The Greenbrier Companies

1999 Annual Report

Company Profile

The Greenbrier Companies, Inc. (NYSE: GBX) is a leading supplier of intermodal and conventional freight cars and services to the railroad industry, identifying and responding to the needs of the transportation market in North America and Europe. Greenbrier operates in two primary business segments: manufacturing, and leasing and services.

The manufacturing segment operates from eleven separate facilities in North America and one in Europe. Through its manufacturing subsidiaries in the U.S. and Canada, Greenbrier produces intermodal and conventional railcars, marine vessels and forged steel products and performs railcar refurbishment, maintenance, and wheel and axle services. In Mexico, Greenbrier produces railcars under an exclusive joint venture agreement with Bombardier Transportation. European railcar operations are centered around a facility in western Poland that was acquired in September 1998.

The leasing and services segment owns or manages a fleet of 33,000 railcars. Greenbrier also provides marketing, re-marketing, maintenance and accounting services for both new and used rail equipment, predominantly in North America. In many cases, Greenbrier combines its leasing and services capabilities with those of its manufacturing operations in providing products to the marketplace.

Cover, TrentonWorks' production of 89' flat car

Greenbrier's goal is to enhance its leadership position as a manufacturer and developer of innovative rail freight equipment while continuing to offer complementary services in railcar leasing, refurbishment and maintenance. Operating from a strong base in North America, Greenbrier intends to strategically grow its manufacturing, repair and wheel shop network and leasing and related services business while selectively broadening its geographic reach and enhancing European market penetration.

1999 Highlights

- Achieved record revenues and earnings from continuing operations
- Manufactured a record 8,900 conventional and double-stack railcars
- Refurbished or repaired 7,600 railcars
- Integrated new railcar manufacturing facilities in Mexico and Poland
- Expanded automotive product focus
- Produced the first Auto-Max® railcars
- Expanded repair and refurbishment programs and facilities
- Enhanced an already strong liquidity position
- Earned the rail supply industry's most coveted quality award as a TTX Excellent Supplier for the eighth consecutive year, a distinction far surpassing the record of any other railcar builder
- Established the company as the only freight car builder with major manufacturing facilities in all three NAFTA countries (United States, Canada, and Mexico)

Financial Briefs

YEARS ENDED AUGUST 31

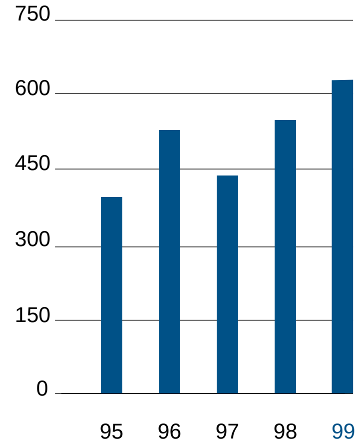
(In thousands, except per share and unit data)	1999	1998	1997
Revenue:			
Manufacturing	$ 520,311	$ 451,706	$ 325,501
Leasing and services	98,225	88,655	105,419
	$ 618,536	$ 540,361	$ 430,920
Earnings from continuing operations	$ 20,419	$ 20,332	$ 6,021
Net earnings (loss)	$ 19,481	$ 20,332	$ (4,171)
Basic earnings per share:			
Continuing operations	$ 1.44	$ 1.43	$ 0.43
Discontinued operations	—	—	(0.72)
Extraordinary charge	(0.07)	—	—
Net earnings (loss)	$ 1.37	$ 1.43	$ (0.29)
Diluted earnings per share:			
Continuing operations	$ 1.43	$ 1.42	$ 0.43
Discontinued operations	—	—	(0.72)
Extraordinary charge	(0.07)	—	—
Net earnings (loss)	$ 1.36	$ 1.42	$ (0.29)
Weighted average shares outstanding:			
Basic	14,254	14,203	14,160
Diluted	14,294	14,346	14,160
Assets:			
Cash[1]	$ 77,796	$ 57,909	$ 21,744
Inventories	92,495	79,849	151,591
Leased equipment[2]	236,410	256,509	284,541
Debt:			
Revolving	$ 3,783	$ —	$ 57,709
Term	161,401	147,876	201,786
Capital base:			
Subordinated debt	$ 37,788	$ 37,932	$ 38,089
Minority interest	14,034	9,783	18,183
Stockholders' equity	134,163	121,370	103,969
	$ 185,985	$ 169,085	$ 160,241
Other data:			
New railcar deliveries	8,900	7,800	4,500
Owned or managed railcars	33,000	28,000	28,000

(1) Includes restricted cash and investments

(2) Includes both operating and direct finance leases

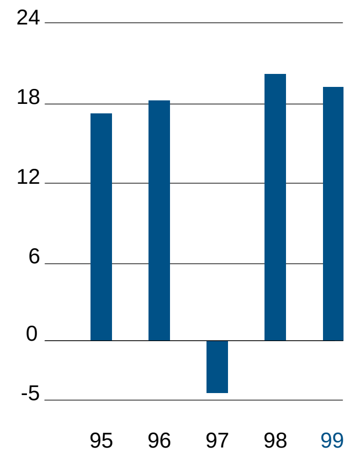
Revenues

(in millions)



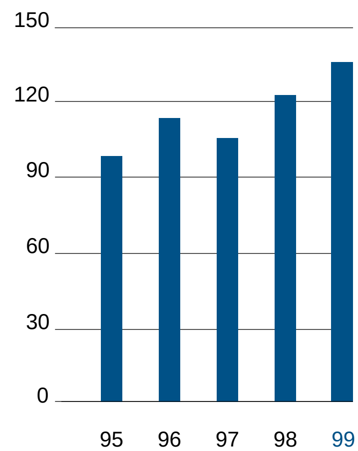
Net Earnings

(in millions)



Stockholders' Equity

(in millions)



Letter to our Shareholders, Employees & Customers:

This past year was one of strong financial performance and of positioning Greenbrier for both future growth and expected normalized levels of North American new railcar production.

During 1999, Greenbrier continued to benefit from the robust economic climate and strong demand for new railcars. We also invested significant capital resources of over $25 million to increase manufacturing capacity and efficiency at all four new railcar plants. As a result, we delivered a record number of railcars, nearly 9,000, and our total capacity has grown to almost 14,000 railcars per year. With this performance, Greenbrier achieved record operating earnings of $20 million on record revenues of $619 million. We invested prudently without sacrificing our strong liquidity position, ending the year with cash of $78 million and unused credit lines of $120 million.

This strong financial position, combined with a favorable outlook, allowed the Board of Directors to increase the regular quarterly dividend by 50% to $.09 per share in July — the first increase since Greenbrier went public in July 1994. In addition, a special, one-time dividend of $.12 per share was paid in August. Management and the Board of Directors believe the company's shares for most of 1999 have been considerably undervalued and intend to continue to seek ways to enhance shareholder value.

William A. Furman,
President and
Chief Executive Officer

Alan James,
Chairman of the Board

Operations

At the beginning of the year, we set a course to absorb and integrate two significant new manufacturing plants for freight cars and successfully introduce a new railcar, Auto-Max, into the marketplace. We also began production of 89' flat cars at our Nova Scotia facility for TTX automotive service and initiated major capital expenditures at all of our new railcar facilities. Given our high production levels, this agenda was very ambitious. The men and women of Greenbrier successfully met the challenge.

Gunderson Concarril and WagonySwidnica were added to Greenbrier's roster of manufacturing facilities in the fall of 1998. These additions, as well as capital expenditures at Gunderson and TrentonWorks, nearly doubled our new car production capacity to approximately 14,000 cars. The addition of the Gunderson Concarril facility in Sahagun, Mexico, provides the opportunity

Left, tank car in production at WagonySwidnica


THIS CAR EXCEEDS HEIGHT
LIFT AND JACK HERE
EMPTY C.G.
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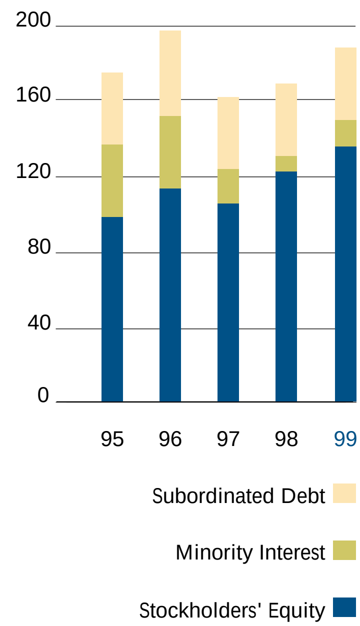
to tap into growing demand for all our products and services in Mexico — a demand driven by a rail fleet that is older than that of the U.S. and Canadian markets, as well as import, export and domestic traffic growth. We produced over 1,000 cars at Concarril in 1999 and realized a profit in the first year of operations. New railcar production is expected to increase at Concarril in 2000 as a result of improved efficiencies and the growing demand in Mexico. Greenbrier is the only manufacturer in the industry with facilities in all three NAFTA countries.

WagonySwidnica, in the Silesia region of western Poland, was acquired to provide an entry into the European marketplace. This initiative was undertaken with a long-term view. The fundamentals of this marketplace are similar to those of North America 20 years ago. An aging fleet, privatization of railroads, increasingly congested roadways and pending deregulation set the stage for a freight railroad renaissance similar to that of North America over the past two decades. However, there are many differences from North America today — different railcar designs, different railway gauges and fragmented and complicated design and certification requirements. All of these hindrances are expected to improve over time but have affected short-term profitability. During the year, WagonySwidnica personnel made great strides in the quality, efficiency and safety of the operations and now meet Greenbrier's rigid standards in each of these areas. We are very proud of the accomplishments of WagonySwidnica in completely transforming their manufacturing facility during this time. Commercially, we also successfully penetrated the Central and Western European markets and expanded our customer base, providing a strong base for improved operations in the coming years. More work needs to be done in the coming year to expand our marketing and design portfolio.

In North America, the fleet of railcars for automotive service is in the midst of a strong replacement cycle, due to both an aging fleet and the strong demand for new automobiles. In response, Greenbrier developed Auto-Max, our newest proprietary car type. A technologically-advanced, high-capacity railcar, Auto-Max is the only freight car available that can transport varying combinations of automobiles, sport utility vehicles and light trucks in a tri-level configuration. Auto-Max also provides decreased vehicle delivery time and enhances equipment utilization. Auto-Max rounds out our product line for providing railcars to the

Capital Base

(in millions)



Left, finishing work on a box-car at Gunderson Concarril


#3

automotive industry, as we also built significant numbers of 89' flat cars for TTX to be used in vehicle transportation.

We are pleased by customer response to Auto-Max, which we began producing in July 1999. Orders have been received for nearly 1,000 platforms from many of the Class I railroads, reflecting endorsement by key automobile manufacturers. Auto-Max is a very large and complicated railcar to build, as proven during the start-up production phase. To develop greater efficiencies in the manufacturing process, we accepted some short-term financial sacrifice in order to create long-term value.

