GREIF INC
Form 10-K
December 16, 2011
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

# FORM 10-K

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

For the fiscal year ended October 31, 2011

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: 001-00566

(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| **State of Delaware** | **31-4388903** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **425 Winter Road, Delaware, Ohio** | **43015** |
| (Address of principal executive offices) | (Zip Code) |

Registrant s telephone number, including area code 740-549-6000

Securities registered pursuant to Section 12(b) of the Act:

| **Title of Each Class** | **Name of Each Exchange on Which Registered** |
|---|---|
| Class A Common Stock | New York Stock Exchange |
| Class B Common Stock | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No þ

Indicate by check mark whether the Registrant (1) has filed all reports 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 þ 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 during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant s knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the Registrant s most recently completed second fiscal quarter was as follows:

Non-voting common equity (Class A Common Stock) - 1,497,294,778

Voting common equity (Class B Common Stock) - 329,287,284

The number of shares outstanding of each of the Registrant s classes of common stock, as of December 9, 2011, was as follows:

| | |
|---|---|
| Class A Common Stock | 24,978,098 |
| Class B Common Stock | 22,120,966 |

Listed hereunder are the documents, portions of which are incorporated by reference, and the parts of this Form 10-K into which such portions are incorporated:

1. The Registrant s Definitive Proxy Statement for use in connection with the Annual Meeting of Stockholders to be held on February 27, 2012 (the 2012 Proxy Statement ), portions of which are incorporated by reference into Parts II and III of this Form 10-K. The 2012 Proxy Statement will be filed within 120 days of October 31, 2011.

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**IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

All statements, other than statements of historical facts, included in this Annual Report on Form 10-K of Greif, Inc. and subsidiaries (this Form 10-K ) or incorporated herein, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs, goals and plans and objectives of management for future operations, are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). Forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, expect, intend, estimate, anticipate, project, believe, continue, on tra negative thereof or variations thereon or similar terminology. All forward-looking statements made in this Form 10-K are based on information currently available to our management. Forward-looking statements speak only as the date the statements were made. Although we believe that the expectations reflected in forward-looking statements have a reasonable basis, we can give no assurance that these expectations will prove to be correct. Forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed in or implied by the statements. For a discussion of the most significant risks and uncertainties that could cause our actual results to differ materially from those projected, see Risk Factors in Item 1A of this Form 10-K. The risks described in this Form 10-K are not all inclusive, and given these and other possible risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. All forward-looking statements made in this Form 10-K are expressly qualified in their entirety by reference to such risk factors. Except to the limited extent required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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**PART I**

**ITEM 1. BUSINESS**

**(a) General Development of Business**

We are a leading global producer of industrial packaging products and services with manufacturing facilities located in over 55 countries. We offer a comprehensive line of rigid industrial packaging products, such as steel, fibre and plastic drums, rigid intermediate bulk containers, closure systems for industrial packaging products, transit protection products, water bottles and reconditioned containers, and services such as container life cycle services, blending, filling and other packaging services, logistics and warehousing. We are also a leading global producer of flexible intermediate bulk containers and a North American provider of industrial and consumer shipping sacks and multiwall bag products. We also produce containerboard and corrugated products for niche markets in North America. We sell timber to third parties from our timberland in the southeastern United States that we manage to maximize long-term value. We also own timberland in Canada that we do not actively manage. In addition, we sell, from time to time, timberland and special use land, which consists of surplus land, higher and better use ( HBU ) land, and development land. Our customers range from Fortune 500 companies to medium and small-sized companies in a cross section of industries.

We were founded in 1877 in Cleveland, Ohio, as Vanderwyst and Greif, a cooperage shop co-founded by one of four Greif brothers. One year after our founding, the other three Greif brothers were invited to join the business, renamed Greif Bros. Company, making wooden barrels, casks and kegs to transport post-Civil War goods nationally and internationally. We later purchased nearly 300,000 acres of timberland to provide raw materials for our cooperage plants. We still own significant timber properties located in the southeastern United States and in Canada. In 1926, we incorporated as a Delaware corporation and made a public offering as The Greif Bros. Cooperage Corporation. In 1951, we moved our headquarters from Cleveland, Ohio to Delaware, Ohio, which is in the Columbus metro-area, where our corporate headquarters are currently located. Since the latter half of the 1900s, we have transitioned from our keg and barrel heading mills, stave mills and cooperage facilities to a global producer of industrial packaging products. Following our acquisition of Van Leer in 2001, a global steel and plastic drum manufacturer, we changed our name to Greif, Inc.

Our fiscal year begins on November 1 and ends on October 31 of the following year. Any references in this Form 10-K to the years 2011, 2010 or 2009, or to any quarter of those years, relate to the fiscal year ending in that year.

As used in this Form 10-K, the terms Greif, our company, we, us, and our refer to Greif, Inc. and its subsidiaries.

**(b) Financial Information about Segments**

We operate in four business segments: Rigid Industrial Packaging & Services; Flexible Products & Services; Paper Packaging; and Land Management. Information related to each of these segments is included in Note 17 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

**(c) Narrative Description of Business**

***Products and Services***

In the Rigid Industrial Packaging & Services segment, we are a leading global provider of rigid industrial packaging products, including steel, fibre and plastic drums, rigid intermediate bulk containers, closure systems for industrial packaging products, transit protection products, water bottles and reconditioned containers, and services, such as container life cycle services, blending, filling and other packaging services, logistics and warehousing. We sell our industrial packaging products to customers in industries such as chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical and mineral, among others.

In the Flexible Products & Services segment, we are a leading global producer of flexible intermediate bulk containers and a North American provider of industrial and consumer shipping sacks and multiwall bag products. Our flexible intermediate bulk containers consist of a polypropylene-based woven fabric that is partly produced at our production sites, as well as sourced from strategic regional suppliers. Our flexible products are sold globally and service customers and market segments similar to those as our Rigid Industrial Packaging & Services segment. Additionally, our flexible products significantly expand our presence in the agricultural and food industries, among others. Our industrial and consumer shipping sacks and multiwall bag products are used to ship a wide range of industrial and consumer products, such as seed, fertilizers, chemicals, concrete, flour, sugar, feed, pet foods, popcorn, charcoal and salt, primarily for the agricultural, chemical, building products and food industries.

In the Paper Packaging segment, we sell containerboard, corrugated sheets and other corrugated products to customers in North America in industries such as packaging, automotive, food and building products. Our corrugated container products are used to ship such diverse products as home appliances, small machinery, grocery products, building products, automotive components, books and furniture, as well as numerous other applications. Operations related to our industrial and consumer multiwall bag products have been reclassified to our Flexible Products & Services segment.

In the Land Management segment, we are focused on the active harvesting and regeneration of our United States timber properties to achieve sustainable long-term yields. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market and weather conditions. We also sell, from time to time, timberland and special use land, which consists of surplus land, HBU land and development land.

As of October 31, 2011, we owned approximately 267,750 acres of timber property in the southeastern United States and approximately 14,700 acres of timber property in Canada.

***Customers***

Due to the variety of our products, we have many customers buying different types of our products and due to the scope of our sales, no one customer is considered principal in our total operations.

***Backlog***

We supply a cross-section of industries, such as chemicals, food products, petroleum products, pharmaceuticals and metal products, and must make spot deliveries on a day-to-day basis as our products are required by our customers. We do not operate on a backlog to any significant extent and maintain only limited levels of finished goods. Many customers place their orders weekly for delivery during the week.

***Competition***

The markets in which we sell our products are highly competitive with many participants. Although no single company dominates, we face significant competitors in each of our businesses. Our competitors include large vertically integrated companies as well as numerous smaller companies. The industries in which we compete are particularly sensitive to price fluctuations caused by shifts in industry capacity and other cyclical industry conditions. Other competitive factors include design, quality and service, with varying emphasis depending on product line.

