

TRINITY INDUSTRIES INC  
Form 10-Q  
October 25, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .  
Commission File Number 1-6903

Trinity Industries, Inc.  
(Exact name of registrant as specified in its charter)

Delaware 75-0225040  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

2525 Stemmons Freeway 75207-2401  
Dallas, Texas (Zip Code)  
(Address of principal executive offices)  
(214) 631-4420  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

At October 15, 2012 the number of shares of common stock outstanding was 78,933,933.

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FORM 10-Q  
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## PART I

## Item 1. Financial Statements

Trinity Industries, Inc. and Subsidiaries  
Consolidated Statements of Operations  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in millions, except per share amounts)			
Revenues:				
Manufacturing	\$778.2	\$643.7	\$2,397.5	\$1,738.2
Leasing	159.3	147.4	493.7	395.4
	937.5	791.1	2,891.2	2,133.6
Operating costs:				
Cost of revenues:				
Manufacturing	658.2	548.4	2,025.1	1,478.3
Leasing	84.3	78.6	269.8	202.4
Other	13.1	7.1	38.6	22.6
	755.6	634.1	2,333.5	1,703.3
Selling, engineering, and administrative expenses:				
Manufacturing	38.6	35.8	114.2	103.2
Leasing	7.5	6.2	20.9	17.5
Other	12.4	11.5	33.3	30.6
	58.5	53.5	168.4	151.3
Gains on disposition of property, plant, and equipment:				
Net gains on railcar lease fleet sales	17.0	1.6	22.3	3.1
Other	1.5	0.3	7.6	4.2
Total operating profit	141.9	105.4	419.2	286.3
Other (income) expense:				
Interest income	(0.4	) (0.5	) (1.1	) (1.2
Interest expense	47.8	47.9	143.6	136.2
Other, net	(1.4	) 5.3	(4.4	) 4.2
	46.0	52.7	138.1	139.2
Income before income taxes	95.9	52.7	281.1	147.1
Provision for income taxes	32.8	21.1	98.2	58.3
Net income	63.1	31.6	182.9	88.8
Net income (loss) attributable to noncontrolling interest	(0.1	) (0.3	) (1.0	) 2.7
Net income attributable to Trinity Industries, Inc.	\$63.2	\$31.9	\$183.9	\$86.1
Net income attributable to Trinity Industries, Inc. per common share:				
Basic	\$0.80	\$0.40	\$2.30	\$1.07
Diluted	\$0.80	\$0.40	\$2.29	\$1.07
Weighted average number of shares outstanding:				
Basic	76.5	77.7	77.3	77.4
Diluted	76.7	77.9	77.5	77.7
Dividends declared per common share	\$0.11	\$0.09	\$0.31	\$0.26

See accompanying notes to consolidated financial statements.

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Table of ContentsTrinity Industries, Inc. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2012	2011	2012	2011	
	(in millions)				
Net income	\$63.1	\$31.6	\$182.9	\$88.8	
Unrealized loss on derivative financial instruments:					
Unrealized gain (loss) arising during the period	2.2	(10.7	) 5.2	(8.9	)
Reclassification adjustments for losses included in net income	2.3	1.5	6.8	3.2	
Currency translation adjustment – reclassification adjustment for loss included in net income	0.0	0.0	1.1	(0.1	)
Funded status of pension liability – amortization of actuarial loss	0.8	—	2.5	—	
Other comprehensive income (loss), before tax	5.3	(9.2	) 15.6	(5.8	)
Income tax expense (benefit) related to components of other comprehensive income (loss)	2.1	(3.3	) 6.1	(2.2	)
Other comprehensive income (loss), net of tax	3.2	(5.9	) 9.5	(3.6	)
Comprehensive income	66.3	25.7	192.4	85.2	
Less: comprehensive income (loss) attributable to noncontrolling interest	0.2	(1.0	) 0.0	2.4	
Comprehensive income attributable to Trinity Industries, Inc.	\$66.1	\$26.7	\$192.4	\$82.8	

See accompanying notes to consolidated financial statements.

Table of ContentsTrinity Industries, Inc. and Subsidiaries  
Consolidated Balance Sheets

	September 30, 2012 (unaudited) (in millions)	December 31, 2011
<b>Assets</b>		
Cash and cash equivalents	\$312.2	\$351.1
Receivables, net of allowance	423.5	384.3
Income tax receivable	5.1	1.6
<b>Inventories:</b>		
Raw materials and supplies	400.3	324.8
Work in process	180.5	125.6
Finished goods	110.9	99.5
	691.7	549.9
Restricted cash, including TRIP Holdings of \$59.0 and \$74.6	234.8	240.3
Property, plant, and equipment, at cost, including TRIP Holdings of \$1,272.3 and \$1,257.7	5,636.5	5,407.9
Less accumulated depreciation, including TRIP Holdings of \$145.2 and \$122.7	(1,352.8	) (1,228.4
	4,283.7	4,179.5
Goodwill	229.8	225.9
Other assets	238.3	188.4
	\$6,419.1	\$6,121.0
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	\$212.6	\$207.4
Accrued liabilities	478.1	421.3
<b>Debt:</b>		
Recourse, net of unamortized discount of \$90.7 and \$99.8	462.3	457.7
<b>Non-recourse:</b>		
Parent and wholly-owned subsidiaries	1,646.9	1,616.0
TRIP Holdings	868.9	901.2
	2,978.1	2,974.9
Deferred income	37.0	38.7
Deferred income taxes	543.0	434.7
Other liabilities	83.3	95.7
	4,332.1	4,172.7
<b>Stockholders' equity:</b>		
Preferred stock – 1.5 shares authorized and unissued	—	—
Common stock – 200.0 shares authorized	81.7	81.7
Capital in excess of par value	643.2	626.5
Retained earnings	1,474.0	1,314.7
Accumulated other comprehensive loss	(125.5	) (134.0
	(70.9	) (25.1
Treasury stock	2,002.5	1,863.8
Noncontrolling interest	84.5	84.5
	2,087.0	1,948.3
	\$6,419.1	\$6,121.0

See accompanying notes to consolidated financial statements.





Table of ContentsTrinity Industries, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
(unaudited)

	Nine Months Ended September 30,	
	2012	2011
	(in millions)	
Operating activities:		
Net income	\$182.9	\$88.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	148.8	144.3
Stock-based compensation expense	20.4	16.3
Excess tax benefits from stock-based compensation	1.4	(0.3)
Provision for deferred income taxes	92.4	32.4
Net gains on sales of railcars owned more than one year at the time of sale	(22.3)	(3.1)
Gain on disposition of property, plant, equipment, and other assets	(7.6)	(4.2)
Other	6.6	8.3
Changes in assets and liabilities:		
(Increase) decrease in receivables	(38.8)	(79.3)
(Increase) decrease in income tax receivable	(3.5)	7.4
(Increase) decrease in inventories	(141.3)	(208.8)
(Increase) decrease in other assets	(53.1)	(10.2)
Increase (decrease) in accounts payable	5.2	78.6
Increase (decrease) in accrued liabilities	63.6	(30.0)
Increase (decrease) in other liabilities	(2.6)	15.9
Net cash provided by operating activities	252.1	56.1
Investing activities:		
(Increase) decrease in short-term marketable securities	—	158.0
Proceeds from sales of railcars owned more than one year at the time of sale	94.9	17.8
Proceeds from lease fleet sales – sale and leaseback	7.2	—
Proceeds from disposition of property, plant, equipment, and other assets	18.9	6.8
Capital expenditures – leasing, net of sold railcars owned one year or less	(266.3)	(213.6)
Capital expenditures – manufacturing and other	(67.4)	(52.1)
Acquisitions, net of cash acquired	(4.9)	(42.5)
Net cash required by investing activities	(217.6)	(125.6)
Financing activities:		
Proceeds from issuance of common stock, net	2.1	1.8
Excess tax benefits from stock-based compensation	(1.4)	0.3
Payments to retire debt – other	(123.4)	(1,068.5)
Proceeds from issuance of debt	117.4	1,124.5
Deferred loan issuance costs	—	(21.1)
(Increase) decrease in restricted cash	5.5	(22.3)
Shares repurchased	(45.2)	—
Dividends paid to common shareholders	(23.1)	(20.0)
Other	(5.3)	(6.4)
Net cash required by financing activities	(73.4)	(11.7)
Net decrease in cash and cash equivalents	(38.9)	(81.2)
Cash and cash equivalents at beginning of period	351.1	354.0

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Cash and cash equivalents at end of period	\$312.2	\$272.8
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See accompanying notes to consolidated financial statements.