Railcar repair, refurbishment and related services is another area of emphasis for Greenbrier, generating annual revenues of approximately $60 million. Today, our repair and refurbishment operations provide services to both third parties and Greenbrier's own lease fleet at 10 locations throughout North America, including recently acquired facilities in Golden, Colorado, and Atchison, Kansas. This is an area of great growth potential, as our major railroad and shipper customers increasingly outsource these activities. This was recently demonstrated when Greenbrier and ABC-NACO, Inc. entered into an agreement to provide all railcar wheel services for Union Pacific Railroad Company's entire North American rail system. We are also working on several other new opportunities and look to double this business over the next 5 years.

Outlook

Greenbrier enters 2000 well positioned for the future. Our financial position is strong, as is our new railcar backlog of 4,000 units valued at $271 million. New railcar demand in North America is forecast to decline 25%–30% in 2000 to a more normalized level of 45,000–50,000 units annually. Historically, we have performed well in such an environment, increasing our market share. We anticipate doing so again. Demand remains strong for our current product offerings in the intermodal, automotive and boxcar markets. We expect demand in Mexico to be an important part of the total equation, and we have developed other railcar designs that we are waiting to introduce when manufacturing space is open. Also, we will aggressively utilize our leasing capabilities to support new railcar production in the year 2000 and beyond.

Greenbrier's ownership position in WagonySwidnica increased substantially in late 1999, and our ownership position in TrentonWorks will be increased in 2000. This should have an

Left, sports utility vehicle being loaded into an Auto-Max railcar

overall positive impact on fiscal 2000 earnings through a reduction in minority interest. However, minority investors will maintain strategic involvement in each of our foreign operations, enhancing our understanding of and relationships in these markets.

Our areas of major focus in the manufacturing operations are to:

- Increase our share of new railcar production in North America in a less robust market environment than in 1999;
- Improve the near-term financial performance of European operations while expanding our markets and product offerings;
- Increase the market penetration and production efficiency of Auto-Max and other products; and
- Grow our repair, refurbishment and related maintenance services business.

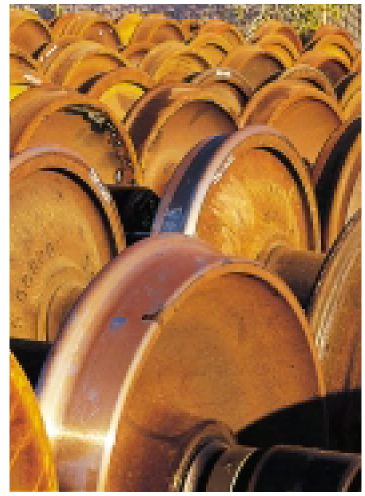
An extensive review of our leasing operations is underway to identify future growth opportunities. Typically, a slower market environment provides more attractive buying opportunities for long-term investors such as Greenbrier. In North America, our leasing business will continue to support new railcar sales and help us position our services business to take advantage of the trend toward outsourcing by major railroads. We will remain liquid to be able to react quickly to both buying opportunities and potential competitive pressures.

Substantial resources have been devoted to Year 2000 systems compliance with an intent to minimize potential business interruptions. A detailed review of all internal and external support systems has been completed, and a comprehensive contingency plan has been put in place.

We appreciate the continued support of our employees, shareholders, customers and suppliers. We want to thank our employees for their pride in accomplishment, belief in excellence and commitment to teamwork that have sustained the tradition of excellence throughout The Greenbrier Companies.

William A. Furman
President and Chief
Executive Officer

Alan James
Chairman of the Board
of Directors



Wheel reconditioning work is performed at multiple rail services locations.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SOLUTIONS

TO MEET CUSTOMER NEEDS

Greenbrier's largest business segment continues to be manufacturing, which contributed $520 million or 84% of total revenues in 1999. Through a growing network of facilities in North America and Europe, manufacturing operations include new railcar production, railcar repair and refurbishment, wheel and axle services, ocean-going marine hull construction and industrial forging. New railcar products include double-stack railcars in a variety of designs, as well as a number of conventional car types. Greenbrier's manufacturing flexibility has been proven year after year as production has shifted between double-stack intermodal cars and conventional cars in response to market demands. Recent North American production has emphasized automotive cars, both 89' flat cars and Auto-Max, as well as double-stack intermodal cars, boxcars and mill gondola cars. European production has principally focused on tank cars, coal cars and underframes. In total, a record 8,900 new railcars were delivered in 1999, compared to 7,800 cars in 1998.

Providing revenues of $98 million in 1999, Greenbrier's leasing and services segment combines a substantial fleet of owned or managed transportation equipment with an experienced sales force to offer customers broad yet integrated solutions in the areas of railcar supply, design, maintenance, refurbishment, management and finance. Through a variety of leasing and management options, Greenbrier's sales force can present customers with a wide array of alternatives to direct ownership of new railcars.

An exchange of ideas supports a growing manufacturing network.

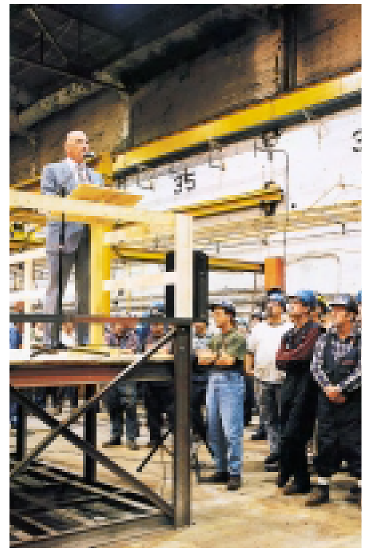
Left, Gunderson-built Maxi Stack® III being loaded

Manufacturing Facilities

Operating under the Gunderson name in the United States, Greenbrier produces some of the most innovative railcars and marine vessels on the market today. TrentonWorks, the company's Canadian railcar manufacturer, has matched Gunderson's reputation for quality and efficiency.

Gunderson and TrentonWorks have worked hard this year to maintain our industry reputation for quality. With the highest rating for a manufacturer in its first year of evaluation, TrentonWorks received the quality supplier award from TTX, the largest buyer of freight cars in North America. For the eighth consecutive year, Gunderson was also selected as a recipient of this coveted award — an accomplishment unmatched by any other freight car builder. Gunderson achieved another great milestone with the production of its 100,000th railcar since production began in 1960. Greenbrier's strategy is to use Gunderson and TrentonWorks as strong centers of expertise to support a growing new car manufacturing, repair and wheel shop network.

Investments in manufacturing facilities and capital improvements provided access to new markets and substantially increased production capacity both in North America and Europe. Gunderson Concarril, a joint venture with Bombardier Transportation, produces freight cars for the North American market utilizing Bombardier's existing manufacturing facility in Sahagun, Mexico. In addition to providing enhanced entry to the growing Mexican market, this partnership broadens our ability to offer multiple product lines throughout North America and improves our competitiveness. The acquisition of a majority interest in WagonySwidnica, a railcar manufacturer in western Poland, provides access to the large European marketplace for freight cars. Production at both facilities is expected to increase gradually over the next year. Once the facilities are fully assimilated, Greenbrier's manufacturing capacity worldwide will approximately double from 1998 levels.



Ray Burton, TTX President, addresses the work force at TrentonWorks. TTX has ordered 3,500 89' flat cars from TrentonWorks over the past two years.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STANDARDS

TO ENSURE QUALITY SERVICE

Product Innovation

Greenbrier has always been on the cutting edge of innovative design, development and engineering, having introduced many new railcar designs, including a wide variety of double-stack container cars, boxcars and automotive cars. An aging fleet, a strong demand for automobiles and an overall shortage of existing multi-level automobile carriers have fueled a growing demand for automotive railcars during 1999 and 2000. In response, Greenbrier successfully introduced 89' automotive flat cars as well as Auto-Max, a two-unit articulated railcar that offers increased load density and the flexibility to be configured for any mix of passenger vehicles and light trucks. Auto-Max is the only freight car in the industry that can efficiently and safely carry sport-utility vehicles, pickups or minivans in a tri-level configuration. As compared to conventional multi-level automobile-carrying railcars, this innovative product can carry 30% more vehicles per train, cut transit time in half and double equipment utilization. Production of the first in a series of orders for Auto-Max began in the fourth quarter of 1999.

Repair and refurbishment services offer many opportunities for growth.

Rail Services

Greenbrier provides repair and refurbishment services at various facilities for customers throughout North America, as well as for the company's own lease fleet. Railcar repair and refurbishment programs have made important contributions to the


GUNDERSON

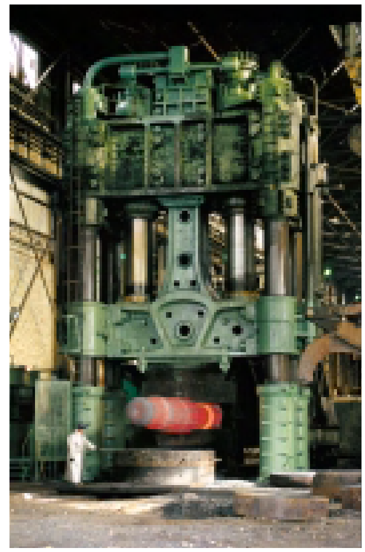
company's growth. These programs often utilize the company's leasing expertise along with refurbishment capabilities to provide customers with a full range of services. Greenbrier intends to continue to grow this business by expanding its facilities and capacity throughout North America.

Wheel shops operating at locations in Oregon, Washington, Arkansas, Nova Scotia and Sahagun, Mexico, supply customers with new mounts and reprofiled wheel sets. This business is expected to grow substantially in 2000 through a joint undertaking with ABC-NACO on a major, ten-year wheel program with Union Pacific.

Marine and Forge Activities

In addition to providing railcar products and services, Greenbrier manufactures ocean-going vessels up to 700' in length at its Oregon marine facility, which includes the largest side-launch ways on the West Coast. Recent production includes a high-capacity deck barge designed for carrying heavy machinery and other industrial supplies in the Gulf of Mexico, as well as the largest deck-cargo barge built on the West Coast in more than a decade to be used for hauling cargo to ports in Alaska. The marine business offers flexibility such that, when necessary, the skilled work force and facilities can be shifted to railcar manufacturing or refurbishment activities, quickly returning to marine production when orders warrant higher staffing levels.

Greenbrier also produces steel forgings weighing up to 100 tons at its Nova Scotia industrial forge facility, one of the largest in North America. The forge produces custom parts for hydroelectric and other heavy industries in all parts of the world. Recent capital investments in the forging division include a new vertical boring mill that can increase output by 20%.



Industrial forge facility at TrentonWorks features a 7,000-ton press.

Left, marine production at Gunderson


CANADIAN
PACIFIC
RAILWAY
CNRU
30259
TTX

Leasing & Services Operations

Greenbrier is uniquely positioned to draw upon its expertise in both railcar manufacturing and leasing to offer creatively structured leases and service options, as well as repair and refurbishment programs. With 33,000 railcars in its owned or managed fleet, Greenbrier controls one of the larger non-railroad owned railcar fleets in the country. Approximately 92% of the available owned fleet is under lease to major railroads, shippers and other leasing organizations.

Operating leases are a key means of helping the rail industry reduce capital expenditures and gain operating flexibility. Greenbrier is among the most competitive and innovative lessors in the industry. The company's financing capabilities and management services allow leases, ranging from short-term operating leases to long-term finance leases, to be aggregated and sold to investors at attractive rates or held as an investment. Leasing and services operations have provided stability to company earnings during manufacturing industry cycles and have been an effective marketing tool for its manufactured products.

