GREENBRIER COMPANIES INC
Form 10-Q
January 09, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

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

for the quarterly period ended November 30, 2012

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

for the transition period from to

Commission File No. 1-13146

THE GREENBRIER COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Oregon	**93-0816972**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**

One Centerpointe Drive, Suite 200,	
Lake Oswego, OR	**97035**
(Address of principal executive offices)	**(Zip Code)**

(503) 684-7000

(Registrant s telephone number, including area code)

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

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

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

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

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

The number of shares of the registrant s common stock, without par value, outstanding on January 2, 2013 was 27,194,577 shares.

Forward-Looking Statements

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

- availability of financing sources and borrowing base for working capital, other business development activities, capital spending and leased railcars for syndication (sale of railcars with lease attached);
- ability to renew, maintain or obtain sufficient credit facilities and financial guarantees on acceptable terms;
- ability to utilize beneficial tax strategies;
- ability to grow our businesses;
- ability to obtain lease and sales contracts which provide adequate protection against changes in interest rates and increased costs of materials and components;
- ability to obtain adequate insurance coverage at acceptable rates;
- ability to obtain adequate certification and licensing of products; and
- short-term and long-term revenue and earnings effects of the above items.

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

- fluctuations in demand for newly manufactured railcars or marine barges;
- fluctuations in demand for wheel services, refurbishment and parts;
- delays in receipt of orders, risks that contracts may be canceled during their term or not renewed and that customers may not purchase the amount of products or services under the contracts as anticipated;

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

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

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

growth or reduction in the surface transportation industry;

ability to maintain good relationships with third party labor providers or collective bargaining units;

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

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

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

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

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

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

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

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

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

resolution or outcome of pending or future litigation and investigations;

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

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

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

industry overcapacity and our manufacturing capacity utilization;

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

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

changes in future maintenance or warranty requirements;

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

changes in interest rates and financial impacts from interest rates;

ability and cost to maintain and renew operating permits;

actions by various regulatory agencies, including potential environmental remediation obligations;

changes in fuel and/or energy prices;

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

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

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

failure to successfully integrate acquired businesses;

discovery of previously unknown liabilities associated with acquired businesses;

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

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; and

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

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

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

PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

Consolidated Balance Sheets

(In thousands, unaudited)

	November 30, 2012	August 31, 2012
Assets		
Cash and cash equivalents	$ 41,284	$ 53,571
Restricted cash	7,322	6,277
Accounts receivable, net	163,385	146,326
Inventories	363,642	316,741
Leased railcars for syndication	54,297	97,798
Equipment on operating leases, net	362,522	362,968
Property, plant and equipment, net	186,715	182,429
Goodwill	137,066	137,066
Intangibles and other assets, net	79,500	81,368
	$ 1,395,733	$ 1,384,544
Liabilities and Equity		
Revolving notes	$ 89,826	$ 60,755
Accounts payable and accrued liabilities	282,925	329,508
Deferred income taxes	96,498	95,363
Deferred revenue	28,283	17,194
Notes payable	427,697	428,079
Commitments and contingencies (Note 12)		
Equity:		
Greenbrier		
Preferred stock without par value; 25,000 shares authorized; none outstanding		
Common stock without par value; 50,000 shares authorized; 27,195 and 27,143 shares outstanding at November 30, 2012 and August 31, 2012		
Additional paid-in capital	254,359	252,256
Retained earnings	196,317	185,890
Accumulated other comprehensive loss	(3,596)	(6,369)
Total equity Greenbrier	447,080	431,777
Noncontrolling interest	23,424	21,868
Total equity	470,504	453,645
	$ 1,395,733	$ 1,384,544

The accompanying notes are an integral part of these financial statements

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Consolidated Statements of Income

(In thousands, except per share amounts, unaudited)

	Three Months Ended November 30,	
	2012	2011
Revenue		
Manufacturing	$ 285,368	$ 262,656
Wheel Services, Refurbishment & Parts	112,100	117,749
Leasing & Services	17,906	17,794
	415,374	398,199
Cost of revenue		
Manufacturing	258,492	236,188
Wheel Services, Refurbishment & Parts	101,476	105,891
Leasing & Services	7,627	9,663
	367,595	351,742
Margin	47,779	46,457
Selling and administrative	26,100	23,235
Gain on disposition of equipment	(1,408)	(3,658)
Earnings from operations	23,087	26,880
Other costs		
Interest and foreign exchange	5,900	5,383
Earnings before income taxes and loss from unconsolidated affiliates	17,187	21,497
Income tax expense	(4,586)	(7,797)
Earnings before loss from unconsolidated affiliates	12,601	13,700
Loss from unconsolidated affiliates	(40)	(372)
Net earnings	12,561	13,328
Net (earnings) loss attributable to noncontrolling interest	(2,134)	1,189
Net earnings attributable to Greenbrier	$ 10,427	$ 14,517
Basic earnings per common share:	$ 0.38	$ 0.57
Diluted earnings per common share:	$ 0.35	$ 0.48
Weighted average common shares:		
Basic	27,144	25,463
Diluted	33,991	33,389

The accompanying notes are an integral part of these financial statements

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Consolidated Statements of Comprehensive Income

(In thousands, unaudited)

	Three Months Ended November 30,	
	2012	2011
Net earnings	$ 12,561	$ 13,328
Other comprehensive income		
Translation adjustment	2,135	(4,843)
Reclassification of derivative financial instruments recognized in net earnings (net of tax of effect of $0.04 million and $0.2 million)	(616)	(1,353)
Unrealized gain (loss) on derivative financial instruments (net of tax of effect of $0.3 million and $0.04 million)	1,299	(3,255)
	2,818	(9,451)
Comprehensive income	15,379	3,877
Comprehensive (income) loss attributable to noncontrolling interest	(2,179)	1,336
Comprehensive income attributable to Greenbrier	$ 13,200	$ 5,213

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Equity

(In thousands, unaudited)

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

	Attributable to Greenbrier						
	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Attributable to Greenbrier	Attributable to Noncontrolling Interest	Total Equity
Balance September 1, 2011	25,186	$ 242,286	$ 127,182	$ (7,895)	$ 361,573	$ 14,328	$ 375,901
Net earnings (loss)			14,517		14,517	(1,189)	13,328
Other comprehensive loss, net				(9,304)	(9,304)	(147)	(9,451)
Noncontrolling interest adjustments						1,420	1,420
Restricted stock amortization		1,742			1,742		1,742
Warrants exercised	1,483						
Balance November 30, 2011	26,669	$ 244,028	$ 141,699	$ (17,199)	$ 368,528	$ 14,412	$ 382,940

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Cash Flows

(In thousands, unaudited)

