The Greenbrier Companies

THE GREENBRIER COMPANIES

The Greenbrier Companies, Inc.
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2000 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 in North America and Europe. Greenbrier operates in two primary business segments: Manufacturing and Leasing & Services.

The Manufacturing segment operates from 12 separate facilities in North America and one in Europe. Through its manufacturing subsidiaries in the United States and Canada, Greenbrier produces double-stack intermodal railcars, conventional railcars, marine vessels and forged steel products and performs railcar refurbishment and maintenance activities. In Mexico, Greenbrier produces railcars under an exclusive joint venture agreement with Bombardier Transportation. European freight car manufacturing operations are centered around its WagonySwidnica facility in the Silesia region of western Poland, acquired in September 1998. Greenbrier also manufactures through subcontractors in Europe utilizing the engineering and project management expertise acquired in January 2000 with the purchase of the Freight Wagon Division of DaimlerChrysler Rail Systems located in Siegen, Germany.

The Leasing & Services segment owns or manages approximately 37,000 railcars. Greenbrier also provides marketing, re-marketing, maintenance, management 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 to provide higher value services and products to the marketplace.

New Greenbrier
Maxi-Stack® IV railcars
in Vancouver, B.C.

Operating from a strong base in North America, 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, asset management and maintenance. Greenbrier's plan is to grow its businesses by investing in its core markets in North America and by selectively broadening its strategic geographic reach through increased market penetration in Europe and Mexico.

2000 Highlights

- Achieved record revenues.
- Delivered 8,100 conventional and double-stack railcars.
- Earned the rail supply industry's most coveted quality award as a TTX Excellent Supplier for the ninth consecutive year, a distinction far surpassing the record of any other railcar builder.
- Acquired the Freight Wagon Division of DaimlerChrysler Rail Systems in Germany. As Greenbrier Germany, this unit has been successfully integrated with existing European operations.
- Continued commitment to modernize all manufacturing facilities, reduce costs and improve productivity and efficiency.
- Increased North American market share from 11% to 23%.
- Improved financial performance of European operations which moved to profitability in the fourth quarter of 2000.
- Initiated cost control program, achieving material reductions in overhead costs.

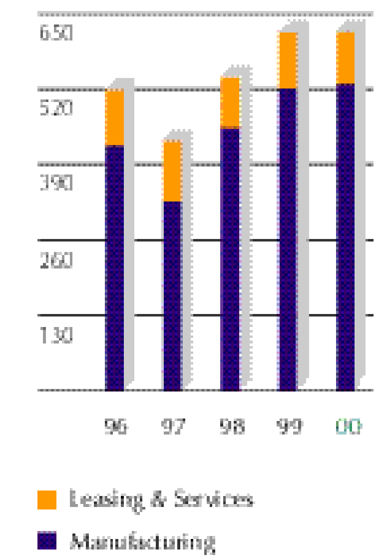
Financial Briefs

YEARS ENDED AUGUST 31,

(In thousands, except per share and unit data)	2000	1999	1998
Revenue:			
Manufacturing	$ 528,240	$ 520,311	$ 451,706
Leasing & services	91,189	98,225	88,655
	$ 619,429	$ 618,536	$ 540,361
Earnings from continuing operations	$ 14,354	$ 20,419	$ 20,332
Net earnings	$ 14,354	$ 19,481	$ 20,332
Basic earnings per common share:			
Continuing operations	$ 1.01	$ 1.44	$ 1.43
Extraordinary charge	—	(.07)	—
Net earnings	$ 1.01	$ 1.37	$ 1.43
Diluted earnings per common share:			
Continuing operations	$ 1.01	$ 1.43	$ 1.42
Extraordinary charge	—	(.07)	—
Net earnings	$ 1.01	$ 1.36	$ 1.42
Weighted average common shares outstanding:			
Basic	14,227	14,254	14,203
Diluted	14,241	14,294	14,346
Assets:			
Cash	$ 12,908	$ 77,796	$ 57,909
Inventories	127,484	92,495	79,849
Leased equipment	246,854	236,410	256,509
Debt:			
Revolving	$ 13,019	$ 3,783	$ —
Term	159,363	161,401	147,876
Capital base:			
Subordinated debt	$ 37,748	$ 37,788	$ 37,932
Minority interest	5,068	14,034	9,783
Stockholders' equity	141,615	134,163	121,370
	$ 184,431	$ 185,985	$ 169,085
Other data:			
New railcar deliveries	8,100	8,900	7,800
Owned or managed railcars	37,000	33,000	28,000

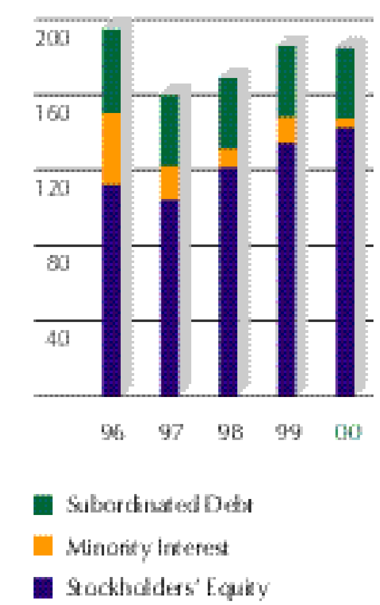
Revenues

(Dollars in millions)



Capital Base

(Dollars in millions)



Letter to our Shareholders, Employees & Customers:

William A. Furman,
President and
Chief Executive Officer

Alan James,
Chairman of the Board

Marta transit train passes by newly loaded Maxi-Stack® IV railcars as they depart Hulsey yard on their way to be exhibited at the 2000 International Intermodal Expo Show in Atlanta, GA.

This past year was a challenging one for Greenbrier. The Company operated in a less robust North American railcar market. We also absorbed continuing startup losses in the European marketplace as we built a strong base for profitability in 2001 and beyond. Two of our objectives at the start of this year were to increase our share of new railcar production in North America and to improve the financial performance of our European operations while expanding our markets and products. We are pleased with our performance on both accounts.

Although the North American demand for freight cars has softened, we have achieved increased revenues and market penetration, doubling our industry market share from last year. The relative strength of the intermodal freight car market, in which Greenbrier plays a leading role, and our strong leasing capabilities will help protect us from the reduced levels of industry-wide freight car demand in North America. We believe the strength of the intermodal market will serve Greenbrier well as the conventional car market continues to experience structural adjustments as a result of railroad mergers. We believe the worst of that adjustment has now been absorbed.

In 2000, we renewed our commitment to expansion in Europe with the purchase of the Freight Wagon Division of DaimlerChrysler Rail Systems located in Siegen, Germany. The acquired operation provides expertise in the fields of engineering, design, sales and marketing, and project management. It also has an excellent, comprehensive portfolio of railcar designs certified for the European marketplace. With our acquisition in Germany and continued modernization of our existing Polish manufacturing facility, WagonySwidnica, we now have a major presence in Europe. The European railcar market, and the position we are establishing in this market, is encouraging. The benefits of the combination of our German and Polish operations have been quickly realized as European operations made a material contribution to revenues for 2000 and as these operations achieved profitability in the fourth quarter. We expect to see continued financial improvements in Europe and a material contribution to Company revenue and profit in 2001.

Our year-end manufacturing backlog of 7,800 railcars for the North American and European marketplace puts us in a strong position for 2001 and beyond. While the industry backlog has declined, ours has improved during the year and is continuing to do so.

Operations

This year we continued integrating Gunderson Concarril, in Sahagun, Mexico, and WagonySwidnica into our railcar manufacturing group and expanded our market and technical base of operations in Europe. Gunderson Concarril met our expectations and has provided us with growth opportunities in North America due to a Mexican rail fleet that is older than that of the United States and Canadian markets. Also, this facility adds a significant low cost plant to our production options and important geographic coverage of the southern United States market.

Wheel reconditioning work is performed at multiple rail services locations.

Railcar repair being performed at one of 11 rail services locations.

WagonySwidnica was acquired in 1998 to implement our long-term goal for expansion into the European marketplace. An aging fleet, privatization of railroads, increasingly congested roadways and pending deregulation have set the stage for a freight railroad revitalization similar to that in North America over the past two decades. However, unlike North America, Europe has a fragmented system of different railcar designs, different railway gauges and complicated design and certification requirements. All these obstacles are expected to improve over time but have affected short-term profitability.

Our original acquisition cost for a now modernized manufacturing facility in Poland was very low. Our primary investment has been in the form of start-up operating losses and capital improvements. Our acquisition in Germany provides solutions to important market and design issues, with its portfolio of approved railcar designs, engineering expertise and a network of subcontractors throughout Europe. It also expands our market reach in Europe and provides better utilization of our Polish facility. With new railcar sales and orders in France, Germany, Poland and the United Kingdom, we have expanded our customer base in Europe, positioning ourselves to be a major competitor in the European market. In addition, we have recently negotiated major contracts with two European railroads to provide repair and refurbishment services. This work will be done in contract shops using Greenbrier's expertise in engineering, financing and project management.

Railcar repair, refurbishment and wheel services is another area of emphasis for Greenbrier, generating annual revenues in 2000 of approximately $60 million. Today, our repair, refurbishment and wheel operations provide services to both third parties and Greenbrier's own lease fleet at 11 locations throughout North America. This is an area of great growth potential as North American railroads and other railcar owners increasingly outsource these activities. We are working on several other new opportunities and hope to double this business over the next five years.