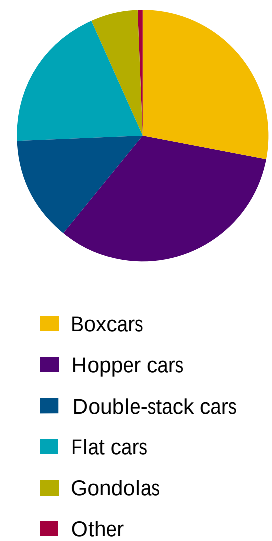
Service Opportunities

The leasing and services business was significantly expanded in 1999 by entering into a multi-year maintenance agreement with Burlington Northern Santa Fe ("BNSF") for 7,000 used covered hopper cars. Greenbrier manages the cost of the maintenance and ensures cars are available for service, while BNSF maintains ownership of the cars. Much of the preventative maintenance is performed at Greenbrier shops.

Because of the strong potential of the leasing and services market, Greenbrier intends to pursue additional partnering relationships and continue to devote significant management and capital resources to this segment.

Owned or Managed Railcar Fleet

August 31, 1999



Left, Gunderson-built Maxi Stack IV in container service

Auto-Max interior

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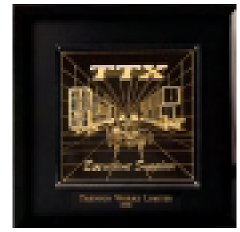
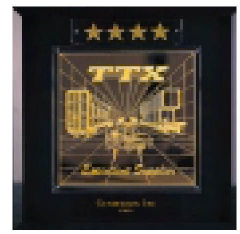
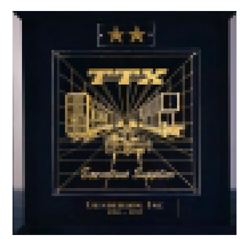
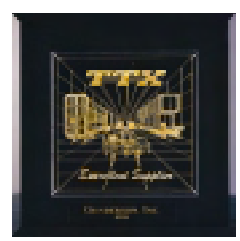








TTX Excellent Supplier Awards for freight car manufacturing; TrentonWorks' first award and Gunderson's eight consecutive awards. In addition, wheel services has received this award for seven consecutive years.

Selected Financial Information

YEARS ENDED AUGUST 31

(In thousands, except per share data)	1999	1998	1997	1996	1995
Statement of Operations Data					
Revenue:					
Manufacturing	$ 520,311	$ 451,706	$ 325,501	$ 421,456	$ 295,216
Leasing and services	98,225	88,655	105,419	98,484	92,510
	$ 618,536	$ 540,361	$ 430,920	$ 519,940	$ 387,726
Earnings from continuing operations	$ 20,419[(1)]	$ 20,332[(2)]	$ 6,021[(3)]	$ 18,613	$ 16,665
Discontinued operations:					
Loss on operations	—	—	(2,512)	(338)	—
Estimated loss on disposal	—	—	(7,680)	—	—
Extraordinary charge related to debt refinancing	(938)	—	—	—	—
Net earnings (loss)	$ 19,481	$ 20,332	$ (4,171)	$ 18,275	$ 16,665
Basic earnings per share:					
Continuing operations	$ 1.44	$ 1.43	$ 0.43	$ 1.31	$ 1.18
Net earnings (loss)	$ 1.37	$ 1.43	$ (0.29)	$ 1.29	$ 1.18
Diluted earnings per share:					
Continuing operations	$ 1.43	$ 1.42	$ 0.43	$ 1.31	$ 1.17
Net earnings (loss)	$ 1.36	$ 1.42	$ (0.29)	$ 1.29	$ 1.17
Weighted average shares outstanding:					
Basic	14,254	14,203	14,160	14,160	14,160
Diluted	14,294	14,346	14,160	14,170	14,230
Cash dividends paid per share	$ 0.39[(4)]	$ 0.24	$ 0.24	$ 0.24	$ 0.24
Balance Sheet Data					
Assets:					
Cash[(5)]	$ 77,796	$ 57,909	$ 21,744	$ 12,483	$ 14,014
Inventories	92,495	79,849	151,591	90,448	99,839
Leased equipment[(6)]	236,410	256,509	284,541	364,701	327,063
All other	144,015	111,222	122,642	147,856	91,473
	$ 550,716	$ 505,489	$ 580,518	$ 615,488	$ 532,389
Debt:					
Revolving	$ 3,783	$ —	$ 57,709	$ 27,814	$ 27,313
Term	161,401	147,876	201,786	216,278	190,754
	$ 165,184	$ 147,876	$ 259,495	$ 244,092	$ 218,067
Capital base:					
Subordinated debt	$ 37,788	$ 37,932	$ 38,089	$ 44,554	$ 37,762
Minority interest	14,034	9,783	18,183	38,154	38,040
Stockholders' equity	134,163	121,370	103,969	111,567	96,818
	$ 185,985	$ 169,085	$ 160,241	$ 194,275	$ 172,620

(1) Includes earnings of $1,119, attributable to prior years, resulting from the resolution of certain matters on a leasing contract that began in 1990
(2) Includes a gain of $1,305 resulting from exiting the trailer and container leasing operation more favorably than anticipated
(3) Includes $4,842 of special charges related to an adjustment to the carrying value of vehicle transportation equipment and the divestiture of the trailer and container lease fleet
(4) Includes regular dividend of $.27 per share and special dividend of $.12 per share
(5) Includes restricted cash and investments
(6) Includes both operating and direct finance leases

Management's Discussion and Analysis of Results of Operations and Financial Condition

Greenbrier currently operates in two primary business segments: manufacturing, and leasing and services. The two business segments are operationally integrated. With operations in North America and Europe, the manufacturing segment produces double-stack intermodal railcars, conventional railcars, marine vessels and forged steel products and performs railcar refurbishment and maintenance activities, a portion of which is for the leasing operation. The leasing and services segment owns or manages a fleet of approximately 33,000 railcars for railroads, institutional investors and other leasing companies.

Railcars are generally manufactured under firm orders from third parties, and revenue is recognized when the cars are completed and accepted by the customer. From time to time Greenbrier commits to manufacture railcars prior to receipt of firm orders to maintain continuity of manufacturing operations and may also build railcars for its own lease fleet. Revenues do not include sales of new railcars to, or refurbishment services performed for, the leasing operation since intercompany transactions are eliminated in preparing the consolidated financial statements. The margin generated from such sales or refurbishment activity is realized by the leasing segment over the related life of the asset or upon sale of the equipment.

Overview

Total revenues for 1999 reached a record $619 million, an increase of 14% from 1998 revenues of $540 million. An acquisition completed in early 1999 added revenues of $20 million. The remaining increase in revenues of $59 million or 11% is due primarily to a manufacturing product mix with a higher unit sales value and the resolution of certain matters on a leasing contract that began in 1990.

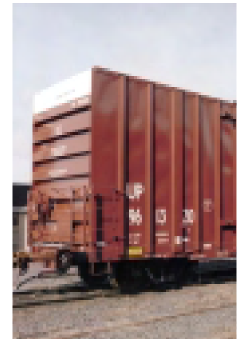
Earnings from continuing operations for 1999 also reached record levels, totaling $20.4 million, a slight increase from 1998 earnings of $20.3 million. In 1999, an after-tax extraordinary charge of $938 thousand, or $.07 per diluted share, resulted from refinancing of $22 million of notes payable. Net earnings of $19.5 million, or $1.36 per diluted share, for 1999 compares to net earnings of $20.3 million, or $1.42 per diluted share, for 1998.

Expansion and Acquisitions

In September 1998, Greenbrier acquired a 60% interest in a railcar manufacturer located in Swidnica, Poland. In August 1999, the company increased its ownership interest to 84%. The acquisition was accounted for by the purchase method, and operating results are included in the consolidated financial statements. Net losses from the European operations, which include the Polish facility and related sales and marketing costs, were $4.1 million in 1999.

Also in September 1998, Greenbrier entered into a joint venture with Bombardier Transportation to build railroad freight cars at Bombardier's existing manufacturing facility in Mexico. Each party holds a 50% non-controlling interest in the joint venture, and therefore Greenbrier's investment is being accounted for using the equity method. Greenbrier's share of operating results is included in consolidated net income as equity in unconsolidated subsidiary.

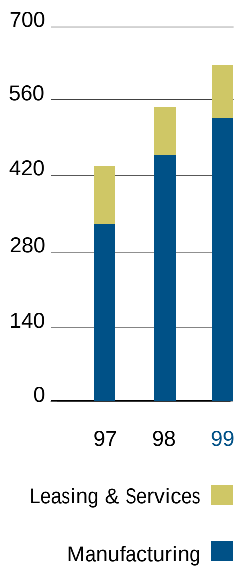
In February 1998, the unaffiliated investors' minority interest in the automobile transportation business was acquired for $8 million through the use of restricted cash. In 1997, a minority investor's interest in the trailer and container operation was acquired for $16 million utilizing operating cash flow and available lines of credit.



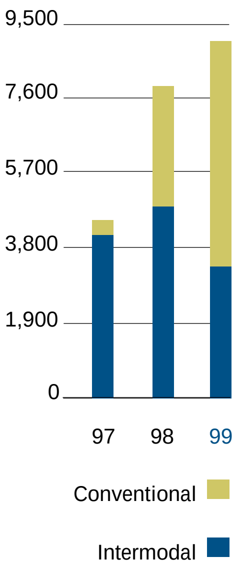
Boxcars are custom-built to meet customer requirements.

Total Revenue

(in millions)



Railcar Deliveries



Discontinued Operations and Divestitures

A plan was adopted in 1997 to discontinue the transportation logistics segment, as well as to sell the trailer and container leasing operation, in order to focus on core railcar operations.

The divestiture of the logistics segment was accounted for as a discontinued operation. Accordingly, the results of logistics operations were excluded from continuing operations in the consolidated statements of operations for all applicable periods. An estimated loss on disposal of approximately $13 million ($7.7 million net of income taxes), which included an adjustment of assets to market value, estimated closedown expenses and anticipated operating losses through final disposal, was included in the 1997 consolidated statements of operations. In 1998, the disposition of the operating assets was concluded. The adequacy of the remaining reserve will not be known until certain litigation is resolved.

A portion of the trailer and container fleet was sold in 1997. In 1998, the sale of the remaining trailer and container fleet was completed. The aggregate proceeds from all of the sales amounted to approximately $86 million. Trailer and container leasing operations were included in leasing and services continuing operations until disposition.

Results of Operations

Manufacturing

Manufacturing revenues result from new railcar, marine, forge, refurbishment and maintenance activities. New railcar delivery and backlog information disclosed herein includes all facilities, including the joint venture in Mexico that is accounted for by the equity method.

Manufacturing revenues were $520 million, $452 million and $326 million for the years ended 1999, 1998 and 1997. Manufacturing revenues increased $68 million or 15% in 1999 from 1998 as market demand for freight cars remained strong, and the product mix shifted to units with a higher sales value. The Polish manufacturing operations also contributed to this increase. Strong market demand as well as a rebound in the intermodal transportation industry provided increased revenues in 1998 over 1997. New railcar deliveries were 8,900 in 1999, 7,800 in 1998 and 4,500 in 1997.

