Earnings Growth Driven by Margin Expansion and Strong Industry Fundamentals

PRNewswire-FirstCall LAKE OSWEGO, Ore.

The Greenbrier Companies, a leading supplier of transportation equipment and services to the railroad industry, today reported financial results for its fiscal third quarter ended May 31, 2006.

Highlights

- -- Net earnings, excluding previously disclosed charges for a tentative settlement reached with the Internal Revenue Service on a tax audit, were \$13.7 million, or \$.86 per diluted share, for the third quarter of 2006. These earnings are up 28% from net earnings, excluding special charges for prepayment of certain debt, of \$10.7 million, or \$.69 per diluted share, for the third quarter of 2005.
- -- GAAP net earnings for the third quarter of 2006 grew 18% to \$10.7 million, or \$.67 per diluted share, compared to GAAP net earnings of \$9.0 million, or \$.58 per diluted share for the same period in fiscal 2005. GAAP net earnings include a charge of: \$3.0 million after tax, or \$.19 per diluted share, for settlement of the tax audit in 2006, and \$1.7 million after tax, or \$.11 per diluted share for pre-payment of certain debt in 2005.
- -- The Company raised its fiscal 2006 earnings guidance to \$2.45 to \$2.50 per diluted share. This guidance excludes charges of \$.19 per diluted share for the tentative tax settlement in the third fiscal quarter.
- -- New railcar manufacturing backlog was 16,900 units valued at \$1.14 billion at May 31, 2006.
- -- Subsequent to quarter-end, the Company received an order for 600 double-stack intermodal platforms.
- -- EBITDA for the quarter increased 25% from the third quarter of fiscal 2005, to \$32.9 million, as a result of significant manufacturing and leasing and services margin expansion. EBITDA was 12.4% of revenues

for the quarter, compared to 9.2% of revenues in the third quarter of fiscal 2005.

-- During the quarter, the Company completed a \$100 million convertible senior notes offering, which is immediately accretive to earnings per share. The offering further positions the Company's balance sheet and liquidity to act quickly on both organic and acquisitive growth opportunities in its core businesses: new railcar and marine manufacturing, railcar repair and refurbishment, and leasing and services.

Third Quarter Results:

Revenues for the 2006 fiscal third quarter were \$266 million, compared to \$286 million in the prior year's third quarter. EBITDA increased to \$32.9 million, or 12.3% of revenues for the quarter, compared to \$26.3 million, or 9.2% of revenues in the prior year's third quarter. Net earnings increased to \$10.7 million, or \$.67 per diluted share for the quarter, compared to net earnings of \$9.0 million, or \$.58 per diluted share for the same period in 2005.

Results for the third quarter of 2006 include a charge of \$3.0 million after-tax, or \$.19 per diluted share. As previously disclosed, the charge resulted from a tentative settlement reached with the Internal Revenue Service on the audit of the Company's federal tax returns for the years ended 1999 to 2002. Results for the third quarter of fiscal 2005 include special charges of \$1.7 million after tax, or \$.11 per diluted share, for prepayment of certain debt.

New railcar manufacturing backlog was 16,900 units valued at \$1.14 billion at May 31, 2006, compared to 18,300 units valued at \$1.19 billion on February 28, 2006. Subsequent to quarterend, the Company received an order for 600 double-stack intermodal platforms.

William A. Furman, president and chief executive officer, said, "All major lines of business performed well this quarter, with significant margin enhancement driving the Company's earnings growth. Our operating execution remains on track, as we continue to see strong rail industry fundamentals. Going forward, we remain optimistic about the market outlook across all our business lines."

In the Manufacturing segment, third quarter revenues were \$236 million, compared to \$266 million in the third quarter of 2005. Railcar deliveries for the quarter were 3,000 units, compared to 3,600 units in the third quarter of 2005. Lower current period railcar deliveries were the result of changes in production rates to meet customer delivery requirements, a slower European freight car market over the past year and the prior period including deliveries under a subcontract arrangement. Manufacturing margin for the quarter grew to 10.4% of revenues, compared to

9.2% of revenues in the third quarter of 2005, as margins continued to benefit from cost reduction efforts and efficiencies of long production runs.

Revenues in the Leasing & Services segment grew to \$30.0 million, an increase of 51% from \$19.9 million in the same quarter last year. Revenue growth was driven by higher gains on railcar sales and increases in rent on lease fleet additions and leased railcar assets held for future sale. Leasing & Services margin grew to 66% of revenues, compared to 52% of revenues in the same quarter last year. Margins benefited from many of the same factors that drove revenue growth. In addition, renewal of leases at higher rates, diversification of railcar types in the lease fleet and newer lease equipment with lower maintenance costs contributed to the increased margin.