Outlook

Favorable economic conditions and the need to upgrade services and revitalize railroad fleets resulted in increased spending on equipment by North American railroads over the past several years. However, after several years of positive growth, the outlook for the rail supply industry has softened due to reduced equipment demand by

Painters add finishing touches to a boxcar at TrentonWorks.

railroads caused, in part, by improvement in equipment cycle times following absorption of major railroad mergers and by the high levels of spending over the past several years. Growth in some railroad traffic has also slowed due to falling commodity prices, intensified competition from the trucking industry and reduced railroad market share in some segments due to earlier disruptions caused by railroad mergers. An area which has remained strong is intermodal transportation where Greenbrier continues to lead the new railcar market. Container loadings are experiencing double-digit growth, creating a strong demand for our double-stack intermodal equipment. We are pleased we have been able to maintain strong backlogs and generally stable margins during 2000 under these market conditions. However, we anticipate margins in most car types will face continued pressure as we work through higher margin backlog and operate in an intensely competitive North American market. Greenbrier plans to stay competitive by offering unique financing opportunities for our customers, by lowering overall costs and by continuing our focus on customer service.

With North American markets expected to be relatively static over the next few years, European markets will become increasingly important. Throughout the world, the move towards railroad privatization has begun but has been slowed by political and social issues. The North American railroad supply industry is making large investments in both the United Kingdom and continental Europe. Greenbrier plans to take advantage of opportunities, which may arise, and to work to increase our market share and financial performance in Europe and in Mexico. We are pleased with the momentum we are achieving in both Europe and Mexico and anticipate significant contributions from each.

In an effort to enhance shareholder value, the Board of Directors has authorized a stock repurchase program under which Greenbrier intends to repurchase up to $5 million in shares of its outstanding common stock in open-market transactions, from time to time. At current prices, which are less than book value, this investment represents an opportunity to increase shareholder value we cannot afford to ignore. We continue to believe the Company's stock is greatly undervalued and will continue to seek ways to increase shareholder value.

We are grateful for the ongoing support of our employees, shareholders, customers and suppliers. They continue to be key to our commitment to excellence in product quality, competitiveness and service design.

William A. Furman President and Chief Executive Officer	Alan James Chairman of the Board of Directors

Production of propane gas tank cars at WagonySwidnica.

Finished tank car

EXCELLENCE

IN MANUFACTURING

Operations

Greenbrier's largest business segment continues to be manufacturing, which contributed approximately $530 million, or 85%, of total revenues in 2000. 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 comprehensive portfolio of conventional car types. Greenbrier's manufacturing flexibility has been demonstrated year after year as production has shifted between different types of freight cars in response to market demands. Recent North American production has emphasized double-stack intermodal cars, boxcars and flat cars. European production has principally focused on tank cars and various conventional freight cars. In total, 8,100 new railcars were delivered in 2000, compared to 8,900 cars in 1999.

Manufacturing Facilities

Operating under the Gunderson name in the United States, Greenbrier produces some of the highest quality, 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 and in 2000 earned Greenbrier's Chairman's Award for outstanding performance in railcar manufacturing. WagonySwidnica, the Company's Polish railcar manufacturer, has been modernized and meets Greenbrier's rigid standards for quality, efficiency and safety. During 2000, WagonySwidnica received Greenbrier's President's Award for the best safety performance and for outstanding improvement in quality and productivity.

Flat car underframes, produced at WagonySwidnica in Poland, arrive in Nova Scotia port for final assembly at TrentonWorks.

Loading of a train of boxcars that were built at Gunderson Concarril.

Gunderson Concarril, a joint venture with Bombardier Transportation, produces freight cars of equally high quality for the North American market utilizing Bombardier's existing manufacturing facility in Sahagun, Mexico, as well as Bombardier's world class production system. Gunderson Concarril has provided enhanced access to the growing Mexican market. This partnership also broadens Greenbrier's ability to offer multiple product lines throughout North America and improve competitiveness.

In 2000, TrentonWorks' railcar division achieved ISO 9001 certification and TrentonWorks' forge division retained its ISO 9002 certification. In its second year of evaluation, TrentonWorks again received the quality supplier award from TTX, the largest buyer of freight cars in North America. For the ninth consecutive year that this award has been given, Gunderson was also selected as a recipient of this coveted recognition from TTX — an accomplishment unmatched by any other freight car builder.

WagonySwidnica has received the Association of American Railroads ("AAR") Mechanical Certification, allowing it to be used as an integral part of overall manufacturing strategies in North America. During 2000 and 2001, WagonySwidnica expects to complete production of over 1,000 flat car underframes to be assembled for the North American market at TrentonWorks. Greenbrier's strategy is to use Gunderson and TrentonWorks as strong centers of expertise to support a growing, global new car manufacturing, repair, refurbishment and wheel shop network.

WagonySwidnica and Greenbrier Germany provide designs and access to the large European marketplace for freight cars. They will also serve as a window to the emerging Eastern European market. Production at WagonySwidnica and Greenbrier Germany's European subcontractor locations is expected to increase dramatically over the next year and has already substantially increased Greenbrier's manufacturing capacity worldwide.

The 7,000 ton forge at TrentonWorks is the largest in Canada.

Rail Services

Greenbrier provides repair and refurbishment services for its customers at various facilities throughout North America. It also performs needed services for the Company's own lease fleet. Railcar repair and refurbishment programs have made important contributions to the 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. Using the knowledge and expertise gained in North America, Greenbrier has begun to tap into the railcar repair and refurbishment market in Europe.

Wheel shops operating at locations in Oregon, Washington, Arkansas and Mexico supply customers with new mounts and reprofiled wheel sets. While the overall wheel and mounting market was down in 2000, Greenbrier's joint undertaking with ABC-NACO on a major, long-term wheel program with Union Pacific Railroad has provided a substantial baseload of work allowing Greenbrier's market share to grow. This is a good example of how Greenbrier's multi-tasked commercial and technical teams interact to weather cyclical influences and maintain revenue stability.

Marine and Forge Activities

At its Oregon manufacturing facility, Greenbrier has the capacity to manufacture ocean-going vessels measuring up to 700 feet in length. This marine facility includes the largest side-launch ways on the West Coast. In September 2000, the first rail barge of a three-barge contract with Alaska Railbelt Marine was launched. The specially designed, 420 foot long, 100 foot wide barge features a unique and efficient operating profile requiring a streamlined hull, which allows for faster towing service compared to other barges of its size. The other two barges in this contract will be completed in 2001.

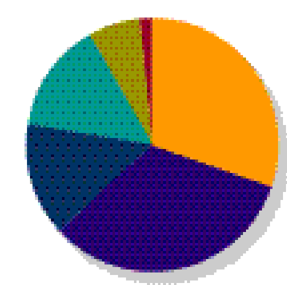
Greenbrier also produces steel forgings weighing up to 100 tons at its TrentonWorks industrial forge facility, one of the largest in North America. The forge produces custom parts for the oil and gas, hydroelectric and other heavy industries throughout the world. A vertical-boring mill, installed in 1999, proved to be a great asset in 2000, along with the addition of a large bandsaw capable of cutting material up to 41 inches in diameter, which has reduced sawing time from two days to three hours. Although business slowed in 2000, the outlook for 2001 is optimistic due to the higher demand for fan shafts for coal fired plants in response to the Clean Air Act in the United States and to an expected increase in production of offshore drilling equipment.

INNOVATION

IN SALES, MARKETING AND SERVICES

Owned or Managed Railcar Fleet

August 31, 2000



BNSF train of Gunderson built Maxi-Stack® IV railcars travels east through the Columbia River Gorge.

