 54,559              | 89.3%       |
| Operating profit (%)  | 19.5%                         | 14.4%      | 5.1%                   | *           |
| Deliveries            | 5,700                         | 4,300      | 1,400                  | 32.6%       |

\* Not meaningful

Manufacturing revenue was \$593.4 million and \$425.6 million for the three months ended May 31, 2015 and 2014, respectively. Manufacturing revenue increased \$167.8 million or 39.4% primarily due to a 33% increase in the volume of deliveries with a mix which had a higher average selling price as compared to the prior comparable period as a result of favorable pricing and a change in product mix. These higher deliveries were in response to strong demand in the freight car market. In addition, the increase in Manufacturing revenue was attributed to an increase in marine activity as compared to the prior comparable period.

Manufacturing cost of revenue was \$465.7 million and \$351.8 million for the three months ended May 31, 2015 and 2014, respectively. Cost of revenue increased \$113.8 million or 32.4% primarily due to an increase of 33% in the volume of railcar deliveries. This was partially offset by improved production efficiencies and favorable foreign currency exchange rates. In addition, the increase in Manufacturing cost of revenue was attributed to an increase in marine activity as compared to the prior comparable period.

Manufacturing margin as a percentage of revenue for the three months ended May 31, 2015 was 21.5% compared to 17.3% for the three months ended May 31, 2014. The 4.2% increase in margin was primarily due to favorable pricing, improved production efficiencies and favorable foreign currency exchange rates. In addition, the three months ended May 31, 2015 had higher volumes of new railcar sales with leases attached which typically result in higher sales prices and margins.

Manufacturing operating profit was \$115.7 million or 19.5% of revenue for the three months ended May 31, 2015 and \$61.1 million or 14.4% of revenue for the three months ended May 31, 2014. The \$54.6 million or 89.3% increase in operating profit was primarily attributed to higher margins.



**THE GREENBRIER COMPANIES, INC.****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 (loss) from unconsolidated affiliates as we account for our interest in GBW under the equity method of accounting.

| (In thousands)        | Three Months Ended<br>May 31, |            | Increase<br>(Decrease) | %<br>Change |
|-----------------------|-------------------------------|------------|------------------------|-------------|
|                       | 2015                          | 2014       |                        |             |
| Revenue               | \$ 97,407                     | \$ 140,663 | \$ (43,256)            | (30.8%)     |
| Cost of revenue       | \$ 89,645                     | \$ 129,825 | \$ (40,180)            | (30.9%)     |
| Margin (%)            | 8.0%                          | 7.7%       | 0.3%                   | *           |
| Operating profit (\$) | \$ 5,078                      | \$ 5,524   | \$ (446)               | (8.1%)      |
| Operating profit (%)  | 5.2%                          | 3.9%       | 1.3%                   | *           |

\* Not meaningful

Wheels & Parts revenue was \$97.4 million and \$140.7 million for the three months ended May 31, 2015 and 2014, respectively. The \$43.3 million or 30.8% decrease in revenue was primarily due to the three months ended May 31, 2015 excluding repair revenue as a result of contributing our repair business to GBW, while the three months ended May 31, 2014 included \$42.1 million of repair revenue. The decrease in revenue was also attributed to an 8.2% decrease in wheel set and component volumes due to a decrease in demand and a decrease in scrap metal pricing. These were partially offset by 11.9% increase in parts revenue.

Wheels & Parts cost of revenue was \$89.6 million and \$129.8 million for the three months ended May 31, 2015 and 2014, respectively. Cost of revenue decreased \$40.2 million or 30.9% primarily due to the three months ended May 31, 2015 excluding repair cost of revenue as a result of contributing our repair business to GBW, while the three months ended May 31, 2014 included repair cost of revenue. In addition, the decrease in cost of revenue was due to lower wheel set and component costs associated with decreased volumes.

Wheels & Parts margin as a percentage of revenue for the three months ended May 31, 2015 was 8.0% compared to 7.7% for the three months ended May 31, 2014. The three months ended May 31, 2015 excluded the results of our repair operations which in the recent past have had lower margins as a percentage of revenue than the rest of the segment. In addition, the increase in margin was due to a more favorable parts product mix. These were partially offset by the adverse effect of declines in scrap metal pricing on wheel margins during the three months ended May 31, 2015.

Wheels & Parts operating profit was \$5.1 million or 5.2% of revenue for the three months ended May 31, 2015 and \$5.5 million or 3.9% of revenue for the three months ended May 31, 2014. The \$0.4 million or 8.1% decrease in operating profit was primarily attributed to a decrease in margin in the current year partially offset by restructuring charges of \$0.1 million in the prior year.