As of August 31, 1999, the backlog of new railcars to be manufactured for sale and lease at all facilities was approximately 4,000 railcars with an estimated value of $271 million compared to 6,200 railcars valued at $375 million as of August 31, 1998. While the number of railcars in backlog has declined due to a less robust market in the latter half of 1999, the value per railcar has increased due to a change in product mix. In the two months subsequent to year end, additional orders for over 1,400 new railcars valued at approximately $98 million were received.

Manufacturing gross margin of 12% in 1999 compares favorably to 9% in 1998 and 7% in 1997, reflecting overall improved operational efficiencies, a temporary reduction in certain material costs for the North American operations and the benefit of stronger market demand for railcars since 1997. The factors influencing cost of revenue and gross margin in a given period include order size (which affects economies of plant utilization), product mix, changes in manufacturing costs, product pricing and currency exchange rates.

Leasing and services

Leasing and services revenues were $98 million, $89 million and $105 million for the years ended 1999, 1998 and 1997. The $9 million or 11% increase in revenues in 1999 as compared to 1998 is primarily due to the resolution of certain matters on a leasing contract that began in 1990. A multi-year maintenance agreement that began in December 1998 also contributed to the increase in revenues. These increases were somewhat offset by lower gains on sales as compared to 1998. The sale of the trailer and container fleet in October 1997 was the primary reason for a $17 million or 16% decrease in revenue in 1998 as compared to 1997.

Pre-tax earnings realized on the disposition of leased equipment amounted to $6 million during 1999 compared to $9 million in 1998 and $7 million in 1997. Assets from Greenbrier's lease fleet are periodically sold in the normal course of business in order to take advantage of market conditions, manage risk and maintain liquidity.

Leasing and services operating margin as a percentage of revenue was 50% in 1999, compared to 60% in 1998 and 56% in 1997. The lower margin in 1999 was primarily due to a sharing arrangement related to the resolution of matters associated with the leasing contract discussed above. Lower gains on sales of leased equipment and the lower margin maintenance agreement that began in December 1998 also impacted the 1999 operating margin. The higher margin in 1998 compared to 1997 resulted primarily from the sale of the trailer and container leasing assets that generally operated at a lower margin than the railcar leasing assets.

Other costs

Selling and administrative expense was $51 million, $37 million and $35 million in 1999, 1998 and 1997. As a percentage of revenue, selling and administrative expense remained relatively consistent at 8%, 7% and 8% in 1999, 1998 and 1997. The increase in 1999 compared to 1998 is primarily due to increased international activity and employee-related costs.

Interest expense declined $2 million to $19 million in 1999 as compared to $21 million in 1998 due to more favorable interest rates on refinanced leasing term debt and greater liquidity. Interest expense decreased $6 million in 1998 from $27 million in 1997 as equipment sales and improved earnings contributed to increased liquidity and lower debt balances.

Special charges — leasing and services in 1997 represented a $7 million adjustment to write down the carrying value of vehicle transportation equipment to its anticipated net realizable value and anticipated costs associated with the divestiture of the trailer and container leasing operations. The sale of the trailer and container fleet was completed in 1998, and the results associated with the sale of the operations were more favorable than originally anticipated, resulting in a $2 million benefit in 1998.

Income tax expense for all periods presented represents an effective tax rate of 42% on U.S. operations and varying effective tax rates on foreign operations. The consolidated effective tax rate of 48% in the current period is a result of European operating losses for which no tax benefit has been recognized. The consolidated effective tax rate for 1998 and 1997 was 42% and 39%. In 1997, the effective tax rate was reduced by the utilization of Canadian operating loss carryforwards.

The increase in minority interest reflects the improved contribution from the Canadian operation offset by the effects of European operating losses in 1999 and the acquisitions of minority investors' ownership interests since 1997.

Liquidity and Capital Resources

Greenbrier's growth has been financed through cash generated from operations, borrowings from banks and other financial institutions, issuance of subordinated debt and capital from minority investors.

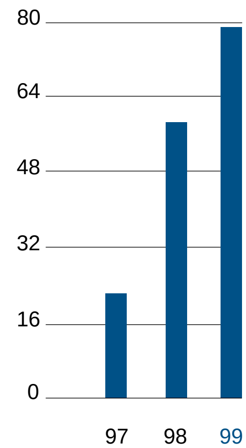
Overall liquidity has improved as a result of strong operating results and the sale of leasing assets. In addition, a net $13 million of new financing was received in 1999 in conjunction with the refinancing of $22 million of term notes payable and the addition of manufacturing debt. As a result, cash and restricted cash increased $20 million to $78 million even as the company invested almost $71 million in capital improvements, including additions to the railcar lease fleet in 1999.

Credit facilities aggregated $134 million as of August 31, 1999, as compared to $120 million as of August 31, 1998. A $60 million revolving line of credit is available through May 2001 to provide working capital and interim financing of equipment for the leasing and services operations. A $40 million operating line of credit to be used for working capital is available through February 2002 for U.S. manufacturing operations. A $20 million (at the August 31, 1999 exchange rate) operating line of credit is available through March 2000 for working capital for Canadian manufacturing operations. Operating lines of credit totaling $4 million (at the August 31, 1999 exchange rate) are available through May 2000 for working capital for Polish manufacturing operations. Advances under the revolving and operating lines of credit bear interest at rates which vary depending on the type of borrowing and certain defined ratios. An additional $7 million, five-year term loan facility and $3 million lease facility are available through March 2000 for Canadian capital expenditures. At August 31, 1999, almost $4 million was outstanding under the Polish operating lines and $6 million was outstanding under the term loan facility. No borrowings were outstanding under the revolving line, the lease facility or the U.S. or Canadian manufacturing operating lines.

Capital expenditures totaled $71 million, $51 million, and $80 million in 1999, 1998, and 1997. Of these capital expenditures, approximately $48 million, $39 million, and $70 million in 1999, 1998, and 1997 were attributable to leasing and services operations. Leasing and services capital expenditures for 2000 are expected to be approximately $45 million. Greenbrier regularly sells assets from its lease fleet, some of which may have been purchased within the current year and included in capital expenditures.

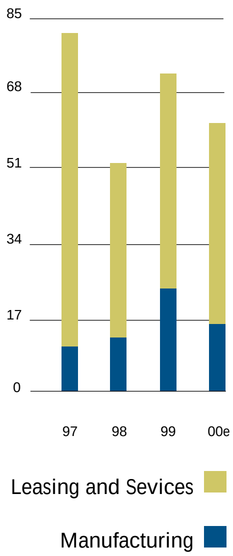
Cash

(in millions)



Capital Expenditures

(in millions)



Approximately $23 million, $12 million, and $10 million of the total capital expenditures for 1999, 1998 and 1997 were attributable to manufacturing operations. Capital expenditures for manufacturing additions are expected to be approximately $15 million in 2000 and will include plant improvements and equipment acquisitions to further increase capacity, enhance efficiencies and allow for the production of new products.

Foreign operations give rise to market risks from changes in foreign currency exchange rates. Greenbrier utilizes 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.

At August 31, 1999, forward exchange contracts for the purchase of Canadian dollars aggregated $76 million, contracts for the sale of Polish zloties aggregated $4 million and contracts for the sale of German Deutschemarks aggregated $2 million at the August 31, 1999 exchange rates. These contracts mature at various dates through July 2000. At August 31, 1999, gains and losses of approximately $115 thousand and $288 thousand on such contracts have been deferred and will be recognized in income concurrent with the hedged transaction.

A quarterly dividend of $.09 per share was declared in November 1999, to be paid in December. In July 1999, the dividend rate was increased to $.09 from the $.06 per share that had been paid quarterly since 1995. In addition, a special one-time dividend of $.12 per share was paid in August 1999. Future dividends are dependent upon earnings, capital requirements and financial condition.

Certain loan covenants restrict the transfer of funds from subsidiaries to the parent company in the form of cash dividends, loans, or advances. The restricted net assets of subsidiaries amounted to $91 million as of August 31, 1999. Consolidated retained earnings of $20 million at August 31, 1999 were restricted as to the payment of dividends. Management expects existing funds and cash generated from operations, together with borrowings under existing credit facilities and long term financing, to be sufficient to fund dividends, working capital needs, planned capital expenditures, acquisitions and expected debt repayments.

Year 2000

The “Year 2000” issue refers to computer programs that use two rather than four digits to define a given year and which therefore might read a date using “00” as the year 1900 rather than the year 2000. This could result in the computer failing to perform or performing incorrect computations in programs that have date-sensitive software. A variety of computer systems, applications and automated equipment are utilized in daily operations and may be affected by the Year 2000 issue.

Greenbrier developed a Year 2000 readiness plan that assessed the impact of the Year 2000 issue on both information systems and embedded manufacturing control technology. An audit of the Year 2000 readiness plan was performed by an outside consultant who has concluded that all issues identified in the preliminary audit have been addressed. Greenbrier has developed a remediation plan for mission-critical systems. These systems include manufacturing equipment and internal computer systems supporting the manufacturing and railcar leasing and services operations. Greenbrier is working with equipment manufacturers to obtain Year 2000 certification. Systems and embedded technology not already Year 2000 compliant have been corrected or replaced. As part of ongoing equipment replacement programs, non-compliant computers are being replaced in advance of any key Year 2000 processing dates and non-compliant software is being corrected or replaced. Greenbrier's internal remediation efforts and readiness are more than 95% complete.

Greenbrier has key relationships with a number of vendors and suppliers, including banks and other providers of goods and services. The company has determined that not all of the vendors and suppliers are Year 2000 compliant. Reliance on single source vendor suppliers, however, is minimal, and the company seeks to limit sole source supply relationships. The company could be adversely impacted if its suppliers and vendors do not make necessary changes to their own systems and products successfully or timely. To date, critical vendor and supplier assessment is materially complete.

Costs to be incurred in responding to Year 2000 computer system deficiencies, together with the cost of any required modifications to the company's systems, beyond ongoing hardware replacements and software upgrades performed in the normal course of business, cannot be accurately estimated at this time. Costs incurred to date in assessing and remediating Year 2000 issues have aggregated approximately $1.2 million. Internal costs incurred in responding to the Year 2000 issue are not separately tracked. Such costs are principally payroll-related costs.

Contingency plans have been developed for continued operations without, or with reduced functionality of, mission-critical systems and suppliers. Activation of these plans, if necessary, may result in reduced capabilities, restricted access to data, slower business processes and delayed product delivery.

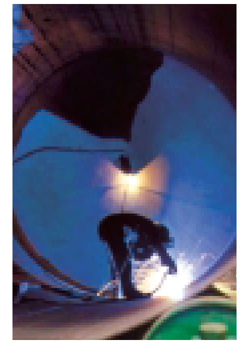
If the elements of Greenbrier's plan to address the Year 2000 issue are not implemented successfully or timely, at a minimum, more time will be devoted to the process and additional costs may be incurred. In addition, significant disruption to operations, including slowing the manufacturing process, resulting in potential revenue loss and increased costs, could result, particularly if critical suppliers are impacted by Year 2000 non-compliance. Any of these eventualities could have a material adverse effect on the financial position, results of operations or cash flows of the company.