Commercial

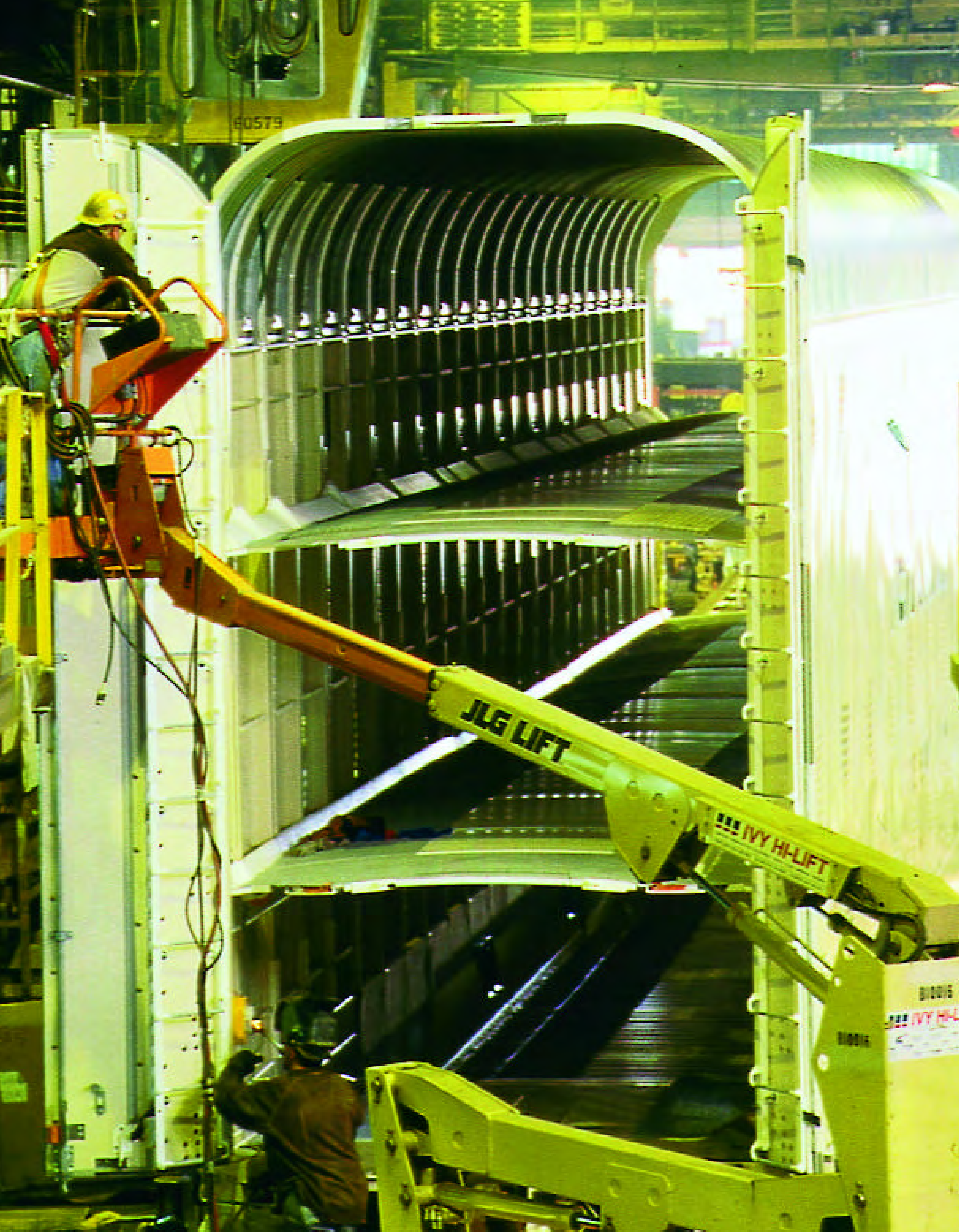
Greenbrier's products and related manufacturing and engineering expertise are offered to customers through two major commercial groups, North America and Europe. Greenbrier's experienced sales force offers customers broad yet integrated solutions in the areas of railcar supply, design, maintenance, refurbishment, management and finance and is an effective marketing tool for the Company's manufactured products and services, including repair and refurbishment programs.

Innovative leasing & services capabilities allow the commercial groups to take an active sponsorship position on production in order to enhance production efficiencies or to anticipate market and customer demands. This sponsorship activity is carefully managed to minimize exposure and maximize opportunities for financial customers who purchase railcars for their lease portfolios.

Greenbrier also critically evaluates opportunities to increase its fleet of freight cars either through Company production or third-party acquisition.

Leasing & Services

Providing revenues of approximately $90 million in 2000, Greenbrier's leasing & services segment owns or manages a fleet of approximately 37,000 railcars, one of the larger non-railroad fleets in North America. During market slowdowns, as has been the case this year in North America, leasing offers attractive financial and operating options which allow the Company to maintain production and increase market share, adding stability to earnings. Through a variety of leasing and management options, Greenbrier's sales force can present customers with many useful alternatives to direct ownership of new railcars. This capability is a unique competitive advantage to Greenbrier and its manufacturing operations.



Door installation being performed on Auto-Max® car at Gunderson.

In 2000, approximately 90% of the available owned fleet is under lease to major railroads, shippers and other leasing organizations, down from 97% in 1999. 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 to be held as investments. Assets from the Company's owned lease fleet are periodically sold to take advantage of market opportunities, helping to manage portfolio risk, maturities and liquidity.

A multi-year maintenance agreement with Burlington Northern Santa Fe ("BNSF") for 7,000 used covered hopper cars has proven to be successful. 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 rail services facilities.

Product Innovation

Greenbrier is a leader in providing boxcars for the paper industry.

Greenbrier is committed to satisfying its customers and has always believed in innovative design, development and engineering. It has introduced many new railcar designs, including a wide variety of double-stack intermodal cars, boxcars and automotive cars. With production capacity increased through capital spending and acquisitions, Greenbrier is continuing to enhance its product lines through engineering. A significant accomplishment this year was the introduction of a smooth interior wall boxcar, developed specifically for transporting paper rolls for the newsprint industry without damage from jostling. These boxcars were produced for CSX Transportation, who has said that the boxcars "are the best in the industry and will set the standard for the future."

In 1999, Greenbrier introduced Auto-Max®, a highly engineered alternative to present multi-level automobile carriers. Auto-Max® offers increased load density, the flexibility to be configured for any mix of passenger vehicles and light trucks, and is the first production freight car in the industry that can efficiently and safely carry sport-utility vehicles, pickups or minivans in a tri-level configuration, allowing it to carry 30% more vehicles per train. In actual unit train operations, the Auto-Max® cars have cut transit times significantly and tripled equipment utilization. Auto-Max® is being enhanced in response to customer needs. Although market penetration has been slower than anticipated, Greenbrier believes that this design will play an important role in meeting the future demands for automotive transportation.

COMMITMENT

TO OUR EMPLOYEES AND COMMUNITY

Employee Relations

Greenbrier is committed to developing solutions that will enhance safety and health for its employees. Gunderson and TrentonWorks have begun long-term projects aimed at reducing weld fume exhaust. Extraction devices fitted over welding guns remove and send weld exhaust to a collection station via a high-pressure vacuum. These extraction devices have significantly improved the air quality and have also reduced maintenance requirements, as they are essentially self-cleaning. Greenbrier also continues to operate all of its facilities within the environmental parameters set forth by appropriate regulatory agencies. For example, changeover in the heating system at TrentonWorks has reduced sulfur dioxide emissions by almost 50%.

Along with Greenbrier's commitment to a safe work environment, investments continue to be made in training and development programs to encourage personal growth and higher levels of performance and safety. General safety, emergency response and hazardous material workshops are conducted on a regular basis. Greenbrier has created a mutually beneficial exchange program between its North American and European employees that has helped to ensure the successful integration of newly acquired operations. The program establishes communication and teamwork between European and North American operations and has created a forum for the sharing of ideas and for cross-training. These efforts help attract and retain quality people and motivate superior performance.

Employees from:

Top; WagonySwidnica

Middle; TrentonWorks

Bottom; Gunderson

Community Service

Greenbrier is committed to the communities in which it operates with its support of various local and national organizations. Greenbrier has put children and education first within its community programs, but also supports other causes from performing arts to medical research and historical societies. Within the past year, special support has been directed towards homeless youth programs, special education programs and flood relief in communities in Canada, Mexico, Poland and the United States.

By participating in community affairs, the Company reinforces its relationships with its employees and with the communities in which it operates.

Crowd gathers for launching of the "Anchorage Provider", a 420 foot railcar barge for service to Alaska.

Finan l Section Table of Contents

TTX Excellent Supplier Awards for freight car manufacturing; TrentonWorks' second consecutive award and Gunderson's ninth consecutive award. In addition, wheel services have received this award for eight consecutive years.

Selected Financial Information

YEARS ENDED AUGUST 31,

(In thousands, except per share data)	2000	1999	1998	1997	1996
Statement of Operations Data					
Revenue:					
Manufacturing	$ 528,240	$ 520,311	$ 451,706	$ 325,501	$ 421,456
Leasing & services	91,189	98,225	88,655	105,419	98,484
	$ 619,429	$ 618,536	$ 540,361	$ 430,920	$ 519,940
Earnings from continuing operations	$ 14,354	$ 20,419[1]	$ 20,332[2]	$ 6,021[3]	$ 18,613
Discontinued operations:[4]					
Loss on operations	—	—	—	(2,512)	(338)
Estimated loss on disposal	—	—	—	(7,680)	—
Extraordinary charge related to debt	—	(938)	—	—	—
Net earnings (loss)	$ 14,354	$ 19,481	$ 20,332	$ (4,171)	$ 18,275
Basic earnings per common share:					
Continuing operations	$ 1.01	$ 1.44	$ 1.43	$ .43	$ 1.31
Net earnings (loss)	$ 1.01	$ 1.37	$ 1.43	$ (.29)	$ 1.29
Diluted earnings per common share:					
Continuing operations	$ 1.01	$ 1.43	$ 1.42	$ .43	$ 1.31
Net earnings (loss)	$ 1.01	$ 1.36	$ 1.42	$ (.29)	$ 1.29
Weighted average common shares outstanding:					
Basic	14,227	14,254	14,203	14,160	14,160
Diluted	14,241	14,294	14,346	14,160	14,170
Cash dividends paid per common share	$ .36	$ .39[5]	$ .24	$ .24	$ .24
Balance Sheet Data					
Assets:					
Cash	$ 12,908	$ 77,796	$ 57,909	$ 21,744	$ 12,483
Inventories	127,484	92,495	79,849	151,591	90,448
Leased equipment	246,854	236,410	256,509	284,541	364,701
All other	196,863	144,015	111,222	122,642	147,856
	$ 584,109	$ 550,716	$ 505,489	$ 580,518	$ 615,488
Debt:					
Revolving	$ 13,019	$ 3,783	$ —	$ 57,709	$ 27,814
Term	159,363	161,401	147,876	201,786	216,278
	$ 172,382	$ 165,184	$ 147,876	$ 259,495	$ 244,092
Capital base:					
Subordinated debt	$ 37,748	$ 37,788	$ 37,932	$ 38,089	$ 44,554
Minority interest	5,068	14,034	9,783	18,183	38,154
Stockholders' equity	141,615	134,163	121,370	103,969	111,567
	$ 184,431	$ 185,985	$ 169,085	$ 160,241	$ 194,275

(1) Includes earnings of $1.1 million resulting from the resolution of certain matters on a leasing contract that began in 1990.