	Three Months Ended November 30,	
	2012	2011
Cash flows from operating activities:		
Net earnings	$ 12,561	$ 13,328
Adjustments to reconcile net earnings to net cash used in operating activities:		
Deferred income taxes	940	3,665
Depreciation and amortization	10,923	9,889
Gain on sales of leased equipment	(1,408)	(3,658)
Accretion of debt discount	849	787
Stock based compensation expense	1,886	1,742
Other	(1,705)	2,024
Decrease (increase) in assets:		
Accounts receivable	(15,515)	33,687
Inventories	(41,465)	(34,088)
Leased railcars for syndication	43,501	(37,339)
Other	945	856
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(48,036)	260
Deferred revenue	11,039	(145)
Net cash used in operating activities	(25,485)	(8,992)
Cash flows from investing activities:		
Proceeds from sales of equipment	10,086	5,741
Investment in and net advances from unconsolidated affiliates	(160)	70
Increase in restricted cash	(1,045)	(38)
Capital expenditures	(25,141)	(15,007)
Other		10
Net cash used in investing activities	(16,260)	(9,224)
Cash flows from financing activities:		
Net change in revolving notes with maturities of 90 days or less	27,935	(9,150)
Proceeds from revolving notes with maturities longer than 90 days	9,195	7,557
Repayments of revolving notes with maturities longer than 90 days	(8,941)	(5,606)
Proceeds from the issuance of notes payable		2,500
Repayments of notes payable	(1,230)	(1,243)
Investment by joint venture partner	1,182	
Excess tax benefit from restricted stock awards	217	
Net cash provided by (used in) financing activities	28,358	(5,942)
Effect of exchange rate changes	1,100	(5,209)
Decrease in cash and cash equivalents	(12,287)	(29,367)
Cash and cash equivalents		
Beginning of period	53,571	50,222

End of period	$ 41,284	$ 20,855
Cash paid during the period for:		
Interest	$ 9,362	$ 6,476
Income taxes, net	$ 6,845	$ (2,613)

The accompanying notes are an integral part of these financial statements

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1 Interim Financial Statements

The Condensed Consolidated Financial Statements of The Greenbrier Companies, Inc. and Subsidiaries (Greenbrier or the Company) as of November 30, 2012 and for the three months ended November 30, 2012 and 2011 have been prepared without audit and reflect all adjustments (consisting of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the financial position and operating results and cash flows for the periods indicated. The results of operations for the three months ended November 30, 2012 are not necessarily indicative of the results to be expected for the entire year ending August 31, 2013.

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 2012 Annual Report on Form 10-K.

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

Initial Adoption of Accounting Policies In the first quarter of 2013, the Company adopted an accounting standard update that increased the prominence of items reported in other comprehensive income. The standard eliminated the option of presenting other comprehensive income as part of the statement of equity and instead requires the Company to present other comprehensive income as either a single statement of comprehensive income combined with net income or as two separate but continuous statements. The adoption of this accounting standard update did impact the presentation of other comprehensive income, as the Company has elected to present two separate but consecutive statements, but did not have an impact on the Company s financial position or results of operations.

In the first quarter of 2013, the Company adopted an accounting standard update regarding how entities test goodwill for impairment. This accounting standard update is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. This update impacts testing steps only and therefore the adoption did not have an effect on the Company s Consolidated Financial Statements.

Prospective Accounting Changes In July 2012, an accounting standard update was issued regarding the testing of indefinite-lived intangible assets for impairment. This update is intended to reduce the cost and complexity of testing indefinite-lived intangible assets for impairment by providing entities with an option to perform a qualitative assessment to determine whether further impairment testing is necessary. This update will be effective for the Company as of September 1, 2013. However, early adoption is permitted if an entity s financial statements for the most recent annual or interim period have not yet been issued. This update impacts testing steps only, and therefore adoption will not have an effect on the Company s Consolidated Financial Statements.

Note 2 Inventories

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

(In thousands)	November 30, 2012	August 31, 2012
Manufacturing supplies and raw materials	$ 240,382	$ 228,092
Work-in-process	77,216	71,210
Finished goods	51,230	22,571
Excess and obsolete adjustment	(5,186)	(5,132)
	$ 363,642	$ 316,741

Note 3 Intangibles and Other Assets, net

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

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

(In thousands)	November 30, 2012	August 31, 2012
Intangible assets subject to amortization:		
Customer relationships	$ 66,825	$ 66,825
Accumulated amortization	(24,153)	(22,995)
Other intangibles	5,003	4,906
Accumulated amortization	(3,933)	(3,779)
	43,742	44,957
Intangible assets not subject to amortization	912	912
Prepaid and other assets	10,140	10,272
Debt issuance costs, net	9,562	10,194
Nonqualified savings plan investments	6,771	6,667
Investment in unconsolidated affiliates	8,373	8,301
Investment in direct finance leases		65
Total intangible and other assets	$ 79,500	$ 81,368

Amortization expense for the three months ended November 30, 2012 and 2011 was $1.3 million and $1.2 million. Amortization expense for the years ending August 31, 2013, 2014, 2015, 2016 and 2017 is expected to be $4.2 million, $4.1 million, $4.1 million, $4.1 million and $3.9 million.

Note 4 Revolving Notes

Senior secured credit facilities, consisting of three components, aggregated to $356.1 million as of November 30, 2012.

As of November 30, 2012, a $290.0 million revolving line of credit secured by substantially all the Company s assets in the U.S. not otherwise pledged as security for term loans and maturing June 2016, was available to provide working capital and interim financing of equipment, principally for the U.S. and Mexican operations. Advances under this facility bear interest at LIBOR plus 2.5% and Prime plus 1.5% depending on the type of borrowing. Available borrowings under the credit facility are generally based on defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and fixed charges coverage ratios.

As of November 30, 2012, lines of credit totaling $20.9 million secured by certain of the Company s European assets, with various variable rates that range from Warsaw Interbank Offered Rate (WIBOR) plus 1.3% to WIBOR plus 1.7%, 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 May 2013 through December 2013.

As of November 30, 2012, the Company s Mexican joint venture had two lines of credit totaling $45.2 million. The first line of credit provides up to $20.0 million (of which $15.2 million was available as of November 30, 2012) 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 against this facility through December 2013. The second line of credit provides up to $30.0 million and is fully guaranteed by each of the joint venture partners, including the Company. Advances under this facility bear interest at LIBOR plus 2.0%. The Mexican joint venture will be able to draw against this facility through February 2015.

As of November 30, 2012, outstanding borrowings under the senior secured credit facilities consisted of $5.6 million in letters of credit and $41.8 million in revolving notes outstanding under the North American credit facility, $2.8 million outstanding under the European credit facilities and $45.2 million outstanding under the Mexican joint venture credit facilities.