Mark Rittenbaum, senior vice president and treasurer added, "We are particularly pleased with the performance of our leasing and services business this quarter. Through active management of our railcar leasing portfolio, we continue to re-balance the fleet to a more diversified portfolio of younger lived assets with longer average remaining lease termination dates. We regularly sell assets from our lease fleet and re-balance our lease portfolio. During the quarter, as planned, we sold a portion of our older assets and realized some of the embedded equity in our lease fleet, as gains on sales of equipment were \$7.8 million. We will continue to review our lease portfolio in order to maximize current and long term value on an ongoing basis."

Business Outlook:

The Company raised its fiscal 2006 earnings guidance to (\$2.45 to \$2.50) per diluted share. This guidance excludes charges of \$.19 per diluted share for the tentative tax settlement in the third fiscal quarter.

Furman continued, "Our balance sheet and liquidity position are further strengthened by the recent \$100 million convertible notes offering, which is also immediately accretive to earnings per share. This capital gives us the added flexibility to execute on our strategy of growing each of our core businesses, both organically and through potential acquisition. As we execute on this strategy, we will continue to deploy capital in leased railcar assets, both for our owned lease fleet and into railcars held for sale. These assets can be readily monetized for reinvestment opportunities in our core businesses when we so choose."

Furman concluded, "We intend to maintain our leadership position in the double-stack intermodal marketplace, where underlying fundamentals and growth remain robust. We have also expanded our new railcar product offerings into other markets where future demand is also anticipated to be strong. As previously disclosed, several new railcar manufacturing line changeovers will occur over the next several quarters. Management is keenly focused on successful changeovers and start-up of new production lines, which are all occurring as planned."

The Greenbrier Companies (www.gbrx.com), headquartered in Lake Oswego, OR, is a leading

supplier of transportation equipment and services to the railroad industry. In addition to building new railroad freight cars in its manufacturing facilities in the U.S., Canada, and Mexico and to repairing and refurbishing freight cars and wheels at 17 locations across North America, Greenbrier builds new railroad freight cars and refurbishes freight cars for the European market through both its operations in Poland and various subcontractor facilities throughout Europe. Greenbrier owns approximately 9,000 railcars, and performs management services for approximately 135,000 railcars.

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM. ACT OF 1995: This release may contain forward-looking statements. Greenbrier uses words such as "anticipate," "believe," "plan," "expect," "future," "intend" and similar expressions to identify forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, actual future costs and the availability of materials and a trained workforce; steel price increases and scrap surcharges; changes in product mix and the mix between manufacturing and leasing & services segment; labor disputes, energy shortages 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 subcontractors or suppliers: ability to obtain suitable contracts for the sale of leased equipment: all as may be discussed in more detail under the heading "Forward Looking Statements" on pages 3 through 4 of Part I of our Annual Report on Form 10-K for the fiscal year ended August 31, 2005. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements.

The Greenbrier Companies will host a teleconference to discuss third quarter fiscal 2006 results. Teleconference details are as follows:

Thursday, June 29, 2006 6:30 am Pacific Daylight Time

Phone #: 630-395-0143, Password: "Greenbrier"

Webcast Real-time Audio Access: ("Newsroom" at http://www.gbrx.com/) Please access the website 10 minutes prior to the start time. Following the call, a replay will be available on the same website.

THE GREENBRIER COMPANIES, INC.
Condensed Consolidated Balance Sheets

(In thousands, unaudited)

May 31,	August 31,
2006	2005

Assets

Cash and cash equivalents \$186,660 \$73,204

Restricted cash 2,059 93

Accounts and notes receivable 94,947 122,957

Inventories 148,662 121,698

Railcars held for sale 60,675 59,421

Equipment on operating leases 242,380 183,155 Investment in direct finance leases 4,968 9,974 Property, plant and equipment 78,755 73,203

Other 32,755 27,502

\$851,861 \$671,207

Liabilities and Stockholders' Equity

Revolving notes \$21,313 \$12,453

Accounts payable and accrued liabilities 188,478 195,258

Participation 11,086 21,900

 Deferred income taxes
 34,626
 31,629

 Deferred revenue
 14,395
 6,910

 Notes payable
 369,789
 214,635

Subordinated debt 5,003 8,617

Subsidiary shares subject to

mandatory redemption -- 3,746

Stockholders' equity 207,171 176,059

\$851,861 \$671,207

THE GREENBRIER COMPANIES, INC.

