GREENBRIER COMPANIES INC
Form 10-Q
April 09, 2012

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**

February 29, 2012 for the quarterly period ended February 29, 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 March 28, 2012 was 26,691,721 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 sales contracts which provide adequate protection against 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- 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, addition of new railcar types, 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;

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)

	February 29, 2012	August 31, 2011
Assets		
Cash and cash equivalents	$ 40,666	$ 50,222
Restricted cash	2,249	2,113
Accounts receivable, net	177,544	188,443
Inventories	365,811	323,512
Leased railcars for syndication	79,681	30,690
Equipment on operating leases, net	322,811	321,141
Property, plant and equipment, net	165,700	161,200
Goodwill	137,066	137,066
Intangibles and other assets, net	85,155	87,268
	$ 1,376,683	$ 1,301,655
Liabilities and Equity		
Revolving notes	$ 101,446	$ 90,339
Accounts payable and accrued liabilities	340,328	316,536
Deferred income taxes	89,623	83,839
Deferred revenue	1,230	5,900
Notes payable	428,454	429,140
Commitments and contingencies (Note 12)		
Equity:		
Greenbrier		
Preferred stock - without par value; 25,000 shares authorized; none outstanding		
Common stock - without par value; 50,000 shares authorized; 26,692 and 25,186 shares outstanding at February 29, 2012 and August 31, 2011		
Additional paid-in capital	245,776	242,286
Retained earnings	159,368	127,182
Accumulated other comprehensive loss	(5,356)	(7,895)
Total equity Greenbrier	399,788	361,573
Noncontrolling interest	15,814	14,328
Total equity	415,602	375,901
	$ 1,376,683	$ 1,301,655

The accompanying notes are an integral part of these financial statements

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Consolidated Statements of Operations

(In thousands, except per share amounts, unaudited)

	Three Months Ended		Six Months Ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
Revenue				
Manufacturing	$ 320,206	$ 156,621	$ 582,863	$ 242,062
Wheel Services, Refurbishment & Parts	119,894	112,015	237,643	207,282
Leasing & Services	18,086	15,703	35,879	33,930
	458,186	284,339	856,385	483,274
Cost of revenue				
Manufacturing	290,851	147,552	527,040	227,300
Wheel Services, Refurbishment & Parts	106,554	101,413	212,445	187,824
Leasing & Services	9,295	8,725	18,958	17,845
	406,700	257,690	758,443	432,969
Margin	51,486	26,649	97,942	50,305
Selling and administrative	24,979	17,693	48,214	35,632
Gain on disposition of equipment	(2,654)	(1,962)	(6,312)	(4,471)
Earnings from operations	29,161	10,918	56,040	19,144
Other costs				
Interest and foreign exchange	6,630	10,536	12,014	20,839
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	22,531	382	44,026	(1,695)
Income tax benefit (expense)	(5,348)	(100)	(13,144)	512
Earnings (loss) before earnings (loss) from unconsolidated affiliates	17,183	282	30,882	(1,183)
Earnings (loss) from unconsolidated affiliates	72	(575)	(300)	(1,162)
Net earnings (loss)	17,255	(293)	30,582	(2,345)
Net (earnings) loss attributable to noncontrolling interest	415	(257)	1,604	(509)
Net earnings (loss) attributable to Greenbrier	$ 17,670	$ (550)	$ 32,186	$ (2,854)
Basic earnings (loss) per common share	$ 0.66	$ (0.02)	$ 1.23	$ (0.13)
Diluted earnings (loss) per common share	$ 0.57	$ (0.02)	$ 1.04	$ (0.13)
Weighted average common shares:				
Basic	26,683	23,310	26,073	22,030
Diluted	33,668	23,310	33,528	22,030

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Equity and Comprehensive Income (Loss)

(In thousands, except per share amounts, 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, 2011	25,186	$ 242,286	$ 127,182	$ (7,895)	$ 361,573	$ 14,328	$ 375,901
Net earnings (loss)			32,186		32,186	(1,604)	30,582
Translation adjustment				(1,472)	(1,472)	(61)	(1,533)
Reclassification of derivative financial instruments recognized in net earnings (net of tax effect)				860	860		860
Unrealized gain on derivative financial instruments (net of tax effect)				3,151	3,151		3,151
Comprehensive income					34,725	(1,665)	33,060
Noncontrolling interest adjustments						3,151	3,151
Restricted stock awards (net of cancellations)	23	600			600		600
Unamortized restricted stock		(600)			(600)		(600)
Restricted stock amortization		3,490			3,490		3,490
Warrants exercised	1,483						
Balance February 29, 2012	26,692	$ 245,776	$ 159,368	$ (5,356)	$ 399,788	$ 15,814	$ 415,602

	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, 2010	21,875	$ 172,426	$ 120,716	$ (7,204)	$ 285,938	$ 11,469	$ 297,407
Net earnings (loss)			(2,854)		(2,854)	509	(2,345)
Translation adjustment				2,277	2,277		2,277
Reclassification of derivative financial instruments recognized in net loss (net of tax effect)				(106)	(106)		(106)
Unrealized gain on derivative financial instruments (net of tax effect)				571	571		571
Comprehensive income					(112)	509	397
Net proceeds from equity offering	3,000	62,775			62,775		62,775
Restricted stock awards (net of cancellations)	29	600			600		600
Unamortized restricted stock		(600)			(600)		(600)
Restricted stock amortization		2,554			2,554		2,554
Stock options exercised	5	26			26		26

Balance February 28, 2011	24,909	$ 237,781	$ 117,862	$ (4,462)	$ 351,181	$ 11,978	$ 363,159

The accompanying notes are an integral part of these financial statements

THE GREENBRIER COMPANIES, INC.

Consolidated Statements of Cash Flows

(In thousands, unaudited)

	Six Months Ended	
	February 29, 2012	February 28, 2011
Cash flows from operating activities		
Net income (loss)	$ 30,582	$ (2,345)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Deferred income taxes	5,828	4,669
Depreciation and amortization	20,322	18,626
Gain on sales of leased equipment	(6,312)	(2,594)
Accretion of debt discount	1,599	3,620
Stock based compensation expense	3,490	2,554
Other	3,759	55
Decrease (increase) in assets:		
Accounts receivable	8,898	(24,360)
Inventories	(43,751)	(44,563)
Leased railcars for syndication	(52,925)	(49,329)
Other	(603)	4,393
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	25,854	43,006
Deferred revenue	(4,657)	(5,477)
Net cash used in operating activities	(7,916)	(51,745)
Cash flows from investing activities		
Proceeds from sales of equipment	20,058	13,752
Investment in and net advances to unconsolidated affiliates	70	(279)
Decrease (increase) in restricted cash	(136)	598
Capital expenditures	(35,713)	(30,132)
Other	22	43
Net cash used in investing activities	(15,699)	(16,018)
Cash flows from financing activities		
Net change in revolving notes with maturities of 90 days or less	(18,716)	(2,888)
Proceeds from revolving notes with maturities longer than 90 days	46,646	10,000
Repayments of revolving notes with maturities longer than 90 days	(15,818)	
Net proceeds from issuance of notes payable	2,500	
Repayments of notes payable	(4,784)	(2,323)
Gross proceeds from equity offering		63,180
Expenses from equity offering		(405)
Other		26
Net cash provided by financing activities	9,828	67,590
Effect of exchange rate changes	4,231	398
Increase (decrease) in cash and cash equivalents	(9,556)	225
Cash and cash equivalents		
Beginning of period	50,222	98,864

End of period	$ 40,666	$ 99,089
Cash paid (received) during the period for		
Interest	$ 8,170	$ 14,073
Income taxes	$ (2,483)	$ 513

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 February 29, 2012, for the three and six months ended February 29, 2012 and for the three and six months ended February 28, 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 and six months ended February 29, 2012 are not necessarily indicative of the results to be expected for the entire year ending August 31, 2012.