(2) Includes a gain of $1.3 million resulting from exiting the trailer and container leasing operation more favorably than anticipated.

(3) Includes $4.8 million 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 the divestiture of the transportation logistics segment.

(5) Includes regular dividend of $0.27 per common share and special dividend of $0.12 per common share.

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

Greenbrier currently operates in two primary business segments: manufacturing and leasing & 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. In Europe, the Company also manufactures new freight cars through the use of unaffiliated subcontractors. Such activities are included in the manufacturing segment. The leasing & services segment owns or manages approximately 37,000 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. Railcars produced in a given period may be delivered in subsequent periods, delaying revenue recognition. Revenue does not include sales of new railcars to, or refurbishment services performed for, the leasing & services segment 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 & services segment over the related life of the asset or upon sale of the equipment.

Overview

Total revenues for 2000 were $619.4 million, an increase of $0.9 million from 1999 revenues of $618.5 million. The increase was due to increased revenues from European manufacturing operations as a result of an acquisition completed in January 2000, offset by lower leasing & services revenue. Total revenues for 1999 were $618.5 million, an increase of 14.5% from 1998 revenues of $540.4 million. The increase was due primarily to a manufacturing product mix with a higher unit sales value, the resolution of certain matters on a leasing contract that began in 1990 and an acquisition completed in early 1999.

Net earnings for 2000 were $14.4 million, or $1.01 per diluted common share, compared to net earnings for 1999 of $19.5 million, or $1.36 per diluted common share, and to 1998 net earnings of $20.3 million, or $1.42 per diluted share. Earnings for 1999 include earnings of $1.1 million from the resolution of certain matters on a leasing contract that began in 1990 and an after-tax extraordinary charge of $0.9 million, or $0.07 per diluted common share, resulting from refinancing of $22.0 million of notes payable. Earnings for 1998 include a gain of $1.3 million resulting from exiting the trailer and container leasing operation more favorably than anticipated.

Expansion and Acquisitions

In January 2000, Greenbrier completed the purchase of the Freight Wagon Division of DaimlerChrysler Rail Systems located in Siegen, Germany. The acquired operation provides expertise in the fields of engineering, design, sales and marketing and project management. It also includes a comprehensive portfolio of railcar designs certified for the European marketplace, which enhanced production at Greenbrier's Polish manufacturing facility. Accordingly, a significant portion of the assets acquired are intangibles. The purchase was initially funded with a cash payment of $4.3 million and the assumption of net liabilities of $29.2 million. Results of the acquired operation, which include the sale of freight cars manufactured by unaffiliated subcontractors, have been included in the accompanying financial statements from the date of acquisition.

In September 1998, Greenbrier acquired a 60.0% interest in a railcar manufacturer located in Swidnica, Poland. Through a series of subsequent transactions, the Company has increased its ownership interest to 97.5%. The acquisition was accounted for by the purchase method, and operating results are included in the consolidated financial statements.

Effective September 1, 1999, Greenbrier acquired the common equity of the minority investor's interest in the Canadian manufacturing subsidiary.

Center partition car

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 50.0% 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 operating results as equity in earnings of unconsolidated subsidiary.

In February 1998, the unaffiliated investors' minority interest in the automobile transportation business was acquired for $7.8 million through the use of restricted cash.

Divestitures

A portion of the trailer and container fleet was sold in 1997, with the remainder sold in 1998. Trailer and container leasing operations were included in leasing & services continuing operations until disposition.

Results of Operations

Manufacturing Segment

Manufacturing revenues include results 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 $528.2 million, $520.3 million and $451.7 million for the years ended 2000, 1999 and 1998. Manufacturing revenues increased $7.9 million, or 1.5%, in 2000 from 1999 due to an increase in European revenues resulting from the newly acquired operation and a shift in product mix to units with a relatively higher sales value, partially offset by a softer North American market. Manufacturing revenues increased $68.6 million, or 15.2%, 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 operation, acquired in 1999, also contributed to this increase. Deliveries of new railcars, which are the primary source of revenue, were approximately 8,100 in 2000, 8,900 in 1999 and 7,800 in 1998.

Maxi-Stack® III

As of August 31, 2000, the backlog of new railcars to be manufactured for sale and lease at all facilities was approximately 7,800 railcars with an estimated value of $440.0 million compared to 5,900 railcars valued at $340.0 million as of May 31, 2000.

Manufacturing gross margin decreased to 11.7% in 2000 from 12.3% in 1999 due to lower selling prices resulting from increased competition. Manufacturing gross margin in 1999 increased from 8.9% in 1998, 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. 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 & Services Segment

Leasing & services revenues were $91.2 million, $98.2 million and $88.7 million for the years ended 2000, 1999 and 1998. Revenues decreased $7.0 million, or 7.1%, in 2000 from 1999 due primarily to the completion of maintenance obligations in 1999 on a contract that began in 1990, partially offset by increases in 2000 due to the multi-year maintenance agreement that began in December 1998. The $9.5 million, or 10.7% 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.

Pre-tax earnings realized on the disposition of leased equipment amounted to $4.4 million during 2000 compared to $5.7 million in 1999 and $9.0 million in 1998. 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 & services operating margin as a percentage of revenue was 48.8% in 2000 compared to 50.4% in 1999 and 60.1% in 1998. The lower margin in 2000 is primarily due to lower utilization of the owned lease fleet, which averaged 90.4% and 97.0% for the years ended August 31, 2000 and 1999. The lower margin in 1999 compared to 1998 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 2000 and 1999 operating margin.

Other Costs

Selling and administrative expense was $54.2 million, $51.1 million and $37.3 million in 2000, 1999 and 1998. As a percentage of revenue, selling and administrative expense was 8.8%, 8.3% and 6.9% in 2000, 1999 and 1998. The increase in 2000 compared to 1999 is due primarily to the addition of the European operations and increased research and development costs, partially offset by cost reduction measures. The increase in 1999 compared to 1998 is primarily due to increased international activity.

Interest expense increased $2.2 million, or 11.6%, to $21.2 million for 2000 as compared to $19.0 million in 1999 as a result of both increased borrowings and cost of borrowings. Interest expense declined $1.9 million in 1999 as compared to $20.9 million in 1998 due to more favorable interest rates on refinanced leasing & services term debt and greater liquidity.

The divestiture of the trailer and container leasing operations was completed in 1998. The results associated with the sale of the operations were more favorable than originally anticipated, resulting in a $2.3 million benefit in 1998.

Income tax expense for all periods presented represents an effective tax rate of 42.0% on United States operations and varying effective tax rates on foreign operations. The consolidated effective tax rate of 51.8% 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 1999 and 1998 was 48.1% and 41.8%.

Minority interest decreased $1.3 million, or 43.3%, to $1.7 million for 2000 as compared to $3.0 million for 1999 primarily as a result of acquiring minority interests in Poland and Canada. The increase in minority interest in 1999 from 1998, reflects the improved contribution from the Canadian operation offset by the effects of European operating losses in 1999.

Equity in earnings of an unconsolidated subsidiary increased $0.2 million, or 28.5%, for 2000 as compared to 1999 as a result of improved manufacturing efficiencies at the Mexican operation.

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. Cash utilization in the current year is primarily due to timing of railcar syndication activities and additions to the lease fleet. The Company's balance sheet and liquidity continue to be strong.

Credit facilities aggregated $129.3 million as of August 31, 2000. A $60.0 million revolving line of credit is available through May 2001 to provide working capital and interim financing of equipment for the leasing & services operations. A $40.0 million line of credit to be used for working capital is available through February 2002 for United States manufacturing operations. A $20.4 million (at the August 31, 2000 exchange rate) line of credit is available through March 2001 for working capital for Canadian manufacturing operations. Lines of credit totaling $6.4 million (at the August 31, 2000 exchange rate) are available principally through December 2000 for working capital for Polish manufacturing operations. A line of credit totaling $2.5 million (at the August 31, 2000 exchange rate) is available to support European operations. Advances under the lines of credit bear interest at rates that vary depending on the type of borrowing and certain defined ratios. At August 31, 2000, there were no borrowings outstanding under the United States manufacturing and European lines. At August 31, 2000, $4.0 million and $4.9 million were outstanding under the Canadian and Polish manufacturing lines and $4.1 million was outstanding under the leasing & services line. Available borrowings under these lines are principally based upon defined levels of receivables, inventory and leased equipment.

In addition, bank guarantees totaling $29.2 million (at the August 31, 2000 exchange rate) are available to support European operations, of which $19.3 million were issued at August 31, 2000.

Subsequent to August 31, 2000, the Company entered into additional revolving loan and bank guarantees totaling $3.4 million and $11.4 million (at the August 31, 2000 exchange rate) to support European operations.

Tank car

Capital expenditures totaled $94.0 million, $71.0 million and $51.2 million in 2000, 1999, and 1998. Of these capital expenditures, approximately $74.5 million, $47.7 million and $39.3 million, in 2000, 1999, and 1998 were attributable to leasing & services operations. Leasing & services capital expenditures for 2001 are expected to be approximately $45.0 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.