In both the rigid industrial packaging industry and flexible industrial packaging industry, we compete by offering a comprehensive line of products on a global basis. In the paper packaging industry, we compete by concentrating on providing value-added, higher-margin corrugated products to niche markets. In addition, over the past several years we have closed higher cost facilities and otherwise restructured our operations, which we believe have significantly improved our cost competitiveness.

***Compliance with Governmental Regulations Concerning Environmental Matters***

Our operations are subject to extensive federal, state, local and international laws, regulations, rules and ordinances relating to pollution, the protection of the environment, the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials and numerous other environmental laws and regulations. In the ordinary course of business, we are subject to periodic environmental inspections and monitoring by governmental enforcement authorities. In addition, certain of our production facilities require environmental permits that are subject to revocation, modification and renewal.

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Based on current information, we believe that the probable costs of the remediation of company-owned property will not have a material adverse effect on our financial condition or results of operations. We believe that we have adequately reserved for our liability for these matters as of October 31, 2011.

We do not believe that compliance with federal, state, local and international provisions, which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has had or will have a material effect upon our capital expenditures, earnings or competitive position. We do not anticipate any material capital expenditures related to environmental control in 2012.

Refer also to Item 7 of this Form 10-K and Note 14 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for additional information concerning environmental expenses and cash expenditures for 2011, 2010 and 2009, and our reserves for environmental liabilities as of October 31, 2011.

***Raw Materials***

Steel, resin and containerboard are the principal raw materials for the Rigid Industrial Packaging & Services segment, resin is the primary raw material for the Flexible Products & Services segment, and pulpwood, old corrugated containers for recycling and containerboard are the principal raw materials for the Paper Packaging segment. We satisfy most of our needs for these raw materials through purchases on the open market or under short-term and long-term supply agreements. All of these raw materials are purchased in highly competitive, price-sensitive markets, which have historically exhibited price, demand and supply cyclicality. From time to time, some of these raw materials have been in short supply at certain of our manufacturing facilities. In those situations, we ship the raw materials in short supply from one or more of our other facilities with sufficient supply to the facility or facilities experiencing the shortage. To date, raw material shortages have not had a material adverse effect on our financial condition or results of operations.

***Research and Development***

While research and development projects are important to our continued growth, the amount expended in any year is not material in relation to our results of operations.

***Other***

Our businesses are not materially dependent upon patents, trademarks, licenses or franchises.

No material portion of our businesses is subject to renegotiation of profits or termination of contracts or subcontracts at the election of a governmental agency or authority.

The businesses of our segments are not seasonal to any material extent.

***Employees***

As of October 31, 2011, we had approximately 15,660 full time employees, which has increased due to acquisitions in 2011. A significant number of our full time employees are covered under collective bargaining agreements. We believe that our employee relations are generally good.

**(d) Financial Information about Geographic Areas**

Our operations are located in North and South America, Europe, the Middle East, Africa and the Asia Pacific region. Information related to each of these areas is included in Note 17 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K. Refer to Quantitative and Qualitative Disclosures about Market Risk, included in Item 7A of this Form 10-K.

**(e) Available Information**

We maintain a website at www.greif.com. We file reports with the United States Securities and Exchange Commission ( SEC ) and make available, free of charge, on or through our website, our annual reports on Form 10-K, quarterly

reports on Form 10-Q or Form 10-Q/A, current reports on Form 8-K, proxy and information statements and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have electronically filed such material with, or furnished it to, the SEC.

Any of the materials we file with the SEC may also be read and/or copied at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the SEC s Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

**(f) Other Matters**

Our common equity securities are listed on the New York Stock Exchange ( NYSE ) under the symbols GEF and GEF.B. David B. Fischer, our President and Chief Executive Officer, has timely certified to the NYSE that, at the date of the certification, he was unaware of any violation by our Company of the NYSE s corporate governance listing standards. In addition, Mr. Fischer and Robert M. McNutt, our Senior Vice President and Chief Financial Officer, have provided certain certifications in this Form 10-K regarding the quality of our public disclosures. Refer to Exhibits 31.1 and 31.2 to this Form 10-K.

**ITEM 1A. RISK FACTORS**

Statements contained in this Form 10-K may be forward-looking within the meaning of Section 21E of the Exchange Act. Such forward-looking statements are subject to certain risks and uncertainties that could cause our operating results to differ materially from those projected. The following factors, among others, in some cases have affected, and in the future could affect, our actual financial and/or operational performance.

**The Current and Future Challenging Global Economy may Adversely Affect Our Business.**

The current economic slowdown and any further economic decline in future reporting periods could negatively affect our business and results of operations. The volatility of the current economic climate, especially that in Western Europe, makes it difficult for us to predict the complete impact of this slowdown on our business and results of operations. Due to these current economic conditions, our customers may face financial difficulties, the unavailability of or reduction in commercial credit, or both, that may result in decreased sales by and revenues to our company. Certain of our customers may cease operations or seek bankruptcy protection, which would reduce our cash flows and adversely impact our results of operations. Our customers that are financially viable and not experiencing economic distress may elect to reduce the volume of orders for our products in an effort to remain financially stable or as a result of the unavailability of commercial credit which would negatively affect our results of operations. We may also have difficulty accessing the global credit markets due to the tightening of commercial credit availability and the financial difficulties of our customers, which would result in decreased ability to fund capital-intensive strategic projects and our ongoing acquisition strategy. Further, we may experience challenges in forecasting revenues and operating results due to these global economic conditions. The difficulty in forecasting revenues and operating results may result in volatility in the market price of our common stock.

In addition, the lenders under our Credit Agreement and other borrowing facilities described in Item 7 of this Form 10-K under Liquidity and Capital Resources Borrowing Arrangements and the counterparties with whom we maintain interest rate swap agreements, currency forward contracts and derivatives and other hedge agreements may be unable to perform their lending or payment obligations in whole or in part, or may cease operations or seek bankruptcy protection, which would negatively affect our cash flows and our results of operations.

**Historically, Our Business has been Sensitive to Changes in General Economic or Business Conditions.**

Our customers generally consist of other manufacturers and suppliers who purchase industrial packaging products and containerboard and related corrugated products for their own containment and shipping purposes. Because we supply a cross section of industries, such as chemicals, food products, petroleum products, pharmaceuticals, metal products, agricultural and agrichemical products, and have operations in many countries, demand for our products and services has

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historically corresponded to changes in general economic and business conditions of the industries and countries in which we operate. Accordingly, our financial performance is substantially dependent upon the general economic conditions existing in these industries and countries, and any prolonged or substantial economic downturn in the markets in which we operate, including the current economic downturn, could have a material adverse affect on our business, results of operations or financial condition.

Our Operations are Subject to Currency Exchange and Political Risks that Could Adversely Affect Our Results of Operations.

We have operations in over 55 countries. As a result of our international operations, we are subject to certain risks that could disrupt our operations or force us to incur unanticipated costs.

**Our operating performance is affected by fluctuations in currency exchange rates by:**

- translations into United States dollars for financial reporting purposes of the assets and liabilities of our international operations conducted in local currencies; and
- gains or losses from transactions conducted in currencies other than the operation s functional currency.

The Company also has indebtedness, agreements to purchase raw materials and agreements to sell finished products that are denominated in Euros. Recent events in Europe have called into question the viability of a common European currency. The failure of the Euro could negatively impact our business, results of operations and financial condition.

We are subject to various other risks associated with operating in international countries, such as the following:

- political, social and economic instability which has commonly been associated with developing countries but presently is also impacting industrialized countries such as Greece and Italy;
- war, civil disturbance or acts of terrorism;
- taking of property by nationalization or expropriation without fair compensation;
- changes in government policies and regulations;
- imposition of limitations on conversions of currencies into United States dollars or remittance of dividends and other payments by international subsidiaries;
- imposition or increase of withholding and other taxes on remittances and other payments by international subsidiaries;
- hyperinflation in certain countries and the current threat of global deflation; and
- impositions or increase of investment and other restrictions or requirements by non-United States governments.