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 2011 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.

Change in Presentation to Prior Year Financial Statements Historically, the Company has reported Gain on disposition of equipment as a net amount in Revenue. The Company has changed its financial statement presentation to now report these amounts as a separate line item captioned Gain on disposition of equipment , which is a component of operating income below margin. This change in presentation resulted in a decrease in Revenue and corresponding increase in Gain on disposition of equipment of $2.0 million for the three months ended February 28, 2011 and $4.5 million for the six months ended February 28, 2011. Such change in presentation did not result in any change to Net earnings (loss) attributable to Greenbrier.

Prospective Accounting Changes In June 2011, an accounting standard update was issued regarding the presentation of other comprehensive income in the financial statements. The standard eliminated the option of presenting other comprehensive income as part of the statement of changes in 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. This amendment will be effective for the Company as of September 1, 2012. The Company currently reports other comprehensive income in the Consolidated Statement of Equity and Comprehensive Income (Loss) and will be required to change the presentation of comprehensive income to be in compliance with the new standard.

In September 2011, an accounting standard update was issued regarding the annual goodwill impairment testing. This amendment 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 amendment will be effective for the Company as of September 1, 2012. 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 amendment impacts testing steps only, and therefore adoption will not have an effect on the Company s Consolidated Financial Statements. The Company performs a goodwill impairment test 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.

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)	February 29, 2012	August 31, 2011
Manufacturing supplies and raw materials	$ 284,824	$ 231,798
Work-in-process	63,726	78,709
Finished goods	21,657	17,455
Excess and obsolete adjustment	(4,396)	(4,450)
	$ 365,811	$ 323,512

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)	February 29, 2012	August 31, 2011
Intangible assets subject to amortization:		
Customer relationships	$ 66,825	$ 66,825
Accumulated amortization	(19,932)	(17,854)
Other intangibles	5,053	5,185
Accumulated amortization	(3,644)	(3,475)
	48,302	50,681
Intangible assets not subject to amortization	912	912
Prepaid and other assets	9,642	8,692
Debt issuance costs, net	11,408	12,516
Nonqualified savings plan investments	6,985	6,326
Investment in unconsolidated affiliates	6,641	5,769
Contract placement fee	1,162	2,259
Investment in direct finance leases	103	113
Total intangible and other assets	$ 85,155	$ 87,268

Amortization expense for the three and six months ended February 29, 2012 was $1.1 million and $2.3 million and for the three and six months ended February 28, 2011 was $1.2 million and $2.4 million. Amortization expense for the years ending August 31, 2012, 2013, 2014, 2015 and 2016 is expected to be $4.6 million, $4.4 million, $4.3 million, $4.3 million and $4.3 million.

Note 4 Revolving Notes

Senior secured credit facilities, consisting of three components, aggregated $359.5 million as of February 29, 2012.

As of February 29, 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, 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 variable rates that depend on the type of borrowing and the defined ratio of debt to total capitalization. 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 February 29, 2012, lines of credit totaling $19.5 million secured by certain of the Company s European assets, with various variable rates, 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 June 2012 through March 2013.

As of February 29, 2012, the Company s Mexican joint venture had two lines of credit totaling $50.0 million. The first line of credit provides up to $20.0 million and is secured by certain of the joint venture s accounts receivable and inventory. Advances under this facility bear interest at LIBOR plus 2.5% and are due 180 days after the date of borrowing. The outstanding advances as of February 29, 2012 have maturities that range from March 2012 to August 2012. The Mexican joint venture will be able to draw against this facility through July 2012. The second line of credit provides up to $30.0 million and is guaranteed by each of the joint venture partners, including the Company. Advances under this facility bear interest at LIBOR plus 2.0% and are due 180 days after the date of borrowing. The outstanding advances as of February 29, 2012 mature in July 2012. The Mexican joint venture will be able to draw against this facility through February 2015.

As of February 29, 2012 outstanding borrowings under the senior secured credit facilities consisted of $5.2 million in letters of credit and $45.0 million in revolving notes outstanding under the North American credit facility, $10.4 million outstanding under the European credit facilities and $46.0 million outstanding under the Mexican joint venture credit facilities.

Note 5 Accounts Payable and Accrued Liabilities

(In thousands)	February 29, 2012	August 31, 2011
Trade payables and other accrued liabilities	$ 278,913	$ 267,683
Accrued payroll and related liabilities	31,205	26,757
Accrued maintenance	10,934	10,865
Accrued warranty	9,297	8,645
Other	9,979	2,586
	$ 340,328	$ 316,536

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		Six Months Ended	
(In thousands)	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
Balance at beginning of period	$ 8,943	$ 6,284	$ 8,644	$ 6,304
Charged to cost of revenue	488	501	1,395	650
Payments	(260)	(426)	(668)	(600)
Currency translation effect	126	22	(74)	27
Balance at end of period	$ 9,297	$ 6,381	$ 9,297	$ 6,381

Note 7 Accumulated Other Comprehensive Loss

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

(In thousands)	Unrealized Income (Loss) on Derivative Financial Instruments	Pension Adjustment	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance, August 31, 2011	$ (5,789)	$ (195)	$ (1,911)	$ (7,895)
First quarter activity	(4,608)		(4,696)	(9,304)
Second quarter activity	8,620		3,223	11,843
Balance, February 29, 2012	$ (1,777)	$ (195)	$ (3,384)	$ (5,356)

Note 8 Earnings (Loss) Per Share

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

(In thousands)	Three Months Ended February 29, 2012	Three Months Ended February 28, 2011	Six Months Ended February 29, 2012	Six Months Ended February 28, 2011
Weighted average basic common shares outstanding *(1)*	26,683	23,310	26,073	22,030
Dilutive effect of employee stock options *(2)*				
Dilutive effect of warrants *(3)*	940		1,410	
Dilutive effect of convertible notes *(4)*	6,045		6,045	
Weighted average diluted common shares outstanding	33,668	23,310	33,528	22,030

(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. Shares outstanding exclude 1.1 million shares of unvested restricted stock for the three and six months ended February 28, 2011 due to a net loss.

(2) There were no options outstanding for the three and six months ended February 29, 2012. The dilutive effect of options was excluded from the share calculation for the three and six months ended February 28, 2011 due to a net loss.

(3) The dilutive effect of warrants to purchase 3.4 million shares was excluded from the share calculation for the three and six months ended February, 2011 due to a net loss.

(4) 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 and six months ended February 29, 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 (see footnote 2 above). 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 6,045 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 February 29, 2012	Six Months Ended February 29, 2012
Net earnings attributable to Greenbrier	$ 17,670	$ 32,186
Add back:		
Interest and debt issuance costs on the 2018 Convertible notes, net of tax	1,376	2,766
Earnings before interest and debt issuance costs on convertible notes	$ 19,046	$ 34,952
Weighted average diluted common shares outstanding	33,668	33,528
Diluted earnings per share	$ 0.57 (1)	$ 1.04 (1)

(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 of stock awarded under restricted stock grants is amortized as compensation expense over the vesting period, which is generally between one to five years. For the three and six months ended February 29, 2012, $1.7 million and $3.5 million in compensation expense was recorded for restricted stock grants. For the three and six months ended February 28, 2011, $1.3 million and $2.6 million in compensation expense was recorded for restricted stock grants.