**THE GREENBRIER COMPANIES, INC.****Leasing & Services Segment**

| (In thousands)        | Three Months Ended<br>May 31, |           | Increase<br>(Decrease) | %<br>Change |
|-----------------------|-------------------------------|-----------|------------------------|-------------|
|                       | 2015                          | 2014      |                        |             |
| Revenue               | \$ 23,823                     | \$ 27,039 | \$ (3,216)             | (11.9%)     |
| Cost of revenue       | \$ 10,017                     | \$ 14,856 | \$ (4,839)             | (32.6%)     |
| Margin (%)            | 58.0%                         | 45.1%     | 12.9%                  | *           |
| Operating profit (\$) | \$ 10,824                     | \$ 14,582 | \$ (3,758)             | (25.8%)     |
| Operating profit (%)  | 45.4%                         | 53.9%     | (8.5%)                 | *           |

\* Not meaningful

Leasing & Services revenue was \$23.8 million and \$27.0 million for the three months ended May 31, 2015 and 2014, respectively. The \$3.2 million or 11.9% decrease in revenue was primarily the result of revenue recognized on the sale of railcars we purchased from a third party in the prior year. These railcars were not manufactured by our company, but rather purchased from a third party with a lease attached, with the intent to resell 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 was recorded in cost of sales. This was partially offset by a higher average volume of rent-producing leased railcars for syndication held short-term, which is classified as Leased railcars for syndication on our Consolidated Balance Sheet.

Leasing & Services cost of revenue was \$10.0 million and \$14.9 million for the three months ended May 31, 2015 and 2014, respectively. Cost of revenue decreased \$4.8 million or 32.6% primarily due to the cost of purchasing railcars from a third party that were sold in the prior year.

Leasing & Services margin as a percentage of revenue for the three months ended May 31, 2015 was 58.0% compared to 45.1% for the three months ended May 31, 2014. The 12.9% increase was primarily the result of a higher average volume of rent-producing leased railcars for syndication as compared to the prior year. In addition the increase was attributed to a lower margin percentage on the syndication of railcars purchased from a third party in the prior year.

Leasing & Services operating profit was \$10.8 million or 45.4% of revenue for the three months ended May 31, 2015 and \$14.6 million or 53.9% of revenue for the three months ended May 31, 2014. The \$3.8 million or 25.8% decrease in operating profit was primarily attributed to a \$4.9 million decrease in Net gain on disposition of equipment partially offset by a \$1.6 million increase in gross margin.

The percentage of owned units on lease at May 31, 2015 was 97.6% compared to 97.9% at May 31, 2014.

**THE GREENBRIER COMPANIES, INC.****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.

For the three months ended May 31, 2015, GBW generated total revenue of \$88.8 million from its 33 railcar repair, refurbishment and retrofitting shops. For the three months ended May 31, 2015, GBW margin as a percentage of revenue was 7.4%.

To reflect our 50% share of GBW's results, we recorded earnings of \$0.4 million in Earnings from unconsolidated affiliates associated with GBW for the three months ended May 31, 2015.

**Selling and Administrative Expense**

| (In thousands)                     | Three Months Ended |                 | Increase<br>(Decrease) | %<br>Change |
|------------------------------------|--------------------|-----------------|------------------------|-------------|
|                                    | May 31,<br>2015    | May 31,<br>2014 |                        |             |
| Selling and administrative expense | \$ 45,595          | \$ 34,800       | \$ 10,795              | 31.0%       |

Selling and administrative expense was \$45.6 million or 6.4% of revenue for the three months ended May 31, 2015 compared to \$34.8 million or 5.9% of revenue for the prior comparable period. The \$10.8 million increase was primarily attributed to \$5.8 million in professional fees and other transaction costs in the current quarter in connection with a potential acquisition, a \$3.3 million increase in employee related costs including an increase in long term incentive compensation and additional headcount based on current levels of activity, \$1.7 million in costs in the current quarter associated with our advocacy of new tank car regulations and a \$0.5 million increase in travel and entertainment expenses primarily for new business development. These were partially offset by our repair operations being excluded from the three months ended May 31, 2015. Subsequent to quarter end, discussions related to the potential acquisition were terminated.

**Net Gain on Disposition of Equipment**

Net gain on disposition of equipment was \$0.7 million for the three months ended May 31, 2015, compared to \$5.6 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. All of the current year's gain and prior year's gain was realized on the disposition of leased assets.

**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 \$0.1 million for the three months ended May 31, 2014 and consisted of employee related termination costs and other expenses.



**THE GREENBRIER COMPANIES, INC.****Other Costs**

Interest and foreign exchange expense was comprised of the following:

| <i>(In thousands)</i>          | Three Months<br>Ended<br>May 31, |          | Increase<br>(Decrease) |
|--------------------------------|----------------------------------|----------|------------------------|
|                                | 2015                             | 2014     |                        |
| Interest and foreign exchange: |                                  |          |                        |
| Interest and other expense     | \$ 5,151                         | \$ 4,861 | \$ 290                 |
| Foreign exchange (gain) loss   | (866)                            | 576      | (1,442)                |
|                                | \$ 4,285                         | \$ 5,437 | \$ (1,152)             |

The \$1.2 million decrease in interest and foreign exchange expense from the prior comparable period was primarily attributed to the strengthening of the US Dollar against the Mexican Peso which resulted in a \$0.9 million foreign exchange gain in the current year compared to a \$0.6 million foreign exchange loss in the prior year. This was partially offset by an increase of \$0.3 million due to higher interest expense on increased levels of average borrowings as compared to the prior comparable period.