Approximately $19.5 million, $23.3 million, and $11.9 million of the total capital expenditures for 2000, 1999 and 1998 were attributable to manufacturing operations. Capital expenditures for manufacturing additions are expected to be approximately $20.0 million in 2001 and will include plant improvements and equipment acquisitions to further increase capacity, enhance efficiencies and allow for the production of new railcars.

Inventories increased $35.0 million primarily as a result of the acquisition in Europe and the purchase of new railcar production, which is expected to be sold in the normal course of business over the next year.

Foreign operations give rise to 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 the August 31, 2000 exchange rates, forward exchange contracts for the purchase of Canadian dollars aggregated $47.8 million, contracts for the purchase of Polish zloties aggregated $15.8 million and contracts for the purchase of United States dollars aggregated $2.0 million. These contracts mature at various dates through June 2001. At August 31, 2000, gains and losses of approximately $0.8 million and $0.4 million on such contracts have been deferred and will be recognized in earnings concurrent with the hedged transaction.

Maxi-Stack® IV

A quarterly dividend of $0.09 per common share was declared in November 2000, to be paid in December. In July 1999, the dividend rate was increased to $0.09 from the $0.06 per common share that had been paid quarterly since 1995. In addition, a special one-time dividend of $0.12 per common 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 $79.8 million as of August 31, 2000. Consolidated retained earnings of $14.7 million at August 31, 2000 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, stock repurchases, working capital needs, planned capital expenditures, acquisitions and expected debt repayments.

In July 2000, Greenbrier's Board of Directors authorized a stock repurchase program under which the company intends to repurchase up to $5.0 million in shares of its outstanding common stock program in open-market transactions, from time to time. As of August 31, 2000, the Company had repurchased approximately 28,000 shares at a purchase price totaling $0.2 million.

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 effective for the Company's fiscal year beginning September 1, 2000 and is not expected to have a material adverse effect on the consolidated financial position, results of operations, or liquidity of the Company. In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*, which, as amended, the Company is required to implement beginning June 1, 2001. Management is currently evaluating the effects of SAB No. 101.

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. These forward-looking statements rely on a number of assumptions concerning future events and include statements relating to:

- financing sources for future expansion, other business development activities, capital spending and railcar syndication activities;
- improved earnings in Europe;
- improved European railcar market environment;
- increased stockholder value;
- increased competition;
- market slowdown in North America;
- share of new and existing markets;
- increased production;
- increased railcar services business; and
- short- and long-term revenue and earnings effects of the above items.

These forward-looking statements are subject to a number of uncertainties and other factors outside Greenbrier's control. The following are among the factors, particularly in North America and Europe, that could cause actual results or outcomes to differ materially from the forward-looking statements:

- a delay or failure of acquisitions, products or services to compete successfully;
- actual future costs and the availability of materials and a trained workforce;
- changes in product mix and the mix between manufacturing and leasing & services revenue;
- labor disputes or operating difficulties that might disrupt manufacturing operations or the flow of cargo;
- production difficulties and product delivery delays as a result of, among other matters, changing technologies or non-performance of sub-contractors;
- ability to obtain suitable contracts for the sale of leased equipment;
- lower-than-anticipated residual values for leased equipment;
- discovery of defects in railcars resulting in increased warranty cost or litigation;
- resolution or outcome of pending litigation;
- the ability to consummate expected sales;
- delays in receipt of orders, risks that contracts may be canceled during their term or not renewed and that customers may not purchase as much equipment under the contracts as anticipated;
- financial condition of principal customers;
- market acceptance of products;
- competitive factors, including increased competition, introduction of competitive products and price pressures;
- industry overcapacity or other factors;
- shifts in market demand;
- domestic and global business conditions and growth or reduction in the surface transportation industry;
- domestic and global political, regulatory or economic conditions;
- changes in interest rates;
- changes in fuel prices;
- commodity price fluctuations; and
- economic impacts from currency fluctuations in the Company's worldwide operations.

Any forward-looking statements should be considered in light of these factors. Greenbrier assumes no obligation to update or revise any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements or if Greenbrier later becomes aware that these assumptions are not likely to be achieved.

Hbbills 310 sliding wall railcar

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 accounting principles generally accepted in the United States of America.

The Company maintains a system of internal control 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 auditing standards generally accepted in the United States of America, 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, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended August 31, 2000. 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 auditing standards generally accepted in the United States of America. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Portland, Oregon
October 24, 2000

Consolidated Balance Sheets

AUGUST 31,

(In thousands, except per share amounts)	2000	1999
Assets		
Cash and cash equivalents	$ 12,819	$ 77,161
Restricted cash and investments	89	635
Accounts and notes receivable	66,150	47,514
Inventories	127,484	92,495
Investment in direct finance leases	124,780	143,185
Equipment on operating leases	122,074	93,225
Property, plant and equipment	77,628	69,316
Intangible assets	23,001	4,000
Other	30,084	23,185
	$ 584,109	$ 550,716
Liabilities and Stockholders' Equity		
Revolving notes	$ 13,019	$ 3,783
Accounts payable and accrued liabilities	147,792	131,474
Deferred participation	54,266	50,439
Deferred income taxes	25,238	17,634
Notes payable	159,363	161,401
Subordinated debt	37,748	37,788
Minority interest	5,068	14,034
Commitments and contingencies (Notes 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; 14,227 and 14,255 outstanding at August 31, 2000 and 1999	14	14
Additional paid-in capital	50,249	50,495
Retained earnings	94,756	85,534
Accumulated other comprehensive loss	(3,404)	(1,880)
	141,615	134,163
	$ 584,109	$ 550,716

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Operations

YEARS ENDED AUGUST 31,

(In thousands, except per share amounts)	2000	1999	1998
Revenue			
Manufacturing	$ 528,240	$ 520,311	$ 451,706
Leasing & services	91,189	98,225	88,655
	619,429	618,536	540,361
Cost of revenue			
Manufacturing	466,348	456,122	411,655
Leasing & services	46,711	48,682	35,349
	513,059	504,804	447,004
Margin	106,370	113,732	93,357
Other costs			
Selling and administrative expense	54,202	51,061	37,270
Interest expense	21,165	19,048	20,933
Special charges — leasing & services	—	—	(2,250)
	75,367	70,109	55,953
Earnings before income tax expense, minority interest and equity in earnings of unconsolidated subsidiary	31,003	43,623	37,404
Income tax expense	(16,053)	(20,979)	(15,643)
Earnings before minority interest and equity in earnings of unconsolidated subsidiary	14,950	22,644	21,761
Minority interest	(1,650)	(3,045)	(1,429)
Equity in earnings of unconsolidated subsidiary	1,054	820	—
Earnings from continuing operations	14,354	20,419	20,332
Extraordinary charge (net of $680 tax benefit)	—	(938)	—
Net earnings	$ 14,354	$ 19,481	$ 20,332
Basic earnings per common share:			
Continuing operations	$ 1.01	$ 1.44	$ 1.43
Extraordinary charge	—	(.07)	—
Net earnings	$ 1.01	$ 1.37	$ 1.43
Diluted earnings per common share:			
Continuing operations	$ 1.01	$ 1.43	$ 1.42
Extraordinary charge	—	(.07)	—
Net earnings	$ 1.01	$ 1.36	$ 1.42
Weighted average common shares:			
Basic	14,227	14,254	14,203
Diluted	14,241	14,294	14,346

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Stockholders' Equity and Comprehensive Income

(In thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
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 ($0.24 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 benefit)	—	—	—	—	(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 ($0.39 per share)	—	—	—	(5,559)	—	(5,559)
Balance August 31, 1999	14,255	14	50,495	85,534	(1,880)	134,163
Net earnings	—	—	—	14,354	—	14,354
Translation adjustment (net of $188 tax benefit)	—	—	—	—	(1,524)	(1,524)
Comprehensive income						12,830
Purchase of treasury stock	(28)	—	(246)	—	—	(246)
Cash dividends ($0.36 per share)	—	—	—	(5,132)	—	(5,132)
Balance August 31, 2000	14,227	$ 14	$ 50,249	$ 94,756	$ (3,404)	$ 141,615

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

YEARS ENDED AUGUST 31,

(In thousands)	2000	1999	1998
Cash flows from operating activities:			
Net earnings	$ 14,354	$ 19,481	$ 20,332
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:			
Extraordinary charge	—	938	—
Deferred income taxes	7,604	6,470	(2,217)
Deferred participation	3,827	5,196	6,211
Depreciation and amortization	20,356	16,477	14,527
Special charges	—	—	(2,250)
Gain on sales of equipment	(4,527)	(5,887)	(9,994)
Other	2,627	5,879	1,537
Decrease (increase) in assets:			
Accounts and notes receivable	(18,610)	(2,713)	13,197
Inventories	(39,249)	(3,608)	10,110
Prepaid expenses and other	(1,376)	(879)	1,910
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	(13,295)	(2,961)	22,509
Net cash (used in) provided by operating activities	(28,289)	38,393	75,872
Cash flows from investing activities:			
Acquisitions, net of cash acquired	(4,787)	(11,702)	—
Principal payments received under direct finance leases	18,313	16,729	15,102
Investment in direct finance leases	(170)	(446)	(856)
Proceeds from sales of equipment	49,789	39,903	117,945
Purchase of property and equipment	(93,821)	(70,531)	(50,345)
Use of (investment in) restricted cash and investments	546	15,362	(8,637)
Net cash (used in) provided by investing activities	(30,130)	(10,685)	73,209
Cash flows from financing activities:			
Proceeds from borrowings	34,052	60,029	13,157
Repayments of borrowings	(26,987)	(46,958)	(124,750)
Dividends	(5,132)	(5,559)	(3,409)
Purchase of minority interest	(7,610)	—	(7,772)
Purchase of treasury stock	(246)	—	—
Proceeds from exercise of stock options	—	29	1,221
Net cash provided by (used in) financing activities	(5,923)	7,541	(121,553)
Increase (decrease) in cash and cash equivalents	(64,342)	35,249	27,528
Cash and cash equivalents:			
Beginning of period	77,161	41,912	14,384
End of period	$ 12,819	$ 77,161	$ 41,912
Cash paid during the period for:			
Interest	$ 18,430	$ 16,637	$ 20,526
Income taxes	6,291	9,150	13,626
Non-cash investing and financing activities:			
Purchase of minority interest	$ —	$ —	$ 1,580

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

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 & 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. In Europe, the Company also manufactures freight cars through the use of unaffiliated subcontractors. Such activities are included in the manufacturing segment. The leasing & services segment owns or manages approximately 37,000 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.