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 February 29, 2012 exchange rates, forward exchange contracts for the purchase of Polish Zloty and the sale of Euro aggregated $87.8 million. Adjusting the foreign currency exchange contracts to the fair value of the cash flow hedges at February 29, 2012 resulted in an unrealized pre-tax loss of $0.7 million that was recorded in accumulated other comprehensive loss. The fair value of the contracts is included in Accounts payable and accrued liabilities when there is a loss, or Accounts receivable when there is a gain, on the Consolidated Balance Sheets. As the contracts mature at various dates through February 2013, any such gain or loss remaining will be recognized in manufacturing revenue along with the related transactions. In the event that the underlying sales transaction does not occur or does not occur in the period designated at the inception of the hedge, the amount classified in accumulated other comprehensive loss would be reclassified to the current year s results of operations in Interest and foreign exchange.

At February 29, 2012, an interest rate swap agreement had a notional amount of $43.6 million and matures March 2014. The fair value of this cash flow hedge at February 29, 2012 resulted in an unrealized pre-tax loss of $3.5 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 February 29, 2012 interest rates, approximately $1.1 million would be reclassified to interest expense in the next 12 months.

Fair Values of Derivative Instruments

	Asset Derivatives			**Liability Derivatives**		
		February 29, 2012	August 31, 2011		February 29, 2012	August 31, 2011
(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	$ 1,984	$	Accounts payable and accrued liabilities	$ 1,208	$ 2,848
Interest rate swap contracts	Other assets			Accounts payable and accrued liabilities	3,528	4,386
		$ 1,984	$		$ 4,736	$ 7,234
Derivatives not designated as hedging instruments						
Foreign forward exchange contracts	Accounts receivable	$	$	Accounts payable and accrued liabilities	$ 214	$ 525

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The Effect of Derivative Instruments on the Statement of Operations

Derivatives in cash flow hedging relationships	**Location of loss recognized in income on derivative**	Gain (loss) recognized in income on derivative Six months ended **February 29, 2012**	**February 28, 2011**
Foreign forward exchange contract	Interest and foreign exchange	$163	$(49)

Derivatives in cash flow hedging relationships	Gain (loss) recognized in OCI on derivatives (effective portion) Six months ended 2/29/12	2/28/11	Location of gain (loss) reclassified from accumulated OCI into income	Gain (loss) reclassified from accumulated OCI into income (effective portion) Six months ended 2/29/12	2/28/11	Location of gain (loss) in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Gain (loss) recognized on derivative (ineffective portion and amount excluded from effectiveness testing) Six months ended 2/29/12	2/28/11
Foreign forward exchange contracts	$ 113	$ 196	Revenue	$ (3,547)	$ 435	Interest and foreign exchange	$	$
Interest rate swap contracts	(1,711)	2,010	Interest and foreign exchange	(852)	(889)	Interest and foreign exchange		
	$ (1,598)	$ 2,206		$ (4,399)	$ (454)		$	$

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 2011 Annual Report on Form 10-K. Segment performance is evaluated based on margin. The Company s integrated business model results in selling and administrative costs being intertwined among the segments. Any allocation of these costs would be subjective and not meaningful and as a result, 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.

(In thousands)	Three Months Ended February 29, 2012	Three Months Ended February 28, 2011	Six Months Ended February 29, 2012	Six Months Ended February 28, 2011
Revenue:				
Manufacturing	$ 328,675	$ 168,942	$ 633,514	$ 295,570
Wheel Services, Refurbishment & Parts	123,699	121,652	246,318	222,944
Leasing & Services	25,753	15,938	46,337	34,183
Intersegment eliminations	(19,941)	(22,193)	(69,784)	(69,423)
	$ 458,186	$ 284,339	$ 856,385	$ 483,274
Margin:				
Manufacturing	$ 29,355	$ 9,069	$ 55,823	$ 14,762
Wheel Services, Refurbishment & Parts	13,340	10,602	25,198	19,458
Leasing & Services	8,791	6,978	16,921	16,085
Segment margin total	51,486	26,649	97,942	50,305
Less unallocated expenses:				
Selling and administrative	24,979	17,693	48,214	35,632
Gain on disposition of equipment	(2,654)	(1,962)	(6,312)	(4,471)
Interest and foreign exchange	6,630	10,536	12,014	20,839
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	$ 22,531	$ 382	$ 44,026	$ (1,695)

Note 12 Commitments and Contingencies

Environmental studies have been conducted on certain of the Company s owned and leased properties that indicate additional investigation and some remediation on certain properties may be necessary. The Company s Portland, Oregon manufacturing facility is located adjacent to the Willamette River. The U.S. Environmental Protection Agency (EPA) has classified portions of the river bed, including the portion fronting Greenbrier s facility, as a federal National Priority List or Superfund site due to sediment contamination (the Portland Harbor Site). Greenbrier 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, 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. A draft of the RI study was submitted on October 27, 2009. The draft Feasibility Study was submitted on March 30, 2012. 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. In addition, 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 antedates its ownership.

Because these environmental investigations are still underway, the Company is unable to determine the amount of ultimate liability relating to these matters. Based on the results of the pending investigations and future assessments of natural resource damages, Greenbrier 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 $3.5 million in bank and third party warranty and performance guarantee facilities, all of which have been utilized as of February 29, 2012. To date no amounts have been drawn under these guarantee facilities.

At February 29, 2012, the Mexican joint venture had $46.8 million of third party debt outstanding, for which the Company has guaranteed approximately $38.4 million.

As of February 29, 2012 the Company has outstanding letters of credit aggregating $5.2 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 February 29, 2012 are:

(In thousands)	Total	Level 1	Level 2 [1]	Level 3
Assets:				
Derivative financial instruments	$ 1,984	$	$ 1,984	$
Nonqualified savings plan investments	6,985	6,985		
Cash equivalents	2,001	2,001		
	$ 10,970	$ 8,986	$ 1,984	$
Liabilities:				
Derivative financial instruments	$ 4,950	$	$ 4,950	$

(1) Level 2 assets 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, 2011 are:

(In thousands)	Total	Level 1	Level 2	Level 3
Assets:				
Derivative financial instruments	$	$	$	$
Nonqualified savings plan investments	6,326	6,326		
Cash equivalents	4,561	4,561		
	$ 10,887	$ 10,887	$	$
Liabilities:				
Derivative financial instruments	$ 7,759	$	$ 7,759	$

Note 14 Guarantor/Non Guarantor

The convertible senior notes due 2026 (the Notes) issued on May 22, 2006 are fully and unconditionally and jointly and severally guaranteed by substantially all of Greenbrier s material 100% owned U.S. subsidiaries: Autostack Company LLC, Greenbrier-Concarril, LLC, Greenbrier Leasing Company LLC, Greenbrier Leasing Limited Partner, LLC, Greenbrier Management Services, LLC, Greenbrier Leasing, L.P., Greenbrier Railcar LLC, Gunderson LLC, Gunderson Marine LLC, Gunderson Rail Services LLC, Meridian Rail Holding Corp., Meridian Rail Acquisition Corp., Meridian Rail Mexico City Corp., Brandon Railroad LLC, Gunderson Specialty Products, LLC and Greenbrier Railcar Leasing, Inc. No other subsidiaries guarantee the Notes including 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 February 29, 2012 and August 31, 2011, for the three and six months ended February 29, 2012 and for the three and six months ended February 28, 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