Note 5 Accounts Payable and Accrued Liabilities

(In thousands)	November 30, 2012	August 31, 2012
Trade payables and other accrued liabilities	$ 222,520	$ 258,316
Accrued payroll and related liabilities	31,137	37,915
Accrued maintenance	10,713	11,475
Accrued warranty	10,102	9,221
Income taxes payable	5,827	9,625
Other	2,626	2,956
	$ 282,925	$ 329,508

Note 6 Warranty Accruals

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

Warranty accrual activity:

	Three Months Ended November 30,	
(In thousands)	2012	2011
Balance at beginning of period	$ 9,221	$ 8,645
Charged to cost of revenue, net	1,585	906
Payments	(801)	(408)
Currency translation effect	97	(200)
Balance at end of period	$ 10,102	$ 8,943

Note 7 Accumulated Other Comprehensive Income (Loss)

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

(In thousands)	Unrealized Income (Loss) on Derivative Financial Instruments	Pension Adjustment	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance, August 31, 2012	$ (93)	$ (325)	$ (5,951)	$ (6,369)
First quarter activity	683		2,090	2,773
Balance, November 30, 2012	$ 590	$ (325)	$ (3,861)	$ (3,596)

Note 8 Earnings Per Share

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

(In thousands)	Three Months Ended November 30, 2012	2011
Weighted average basic common shares outstanding *[(1)]*	27,144	25,463
Dilutive effect of warrants	802	1,881
Dilutive effect of convertible notes *[(2)]*	6,045	6,045
Weighted average diluted common shares outstanding	33,991	33,389

(1) Restricted stock grants are treated as outstanding when issued and are included in weighted average basic common shares outstanding when the Company is in a net earnings position.

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

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

	Three Months Ended November 30, 2012	2011
Net earnings attributable to Greenbrier	$ 10,427	$ 14,517
Add back:		
Interest and debt issuance costs on the 2018 Convertible notes, net of tax	1,430	1,376
Earnings before interest and debt issuance costs on convertible notes	$ 11,857	$ 15,893
Weighted average diluted common shares outstanding	33,991	33,389
Diluted earnings per share [(1)]	$ 0.35	$ 0.48

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

Earnings before interest and debt issuance costs on convertible notes

Weighted average diluted common shares outstanding

Note 9 Stock Based Compensation

The value, at the date of grant, of restricted stock awards is amortized as compensation expense over the lesser of the vesting period or to the recipient s eligible retirement date. For the three months ended November 30, 2012 and 2011, $1.9 million and $1.7 million in compensation expense was recorded for restricted stock grants. Compensation expense related to restricted stock grants is recorded in Selling and administrative on the Consolidated Statements of Income.

Note 10 Derivative Instruments

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

At November 30, 2012 exchange rates, forward exchange contracts for the purchase of Polish Zloty and the sale of Euro aggregated to $78.4 million. Adjusting the foreign currency exchange contracts to the fair value of the cash flow hedges at November 30, 2012 resulted in an unrealized pre-tax gain of $2.6 million that was recorded in accumulated other comprehensive loss. The fair value of the contracts is included in Accounts payable and accrued liabilities when there is a loss, or Accounts receivable, net when there is a gain, on the Consolidated Balance Sheets. As the contracts mature at various dates through December 2013, any such gain or loss remaining will be recognized in manufacturing revenue along with the related transactions when they occur. In the event that the underlying sales transaction does not occur or does not occur in the period designated at the inception of the hedge, the amount classified in accumulated other comprehensive loss would be reclassified to the current year s results of operations in Interest and foreign exchange.

At November 30, 2012, an interest rate swap agreement had a notional amount of $42.6 million and matures March 2014. The fair value of this cash flow hedge at November 30, 2012 resulted in an unrealized pre-tax loss of $2.5 million. The loss is included in Accumulated other comprehensive loss and the fair value of the contract is included in Accounts payable and accrued liabilities on the Consolidated Balance Sheet. As interest expense on the underlying debt is recognized, amounts corresponding to the interest rate swap are reclassified from accumulated other comprehensive loss and charged or credited to interest expense. At November 30, 2012 interest rates, approximately $1.6 million would be reclassified to interest expense in the next 12 months.

Fair Values of Derivative Instruments

	Asset Derivatives			Liability Derivatives		
		November 30, 2012	August 31, 2012		November 30, 2012	August 31, 2012
(In thousands)	Balance sheet location	Fair Value	Fair Value	Balance sheet location	Fair Value	Fair Value
Derivatives designated as hedging instruments						
Foreign forward exchange contracts	Accounts receivable	$ 3,552	$ 2,703	Accounts payable and accrued liabilities	$	$ 182
Interest rate swap contracts	Other assets			Accounts payable and accrued liabilities	2,470	2,861
		$ 3,552	$ 2,703		$ 2,470	$ 3,043
Derivatives not designated as hedging instruments						
Foreign forward exchange contracts	Accounts receivable	$ 530	$ 141	Accounts payable and accrued liabilities	$	$ 102

The Effect of Derivative Instruments on the Statement of Operations

Derivatives in cash flow hedging relationships	Location of gain (loss) recognized in income on derivative	Gain (loss) recognized in income on derivative Three months ended November 30, 2012	2011
Foreign forward exchange contract	Interest and foreign exchange	$ 155	$ (626)

Derivatives in cash flow hedging relationships	Gain (loss) recognized in OCI on derivatives (effective portion) Three months ended November 30, 2012	2011	Location of gain (loss) reclassified from accumulated OCI into income	Gain (loss) reclassified from accumulated OCI into income (effective portion) Three months ended November 30, 2012	2011	Location of gain in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Gain recognized on derivative (ineffective portion and amount excluded from effectiveness testing) Three months ended November 30, 2012	2011
Foreign forward exchange contracts	$ 1,509	$ (6,536)	Revenue	$ 1,080	$ (1,084)	Interest and foreign exchange	$ 896	$
Interest rate swap contracts	(28)	(997)	Interest and foreign exchange	(420)	(441)	Interest and foreign exchange		
	$ 1,481	$ (7,533)		$ 660	$ (1,525)		$ 896	$

Note 11 Segment Information

Greenbrier operates in three reportable segments: Manufacturing; Wheel Services, Refurbishment & Parts; and Leasing & Services. The accounting policies of the segments are described in the summary of significant accounting policies in the Consolidated Financial Statements contained in the Company s 2012 Annual Report on Form 10-K. Performance is evaluated based on margin. The Company s integrated business model results in selling and administrative costs being intertwined among the segments. Currently, Greenbrier s management does not allocate these costs 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 is eliminated in consolidation and therefore are not included in consolidated results in the Company s Consolidated Financial Statements.

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

	Three Months Ended November 30,	
(In thousands)	2012	2011
Revenue:		
Manufacturing	$ 270,294	$ 304,839
Wheel Services, Refurbishment & Parts	117,486	122,618
Leasing & Services	22,298	20,593
Intersegment eliminations	5,296	(49,851)
	$ 415,374	$ 398,199
Margin:		
Manufacturing	$ 26,876	$ 26,468
Wheel Services, Refurbishment & Parts	10,624	11,858
Leasing & Services	10,279	8,131
Segment margin total	47,779	46,457
Less unallocated items:		
Selling and administrative	26,100	23,235
Gain on disposition of equipment	(1,408)	(3,658)
Interest and foreign exchange	5,900	5,383
Earnings before income taxes and loss from unconsolidated affiliates	$ 17,187	$ 21,497

Note 12 Commitments and Contingencies

The Company s Portland, Oregon manufacturing facility is located adjacent to the Willamette River. The Company has entered into a Voluntary Clean-Up Agreement with the Oregon Department of Environmental Quality 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 to the environment. The Company is also conducting groundwater remediation relating to a historical spill on the property which precedes its ownership.