**Income Tax**

The tax rate for the three months ended May 31, 2015 was 30.7%, compared to 26.3% for the three months ended May 31, 2014. The tax rate for the prior period was lower primarily due to a discrete tax benefit booked last year to reflect a change in the state tax rate at which deferred tax items are projected to reverse.

The tax rate can fluctuate period-to-period due to changes in the projected mix of foreign and domestic pre-tax earnings and due to discrete tax items booked within the interim period. It can also fluctuate with changes in the proportion of projected pre-tax earnings attributable to our Mexican railcar manufacturing joint venture because the joint venture is predominantly treated as a partnership for tax purposes and, as a result, the partnership's entire pre-tax earnings are included in Earnings before income taxes and earnings from unconsolidated affiliate, whereas only our 50% share of the tax is included in Income tax expense.

**Earnings From Unconsolidated Affiliates**

Earnings from unconsolidated affiliates was \$1.0 million for the three months ended May 31, 2015 and primarily included our share of after-tax earnings from our castings joint venture and our share of after-tax results from our GBW Joint Venture including eliminations associated with GBW transactions with other Greenbrier entities. Earnings from unconsolidated affiliates was \$0.3 million for the three months ended May 31, 2014 and primarily included our share of after-tax earnings from our castings joint venture.

**Noncontrolling Interest**

Net earnings attributable to noncontrolling interest was \$27.5 million for the three months ended May 31, 2015 compared to \$12.5 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 increase of \$15.0 million from the prior year is primarily a result of operating at higher production rates and lower intercompany activity.

**THE GREENBRIER COMPANIES, INC.****Nine Months Ended May 31, 2015 Compared to Nine Months Ended May 31, 2014****Overview**

| <i>(In thousands)</i>                                                       | Nine Months Ended<br>May 31, |              |
|-----------------------------------------------------------------------------|------------------------------|--------------|
|                                                                             | 2015                         | 2014         |
| Revenue:                                                                    |                              |              |
| Manufacturing                                                               | \$ 1,478,566                 | \$ 1,132,811 |
| Wheels & Parts                                                              | 286,671                      | 390,604      |
| Leasing & Services                                                          | 74,576                       | 62,441       |
|                                                                             | 1,839,813                    | 1,585,856    |
| Cost of revenue:                                                            |                              |              |
| Manufacturing                                                               | 1,184,922                    | 969,841      |
| Wheels & Parts                                                              | 259,285                      | 365,740      |
| Leasing & Services                                                          | 32,942                       | 34,090       |
|                                                                             | 1,477,149                    | 1,369,671    |
| Margin:                                                                     |                              |              |
| Manufacturing                                                               | 293,644                      | 162,970      |
| Wheels & Parts                                                              | 27,386                       | 24,864       |
| Leasing & Services                                                          | 41,634                       | 28,351       |
|                                                                             | 362,664                      | 216,185      |
| Selling and administrative                                                  | 112,223                      | 89,034       |
| Net gain on disposition of equipment                                        | (924)                        | (14,686)     |
| Restructuring charges                                                       |                              | 1,475        |
| Earnings from operations                                                    | 251,365                      | 140,362      |
| Interest and foreign exchange                                               | 9,355                        | 14,280       |
| Earnings before income taxes and earnings from<br>unconsolidated affiliates | 242,010                      | 126,082      |
| Income tax expense                                                          | (76,209)                     | (36,708)     |
| Earnings before earnings from unconsolidated affiliates                     | 165,801                      | 89,374       |
| Earnings from unconsolidated affiliates                                     | 1,552                        | 272          |
| Net earnings                                                                | 167,353                      | 89,646       |
| Net earnings attributable to noncontrolling interest                        | (41,405)                     | (25,083)     |
| Net earnings attributable to Greenbrier                                     | \$ 125,948                   | \$ 64,563    |



Diluted earnings per common share \$ 3.91 \$ 2.01

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 model. Management does not allocate Interest and foreign exchange or Income tax expense for either external or internal reporting purposes.

|                          | Nine Months Ended<br>May 31, |            |
|--------------------------|------------------------------|------------|
| <i>(In thousands)</i>    | 2015                         | 2014       |
| Operating profit (loss): |                              |            |
| Manufacturing            | \$ 258,602                   | \$ 129,542 |
| Wheels & Parts           | 20,986                       | 8,724      |
| Leasing & Services       | 31,677                       | 32,888     |
| Corporate                | (59,900)                     | (30,792)   |
|                          | \$ 251,365                   | \$ 140,362 |

**THE GREENBRIER COMPANIES, INC.****Consolidated Results**

| (In thousands)                          | Nine Months Ended<br>May 31, |              | Increase<br>(Decrease) | %<br>Change |
|-----------------------------------------|------------------------------|--------------|------------------------|-------------|
|                                         | 2015                         | 2014         |                        |             |
| Revenue                                 | \$ 1,839,813                 | \$ 1,585,856 | \$ 253,957             | 16.0%       |
| Cost of revenue                         | \$ 1,477,149                 | \$ 1,369,671 | \$ 107,478             | 7.8%        |
| Margin (%)                              | 19.7%                        | 13.6%        | 6.1%                   | *           |
| Net earnings attributable to Greenbrier | \$ 125,948                   | \$ 64,563    | \$ 61,385              | 95.1%       |

\* Not meaningful

Through our integrated business model, we provide a broad range of custom products and services in each of our segments which have various average selling prices and margins. The demand for and mix of products and services delivered changes from period to period which causes fluctuations in our results of operations.