Prospective Accounting Changes

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," requires that all derivatives be recognized as either assets or liabilities measured at fair value. Adoption of SFAS No. 133 is currently proposed to be effective for the company's fiscal year beginning September 1, 2000. Greenbrier is currently evaluating the effect of this statement.

Forward-Looking Information

From time to time, Greenbrier or its representatives have made or may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, 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 the company with the Securities and Exchange Commission. The following are among the factors that could cause actual results or outcomes to differ materially from the forward-looking statements: general political, regulatory or economic conditions; changes in interest rates; business conditions and growth in the surface transportation industry, both domestic and international; currency and other risks associated with international operations; shifts in market demand; a delay or failure of acquisitions, products or services to compete successfully; changes in product mix and the mix between manufacturing and leasing and services revenue; labor disputes or operating difficulties which might disrupt manufacturing operations or the flow of cargo; competitive factors, including increased competition, new product offerings by competitors and price pressures; actual future costs and availability of materials and a trained workforce; production difficulties and product delivery delays in the future as a result of, among other matters, changing process technologies and increasing production; lower than expected customer orders; the ability to consummate expected sales; delays in receipt of orders or cancellation of orders; financial condition of principal customers; and the impact of Year 2000 compliance by the company or by its customers, suppliers or service partners. Any forward-looking statements should be considered in light of these factors.



Tank cars for transporting liquid petroleum gas and light oil products are manufactured in Europe at WagonySwidnica.

Reports of Management and Independent Auditors

Report of Management

Board of Directors and Stockholders

The Greenbrier Companies, Inc.

The consolidated financial statements and other financial information of The Greenbrier Companies, Inc. and Subsidiaries in this report were prepared by management, which is responsible for their content. They reflect amounts based upon management's best estimates and informed judgments. In management's opinion, the financial statements present fairly the financial position, results of operations and cash flows of the company in conformity with generally accepted accounting principles.

The company maintains a system of internal accounting controls and procedures, which is designed, consistent with reasonable cost, to provide reasonable assurance that transactions are executed as authorized, that they are properly recorded to produce reliable financial records, and that accountability for assets is maintained. The accounting controls and procedures are supported by careful selection and training of personnel and a continuing management commitment to the integrity of the system.

The financial statements have been audited, to the extent required by generally accepted auditing standards, by Deloitte & Touche LLP, independent auditors. In connection therewith, management has considered the recommendations made by the independent auditors in connection with their audit and has responded in an appropriate, cost-effective manner.

The Board of Directors has appointed an Audit Committee composed entirely of directors who are not employees of the company. The Audit Committee meets with representatives of management and the independent auditors, both separately and jointly. The Committee reports to the Board on its activities and findings.

William A. Furman
President
Chief Executive Officer

Larry G. Brady
Senior Vice President
Chief Financial Officer

Independent Auditors' Report

Board of Directors and Stockholders

The Greenbrier Companies, Inc.

We have audited the accompanying consolidated balance sheets of The Greenbrier Companies, Inc. and Subsidiaries as of August 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended August 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Greenbrier Companies, Inc. and Subsidiaries as of August 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 1999, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Portland, Oregon

October 25, 1999

Consolidated Balance Sheets

AUGUST 31

(In thousands, except per share amounts)	1999	1998
Assets		
Cash and cash equivalents	$ 77,161	$ 41,912
Restricted cash and investments	635	15,997
Accounts and notes receivable	47,514	47,537
Inventories	92,495	79,849
Investment in direct finance leases	143,185	160,940
Equipment on operating leases	93,225	95,569
Property, plant and equipment	69,316	49,452
Other	27,185	14,233
	$ 550,716	$ 505,489
Liabilities and Stockholders' Equity		
Revolving notes	$ 3,783	$ —
Accounts payable and accrued liabilities	131,474	132,121
Deferred participation	50,439	45,243
Deferred income taxes	17,634	11,164
Notes payable	161,401	147,876
Subordinated debt	37,788	37,932
Minority interest	14,034	9,783
Commitments and contingencies (Notes 4, 20 & 21)		
Stockholders' equity:		
Preferred stock — $0.001 par value; 25,000 shares authorized; none outstanding	—	—
Common stock — $0.001 par value; 50,000 shares authorized; 14,255 and 14,253 outstanding at August 31, 1999 and 1998	14	14
Additional paid-in capital	50,495	50,416
Retained earnings	85,534	71,612
Accumulated other comprehensive loss	(1,880)	(672)
	134,163	121,370
	$ 550,716	$ 505,489

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations

YEARS ENDED AUGUST 31

(In thousands, except per share amounts)	1999	1998	1997
Revenue			
Manufacturing	$ 520,311	$ 451,706	$ 325,501
Leasing and services	98,225	88,655	105,419
	618,536	540,361	430,920
Cost of revenue			
Manufacturing	456,122	411,655	302,891
Leasing and services	48,682	35,349	46,317
	504,804	447,004	349,208
Margin	113,732	93,357	81,712
Other Costs			
Selling and administrative expense	51,061	37,270	35,248
Interest expense	19,048	20,933	27,057
Special charges — leasing and services	—	(2,250)	8,348
	70,109	55,953	70,653
Earnings before income tax expense, minority interest and equity in unconsolidated subsidiary	43,623	37,404	11,059
Income tax expense	(20,979)	(15,643)	(4,366)
Earnings before minority interest and equity in unconsolidated subsidiary	22,644	21,761	6,693
Minority interest	(3,045)	(1,429)	(672)
Equity in unconsolidated subsidiary	820	—	—
Earnings from continuing operations	20,419	20,332	6,021
Discontinued operations:			
Loss on operations (net of $1,784 tax benefit)	—	—	(2,512)
Estimated loss on disposal (net of $5,120 tax benefit)	—	—	(7,680)
Extraordinary charge (net of $680 tax benefit)	(938)	—	—
Net earnings (loss)	$ 19,481	$ 20,332	$ (4,171)
Basic earnings per share:			
Continuing operations	$ 1.44	$ 1.43	$ 0.43
Discontinued operations	—	—	(0.72)
Extraordinary charge	(0.07)	—	—
Net earnings (loss)	$ 1.37	$ 1.43	$ (0.29)
Diluted earnings per share:			
Continuing operations	$ 1.43	$ 1.42	$ 0.43
Discontinued operations	—	—	(0.72)
Extraordinary charge	(0.07)	—	—
Net earnings (loss)	$ 1.36	$ 1.42	$ (0.29)
Weighted average shares outstanding:			
Basic	14,254	14,203	14,160
Diluted	14,294	14,346	14,160

The accompanying notes are an integral part of these statements.

Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss)

(In thousands, except per share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance, August 31, 1996	14,160	$ 14	$ 49,079	$ 62,259	$ 215	$ 111,567
Net loss	—	—	—	(4,171)	—	(4,171)
Translation adjustment (net of $66 tax benefit)	—	—	—	—	(84)	(84)
Comprehensive loss						(4,255)
Compensation relating to non-qualified stock option plan	—	—	56	—	—	56
Cash dividends ($.24 per share)	—	—	—	(3,399)	—	(3,399)
Balance, August 31, 1997	14,160	14	49,135	54,689	131	103,969
Net earnings	—	—	—	20,332	—	20,332
Translation adjustment (net of $631 tax benefit)	—	—	—	—	(803)	(803)
Comprehensive income						19,529
Stock options exercised	93	—	1,221	—	—	1,221
Compensation relating to non-qualified stock option plan	—	—	60	—	—	60
Cash dividends ($.24 per share)	—	—	—	(3,409)	—	(3,409)
Balance, August 31, 1998	14,253	14	50,416	71,612	(672)	121,370
Net earnings	—	—	—	19,481	—	19,481
Translation adjustment (net of $214 tax expense)	—	—	—	—	(1,208)	(1,208)
Comprehensive income						18,273
Stock options exercised	2	—	29	—	—	29
Compensation relating to non-qualified stock option plan	—	—	50	—	—	50
Cash dividends ($.39 per share)	—	—	—	(5,559)	—	(5,559)
Balance, August 31, 1999	14,255	$ 14	$ 50,495	$ 85,534	$ (1,880)	$ 134,163

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

YEARS ENDED AUGUST 31

(In thousands)	1999	1998	1997
Cash flows from operating activities			
Net earnings (loss)	$ 19,481	$ 20,332	$ (4,171)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Extraordinary charge	938	—	—
Deferred income taxes	6,470	(2,217)	(8,217)
Deferred participation	5,196	6,211	6,716
Depreciation and amortization	16,477	14,527	27,869
Discontinued operations	—	—	9,300
Special charges	—	(2,250)	8,348
Gain on sales of equipment	(5,887)	(9,994)	(9,815)
Other	5,879	1,537	(1,035)
Decrease (increase) in assets:			
Accounts and notes receivable	(2,713)	13,197	16,504
Inventories	(3,608)	10,110	(11,244)
Prepaid expenses and other	(879)	1,910	(6,074)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	(2,961)	22,509	(9,619)
Net cash provided by operating activities	38,393	75,872	18,562
Cash flows from investing activities			
Acquisition, net of cash acquired	(11,702)	—	—
Principal payments received under direct finance leases	16,729	15,102	11,226
Investment in direct finance leases	(446)	(856)	(11,856)
Proceeds from sales of equipment	39,903	117,945	58,081
Purchase of property and equipment	(70,531)	(50,345)	(64,381)
Use of (investment in) restricted cash and investments	15,362	(8,637)	(960)
Net cash provided by (used in) investing activities	(10,685)	73,209	(7,890)
Cash flows from financing activities			
Proceeds from borrowings	60,029	13,157	47,479
Repayments of borrowings	(46,958)	(124,750)	(30,118)
Dividends	(5,559)	(3,409)	(3,399)
Purchase of minority interest	—	(7,772)	(16,333)
Proceeds from stock options	29	1,221	—
Net cash provided by (used in) financing activities	7,541	(121,553)	(2,371)
Increase in cash and cash equivalents	35,249	27,528	8,301
Cash and cash equivalents			
Beginning of period	41,912	14,384	6,083
End of period	$ 77,161	$ 41,912	$ 14,384
Supplemental disclosures of cash flow information			
Cash paid during the period for:			
Interest	$ 16,637	$ 20,526	$ 27,451
Income taxes	9,150	13,626	2,914
Supplemental schedule of noncash investing and financing activities			
Purchase of minority interest	$ —	$ 1,580	$ 2,044
Repayment of borrowings through return of railcars held for sale or refurbishment	—	96	11,574
Equipment obtained through borrowings	—	—	4,024

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Three Years Ended August 31, 1999

(In thousands, except per share amounts)

Note 1 — Nature of Operations

The Greenbrier Companies, Inc. and Subsidiaries ("Greenbrier" or the "company") currently operates in two primary business segments: manufacturing, and leasing and services. The two business segments are operationally integrated. The manufacturing segment produces double-stack intermodal and conventional railcars, marine vessels and forged steel products and performs railcar refurbishment and maintenance activities, a portion of which is for the leasing operation. The leasing and services segment owns or manages a fleet of approximately 33,000 railcars for railroads, institutional investors and other leasing companies.