**The Continuing Consolidation of Our Customer Base for Industrial Packaging, Containerboard and Corrugated Products, as well as the Continuing Consolidation of Our Suppliers of Raw Materials, may Intensify Pricing Pressures and may Negatively Impact Our Financial Performance.**

Over the last few years, many of our large industrial packaging, containerboard and corrugated products customers have acquired, or been acquired by, companies with similar or complementary product lines. In addition, many of our suppliers of raw materials such as steel, resin and paper, have undergone a similar process of consolidation. This consolidation has increased the concentration of our largest customers, resulting in increased pricing pressures from our customers. The consolidation of our largest suppliers has resulted in increased cost pressures from our suppliers. Any future consolidation of our customer base or our suppliers could negatively impact our financial performance.

**We Operate in Highly Competitive Industries.**

Each of our business segments operates in highly competitive industries. The most important competitive factors we face are price, quality and service. To the extent that one or more of our competitors become more successful with respect to any of these key competitive factors, we could lose customers and our sales could decline. In addition, due to the tendency of certain customers to diversify their suppliers, we could be unable to increase or maintain sales volumes with particular customers. Certain of our competitors are substantially larger and have significantly greater financial resources.

**Our Business is Sensitive to Changes in Industry Demands.**

Industry demand for containerboard in the United States and certain of our industrial packaging products in our United States, European and international markets has varied in recent years causing competitive pricing pressures for those products. We compete in industries that are capital intensive, which generally leads to continued production as long as prices are sufficient to cover marginal costs. As a result, changes in industry demands like the current economic slowdown, including any resulting industry over-capacity, may cause substantial price competition and, in turn, negatively impact our financial performance.

**Raw Material and Energy Price Fluctuations and Shortages could Adversely Affect Our Ability to Obtain the Materials Needed to Manufacture Our Products and Could Adversely Affect Our Manufacturing Costs.**

The principal raw materials used in the manufacture of our products are steel, resin, pulpwood, old corrugated containers for recycling, and containerboard, which we purchase in highly competitive, price sensitive markets. These raw materials have historically exhibited price and demand cyclicality. Some of these materials have been, and in the future may be, in short supply. However, we have not recently experienced any significant difficulty in obtaining our principal raw materials. We have long-term supply contracts in place for obtaining a portion of our principal raw materials. The cost of producing our products is also sensitive to the price of energy (including its impact on transport costs). We have, from time to time, entered into short-term contracts to hedge certain of our energy costs. Energy prices, in particular oil and natural gas, have fluctuated in recent years, with a corresponding effect on our production costs. Potential legislation, regulatory action and international treaties related to climate change, especially those related to the regulation of greenhouse gases, may result in significant increases in raw material and energy costs. There can be no assurance that we will be able to recoup any past or future increases in the cost of energy and raw materials.

**We may Encounter Difficulties Arising from Acquisitions.**

We have invested a substantial amount of capital in acquisitions, joint ventures and strategic investments and we expect that we will continue to do so in the foreseeable future. We are continually evaluating acquisitions and strategic investments that are significant to our business both in the United States and internationally. Acquisitions, joint ventures and strategic investments involve numerous risks, including the failure to retain key customers, employees and contracts, the inability to integrate businesses without material disruption, unanticipated costs incurred in connection with integrating businesses, the incurrence of liabilities greater than anticipated or operating results that are less than anticipated, the inability to realize the projected value, and the projected synergies are not realized. In addition, acquisitions, joint ventures and strategic investments and associated integration activities require time and attention of management and other key personnel, and other companies in our industries have similar acquisition and investment strategies. There can be no assurance that any acquisitions, joint ventures and strategic investments will be successfully integrated into our operations, that competition for acquisitions will not intensify or that we will be able to complete such acquisitions, joint ventures and strategic investments on acceptable terms and conditions. The costs of unsuccessful acquisition, joint venture and strategic investment efforts may adversely affect our results of operations, financial condition or prospects.

**We may Incur Additional Restructuring Costs and there is no Guarantee that Our Efforts to Reduce Costs will be Successful.**

We have restructured portions of our operations from time to time in recent years, particularly following acquisitions of businesses and periods of economic downturn, and it is possible that we may engage in additional restructuring opportunities. Because we are not able to predict with certainty acquisition opportunities that may become available to us, market conditions, the loss of large customers, or the selling prices for our products, we also may not be able to predict with certainty when it will be appropriate to undertake restructurings. It is also possible, in connection with these restructuring efforts, that our costs could be higher than we anticipate and that we may not realize the expected benefits.

As discussed elsewhere, in 2003 we implemented the Greif Business System, a quantitative, systematic and disciplined process to improve productivity, increase profitability, reduce costs and drive shareholder value. While we expect these initiatives to result in significant profit opportunities and savings throughout our organization, our estimated profits and savings are based on several assumptions that may prove to be inaccurate, and as a result, there can be no assurance that we will realize these profits and cost savings or that, if realized, these profits and cost savings will be sustained. If we cannot successfully continue to implement and sustain Greif Business System initiatives, our financial conditions and results of operations would be negatively affected.

**Tax Legislation Initiatives or Challenges to Our Tax Positions Could Adversely Affect Our Results of Operations and Financial Condition.**

We are a large multinational corporation with operations in the United States and international jurisdictions. As such, we are subject to the tax laws and regulations of the U.S. federal, state and local governments and of many international jurisdictions. Due to widely varying tax rates in the taxing jurisdictions applicable to our business, a change in income generation to higher taxing jurisdictions or away from lower taxing jurisdictions may have a negative affect on our financial condition and results of operations.

From time to time, various legislative initiatives may be proposed that could adversely affect our tax positions. There can be no assurance that our effective tax rate or tax payments will not be adversely affected by these initiatives. In addition, U.S. federal, state and local, as well as international, tax laws and regulations are extremely complex and subject to varying interpretations. There can be no assurance that our tax positions will not be challenged by relevant tax authorities or that we would be successful in any such challenge.

**Several Operations are Conducted by Joint Ventures that we cannot Operate Solely for Our Benefit.**

Several operations, particularly in emerging markets, are conducted through joint ventures, such as a significant joint venture in our Flexible Products & Services segment. In joint ventures, we share ownership and, in some instances, management of a company with one or more parties who may or may not have the same goals, strategies, priorities or resources as we do. In general, joint ventures are intended to be operated for the benefit of all co-owners, rather than for our exclusive benefit. Operating a business as a joint venture often requires additional organizational formalities as well as time-consuming procedures for sharing information and making decisions. In certain cases, our joint venture partners must agree in order for the applicable joint venture to take certain actions, including acquisitions, the sale of assets, budget approvals, borrowing money and granting liens on joint venture property. Our inability to take unilateral action that we believe is in our best interests may have an adverse effect on the financial performance of the joint venture and the return on our investment. In joint ventures, we believe our relationship with our co-owners is an important factor to the success of the joint venture, and if a co-owner changes, our relationship may be adversely affected. In addition, the benefits from a successful joint venture are shared among the co-owners, so that we do not receive all the benefits from our successful joint ventures. Finally, we may be required on a legal or practical basis or both, to accept liability for obligations of a joint venture beyond our economic interest, including in cases where our co-owner becomes bankrupt or is otherwise unable to meet its commitments. For additional information with respect to the joint venture relating to our Flexible Products & Services segment, refer to Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operation Business Acquisitions.

**Our Ability to Attract, Develop and Retain Talented Employees, Managers and Executives is Critical to Our Success.**

Our ability to attract, develop and retain talented employees, including executives and other key managers, is important to our business. The loss of certain key officers and employees, or the failure to attract and develop talented new executives and managers, could have a materially adverse effect on our business.

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**Our Business may be Adversely Impacted by Work Stoppages and Other Labor Relations Matters.**

We are subject to risk of work stoppages and other labor relations matters because a significant number of our employees are represented by unions. We have experienced work stoppages and strikes in the past, and there may be work stoppages and strikes in the future. Any prolonged work stoppage or strike at any one of our principal manufacturing facilities could have a negative impact on our business, results of operations or financial condition.