February 29, 2012

(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 26,663	$ 123	$ 13,880	$	$ 40,666
Restricted cash		2,249			2,249
Accounts receivable, net	48,691	133,931	(5,080)	2	177,544
Inventories		138,265	227,824	(278)	365,811
Leased railcars for syndication		82,836		(3,155)	79,681
Equipment on operating leases, net		324,773		(1,962)	322,811
Property, plant and equipment, net	4,623	102,753	58,324		165,700
Goodwill		137,066			137,066
Intangibles and other assets, net	636,150	93,503	3,580	(648,078)	85,155
	$ 716,127	$ 1,015,499	$ 298,528	$ (653,471)	$ 1,376,683
Liabilities and Equity					
Revolving notes	$ 45,000	$	$ 56,446	$	$ 101,446
Accounts payable and accrued liabilities	(22,767)	206,090	157,003	2	340,328
Deferred income taxes	249	100,297	(9,237)	(1,686)	89,623
Deferred revenue	388	407	435		1,230
Notes payable	293,608	132,787	2,059		428,454
Total equity Greenbrier	399,788	575,918	75,869	(651,787)	399,788
Noncontrolling interest	(139)		15,953		15,814
Total equity	399,649	575,918	91,822	(651,787)	415,602
	$ 716,127	$ 1,015,499	$ 298,528	$ (653,471)	$ 1,376,683

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Operations

For the three months ended February 29, 2012

(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	$	$ 210,033	$ 256,904	$ (146,731)	$ 320,206
Wheels Services, Refurbishment & Parts		122,280		(2,386)	119,894
Leasing & Services	478	17,753		(145)	18,086
	478	350,066	256,904	(149,262)	458,186
Cost of revenue					
Manufacturing		188,160	245,807	(143,116)	290,851
Wheel Services, Refurbishment & Parts		108,816		(2,262)	106,554
Leasing & Services		9,312		(17)	9,295
		306,288	245,807	(145,395)	406,700
Margin	478	43,778	11,097	(3,867)	51,486
Selling and administrative	11,426	6,535	7,018		24,979
Gain on disposition of equipment		(2,654)			(2,654)
Earnings (loss) from operations	(10,948)	39,897	4,079	(3,867)	29,161
Other costs					
Interest and foreign exchange	4,658	1,052	1,209	(289)	6,630
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(15,606)	38,845	2,870	(3,578)	22,531
Income tax (expense) benefit	5,618	(14,706)	3,136	604	(5,348)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(9,988)	24,139	6,006	(2,974)	17,183
Earnings (loss) from unconsolidated affiliates	27,519	(425)		(27,022)	72
Net earnings (loss)	17,531	23,714	6,006	(29,996)	17,255
Net (earnings) loss attributable to noncontrolling interest	139		(1,459)	1,735	415
Net earnings (loss) attributable to Greenbrier	$ 17,670	$ 23,714	$ 4,547	$ (28,261)	$ 17,670

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Operations

For the six months ended February 29, 2012

(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	$	$ 405,342	$ 469,347	$ (291,826)	$ 582,863
Wheels Services, Refurbishment & Parts		244,038		(6,395)	237,643
Leasing & Services	747	35,497		(365)	35,879
	747	684,877	469,347	(298,586)	856,385
Cost of revenue					
Manufacturing		361,811	450,554	(285,325)	527,040
Wheel Services, Refurbishment & Parts		218,866		(6,421)	212,445
Leasing & Services		18,993		(35)	18,958
		599,670	450,554	(291,781)	758,443
Margin	747	85,207	18,793	(6,805)	97,942
Selling and administrative	21,325	13,494	13,395		48,214
Gain on disposition of equipment		(6,311)		(1)	(6,312)
Earnings (loss) from operations	(20,578)	78,024	5,398	(6,804)	56,040
Other costs					
Interest and foreign exchange	9,570	1,781	1,219	(556)	12,014
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(30,148)	76,243	4,179	(6,248)	44,026
Income tax (expense) benefit	12,243	(29,723)	3,230	1,106	(13,144)
Earnings (loss) before earnings (loss) from unconsolidated affiliates	(17,905)	46,520	7,409	(5,142)	30,882
Earnings (loss) from unconsolidated affiliates	49,952	(1,410)		(48,842)	(300)
Net earnings (loss)	32,047	45,110	7,409	(53,984)	30,582
Net (earnings) loss attributable to noncontrolling interest	139		(1,690)	3,155	1,604
Net earnings (loss) attributable to Greenbrier	$ 32,186	$ 45,110	$ 5,719	$ (50,829)	$ 32,186

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Cash Flows

For the six months ended February 29, 2012

(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	$ 32,047	$ 45,110	$ 7,409	$ (53,984)	$ 30,582
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	14,900	(3,844)	(4,122)	(1,106)	5,828
Depreciation and amortization	1,370	14,989	3,997	(34)	20,322
Gain on sales of leased equipment		(6,311)		(1)	(6,312)
Accretion of debt discount	1,599				1,599
Stock based compensation expense	3,490				3,490
Other		600	5	3,154	3,759
Decrease (increase) in assets					
Accounts receivable	13,721	(17,527)	12,682	22	8,898
Inventories		3,366	(47,091)	(26)	(43,751)
Leased railcars for syndication		(56,080)		3,155	(52,925)
Other	1,234	(363)	(1,474)		(603)
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	(34,338)	57,105	3,109	(22)	25,854
Deferred revenue	(77)	(4,835)	255		(4,657)
Net cash provided by (used in) operating activities	33,946	32,210	(25,230)	(48,842)	(7,916)
Cash flows from investing activities:					
Proceeds from sales of equipment		20,058			20,058
Investment in and net advances to unconsolidated affiliates	(49,952)	1,180		48,842	70
Intercompany advances	68			(68)	
Change in restricted cash		(136)			(136)
Capital expenditures	(510)	(25,902)	(9,301)		(35,713)
Other		22			22
Net cash provided by (used in) investing activities	(50,394)	(4,778)	(9,301)	48,774	(15,699)
Cash flows from financing activities:					
Net change in revolving notes with maturities of 90 days or less	(15,000)		(3,716)		(18,716)
Proceeds from revolving notes with maturities longer than 90 days			46,646		46,646
Repayments of revolving notes with maturities longer than 90 days			(15,818)		(15,818)
Intercompany advances	24,745	(26,269)	1,456	68	
Proceeds from notes payable			2,500		2,500
Repayments of notes payable		(2,082)	(2,702)		(4,784)

Net cash provided by (used in) financing activities	9,745	(28,351)	28,366	68	9,828
Effect of exchange rate changes		512	3,719		4,231
Decrease in cash and cash equivalents	(6,703)	(407)	(2,446)		(9,556)
Cash and cash equivalents					
Beginning of period	33,368	529	16,325		50,222
End of period	$ 26,665	$ 122	$ 13,879	$	$ 40,666

The Greenbrier Companies, Inc.