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Table of ContentsTrinity Industries, Inc. and Subsidiaries  
Consolidated Statement of Stockholders' Equity  
(unaudited)

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Trinity Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity	
	Shares	Amount				Shares	Amount				
	(in millions)										
Balances at December 31, 2011	81.7	\$ 81.7	\$ 626.5	\$ 1,314.7	\$ (134.0 )	(1.5 )	\$(25.1)	\$ 1,863.8	\$ 84.5	\$ 1,948.3	
Net income	—	—	—	183.9	—	—	—	183.9	(1.0 )	182.9	
Other comprehensive income	—	—	—	—	8.5	—	—	8.5	1.0	9.5	
Cash dividends on common stock	—	—	—	(24.6 )	—	—	—	(24.6 )	—	(24.6 )	
Restricted shares issued, net	—	—	18.5	—	—	0.4	(1.5 )	17.0	—	17.0	
Shares repurchased	—	—	—	—	—	(1.8 )	(45.2 )	(45.2 )	—	(45.2 )	
Stock options exercised	—	—	0.6	—	—	0.2	1.5	2.1	—	2.1	
Stock-based compensation expense	—	—	(2.4 )	—	—	—	—	(2.4 )	—	(2.4 )	
Other	—	—	—	—	—	(0.1 )	(0.6 )	(0.6 )	—	(0.6 )	
Balances at September 30, 2012	81.7	\$ 81.7	\$ 643.2	\$ 1,474.0	\$ (125.5 )	(2.8 )	\$(70.9)	\$ 2,002.5	\$ 84.5	\$ 2,087.0	

See accompanying notes to consolidated financial statements.

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Trinity Industries, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The foregoing consolidated financial statements are unaudited and have been prepared from the books and records of Trinity Industries, Inc. and its subsidiaries (“Trinity”, “Company”, “we”, or “our”) including its majority-owned subsidiary, TRIP Rail Holdings LLC (“TRIP Holdings”). In our opinion, all normal and recurring adjustments necessary for a fair presentation of the financial position of the Company as of September 30, 2012, and the results of operations for the three and nine month periods ended September 30, 2012 and 2011, and cash flows for the nine month periods ended September 30, 2012 and 2011, have been made in conformity with generally accepted accounting principles. Because of seasonal and other factors, the results of operations for the nine month period ended September 30, 2012 may not be indicative of expected results of operations for the year ending December 31, 2012. These interim financial statements and notes are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited consolidated financial statements of the Company included in its Form 10-K for the year ended December 31, 2011.

Stockholders’ Equity

In September 2012, the Company’s Board of Directors authorized a new \$200 million share repurchase program, effective October 1, 2012, which expires on December 31, 2014. The new program replaces the Company's prior program which expired on September 30, 2012. During the three and nine month periods ended September 30, 2012, the Company repurchased 141,992 shares and 1,834,221 shares, respectively, under the prior program at a cost of approximately \$4.0 million and \$45.2 million, respectively. No shares were repurchased under the prior program during the three and nine month periods ended September 30, 2011.

Financial Instruments

Financial instruments that potentially subject the Company to a concentration of credit risk are primarily cash investments, short-term marketable securities, and receivables. The carrying values of cash, receivables, and accounts payable are considered to be representative of their respective fair values. At September 30, 2012, one customer’s net receivable balance in our Energy Equipment Group, all within terms, accounted for approximately 22% of the consolidated net receivables balance outstanding.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-05, “Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income,” (“ASU 2011-05”) which amended prior comprehensive income guidance. ASU 2011-05 became effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. Accordingly, the Company adopted this new standard on January 1, 2012 by including the consolidated statement of comprehensive income with its consolidated financial statements and revising Note 15 Accumulated Other Comprehensive Loss. The adoption of ASU 2011-05 did not have an impact on the Company’s consolidated financial position, results of operations or cash flows as it only requires a change in reporting format with regard to components of other comprehensive income.

Reclassifications

Effective December 31, 2011, the Company adopted the emerging industry policy of recognizing revenue from the sales of railcars from the lease fleet on a gross basis in leasing revenues and cost of revenues if the railcar has been owned by the lease fleet for one year or less at the time of sale. Sales of railcars from the lease fleet which have been owned by the lease fleet for more than one year are recognized as a net gain or loss from the disposal of a long-term asset. Prior year reported balances have been reclassified to conform to this policy resulting in a decrease in revenue of \$5.7 million and \$17.9 million for the three and nine months ended September 30, 2011, respectively. The adoption of this policy had no effect on operating profit or net income. Certain prior year balances have been reclassified in the Consolidated Statements of Cash Flows to conform to the 2012 presentation.

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## Note 2. Acquisitions and Divestitures

For the three and nine months ended September 30, 2012 and 2011, all of our acquisition and divestiture activity occurred in the Construction Products Group as summarized below:

	Three Months Ended September 30, 2012		Nine Months Ended September 30, 2011	
			(in millions)	
Acquisitions:				
Total cost	\$5.5	\$32.8	\$7.5	\$56.4
Net cash paid	\$4.9	\$27.2	\$4.9	\$42.5
Goodwill recorded	\$3.2	\$22.3	\$4.0	\$29.3
Divestitures:				
Proceeds	\$—	\$—	\$2.1	\$8.3
Gain recognized	\$—	\$—	\$1.5	\$0.7
Goodwill charged off	\$—	\$—	\$0.1	\$1.0

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## Note 3. Fair Value Accounting

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement as of September 30, 2012 (in millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	\$200.6	\$—	\$—	\$200.6
Restricted cash	234.8	—	—	234.8
Equity call agreement with TRIP Holdings equity investor <sup>1</sup>	—	—	0.2	0.2
Fuel derivative instruments <sup>1</sup>	—	0.4	—	0.4
Total assets	\$435.4	\$0.4	\$0.2	\$436.0
Liabilities:				
Interest rate hedges: <sup>2</sup>				
Wholly-owned subsidiary	\$—	\$41.9	\$—	\$41.9
TRIP Holdings	—	5.6	—	5.6
Equity put agreement with TRIP Holdings equity investor <sup>3</sup>	—	—	1.2	1.2
Total liabilities	\$—	\$47.5	\$1.2	\$48.7

	Fair Value Measurement as of December 31, 2011 (in millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	\$246.6	\$—	\$—	\$246.6
Restricted cash	240.3	—	—	240.3
Equity call agreement with TRIP Holdings equity investor <sup>1</sup>	—	—	0.7	0.7
Total assets	\$486.9	\$—	\$0.7	\$487.6
Liabilities:				
Interest rate hedges: <sup>2</sup>				
Wholly-owned subsidiary	\$—	\$48.9	\$—	\$48.9
TRIP Holdings	—	4.8	—	4.8
Equity put agreement with TRIP Holdings equity investor <sup>3</sup>	—	—	3.1	3.1
Fuel derivative instruments <sup>2</sup>	—	0.1	—	0.1
Total liabilities	\$—	\$53.8	\$3.1	\$56.9

<sup>1</sup> Included in other assets on the consolidated balance sheet.

<sup>2</sup> Included in accrued liabilities on the consolidated balance sheet.

<sup>3</sup> Included in other liabilities on the consolidated balance sheet.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for that asset or liability in an orderly transaction between market participants on the measurement date. An entity is required to establish a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair values are listed below:

Level 1 – This level is defined as quoted prices in active markets for identical assets or liabilities. The Company’s cash equivalents and restricted cash are instruments of the United States Treasury or highly-rated money market mutual funds.

Level 2 – This level is defined as observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company’s fuel derivative instruments, which are commodity options, are valued using energy and commodity market data. Interest rate hedges are valued at exit prices obtained from each counterparty. See Note 7 Derivative Instruments and Note 11 Debt.

Level 3 – This level is defined as unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The equity put and call agreements with the TRIP equity investor are valued based on



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cash flow projections and certain assumptions regarding the likelihood of exercising the option under the related agreement. See Note 6 Investment in TRIP Holdings.

The carrying amounts and estimated fair values of our long-term debt are as follows:

	September 30, 2012		December 31, 2011	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in millions)			
Recourse:				
Convertible subordinated notes	\$450.0	\$465.7	\$450.0	\$439.4
Less: unamortized discount	(90.7	)	(99.8	)
	359.3		350.2	
Capital lease obligations	46.5	46.5	48.6	48.6
Term loan	51.4	54.5	54.7	55.7
Other	5.1	5.1	4.2	4.2
	462.3	571.8	457.7	547.9
Non-recourse:				
2006 secured railcar equipment notes	259.1	287.2	269.3	278.5
Promissory notes	445.5	431.2	465.5	448.6
2009 secured railcar equipment notes	211.6	251.8	218.4	228.6
2010 secured railcar equipment notes	345.0	371.6	354.3	333.1
TILC warehouse facility	385.7	385.7	308.5	308.5
TRIP Holdings senior secured notes	61.2	62.5	61.2	61.6
TRIP Master Funding secured railcar equipment notes	807.7	913.7	840.0	834.9
	2,515.8	2,703.7	2,517.2	2,493.8
Total	\$2,978.1	\$3,275.5	\$2,974.9	\$3,041.7

The estimated fair value of our convertible subordinated notes was based on a quoted market price as of September 30, 2012 and December 31, 2011, respectively (Level 1 input). The estimated fair values of our 2006, 2009, and 2010 secured railcar equipment notes, promissory notes, TRIP Holdings senior secured notes, TRIP Rail Master Funding LLC (“TRIP Master Funding”) secured railcar equipment notes, and term loan are based on our estimate of their fair value as of September 30, 2012 and December 31, 2011, respectively. These values were determined by discounting their future cash flows at the current market interest rate (Level 3 inputs). The carrying value of our Trinity Industries Leasing Company (“TILC”) warehouse facility approximates fair value because the interest rate adjusts to the market interest rate and the Company’s credit rating has not changed since the loan agreement was renewed in February 2011 (Level 3 input). The fair values of all other financial instruments are estimated to approximate carrying value.