**We may be Subject to Losses that Might not be Covered in Whole or in Part by Existing Insurance Reserves or Insurance Coverage. These Uninsured Losses Could Adversely Affect Our Financial Performance.**

We are self-insured for certain of the claims made under our employee medical and dental insurance programs and for certain of our workers compensation claims. We establish reserves for estimated costs related to pending claims, administrative fees and claims incurred but not reported. Because establishing reserves is an inherently uncertain process involving estimates, currently established reserves may not be adequate to cover the actual liability for claims made under our employee medical and dental insurance programs and for certain of our workers compensation claims. If we conclude that our estimates are incorrect and our reserves are inadequate for these claims, we will need to increase our reserves, which could adversely affect our financial performance.

We carry comprehensive liability, fire and extended coverage insurance on most of our facilities, with policy specifications and insured limits customarily carried for similar properties. However, there are certain types of losses, such as losses resulting from wars, acts of terrorism, or hurricanes, tornados, or other natural disasters, that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in that property, as well as the anticipated future revenues derived from the manufacturing activities conducted at that property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any such loss would adversely impact our business, financial condition and results of operations.

We purchase insurance policies covering general liability and product liability with substantial policy limits. However, there can be no assurance that any liability claim would be adequately covered by our applicable insurance policies or it would not be excluded from coverage based on the terms and conditions of the policy. This could also apply to any applicable contractual indemnity.

**Our Business Depends on the Uninterrupted Operations of Our Facilities, Systems and Business Functions, including Our Information Technology and Other Business Systems.**

Our business is dependent upon our ability to execute, in an efficient and uninterrupted fashion, necessary business functions, such as accessing key business data, order processing, invoicing and the operation of information technology dependent manufacturing equipment. A shut-down of or inability to access one or more of our facilities, a power outage, a pandemic, or a failure of one or more of our information technology, telecommunications or other systems could significantly impair our ability to perform such functions on a timely basis.

Our information technology systems exist on platforms in more than 55 countries, many of which have been acquired in connection with business acquisitions, resulting in a complex technical infrastructure. Such complexity creates difficulties and inefficiencies in monitoring business results and consolidating financial data and could result in a material adverse effect on our business operations and financial performance.

A security breach of our computer systems could also interrupt or damage our operations or harm our reputation. In addition, we could be subject to liability if confidential information relating to customers, suppliers, employees or other parties is misappropriated from our computer system. Despite the implementation of security measures, these systems may be vulnerable to physical break-ins, computer viruses, programming errors or similar disruptive problems.

We have established a business continuity plan in an effort to ensure the continuation of core business operations in the event that normal operations could not be performed due to a catastrophic event. While we continue to test and assess our business continuity plan to ensure it meets the needs of our core business operations and addresses multiple business interruption events, there is no assurance that core business operations could be performed upon the occurrence of such an event.

**Legislation/Regulation Related to Climate Change and Environmental and Health and Safety Matters and Product Liability Claims Could Negatively Impact our Operations and Financial Performance.**

We must comply with extensive U.S. and non-U.S. laws, rules and regulations regarding environmental matters, such as air, soil and water quality, waste disposal and climate change. We must also comply with extensive laws, rules and regulations regarding safety and health matters. There can be no assurance that compliance with existing and new laws, rules and regulations will not require significant expenditures. For example, the passage of the Health Care Reform Act in 2010 could significantly increase the cost of the health care benefits provided to our U.S. employees. In addition, the failure to comply materially with such existing and new laws, rules and regulations could adversely affect our operations and financial performance.

We believe it is also likely that the scientific and political attention to issues concerning the extent and causes of climate change will continue, with the potential for further regulations that could affect our operations and financial performance. As an update to legislation and regulatory activity that impacts or could impact our business:

The U.S. EPA issued a finding in 2009 that greenhouse gases contribute to air pollution that endangers public health and welfare. The endangerment finding and EPA s determination that greenhouse gases are subject to regulation under the Clean Air Act, will lead to widespread regulation of stationary sources of greenhouse gas emissions.

Congress may continue to consider legislation on greenhouse gas emissions, which may include a cap and trade system for stationary sources and a carbon fee on transportation fuels.

The Canadian government has added bisphenol A (BPA), a chemical monomer used primarily in the production of plastic and epoxy resins, to the list of toxic substances in Schedule 1 of the Canadian Environmental Protection Act, 1999. Such designation may lead to additional regulation of the use of BPA in food contact applications.

Although there may be adverse financial impact (including compliance costs, potential permitting delays and increased cost of energy, raw materials and transportation) associated with any such legislation, regulation or other action, the extent and magnitude of that impact cannot be reliably or accurately estimated due to the fact that some requirements have only recently been adopted and the present uncertainty regarding other additional measures and how they will be implemented. Furthermore, litigation or claims against us with respect to such matters could adversely affect our operations and financial performance. We may also become subject to product liability claims that could adversely affect our operations and financial performance.

**We May Incur Fines or Penalties, Damage to Our Reputation or Other Adverse Consequences if Our Employees, Agents or Business Partners Violate, or are Alleged to Have Violated, Anti-bribery, Competition or Other Laws.**

We cannot provide assurance that our internal controls will always protect us from reckless or criminal acts committed by our employees, agents or business partners that would violate U.S. and/or non-U.S. laws, including anti-bribery, competition, trade sanctions and regulation, and other laws. Any such improper actions could subject us to civil or criminal investigations in the U.S. and in other jurisdictions, could lead to substantial civil or criminal monetary and non-monetary penalties against us or our subsidiaries, and could damage our reputation. Even the allegation or appearance of our employees, agents or business partners acting improperly or illegally could damage our reputation and result in significant expenditures in investigating and responding to such actions.

**Changing Climate Conditions may Adversely Affect Our Operations and Financial Performance.**

Climate change, to the extent it produces rising temperatures and sea levels and changes in weather patterns, could impact the frequency or severity of weather events, wildfires and flooding. These types of events may adversely impact our suppliers, our customers and their ability to purchase our products and our ability to manufacture and transport our products on a timely basis and could result in a material adverse effect on our business operations and financial performance.

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**The Frequency and Volume of Our Timber and Timberland Sales will Impact Our Financial Performance.**

We have a significant inventory of standing timber and timberland and approximately 48,550 acres of special use properties in the United States and Canada as of October 31, 2011. The frequency, demand for and volume of sales of timber, timberland and special use properties will have an effect on our financial performance. In addition, volatility in the real estate market for special use properties could negatively affect our results of operations.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

The following are our principal operating locations and the products manufactured at such facilities or the use of such facilities. We consider our operating properties to be in satisfactory condition and adequate to meet our present needs. However, we expect to make further additions, improvements and consolidations of our properties to support our business.