Condensed Consolidating Balance Sheet

August 31, 2011

(In thousands)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 33,368	$ 529	$ 16,325	$	$ 50,222
Restricted cash		2,113			2,113
Accounts receivable, net	86,701	90,442	11,276	24	188,443
Inventories		141,631	182,185	(304)	323,512
Leased railcars for syndication		30,690			30,690
Equipment on operating leases, net		323,139		(1,998)	321,141
Property, plant and equipment, net	6,006	101,284	53,910		161,200
Goodwill		137,066			137,066
Intangibles and other assets, net	584,892	96,444	2,628	(596,696)	87,268
	$ 710,967	$ 923,338	$ 266,324	$ (598,974)	$ 1,301,655
Liabilities and Equity					
Revolving notes	$ 60,000	$	$ 30,339	$	$ 90,339
Accounts payable and accrued liabilities	11,571	148,788	156,153	24	316,536
Deferred income taxes	(14,652)	104,142	(5,071)	(580)	83,839
Deferred revenue	465	5,242	193		5,900
Notes payable	292,010	134,868	2,262		429,140
Total equity Greenbrier	361,573	530,298	68,120	(598,418)	361,573
Noncontrolling interest			14,328		14,328
Total equity	361,573	530,298	82,448	(598,418)	375,901
	$ 710,967	$ 923,338	$ 266,324	$ (598,974)	$ 1,301,655

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Operations

For the three months ended February 28, 2011

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	$ 977	$ 79,347	$ 114,276	$ (37,979)	$ 156,621
Wheel Services, Refurbishment & Parts		116,868		(4,853)	112,015
Leasing & Services	352	15,640		(289)	15,703
	1,329	211,855	114,276	(43,121)	284,339
Cost of revenue					
Manufacturing		80,453	105,073	(37,974)	147,552
Wheel Services, Refurbishment & Parts		106,245		(4,832)	101,413
Leasing & Services		8,743		(18)	8,725
		195,441	105,073	(42,824)	257,690
Margin	1,329	16,414	9,203	(297)	26,649
Other costs					
Selling and administrative	7,960	5,246	4,487		17,693
Gain on disposition of equipment		(1,960)		(2)	(1,962)
Interest and foreign exchange	9,195	1,008	625	(292)	10,536
	17,155	4,294	5,112	(294)	26,267
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(15,826)	12,120	4,091	(3)	382
Income tax (expense) benefit	6,364	(5,362)	(1,101)	(1)	(100)
	(9,462)	6,758	2,990	(4)	282
Earnings (loss) from unconsolidated affiliates	8,912	1,795		(11,282)	(575)
Net earnings (loss)	(550)	8,553	2,990	(11,286)	(293)
Net earnings attributable to noncontrolling interest			(257)		(257)
Net earnings (loss) attributable to Greenbrier	$ (550)	$ 8,553	$ 2,733	$ (11,286)	$ (550)

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Operations

For the six months ended February 28, 2011

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue					
Manufacturing	$ 977	$ 111,223	$ 201,603	$ (71,741)	$ 242,062
Wheel Services, Refurbishment & Parts		215,352		(8,070)	207,282
Leasing & Services	697	33,813		(580)	33,930
	1,674	360,388	201,603	(80,391)	483,274
Cost of revenue					
Manufacturing		114,282	184,755	(71,737)	227,300
Wheel Services, Refurbishment & Parts		195,865		(8,041)	187,824
Leasing & Services		17,881		(36)	17,845
		328,028	184,755	(79,814)	432,969
Margin	1,674	32,360	16,848	(577)	50,305
Other costs					
Selling and administrative	15,982	10,571	9,079		35,632
Gain on disposition of equipment		(4,330)		(141)	(4,471)
Interest and foreign exchange	18,382	2,062	980	(585)	20,839
	34,364	8,303	10,059	(726)	52,000
Earnings (loss) before income taxes and earnings (loss) from unconsolidated affiliates	(32,690)	24,057	6,789	149	(1,695)
Income tax (expense) benefit	12,549	(10,420)	(1,614)	(3)	512
	(20,141)	13,637	5,175	(146)	(1,183)
Earnings (loss) from unconsolidated affiliates	17,287	2,400		(20,849)	(1,162)
Net earnings (loss)	(2,854)	16,037	5,175	(20,703)	(2,345)
Net earnings attributable to noncontrolling interest			(509)		(509)
Net earnings (loss) attributable to Greenbrier	$ (2,854)	$ 16,037	$ 4,666	$ (20,703)	$ (2,854)

The Greenbrier Companies, Inc.

Condensed Consolidating Statement of Cash Flows

For the six months ended February 28, 2011

(In thousands, unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net earnings (loss)	$ (2,854)	$ 16,037	$ 5,175	$ (20,703)	$ (2,345)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:					
Deferred income taxes	570	2,830	1,265	4	4,669
Depreciation and amortization	1,232	14,520	2,910	(36)	18,626
Gain on sales of equipment		(2,452)		(142)	(2,594)
Accretion of debt discount	3,620				3,620
Stock based compensation	2,554				2,554
Other		54	1		55
Decrease (increase) in assets					
Accounts receivable	5,127	(48,008)	18,521		(24,360)
Inventories		(5,355)	(39,236)	28	(44,563)
Assets held for sale		(50,347)	1,018		(49,329)
Other	2,174	1,838	381		4,393
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	464	31,922	10,619	1	43,006
Deferred revenue	(78)	(4,341)	(1,058)		(5,477)
Net cash provided by (used in) operating activities	12,809	(43,302)	(404)	(20,848)	(51,745)
Cash flows from investing activities:					
Principal payments received under direct finance leases		43			43
Proceeds from sales of equipment		13,752			13,752
Investment in and net advances to unconsolidated affiliates	(17,287)	(3,840)		20,848	(279)
Intercompany advances	(535)			535	
Increase in restricted cash		598			598
Capital expenditures	(1,245)	(21,145)	(7,742)		(30,132)
Net cash provided by (used in) investing activities	(19,067)	(10,592)	(7,742)	21,383	(16,018)
Cash flows from financing activities					
Net change in revolving notes with maturities of 90 days or less			(2,888)		(2,888)
Proceeds from revolving notes with maturities longer than 90 days			10,000		10,000
Intercompany advances	(56,297)	54,157	2,675	(535)	
Gross proceeds from equity offering	63,180				63,180
Expenses from equity offering	(405)				(405)
Repayments of notes payable		(2,121)	(202)		(2,323)
Other	26				26

Net cash provided by (used in) financing activities	6,504	52,036	9,585	(535)	67,590
Effect of exchange rate changes		1,058	(660)		398
Increase (decrease) in cash and cash equivalents	246	(800)	779		225
Cash and cash equivalents					
Beginning of period	91,472	859	6,533		98,864
End of period	$ 91,718	$ 59	$ 7,312	$	$ 99,089

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 (U.S.), Mexico and Poland, produces double-stack intermodal railcars, conventional railcars, tank cars and marine vessels. The Wheel Services, Refurbishment & Parts segment performs railcar repair, refurbishment and maintenance activities in the U.S., Mexico and Canada as well as wheel, axle and bearing servicing, and production and reconditioning of a variety of parts for the railroad industry. The Leasing & Services segment owns approximately 9,100 railcars and provides management services for approximately 216,000 railcars for railroads, shippers, carriers, institutional investors and other leasing and transportation companies in North America. Management evaluates segment performance based on margins. We also produce rail castings through an unconsolidated joint venture.

The rail and marine industries are cyclical in nature. We are continuing to see a recovery in the freight car markets in which we operate. Demand for our marine barge products remains soft.

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 railcars as of February 29, 2012 was approximately 12,500 units with an estimated value of $1.1 billion compared to 9,500 units with an estimated value of $720 million as of February 28, 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 railcar and marine backlogs are not necessarily indicative of future results of operations. Subsequent to quarter end we received new railcar orders for 2,300 units valued at approximately $270 million.