The U.S. Environmental Protection Agency (EPA) has classified portions of the river bed of the Portland Harbor, including the portion fronting the Company s manufacturing facility, as a federal National Priority List or Superfund site due to sediment contamination (the Portland Harbor Site). The Company and more than 140 other parties have received a General Notice of potential liability from the EPA relating to the Portland Harbor Site. The letter advised the Company that it may be liable for the costs of investigation and remediation (which liability may be joint and several with other potentially responsible parties) as well as for natural resource damages resulting from releases of hazardous substances to the site. At this time, ten private and public entities, including the Company (the Lower Willamette Group or LWG), have signed an Administrative Order on Consent (AOC) to perform a remedial investigation/feasibility study (RI/FS) of the Portland Harbor Site under EPA oversight, and several additional entities have not signed such consent, but are nevertheless contributing money to the effort. The EPA-mandated RI/FS is being conducted by the LWG and has cost over $90 million over an 11-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 over the 11-year period. Some or all of any such outlay may be recoverable from other responsible parties. The investigation is expected to continue for at least two more years and additional costs are expected to be incurred. The Company cannot estimate the amount of such investigation costs at this time.

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 2014.

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

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

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. The most significant litigation is as follows:

Greenbrier s customer, SEB Finans AB (SEB), has raised performance concerns related to a component that the Company installed on 372 railcar units with an aggregate sales value of approximately $20.0 million produced under a contract with SEB. On December 9, 2005, SEB filed a Statement of Claim in an arbitration proceeding in Stockholm, Sweden, against Greenbrier alleging that the railcars were defective and could not be used for their intended purpose. A settlement agreement was entered into effective February 28, 2007 pursuant to which the railcar units previously delivered were to be repaired and the remaining units completed and delivered to SEB. SEB has made multiple additional warranty claims, including claims with respect to railcars that have been repaired pursuant to the original settlement agreement. Greenbrier and SEB are continuing to negotiate the scope of needed repairs. Current estimates of potential costs of such repairs do not exceed amounts accrued.

When the Company acquired the assets of the Freight Wagon Division of DaimlerChrysler in January 2000, it acquired a contract to build 201 freight cars for Okombi GmbH, a subsidiary of Rail Cargo Austria AG. Subsequently, Okombi made breach of warranty and late delivery claims against the Company which grew out of design and certification problems. All of these issues were settled as of March 2004. Additional allegations have been made, the most serious of which involve cracks to the structure of the freight cars. Okombi has been required to remove all 201 freight cars from service, and a formal claim has been made against the Company. Legal, technical and commercial evaluations are on-going to determine what obligations the Company might have, if any, to remedy the alleged defects, though resolution of such issues has not been reached due to delays by Okombi.

Management intends to vigorously defend its position in each of the open foregoing cases. 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.

The Company is involved as a defendant in other litigation initiated in the ordinary course of business. 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 $1.9 million in bank and third party warranty and performance guarantee facilities as of November 30, 2012. To date no amounts have been drawn under these guarantee facilities.

At November 30, 2012, the Mexican joint venture had $45.7 million of third party debt outstanding, for which the Company has guaranteed approximately $37.8 million. In addition, the Company, along with its joint venture partner, has committed to contributing $10.0 million to fund the capital expenditures for a fourth manufacturing line, of which the Company will contribute 50%. These amounts will be contributed at various intervals from May 31, 2012 to October 31, 2013. As of November 30, 2012, the Company and the joint venture partner have each contributed $2.5 million.

As of November 30, 2012 the Company has outstanding letters of credit aggregating $5.6 million associated with facility leases and workers compensation insurance.

Note 13 Fair Value Measures

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

Level 1 observable inputs such as unadjusted quoted prices in active markets for identical instruments;

Level 2 inputs, other than the quoted market prices in active markets for similar instruments, which are observable, either directly or indirectly; and

Level 3 unobservable inputs for which there is little or no market data available, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value on a recurring basis as of November 30, 2012 are:

(In thousands)	Total	Level 1	Level 2 [1]	Level 3
Assets:				
Derivative financial instruments	$ 4,082	$	$ 4,082	$
Nonqualified savings plan investments	6,771	6,771		
Cash equivalents	1,002	1,002		
	$ 11,855	$ 7,773	$ 4,082	$
Liabilities:				
Derivative financial instruments	$ 2,470	$	$ 2,470	$

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

Assets and liabilities measured at fair value on a recurring basis as of August 31, 2012 are:

(In thousands)	Total	Level 1	Level 2	Level 3
Assets:				
Derivative financial instruments	$ 2,844	$	$ 2,844	$
Nonqualified savings plan investments	6,667	6,667		
Cash equivalents	1,002	1,002		
	$ 10,513	$ 7,669	$ 2,844	$
Liabilities:				
Derivative financial instruments	$ 3,145	$	$ 3,145	$

Note 14 Variable Interest Entities

In March 2012, the Company formed a special purpose entity that purchased a 1% interest in three trusts (the Trusts) which are 99% owned by a third party. The Company has agreed to sell 1,363 railcars, subject to operating leases, for $115.4 million to the Trusts.

Gains and losses will be allocated between the Company and the third party equal to their respective ownership interest in the Trusts, with the exception that the Company may be entitled to receive a small portion of excess rent if the actual performance of the Trusts exceeds a target rate of return.

The Company is required to contribute $8.0 million of cash collateral, which is funded ratably as each tranche is closed, into restricted cash accounts to support the railcar portfolio meeting a target rate of return. If the actual return is less than the target return, the third party may withdraw amounts in the restricted cash accounts at certain intervals based on predetermined criteria.

In connection with this transaction, the Company entered into an agreement to provide administrative and remarketing services to the Trusts. The agreement is currently set to expire in March 2033. The Company also entered into an agreement to provide maintenance services to the Trusts during the initial lease term of the railcars. The Company will receive management and maintenance fees under each of the aforementioned agreements.

As of November 30, 2012, the Company has sold 943 railcars to the Trusts for an aggregate value of $77.0 million. 743 railcars were sold in May 2012 with an aggregate value of $61.1 million and an additional 200 railcars were sold in November 2012 with an aggregate value of $15.9 million. The remaining 420 railcars are expected to be sold during fiscal 2013. As of November 30, 2012 the Company has an obligation, up to a maximum amount of $5.3 million, to support the railcar portfolio meeting a target minimum rate of return. This obligation expires in March 2033. This $5.3 million, which is held in restricted cash, was recorded as a reduction in revenue on the sale of 800 new railcars and a reduction in gain on sale on the sale of the 143 used railcars with a credit to deferred revenue.

The Company has evaluated this relationship under ASC 810-10 and has concluded that the Trusts qualify as variable interest entities and that the Company is not the primary beneficiary. The Company will not consolidate the Trusts and will account for the investments under the equity method of accounting.

As of November 30, 2012, the carrying amount of the Company s investment in the Trust is $0.8 million which is recorded in Intangibles and Other Assets, net on the Consolidated Balance Sheets.

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 and Greenbrier Railcar Leasing, Inc. No other subsidiaries guarantee the Notes including Greenbrier Union Holdings I LLC, Greenbrier Leasing Limited, Greenbrier Europe B.V., Greenbrier Germany GmbH, WagonySwidnica S.A., Zaklad Naprawczy Taboru Kolejowego Olawa sp. z o.o., 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-Gimsa, LLC and Gunderson-Gimsa S.A. de C.V.