#### Note 4. Segment Information

The Company reports operating results in five principal business segments: (1) the Rail Group, which manufactures and sells railcars and related parts and components; (2) the Construction Products Group, which manufactures and sells highway products and concrete and aggregates; (3) the Inland Barge Group, which manufactures and sells barges and related products for inland waterway services; (4) the Energy Equipment Group, which manufactures and sells products for energy related businesses, including structural wind towers, tank containers and tank heads for pressure and non-pressure vessels, frac tanks, and utility, traffic, and lighting structures; and (5) the Railcar Leasing and Management Services Group (“Leasing Group”), which owns and operates a fleet of railcars as well as provides third-party fleet management, maintenance, and leasing services. The segment All Other includes our captive

insurance and transportation companies; legal, environmental, and maintenance costs associated with non-operating facilities; other peripheral businesses; and the change in market valuation related to ineffective commodity hedges. Gains and losses from the sale of property, plant, and equipment that are related to manufacturing and dedicated to the specific manufacturing operations of a particular segment are included in operating profit of that respective segment. Gains and losses from the sale of property, plant, and equipment that can be utilized by multiple segments are included in operating profit of the All Other segment.

Sales and related net profits from the Rail Group to the Leasing Group are recorded in the Rail Group and eliminated in consolidation. Sales between these groups are recorded at prices comparable to those charged to external customers, taking into consideration quantity, features, and production demand. Amortization of deferred profit on railcars sold to the Leasing Group is included in the operating profits of the Leasing Group. Sales of railcars from the lease fleet are included in the Leasing Group.

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The financial information for these segments is shown in the tables below. We operate principally in North America.

## Three Months Ended September 30, 2012

	Revenues			Operating Profit (Loss)
	External	Intersegment	Total	
	(in millions)			
Rail Group	\$328.3	\$129.6	\$457.9	\$35.2
Construction Products Group	148.2	6.1	154.3	12.7
Inland Barge Group	166.5	—	166.5	26.9
Energy Equipment Group	131.0	4.6	135.6	9.5
Railcar Leasing and Management Services Group	159.3	0.6	159.9	85.1
All Other	4.2	20.4	24.6	(2.0 )
Corporate	—	—	—	(12.4 )
Eliminations – Lease subsidiary	—	(125.9 )	(125.9 )	(14.1 )
Eliminations – Other	—	(35.4 )	(35.4 )	1.0 )
Consolidated Total	\$937.5	\$—	\$937.5	\$141.9

## Three Months Ended September 30, 2011

	Revenues			Operating Profit (Loss)
	External	Intersegment	Total	
	(in millions)			
Rail Group	\$227.7	\$93.2	\$320.9	\$18.2
Construction Products Group	161.1	3.7	164.8	17.8
Inland Barge Group	143.2	—	143.2	26.0
Energy Equipment Group	107.3	4.3	111.6	(1.9 )
Railcar Leasing and Management Services Group	147.4	—	147.4	64.2
All Other	4.4	13.6	18.0	(0.3 )
Corporate	—	—	—	(11.5 )
Eliminations – Lease subsidiary	—	(87.9 )	(87.9 )	(8.1 )
Eliminations – Other	—	(26.9 )	(26.9 )	1.0 )
Consolidated Total	\$791.1	\$—	\$791.1	\$105.4

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## Nine Months Ended September 30, 2012

	Revenues			Operating Profit (Loss)
	External	Intersegment	Total	
	(in millions)			
Rail Group	\$1,049.7	\$392.2	\$1,441.9	\$128.3
Construction Products Group	449.4	16.7	466.1	38.7
Inland Barge Group	509.8	—	509.8	93.5
Energy Equipment Group	377.7	13.6	391.3	9.7
Railcar Leasing and Management Services Group	493.7	2.7	496.4	228.0
All Other	10.9	50.2	61.1	(7.1 )
Corporate	—	—	—	(33.6 )
Eliminations – Lease subsidiary	—	(380.8 )	(380.8 )	(37.2 )
Eliminations – Other	—	(94.6 )	(94.6 )	(1.1 )
Consolidated Total	\$2,891.2	\$—	\$2,891.2	\$419.2

## Nine Months Ended September 30, 2011

	Revenues			Operating Profit (Loss)
	External	Intersegment	Total	
	(in millions)			
Rail Group	\$556.0	\$265.4	\$821.4	\$42.9
Construction Products Group	439.2	8.5	447.7	42.2
Inland Barge Group	398.9	—	398.9	66.8
Energy Equipment Group	335.6	12.2	347.8	9.8
Railcar Leasing and Management Services Group	395.4	—	395.4	178.6
All Other	8.5	36.9	45.4	(0.8 )
Corporate	—	—	—	(30.6 )
Eliminations – Lease subsidiary	—	(252.8 )	(252.8 )	(23.3 )
Eliminations – Other	—	(70.2 )	(70.2 )	0.7
Consolidated Total	\$2,133.6	\$—	\$2,133.6	\$286.3

Effective December 31, 2011, the Company adopted the emerging industry policy of recognizing revenue from the sales of railcars from the lease fleet on a gross basis in leasing revenues and cost of revenues if the railcar has been owned by the lease fleet for one year or less at the time of sale. Sales of railcars from the lease fleet which have been owned by the lease fleet for more than one year are recognized as a net gain or loss from the disposal of a long-term asset. Prior year reported balances have been reclassified to conform to this policy.

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## Note 5. Railcar Leasing and Management Services Group

The Railcar Leasing and Management Services Group owns and operates a fleet of railcars as well as provides third-party fleet management, maintenance, and leasing services. Selected consolidating financial information for the Leasing Group is as follows:

	September 30, 2012			
	Leasing Group			
	Wholly- Owned Subsidiaries	TRIP Holdings	Manufacturing/ Corporate	Total
	(in millions, unaudited)			
Cash and cash equivalents	\$5.0	\$—	\$307.2	\$312.2
Property, plant, and equipment, net	\$3,175.3	\$1,127.1	\$516.6	\$4,819.0
Net deferred profit on railcars sold to the Leasing Group	(352.8	) (182.5	) —	(535.3 )
	\$2,822.5	\$944.6	\$516.6	\$4,283.7
Restricted cash	\$175.8	\$59.0	\$—	\$234.8
Debt:				
Recourse	\$97.9	\$—	\$455.1	\$553.0
Less: unamortized discount	—	—	(90.7	) (90.7 )
	97.9	—	364.4	462.3
Non-recourse	1,646.9	977.7	—	2,624.6
Less: non-recourse debt owned by Trinity	—	(108.8	) —	(108.8 )
Total debt	\$1,744.8	\$868.9	\$364.4	\$2,978.1
Net deferred tax liabilities	\$622.4	\$5.1	\$(84.5	) \$543.0
	December 31, 2011			
	Leasing Group			
	Wholly- Owned Subsidiaries	TRIP Holdings	Manufacturing/ Corporate	Total
	(in millions)			
Cash and cash equivalents	\$3.2	\$—	\$347.9	\$351.1
Property, plant, and equipment, net	\$3,066.0	\$1,135.0	\$510.0	\$4,711.0
Net deferred profit on railcars sold to the Leasing Group	(344.5	) (187.0	) —	(531.5 )
	\$2,721.5	\$948.0	\$510.0	\$4,179.5
Restricted cash	\$165.7	\$74.6	\$—	\$240.3
Debt:				
Recourse	\$103.3	\$—	\$454.2	\$557.5
Less: unamortized discount	—	—	(99.8	) (99.8 )
	103.3	—	354.4	457.7
Non-recourse	1,616.0	1,010.0	—	2,626.0
Less: non-recourse debt owned by Trinity	—	(108.8	) —	(108.8 )
Total debt	\$1,719.3	\$901.2	\$354.4	\$2,974.9
Net deferred tax liabilities	\$582.4	\$4.7	\$(152.4	) \$434.7

See Note 6 Investment in TRIP Holdings and Note 11 Debt for a further discussion regarding the Company's investment in TRIP Holdings and TRIP Holdings' debt.