Marine backlog as of February 29, 2012 was approximately $2 million compared to approximately $3 million as of February 28, 2011.

The continued global strengthening of the freight car markets may at times limit the availability of certain components of our products that we source from external suppliers, particularly specialized components such as castings, bolsters and trucks, and this may cause an interruption in production. Prices for steel, a primary component of railcars and barges, and related surcharges have fluctuated significantly and remain volatile. In addition, the price of certain railcar components, which are a product of steel, are affected by steel price fluctuations. New railcar and marine backlog generally either includes fixed price contracts which anticipate material price increases and surcharges, or contracts that contain actual or formulaic pass through of material price increases and surcharges. We are aggressively working to mitigate these exposures. The Company s integrated business model has helped offset some of the effects of fluctuating steel and scrap steel prices, as a portion of our business segments benefit from rising steel scrap prices while other segments benefit from lower steel and scrap steel prices through enhanced margins.

On November 14, 2011, affiliates of WL Ross & Co. LLC (WL Ross) sold 1,482,341 shares of our common stock. The shares sold were acquired by the cashless net exercise of warrants for purchase of our common stock. WL Ross and its investment funds continue to own warrants to purchase 1,154,672 shares of our common stock. The warrants were issued in 2009 in connection with a term loan to Greenbrier that was repaid in June 2011.

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 cost of revenue. 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.

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 collectibility 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.

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 in situations where the carrying value of the reporting unit exceeds its fair value as determined in the first step. In the second step we would compare the implied fair value of goodwill to its carrying value. The implied fair value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is recorded to the extent that the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill. The goodwill balance as of February 29, 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. Any allocation of these costs would be subjective and not meaningful and as a result, Greenbrier s management does not allocate these costs for either external or internal reporting purposes.

Three Months Ended February 29, 2012 Compared to Three Months Ended February 28, 2011

Overview

Total revenue for the three months ended February 29, 2012 was $458.2 million, an increase of $173.9 million from revenues of $284.3 million in the prior comparable period. The increase was a result of higher revenue in all three segments of our business. The manufacturing segment accounted for $163.6 million of the increase due to higher railcar deliveries as a result of increased demand, more favorable pricing and change in product mix.

Net income attributable to Greenbrier for the three months ended February 29, 2012 was $17.7 million or $0.57 per diluted common share compared to net loss attributable to Greenbrier of $550 thousand or $0.02 per diluted common share for the three months ended February 28, 2011. The increase in net income and earnings per share was primarily attributable to an increase in margin in each of the business segments.

(In thousands)	Three Months Ended February 29, 2012	Three Months Ended February 28, 2011
Revenue:		
Manufacturing	$ 320,206	$ 156,621
Wheel Services, Refurbishment & Parts	119,894	112,015
Leasing & Services	18,086	15,703
	458,186	284,339
Margin:		
Manufacturing	29,355	9,069
Wheel Services, Refurbishment & Parts	13,340	10,602
Leasing & Services	8,791	6,978
	51,486	26,649
Less unallocated items:		
Selling and administrative	24,979	17,693
Gain on disposition of equipment	(2,654)	(1,962)
Interest and foreign exchange	6,630	10,536
Earnings before income taxes and earnings (loss) from unconsolidated affiliates	22,531	382
Income tax expense	(5,348)	(100)
Earnings before earnings (loss) from unconsolidated affiliates	17,183	282
Earnings (loss) from unconsolidated affiliates	72	(575)
Net earnings (loss)	17,255	(293)
Net (earnings) loss attributable to noncontrolling interest	415	(257)
Net earnings (loss) attributable to Greenbrier	$ 17,670	$ (550)

Manufacturing Segment

Manufacturing revenue includes new railcar and marine production. New railcar delivery discussed below includes all manufacturing facilities.

Manufacturing revenue for the three months ended February 29, 2012 was $320.2 million compared to $156.6 million for the three months ended February 28, 2011, an increase of $163.6 million. Railcar deliveries, which are the primary source of manufacturing revenue, were approximately 3,700 units in the current period compared to approximately 2,200 units in the prior comparable period. The increase in revenue was primarily due to higher railcar deliveries as a result of increased demand, more favorable pricing and change in product mix. We operated at increased production rates on existing production lines and increased capacity with additional lines as compared to the corresponding period in the prior year.

Manufacturing margin as a percentage of revenue for the three months ended February 29, 2012 was 9.2% compared to a margin of 5.8% for the three months ended February 28, 2011. The increase in margin as a percentage of revenue was primarily attributable to efficiencies gained by operating at higher production rates in the current year, inefficiencies in the prior year associated with the ramping up of production at some of our facilities that were idle in previous years and more favorable pricing as compared to the prior year.

Wheel Services, Refurbishment & Parts Segment

Wheel Services, Refurbishment & Parts revenue was $119.9 million for the three months ended February 29, 2012 compared to $112.0 million in the comparable period of the prior year. The increase of $7.9 million was primarily attributable to higher sales volumes in all three components of this segment due to higher demand and an increase in scrap metal pricing, partially offset by a decline in scrap metal volumes.

Wheel Services, Refurbishment & Parts margin as a percentage of revenue was 11.1% for the three months ended February 29, 2012 compared to 9.5% for the three months ended February 28, 2011. The increase in margin as a percentage of revenue was primarily the result of efficiencies of operating at higher volumes and an increase in scrap metal pricing.

Leasing & Services Segment

Leasing & Services revenue was $18.1 million for the three months ended February 29, 2012 compared to $15.7 million for the comparable period of the prior year. The increase of $2.4 million was primarily a result of higher lease revenues resulting from an increase in lease fleet utilization and higher rents earned on increased volumes of leased railcars for syndication.

Leasing & Services margin as a percentage of revenue was 48.6% for the three months ended February 29, 2012 and 44.4% for the three months ended February 28, 2011. The increase in margin as a percentage of revenue was primarily a result of increased utilization, an increase in lease and management rates and higher rents earned on leased railcars for syndication.

The percentage of owned units on lease as of February 29, 2012 was 97.3% compared to 95.9% at February 28, 2011.

Selling and Administrative

Selling and administrative expense was $25.0 million or 5.5% of revenue for the three months ended February 29, 2012 compared to $17.7 million or 6.2% of revenue for the prior comparable prior period, an increase of $7.3 million. The increase was primarily related to higher employee related costs which included an increase in incentive compensation, restoration of salary reductions taken during the down turn, merit increases and other employee related costs. In addition, the increase resulted from the revenue based fees paid to our joint venture partner in Mexico due to higher activity levels.

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 $2.7 million for the three months ended February 29, 2012, compared to $2.0 million for the prior comparable period.

Other Costs

Interest and foreign exchange expense was $6.6 million for the three months ended February 29, 2012, compared to $10.5 million in the prior comparable period.

(In thousands)	Three Months Ended		
	February 29, 2012	February 28, 2011	Increase (Decrease)
Interest and foreign exchange:			
Interest and other expense	$ 5,610	$ 8,576	$ (2,966)
Accretion of term loan debt discount		1,069	(1,069)
Accretion of discount on convertible debt due 2026	812	753	59
Foreign exchange loss	208	138	70
	$ 6,630	$ 10,536	$ (3,906)

Interest and other expense decreased due to lower interest rates from refinancing of certain indebtedness, partially offset by higher borrowings under revolving lines of credit. During the third quarter of 2011, we repaid $235.0 million of senior unsecured loans at 8.375% and replaced it with $230.0 million of convertible debt at 3.5%. The change in the accretion of term loan debt discount was due to the June 2011 early repayment of $71.8 million of certain term debt.