The following represents the supplemental consolidating condensed financial information of Greenbrier and its guarantor and non guarantor subsidiaries, as of November 30, 2012 and August 31, 2012, for the three months ended November 30, 2012 and 2011. The information is presented on the basis of Greenbrier accounting for its ownership of its wholly owned subsidiaries using the equity method of accounting. The equity method investment for each subsidiary is recorded by the parent in intangibles and other assets. Intercompany transactions of goods and services between the guarantor and non guarantor subsidiaries are presented as if the sales or transfers were at fair value to third parties and eliminated in consolidation.

The Greenbrier Companies, Inc.

Condensed Consolidating Balance Sheet

November 30, 2012

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 33,586	$ 14	$ 7,684	$	$ 41,284
Restricted cash		1,990	5,332		7,322
Accounts receivable, net	(4)	112,879	50,989	(479)	163,385
Inventories		181,066	182,895	(319)	363,642
Leased railcars for syndication		55,347		(1,050)	54,297
Equipment on operating leases, net		364,954		(2,432)	362,522
Property, plant and equipment, net	3,194	104,362	79,159		186,715
Goodwill		137,066			137,066
Intangibles and other assets, net	711,235	90,223	3,105	(725,063)	79,500
	$ 748,011	$ 1,047,901	$ 329,164	$ (729,343)	$ 1,395,733
Liabilities and Equity					
Revolving notes	$ 41,750	$	$ 48,076	$	$ 89,826
Accounts payable and accrued liabilities	(48,787)	165,752	165,956	4	282,925
Deferred income taxes	11,579	94,937	(8,225)	(1,793)	96,498
Deferred revenue	271	27,476	521	15	28,283
Notes payable	296,118	129,925	1,654		427,697
Total equity Greenbrier	447,080	629,811	99,435	(729,246)	447,080
Noncontrolling interest			21,747	1,677	23,424
Total equity	447,080	629,811	121,182	(727,569)	470,504
	$ 748,011	$ 1,047,901	$ 329,164	$ (729,343)	$ 1,395,733

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Operations

For the three months ended November 30, 2012

(In thousands, unaudited)

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

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Cash Flows

For the three months ended November 30, 2012

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	$ 10,427	$ 13,830	$ 3,243	$ (14,939)	$ 12,561
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	2,481	(1,656)	(736)	851	940
Depreciation and amortization	576	7,922	2,448	(23)	10,923
Gain on sales of leased equipment		(1,044)		(364)	(1,408)
Accretion of debt discount	849				849
Stock based compensation	1,886				1,886
Other		98	1	(1,804)	(1,705)
Decrease (increase) in assets:					
Accounts receivable	915	(18,193)	1,676	87	(15,515)
Inventories		(39,095)	(2,384)	14	(41,465)
Leased railcars for syndication		45,243		(1,742)	43,501
Other	212	(141)	3,318	(2,444)	945
Increase (decrease) in liabilities:					
Accounts payable and accrued liabilities	(27,865)	(24,450)	4,277	2	(48,036)
Deferred revenue	(39)	11,506	(430)	2	11,039
Net cash provided by (used in) operating activities	(10,558)	(5,980)	11,413	(20,360)	(25,485)
Cash flows from investing activities:					
Proceeds from sales of equipment		10,086			10,086
Investment in and net advances to unconsolidated affiliates	(20,413)	(85)	(160)	20,498	(160)
Intercompany advances	4			(4)	
Decrease (increase) in restricted cash		57	(1,102)		(1,045)
Capital expenditures	(49)	(16,676)	(8,278)	(138)	(25,141)
Net cash provided by (used in) investing activities	(20,458)	(6,618)	(9,540)	20,356	(16,260)
Cash flows from financing activities:					
Net changes in revolving notes with maturities of 90 days or less	41,750		(13,815)		27,935
Proceeds from revolving notes with maturities longer than 90 days			9,195		9,195
Repayment of revolving notes with maturities longer than 90 days			(8,941)		(8,941)
Intercompany advances	(11,688)	12,944	(1,260)	4	
Repayments of notes payable		(1,028)	(202)		(1,230)
Investment by joint venture partner			1,182		1,182
Excess tax benefit from restricted stock awards	217				217
Net cash provided by (used in) financing activities	30,279	11,916	(13,841)	4	28,358

Effect of exchange rate changes		402	698		1,100
Decrease in cash and cash equivalents	(737)	(280)	(11,270)		(12,287)
Cash and cash equivalents					
Beginning of period	34,323	294	18,954		53,571
End of period	$ 33,586	$ 14	$ 7,684	$	$ 41,284

The Greenbrier Companies, Inc.

Condensed Consolidating Balance Sheet

August 31, 2012

(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 34,323	$ 294	$ 18,954	$	$ 53,571
Restricted cash		2,047	4,230		6,277
Accounts receivable, net	(21,666)	122,917	45,467	(392)	146,326
Inventories		138,236	178,810	(305)	316,741
Leased railcars for syndication		100,590		(2,792)	97,798
Equipment on operating leases, net		365,925		(2,957)	362,968
Property, plant and equipment, net	3,721	106,219	72,489		182,429
Goodwill		137,066			137,066
Intangibles and other assets, net	688,261	91,278	3,620	(701,791)	81,368
	$ 704,639	$ 1,064,572	$ 323,570	$ (708,237)	$ 1,384,544
Liabilities and Equity					
Revolving notes	$	$	$ 60,755	$	$ 60,755
Accounts payable and accrued liabilities	(31,814)	205,477	155,844	1	329,508
Deferred income taxes	9,097	96,593	(7,684)	(2,643)	95,363
Deferred revenue	310	15,970	901	13	17,194
Notes payable	295,269	130,953	1,857		428,079
Total equity Greenbrier	431,777	615,579	90,761	(706,340)	431,777
Noncontrolling interest			21,136	732	21,868
Total equity	431,777	615,579	111,897	(705,608)	453,645
	$ 704,639	$ 1,064,572	$ 323,570	$ (708,237)	$ 1,384,544

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Operations

For the three months ended November 30, 2011

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	$	$ 195,308	$ 212,443	$ (145,095)	$ 262,656
Wheels Services, Refurbishment & Parts		121,758		(4,009)	117,749
Leasing & Services	269	17,745		(220)	17,794
	269	334,811	212,443	(149,324)	398,199
Cost of revenue					
Manufacturing		173,650	204,747	(142,209)	236,188
Wheel Services, Refurbishment & Parts		110,050		(4,159)	105,891
Leasing & Services		9,681		(18)	9,663
		293,381	204,747	(146,386)	351,742
Margin	269	41,430	7,696	(2,938)	46,457
Selling and administrative	9,899	6,959	6,377		23,235
Gain on disposition of equipment		(3,657)		(1)	(3,658)
Earnings (loss) from operations	(9,630)	38,128	1,319	(2,937)	26,880
Other costs					
Interest and foreign exchange	4,912	728	10	(267)	5,383
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(14,542)	37,400	1,309	(2,670)	21,497
Income tax (expense) benefit	6,626	(15,018)	94	501	(7,797)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(7,916)	22,382	1,403	(2,169)	13,700
Earnings (loss) from unconsolidated affiliates	22,433	(985)		(21,820)	(372)
Net earnings (loss)	14,517	21,397	1,403	(23,989)	13,328
Net (earnings) loss attributable to noncontrolling interest			(231)	1,420	1,189
Net earnings (loss) attributable to Greenbrier	$ 14,517	$ 21,397	$ 1,172	$ (22,569)	$ 14,517