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	Three Months Ended				Nine Months Ended			
	September 30, 2012	2011	Percent Change		September 30, 2012	2011	Percent Change	
	(\$ in millions)				(\$ in millions)			
Revenues:								
Wholly owned subsidiaries:								
Leasing and management	\$ 106.4	\$ 94.6	12.5	%	\$ 306.9	\$ 277.8	10.5	%
Railcar sales <sup>(1)</sup>	23.4	23.6	*		100.5	30.2	*	
	129.8	118.2	9.8		407.4	308.0	32.3	
TRIP Holdings:								
Leasing and management	30.1	29.2	3.1		89.0	87.4	1.8	
Railcar sales <sup>(1)</sup>	—	—	—		—	—	—	
	30.1	29.2	3.1		89.0	87.4	1.8	
Total revenues	\$ 159.9	\$ 147.4	8.5		\$ 496.4	\$ 395.4	25.5	
Operating Profit:								
Wholly owned subsidiaries:								
Leasing and management	\$ 47.1	\$ 40.3			\$ 134.2	\$ 116.3		
Railcar sales <sup>(1)</sup> :								
Railcars owned one year or less at the time of sale	4.3	4.9			20.7	7.9		
Railcars owned more than one year at the time of sale	15.9	1.6			21.6	3.0		
	67.3	46.8			176.5	127.2		
TRIP Holdings:								
Leasing and management	16.7	17.4			50.8	51.3		
Railcar sales <sup>(1)</sup> :								
Railcars owned one year or less at the time of sale	—	—			—	—		
Railcars owned more than one year at the time of sale	1.1	—			0.7	0.1		
	17.8	17.4			51.5	51.4		
Total operating profit	\$ 85.1	\$ 64.2			\$ 228.0	\$ 178.6		
Operating profit margin:								
Leasing and management	46.7	% 46.6	%		46.7	% 45.9	%	
Railcar sales <sup>(1)</sup>	*	*			*	*		
Total operating profit margin	53.2	43.6			45.9	45.2		
Interest and rent expense <sup>(2)</sup> :								
Rent expense	\$ 12.7	\$ 12.1			\$ 38.2	\$ 36.4		
Interest expense:								
Wholly-owned subsidiaries	\$ 24.3	\$ 24.8			\$ 73.2	\$ 75.4		
TRIP Holdings:								
External	15.0	15.3			45.2	37.6		
Intercompany	3.3	3.2			9.8	3.2		
	18.3	18.5			55.0	40.8		
Total interest expense	\$ 42.6	\$ 43.3			\$ 128.2	\$ 116.2		

\* Not meaningful

(1) Effective December 31, 2011, the Company adopted the emerging industry policy of recognizing revenue from the sales of railcars from the lease fleet on a gross basis in leasing revenues and cost of revenues if the railcar has been

owned by the lease fleet for one year or less at the time of sale. Sales of railcars from the lease fleet which have been owned by the lease fleet for more than one year are recognized as a net gain or loss from the disposal of a long-term asset. Prior year reported balances have been reclassified to conform to this policy.

Rent expense is a component of operating profit. Interest expense is not a component of operating profit and (2) includes the effect of hedges. Intercompany interest expense arises from Trinity's ownership of a portion of TRIP Holdings' Senior Secured Notes and is eliminated in consolidation. See Note 11 Debt.



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Equipment consists primarily of railcars leased by third parties. The Leasing Group purchases equipment manufactured predominantly by the Rail Group and enters into lease contracts with third parties with terms generally ranging between one and twenty years. The Leasing Group primarily enters into operating leases. Future contractual minimum rental revenues on leases are as follows:

	Remaining three months of 2012 (in millions)	2013	2014	2015	2016	Thereafter	Total
Wholly-owned subsidiaries	\$73.5	\$261.0	\$210.7	\$167.0	\$128.6	\$268.8	\$1,109.6
TRIP Holdings	24.8	85.5	64.1	52.3	43.2	70.1	340.0
	\$98.3	\$346.5	\$274.8	\$219.3	\$171.8	\$338.9	\$1,449.6

Debt. The Leasing Group's debt at September 30, 2012 consisted of both recourse and non-recourse debt. As of September 30, 2012, Trinity's wholly-owned subsidiaries included in the Leasing Group held equipment with a net book value of approximately \$2,534.8 million that is pledged as collateral for Leasing Group debt held by those subsidiaries, including equipment with a net book value of \$49.9 million securing capital lease obligations. The net book value of unpledged equipment at September 30, 2012 was \$544.4 million. See Note 11 Debt regarding Leasing Group debt.

TRIP Holdings. Debt owed by TRIP Holdings and its subsidiaries is nonrecourse to Trinity and TILC and is secured solely by the consolidated assets of TRIP Holdings and the equity interests of TRIP Holdings. In July 2011, TRIP Holdings and its newly-formed subsidiary, TRIP Master Funding, issued \$1,032.0 million in new debt and repaid all of the outstanding borrowings of the existing TRIP Warehouse Loan. TRIP Master Funding equipment with a net book value of \$1,127.1 million, excluding deferred profit resulting from the sale of railcars to TRIP Master Funding, is pledged as collateral for the TRIP Master Funding debt. See Note 6 Investment in TRIP Holdings for a description of TRIP Holdings.

Off Balance Sheet Arrangements. In prior years, the Leasing Group completed a series of financing transactions whereby railcars were sold to one or more separate independent owner trusts ("Trusts"). Each of the Trusts financed the purchase of the railcars with a combination of debt and equity. In each transaction, the equity participant in the Trust is considered to be the primary beneficiary of the Trust and therefore, the debt related to the Trust is not included as part of the consolidated financial statements. The Leasing Group, through newly formed, wholly-owned, qualified subsidiaries, leased railcars from the Trusts under operating leases with terms of 22 years, and subleased the railcars to independent third-party customers under shorter term operating rental agreements.

These Leasing Group subsidiaries had total assets as of September 30, 2012 of \$209.7 million, including cash of \$83.2 million and railcars of \$94.0 million. The right, title, and interest in each sublease, cash, and railcars are pledged to collateralize the lease obligations to the Trusts and are included in the consolidated financial statements of the Company. Trinity does not guarantee the performance of the subsidiaries' lease obligations. Certain ratios and cash deposits must be maintained by the Leasing Group's subsidiaries in order for excess cash flow, as defined in the agreements, from the lease to third parties to be available to Trinity. Future operating lease obligations of the Leasing Group's subsidiaries as well as future contractual minimum rental revenues related to these leases due to the Leasing Group are as follows:

	Remaining three months of 2012 (in millions)	2013	2014	2015	2016	Thereafter	Total
	\$11.4	\$45.6	\$44.8	\$43.1	\$40.1	\$341.3	\$526.3

Future operating lease obligations of Trusts' railcars							
Future contractual minimum rental revenues of Trusts' railcars	\$15.7	\$51.1	\$36.4	\$28.2	\$19.9	\$37.0	\$188.3

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Operating Lease Obligations. Future amounts due as well as future contractual minimum rental revenues related to operating leases other than leases with the Trusts are as follows:

	Remaining three months of 2012 (in millions)	2013	2014	2015	2016	Thereafter	Total
Future operating lease obligations	\$2.4	\$9.5	\$9.4	\$9.4	\$9.3	\$38.4	\$78.4
Future contractual minimum rental revenues	\$2.9	\$11.5	\$10.9	\$6.8	\$5.9	\$8.2	\$46.2

Operating lease obligations totaling \$27.0 million are guaranteed by Trinity Industries, Inc. and certain subsidiaries. See Note 5 of the December 31, 2011 Consolidated Financial Statements filed on Form 10-K for a detailed explanation of these financing transactions.

#### Note 6. Investment in TRIP Holdings

In 2007, the Company and other third-party equity investors formed TRIP Holdings for the purpose of providing railcar leasing and management services in North America. TRIP Holdings, through its wholly-owned subsidiary, TRIP Rail Leasing LLC (“TRIP Leasing”), purchased railcars from the Company’s Rail and Leasing Groups funded by capital contributions from TRIP Holdings’ equity investors and borrowings under the TRIP Warehouse Loan. As of September 30, 2012, TRIP Holdings’ subsidiaries had purchased \$1,331.4 million of railcars from the Company. Railcars purchased from the Company by TRIP Holdings’ subsidiaries were required to be purchased at prices comparable with the prices of all similar, new railcars sold contemporaneously by the Company and at prices based on third-party appraised values for used railcars.