Revenue was \$1.8 billion and \$1.6 billion for the nine months ended May 31, 2015 and 2014, respectively. The 16.0% increase in revenue was primarily due to a 30.5% increase in Manufacturing revenue as a result of a 31% higher volume of deliveries due to strong demand in the freight car market. The increase in revenue was also attributed to a 19.4% increase in Leasing & Services revenue primarily the result of a higher average volume of rent-producing leased railcars for syndication. These were partially offset by a decrease of 26.6% in Wheels & Parts revenue. On July 18, 2014 we contributed our Repair operations to GBW, an unconsolidated 50/50 joint venture. After July 18, 2014, the results of GBW were included as part of Earnings (loss) from unconsolidated affiliates as we account for our interest in GBW under the equity method of accounting. The decrease in Wheels & Parts revenue was primarily due to the nine months ended May 31, 2015 excluding repair revenue as a result of contributing our repair business to GBW, while the nine months ended May 31, 2014 included repair revenue.

Cost of revenue was \$1.5 billion and \$1.4 billion for the nine months ended May 31, 2015 and 2014, respectively. The 7.8% increase in cost of revenue was primarily due to a 22.2% increase in Manufacturing cost of revenue primarily due to a 31% increase in railcar deliveries with a mix which had a lower average labor and material content. The increase in cost of revenue for Manufacturing was partially offset by improved production efficiencies and favorable foreign currency exchange rates. The increase in cost of revenue was partially offset by a decrease in cost of revenue of 29.1% in Wheels & Parts primarily due to the nine months ended May 31, 2015 excluding repair cost of revenue as a result of contributing our repair business to an unconsolidated joint venture, GBW, in July 2014. The nine months ended May 31, 2014 included repair cost of revenue. The increase in cost of revenue was partially offset by a 3.4% decrease in Leasing & Services cost of revenue primarily due to lower transportation costs and a decrease in the cost of purchasing railcars from a third party that were sold in the prior year.

Margin as a percentage of revenue was 19.7% and 13.6% for the nine months ended May 31, 2015 and 2014, respectively. The overall 6.1% increase in margin was due to an increase in margin in all three of our segments. Manufacturing margin increased to 19.9% for the nine months ended May 31, 2015 compared to 14.4% for the nine months ended May 31, 2014 primarily due to favorable pricing, improved production efficiencies and favorable foreign currency exchange rates. In addition, the nine months ended May 31, 2015 had higher volumes of new railcar sales with leases attached which typically result in higher sales prices and margins. Wheels & Parts margin increased

to 9.6% for the nine months ended May 31, 2015 compared to 6.4% for the nine months ended May 31, 2014. The nine months ended May 31, 2015 excluded the results of our repair operations which historically have had lower margins as a percentage of revenue than the rest of the segment. The increase in Wheels & Parts margin was partially offset by the adverse effect of declines in scrap metal pricing on wheel margins during the nine months ended May 31, 2015. Leasing & Services margin increased to 55.8% for the nine months ended May 31, 2015 compared to 45.4% for the nine months ended May 31, 2014 primarily the result of a higher average volume of rent-producing leased railcars for syndication.

Net earnings attributable to Greenbrier was \$125.9 million and \$64.6 million for the nine months ended May 31, 2015 and May 31, 2014, respectively. The \$61.4 million increase in net earnings was primarily attributable to an increase in margin as compared to the prior comparable period partially offset by an increase in selling and administrative expense.

**THE GREENBRIER COMPANIES, INC.****Manufacturing Segment**

| (In thousands)        | Nine Months Ended<br>May 31, |              | Increase<br>(Decrease) | %<br>Change |
|-----------------------|------------------------------|--------------|------------------------|-------------|
|                       | 2015                         | 2014         |                        |             |
| Revenue               | \$ 1,478,566                 | \$ 1,132,811 | \$ 345,755             | 30.5%       |
| Cost of revenue       | \$ 1,184,922                 | \$ 969,841   | \$ 215,081             | 22.2%       |
| Margin (%)            | 19.9%                        | 14.4%        | 5.5%                   | *           |
| Operating profit (\$) | \$ 258,602                   | \$ 129,542   | \$ 129,060             | 99.6%       |
| Operating profit (%)  | 17.5%                        | 11.4%        | 6.1%                   | *           |
| Deliveries            | 14,900                       | 11,400       | 3,500                  | 30.7%       |

\* Not meaningful

Manufacturing revenue was \$1.5 billion and \$1.1 billion for the nine months ended May 31, 2015 and 2014, respectively. Manufacturing revenue increased \$345.8 million or 30.5% primarily due to a 31% increase in the volume of deliveries in response to strong demand in the freight car market and an increase in marine activity as compared to the prior comparable period.