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Cash Flows

For the three months ended November 30, 2011

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	$ 14,517	$ 21,397	$ 1,403	$ (23,989)	$ 13,328
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	4,416	(737)	488	(502)	3,665
Depreciation and amortization	699	7,404	1,803	(17)	9,889
Gain on sales of leased equipment		(3,657)		(1)	(3,658)
Accretion of debt discount	787				787
Stock based compensation expense	1,742				1,742
Other		603	1	1,420	2,024
Decrease (increase) in assets					
Accounts receivable	13,596	(18,628)	38,699	20	33,687
Inventories		14,918	(48,856)	(150)	(34,088)
Leased railcars for syndication		(38,759)		1,420	(37,339)
Other	853	1,049	(1,046)		856
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	(24,758)	27,610	(2,571)	(21)	260
Deferred revenue	(39)	(145)	39		(145)
Net cash provided by (used in) operating activities	11,813	11,055	(10,040)	(21,820)	(8,992)
Cash flows from investing activities:					
Proceeds from sales of equipment		5,741			5,741
Investment in and net advances to unconsolidated affiliates	(22,433)	683		21,820	70
Intercompany advances	(2,632)			2,632	
Increase in restricted cash		(38)			(38)
Capital expenditures	(311)	(12,625)	(2,071)		(15,007)
Other		10			10
Net cash provided by (used in) investing activities	(25,376)	(6,229)	(2,071)	24,452	(9,224)
Cash flows from financing activities:					
Net change in revolving notes with maturities of 90 days or less	(8,000)		(1,150)		(9,150)
Proceeds from revolving notes with maturities longer than 90 days			7,557		7,557
Repayments of revolving notes with maturities longer than 90 days			(5,606)		(5,606)
Intercompany advances	1,713	(4,006)	4,925	(2,632)	
Proceeds from notes payable			2,500		2,500
Repayments of notes payable		(1,041)	(202)		(1,243)
Other					
Net cash provided by (used in) financing activities	(6,287)	(5,047)	8,024	(2,632)	(5,942)

Effect of exchange rate changes		(76)	(5,133)		(5,209)
Decrease in cash and cash equivalents	(19,850)	(297)	(9,220)		(29,367)
Cash and cash equivalents					
Beginning of period	33,368	529	16,325		50,222
End of period	$ 13,518	$ 232	$ 7,105	$	$ 20,855

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

Executive Summary

We operate in three primary business segments: Manufacturing; Wheel Services, Refurbishment & Parts; and Leasing & Services. These three business segments are operationally integrated. The Manufacturing segment, operating from facilities in the United States, Mexico and Poland, produces double-stack intermodal railcars, conventional railcars, tank cars and marine vessels. The Wheel Services, Refurbishment & Parts segment performs wheel, axle and bearing servicing; railcar repair, refurbishment and maintenance activities; as well as production and reconditioning of a variety of parts for the railroad industry in North America. The Leasing & Services segment owns approximately 10,000 railcars and provides management services for approximately 221,000 railcars for railroads, shippers, carriers, institutional investors and other leasing and transportation companies in North America. We also produce rail castings through an unconsolidated joint venture. Management evaluates segment performance based on margins.

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

Our total manufacturing backlog of railcar units as of November 30, 2012 was approximately 9,700 units with an estimated value of $1.11 billion compared to 13,300 units with an estimated value of $1.08 billion as of November 30, 2011. 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. Our backlog of railcar units and marine vessels is not necessarily indicative of future results of operations. Subsequent to quarter end we received new railcar orders for 2,800 units valued at approximately $294 million.

Marine backlog as of November 30, 2012 was approximately $20 million compared to $5 million as of November 30, 2011. In addition, we are party to a letter of intent for 15 barges valued at $60 million subject to significant permitting and other conditions.

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 planned tax return filings. The amounts anticipated to be reported in those filings may change between the time the financial statements are prepared and the time the tax returns are filed. Further, because tax filings are subject to review by taxing authorities, there is also the risk that a position taken in preparation of a tax return may be challenged by a taxing authority. If the taxing authority is successful in asserting a position different than that taken by us, differences in tax expense or between current and deferred tax items may arise in future periods. Such differences, which could have a material impact on our financial statements, would be reflected in the financial statements when management considers them probable of occurring and the amount reasonably estimable. Valuation allowances reduce deferred tax assets to an amount that will more likely than not be realized. Our estimates of the realization of deferred tax assets is based on the information available at the time the financial statements are prepared and may include estimates of future income and other assumptions that are inherently uncertain.

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

Warranty accruals Warranty costs to cover a defined warranty period are estimated and charged to operations. The estimated warranty cost is based on historical warranty claims for each particular product type. For new product types without a warranty history, preliminary estimates are based on historical information for similar product types. These estimates are inherently uncertain as they are based on historical data for existing products and judgment for new products. If warranty claims are made in the current period for issues that have not historically been the subject of warranty claims and were not taken into consideration in establishing the accrual or if claims for issues already considered in establishing the accrual exceed expectations, warranty expense may exceed the accrual for that particular product. Conversely, there is the possibility that claims may be lower than estimates. The warranty accrual is periodically reviewed and updated based on warranty trends. However, as we cannot predict future claims, the potential exists for the difference in any one reporting period to be material.

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

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

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

We will periodically sell railcars with leases attached to financial investors. In addition we will often perform management or maintenance services at market rates for these railcars. Pursuant to the guidance in ASC 840-20-40, we evaluate the terms of any remarketing agreements and any contractual provisions that represent retained risk and the level of retained risk based on those provisions. We determine whether the level of retained risk exceeds 10% of the individual fair value of the rail cars 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 its 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 The Company periodically acquires 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 is also tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. The provisions of Accounting Standards Codification (ASC) 350, *Intangibles Goodwill and Other*, require that we perform a two-step impairment test on goodwill. In the first step, we compare the fair value of each reporting unit with its carrying value. We determine the fair value of our reporting units based on a weighting of income and market approaches. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. Under the market approach, we estimate the fair value based on observed market multiples for comparable businesses. The second step of the goodwill impairment test is required only when 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 as of November 30, 2012 of $137.1 million relates to the Wheel Services, Refurbishment & Parts segment.

Results of Operations

Greenbrier operates in three reportable segments: Manufacturing; Wheel Services, Refurbishment & Parts; and Leasing & Services. Segment performance is evaluated based on margin. The Company s integrated business model results in selling and administrative costs being intertwined among the segments. Currently, management does not allocate these costs for either external or internal reporting purposes.