Foreign currency translation — Operations outside the United States prepare financial statements in currencies other than the United States dollar, the income statement amounts are translated at average exchange rates for the year, while the assets and liabilities are translated at year-end exchange rates. Translation adjustments are accumulated as a separate component of stockholders' equity and comprehensive income.

Cash and investments — Cash is temporarily invested primarily in bankers' acceptances, United States 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 three 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 consist of 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.

Intangible 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 for over the term of maintenance obligations specified in the underlying lease agreements. 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. Valuation allowances reduce deferred tax assets to an amount that will more likely than not be realized.

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

Comprehensive income — Statement of Financial Accounting Standards ("SFAS") No. 130, *Reporting Comprehensive Income,* 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.

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 that 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.

89' flat car

Forward exchange contracts — Foreign operations give rise to 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.

Net earnings per common share — Basic earnings per common share ("EPS") excludes the potential dilution that 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 Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*. If material, pro forma disclosures of net earnings and earnings per common 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. This includes, among other things, 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 2000 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 effective for the Company's fiscal year beginning September 1, 2000 and is not expected to have a material adverse effect on the consolidated financial position, results of operations, or liquidity of the Company. In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*, which, as amended, the Company is required to implement beginning June 1, 2001. Management is currently evaluating the effects of SAB No. 101.

Note 3 — Acquisitions

In January 2000, Greenbrier completed the purchase of the Freight Wagon Division of DaimlerChrysler Rail Systems located in Siegen, Germany. The acquired operation provides expertise in the fields of engineering, design, sales and marketing and project management. It also includes a comprehensive portfolio of railcar designs certified for the European marketplace. Accordingly, a significant portion of the assets acquired are intangibles. The purchase was initially funded with a cash payment of $4.3 million and the assumption of net liabilities of $29.2 million. Results of the acquired operation, which include the sale of freight cars manufactured by unaffiliated subcontractors, have been included in the accompanying financial statements from the date of acquisition. Disclosure of the acquisition on a proforma basis, as if it had taken place on September 1, 1999, has not been provided, as it is not material to the Company's financial position or results of operations.

On September 30, 1998, Greenbrier acquired a 60.0% interest in a railcar manufacturer located in Swidnica, Poland. Through a series of subsequent transactions, the Company has increased its ownership interest to 97.5%. This acquisition was accounted for by the purchase method, and operating results are included in the consolidated financial statements since the date of acquisition.

Effective September 1, 1999, Greenbrier completed the acquisition of the remaining common equity of the minority investor's interest in the Canadian manufacturing subsidiary.

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 50.0% 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 as equity in earnings of unconsolidated subsidiary in the Consolidated Statements of Operations.

The excess purchase price over the fair value of net assets acquired in these transactions has been included in intangible assets in the Consolidated Balance Sheets and is being amortized on a straight-line basis over 12 years. The above acquisitions were completed utilizing operating cash flows and available lines of credit.

Note 4 — Divestitures

In 1997, a plan was adopted to sell the trailer and container leasing operation, in order to focus on core railcar operations. 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. In 1997, an estimated pre-tax loss of approximately $1.6 million was included in the Consolidated Statements of Operations in special charges — leasing & services for anticipated results of selling the operation. The results associated with the sale were more favorable than originally anticipated, resulting in a $2.3 million benefit in 1998.

Note 5 — Inventories

(In thousands)	2000	1999
Manufacturing supplies and raw materials	$ 23,071	$ 10,953
Work-in-process	55,227	66,255
Assets held for sale or refurbishment	49,186	15,287
	$127,484	$ 92,495

Note 6 — Investment in Direct Finance Leases

(In thousands)	2000	1999
Future minimum receipts on lease contracts	$151,879	$196,883
Maintenance, insurance and taxes	(35,671)	(43,940)
Net minimum lease receipts	116,208	152,943
Estimated residual values	51,848	51,901
Unearned finance charges	(43,276)	(61,659)
	$124,780	$143,185

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

(In thousands)	
Year ending August 31,	
2001	$ 48,750
2002	40,215
2003	29,098
2004	18,339
2005	10,430
Thereafter	5,047
	$ 151,879

Note 7 — Equipment on Operating Leases

Equipment on operating leases is reported net of accumulated depreciation of $53.2 million and $49.5 million as of August 31, 2000 and 1999.

In addition, 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:

(In thousands)	
Year ending August 31,	
2001	$ 16,585
2002	12,923
2003	11,346
2004	8,872
2005	6,819
Thereafter	3,548
	$ 60,093

Certain equipment is also operated under daily, monthly or mileage arrangements. Associated revenues amounted to $25.8 million, $23.0 million and $24.5 million for the years ended August 31, 2000, 1999 and 1998.

Note 8 — Property, Plant and Equipment

(In thousands)	2000	1999
Land and improvements	$ 9,326	$ 9,037
Machinery and equipment	63,772	51,384
Buildings and improvements	31,062	22,715
Other	20,227	21,788
	124,387	104,924
Accumulated depreciation	(46,759)	(35,608)
	$ 77,628	$ 69,316

Gondola

Note 9 – Investment in Unconsolidated Subsidiary

Summarized financial data for the Company's manufacturing joint venture for the year ended August 31, 2000 and 1999 is as follows:

(In thousands)	2000	1999
Current assets	$ 25,623	$ 29,717
Total assets	44,407	40,156
Current liabilities	17,183	18,822
Equity	27,224	21,334
Revenues	$ 100,313	$ 56,524
Net earnings	$ 5,730	$ 1,334

Note 10 — Revolving Notes

Credit facilities aggregated $129.3 million as of August 31, 2000. A $60.0 million revolving line of credit is available through May 2001 to provide working capital and interim financing of equipment for the leasing & services operations. A $40.0 million line of credit to be used for working capital is available through February 2002 for United States manufacturing operations. A $20.4 million (at the August 31, 2000 exchange rate) line of credit is available through March 2001 for working capital for Canadian manufacturing operations. Lines of credit totaling $6.4 million (at the August 31, 2000 exchange rate) are available principally through December 2000 for working capital for Polish manufacturing operations. A line of credit totaling $2.5 million (at the August 31, 2000 exchange rate) is available to support European operations. Advances under the lines of credit bear interest at rates, which vary depending on the type of borrowing and certain defined ratios. At August 31, 2000, there were no borrowings outstanding under the United States manufacturing and European lines. At August 31, 2000, $4.0 million and $4.9 million were outstanding under the Canadian and Polish manufacturing lines and $4.1 million was outstanding under the leasing & services line. Available borrowings under these lines are principally based upon defined levels of receivables, inventory and leased equipment.

All-Purpose Husky-Stack®

In addition, bank guarantees totaling $29.2 million (at the August 31, 2000 exchange rate), are available to support European operations, of which $19.3 million were issued at August 31, 2000.

Subsequent to August 31, 2000, the Company entered into additional revolving loan and bank guarantees totaling $3.4 million and $11.4 million (at the August 31, 2000 exchange rate) to support European operations.

Note 11 — Accounts Payable and Accrued Liabilities

(In thousands)	2000	1999
Accounts payable and accrued liabilities	$ 90,807	$ 69,578
Accrued payroll and related liabilities	18,215	19,518
Maintenance reserves	10,338	14,835
Participation	2,943	8,366
Other	25,489	19,177
	$147,792	$ 131,474

Note 12 — Notes Payable

(In thousands)	2000	1999
Equipment notes payable	$ 98,663	$ 121,816
Term loans	59,337	37,616
Other notes payable	1,363	1,969
	$159,363	$ 161,401

Equipment notes payable, related to the lease fleet, bear interest at fixed rates of 6.5% to 10.8% and are due in varying installments through June 2006. The weighted average remaining contractual life and weighted average interest rate of the notes as of August 31, 2000 and 1999 were approximately 27 and 37 months and 7.3% and 7.7% for 2000 and 1999. The notes are collateralized by certain lease fleet railcars.

Term loans for manufacturing operations and acquisitions are due in varying installments through March 2011 and are collateralized by certain property, plant and equipment. As of August 31, 2000, the effective interest rates on the term loans ranged from 6.6% to 8.5%, except for Eastern Europe where borrowings of $1.5 million bear interest at 19.1%. Interest rate swap agreements are utilized to reduce the impact of changes in interest rates on certain debt. At August 31, 2000, such agreements had a notional amount of $30.0 million and mature between July 2008 and March 2011.