| Location | Products or Use | Owned | Leased |
|---|---|---|---|
| **RIGID INDUSTRIAL PACKAGING & SERVICES** | | | |
| Algeria | Steel drums | 1 | |
| Argentina | Steel and plastic drums, water bottles, distribution centers and administrative office | 2 | 1 |
| Australia | Closures | | 2 |
| Austria | Steel drums, reconditioned containers and services and administrative office | | 2 |
| Belgium | Steel and plastic drums, reconditioned containers and services, administrative office and coordination center (shared services) | 3 | 2 |
| Brazil | Steel and plastic drums, water bottles, closures, intermediate bulk containers, warehouse and general office | 5 | 8 |
| Canada | Fibre, steel and plastic drums, blending and packaging services and administrative office | 4 | 2 |
| Chile | Steel drums, water bottles and distribution centers | | 2 |
| China | Steel drums, closures, blending and packaging services and general offices | | 10 |
| Colombia | Steel and plastic drums, water bottles and administrative office | 1 | 1 |
| Costa Rica | Steel drums | | 1 |
| Czech Republic | Steel drums | 1 | |
| Denmark | Fibre drums, intermediate bulk containers and administrative offices | 1 | 1 |
| Egypt | Steel drums | 1 | |
| France | Steel and plastic drums, closures, reconditioned containers and services and distribution centers | 5 | 2 |
| Germany | Fibre, steel and plastic drums, closures, intermediate bulk containers, reconditioned containers and services, administrative office and distribution centers | 6 | 6 |
| Greece | Steel drums and warehouse | | 1 |
| Guatemala | Steel drums | 1 | |
| Hungary | Steel drums | 1 | |
| Italy | Steel and plastic drums, closures, water bottles, intermediate bulk containers and distribution center | 1 | 5 |
| Jamaica | Distribution center | | 1 |

| | | |
|---|---|---|
| Japan | Steel drums | 1 |
| Kazakhstan | Distribution center | 1 |
| Kenya | Steel and plastic drums | 1 |
| Malaysia | Steel and plastic drums | 1 |

| Location | Products or Use | Owned | Leased |
|---|---|---|---|
| Mexico | Fibre, steel and plastic drums, closures and distribution centers | 1 | 1 |
| Morocco | Steel and plastic drums and plastic bottles | 1 | |
| Netherlands | Fibre, steel and plastic drums, closures, reconditioned containers and services, research center and general offices | 4 | 1 |
| Nigeria | Steel and plastic drums | | 3 |
| Norway | Steel drums and reconditioned containers and services | 1 | 1 |
| Philippines | Steel drums and water bottles | | 1 |
| Poland | Steel drums and water bottles | 1 | 1 |
| Portugal | Steel drums | 1 | |
| Russia | Steel drums, water bottles and intermediate bulk containers | 8 | 1 |
| Saudi Arabia | Steel drums | | 1 |
| Singapore | Steel drums, steel parts and distribution center | | 1 |
| South Africa | Steel and plastic drums and distribution center | | 5 |
| Spain | Steel drums and distribution center | 3 | 1 |
| Sweden | Fibre and steel drums and distribution centers | 3 | 1 |
| Turkey | Steel drums and water bottles | 1 | |
| Ukraine | Distribution center and water bottles | | 1 |
| United Arab Emirates | Steel drums | | 1 |
| United Kingdom | Steel and plastic drums, water bottles, reconditioned containers and services and distribution centers | 4 | 3 |
| United States | Fibre, steel and plastic drums, intermediate bulk containers, reconditioned containers and services, closures, steel parts, water bottles, and distribution centers and blending and packaging services | 22 | 19 |
| Venezuela | Steel and plastic drums and water bottles | 2 | |
| Vietnam | Steel drums | | 1 |
| **FLEXIBLE PRODUCTS & SERVICES:** | | | |
| Australia | Distribution center and administrative office | | 6 |
| Austria | Distribution center | | 1 |
| Belgium | Manufacturing plant | | 1 |
| China | Manufacturing plant, administrative office, and sales office | 1 | 4 |
| Colombia | Manufacturing plant | | 1 |
| Finland | Manufacturing plants | 1 | 1 |
| France | Manufacturing plant and distribution centers | 1 | 2 |
| Germany | Distribution center and administrative office | | 4 |
| India | Distribution center and administrative office | | 2 |
| Ireland | Distribution center | | 1 |
| Mexico | Manufacturing plant | | 1 |
| Netherlands | Manufacturing plant, distribution center and administrative office | | 3 |
| Pakistan | Manufacturing plant and administrative office | | 6 |
| Poland | Manufacturing plant | | 1 |

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| Location | Products or Use | Owned | Leased |
|---|---|---|---|
| Portugal | Manufacturing plant | | 1 |
| Romania | Manufacturing plants | | 2 |
| Saudi Arabia | Administrative office | | 1 |
| Spain | Distribution center | | 1 |
| Sweden | Distribution center | | 1 |
| Turkey | Manufacturing plants | 1 | 3 |
| United Kingdom | Manufacturing plant and distribution center | | 2 |
| Ukraine | Manufacturing plants | 1 | 1 |
| United States | Distribution centers | | 5 |
| Vietnam | Manufacturing plant | | 1 |
| **PAPER PACKAGING:** | | | |
| United States | Corrugated sheets, containers and other products, containerboard, multiwall bags, investment property and distribution centers | 17 | 4 |
| **LAND MANAGEMENT:** | | | |
| United States | General offices | 4 | 1 |
| **CORPORATE:** | | | |
| United States | Principal and general offices | 2 | |

We also own a substantial amount of timber properties. Our timber properties consisted of approximately 267,750 acres in the southeastern United States and approximately 14,700 acres in Canada as of October 31, 2011.

**ITEM 3. LEGAL PROCEEDINGS**

We do not have any pending material legal proceedings.

From time to time, various legal proceedings arise at the country, state or local levels involving environmental sites to which we have shipped, directly or indirectly, small amounts of toxic waste, such as paint solvents. To date, we have been classified as a de minimis participant and such proceedings do not involve potential monetary sanctions in excess of $100,000.

**ITEM 4. RESERVED**

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**PART II**

**ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Shares of our Class A and Class B Common Stock are listed on the New York Stock Exchange under the symbols GEF and GEF.B, respectively.

Financial information regarding our two classes of common stock, as well as the number of holders of each class and the high, low and closing sales prices for each class for each quarterly period for the two most recent years, is included in Note 18 to the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

We pay quarterly dividends of varying amounts computed on the basis described in Note 15 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K. The annual dividends paid for the last two years are as follows:

**2011 Dividends per Share Class A $1.68; Class B $2.51**

**2010 Dividends per Share Class A $1.60; Class B $2.39**

The terms of our current credit agreement limit our ability to make restricted payments, which include dividends and purchases, redemptions and acquisitions of our equity interests. The payment of dividends and other restricted payments are subject to the condition that certain defaults not exist under the terms of our current credit agreement and are limited in amount by a formula based, in part, on our consolidated net income. Refer to Liquidity and Capital Resources Borrowing Arrangements in Item 7 of this Form 10-K.

The following tables set forth our purchases of our shares of Class A and Class B Common Stock during 2011.

**Issuer Purchases of Class A Common Stock**

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1) | Maximum Number of Shares that May Yet be Purchased under the Plans or Programs(1) |
|---|---|---|---|---|
| November 2010 | | | | 1,116,728 |
| December 2010 | | | | 1,116,728 |
| January 2011 | | | | 1,116,728 |
| February 2011 | | | | 1,116,728 |
| March 2011 | | | | 1,066,728 |
| April 2011 | | | | 1,066,728 |
| May 2011 | | | | 1,066,728 |
| June 2011 | | | | 1,066,728 |
| July 2011 | | | | 1,066,728 |
| August 2011 | | | | 1,066,728 |
| September 2011 | 8,700 | $ 47.24 | 8,700 | 816,728 |
| October 2011 | | | | 816,728 |
| Total | 8,700 | | 8,700 | |

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**Issuer Purchases of Class B Common Stock**

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1) | Maximum Number of Shares that May Yet be Purchased under the Plans or Programs(1) |
|---|---|---|---|---|
| November 2010 | | | | 1,116,728 |
| December 2010 | | | | 1,116,728 |
| January 2011 | | | | 1,116,728 |
| February 2011 | | | | 1,116,728 |
| March 2011 | 50,000 | $ 61.20 | 50,000 | 1,066,728 |
| April 2011 | | | | 1,066,728 |
| May 2011 | | | | 1,066,728 |
| June 2011 | | | | 1,066,728 |
| July 2011 | | | | 1,066,728 |
| August 2011 | | | | 1,066,728 |
| September 2011 | 241,300 | $ 48.01 | 241,300 | 816,728 |
| October 2011 | | | | 816,728 |
| Total | 291,300 | | 291,300 | |

(1) Our Board of Directors has authorized a stock repurchase program which permits us to purchase up to 4.0 million shares of our Class A or Class B Common Stock, or any combination thereof. As of October 31, 2011, the maximum number of shares that could be purchased was 816,728 which may be any combination of Class A or Class B Common Stock.