Three Months Ended November 30, 2012 Compared to Three Months Ended November 30, 2011

Overview

Total revenue for the three months ended November 30, 2012 was $415.4 million, an increase of $17.2 million from revenues of $398.2 million in the prior comparable period. The increase was primarily the result of higher revenues in the manufacturing segment of our business. Manufacturing segment revenues increased $22.7 million primarily from a higher per unit average selling price as a result of a change in product mix.

Net earnings attributable to Greenbrier for the three months ended November 30, 2012 were $10.4 million or $0.35 per diluted common share compared to $14.5 million or $0.48 per diluted common share for the three months ended November 30, 2011.

	Three Months Ended November 30,	
(In thousands)	2012	2011
Revenue:		
Manufacturing	$ 285,368	$ 262,656
Wheel Services, Refurbishment & Parts	112,100	117,749
Leasing & Services	17,906	17,794
	415,374	398,199
Margin:		
Manufacturing	26,876	26,468
Wheel Services, Refurbishment & Parts	10,624	11,858
Leasing & Services	10,279	8,131
	47,779	46,457
Less unallocated items:		
Selling and administrative	26,100	23,235
Gain on disposition of equipment	(1,408)	(3,658)
Interest and foreign exchange	5,900	5,383
Earnings before income taxes and loss from unconsolidated affiliates	17,187	21,497
Income tax expense	(4,586)	(7,797)
Earnings before loss from unconsolidated affiliates	12,601	13,700
Loss from unconsolidated affiliates	(40)	(372)
Net earnings	12,561	13,328
Net (earnings) loss attributable to noncontrolling interest	(2,134)	1,189
Net earnings attributable to Greenbrier	$ 10,427	$ 14,517

Diluted earnings per common share	$	0.35	$	0.48

Manufacturing Segment

Manufacturing revenue for the three months ended November 30, 2012 was $285.4 million compared to $262.7 million for the three months ended November 30, 2011, an increase of $22.7 million. Railcar unit deliveries, which are the primary source of manufacturing revenue, were approximately 2,900 units in the current period compared to approximately 3,300 units in the prior comparable period. The increase in revenue on a lower volume of deliveries was primarily attributed to a higher per unit average selling price as a result of a change in product mix.

Manufacturing margin as a percentage of revenue for the three months ended November 30, 2012 was 9.4% compared to a margin of 10.1% for the three months ended November 30, 2011. The decrease in margin as a percentage of revenue was primarily attributed to a change in product mix and increases in overhead costs in conjunction with bringing on additional production lines at our manufacturing facilities in Mexico and adjusting our production rates at other facilities.

Wheel Services, Refurbishment & Parts Segment

Wheel Services, Refurbishment & Parts revenue was $112.1 million for the three months ended November 30, 2012 compared to $117.7 million in the comparable period of the prior year. The decrease of $5.6 million was primarily attributed to lower demand for wheel set replacements as compared to the prior year and a decrease in scrap metal pricing. These were partially offset by an increase in demand for refurbishment work.

Wheel Services, Refurbishment & Parts margin as a percentage of revenue was 9.5% for the three months ended November 30, 2012 compared to 10.1% for the three months ended November 30, 2011. The decrease in margin as a percentage of revenue was primarily the result of a reduction in efficiencies from operating at lower wheel volumes and a decrease in scrap metal pricing. These were partially offset by a change in sales mix to higher margin refurbishment work.

Leasing & Services Segment

Leasing & Services revenue was $17.9 million for the three months ended November 30, 2012 compared to $17.8 million for the comparable period of the prior year. The increase of $0.1 million was primarily a result of higher rents earned on increased volumes of leased railcars for syndication and an increase in the size of the owned and managed lease fleet. These were partially offset by a decrease in maintenance revenues.

Leasing & Services margin as a percentage of revenue was 57.4% for the three months ended November 30, 2012 and 45.7% for the three months ended November 30, 2011. The increase in margin as a percentage of revenue was primarily the result of the reduction in the maintenance accrual on terminated maintenance management agreements and higher rents earned on increased volumes of leased railcars for syndication.

The percentage of owned units on lease as of November 30, 2012 was 95.2% compared to 97.1% at November 30, 2011.

Selling and Administrative

Selling and administrative expense was $26.1 million or 6.3% of revenue for the three months ended November 30, 2012 compared to $23.2 million or 5.8% of revenue for the prior comparable period, an increase of $2.9 million. The increase for the three months ended November 30, 2012 compared to the prior comparable period primarily related to higher employee related costs associated with annual compensation adjustments, increased headcount and rising healthcare costs.

Gain on Disposition of Equipment

Assets from Greenbrier s lease fleet are periodically sold in the normal course of business in order to take advantage of market conditions and manage risk and liquidity. Gain on disposition of equipment was $1.4 million for the three months ended November 30, 2012, compared to $3.7 million for the prior comparable period.

Other Costs

Interest and foreign exchange expense was comprised of the following:

(In thousands)	Three Months Ended November 30, 2012	2011	Increase (Decrease)
Interest and foreign exchange:			
Interest and other expense	$ 4,331	$ 5,539	$ (1,208)
Accretion of convertible debt discount	849	786	63
Foreign exchange (gain) loss	720	(942)	1,662
	$ 5,900	$ 5,383	$ 517

The increase in interest and foreign exchange expense as compared to the prior comparable period was primarily attributed to a foreign exchange gain in the prior year and a foreign exchange loss in the current year. This was partially offset by lower interest expense on lower levels of borrowings and from the reversal of interest accruals associated with uncertain tax positions that were released during the quarter.

Income Tax

The tax rate for the three months ended November 30, 2012 was 26.7% as compared to 36.3% in the prior comparable period. The provision for income taxes is based on projected consolidated results of operations and geographical mix of earnings for the entire year which results in an estimated 33.7% annual effective tax rate before the impact of discrete items. Discrete items for the quarter included the reversal of reserves for uncertain tax positions partially offset by certain items associated with our Mexican operations. The tax rate fluctuates from period to period due to a change in the geographical mix of pre-tax earnings and losses, minimum tax requirements in certain local jurisdictions and the impact of discrete items.

Noncontrolling Interest

Net earnings attributable to noncontrolling interest was $2.1 million for the three months ended November 30, 2012 and a net loss attributable to noncontrolling interest of $1.2 million for the three months ended November 30, 2011 which primarily represents our joint venture partner s share in the results of operations of our Mexican railcar manufacturing joint venture, adjusted for intercompany sales. The change from the prior comparable period is primarily a result of changes in the volume of intercompany activity.

Liquidity and Capital Resources

(In thousands)

	Three Months Ended	
	November 30, 2012	November 30, 2011
Net cash used in operating activities	$ (25,485)	$ (8,992)
Net cash used in investing activities	(16,260)	(9,224)
Net cash provided by (used in) financing activities	28,358	(5,942)
Effect of exchange rate changes	1,100	(5,209)
Net decrease in cash and cash equivalents	$ (12,287)	$ (29,367)

We have been financed through cash generated from operations, borrowings and issuance of stock. At November 30, 2012, cash and cash equivalents were $41.3 million, a decrease of $12.3 million from $53.6 million at August 31, 2012.