In February 1999, Greenbrier issued $30.0 million of senior term notes due 2006 (the "Notes"). In conjunction with the issuance of the Notes, $22.0 million of leasing equipment notes payable were repaid. The early retirement of this debt resulted in a $0.9 million extraordinary charge (net of income taxes of $0.7 million) in 1999 for prepayment penalties and the write-off of deferred loan costs.

Principal payments on the notes payable are as follows:

(In thousands)	
Year ending August 31,	
2001	$ 31,734
2002	34,721
2003	24,420
2004	20,649
2005	11,758
Thereafter	36,081
	$159,363

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 or advances by subsidiaries and require certain levels of tangible net worth, ratio of debt to equity and debt service coverage. At August 31, 2000, the Company was in compliance with these covenants.

Note 13 — Subordinated Debt

Subordinated notes, amounting to $37.7 million and $37.8 million at August 31, 2000 and 1999, were issued for railcars purchased as part of an agreement described in Note 21. The notes bear interest at 11.0% and 9.0%, 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 $0.3 million becomes due in 2001, $10.3 million in 2002, $6.0 million in 2003, $5.9 million in 2004 and $6.4 million in 2005 with the remaining balance due after 2005.

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.

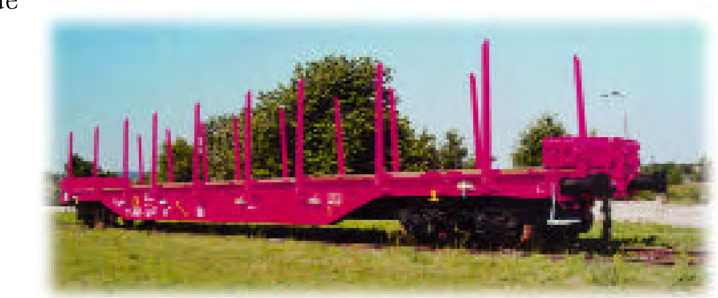
Note 14 — Stockholders' Equity

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 $79.8 million as of August 31, 2000. Consolidated retained earnings of $14.7 million at August 31, 2000 were restricted as to the payment of dividends.

A stock incentive plan was adopted July 1, 1994 (the "1994 Plan") that provides for granting compensatory and non-compensatory options to employees and others. Outstanding options generally vest at 50.0% 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 1,000,000 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 50.0% two years from the grant date, with the balance vesting five years from grant.



Rns-z 643 flat car

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

	Shares	Weighted Average Option Price
Balance at August 31, 1997	761,373	$ 13.62
Granted	3,000	17.34
Exercised	(92,772)	13.17
Canceled	(24,742)	13.94
Balance at August 31, 1998	646,859	13.62
Granted	642,500	11.37
Exercised	(1,860)	13.14
Canceled	(16,534)	14.00
Balance at August 31, 1999	1,270,965	12.73
Granted	262,500	8.69
Expired	(3,000)	16.75
Canceled	(27,491)	12.59
Balance at August 31, 2000	1,502,974	11.75

Options outstanding at August 31, 2000 have exercise prices ranging from $8.56 to $17.34 per share and have a remaining contractual life of 4.74 years. As of August 31, 2000, options to purchase 556,324 shares were exercisable and 737,500 shares were available for grant. Options to purchase 1,000,000 and 640,000 shares were available for grant at August 31, 1999 and 1998.

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 and net earnings per common share for the years ended August 31, 2000, 1999 and 1998 would not have differed materially from the amounts reported.

Bulkhead flat car

Note 15 — Related Party Transactions

The Company purchased railcars totaling $48.3 million and $54.2 million for the years ended August 31, 2000 and 1999 from a 50.0%-owned joint venture for subsequent sale or for its own lease fleet.

Maintenance, management and other fees received from a related entity under an agreement were $0.5 million, $0.9 million and $0.9 million for the years ended August 31, 2000, 1999 and 1998.

A member of the board of directors of a Canadian subsidiary also serves as a director of a 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 United States employees. Contributions are based on a percentage of employee contributions and amounted to $1.1 million, $0.8 million and $0.6 million for the years ended August 31, 2000, 1999 and 1998.

Defined benefit pension plans are provided for Canadian and German employees covered by collective bargaining agreements. The plans provide 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 plans' 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 $1.5 million, $0.9 million and $2.4 million for the years ended August 31, 2000, 1999 and 1998.

Note 17 — Income Taxes

Components of income tax expense are as follows:

(In thousands)	2000	1999	1998
Current:			
Federal	$ 2,466	$ 5,174	$ 13,139
State	1,506	1,092	2,581
Foreign	4,477	8,243	2,140
	8,449	14,509	17,860
Deferred:			
Federal	5,787	6,317	181
State	598	1,617	(2,062)
Foreign	1,219	(1,464)	(336)
	7,604	6,470	(2,217)
	$ 16,053	$ 20,979	$ 15,643

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:

	2000	1999	1998
Statutory rates	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	4.3	4.0	4.5
Impact of foreign taxes	11.9	7.4	0.6
Other	0.6	1.7	1.7
	51.8%	48.1%	41.8%

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

(In thousands)	2000	1999
Deferred tax assets:		
Alternative minimum tax credit carryforward	$ (4,417)	$ (6,783)
Deferred participation	(21,775)	(20,434)
Maintenance and warranty reserves	(5,553)	(7,454)
Accrued payroll and related liabilities	(3,245)	(7,420)
Deferred revenue	(872)	(275)
Inventories and other	(4,094)	(4,005)
	(39,956)	(46,371)
Deferred tax liabilities:		
Accelerated depreciation	64,925	64,610
Other	2,671	2,269
Net deferred tax liability attributable to continuing operations	27,640	20,508
Net deferred tax liability attributable to discontinued operations	(2,402)	(2,874)
Net deferred tax liability	$ 25,238	$ 17,634

Note 18 – Segment Information

Greenbrier has two reportable segments: manufacturing and leasing & 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 in the Consolidated Statements of Operations. Intersegment sales and transfers are accounted for as if the sales or transfers were to third parties.

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.

(In thousands)	2000	1999	1998
Revenue:			
Manufacturing	$582,543	$548,038	$ 470,025
Leasing & services	116,994	127,630	107,147
Intersegment eliminations	(80,108)	(57,132)	(36,811)
	$619,429	$618,536	$ 540,361
Assets:			
Manufacturing	$232,265	$188,147	$ 162,907
Leasing & services	338,908	284,401	298,811
Unallocated	12,936	78,168	43,771
	$584,109	$550,716	$ 505,489
Depreciation and amortization:			
Manufacturing	$ 9,847	$ 7,794	$ 4,774
Leasing & services	10,509	8,683	9,753
	$ 20,356	$ 16,477	$ 14,527
Capital expenditures:			
Manufacturing	$ 19,476	$ 23,260	$ 11,887
Leasing & services	74,515	47,717	39,314
	$ 93,991	$ 70,977	$ 51,201

60' wide door boxcar

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

(In thousands)	2000	1999	1998
Revenue:			
United States	$393,213	$387,735	$386,064
Canada	239,658	231,767	169,335
Europe	53,230	20,183	—
Eliminations	(66,672)	(21,149)	(15,038)
	$619,429	$618,536	$540,361
Earnings[1]:			
United States	$ 25,156	$ 33,413	$ 33,162
Canada	15,350	16,280	4,345
Europe	(5,299)	(6,120)	—
Eliminations	(4,204)	50	(103)
	$ 31,003	$ 43,623	$ 37,404
Identifiable assets:			
United States	$464,276	$469,133	$452,323
Canada	57,899	64,162	53,166
Europe	61,934	17,421	—
	$584,109	$550,716	$505,489

[1] From continuing operations before income tax expense, minority interest and equity in earnings of unconsolidated subsidiary.

Note 19 — Customer Concentration

In 2000, revenue from the two largest customers was 30.1% and 8.9% of total revenues. Revenue from the two largest customers was 28.3% and 16.7% of total revenues for the year ended August 31, 1999 and 25.0% and 16.0% of total revenues for the year ended August 31, 1998. No other customers accounted for more than 10.0% of total revenues in 2000, 1999, or 1998. Two customers had balances that individually exceeded 10.0% of accounts receivable and in total represented 40.4% of the consolidated balance at August 31, 2000. Three customers had balances that individually exceeded 10.0% of accounts receivable and in total represented 64.0% of the consolidated balance at August 31, 1999.

50′ excess height boxcar

Note 20 — Lease Commitments

Lease expense for railcar equipment leased under non-cancelable leases was $7.4 million, $7.3 million and $5.0 million, for the years ended August 31, 2000, 1999 and 1998.

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

(In thousands)	
Year ending August 31,	
2001	$ 4,154
2002	3,283
2003	2,668
2004	1,226
2005	125
Thereafter	—
	$ 11,456

Operating leases for domestic refurbishment facilities, office space and certain manufacturing and office equipment expire at various dates through September 2014. Rental expense for facilities, office space and equipment was $2.9 million, $2.5 million and $1.9 million for the years ended August 31, 2000, 1999 and 1998.