**Performance Graph**

The following graph compares the performance of shares of our Class A and B Common Stock to that of the Standard and Poor s 500 Index and our industry group (Peer Index) assuming $100 invested on October 31, 2006 and reinvestment of dividends for each subsequent year. The graph does not purport to represent our value.

The Peer Index comprises the containers and packaging index as shown by Dow Jones.

Equity compensation plan information required by Items 201(d) of Regulation S-K will be found under the caption Equity Compensation Plan Information in the 2012 Proxy Statement, which information is incorporated herein by reference.

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**ITEM 6. SELECTED FINANCIAL DATA**

The five-year selected financial data is as follows (Dollars in thousands, except per share amounts)[(1)] :

| As of and for the years ended October 31, | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Net sales | $ 4,247,954 | $ 3,461,537 | $ 2,792,217 | $ 3,790,531 | $ 3,331,597 |
| Net income attributable to Greif, Inc. | $ 176,040 | $ 209,985 | $ 110,646 | $ 241,748 | $ 156,457 |
| Total assets | $ 4,207,282 | $ 3,498,445 | $ 2,823,929 | $ 2,792,749 | $ 2,687,537 |
| Long-term debt, including current portion of long-term debt | $ 1,357,638 | $ 965,589 | $ 738,608 | $ 673,171 | $ 622,685 |
| Basic earnings per share: | | | | | |
| Class A Common Stock | $ 3.02 | $ 3.60 | $ 1.91 | $ 4.16 | $ 2.70 |
| Class B Common Stock | $ 4.52 | $ 5.40 | $ 2.86 | $ 6.23 | $ 4.04 |
| Diluted earnings per share: | | | | | |
| Class A Common Stock | $ 3.01 | $ 3.58 | $ 1.91 | $ 4.11 | $ 2.65 |
| Class B Common Stock | $ 4.52 | $ 5.40 | $ 2.86 | $ 6.23 | $ 4.04 |
| Dividends per share: | | | | | |
| Class A Common Stock | $ 1.68 | $ 1.60 | $ 1.52 | $ 1.32 | $ 0.92 |
| Class B Common Stock | $ 2.51 | $ 2.39 | $ 2.27 | $ 1.97 | $ 1.37 |

(1) All share information presented in this table has been adjusted to reflect a 2-for-1 stock split of our shares of Class A and Class B Common Stock as of the close of business on March 19, 2007 distributed on April 11, 2007.

**ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The terms Greif, we, us and our as used in this discussion refer to Greif, Inc. and its subsidiaries. Our fiscal year begins on November 1 and enc on October 31 of the following year. Any references in this Form 10-K to the years 2011, 2010 or 2009 or to any quarter of those years, relates to the fiscal year or quarter, as the case may be, ending in that year.

The discussion and analysis presented below relates to the material changes in financial condition and results of operations for our consolidated balance sheets as of October 31, 2011 and 2010, and for the consolidated statements of operations for the years ended 2011, 2010 and 2009. This discussion and analysis should be read in conjunction with the consolidated financial statements that appear elsewhere in this Form 10-K. This information will assist in your understanding of the discussion of our current period financial results.

In the second quarter of 2010, we acquired one of the world s largest producers of flexible intermediate bulk containers. As a result of this acquisition, we created a new reporting segment called the Flexible Products & Services segment. Our multiwall bag operations, previously included in the Paper Packaging segment, have been reclassified and included in the Flexible Products & Services segment for all historical periods. The Industrial Packaging segment has been renamed the Rigid Industrial Packaging & Services segment.

**Business Segments**

We operate in four business segments: Rigid Industrial Packaging & Services; Flexible Products & Services; Paper Packaging; and Land Management.

We are a leading global provider of rigid industrial packaging products, such as steel, fibre and plastic drums, rigid intermediate bulk containers, closure systems for industrial packaging products, transit protection products, water bottles and reconditioned containers, and services, such as container life cycle services, blending, filling and other packaging services, logistics and warehousing. We sell our industrial packaging products to customers in industries such as chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical and mineral, among others.

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We are a leading global producer of flexible intermediate bulk containers and related services and a North American provider of industrial and consumer shipping sacks and multiwall bag products. Our flexible intermediate bulk containers consist of a polypropylene-based woven fabric that is primarily produced at our fully integrated production sites, as well as sourced from strategic regional suppliers. Our flexible products are sold globally and service similar customers and market segments as our Rigid Industrial Packaging & Services segment. Additionally, our flexible products significantly expand our presence in the agricultural and food industries, among others. Our industrial and consumer shipping sacks and multiwall bag products are used to ship a wide range of industrial and consumer products, such as seed, fertilizers, chemicals, concrete, flour, sugar, feed, pet foods, popcorn, charcoal and salt, primarily for the agricultural, chemical, building products and food industries.

We sell containerboard, corrugated sheets and other corrugated products to customers in North America in industries such as packaging, automotive, food and building products. Our corrugated container products are used to ship such diverse products as home appliances, small machinery, grocery products, building products, automotive components, books and furniture, as well as numerous other applications. Operations related to our industrial and consumer multiwall bag products have been reclassified to our Flexible Products & Services segment.

As of October 31, 2011, we owned approximately 267,750 acres of timber properties in the southeastern United States, which were actively managed, and approximately 14,700 acres of timber properties in Canada, which are not actively managed. Our Land Management team is focused on the active harvesting and regeneration of our United States timber properties to achieve sustainable long-term yields. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market and weather conditions. We also sell, from time to time, timberland and special use properties, which consists of surplus properties, higher and better use ( HBU ) properties, and development properties.

In 2003, we implemented the Greif Business System, a quantitative, systematic and disciplined process to improve productivity, increase profitability, reduce costs and drive shareholder value. The Greif Business System is directed by the Greif Way, which embodies the principles that are at the core of our culture: respect for one another, treating others as we want to be treated and respect for our environment. The operating engine for the Greif Business System is a combination of lean manufacturing; network alignment and continuous improvement within our facilities; customer service; value selling and other commercial initiatives; maximizing cash flow; and strategic sourcing and supply chain initiatives to more effectively leverage our global spend. More recently, we have also focused on applying lean principles to back-office activities to streamline and improve transactional processes across our network of business and shared services. At the core supporting the Greif Business System is our people, using rigorous performance management and robust strategic planning skills to guide our continued growth.

**Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ( GAAP ). The preparation of these consolidated financial statements, in accordance with these principles, require us to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements.

A summary of our significant accounting policies is included in Note 1 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K. We believe that the consistent application of these policies enables us to provide readers of the consolidated financial statements with useful and reliable information about our results of operations and financial condition. The following are the accounting policies that we believe are most important to the portrayal of our results of operations and financial condition and require our most difficult, subjective or complex judgments.

***Allowance for Accounts Receivable.*** We evaluate the collectability of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer s inability to meet its financial obligations to us, we record a specific allowance for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. In addition, we recognize allowances for bad debts based on the length of time receivables are past due with allowance percentages, based on our historical experiences, applied on a graduated scale relative to the age of the receivable amounts. If circumstances change (e.g., higher than expected bad debt experience or an unexpected material adverse change in a major customer s ability to meet its financial obligations to us), our estimates of the recoverability of amounts due to us could change by a material amount.

***Inventory Reserves.*** Reserves for slow moving and obsolete inventories are provided based on historical experience, inventory aging and product demand. We continuously evaluate the adequacy of these reserves and make adjustments to these reserves as required. We also evaluate reserves for losses under firm purchase commitments for goods or inventories.

***Net Assets Held for Sale.*** Net assets held for sale represent land, buildings and land improvements less accumulated depreciation. We record net assets held for sale in accordance with Accounting Standards Codification ( ASC ) 360 Property, Plant, and Equipment, at the lower of carrying value or fair value less cost to sell. Fair value is based on the estimated proceeds from the sale of the facility utilizing recent purchase offers, market comparables and/or data obtained from our commercial real estate broker. Our estimate as to fair value is regularly reviewed and subject to changes in the commercial real estate markets and our continuing evaluation as to the facility s acceptable sale price.