Note 2 — Summary of Significant Accounting Policies

Principles of consolidation — The financial statements include the accounts of the company and its majority-owned subsidiaries. All significant intercompany transactions and balances are eliminated upon consolidation. Investments in and advances to a joint venture in which the company has a 50% ownership interest are accounted for by the equity method and included in other assets.

The financial statements and transactions of the company's foreign subsidiaries are maintained in their functional currency and translated into U.S. dollars for purposes of consolidation. Translation adjustments are accumulated as a separate component of stockholders' equity and comprehensive income (loss).

Cash and investments — Cash is temporarily invested primarily in bankers' acceptances, U.S. Treasury bills, commercial paper and money market funds. Restricted cash and investments may only be used for equipment acquisitions in accordance with loan agreements. All highly-liquid investments with a maturity of six months or less are considered cash equivalents.

Inventories — Inventories are valued at the lower of cost (first-in, first-out) or market. Work-in-process includes material, labor and overhead. Assets held for sale or refurbishment include railcars, carried at cost, that will either be sold or refurbished and placed on lease.

Equipment on operating leases — Equipment on operating leases is stated at cost. Depreciation to estimated salvage value is provided on the straight-line method over the estimated useful lives of up to twenty-five years.

Property, plant and equipment — Property, plant and equipment is stated at cost. Depreciation is provided on the straight-line method over estimated useful lives of three to twenty years.

Other assets — Loan fees are capitalized and amortized as interest expense over the life of the related borrowings. Goodwill is generally amortized over twelve years using the straight-line method.

Maintenance and warranty reserves — Maintenance reserves are estimated and provided over the term of the underlying lease agreement. Warranty reserves are estimated and charged to operations.

Income taxes — The liability method is used to account for income taxes. Deferred income taxes are provided for the temporary effects of differences in the recognition of revenues and expenses for financial statement and income tax reporting purposes.

Minority interest — Minority interest represents unaffiliated investors' capital investment and interest in the undistributed earnings and losses of consolidated entities.

Comprehensive income — Effective September 1, 1998, the company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." SFAS No. 130 requires presentation of comprehensive income (net income plus all other changes in net assets from non-owner sources) and its components in the financial statements; however, the adoption of this statement had no impact on the results of operations. The company has changed the format of the consolidated statements of stockholders' equity to present comprehensive income.

Revenue recognition — Revenue from manufacturing operations is recognized at the time products are completed and accepted by unaffiliated customers.

Direct finance lease revenue is recognized over the lease term in a manner which produces a constant rate of return on the net investment in the lease. Certain interim rentals are based on estimated costs.

Operating lease revenue is recognized as earned under the lease terms. Payments received in advance are deferred until earned.

Greenbrier is a leading manufacturer of boxcars in North America.

Forward exchange contracts — Foreign operations give rise to market risks from changes in foreign currency exchange rates. Forward exchange contracts with established financial institutions are utilized to hedge a portion of such risk. Realized and unrealized gains and losses are deferred and recognized in earnings concurrent with the hedged transaction. Even though forward exchange contracts are entered into to mitigate the impact of currency fluctuations, certain exposure remains, which may affect operating results.

Interest rate instruments — Interest rate swap agreements are utilized to reduce the impact of changes in interest rates on certain debt. The net cash amounts paid or received on the agreements are accrued and recognized as an adjustment to interest expense. At August 31, 1999, such agreements have a notional amount of $11,300 and mature in July 2008.

Net earnings per share — Basic earnings per share ("EPS") excludes potential dilution, which would occur if additional shares were issued upon exercise of outstanding stock options, while diluted EPS takes this potential dilution into account.

Stock-based compensation — Compensation expense for stock-based employee compensation continues to be measured using the method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." If material, pro forma disclosures of net earnings and earnings per share will be made as if the method prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," had been applied in measuring compensation expense.

Management estimates — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. This includes evaluation of the remaining life and recoverability of long-lived assets. Actual results could differ from those estimates.

Reclassifications — Certain reclassifications have been made to prior years' consolidated financial statements to conform with the 1999 presentation.

Prospective accounting changes — SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," requires that all derivatives be recognized as either assets or liabilities measured at fair value. Adoption of SFAS No. 133 is currently proposed to be effective for the company's fiscal year beginning September 1, 2000. Greenbrier is currently evaluating the effect of this statement.

Note 3 — Acquisition and Joint Venture

On September 30, 1998, Greenbrier acquired a 60% interest in a railcar manufacturer located in Swidnica, Poland. In August 1999, the company increased its ownership interest to 84%. The company funded this acquisition through cash provided by operating activities. This acquisition was accounted for by the purchase method, and operating results are included in the consolidated financial statements since the date of acquisition. The excess purchase price over the fair value of net assets acquired has been included in other assets in the Consolidated Balance Sheets and is being amortized on a straight-line basis over 12 years.

On September 1, 1998, Greenbrier entered into a joint venture agreement with Bombardier Transportation ("Bombardier") to build railroad freight cars at Bombardier's existing manufacturing facility in Sahagun, Mexico. Each party holds a 50% non-controlling interest in the joint venture, and therefore Greenbrier's investment is being accounted for using the equity method. Greenbrier's share of the operating results is included in equity in unconsolidated subsidiary in the Consolidated Statements of Operations.

Note 4 – Discontinued Operations and Divestitures

In 1997, a plan was adopted to discontinue the transportation logistics segment, as well as to sell the trailer and container leasing operation, in order to focus on core railcar operations.

Discontinued Operations — Under the plan, the transportation logistics segment was discontinued and, accordingly, the results of operations for logistics have been excluded from continuing operations in the Consolidated Statements of Operations for all applicable periods. An estimated pre-tax loss on disposal of $12,800, which included an adjustment of assets to market value, estimated closedown expenses and anticipated operating losses through final disposal, was reflected as an anticipated loss on discontinued operations in 1997. In 1998, the disposition of the operating assets was concluded. The determination of the adequacy of the remaining reserve will not be known until certain litigation is resolved. Information relating to the operating results for the discontinued operations for the year ended August 31, 1997 is as follows:

Revenue	$ 53,249
Costs and expenses	57,545
Loss before income taxes	(4,296)
Less income tax benefit	1,784
Net loss	$ (2,512)

Divestitures — A portion of the trailer and container lease fleet was sold in 1997. In 1998 the sale of the remaining trailer and container fleet was completed. The aggregate proceeds from all of the sales were approximately $86,000. In 1997, an estimated pre-tax loss of approximately $1,600 was included in the Consolidated Statements of Operations in special charges — leasing and services for anticipated results of selling the operation. The results associated with the sale were more favorable than originally anticipated, resulting in a $2,250 benefit in 1998. Trailer and container leasing operations contributed revenue of approximately $4,100 and $25,800 for the years ended August 31, 1998 and 1997.

Note 5 — Inventories

	1999	1998
Manufacturing supplies and raw materials	$ 10,953	$ 8,750
Work-in-process	66,255	62,267
Assets held for sale or refurbishment	15,287	8,832
	$ 92,495	$ 79,849

Note 6 — Investment in Direct Finance Leases

	1999	1998
Future minimum receipts on lease contracts	$ 196,883	$ 247,842
Maintenance, insurance and taxes	(43,940)	(55,041)
Net minimum lease receipts	152,943	192,801
Estimated residual values	51,901	52,323
Unearned finance charges	(61,659)	(84,184)
	$ 143,185	$ 160,940

Minimum future receipts on the direct finance lease contracts are as follows:

Year ending August 31,

2000	$ 48,827
2001	47,517
2002	38,864
2003	28,043
2004	17,516
Thereafter	16,116
	$ 196,883

Note 7 — Equipment on Operating Leases

	1999	1998
Railcar equipment and other	$ 142,771	$ 132,049
Marine equipment	—	7,563
	142,771	139,612
Accumulated depreciation	(49,546)	(44,043)
	$ 93,225	$ 95,569

In addition to the above equipment, certain railcar equipment is leased by the company and subleased to customers under non-cancelable operating leases. Aggregate minimum future amounts receivable under all non-cancelable operating leases and subleases are as follows:

Year ending August 31,

2000	$ 13,365
2001	9,017
2002	8,129
2003	7,304
2004	5,881
Thereafter	8,332
	$ 52,028

Certain equipment is also operated under daily, monthly or mileage arrangements. Associated revenues amounted to $22,997, $24,472 and $33,611 for the years ended August 31, 1999, 1998 and 1997.

Gunderson Concarril's rugged mill gondola car is designed, engineered and built to meet the demands of hauling heavy loads.

Note 8 — Property, Plant and Equipment

	1999	1998
Land and improvements	$ 9,037	$ 8,440
Machinery and equipment	51,384	41,944
Buildings and improvements	22,715	15,537
Other	21,788	10,747
	104,924	76,668
Accumulated depreciation	(35,608)	(27,216)
	$ 69,316	$ 49,452

Note 9 – Investment in Unconsolidated Subsidiary

Summarized financial data for the company's joint venture with Bombardier for the year ended August 31, 1999 is as follows:

Current assets	$ 29,717
Total assets	40,156
Current liabilities	18,822
Stockholders' equity	21,334
Revenues	$ 56,524
Net earnings	1,334

Note 10 — Revolving Notes

A $40,000 operating line of credit to be used for working capital is available through February 2002 for U.S. manufacturing operations. A $20,000 (at the August 31, 1999 exchange rate) operating line of credit is available through March 2000 for working capital for the Canadian manufacturing operations. Operating lines of credit totaling $4,000 (at the August 31, 1999 exchange rate) are available through May 2000 for working capital for the Polish manufacturing operations. Advances under the operating lines of credit are based upon defined levels of receivables and inventory. Interest rates vary depending on the type of borrowing and certain defined ratios. At August 31, 1999, $3,783 was outstanding under the Polish operating lines. There were no borrowings outstanding at August 31, 1998.

A $60,000 revolving line of credit is available through May 2001 to provide working capital and interim financing of equipment for the leasing and services operations. Borrowings under this line are based on advances against defined leased equipment and bear interest at rates that vary depending upon the type of borrowing and certain defined ratios. There were no borrowings outstanding at August 31, 1999 or August 31, 1998.

Note 11 — Accounts Payable and Accrued Liabilities

	1999	1998
Accounts payable and accrued liabilities	$ 69,578	$ 71,880
Accrued payroll and related liabilities	19,518	15,412
Maintenance reserves	14,835	21,698
Participation	8,366	494
Other	19,177	22,637
	$ 131,474	$ 132,121

Note 12 — Notes Payable

	1999	1998
Equipment notes payable	$ 121,816	$ 133,192
Term loans	37,616	11,579
Other notes payable	1,969	3,105
	$ 161,401	$ 147,876

Equipment notes payable bear interest at fixed rates of 7.8% to 10.8% and are due in varying installments through May 2004. The weighted average remaining contractual life and weighted average interest rate of the notes as of August 31, 1999 and 1998 was approximately 54 and 57 months and 7.6% and 8.6% for 1999 and 1998. The notes are collateralized by certain leasing equipment.