Income Tax

The tax rate for the three months ended February 29, 2012 was 23.7% as compared to 26.2% in the prior comparable period. The tax rate for the three months ended February 29, 2012 includes the benefit related to a release of valuation allowances previously placed on net deferred tax assets in foreign jurisdictions. Management believes it is more likely than not that the deferred tax assets will be realized and has recorded the benefit of those deferred tax assets in the current quarter. 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 32.6% annual effective tax rate on pre-tax results for 2012. The effective tax rate fluctuates from period to period due to the geographical mix of pre-tax earnings and losses, minimum tax requirements in certain local jurisdictions and operating results for certain operations with no related tax effect.

Earnings (Loss) from Unconsolidated Affiliates

Earnings from unconsolidated affiliates were $0.1 million for the three months ended February 29, 2012 and a loss of $0.6 million for the three months ended February 28, 2011. Earnings (loss) for the three months ended February 29, 2012 and for the prior comparable period include our share of the results from operations from our castings joint venture and from WLR Greenbrier Rail Inc. The increase in earnings for the three months ended February 29, 2012 as compared to the prior comparable period relates to our castings joint venture being idle in the previous year, but resumed operations during the third quarter of 2011.

Noncontrolling Interest

Noncontrolling interest includes a loss of $0.4 million for the three months ended February 29, 2012 and earnings of $0.3 million for the three months ended February 28, 2011 and primarily represents our joint venture partner s share in the results of operations of our Mexican railcar manufacturing joint venture, adjusted for intercompany sales.

Six Months Ended February 29, 2012 Compared to Six Months Ended February 28, 2011

Overview

Total revenue for the six months ended February 29, 2012 was $856.4 million, an increase of $373.1 million from revenues of $483.3 million in the prior comparable period. The increase was a result of higher revenue in all three segments of our business. The manufacturing segment accounted for $340.8 million of the increase due to higher railcar deliveries as a result of increased demand.

Net income attributable to Greenbrier for the six months ended February 29, 2012 was $32.2 million or $1.04 per diluted common share compared to net loss attributable to Greenbrier of $2.9 million or $0.13 per diluted common share for the six months ended February 28, 2011. The increase in net income and earnings per share was primarily attributable to an increase in margin in each of the business segments.

(In thousands)	Six Months Ended	
	February 29, 2012	February 28, 2011
Revenue:		
Manufacturing	$ 582,863	$ 242,062
Wheel Services, Refurbishment & Parts	237,643	207,282
Leasing & Services	35,879	33,930
	856,385	483,274
Margin:		
Manufacturing	55,823	14,762
Wheel Services, Refurbishment & Parts	25,198	19,458
Leasing & Services	16,921	16,085
	97,942	50,305
Less unallocated items:		
Selling and administrative	48,214	35,632
Gain on disposition of equipment	(6,312)	(4,471)
Interest and foreign exchange	12,014	20,839
Earnings (loss) before income taxes and loss from unconsolidated affiliates	44,026	(1,695)
Income tax benefit (expense)	(13,144)	512
Earnings (loss) before loss from unconsolidated affiliates	30,882	(1,183)
Loss from unconsolidated affiliates	(300)	(1,162)
Net earnings (loss)	30,582	(2,345)
Net (earnings) loss attributable to noncontrolling interest	1,604	(509)
Net earnings (loss) attributable to Greenbrier	$ 32,186	$ (2,854)

Manufacturing Segment

Manufacturing revenue includes new railcar and marine production. New railcar delivery discussed below includes all manufacturing facilities.

Manufacturing revenue for the six months ended February 29, 2012 was $582.9 million compared to $242.1 million for the six months ended February 28, 2011, an increase of $340.8 million. Railcar deliveries, which are the primary source of manufacturing revenue, were approximately 7,000 units in the current period compared to approximately 3,300 units in the prior comparable period. The increase in revenue was primarily due to higher railcar deliveries as a result of increased demand. We operated at increased production rates on existing production lines and increased capacity with additional lines as compared to the corresponding period in the prior year.

Manufacturing margin as a percentage of revenue for the six months ended February 29, 2012 was 9.6% compared to a margin of 6.1% for the six months ended February 28, 2011. The increase in margin as a percentage of revenue was primarily attributable to efficiencies gained by operating at higher production rates in the current year and inefficiencies in the prior year associated with the ramping up of production at some of our facilities that were idle in previous years.

Wheel Services, Refurbishment & Parts Segment

Wheel Services, Refurbishment & Parts revenue was $237.6 million for the six months ended February 29, 2012 compared to $207.3 million in the comparable period of the prior year. The increase of $30.3 million was primarily attributable to higher sales volumes in all three components of this segment due to higher demand, higher scrap volumes and an increase in scrap metal pricing.

Wheel Services, Refurbishment & Parts margin as a percentage of revenue was 10.6% for the six months ended February 29, 2012 compared to 9.4% for the six months ended February 28, 2011. The increase in margin as a percentage of revenue was primarily the result of efficiencies of operating at higher volumes and an increase in scrap metal pricing, partially offset by operating inefficiencies in repair and refurbishment as we train new employees.

Leasing & Services Segment

Leasing & Services revenue was $35.9 million for the six months ended February 29, 2012 compared to $33.9 million for the comparable period of the prior year. The increase of $2.0 million was primarily a result of higher lease revenues resulting from an increase in lease fleet utilization and higher rents earned on increased volumes of leased railcars for syndication, partially offset by the discontinuation of a certain management services contract in the second quarter of 2011.

Leasing & Services margin as a percentage of revenue was 47.2% for the six months ended February 29, 2012 and 47.4% for the six months ended February 28, 2011. The slight decrease in margin as a percentage of revenue was primarily a result of the discontinuation of a certain management services contract in the second quarter of 2011 which was partially offset by increased fleet utilization and higher rents earned on leased railcars for syndication.

Selling and Administrative

Selling and administrative expense was $48.2 million or 5.6% of revenue for the six months ended February 29, 2012 compared to $35.6 million or 7.4% of revenue for the comparable prior period, an increase of $12.6 million. The increase was primarily related to higher employee related costs which included an increase in incentive compensation, restoration of salary reductions taken during the down turn, merit increases and other employee related costs. In addition, the increase resulted from the revenue based fees paid to our joint venture partner in Mexico due to higher activity levels.

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 $6.3 million for the six months ended February 29, 2012, compared to $4.5 million for the comparable prior period. All of the current year s gain was realized on the disposition of leased assets. The prior year included a $2.6 million gain that was realized on the disposition of leased assets and a gain of $1.9 million of insurance proceeds related to the January 2009 fire at one of our Wheel Services, Refurbishment & Parts facilities.

Other Costs

Interest and foreign exchange expense was $12.0 million for the six months ended February 29, 2012, compared to $20.8 million in the prior comparable period.

(In thousands)	Six Months Ended		
	February 29, 2012	February 28, 2011	Increase (Decrease)
Interest and foreign exchange:			
Interest and other expense	$ 11,149	$ 17,175	$ (6,026)
Accretion of term loan debt discount		2,138	(2,138)
Accretion of discount on convertible debt due 2026	1,599	1,482	117
Foreign exchange (gain) loss	(734)	44	(778)
	$ 12,014	$ 20,839	$ (8,825)

Interest and other expenses decreased due to lower interest rates from refinancing of certain indebtedness, partially offset by higher borrowings under revolving lines of credit. During the third quarter of 2011, we repaid $235.0 million of senior unsecured loans at 8.375% and replaced it with $230.0 million of convertible debt at 3.5%. The change in the accretion of term loan debt discount was due to the June 2011 early repayment of $71.8 million of certain term debt.