Cash used in operating activities was $25.5 million for the three months ended November 30, 2012 compared to cash used in operating activities of $9.0 million for the three months ended November 30, 2011. The change from the prior year was primarily due to a change in the timing of working capital needs.

Cash used in investing activities, primarily for capital expenditures, was $16.3 million for the three months ended November 30, 2012 compared to $9.2 million in the prior comparable period.

Capital expenditures totaled $25.1 million for the three months ended November 30, 2012 and $15.0 million for the three months ended November 30, 2011. Of these capital expenditures, approximately $15.1 million and $9.2 million were attributable to Leasing & Services operations. Leasing & Services capital expenditures for 2013, net of proceeds from sales of railcar equipment, are expected to be approximately $42.0 million. We regularly sell assets from our lease fleet. Proceeds from sales of equipment were $10.1 million for the three months ended November 30, 2012 and $5.7 million in the comparable prior period.

Approximately $8.3 million and $3.1 million of capital expenditures for the three months ended November 30, 2012 and the comparable prior period were attributable to Manufacturing operations. Capital expenditures for Manufacturing operations are expected to be approximately $28.0 million in 2013 and primarily relate to enhancements to existing manufacturing facilities and the addition of new production lines.

Wheel Services, Refurbishment & Parts capital expenditures for the three months ended November 30, 2012 and the comparable prior period were $1.7 million and $2.7 million. Capital expenditures are expected to be approximately $15.0 million in 2013 for maintenance and improvement of existing facilities and some growth.

Cash provided by financing activities was $28.4 million for the three months ended November 30, 2012 compared to cash used in financing activities of $5.9 million for the three months ended November 30, 2011. During the three months ended November 30, 2012, $27.0 million was received in net activity of debt. During the three months ended November 30, 2011, $5.9 million was utilized in net activity of debt.

Senior secured credit facilities, consisting of three components, aggregated to $356.1 million as of November 30, 2012.

Available borrowings under our credit facilities are generally limited by defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and interest coverage ratios. We had an aggregate of $260.7 million available to draw down under the committed credit facilities as of November 30, 2012. This amount consisted of $242.6 million available on the North American credit facility and $18.1 million on the European credit facilities as of November 30, 2012.

As of November 30, 2012 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 2.5% and Prime plus 1.5% depending on the type of borrowing. Available borrowings under the credit facility are generally based on defined levels of inventory, receivables, property, plant and equipment and leased equipment, as well as total debt to consolidated capitalization and fixed charges coverage ratios.

As of November 30, 2012, lines of credit totaling $20.9 million secured by certain of our European assets, with various variable rates that range from Warsaw Interbank Offered Rate (WIBOR) plus 1.3% to WIBOR plus 1.7%, 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 May 2013 through December 2013.

As of November 30, 2012 our Mexican joint venture had two lines of credit totaling $45.2 million. The first line of credit provides up to $20.0 million (of which $15.2 million was available as of November 30, 2012) 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 against this facility through December 2013. 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 February 2015.

As of November 30, 2012, outstanding borrowings under the senior secured credit facilities consisted of $5.6 million in letters of credit and $41.8 million in revolving notes outstanding under the North American credit facility, $2.8 million outstanding under the European credit facilities and $45.2 million outstanding under the Mexican joint venture credit facilities.

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

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

We have operations in Mexico and Poland that conduct business in their local currencies as well as other regional currencies. To mitigate the exposure to transactions denominated in currencies other than the functional currency, we enter into foreign currency forward exchange contracts to protect the margin on a portion of forecast foreign currency sales primarily in Euro.

Foreign operations give rise to risks from changes in foreign currency exchange rates. We utilize foreign currency forward exchange contracts with established financial institutions to hedge a portion of that risk. No provision has been made for credit loss due to counterparty non-performance.

As of November 30, 2012, the Mexican joint venture had $45.7 million of third party debt, of which we have guaranteed approximately $37.8 million. In addition, we, along with our joint venture partner, have committed to contributing $10.0 million to fund the capital expenditures to expand production capacity, of which we will contribute 50%. These amounts will be contributed at various intervals from May 31, 2012 to October 31, 2013. As of November 30, 2012, we and our joint venture partner have each contributed $2.5 million.

In accordance with customary business practices in Europe, we have $1.9 million in bank and third party warranty and performance guarantee facilities as of November 30, 2012. To date no amounts have been drawn under these guarantee facilities.

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 working capital needs, planned capital expenditures and expected debt repayments for 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.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

We have operations in Mexico and Poland that conduct business in their local currencies as well as other regional currencies. To mitigate the exposure to transactions denominated in currencies other than the functional currency of each entity, we enter into foreign currency forward exchange contracts to protect the margin on a portion of forecast foreign currency sales. At November 30, 2012, $78.4 million of forecast sales in Europe were hedged by foreign exchange contracts. Because of the variety of currencies in which purchases and sales are transacted and the interaction between currency rates, it is not possible to predict the impact a movement in a single foreign currency exchange rate would have on future operating results.

In addition to exposure to transaction gains or losses, we are also exposed to foreign currency exchange risk related to the net asset position of our foreign subsidiaries. At November 30, 2012, net assets of foreign subsidiaries aggregated $44.2 million and a 10% strengthening of the United States dollar relative to the foreign currencies would result in a decrease in equity of $4.4 million, or 1.0% 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 $42.6 million of variable rate debt to fixed rate debt. As a result, we are exposed to interest rate risk relating to our revolving debt and a portion of term debt, which are at variable rates. At November 30, 2012, 66% of our outstanding debt had fixed rates and 34% had variable rates. At November 30, 2012, a uniform 10% increase in interest rates would result in approximately $0.5 million of additional annual interest expense.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our President and Chief Executive Officer and our Chief Financial Officer, the effectiveness of the Company s disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the Exchange Act). Based on that evaluation, our President and Chief Executive Officer and 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 Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended November 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

This Form 10-Q should be read in conjunction with the risk factors and information disclosed in our Annual Report on Form 10-K for the year ended August 31, 2012. 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, 2012.

Item 6. Exhibits

(a) List of Exhibits:

10.1 Updated Rabbi Trust Agreements, dated October 1, 2012, related to The Greenbrier Companies, Inc.

Nonqualified Deferred Compensation Plan.

10.2 Updated Rabbi Trust Agreements, dated October 1, 2012, related to the Greenbrier Companies, Inc.

Nonqualified Deferred Compensation Plan for Directors.

10.3 Amended and Restated Employment Agreement between The Greenbrier Companies, Inc. and William A. Furman dated August 28, 2012 (revised to correct scrivener s error).

31.1 Certification pursuant to Rule 13a 14 (a).

31.2 Certification pursuant to Rule 13a 14 (a).

32.1 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following financial information from the Company s Quarterly Report on Form 10-Q for the period ended November 30, 2012, 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; (vi) the Notes to Condensed Consolidated Financial Statements.

SIGNATURES

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

THE GREENBRIER COMPANIES, INC.

Date: January 9, 2013	By: /s/ Mark J. Rittenbaum Mark J. Rittenbaum Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: January 9, 2013	By: /s/ James W. Cruckshank James W. Cruckshank Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)