In July 2011, as a result of refinancing TRIP Holdings’ previous credit facility, TRIP Holdings and its newly-formed subsidiary, TRIP Master Funding, issued \$1,032.0 million in new debt. The debt was used by TRIP Master Funding to purchase all of the railcar equipment owned by TRIP Leasing which, in turn, repaid all outstanding borrowings under the then existing TRIP credit facility and settled all outstanding related interest rate hedges. See Note 11 Debt regarding TRIP Holdings and its related debt. Additionally, Trinity entered into agreements with an equity investor of TRIP Holdings potentially requiring Trinity, under certain limited circumstances, to acquire from the equity investor an additional 16.3% equity ownership in TRIP Holdings if the option is exercised to its fullest extent. Under the agreement, if exercised, Trinity would be required to pay the equity investor an amount equal to 90% of the equity investor’s net investment in TRIP Holdings. Similarly, at its option, Trinity, under certain limited circumstances, may acquire all of the equity investor’s equity ownership in TRIP Holdings at an amount equal to 100% of the equity investor’s net investment in TRIP Holdings. The agreements expire in July 2014. See Note 3 Fair Value Accounting.

At September 30, 2012, the Company owned 57% of TRIP Holdings with the remainder owned by three other third-party equity investors. The Company receives distributions from TRIP Holdings as an equity investor, when allowed, in proportion to its 57% equity interest, and has an interest in the net assets of TRIP Holdings upon a liquidation event in the same proportion. The terms of the Company’s equity investment are identical to the terms of each of the other equity investors. Other than as described above, Trinity had no remaining equity commitment to TRIP Holdings as of September 30, 2012 and had no obligation to guarantee performance under any TRIP-related debt agreements, guarantee any railcar residual values, shield any parties from losses, or guarantee minimum yields.

The Company’s carrying value of its investment in TRIP Holdings is as follows:

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	September 30, 2012	December 31, 2011
	(in millions)	
Capital contributions	\$47.3	\$47.3
Equity purchased from investors	44.8	44.8
	92.1	92.1
Equity in earnings	10.7	12.0
Equity in unrealized losses on derivative financial instruments	—	(1.3 )
Distributions	(7.0 )	(7.0 )
Deferred broker fees	(0.4 )	(0.6 )
	\$95.4	\$95.2

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Administrative fees paid to TILC by TRIP Holdings and subsidiaries for the three and nine month periods ended September 30, 2012 were \$1.2 million and \$3.7 million, respectively, and \$1.2 million and \$3.1 million, respectively, for the same periods last year.

See Note 6 of the December 31, 2011 Consolidated Financial Statements filed on Form 10-K for additional information.

## Note 7. Derivative Instruments

We use derivative instruments to mitigate the impact of changes in interest rates, both in anticipation of future debt issuances and to offset interest rate variability of certain floating rate debt issuances outstanding. We also use derivative instruments to mitigate the impact of changes in natural gas and diesel fuel prices and changes in foreign currency exchange rates. Derivative instruments that are designated and qualify as cash flow hedges are accounted for in accordance with applicable accounting standards. See Note 3 Fair Value Accounting for discussion of how the Company valued its commodity hedges and interest rate swaps at September 30, 2012.

## Interest rate hedges

	Notional Amount	Interest Rate <sup>(1)</sup>		Included in accompanying balance sheet at September 30, 2012		
			Liability	AOCL – loss/ (income)	Noncontrolling Interest	
	(in millions, except %)					
Expired hedges:						
2006 secured railcar equipment notes	\$200.0	4.87	% \$—	\$(2.0	)	\$—
Promissory notes	\$370.0	5.34	% \$—	\$8.1		\$—
TRIP Holdings	\$788.5	3.60	% \$—	\$20.8		\$15.6
Open hedges:						
TRIP Master Funding secured railcar equipment notes	\$81.1	2.62	% \$5.6	\$3.2		\$2.3
Promissory notes	\$451.7	4.13	% \$41.9	\$40.5		\$—

<sup>(1)</sup> Weighted average fixed interest rate

	Effect on interest expense – increase/(decrease)					Expected effect during next twelve months <sup>(1)</sup>		
	Three Months Ended September 30,		Nine Months Ended September 30,					
	2012	2011	2012	2011				
	(in millions)							
Expired hedges:								
2006 secured railcar equipment notes	\$(0.1	)	\$(0.1	)	\$(0.3	)	\$(0.3	)
Promissory notes	\$0.8		\$0.9		\$2.5		\$2.7	
TRIP Holdings	\$1.5		\$1.8		\$4.5		\$15.9	
Open hedges:								
TRIP Master Funding secured railcar equipment notes	\$0.5		\$0.5		\$1.5		\$0.5	
Promissory notes	\$4.3		\$4.6		\$12.7		\$14.3	

<sup>(1)</sup> Based on fair value as of September 30, 2012

During 2005 and 2006, we entered into interest rate swap derivatives in anticipation of issuing our 2006 Secured Railcar Equipment Notes. These derivative instruments, with a notional amount of \$200.0 million, were settled in 2006 and fixed the interest rate on a portion of the related debt issuance. These derivative instrument transactions are being accounted for as cash flow hedges with changes in the fair value of the instruments of \$4.5 million in income recorded in accumulated other comprehensive loss ("AOCL") through the date the related debt issuance closed in 2006. The balance is being amortized over the term of the related debt. The effect on interest expense is due to amortization of the AOCL balance.

During 2006 and 2007, we entered into interest rate swap derivatives in anticipation of issuing our Promissory Notes. These derivative instruments, with a notional amount of \$370.0 million, were settled in 2008 and fixed the interest rate on a portion of the related debt issuance. These derivative instrument transactions are being accounted for as cash flow hedges with changes in the fair value of the instruments of \$24.5 million recorded as a loss in AOCL through the date the related debt issuance closed in

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2008. The balance is being amortized over the term of the related debt. The effect on interest expense is due to amortization of the AOCL balance.

In 2008, we entered into an interest rate swap derivative instrument, expiring in 2015, to fix the variable Libor component of the Promissory Notes. This derivative instrument transaction is being accounted for as a cash flow hedge. The effect on interest expense results primarily from monthly interest settlements.

Between 2007 and 2009, TRIP Holdings, as required by the TRIP Warehouse Loan, entered into interest rate swap derivatives, all of which qualified as cash flow hedges, to reduce the effect of changes in variable interest rates in the TRIP Warehouse Loan. In July 2011, these interest rate hedges were terminated in connection with the refinancing of the TRIP Warehouse Loan. Balances included in AOCL at the date the hedges were terminated are being amortized over the expected life of the new debt with \$5.9 million of additional interest expense expected to be recognized during the twelve months following September 30, 2012. Also in July 2011, TRIP Holdings' wholly-owned subsidiary, TRIP Master Funding, entered into an interest rate swap derivative instrument, expiring in 2021, with a notional amount of \$94.1 million to reduce the effect of changes in variable interest rates associated with the Class A-1b notes of the TRIP Master Funding secured railcar equipment notes. The effect on interest expense results primarily from monthly interest settlements.

See Note 11 Debt regarding the related debt instruments.

## Other Derivatives

	Effect on operating income – increase/(decrease)			
	Three Months Ended September 30, 2012		Nine Months Ended September 30, 2011	
	2012	2011	2012	2011
	(in millions)			
Fuel hedges <sup>(1)</sup>				
Effect of mark to market valuation	\$0.6	\$(0.2	) \$0.6	\$0.0
Settlements	0.0	0.2	0.0	0.3
	\$0.6	\$—	\$0.6	\$0.3
Foreign exchange hedges <sup>(2)</sup>	\$—	\$0.6	\$(0.4	) \$0.0

<sup>(1)</sup> Included in cost of revenues in the accompanying consolidated statement of operations

<sup>(2)</sup> Included in other, net in the accompanying consolidated statement of operations

## Natural gas and diesel fuel

We maintain a program to mitigate the impact of fluctuations in the price of natural gas and diesel fuel purchases. The intent of the program is to protect our operating profit from adverse price changes by entering into derivative instruments. For those instruments that do not qualify for hedge accounting treatment, any changes in their valuation are recorded directly to the consolidated statement of operations. The amount recorded in the consolidated balance sheet as of September 30, 2012 for these instruments was not significant.

## Foreign exchange hedge

We enter into foreign exchange hedges to mitigate the impact on operating profit of unfavorable fluctuations in foreign currency exchange rates. These instruments are short term with quarterly maturities and no remaining balance in AOCL as of September 30, 2012.





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## Note 8. Property, Plant, and Equipment

The following table summarizes the components of property, plant, and equipment as of September 30, 2012 and December 31, 2011.