Term loans are due in varying installments through July 2008 and are collateralized by certain manufacturing equipment, land and a facility. As of August 31, 1999, the effective interest rates on the term loans ranged from 7.0% to 7.5%.

In February 1999, Greenbrier issued $30,000 of 6.48% senior term notes due 2006. Interest is payable semi-annually commencing June 1999, and semi-annual principal payments of $2,800 are required beginning June 2001. In conjunction with this borrowing, $22,000 of leasing equipment notes payable were repaid. The early retirement of this debt resulted in a $938 extraordinary charge, net of income taxes of $680, representing prepayment penalties and the write-off of deferred loan costs.

Principal payments on the notes payable are as follows:

Year ending August 31,	
2000	$ 26,514
2001	30,463
2002	32,219
2003	22,281
2004	16,348
Thereafter	33,576
	$ 161,401

The revolving and operating lines of credit, along with certain equipment notes payable, contain covenants with respect to various subsidiaries, the most restrictive of which limit the payment of dividends by subsidiaries and require certain levels of tangible net worth, ratio of debt to equity and debt service coverage.

Note 13 — Subordinated Debt

Subordinated notes, amounting to $37,788 and $37,932 at August 31, 1999 and 1998, were issued for railcars purchased as part of an agreement described in Note 21. The notes bear interest at 11% and 9%, with substantially all of the principal due ten years from the date of the notes, and are subordinated to all other liabilities of a subsidiary. Approximately $257 becomes due in 2001, $10,202 in 2002, $6,018 in 2003 and $6,052 in 2004 with the remaining balance due after 2004.

Note 14 — Stockholders' Equity

The Chairman and the Chief Executive Officer, who are the founding and majority stockholders, have entered into an agreement whereby they have agreed to vote their shares together to elect each other as directors of the company and with respect to all other matters put to a vote of the stockholders.

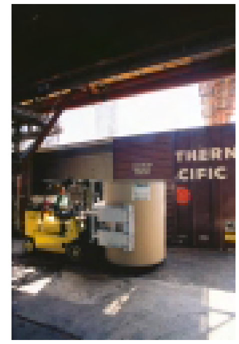
Certain loan covenants restrict the transfer of funds from the subsidiaries to the parent company in the form of cash dividends, loans, or advances. Restricted net assets of subsidiaries amounted to $91,000 as of August 31, 1999. Consolidated retained earnings of $20,000 at August 31, 1999 were restricted as to the payment of dividends.

A stock incentive plan was adopted July 1, 1994 (the "1994 Plan"), which provides for granting compensatory and non-compensatory options to employees and others. Outstanding options generally vest at 50% two years from grant with the balance five years from grant. No further grants will be awarded under this plan.

On April 6, 1999, the company adopted the Stock Incentive Plan — 2000 (the "2000 Plan"), under which 1,000 shares of common stock are available for issuance with respect to options granted to employees, non-employee directors and consultants of the company. The 2000 Plan authorizes the grant of incentive stock options, non-statutory stock options and restricted stock awards, or any combination of the foregoing. Under the 2000 Plan, the exercise price for incentive stock options may not be less than the market value of the company's common stock at the time the option is granted. Options are exercisable not less than six months or more than 10 years after the date the option is granted. General awards under the 2000 Plan vest at 50% two years from the grant date, with the balance vesting five years from grant. As of August 31, 1999, 1,000 options were available for award under the plan.

The following table summarizes stock option transactions for shares under option and the related weighted average option price:

	Shares	Price Per Share
Balance at August 31, 1996	788	$ 14
Granted	3	11
Canceled	(30)	14
Balance at August 31, 1997	761	14
Granted	3	17
Exercised	(93)	13
Canceled	(24)	14
Balance at August 31, 1998	647	14
Granted	642	11
Exercised	(2)	13
Canceled	(16)	14
Balance at August 31, 1999	1,271	$ 13



Greenbrier is among the most competitive and innovative lessors in the industry.

Options outstanding at August 31, 1999 have exercise prices ranging from $9 to $17 per share and have a remaining contractual life of 5.2 years. As of August 31, 1999, options to purchase 558 shares were exercisable and 1,000 shares were available for grant. Options to purchase 640 and 619 shares were available for grant at August 31, 1998 and 1997.

As discussed in Note 2, the disclosure-only provisions of SFAS No. 123 have been adopted. Accordingly, no compensation cost has been recognized for stock options granted with an exercise price equal to the fair value of the underlying stock on the date of grant. Had compensation costs been determined based on the estimated fair value of the options at the date of grant, the net earnings (loss) and net earnings (loss) per share for the years ended August 31, 1999, 1998 and 1997 would not have differed materially from the amounts reported.

Note 15 — Related Party Transactions

During 1999, the company purchased railcars totaling $54,190 from its 50%-owned joint venture. The cars were sold to third-party customers prior to August 31, 1999. Also, the company has a $7,009 outstanding receivable balance from the joint venture at August 31, 1999.

Maintenance, management and other fees received from a related entity under an agreement were $888 for each of the three years ended August 31, 1999, 1998 and 1997.

A member of the board of directors of a Canadian subsidiary also serves as a director of the company from which the majority of the Canadian subsidiary's steel requirements are acquired.

Note 16 — Employee Benefit Plans

Defined contribution plans are available to substantially all U.S. employees. Contributions are based on a percentage of employee contributions and amounted to $849, $649 and $737 for the years ended August 31, 1999, 1998 and 1997.

A defined benefit pension plan is provided for Canadian employees covered by collective bargaining agreements. The plan provides pension benefits based on years of credited service. Contributions to the plan are actuarially determined and are intended to fund the net periodic pension cost. The plan's assets, obligations and pension cost are not material to the consolidated financial statements.

Nonqualified deferred benefit plans exist for certain employees. Expenses resulting from contributions to the plans, which are based on earnings, were $881, $2,393 and $845 for the years ended August 31, 1999, 1998 and 1997.

Note 17 — Income Taxes

Components of income tax expense are as follows:

	1999	1998	1997
Current:			
Federal	$ 5,231	$ 13,811	$ 4,547
State	1,092	2,581	284
Foreign	8,186	1,468	715
	14,509	17,860	5,546
Deferred:			
Federal	6,260	(491)	(1,848)
State	1,617	(2,062)	442
Foreign	(1,407)	336	226
	6,470	(2,217)	(1,180)
	$ 20,979	$ 15,643	$ 4,366

Income tax expense is computed at rates different than statutory rates. The reconciliation between effective and statutory tax rates on continuing operations is as follows:

	1999	1998	1997
Statutory rates	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	4.0	4.5	4.8
Impact of foreign taxes	7.4	0.6	(1.8)
Other	1.7	1.7	1.5
	48.1%	41.8%	39.5%

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are as follows:

	1999	1998
Deferred tax assets:		
Alternative minimum tax credit carry-forward	$ (6,783)	$ (9,427)
Deferred participation	(20,434)	(18,579)
Maintenance and warranty reserves	(7,454)	(11,790)
Accrued payroll and related liabilities	(7,420)	(5,352)
Deferred revenue	(275)	(566)
Inventories and other	(4,005)	(1,302)
	(46,371)	(47,016)
Deferred tax liabilities:		
Accelerated depreciation	64,610	63,709
Other	2,269	1,789
Net deferred tax liability attributable to continuing operations	20,508	18,482
Net deferred tax asset attributable to discontinued operations	(2,874)	(7,318)
Net deferred tax liability	$ 17,634	$ 11,164

Note 18 – Segment Information

Greenbrier has two reportable segments: manufacturing and leasing and services. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Performance is evaluated based on margin, which is presented on the Consolidated Statements of Operations. Intersegment sales and transfers are accounted for as if the sales or transfers were to third parties, that is, at market prices.

The information in the following tables is derived directly from the segments' internal financial reports used for corporate management purposes. Unallocated assets primarily consist of cash, short-term investments and capitalized loan costs.

	1999	1998	1997
Revenue:			
Manufacturing	$548,038	$470,025	$408,053
Leasing and services	127,630	107,147	113,229
Eliminate intersegment	(57,132)	(36,811)	(90,362)
	$618,536	$540,361	$430,920
Assets:			
Manufacturing	$188,147	$162,907	$168,878
Leasing and services	284,401	298,811	393,891
Unallocated	78,168	43,771	17,749
	$550,716	$505,489	$580,518
Depreciation and amortization:			
Manufacturing	$ 7,794	$ 4,774	$ 4,671
Leasing and services	8,683	9,753	23,198
	$ 16,477	$ 14,527	$ 27,869
Capital expenditures:			
Manufacturing	$ 23,260	$ 11,887	$ 10,173
Leasing and services	47,717	39,314	70,088
	$ 70,977	$ 51,201	$ 80,261

Railcar repair, refurbishment and related services are provided at 10 locations throughout North America.

The company has operations in the United States, Canada and Europe. The following table summarizes selected geographic information. Eliminations are sales between geographic areas.

	1999	1998	1997
Revenue:			
United States	$387,735	$386,064	$321,538
Canada	231,767	169,335	156,103
Europe	20,183	—	—
Eliminations	(21,149)	(15,038)	(46,721)
	$618,536	$540,361	$430,920
Earnings[(1)]:			
United States	$ 32,744	$29,740	$ 6,298
Canada	15,902	7,664	4,761
Europe	(5,023)	—	—
	$ 43,623	$ 37,404	$ 11,059
Identifiable assets:			
United States	$469,133	$452,323	$531,500
Canada	64,162	53,166	49,018
Europe	17,421	—	—
	$550,716	$505,489	$580,518

(1) From continuing operations before income tax expense, minority interest and equity in unconsolidated subsidiary

Note 19 — Customer Concentration

In 1999, revenue from the two largest customers was 28% and 17% of total revenues. Revenue from the two largest customers was 25% and 16% of total revenues for the year ended August 31, 1998. In 1997, revenue from the two largest customers was 20% and 11% of total revenues. No other customers accounted for more than 10% of total revenues in 1999, 1998, or 1997. Three customers had balances that individually exceeded 10% of accounts receivable and in total represented 64% of the consolidated balance at August 31, 1999.

Note 20 — Lease Commitments

Lease expense for railcar equipment leased under non-cancelable leases was $7,295, $4,966 and $3,767 for the years ended August 31, 1999, 1998 and 1997.

Aggregate minimum future amounts payable under non-cancelable railcar equipment leases are as follows:

Year ending August 31,	
2000	$ 4,820
2001	3,104
2002	2,979
2003	2,595
2004	1,120
Thereafter	—
	$ 14,618

Operating leases for domestic refurbishment facilities expire at various dates through April 2015. Office space and certain manufacturing and office equipment are rented under operating leases which expire at various dates through June 2001. Rental expense for facilities, office space and equipment was $2,495, $1,887 and $2,652 for the years ended August 31, 1999, 1998 and 1997.

Aggregate minimum future amounts payable under non-cancelable operating leases are as follows:

Year ending August 31,	
2000	$ 2,058
2001	1,838
2002	1,139
2003	618
2004	332
Thereafter	918
	$ 6,903

Note 21 — Commitments and Contingencies

In 1990, an agreement was entered into for the purchase and refurbishment of over ten thousand used railcars. The agreement includes an option that, under certain conditions, provides for the seller to repurchase the railcars for the original acquisition cost to the company at the date the underlying subordinated notes are due. Should such option be exercised, amounts due under the subordinated notes would be retired from the repurchase proceeds.