***Goodwill, Other Intangible Assets and Other Long-Lived Assets.*** We account for goodwill in accordance with ASC 350, Intangibles Goodwill and Other. Under ASC 350, purchased goodwill and intangible assets with indefinite lives are not amortized, but instead are tested for impairment either annually or when events and circumstances indicate an impairment may have occurred. Our business segments have been identified as reporting units, which contain goodwill and indefinite-lived intangibles that are assessed for impairment. A reporting unit is the operating segment, or a business one level below that operating segment (the component level) if discrete financial information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics. Intangible assets with finite lives, primarily customer relationships, patents, non-competition agreements and trademarks, continue to be amortized over their useful lives. In conducting the annual impairment tests, the estimated fair value of our reporting units is compared to its carrying amount including goodwill. If the estimated fair value exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the estimated fair value, further analysis is performed to assess impairment.

Our determination of estimated fair value of the reporting units is based on a discounted cash flow analysis utilizing earnings before interest, taxes, depreciation, depletion and amortization ( EBITDA ). The discount rates used for impairment testing are based on our weighted average cost of capital. The use of alternative estimates, peer groups or changes in the industry, or adjusting the discount rate, EBITDA multiples or price earnings ratios used could affect the estimated fair value of the assets and potentially result in impairment. Any identified impairment would result in an adjustment to our results of operations.

We performed our annual impairment tests in fiscal 2011, 2010, and 2009, which resulted in no impairment charges.

***Properties, Plants and Equipment.*** Depreciation on properties, plants and equipment is provided on the straight-line method over the estimated useful lives of our assets.

We own timber properties in the southeastern United States and in Canada. With respect to our United States timber properties, which consisted of approximately 267,750 acres as of October 31, 2011, depletion expense is computed on the basis of cost and the estimated recoverable timber acquired. Our land costs are maintained by tract. Merchantable timber costs are maintained by five product classes, pine saw timber, pine chip-n-saw, pine pulpwood, hardwood sawtimber and hardwood pulpwood, within a depletion block, with each depletion block based upon a geographic district or subdistrict. Currently, we have eight depletion blocks. These same depletion blocks are used for pre-merchantable timber costs. Each year, we estimate the volume of our merchantable timber for the five product classes by each depletion block. These estimates are based on the current state in the growth cycle and not on quantities to be available in future years. Our estimates do not include costs to be incurred in the future. We then project these volumes to the end of the year. Upon acquisition of a new timberland tract, we record separate amounts for land, merchantable timber and pre-merchantable timber allocated as a percentage of the values being purchased. These acquisition volumes and costs acquired during the year are added to the totals for each product class within the appropriate depletion block(s). The total of the beginning, one-year growth and acquisition volumes are divided by the total undepleted historical cost to arrive at a depletion rate, which is then used for the current year. As timber is sold, we multiply the volumes sold by the depletion rate for the current year to arrive at the depletion cost. Our Canadian timber properties, which consisted of approximately 14,700 acres as of October 31, 2011, did not have any depletion expense since they were not actively managed at this time.

We believe that the lives and methods of determining depreciation and depletion are reasonable; however, using other lives and methods could provide materially different results.

As of October 31, 2011 and 2010, we recorded capitalized interest costs of $3.8 million and $5.3 million, respectively.

***Restructuring Reserves.*** Restructuring reserves are determined in accordance with appropriate accounting guidance, including ASC 420, Exit or Disposal Cost Obligations. Under ASC 420, a liability is measured at its fair value and recognized as incurred.

***Income Taxes.*** We record a tax provision for the anticipated tax consequences of our reported results of operations. In accordance with ASC 740, Income Taxes the provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

Our effective tax rate is based on income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions.

The company has been providing valuation allowance against deferred tax assets as required under ASC 740. During 2011, this valuation allowance decreased by $23.3 million, primarily due to a decrease related to net operating loss carryforwards outside the U.S. It was determined that the realization of the deferred tax asset was appropriate due to the ability to generate future taxable income of the appropriate nature. The company reevaluates its ability to use net operating losses on an annual basis.

In accordance with ASC 740, Income Taxes , we believe it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with the tax effects of the deferred tax liabilities, will be sufficient to fully recover the remaining deferred tax assets. In the event that all or part of the net deferred tax assets are determined not to be realizable in the future, an adjustment to the valuation allowance would be charged to earnings, in the period such determination is made.

In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of ASC 740 and other complex tax laws. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our financial condition and operating results. During 2011, we increased reserves for tax liabilities primarily due to a prior year issue in a non-U.S. jurisdiction where, due to new information, it was determined that a reserve was appropriate. This increase in reserve was substantially offset by the realization of net operating losses and decrease in valuation allowance. Refer to Note 12 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for further discussion.

A number of years may elapse before a particular matter, for which we have established a reserve, is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe that our reserves reflect the probable outcome of known tax contingencies. Unfavorable settlement of any particular issue would require use of our cash. Favorable resolution would be recognized as a reduction to our effective tax rate in the period of resolution.

We have estimated the reasonably possible expected net change in unrecognized tax benefits through October 31, 2011 based on lapses of the applicable statues of limitation on unrecognized tax benefits. The estimated net decrease in unrecognized tax benefits for the next 12 months ranges from $0 to $48.5 million. Actual results may differ from this estimated range.

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***Pension and Postretirement Benefits***. Pension and post retirement assumptions are significant inputs to the actuarial models that measure pension and post retirement benefit obligations and related effects on operations. Two assumptions discount rate and expected return on assets are important elements of plan expense and asset/liability measurement. We evaluate these critical assumptions at least annually on a plan and country-specific basis. At least annually, we evaluate other assumptions involving demographic factors, such as retirement age, mortality and turnover, and update them to reflect our experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

Accumulated and projected benefit obligations are measured as the present value of future cash payments. We discount those cash payments using the weighted average of market-observed yields for high quality fixed income securities with maturities that correspond to the payment of benefits. Lower discount rates increase present values and subsequent-year pension expense; higher discount rates decrease present values and subsequent-year pension expense.

Our discount rates for consolidated pension plans at October 31, 2011, 2010 and 2009 were 4.94%, 5.20% and 5.72%, respectively, reflecting market interest rates.

To develop the expected long-term rate of return on assets assumption, the Company uses a generally consistent approach worldwide. The approach considers various sources, primarily inputs from a range of advisors, inflation, bond yields, historical returns, and future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This rate is gross of any investment or administrative expenses. Assets in our consolidated pension plans earned 4.17% in 2011. Based on our analysis of future expectations of asset performance, past return results, and our current and expected asset allocations, we have assumed a 6.46% long-term expected return on those assets for cost recognition in 2012. This is a reduction from the 7.20%, 7.50% and 7.69% long-term expected return we had assumed in 2011, 2010 and 2009, respectively.

Changes in key assumptions for our consolidated pension and postretirement plans would have the following effects.

Discount rate A 25 basis point increase in discount rate would decrease pension cost in the following year by $2.0 million and would decrease the pension and postretirement benefit obligation at year-end by about $20.5 million.

Expected return on assets A 50 basis point decrease in the expected return on assets would increase pension and postretirement cost in the following year by $2.3 million.

Further discussion of our pension and postretirement benefit plans and related assumptions is contained in Note 13 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

***Environmental Cleanup Costs***. We expense environmental expenditures related to existing conditions caused by past or current operations and from which no current or future benefit is discernable. Expenditures that extend the life of the related property, or mitigate or prevent future environmental contamination, are capitalized. Reserves for large environmental exposures are principally based on environmental studies and cost estimates provided by third parties, but also take into account management estimates. Reserves for less significant environmental exposures are principally based on management estimates.