Manufacturing cost of revenue was \$1.2 billion and \$1.0 billion for the nine months ended May 31, 2015 and 2014, respectively. Cost of revenue increased \$215.1 million or 22.2% primarily due to an increase of 31% in the volume of railcar deliveries with a mix which had a lower average labor and material content. This was partially offset by improved production efficiencies and favorable foreign currency exchange rates. In addition, the increase in Manufacturing cost of revenue was attributed to an increase in marine activity as compared to the prior comparable period.

Manufacturing margin as a percentage of revenue for the nine months ended May 31, 2015 was 19.9% compared to 14.4% for the nine months ended May 31, 2014. The 5.5% increase in margin was primarily due to favorable pricing, improved production efficiencies and favorable foreign currency exchange rates. In addition, the nine months ended May 31, 2015 had higher volumes of new railcar sales with leases attached which typically result in higher sales prices and margins.

Manufacturing operating profit was \$258.6 million or 17.5% of revenue for the nine months ended May 31, 2015 and \$129.5 million or 11.4% of revenue for the nine months ended May 31, 2014. The \$129.1 million or 99.6% increase in operating profit was primarily attributed to higher margins.

**THE GREENBRIER COMPANIES, INC.****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 (loss) from unconsolidated affiliates as we account for our interest in GBW under the equity method of accounting.

| (In thousands)        | Nine Months Ended<br>May 31, |            | Increase<br>(Decrease) | %<br>Change |
|-----------------------|------------------------------|------------|------------------------|-------------|
|                       | 2015                         | 2014       |                        |             |
| Revenue               | \$ 286,671                   | \$ 390,604 | \$ (103,933)           | (26.6%)     |
| Cost of revenue       | \$ 259,285                   | \$ 365,740 | \$ (106,455)           | (29.1%)     |
| Margin (%)            | 9.6%                         | 6.4%       | 3.2%                   | *           |
| Operating profit (\$) | \$ 20,986                    | \$ 8,724   | \$ 12,262              | 140.6%      |
| Operating profit (%)  | 7.3%                         | 2.2%       | 5.1%                   | *           |

\* Not meaningful

Wheels & Parts revenue was \$286.7 million and \$390.6 million for the nine months ended May 31, 2015 and 2014, respectively. The \$103.9 million or 26.6% decrease in revenue was primarily due to the nine months ended May 31, 2015 excluding repair revenue as a result of contributing our repair business to GBW, while the nine months ended May 31, 2014 included \$117.0 million of repair revenue. The decrease in revenue was also attributed to a decrease in scrap metal pricing. This was partially offset by an increase in wheel set and component volumes as a result of increased demand.

Wheels & Parts cost of revenue was \$259.3 million and \$365.7 million for the nine months ended May 31, 2015 and 2014, respectively. Cost of revenue decreased \$106.5 million or 29.1% primarily due to the nine months ended May 31, 2015 excluding repair cost of revenue as a result of contributing our repair business to GBW, while the nine months ended May 31, 2014 included repair cost of revenue. This was partially offset by an increase in wheel set and component costs associated with increased volumes as a result of increased demand.

Wheels & Parts margin as a percentage of revenue for the nine months ended May 31, 2015 was 9.6% compared to 6.4% for the nine months ended May 31, 2014. The nine months ended May 31, 2015 excluded the results of our repair operations which in the recent past have had lower margins as a percentage of revenue than the rest of the segment. In addition, the increase in margin was due to a favorable change in wheel pricing and a more favorable parts product mix. These were partially offset by the adverse effect of declines in scrap metal pricing on wheel margins during the nine months ended May 31, 2015.

Wheels & Parts operating profit was \$21.0 million or 7.3% of revenue for the nine months ended May 31, 2015 and \$8.7 million or 2.2% of revenue for the nine months ended May 31, 2014. The \$12.3 million or 140.6% increase in operating profit was primarily attributed to an increase in margin in the current year and restructuring charges of \$1.5 million in the prior year.



**THE GREENBRIER COMPANIES, INC.****Leasing & Services Segment**

| (In thousands)        | Nine Months Ended<br>May 31, |           | Increase<br>(Decrease) | %<br>Change |
|-----------------------|------------------------------|-----------|------------------------|-------------|
|                       | 2015                         | 2014      |                        |             |
| Revenue               | \$ 74,576                    | \$ 62,441 | \$ 12,135              | 19.4%       |
| Cost of revenue       | \$ 32,942                    | \$ 34,090 | \$ (1,148)             | (3.4%)      |
| Margin (%)            | 55.8%                        | 45.4%     | 10.4%                  | *           |
| Operating profit (\$) | \$ 31,677                    | \$ 32,888 | \$ (1,211)             | (3.7%)      |
| Operating profit (%)  | 42.5%                        | 52.7%     | (10.2%)                | *           |

\* Not meaningful

Leasing & Services revenue was \$74.6 million and \$62.4 million for the nine months ended May 31, 2015 and 2014, respectively. The \$12.1 million or 19.4% increase in revenue was primarily the result of a higher average volume of rent-producing leased railcars for syndication held short-term, which is classified as Leased railcars for syndication on our Consolidated Balance Sheet. The increase in revenue was also attributed to a 32% increase in management services revenue due to the addition of new management service agreements.