The agreement also provides that, under certain conditions, the seller will receive a percentage of operating earnings of a subsidiary, as defined. Amounts accrued are referred to as participation and are included in accrued liabilities and deferred participation in the Consolidated Balance Sheets. Participation expense related to this and a similar, but smaller, agreement was $13,956, $7,238 and $9,345 for the years ended August 31, 1999, 1998 and 1997. Payment of deferred participation is estimated to be $2,839 in 2001, $4,484 in 2002, $7,835 in 2003 and $21,259 in 2004 with the remaining balance due after 2004.

At August 31, 1999, forward exchange contracts for the purchase of Canadian dollars aggregated $76,000, contracts for the sale of Polish zloties aggregated $4,000 and contracts for the sale of German Deutschemarks aggregated $2,000 at the August 31, 1999 exchange rates. These contracts mature at various dates through July 2000. At August 31, 1999, gains and losses of approximately $115 and $288 on such contracts had been deferred and will be recognized in income concurrent with the hedged transaction.

Environmental studies have been conducted of owned and leased properties, which indicate additional investigation and some remediation may be necessary. The Portland, Oregon manufacturing facility is located on the Willamette River. The U.S. Environmental Protection Agency is considering possible classification of portions of the river bed, including the portion fronting the facility, as a federal "superfund" site due to sediment contamination. There is no indication that Greenbrier has contributed to contamination of the Willamette River bed, although uses by prior owners of the property may have contributed. Nevertheless, ultimate classification of the Willamette River may have an impact on the value of the company's investment in the property and may require the company to initially bear a portion of the cost of any mandated remediation. Greenbrier may be required to perform periodic maintenance dredging in order to continue to launch vessels from its launch ways on the river, and classification as a superfund site could result in some limitations on future launch activity. The outcome of such actions cannot be estimated; however, management believes that any ultimate liability resulting from environmental issues will not materially affect the financial position or results of operations of the company. Management believes that its operations adhere to sound environmental practices, applicable laws, and regulations.

Greenbrier is involved as a defendant in litigation in the ordinary course of business, the outcome of which cannot be predicted with certainty. Litigation has been initiated by former shareholders of Interamerican Logistics Inc. ("Interamerican"), which was acquired in the fall of 1996. The plaintiffs allege that Greenbrier violated the agreements pursuant to which it acquired ownership of Interamerican and seek damages aggregating $4,500 Canadian. Management contends the claim to be without merit and intends to vigorously defend its position. Management believes that any ultimate liability resulting from litigation will not materially affect the financial position, results of operations, or cash flows of the company.

Employment agreements, which expire August 31, 2004, with the Chairman and the Chief Executive Officer, provide each with a minimum annual salary and a bonus calculated based on operating results, as defined. The minimum annual aggregate defined payment under the agreements is $720 and the maximum is $2,120.

Note 22 – Fair Value of Financial Instruments

The estimated fair values of financial instruments and the methods and assumptions used to estimate such fair values, are as follows:

1999	Carrying amount	Estimated fair value
Notes payable and subordinated debt	$ 199,189	$ 179,456
Deferred participation	50,439	33,681

1998	Carrying amount	Estimated fair value
Notes payable and subordinated debt	$ 185,808	$ 188,768
Deferred participation	45,243	28,580

The carrying amount of cash and cash equivalents, restricted cash and investments, accounts and notes receivable, revolving notes and accounts payable and accrued liabilities is a reasonable estimate of fair value of these financial instruments. Estimated rates currently available to the company for debt with similar terms and remaining maturities are used to estimate the fair value of notes payable and subordinated debt. The fair value of deferred participation is estimated by discounting the estimated future cash payments using the company's estimated incremental borrowing rate. The carrying value and fair value of foreign currency forward contracts and the interest rate swap are not material.

Many of the railcars in Greenbrier's owned or managed fleet are refurbished at Greenbrier's own facilities.

Quarterly Results of Operations

(In thousands, except per share amounts)

Unaudited operating results by quarter for 1999 and 1998 are as follows:

	First	Second	Third	Fourth	Total
1999					
Revenue					
Manufacturing	$ 100,074	$ 145,048	$ 152,360	$ 122,829	$ 520,311
Leasing and services	20,012	21,892	21,712	34,609	98,225
	120,086	166,940	174,072	157,438	618,536
Cost of sales					
Manufacturing	90,393	127,128	133,695	104,906	456,122
Leasing and services	8,198	10,339	10,300	19,845	48,682
	98,591	137,467	143,995	124,751	504,804
Margin	$ 21,495	$ 29,473	$ 30,077	$ 32,687	$ 113,732
Net earnings	$ 2,866	$ 5,151 (1)	$ 6,179	$ 5,285 (2)	$ 19,481
Net earnings per share:					
Basic (3)	$ 0.20	$ 0.36 (1)	$ 0.43	$ 0.37	$ 1.37
Diluted	$ 0.20	$ 0.36 (1)	$ 0.43	$ 0.37	$ 1.36
1998					
Revenue					
Manufacturing	$ 114,626	$ 104,349	$ 129,899	$ 102,832	$ 451,706
Leasing and services	23,584	22,443	20,759	21,869	88,655
	138,210	126,792	150,658	124,701	540,361
Cost of revenue					
Manufacturing	106,759	96,866	116,664	91,366	411,655
Leasing and services	9,762	8,487	8,169	8,931	35,349
	116,521	105,353	124,833	100,297	447,004
Margin	$ 21,689	$ 21,439	$ 25,825	$ 24,404	$ 93,357
Net earnings	$ 4,076	$ 4,360	$ 5,508	$ 6,388 (4)	$ 20,332
Net earnings per share:					
Basic (3)	$ 0.29	$ 0.31	$ 0.39	$ 0.45	$ 1.43
Diluted (3)	$ 0.29	$ 0.30	$ 0.38	$ 0.44	$ 1.42

(1) Includes an extraordinary charge of $938, or $0.07 per share, representing prepayment penalties and the write-off of deferred loan costs

(2) Includes earnings of $1,119, attributable to prior years, resulting from the resolution of certain matters on a leasing contract that began in 1990

(3) The sum of quarterly earnings per share does not equal annual earnings per share as a result of the computation of quarterly versus annual weighted average shares outstanding

(4) Includes a gain of $1,305 resulting from exiting the trailer and container leasing operation more favorably than anticipated

Directors & Officers

Directors

Alan James
Chairman of the Board
The Greenbrier Companies

William A. Furman
President, Chief Executive Officer
The Greenbrier Companies

Victor G. Atiyeh[(1)(2)]
Principal
Victor Atiyeh & Co.

Peter K. Nevitt[(1)(2)]
Former President, Chief Executive Officer
Mitsui Nevitt Capital Corporation

A. Daniel O'Neal, Jr.
Chairman
Autostack Corporation

C. Bruce Ward
Chairman
Gunderson, Inc.

Benjamin R. Whiteley[(1)(2)]
Retired Chairman and Chief Executive Officer
Standard Insurance Company

(1) Member of Compensation Committee
(2) Member of Audit Committee

Officers

Alan James
Chairman of the Board

William A. Furman
President, Chief Executive Officer

Robin D. Bisson
Senior Vice President, Marketing and Sales

William L. Bourque
Vice President, International Marketing

Larry G. Brady
Senior Vice President, Chief Financial Officer

Maren C. Malik
Vice President, Administration

Richard G. McKay
President, TrentonWorks Limited

Judy A. Miller
Corporate Controller

Thomas P. Peczerski
President, WagonySwidnica

Mark J. Rittenbaum
Vice President, Treasurer

Thomas J. Sass
Senior Vice President, General Manager,
Gunderson, Inc.

Timothy A. Stuckey
President, Gunderson Rail Services

Norriss M. Webb
Executive Vice President, General Counsel

L. Clark Wood
President, Manufacturing Operations

Investor Information

Corporate Offices:

The Greenbrier Companies, Inc.
One Centerpointe Drive, Suite 200
Lake Oswego, Oregon 97035
(503) 684-7000
Company website: www.gbrx.com

Annual Stockholders' Meeting:

January 11, 2000, 2:00 p.m.
Benson Hotel
309 SW Broadway
Portland, Oregon

Financial Information:

Requests for copies of this annual report and other financial information should be made to:
Investor Relations
The Greenbrier Companies, Inc.
One Centerpointe Drive, Suite 200
Lake Oswego, Oregon 97035
E-mail: investor.relations@gbrx.com

Legal Counsel:

Tonkon Torp LLP
Portland, Oregon

Independent Auditors:

Deloitte & Touche LLP
Portland, Oregon

Transfer Agent:

First Chicago Trust Company of New York
525 Washington Boulevard, 7th Floor
Jersey City, New Jersey 07303

Greenbrier's Transfer Agent maintains stockholder records, issues stock certificates and distributes dividends. Requests concerning these matters should be directed to First Chicago Trust Company of New York.

Stockholder Inquiries:

Please contact Mark Rittenbaum, Investor Relations (503) 684-7000
E-mail: investor.relations@gbrx.com

Common Stock:

Greenbrier's common stock has been traded on the New York Stock Exchange under the symbol GBX since July 14, 1994. There were approximately 204 holders of record of common stock as of October 31, 1999. The following table shows the reported high and low sales price of Greenbrier's common stock on the New York Stock Exchange.

	High	Low
1999		
Fourth quarter	$ 12.50	$ 9.44
Third quarter	$ 10.63	$ 8.19
Second quarter	$ 15.00	$ 9.94
First quarter	$ 17.13	$ 12.63
1998		
Fourth quarter	$ 18.50	$ 14.75
Third quarter	$ 19.00	$ 15.75
Second quarter	$ 18.38	$ 15.25
First quarter	$ 18.00	$ 13.00

Cash dividends have been paid quarterly on the common stock since December 1994. In July 1999, the dividend rate was increased to $.09 from $.06 per share. In addition, a special one-time dividend of $.12 per share was paid in August 1999. There is no assurance as to future dividends as they are dependent upon future earnings, capital requirements and financial condition.

Above, 343'-long Bering Trader built by Gunderson to haul containers and general cargo to Alaska

Locations

Headquarters
The Greenbrier Companies
Lake Oswego, Oregon

Marketing & Sales Offices
Chicago, Illinois
Fort Worth, Texas
Lake Oswego, Oregon
Los Angeles, California
Mexico City, Mexico
Monroe, Louisiana
Monterrey, Mexico
Montreal, Quebec
San Francisco, California
Seattle, Washington
Sigen, Germany
Vancouver, British Columbia
Walnut Creek, California
Warsaw, Poland
Washington, DC

Manufacturing Facilities
Portland, Oregon
Sahagun, Mexico
Swidnica, Poland
Trenton, Nova Scotia

Repair Facilities & Wheel Services
Atchison, Kansas
Cleburne, Texas
Finley, Washington
Golden, Colorado
Pine Bluff, Arkansas
Portland, Oregon
Springfield, Oregon
San Antonio, Texas
Tacoma, Washington

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