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

(In thousands)	
Year ending August 31,	
2001	$ 2,748
2002	2,643
2003	2,168
2004	1,627
2005	1,258
Thereafter	5,189
	$ 15,633

Note 21 — Commitments and Contingencies

In 1990, an agreement was entered into for the purchase and refurbishment of over 10,000 used railcars. The agreement 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 $9.7 million, $14.0 million and $7.2 million for the years ended August 31, 2000, 1999 and 1998. Payment of deferred participation is estimated to be $3.0 million in 2001, $4.5 million in 2002, $10.8 million in 2003, $21.7 million in 2004 and $17.7 million in 2005 with the remaining balance due after 2005.

At the August 31, 2000 exchange rates, forward exchange contracts for the purchase of Canadian dollars aggregated $47.8 million, contracts for the purchase of Polish zloties aggregated $15.8 million and contracts for the purchase of United States dollars aggregated $2.0 million. These contracts mature at various dates through June 2001. At August 31, 2000, gains and losses of approximately $0.8 million and $0.4 million on such contracts have been deferred and will be recognized in earnings concurrent with the hedged transaction.

Environmental studies have been conducted of owned and leased properties that indicate additional investigation and some remediation may be necessary. The Portland, Oregon manufacturing facility is located on the Willamette River. The United States 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 the Company 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. The Company 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, results of operations, or cash flows of the Company. Management believes that its operations adhere to sound environmental practices, applicable laws and regulations.

From time to time, the Company 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 the Company violated the agreements pursuant to which it acquired ownership of Interamerican and seek damages aggregating $4.5 million 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 $0.7 million and the maximum is $2.1 million.

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:

	2000	
(In thousands)	Carrying Amount	Estimated Fair Value
Notes payable and subordinated debt	$197,111	$174,575
Deferred participation	54,266	42,278

	1999	
(In thousands)	Carrying Amount	Estimated Fair Value
Notes payable and subordinated debt	$199,189	$179,456
Deferred participation	50,439	33,681

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 interest rate swaps are not material.

Covered cement hopper

Quarterly Results of Operations

Unaudited operating results by quarter for 2000 and 1999 are as follows:

(In thousands, except per share amounts)	First	Second	Third	Fourth	Total
2000					
Revenue					
Manufacturing	$ 91,749	$ 149,387	$ 147,054	$ 140,050	$ 528,240
Leasing & services	21,253	23,436	24,861	21,639	91,189
	113,002	172,823	171,915	161,689	619,429
Cost of revenue					
Manufacturing	80,013	132,070	131,041	123,224	466,348
Leasing & services	12,214	12,332	11,817	10,348	46,711
	92,227	144,402	142,858	133,572	513,059
Margin	$ 20,775	$ 28,421	$ 29,057	$ 28,117	$ 106,370
Net earnings	$ 424	$ 4,303	$ 4,241	$ 5,386	$ 14,354
Net earnings per common share:					
Basic	$ .03	$ .30	$ .30	$ .38	$ 1.01
Diluted	$ .03	$ .30	$ .30	$ .38	$ 1.01
1999					
Revenue					
Manufacturing	$ 100,074	$ 145,048	$ 152,360	$ 122,829	$ 520,311
Leasing & services	20,012	21,892	21,712	34,609	98,225
	120,086	166,940	174,072	157,438	618,536
Cost of revenue					
Manufacturing	90,393	127,128	133,695	104,906	456,122
Leasing & 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 common share:					
Basic[3]	$ .20	$ .36[1]	$ .43	$ .37	$ 1.37
Diluted	$ .20	$ .36[1]	$ .43	$ .37	$ 1.36

[1] Includes an extraordinary charge of $0.9 million, or $0.07 per share, representing prepayment penalties and the write-off of deferred loan costs.

[2] Includes earnings of $1.1 million resulting from the resolution of certain matters on a leasing contract that began in 1990.

[3] The sum of quarterly earnings per common share may not equal annual earnings per common share as a result of the computation of quarterly versus annual weighted average common shares outstanding.

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

Linda M. Olinger
Corporate Controller

Thomas P. Peczerski
President, WagonySwidnica S.A.

Mark J. Rittenbaum
Vice President, Treasurer

Thomas J. Sass
President, Gunderson, Inc.

James T. Sharp
Vice President, Marketing

Bernhard Seidenstücker
Managing Director, Greenbrier Germany, GmbH

Timothy A. Stuckey
President, Gunderson Rail Services

Norriss M. Webb
Executive Vice President, General Counsel

L. Clark Wood
President, Manufacturing Operations

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(503) 684-7000

Company website: www.gbrx.com

Annual Stockholders' Meeting:

January 9, 2001, 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:

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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 245 holders of record of common stock as of October 31, 2000. The following table shows the reported high and low sales price of Greenbrier's common stock on the New York Stock Exchange.

	High	Low
2000		
Fourth quarter	$ 9.25	$ 7.25
Third quarter	$ 8.44	$ 7.00
Second quarter	$ 10.63	$ 8.06
First quarter	$ 11.38	$ 9.69
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

Cash dividends have been paid quarterly on the common stock since December 1994. In July 1999, the dividend rate was increased to $0.09 from $0.06 per common share. In addition, a special one-time dividend of $0.12 per common 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.

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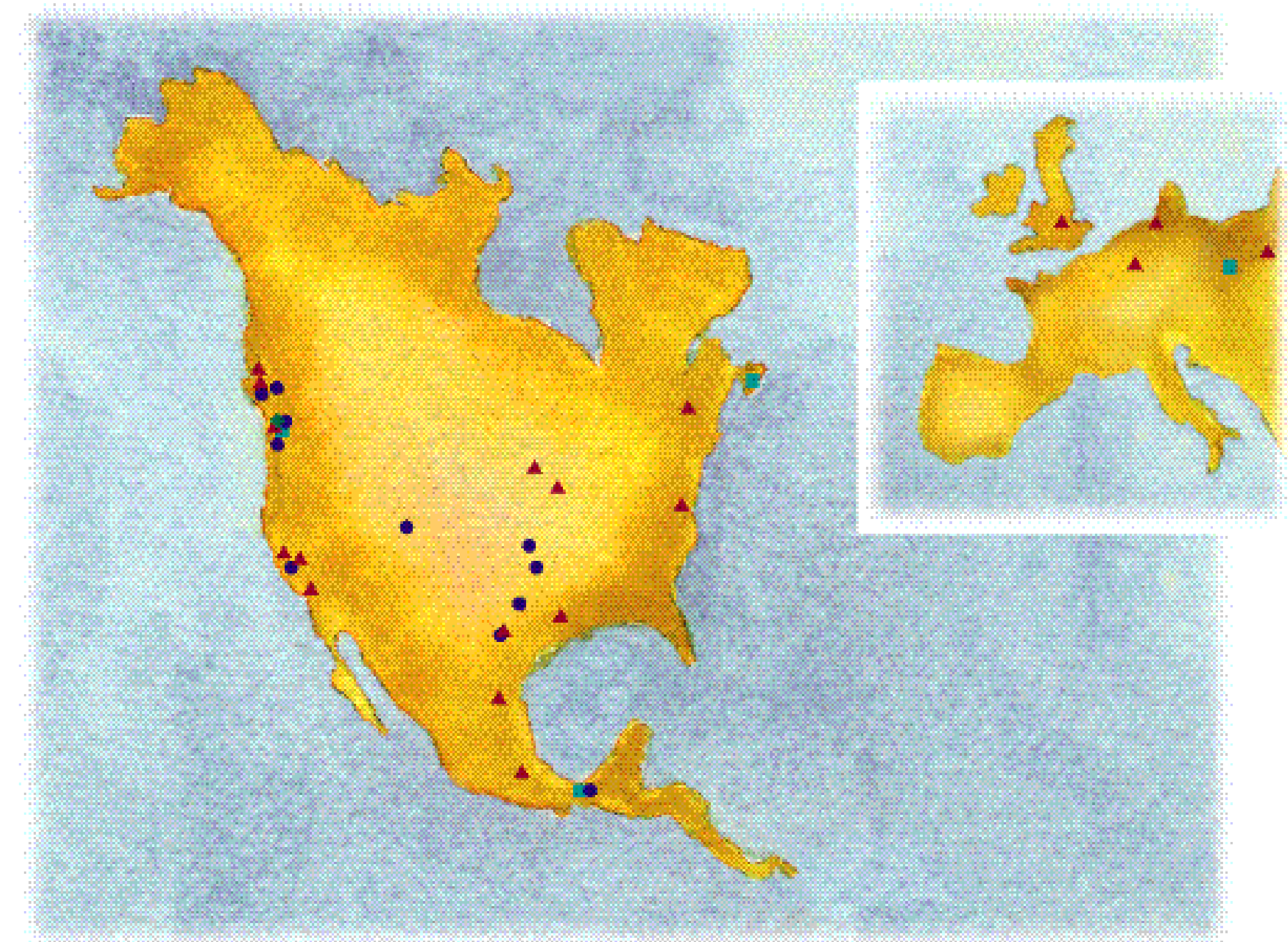

Locations

◆ Headquarters
Lake Oswego, Oregon

▲ Marketing & Sales Offices
Chicago, Illinois
Fort Worth, Texas
Hamburg, Germany
Lake Oswego, Oregon
London, England
Los Angeles, California
Lowell, Indiana
Mexico City, Mexico
Mill Valley, California
Monroe, Louisiana
Monterrey, Mexico
Montreal, Quebec
Seattle, Washington
Siegen, 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
Modesto, California
Pine Bluff, Arkansas
Portland, Oregon
Sahagun, Mexico
San Antonio, Texas
Springfield, Oregon
Tacoma, Washington