Leasing & Services cost of revenue was \$32.9 million and \$34.1 million for the nine months ended May 31, 2015 and 2014, respectively. Cost of revenue decreased \$1.1 million or 3.4% primarily due to lower transportation costs and a decrease in the cost of purchasing railcars from a third party that were sold in the prior year.

Leasing & Services margin as a percentage of revenue for the nine months ended May 31, 2015 was 55.8% compared to 45.4% for the nine months ended May 31, 2014. The 10.4% increase was primarily the result of a higher average volume of rent-producing leased railcars for syndication as compared to the prior year and lower transportation costs.

Leasing & Services operating profit was \$31.7 million or 42.5% of revenue for the nine months ended May 31, 2015 and \$32.9 million and 52.7% of revenue for the nine months ended May 31, 2014. The \$1.2 million or 3.7% decrease in operating profit was primarily attributed to a \$13.4 decrease in Net gain on disposition of equipment partially offset by a \$13.3 million increase in gross margin.

**THE GREENBRIER COMPANIES, INC.****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.

For the nine months ended May 31, 2015, GBW generated total revenue of \$254.7 million from its 33 railcar repair, refurbishment and retrofitting shops. For the nine months ended May 31, 2015, GBW margin as a percentage of revenue was 6.0%.

To reflect our 50% share of GBW's results, we recorded earnings of \$0.4 million in Earnings from unconsolidated affiliates associated with GBW for the nine months ended May 31, 2015.

**Selling and Administrative Expense**

| (In thousands)                     | Nine Months Ended |           | Increase<br>(Decrease) | %<br>Change |
|------------------------------------|-------------------|-----------|------------------------|-------------|
|                                    | May 31,<br>2015   | 2014      |                        |             |
| Selling and administrative expense | \$ 112,223        | \$ 89,034 | \$ 23,189              | 26.0%       |

Selling and administrative expense was \$112.2 million or 6.1% of revenue for the nine months ended May 31, 2015 compared to \$89.0 million or 5.6% of revenue for the prior comparable period. The \$23.2 million increase was primarily attributed to a \$10.8 million increase in employee related costs including long term and short term incentive compensation and additional headcount based on current levels of activity, \$5.8 million in professional fees and other transaction costs in the current year in connection with a potential acquisition, a \$2.6 million increase in travel and entertainment expenses primarily for new business development, \$2.4 million in costs in the current year associated with our advocacy of new tank car regulations and \$1.9 million in legal, accounting and consulting costs in the current year associated with the previously disclosed investigation at our Concaril manufacturing facility. These were partially offset by our repair operations being excluded from the three months ended May 31, 2015. Subsequent to quarter end, discussions related to the potential acquisition were terminated.

**Net Gain on Disposition of Equipment**

Net gain on disposition of equipment was \$0.9 million for the nine months ended May 31, 2015, compared to \$14.7 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.

All of the current year's gain of \$0.9 million was realized on the disposition of leased assets. The prior year's gain included \$14.3 million that was realized on the disposition of leased assets and \$0.4 million on the disposition of equipment related to our restructuring plan to sell or close certain wheels, repair and parts facilities to enhance margins and improve capital efficiency.

**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 \$1.5 million for the nine months ended May 31, 2014 and consisted of employee related termination costs and other expenses.

**THE GREENBRIER COMPANIES, INC.****Other Costs**

Interest and foreign exchange expense was comprised of the following:

| (In thousands)                 | Nine Months Ended |           | Increase<br>(Decrease) |
|--------------------------------|-------------------|-----------|------------------------|
|                                | May 31,<br>2015   | 2014      |                        |
| Interest and foreign exchange: |                   |           |                        |
| Interest and other expense     | \$ 14,917         | \$ 13,522 | \$ 1,395               |
| Foreign exchange (gain) loss   | (5,562)           | 758       | (6,320)                |
|                                | \$ 9,355          | \$ 14,280 | \$ (4,925)             |

The \$4.9 million decrease in interest and foreign exchange expense from the prior comparable period was primarily attributed to the strengthening of the US Dollar against the Mexican Peso which resulted in a \$5.6 million foreign exchange gain in the current year compared to a \$0.8 million foreign exchange loss in the prior year. This was partially offset by an increase of \$1.4 million due to higher interest expense on increased levels of average borrowings as compared to the prior comparable period.

**Income Tax**

The tax rate for the nine months ended May 31, 2015 was 31.5%, compared to 29.1% for the nine months ended May 31, 2014. The tax rate for the prior period was lower primarily due to a discrete tax benefit booked last year to reflect a change in the state tax rate at which deferred tax items are projected to reverse.