	September 30, 2012	December 31, 2011 (as reported)
	(in millions)	
Manufacturing/Corporate:		
Land	\$40.2	\$41.6
Buildings and improvements	438.6	429.7
Machinery and other	764.1	758.7
Construction in progress	35.6	12.8
	1,278.5	1,242.8
Less accumulated depreciation	(761.9	) (732.8
	516.6	510.0
Leasing:		
Wholly-owned subsidiaries:		
Machinery and other	9.6	9.6
Equipment on lease	3,611.4	3,429.3
	3,621.0	3,438.9
Less accumulated depreciation	(445.7	) (372.9
	3,175.3	3,066.0
TRIP Holdings:		
Equipment on lease	1,272.3	1,257.7
Less accumulated depreciation	(145.2	) (122.7
	1,127.1	1,135.0
Net deferred profit on railcars sold to the Leasing Group		
Sold to wholly-owned subsidiaries	(352.8	) (344.5
Sold to TRIP Holdings	(182.5	) (187.0
	\$4,283.7	\$4,179.5

## Note 9. Goodwill

Goodwill by segment is as follows:

	September 30, 2012	December 31, 2011 (as reported)
	(in millions)	
Rail Group	\$122.5	\$122.5
Construction Products Group	94.6	90.7
Energy Equipment Group	10.9	10.9
Railcar Leasing and Management Services Group	1.8	1.8
	\$229.8	\$225.9

The net increase in the Construction Products Group goodwill as of September 30, 2012 is due to 2012 acquisitions offset partially by a divestiture.



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## Note 10. Warranties

The changes in the accruals for warranties for the three and nine month periods ended September 30, 2012 and 2011 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	(in millions)			
Beginning balance	\$13.8	\$12.0	\$13.5	\$13.2
Warranty costs incurred	(1.1	) (1.6	) (5.0	) (4.3
Warranty originations and revisions	2.6	2.1	7.8	4.6
Warranty expirations	(0.6	) (0.9	) (1.6	) (1.9
Ending balance	\$14.7	\$11.6	\$14.7	\$11.6

## Note 11. Debt

The following table summarizes the components of debt as of September 30, 2012 and December 31, 2011:

	September 30,	December 31,
	2012	2011
	(as reported)	
	(in millions)	
Manufacturing/Corporate – Recourse:		
Revolving credit facility	\$—	\$—
Convertible subordinated notes	450.0	450.0
Less: unamortized discount	(90.7	) (99.8
	359.3	350.2
Other	5.1	4.2
	364.4	354.4
Leasing – Recourse:		
Capital lease obligations	46.5	48.6
Term loan	51.4	54.7
	97.9	103.3
Total recourse debt	462.3	457.7
Leasing – Non-recourse:		
2006 secured railcar equipment notes	259.1	269.3
Promissory notes	445.5	465.5
2009 secured railcar equipment notes	211.6	218.4
2010 secured railcar equipment notes	345.0	354.3
TILC warehouse facility	385.7	308.5
TRIP Holdings senior secured notes:		
Total outstanding	170.0	170.0
Less: owned by Trinity	(108.8	) (108.8
	61.2	61.2
TRIP Master Funding secured railcar equipment notes	807.7	840.0
Total non-recourse debt	2,515.8	2,517.2
Total debt	\$2,978.1	\$2,974.9

We have a \$425.0 million unsecured revolving credit facility that matures on October 20, 2016. As of September 30, 2012, we had letters of credit issued under our revolving credit facility in an aggregate principal amount of \$68.9 million, leaving \$356.1 million available for borrowing. Other than these letters of credit, there were no borrowings under our revolving credit facility as of September 30, 2012, or for the nine month period then ended. Of the outstanding letters of credit as of September 30, 2012, a total of \$0.5 million is expected to expire in 2012 and the remainder primarily in 2013. The majority of our letters of credit obligations supports the Company's various insurance programs and generally renews each year. Trinity's revolving credit facility requires the maintenance of ratios related to minimum interest coverage for the leasing and manufacturing operations and maximum leverage. Borrowings under the credit facility bear interest at Libor plus 150.0 basis points or prime plus 50.0 basis points. As of September 30, 2012, we were in compliance with all such financial covenants.

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The Company's 3 7/8% convertible subordinated notes are recorded net of unamortized discount to reflect their underlying economics by capturing the value of the conversion option as borrowing costs. As of September 30, 2012 and December 31, 2011, capital in excess of par value included \$92.8 million related to the estimated value of the Convertible Subordinated Notes' conversion options, in accordance with ASC 470-20. Debt discount recorded in the consolidated balance sheet is being amortized through June 1, 2018 to yield an effective annual interest rate of 8.42% based upon the estimated market interest rate for comparable non-convertible debt as of the issuance date of the Convertible Subordinated Notes. Total interest expense recognized on the Convertible Subordinated Notes for the three and nine months ended September 30, 2012 and 2011 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in millions)			
Coupon rate interest	\$4.4	\$4.4	\$13.1	\$13.1
Amortized debt discount	3.1	2.9	9.1	8.4
	\$7.5	\$7.3	\$22.2	\$21.5

At September 30, 2012, the Convertible Subordinated Notes were convertible at a price of \$51.19 per share resulting in 8,790,779 issuable shares. As of September 30, 2012, if the Convertible Subordinated Notes had been converted, no shares would have been issued since the trading price of the Company's common stock was below the conversion price of the Convertible Subordinated Notes. The Company has not entered into any derivatives transactions associated with these notes.

The \$475.0 million TILC warehouse loan facility, established to finance railcars owned by TILC, had \$385.7 million outstanding and \$89.3 million available as of September 30, 2012. The warehouse loan is a non-recourse obligation secured by a portfolio of railcars and operating leases, certain cash reserves, and other assets acquired and owned by the warehouse loan facility. The principal and interest of this indebtedness are paid from the cash flows of the underlying leases. Advances under the facility bear interest at a defined index rate plus a margin, for an all-in interest rate of 2.25% at September 30, 2012. The warehouse loan facility matures in February 2013. Amounts outstanding at maturity, absent renewal, will be payable in three installments in August 2013, February 2014, and August 2014.

Terms and conditions of other debt, including recourse and non-recourse provisions, are described in Note 11 of the December 31, 2011 Consolidated Financial Statements filed on Form 10-K.

The remaining principal payments under existing debt agreements as of September 30, 2012 are as follows:

	Remaining three months of 2012 (in millions)	2013	2014	2015	2016	Thereafter
Recourse:						
Manufacturing/Corporate	\$0.3	\$1.7	\$2.4	\$0.2	\$0.2	\$450.3
Leasing – capital lease obligations (Note 5)	0.7	2.9	3.1	3.3	3.5	33.0
Leasing – term loan (Note 5)	0.7	3.0	3.2	3.4	41.1	—
Non-recourse – leasing (Note 5):						
2006 secured railcar equipment notes	3.3	15.1	16.9	18.6	21.9	183.3
Promissory notes	21.3	28.5	25.4	22.7	347.6	—
2009 secured railcar equipment notes	2.4	10.2	9.9	9.6	6.5	173.0
2010 secured railcar equipment notes	3.5	14.6	14.0	15.3	15.0	282.6

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TILC warehouse facility	2.0	10.7	5.9	—	—	—
TRIP Holdings senior secured notes:						
Total outstanding	—	—	170.0	—	—	—
Less: owned by Trinity	—	—	(108.8 )	—	—	—
			61.2			
TRIP Master Funding secured railcar equipment notes	9.9	41.0	40.1	35.7	29.3	651.7
Facility termination payments - TILC warehouse facility	—	122.4	244.7	—	—	—
Total principal payments	\$44.1	\$250.1	\$426.8	\$108.8	\$465.1	\$1,773.9

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## Note 12. Other, Net

Other, net (income) expense consists of the following items:

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2012	2011	2012	2011	
	(in millions)				
Foreign currency exchange transactions	\$(0.4	) \$3.0	\$(1.8	) \$3.1	
Gain on equity investments	(0.2	) (0.1	) (0.3	) (0.6	)
Other	(0.8	) 2.4	(2.3	) 1.7	
Other, net	\$(1.4	) \$5.3	\$(4.4	) \$4.2	

## Note 13. Income Taxes

The provision for income taxes results in effective tax rates that differ from the statutory rates. The following is a reconciliation between the statutory United States Federal income tax rate and the Company's effective income tax rate:

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2012	2011	2012	2011	
Statutory rate	35.0	% 35.0	% 35.0	% 35.0	%
State taxes	2.0	3.2	2.0	2.8	
Tax settlements	0.0	0.0	(0.8	) 0.0	
Changes in tax reserves	(1.6	) (0.9	) (0.6	) 0.3	
Foreign tax adjustments	(1.0	) 2.1	(0.6	) 0.3	
Other, net	(0.2	) 0.6	(0.1	) 1.2	
Effective rate	34.2	% 40.0	% 34.9	% 39.6	%

During the nine months ended September 30, 2012, we settled our audit with the Internal Revenue Service ("IRS") for the 2004-2005 tax years. As a result of closing this audit, we recognized a \$3.5 million tax benefit in the first quarter, primarily related to favorable claims filed and approved by the IRS in the final audit settlement.

During the three and nine months ended September 30, 2012, we recognized a tax benefit of \$1.5 million and \$1.8 million, respectively, due to the release of net tax reserves primarily as a result of certain state tax issues where the statute of limitations had lapsed.