Income Tax

The tax rate for the six months ended February 29, 2012 was 29.9% as compared to 30.2% in the prior comparable period. The tax rate for the six months ended February 29, 2012 includes the benefit related to a release of valuation allowances previously placed on net deferred tax assets in foreign jurisdictions. Management believes it is more likely than not that the deferred tax assets will be realized and has recorded the benefit of those deferred tax assets in the current quarter. 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 32.6% annual effective tax rate on pre-tax results for 2012. The effective tax rate fluctuates from period to period due to the geographical mix of pre-tax earnings and losses, minimum tax requirements in certain local jurisdictions and operating results for certain operations with no related tax effect.

Loss from Unconsolidated Affiliates

Losses from unconsolidated affiliates were $0.3 million for the six months ended February 29, 2012 and $1.2 million for the six months ended February 28, 2011. Losses for the six months ended February 29, 2012 and for the comparable prior period include our share of the results from operations from our castings joint venture and from WLR Greenbrier Rail Inc. The increase in earnings for the six months ended February 29, 2012 as compared to the prior comparable period relates to our castings joint venture being idle in the previous year, but resumed operations in the third quarter of 2011.

Noncontrolling Interest

Noncontrolling interest includes a loss of $1.6 million for the six months ended February 29, 2012 and earnings of $0.5 million for the six months ended February 28, 2011 and primarily represents our joint venture partner s share in the results of operations of our Mexican railcar manufacturing joint venture, adjusted for intercompany sales. Losses in the current year are the result of margin elimination on increased volumes of intercompany sales.

Liquidity and Capital Resources

(In thousands)	Six Months Ended	
	February 29, 2012	February 28, 2011
Net cash used in operating activities	$ (7,916)	$ (51,745)
Net cash used in investing activities	(15,699)	(16,018)
Net cash provided by financing activities	9,828	67,590
Effect of exchange rate changes	4,231	398
Net increase (decrease) in cash and cash equivalents	$ (9,556)	$ 225

We have been financed through borrowings and issuance of stock. At February 29, 2012, cash and cash equivalents were $40.7 million, a decrease of $9.5 million from $50.2 million at August 31, 2011.

Cash used in operations was $7.9 million for the six months ended February 29, 2012 compared to $51.7 million for the six months ended February 28, 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 $15.7 million for the six months ended February 29, 2012 compared to $16.0 million in the prior comparable period.

Capital expenditures totaled $35.7 million for the six months ended February 29, 2012 and $30.1 million for the six months ended February 28, 2011. Of these capital expenditures, approximately $20.1 million and $10.8 million were attributable to Leasing & Services operations. Proceeds from sales of equipment were $20.1 million for the six months ended February 29, 2012 and $13.8 million in the comparable prior period. Leasing & Services capital expenditures for 2012, net of proceeds of $39.0 million from sales of railcar equipment, are expected to be approximately $25.0 million. We regularly sell assets from our lease fleet, some of which may have been purchased within the current year and included in capital expenditures.

Approximately $10.9 million and $8.6 million of capital expenditures for the six months ended February 29, 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 2012 and primarily relate to enhancements to existing manufacturing facilities, a production line at our Sahagun, Mexico facility and potential future expansion.

Wheel Services, Refurbishment & Parts capital expenditures for the six months ended February 29, 2012 and the comparable prior period were $4.7 million and $10.7 million. Capital expenditures are expected to be approximately $17.0 million in 2012 for maintenance and improvement of existing facilities and some growth.

Cash provided by financing activities was $9.8 million for the six months ended February 29, 2012 compared to cash provided by financing activities of $67.6 million for the six months ended February 28, 2011. During the six months ended February 29, 2012, we received $2.5 million in proceeds from the issuance of notes payable and $12.1 million in net borrowings from revolving notes. This was offset by $4.8 million in repayments of notes payable. During the six months ended February 28, 2011 we received $62.8 million in net proceeds from an equity offering, $7.1 million in net proceeds from revolving notes borrowings and repaid $2.3 million in term debt.

Senior secured credit facilities, consisting of three components, aggregated $359.5 million as of February 29, 2012.

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As of February 29, 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 variable rates that depend on the type of borrowing and the defined ratio of debt to total capitalization. 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 February 29, 2012, lines of credit totaling $19.5 million secured by certain of our European assets, with various variable rates, 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 June 2012 through March 2013.

As of February 29, 2012, our Mexican joint venture had two lines of credit totaling $50.0 million. The first line of credit provides up to $20.0 million and is secured by certain of the joint venture s accounts receivable and inventory. Advances under this facility bear interest at LIBOR plus 2.5% and are due 180 days after the date of borrowing. The outstanding advances as of February 29, 2012 have maturities that range from March 2012 to August 2012. The Mexican joint venture will be able to draw against the facility through July 2012. The second line of credit provides up to $30.0 million and is guaranteed by each of the joint venture partners, including our company. Advances under this facility bear interest at LIBOR plus 2.0% and are due 180 days after the date of borrowing. The outstanding advances as of February 29, 2012 mature in July 2012. The Mexican joint venture will be able to draw against the facility through February 2015.

As of February 29, 2012 outstanding borrowings under the senior secured credit facilities consisted of $5.2 million in letters of credit and $45.0 million in revolving notes outstanding under the North American credit facility, $10.4 million outstanding under the European credit facilities and $46.0 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.

Available borrowings under our credit facilities 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 interest coverage ratios which, as of February 29, 2012 would allow for maximum additional borrowing of $517.2 million. We had an aggregate of $252.9 million available to draw down under the committed credit facilities as of February 29, 2012. This amount consists of $239.8 million available on the North American credit facility, $9.1 million on the European credit facilities and $4.0 million on the Mexican joint venture credit facilities as of February 29, 2012.

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 of each entity, we enter into foreign currency forward exchange contracts to protect the margin on a portion of forecast foreign currency sales.

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.

In addition to third-party financing, Greenbrier has provided financing for a portion of the working capital needs of our Mexican joint venture through a secured, interest bearing loan. The balance of the loan was $20.3 million as of February 29, 2012. As of February 29, 2012, the Mexican joint venture had $46.8 million of third-party debt, of which we have guaranteed approximately $38.4 million.

In accordance with customary business practices in Europe, the Company has $3.5 million in bank and third-party warranty and performance guarantee facilities, all of which have been utilized as of February 29, 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, Germany 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 February 29, 2012, $87.8 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 February 29, 2012, net assets of foreign subsidiaries aggregated $34.0 million and a 10% strengthening of the United States dollar relative to the foreign currencies would result in a decrease in equity of $3.4 million, or 0.9% 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 $43.6 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 February 29, 2012, 64% of our outstanding debt had fixed rates and 36% had variable rates. At February 29, 2012, a uniform 10% increase in interest rates would result in approximately $0.6 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 February 29, 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 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, 2011. 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, 2011.

Item 6. Exhibits

(a) List of Exhibits:

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 February 29, 2012, formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Equity and Comprehensive Income (Loss) (iv) the Consolidated Statements of Cash Flows; (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

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: April 9, 2012

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

Date: April 9, 2012

By: /s/ James W. Cruckshank
James W. Cruckshank
Senior Vice President and
Chief Accounting Officer
(Principal Accounting Officer)