The tax rate can fluctuate period-to-period due to changes in the projected mix of foreign and domestic pre-tax earnings and due to discrete tax items booked within the interim period. It can also fluctuate with changes in the proportion of projected pre-tax earnings attributable to our Mexican railcar manufacturing joint venture because the joint venture is predominantly treated as a partnership for tax purposes and, as a result, the partnership's entire pre-tax earnings are included in Earnings before income taxes and earnings from unconsolidated affiliate, whereas only our 50% share of the tax is included in Income tax expense.

**Earnings From Unconsolidated Affiliates**

Earnings from unconsolidated affiliates was \$1.6 million for the nine months ended May 31, 2015 and primarily included our share of after-tax earnings from our castings joint venture and our share of after-tax results from our GBW Joint Venture including eliminations associated with GBW transactions with other Greenbrier entities. Earnings from unconsolidated affiliates was \$0.3 million for the nine months ended May 31, 2014 and primarily included our share of after-tax earnings from our castings joint venture.

**Noncontrolling Interest**

Net earnings attributable to noncontrolling interest was \$41.4 million for the nine months ended May 31, 2015 compared to \$25.1 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 increase of \$16.3 million from the prior year is primarily a result of operating at higher production rates partially offset by higher intercompany activity.

**THE GREENBRIER COMPANIES, INC.****Liquidity and Capital Resources**

| <i>(In thousands)</i>                                | Nine Months Ended<br>May 31, |            |
|------------------------------------------------------|------------------------------|------------|
|                                                      | 2015                         | 2014       |
| Net cash provided by operating activities            | \$ 29,557                    | \$ 81,740  |
| Net cash provided by (used in) investing activities  | (100,244)                    | 3,079      |
| Net cash provided by financing activities            | 14,629                       | 13,796     |
| Effect of exchange rate changes                      | (6,075)                      | 2,442      |
| Net increase (decrease) in cash and cash equivalents | \$ (62,133)                  | \$ 101,057 |

We have been financed through cash generated from operations and borrowings. At May 31, 2015, cash and cash equivalents were \$122.8 million, a decrease of \$62.1 million from \$184.9 million at August 31, 2014.

Cash provided by operating activities was \$29.6 million for the nine months ended May 31, 2015 compared to \$81.7 million for the nine months ended May 31, 2014. The change from the prior year was primarily due to a change in working capital needs and increased volume of leased railcars for syndication due to operating at higher levels of production through our lease syndication model.

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 nine months ended May 31, 2015 was \$100.2 million compared to cash provided by investing activities of \$3.1 million for the nine months ended May 31, 2014.

Capital expenditures totaled \$75.9 million and \$34.5 million for the nine months ended May 31, 2015 and 2014. Proceeds from the sale of assets, which primarily related to sales of railcars from our lease fleet within Leasing & Services, were approximately \$4.6 million and \$39.5 million for the nine months ended May 31, 2015 and 2014.

Approximately \$60.6 million and \$24.7 million of capital expenditures for the nine months ended May 31, 2015 and 2014 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 \$10.2 million and \$4.0 million of capital expenditures for the nine months ended May 31, 2015 and 2014 were attributable to Leasing & Services operations. Leasing & Services and corporate capital expenditures for 2015 are expected to be approximately \$11.0 million. Proceeds from sales of leased railcar equipment are expected to be approximately \$5.0 million for 2015. 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.

Wheels & Parts capital expenditures for the nine months ended May 31, 2015 and 2014 were \$5.1 million and \$5.8 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 \$14.6 million for the nine months ended May 31, 2015 compared to \$13.8 million for the nine months ended May 31, 2014. The change in cash provided by financing activities was primarily attributed to an increase in proceeds from debt, net of repayments, a \$22.2 million increase in the repurchase of stock and \$12.1 million in dividend payments during the nine months ended May 31, 2015.

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***THE GREENBRIER COMPANIES, INC.***

A quarterly dividend of \$0.15 per share was declared on June 30, 2015.

Our 3.5% convertible senior notes will mature on April 1, 2018, unless earlier repurchased by us or converted in accordance with their terms. Holders may convert at their option at any time prior to the business day immediately preceding the stated maturity date. During 2015, \$93.1 million in principal of the original \$230.0 million was converted into 2.5 million shares of our common stock which resulted in a principal balance of \$136.9 million as of May 31, 2015. Associated debt issuance costs of \$1.3 million were removed from Intangibles and other assets, net and charged against additional paid in capital.

In October 2013, the Board of Directors authorized our company to repurchase up to \$50 million of our common stock. We completed this share repurchase program in October 2014. 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 and nine months ended May 31, 2015, we repurchased a total of 28,363 and 891,041 shares for approximately \$1.5 million and \$48.5 million under our share repurchase programs. As of May 31, 2015 we had \$42.1 million available under the \$75 million share repurchase program.

Senior secured credit facilities, consisting of three components, aggregated to \$346.2 million as of May 31, 2015. We had an aggregate of \$203.9 million available to draw down under committed credit facilities as of May 31, 2015. This amount consists of \$167.2 million available on the North American credit facility, \$16.2 million on the European credit facilities and \$20.5 million on the Mexican joint venture credit facilities as of May 31, 2015.

As of May 31, 2015, 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 May 31, 2015, lines of credit totaling \$16.2 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 1.3%, 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 February 2016 through June 2017.