The IRS field work for our 2006-2008 audit cycle has concluded and all issues, except for transfer pricing, have been agreed to and tentatively settled. The transfer pricing issue has been appealed and we are seeking Competent Authority review with Mexico to avoid double-taxation of income in the U.S. and in Mexico. As we do not control the timing of when our issues will be reviewed by Competent Authority, we cannot determine when the 2006-2008 cycle will close and all issues formally settled and thus when the statute of limitations for years after 2005 will close. In early October 2012, we were notified by the IRS of their intent to begin their examination of our 2009 and 2010 tax years as well as the June 30, 2009 tax year of Quixote Corporation, a wholly-owned subsidiary that we acquired in February 2010. We expect that our 2011 tax return will be added to this examination cycle as it was just recently filed during the third quarter of 2012.

We have various subsidiaries in Mexico that file separate tax returns and thus are subject to examination by taxing authorities at different times. The 2003 tax year of one of our Mexican subsidiaries is still under review and its statute of limitations remains open through June 2014. Another Mexican subsidiary's statute of limitations for the 2005 tax

year remains open through July 2013. The remaining entities are open for their 2006 tax years and forward.

Our two Swiss subsidiaries, one of which is a holding company and the other of which is dormant, have been audited by the taxing authorities through 2008 and 2009. The statute of limitations in Switzerland is generally five years from the end of the tax year, but can be extended up to 15 years in certain cases if the audit has commenced during the original five year period.

We also currently have sales offices in Europe and Canada that are subject to various statutes of limitations.

Generally, states' statutes of limitations in the United States are open from 2003 forward due to the use of tax loss carryforwards in certain jurisdictions.



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The change in unrecognized tax benefits for the nine months ended September 30, 2012 and 2011 was as follows:

	Nine Months Ended September 30,	
	2012	2011
	(in millions)	
Beginning balance	\$52.5	\$36.8
Additions for tax positions related to the current year	3.1	2.9
Additions for tax positions of prior years	—	15.1
Reductions for tax positions of prior years	(1.1	) (0.1
Settlements	(3.4	) (3.5
Expiration of statute of limitations	(0.8	) (0.5
Ending balance	\$50.3	\$50.7

Additions for tax positions related to the current year in the amounts of \$3.1 million and \$2.9 million recorded in the nine months ended September 30, 2012 and 2011, respectively, were amounts provided for tax positions that will be taken for Federal and state income tax purposes when we file those tax returns.

Additions for tax positions of prior years for the nine months ended September 30, 2011 of \$15.1 million are primarily due to Federal tax positions taken on prior year returns that were proposed by the IRS but had not been previously reserved. Since these items are primarily timing differences, we will be allowed a future tax deduction. During 2011, we recorded a corresponding deferred tax asset for the future tax reduction related to these adjustments.

The reduction in tax positions of prior years of \$1.1 million for the nine months ended September 30, 2012, was primarily related to new guidance issued by the IRS regarding the capitalization of fixed assets that was issued in March 2012 as well as state taxes.

Settlements during the nine months ended September 30, 2012, primarily related to the settlement of our 2004-2005 IRS audit as well as the related impact on state tax returns. Settlements during the nine months ended September 30, 2011, primarily related to an audit of a separate tax return of our Swiss subsidiary.

Unrecognized tax benefits that are currently reserved are accounted for as both temporary in nature as well as permanent differences depending on the nature of the item. Those items that would result in temporary book/tax differences have a corresponding deferred tax asset recorded. In addition, we record deferred tax assets for the future deduction of state taxes and accrued interest. The total amount of unrecognized tax benefits including interest and penalties at September 30, 2012 and 2011, for which no deferred tax asset has been recorded and that would affect the Company's effective tax rate if recognized was \$15.9 million and \$18.8 million, respectively. There is a reasonable possibility that unrecognized Federal and state tax benefits will decrease by September 30, 2013 due to a lapse in the statute of limitations for assessing tax. Amounts subject to a lapse by September 30, 2013 total \$7.8 million. Further, there is a reasonable possibility that the unrecognized Federal tax benefits will decrease by September 30, 2013 due to settlements with taxing authorities. Amounts expected to settle by September 30, 2013 total \$26.5 million.

Trinity accounts for interest expense and penalties related to income tax issues as income tax expense. Accordingly, interest expense and penalties associated with an uncertain tax position are included in the income tax provision. The total amount of accrued interest and penalties as of September 30, 2012 and December 31, 2011 was \$11.3 million and \$13.3 million, respectively. Income tax expense for the three and nine months ended September 30, 2012, included a decrease in income tax expense of \$1.3 million and \$2.1 million, respectively, in interest expense and penalties related to uncertain tax positions. Income tax expense for the three and nine months ended September 30, 2011, included a decrease in income tax expense of \$0.3 million and an increase of \$1.5 million, respectively, in interest expense and penalties related to uncertain tax positions.



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## Note 14. Employee Retirement Plans

The following table summarizes the components of net retirement cost for the Company:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	(in millions)			
Service cost	\$0.2	\$0.2	\$0.6	\$0.7
Interest	4.9	4.9	14.6	14.7
Expected return on plan assets	(5.7	) (5.7	) (17.1	) (17.1
Actuarial loss	0.7	0.4	2.5	1.4
Prior service cost	0.1	0.1	0.1	0.1
Defined benefit expense	0.2	(0.1	) 0.7	(0.2
Profit sharing	3.1	1.9	8.9	6.4
Net expense	\$3.3	\$1.8	\$9.6	\$6.2

Trinity contributed \$3.6 million and \$13.8 million to the Company's defined benefit pension plans for the three and nine month periods ended September 30, 2012, respectively. Trinity contributed \$2.9 million and \$11.7 million to the Company's defined benefit pension plans for the three and nine month periods ended September 30, 2011, respectively. Total contributions to the Company's defined benefit pension plans in 2012 are expected to be approximately \$17.3 million.

## Note 15. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss for the nine months ended September 30, 2012 are as follows:

	Currency	Unrealized	Funded	Accumulated
	translation	loss on	status of	Other
	adjustments	derivative	pension	Comprehensive
		financial	liability	Loss
		instruments		
	(in millions)			
Balance at December 31, 2011	\$(17.1	) \$(46.2	) \$(70.7	) \$(134.0
Other comprehensive income	0.6	6.3	1.6	8.5
Balance at September 30, 2012, net of tax expense (benefit) of \$0.2, \$(30.6), \$(40.7) and \$(71.1)	\$(16.5	) \$(39.9	) \$(69.1	) \$(125.5

See Note 7 Derivative Instruments for information on the reclassification of amounts in accumulated other comprehensive loss into earnings.

## Note 16. Stock-Based Compensation

Stock-based compensation totaled approximately \$7.9 million and \$20.4 million for the three and nine months ended September 30, 2012, respectively. Stock-based compensation totaled approximately \$6.9 million and \$16.3 million for the three and nine months ended September 30, 2011, respectively.

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## Note 17. Earnings Per Common Share

Basic net income attributable to Trinity Industries, Inc. per common share is computed by dividing net income attributable to Trinity remaining after allocation to unvested restricted shares by the weighted average number of basic common shares outstanding for the period. Except when the effect would be antidilutive, the calculation of diluted net income attributable to Trinity per common share includes the net impact of unvested restricted shares and shares that could be issued under outstanding stock options. Total weighted average restricted shares and antidilutive stock options were 3.3 million shares and 3.2 million shares for the three and nine month periods ended September 30, 2012, respectively. Total weighted average restricted shares and antidilutive stock options were 2.9 million shares for the three and nine month periods ended September 30, 2011.

The computation of basic and diluted net income attributable to Trinity Industries, Inc. is as follows:

	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	Income (Loss)	Average Shares	EPS	Income (Loss)	Average Shares	EPS
Net income attributable to Trinity Industries, Inc.	\$63.2			\$31.9		
Unvested restricted share participation	(2.1 )			(1.0 )		
Net income attributable to Trinity Industries, Inc. – basic	61.1	76.5	\$0.80	30.9	77.7	\$0.40
Effect of dilutive securities:						
Stock options	—	0.2		—	0.2	
Net income attributable to Trinity Industries, Inc. – diluted	\$61.1	76.7	\$0.80	\$30.9	77.9	\$0.40
	Nine Months Ended September 30, 2012			Nine Months Ended September 30, 2011		
	Income (Loss)	Average Shares	EPS	Income (Loss)	Average Shares	EPS
Net income attributable to Trinity Industries, Inc.	\$183.9			\$86.1		
Unvested restricted share participation	(6.1 )			(2.9 )		
Net income attributable to Trinity Industries, Inc. – basic	177.8	77.3	\$2.30	83.2	77.4	\$1.07
Effect of dilutive securities:						
Stock options	—	0.2		—	0.3	
Net income attributable to Trinity Industries, Inc. – diluted	\$177.8	77.5	\$2.29	\$83.2	77.7	\$1.07

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Note 18. Contingencies

Railworthiness Directive

As previously reported, in 2011 the Company received the approval of the Federal Railroad Administration (“FRA”) to implement a voluntary recertification of 948 tank cars owned or managed by the Company’s wholly-owned, railcar leasing subsidiary and used in transporting poison inhalation hazard (“PIH”) materials. The recertification process is underway and being performed in conjunction with the normal three to five year, federally mandated inspection cycle for tank cars in PIH service. Maintenance costs associated with this recertification process are expensed as incurred. The additional costs estimated to be incurred for compliance with the directive are not expected to be significant.