Consolidated Statements of Operations

(In thousands, except per share amounts, unaudited)

Three Months Ended Nine Months Ended May 31, May 31, 2006 2005 2006 2005 Manufacturing \$236,052 \$266,090 \$609,570 \$700,295 19,944 79,094 58,701 Leasing & services 30,036 286,034 688,664 758,996 266,088 Cost of revenue Manufacturing 211,444 241,491 539,835 642,149 10,172 Leasing & services 9,561 31,281 30,512 251,052 571,116 221,616 672,661 44,472 34,982 117,548 86,335 administrative 18,082 15,276 51,025 41,392 Interest and foreign 5,963 2,285 17,406 9,639 Special charges 2,913 2,913 24,045 20,474 68,431 53,944 Earnings before income taxes and equity in unconsolidated 20,427 14,508 49,117 32,391 Income tax expense (9,866)(5,881)(22,266)(12,833)10,561 8,627 26,851 19,558

Earnings before equity in unconsolidated

subsidiaries

Equity in earnings (loss) of

Revenue

Margin

Other costs Selling and

exchange

subsidiaries

unconsolidated

subsidiaries 119 417 409 (322)

Net earnings \$9,044 \$27,260 \$19,236 \$10,680

Basic earnings per			
common share	\$0.67	\$0.60	\$1.74

Diluted earnings per

common share \$0.67 \$0.58 \$1.71 \$1.24

Weighted average common shares:

Basic 15,887 15,020 15,685 14,957 Diluted 15,979 15,605 15,918 15,564

THE GREENBRIER COMPANIES, INC.

Condensed Consolidated Statements of Cash Flows (In thousands, unaudited)

Nine Months Ended

\$1.29

May 31

2006 2005

Cash flows from operating activities:

Net earnings \$27,260 \$19,236

Adjustments to reconcile net earnings to net

cash provided by (used in) operating

activities:

Deferred income taxes 3,049 679

Tax benefit of stock options exercised and

dividends on restricted stock awards 1,949 1,941

Depreciation and amortization 19,170 16,840 Gain on sales of equipment (10,606) (4,300)

Other 59 499

Decrease (increase) in assets:

Accounts and notes receivable 29,633 (34,535)

Inventories (22,959) 7,969

Railcars held for sale (25,523) (27,558)

Other (147) (3,656)

Increase (decrease) in liabilities:

Accounts payable and accrued liabilities (10,671) (5)

Participation (10,814) (15,660)

Deferred revenue 7,242 1,148

Net cash provided by (used in)

operating	activities
op 0. atg	4000

7,642 (37,402)

Cash flows from investing activities:

Principal payments received under direct

finance leases 1,710 4,524

Proceeds from sales of equipment 23,665 23,125

Investment in and advances to

unconsolidated subsidiary 517 (49)

Acquisition of joint venture interest -- 8,435

Decrease (increase) in restricted cash (1,961) 624

Capital expenditures (67,146) (49,478)

Net cash used in investing activities (43,215) (12,819)

Cash flows from financing activities:

Changes in revolving notes 7,858 6,541

Proceeds from issuance of notes payable net

of issuance costs 154,933 170,028

Repayments of notes payable (5,740) (66,334)

Repayment of subordinated debt (3,615) (5,157)

Dividends (3,766) (2,692)

Net proceeds from sale of common stock -- 127,466

Purchase and retirement of common stock -- (127,538)

Proceeds from exercise of stock options 5,010 1,727

Purchase of subsidiary shares subject to

mandatory redemption (4,636) --

Net cash provided by financing activities 150,044 104,041

Effect of exchange rate changes (1,015) 1,358

Increase in cash and cash equivalents 113,456 55,178

Cash and cash equivalents

Beginning of period 73,204 12,110

End of period \$186,660 \$67,288

THE GREENBRIER COMPANIES, INC.

Supplemental Disclosure

Reconciliation of Net Cash Provided by Operating Activities to Adjusted

EBITDA (1)

(In thousands, unaudited)

Three Months Ended Nine Months Ended May 31 May 31 2006 2005 2006 2005 Net cash provided by (used in) operating activities \$31,007 \$13,099 \$7,642 \$(37,402) Changes in working capital (21,738)2,627 33,239 72,297 2,913 Special charges 2,913 Deferred income taxes 692 (1,266)(3,049)(679)Tax benefit of stock options exercised and dividends on restricted stock awards (650)(453)(1,949)(1,941)Gain on sales 7,794 782 10,606 4,300 of equipment (499)Other (11)402 (59)Income tax expense 9.866 5,882 22,266 12,833 Interest and foreign exchange 5,964 2,284 17,406 9,639 Adjusted EBITDA \$32,924 from operations \$26,270 \$86,102 \$61,461

(1) Adjusted EBITDA is not a financial measure under GAAP. We define adjusted EBITDA as earnings from operations before special charges, interest and foreign exchange, taxes, depreciation and amortization. We consider net cash provided by operating activities to be the most directly comparable GAAP financial measure. Adjusted EBITDA is a liquidity measurement tool commonly used by rail supply companies and we use adjusted EBITDA in that fashion. You should not consider adjusted EBITDA in isolation or as a substitute for cash flow from operations or other cash flow statement data determined in accordance with GAAP. In addition, because adjusted EBITDA is not a measure of financial performance under GAAP and is susceptible to

varying calculations, the adjusted EBITDA measure presented may differ from and may not be comparable to similarly titled measures used by other companies.

SOURCE: The Greenbrier Companies

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Web site: http://www.gbrx.com/

https://pressroom.gbrx.com/2006-06-28-Greenbrier-Companies-Reports-Third-Quarter-Results