Our Mexican joint venture has two lines of credit totaling \$40.0 million. The first line of credit provides up to \$10.0 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 June 2016. 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 2019.

As of May 31, 2015, outstanding commitments under the senior secured credit facilities consisted of \$49.8 million in letters of credit and \$73.0 million in revolving notes under the North American credit facility and \$19.5 million outstanding in revolving notes 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.

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***THE GREENBRIER COMPANIES, INC.***

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. Given the strong credit standing of the counterparties, no provision has been made for credit loss due to counterparty non-performance.

As of May 31, 2015, the Mexican joint venture had \$20.8 million of third party debt, of which we and our joint venture partner have each guaranteed approximately \$18.8 million.

In accordance with customary business practices in Europe, we have \$3.5 million in third party warranty guarantee facilities as of May 31, 2015. 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 \$12.5 million in cash contributions in 2014 and \$3.2 million in cash contributions and \$7.5 million in loans during the nine months ended May 31, 2015. We expect to loan additional amounts, up to \$7.0 million, during the fourth quarter of 2015. We are likely to make additional capital contributions or loans to GBW in the future. As of May 31, 2015, we had a \$7.5 million note receivable and a \$21.0 million account receivable from GBW. The account receivable from GBW was for the initial sale of inventory to GBW which may be converted into a note receivable during the year. We receive approximately \$5 million annually from GBW in lease payments for our owned facilities and equipment leased to GBW as well as quarterly distributions of a portion of GBW's earnings. During the nine months ended May 31, 2015, we received \$0.7 million in quarterly distributions from GBW.

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, additional investments in GBW, 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.



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**THE GREENBRIER COMPANIES, INC.****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 that 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.

**THE GREENBRIER COMPANIES, INC.**

*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 Accounting Standards Codification (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 GREENBRIER COMPANIES, INC.***

The provisions of 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. Goodwill was tested during the third quarter of 2015 and we concluded that goodwill was not impaired.

***THE GREENBRIER COMPANIES, INC.***

**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 May 31, 2015, \$73.7 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 May 31, 2015, net assets of foreign subsidiaries aggregated \$56.7 million and a 10% strengthening of the United States dollar relative to the foreign currencies would result in a decrease in equity of \$5.7 million, or 0.8% 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 \$96.5 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 May 31, 2015, 57% of our outstanding debt had fixed rates and 43% had variable rates. At May 31, 2015, a uniform 10% increase in variable interest rates would result in approximately \$0.5 million of additional annual interest expense.

***THE GREENBRIER COMPANIES, INC.***

**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 May 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**THE GREENBRIER COMPANIES, INC.****PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

There is hereby incorporated by reference the information disclosed in Note 13 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 May 31, 2015 were as follows:

| Period        |                | Total Number of<br>Shares Purchased | Average<br>Price<br>Paid Per Share<br>(Including<br>Commissions) | Total Number of<br>Shares Purchased<br>as Part of<br>Publically<br>Announced Plans<br>or Programs | Approximate<br>Dollar Value of<br>Shares that May<br>Yet Be Purchased<br>Under the<br>Plans<br>or Programs |
|---------------|----------------|-------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| March 1, 2015 | March 31, 2015 | 28,363                              | \$ 53.09                                                         | 28,363                                                                                            | \$ 42,130,010                                                                                              |
| April 1, 2015 | April 30, 2015 |                                     |                                                                  |                                                                                                   | \$ 42,130,010                                                                                              |
| May 1, 2015   | May 31, 2015   |                                     |                                                                  |                                                                                                   | \$ 42,130,010                                                                                              |
|               |                | 28,363                              |                                                                  | 28,363                                                                                            |                                                                                                            |





***THE GREENBRIER COMPANIES, INC.***

**Item 6. Exhibits**

(a) List of Exhibits:

- 10.1\* The Greenbrier Companies, Inc. Form of Restricted Stock Unit Agreement, approved on May 22, 2015.
- 10.2\* Form of Agreement concerning Indemnification and Related Matters (Directors) between Registrant and its directors.
- 10.3 Railcar Remarketing and Management Agreement between Greenbrier Management Services, LLC and WL Ross-Greenbrier Rail I LLC, dated as of April 29, 2010.\*\*
- 10.4 Advisory Services Agreement between Greenbrier Leasing Company LLC and WLR-Greenbrier Rail Inc., dated as of April 29, 2010.\*\*
- 10.5 Contract Placement Agreement between Greenbrier Leasing Company LLC and WLR-Greenbrier Rail Inc., dated as of April 29, 2010.\*\*
- 10.6 Line of Credit Participation Letter Agreement between Greenbrier Leasing Company LLC and WLR-Greenbrier Rail Inc., dated as of April 29, 2010.\*\*
- 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 May 31, 2015, 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.

\*\* The Company is filing full and unredacted versions of these Exhibits following the expiration of a confidential treatment order previously granted by the Securities and Exchange Commission with respect to certain information contained in such Exhibits.

***THE GREENBRIER COMPANIES, INC.***

**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: July 1, 2015

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

Date: July 1, 2015

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