Other Matters

As previously reported, Trinity Structural Towers, Inc., a wholly-owned subsidiary of the Company, is in litigation with a structural wind towers customer for the customer’s breach of a long-term supply contract for the manufacture of towers. While the customer partially performed the contract, it ultimately defaulted on its purchase obligation and did not remedy such default following written notice. Discovery in this litigation is continuing.

The Company is involved in claims and lawsuits incidental to our business arising from various matters including product warranty, personal injury, environmental issues, workplace laws, and various governmental regulations. The Company evaluates its exposure to such claims and suits periodically and establishes accruals for these contingencies when a range of loss can be reasonably estimated. The range of loss for such matters, taking into consideration our rights in indemnity and recourse to third parties is \$4.0 million to \$19.8 million. Total accruals of \$10.1 million, including environmental and workplace matters described below, are included in accrued liabilities in the accompanying consolidated balance sheet. The Company believes any additional liability would not be material to its financial position or results of operations.

Trinity is subject to remedial orders and Federal, state, local, and foreign laws and regulations relating to the environment and the workplace. The Company has reserved \$7.4 million to cover our probable and estimable liabilities with respect to the investigations, assessments, and remedial responses to such matters, taking into account currently available information and our contractual rights to indemnification and recourse to third parties. However, estimates of liability arising from future proceedings, assessments, or remediation are inherently imprecise. Accordingly, there can be no assurance that we will not become involved in future litigation or other proceedings involving the environment and the workplace or, if we are found to be responsible or liable in any such litigation or proceeding, that such costs would not be material to the Company. We believe that we are currently in substantial compliance with environmental and workplace laws and regulations.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Our MD&A is presented in the following sections:

- Executive Summary
- Results of Operations
- Liquidity and Capital Resources
- Contractual Obligations and Commercial Commitments
- Recent Accounting Pronouncements
- Forward-Looking Statements

Our MD&A should be read in conjunction with the unaudited consolidated financial statements of Trinity Industries, Inc. and subsidiaries ("Trinity", "Company", "we", or "our") and related notes in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Executive Summary

The Company's revenues for the three and nine months ended September 30, 2012 were \$937.5 million and \$2,891.2 million, respectively, representing an increase of 19% and 36%, respectively, over the same periods in 2011. Operating profit for the three and nine months ended September 30, 2012 totaled \$141.9 million and \$419.2 million, respectively, compared with \$105.4 million and \$286.3 million, respectively, for the same periods in 2011. While all of our business segments reported increases in revenues for the nine months ended September 30, 2012 when compared to the prior year, the largest contributors to the increase were our Rail, Inland Barge, and Leasing Groups. The increase in revenues in our Rail and Inland Barge Groups was primarily due to higher shipment volumes while the increase in revenues in our Leasing Group was due to higher railcar sales from the lease fleet, higher rental revenues from lease fleet additions, and an increase in rental rates. Operating profit and margin grew for the nine months ended September 30, 2012 when compared with the prior year, primarily due to higher shipment levels in our Rail and Inland Barge Groups and from revenue growth in our Leasing Group. Our Construction Products Group experienced a decline in operating margin primarily as a result of competitive pricing pressures. Net income attributable to Trinity Industries, Inc. common stockholders for the three and nine months ended September 30, 2012 increased \$31.3 million and \$97.8 million, respectively, or 98% and 114%, respectively, over the same periods in 2011.

Our Rail and Inland Barge Groups and our structural wind towers and containers businesses operate in cyclical industries. Results in our Construction Products and Energy Equipment Groups are subject to seasonal fluctuations with the first quarter historically being the weakest quarter. Railcar sales from the lease fleet are the primary driver of fluctuations in results in the Railcar Leasing and Management Services Group. Following an extended period of weak demand for new railcars through 2010, demand for new railcars recovered sharply, primarily due to an increase in the shipment of commodities, replacement of older railcars, and federal tax benefits received from taking delivery of railcars in 2011 and 2012. While moderating from the accelerated pace in the first half of 2011, demand conditions and corresponding order levels for new railcars in the first nine months of 2012 continued to be favorable, particularly from the oil, gas, and chemicals industries. Rail Group operating results include certain costs associated with the repositioning of a portion of the Company's production capacity to meet railcar demand. Orders for structural wind towers have been slow since mid-2008 when energy development companies encountered tightened credit markets, lower demand for electricity, and heightened competition arising from declining natural gas prices and imports from foreign manufacturers. The continued slowdown in the commercial construction markets negatively impacted the results of our Construction Products Group as well. We continually assess our manufacturing capacity and take steps

to align our production capacity with demand for our products. Due to improvements in demand, we have increased production staff at certain facilities since late 2010.

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Our backlog at September 30, 2012 compared with prior period was approximately as follows:

	September 30, 2012 (in millions)	September 30, 2011
Rail Group		
External Customers	\$2,526.6	\$1,939.0
Leasing Group	815.4	431.7
	\$3,342.0	\$2,370.7
Inland Barge	\$536.5	\$564.4
Structural wind towers	\$754.3	\$929.5

For the nine months ended September 30, 2012, our rail manufacturing businesses received orders for approximately 16,730 railcars. The orders in our backlog from the Leasing Group are supported by lease commitments with external customers. The final amount dedicated to the Leasing Group may vary by the time of delivery. For multi-year barge agreements, deliveries scheduled for 2013 are included in the backlog at this time; deliveries beyond 2013 are not included in the backlog if specific production quantities for future years have not been determined. Approximately \$412.5 million of the structural wind towers backlog is subject to litigation with a structural wind towers customer for the customer's breach of a long-term supply contract for the manufacture of towers.

Results of Operations

Overall Summary

Revenues

	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011			Percent Change	
	External Revenues (\$ in millions)	Intersegment	Total	External Revenues	Intersegment Total	Total		
Rail Group	\$328.3	\$ 129.6	\$457.9	\$227.7	\$ 93.2	\$320.9	42.7	%
Construction Products Group	148.2	6.1	154.3	161.1	3.7	164.8	(6.4)	)
Inland Barge Group	166.5	—	166.5	143.2	—	143.2	16.3	
Energy Equipment Group	131.0	4.6	135.6	107.3	4.3	111.6	21.5	
Railcar Leasing and Management Services Group	159.3	0.6	159.9	147.4	—	147.4	8.5	
All Other	4.2	20.4	24.6	4.4	13.6	18.0	36.7	
Eliminations – Lease subsidiary	—	(125.9 )	(125.9 )	—	(87.9 )	(87.9 )		
Eliminations – Other	—	(35.4 )	(35.4 )	—	(26.9 )	(26.9 )		
Consolidated Total	\$937.5	\$ —	\$937.5	\$791.1	\$ —	\$791.1	18.5	
	Nine Months Ended September 30, 2012			Nine Months Ended September 30, 2011			Percent Change	
	External Revenues (\$ in millions)	Intersegment	Total	External Revenues	Intersegment Total	Total		
Rail Group	\$1,049.7	\$ 392.2	\$1,441.9	\$556.0	\$ 265.4	\$821.4	75.5	%
	449.4	16.7	466.1	439.2	8.5	447.7	4.1	



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Construction Products Group							
Inland Barge Group	509.8	—	509.8	398.9	—	398.9	27.8
Energy Equipment Group	377.7	13.6	391.3	335.6	12.2	347.8	12.5
Railcar Leasing and Management Services Group	493.7	2.7	496.4	395.4	—	395.4	25.5
All Other	10.9	50.2	61.1	8.5	36.9	45.4	34.6
Eliminations – Lease subsidiary	—	(380.8 )	(380.8 )	—	(252.8 )	(252.8 )	
Eliminations – Other	—	(94.6 )	(94.6 )	—	(70.2 )	(70.2 )	
Consolidated Total	\$2,891.2	\$—	\$2,891.2	\$2,133.6	\$—	\$2,133.6	35.5

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Operating Profit (Loss)

	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2012	2011	2012	2011	
	(in millions)				
Rail Group	\$35.2	\$18.2	\$128.3	\$42.9	
Construction Products Group	12.7	17.8	38.7	42.2	
Inland Barge Group	26.9	26.0	93.5	66.8	
Energy Equipment Group	9.5	(1.9	) 9.7	9.8	
Railcar Leasing and Management Services Group	85.1	64.2	228.0	178.6	
All Other	(2.0	) (0.3	) (7.1	) (0.8	)
Corporate	(12.4	) (11.5	) (33.6	) (30.6	)