Environmental expenses were $0.1 million, $0.2 million, and ($2.1) million in 2011, 2010, and 2009, respectively. In 2010, we reduced the environmental liability at three of our facilities by $5.9 million consistent with revised third party estimates which reduced our total estimated cleanup costs. Environmental cash expenditures were $1.3 million, $1.7 million, and $3.4 million in 2011, 2010 and 2009, respectively. Our reserves for environmental liabilities as of October 31, 2011 amounted to $29.3 million, which included a reserve of $14.0 million related to our blending facility in Chicago, Illinois, $9.5 million related to our European drum facilities and $4.2 million related to recent reconditioning company acquisitions. The remaining reserves were for asserted and unasserted environmental litigation, claims and/or assessments at manufacturing sites and other locations where we believe it is probable the outcome of such matters will be unfavorable to us, but the environmental exposure at any one of those sites was not individually material. As of

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October 31, 2011 we estimated that our payments for environmental remediation will be $8.5 million in 2012, $3.4 million in 2013, $1.5 million in 2014, $2.6 million in 2015, $1.7 million in 2016, and $11.6 million thereafter.

We anticipate that expenditures for remediation costs at most of the sites will be made over an extended period of time. Given the inherent uncertainties in evaluating environmental exposures, actual costs may vary from those estimated as of October 31, 2011. Our exposure to adverse developments with respect to any individual site is not expected to be material. Although environmental remediation could have a material effect on results of operations if a series of adverse developments occur in a particular quarter or fiscal year, we believe that the chance of a series of adverse developments occurring in the same quarter or fiscal year is remote. Future information and developments will require us to continually reassess the expected impact of these environmental matters.

***Contingencies.*** Various lawsuits, claims and proceedings have been or may be instituted or asserted against us, including those pertaining to environmental, product liability, and safety and health matters. While the amounts claimed may be substantial, the ultimate liability cannot currently be determined because of the considerable uncertainties that exist.

All lawsuits, claims and proceedings are considered by us in establishing reserves for contingencies in accordance with ASC 450, Contingencies. In accordance with the provisions of ASC 450, we accrue for a litigation-related liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information known to us, we believe that our reserves for these litigation-related liabilities are reasonable and that the ultimate outcome of any pending matters is not likely to have a material adverse effect on our financial position or results from operations.

***Transfers and Servicing of Financial Assets.*** We have agreed to sell trade receivables meeting certain eligibility requirements that the seller had purchased from other of our indirect wholly-owned subsidiaries, under a factoring agreement. The structure of the transactions provide for a legal true sale, on a revolving basis, of the receivables transferred from our various subsidiaries to the respective banks. The purchaser funds an initial purchase price of a certain percentage of eligible receivables based on a formula, with the initial purchase price approximating 75 percent to 90 percent of eligible receivables. The remaining deferred purchase price is settled upon collection of the receivables. At the balance sheet reporting dates, we remove from accounts receivable the amount of proceeds received from the initial purchase price since they meet the applicable criteria of ASC 860, Transfers and Servicing, and we continue to recognize the deferred purchase price in our accounts receivable. The receivables are sold on a non-recourse basis with the total funds in the servicing collection accounts pledged to the banks between settlement dates.

***Fair Value Measurements.*** ASC 820, Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements for financial and non-financial assets and liabilities. Additionally, this guidance established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair values are as follows:

Level 1 Observable inputs such as unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

***Equity Earnings (Losses) of Unconsolidated Affiliates, net of tax and Noncontrolling Interests***. ASC 810, Consolidation improves the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements. ASC 810 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. ASC 810 also changes the way the consolidated financial statements are presented, establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation, requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and expands disclosures in the consolidated financial statements that clearly identify and distinguish between the parent s ownership interest and the interest of the noncontrolling owners of a subsidiary. The provisions of ASC 810 have been applied prospectively as of the beginning of 2010. However, the presentation and disclosure requirements have been applied retrospectively for all periods presented.

Equity earnings represent investments in affiliates in which we do not exercise control and have a 20 percent or more voting interest. Such investments in affiliates are accounted for using the equity method of accounting. If the fair value of an investment in an affiliate is below its carrying value and the difference is deemed to be other than temporary, the difference between the fair value and the carrying value is charged to earnings.

***Revenue Recognition***. We recognize revenue when title passes to customers or services have been rendered, with appropriate provision for returns and allowances. Revenue is recognized in accordance with ASC 605, Revenue Recognition.

Timberland disposals, timber and special use property revenues are recognized when closings have occurred, required down payments have been received, title and possession have been transferred to the buyer, and all other criteria for sale and profit recognition have been satisfied.

We report the sale of surplus and HBU property in our consolidated statements of income under gain on disposals of property, plants, and equipment, net and report the sale of development property under net sales and cost of goods sold. All HBU and development property, together with surplus property, is used by us to productively grow and sell timber until the property is sold.

***Other Items.*** Other items that could have a significant impact on our financial statements include the risks and uncertainties listed in Item 1A under Risk Factors. Actual results could differ materially using different estimates and assumptions, or if conditions are significantly different in the future.

**RESULTS OF OPERATIONS**

Historically, revenues and earnings may or may not be representative of future operating results due to various economic and other factors.

The non-GAAP financial measures of operating profit before special items, EBITDA and EBITDA before special items are used throughout the following discussion of our results of operations. For our consolidated results, operating profit before special items adds back restructuring charges, restructuring-related inventory charges, acquisition-related costs and a non-cash asset impairment charges to operating profit. EBITDA is defined as net income plus interest expense, net plus income tax expense less equity earnings of unconsolidated affiliates, net of tax plus depreciation, depletion and amortization. EBITDA before special items adds back restructuring charges, restructuring-related inventory charges, acquisition-related costs and non-cash asset impairment charges to EBITDA. EBITDA can be reconciled either to net income or operating profit, in both cases yielding the same results. Since we do not calculate net income by segment, EBITDA by segment is reconciled to operating profit by segment in the following tables. In our Rigid Industrial Packaging & Services segment, operating profit before special items adds back restructuring charges, restructuring-related inventory charges, acquisition-related costs and non-cash asset impairment charges to that segment s operating profit and EBITDA before special items adds back restructuring charges, restructuring-related inventory charges and acquisition-related costs and non-cash asset impairment charges to that segment s EBITDA. In our Flexible Products & Services segment, operating profit before special items adds back restructuring charges, acquisition-related costs and non-cash asset impairment charges to that segment s operating profit and EBITDA before special items adds back restructuring charges, acquisition-related costs and non-cash asset impairment charges to that segment s EBITDA. In our Paper Packaging and Land Management segments, operating profit before special items adds back restructuring charges to those segments operating profit and EBITDA before special items adds back restructuring charges to that segment s EBITDA. We use the above-identified non-GAAP financial measures to evaluate our ongoing operations and believe that these non-GAAP financial measures are useful to enable investors to perform meaningful comparisons of our current and historical performance.

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The following table sets forth the net sales, operating profit and operating profit before special items for each of our business segments for 2011, 2010 and 2009 (Dollars in thousands):

| For the year ended October 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| **Net sales** | | | |
| Rigid Industrial Packaging & Services | $ 3,014,109 | $ 2,587,854 | $ 2,266,890 |
| Flexible Products & Services | 537,993 | 233,119 | 43,975 |
| Paper Packaging | 674,945 | 624,092 | 460,712 |
| Land Management | 20,907 | 16,472 | 20,640 |
| Total net sales | $ 4,247,954 | $ 3,461,537 | $ 2,792,217 |
| **Operating profit (loss):** | | | |
| Rigid Industrial Packaging & Services | $ 226,326 | $ 262,283 | $ 134,394 |
| Flexible Products & Services | 16,872 | (1,367) | 8,588 |
| Paper Packaging | 74,836 | 55,498 | 34,841 |
| Land Management | 19,051 | 9,001 | 22,074 |
| Total operating profit | 337,085 | 325,415 | 199,897 |
| **Restructuring charges:** | | | |
| Rigid Industrial Packaging & Services | 24,055 | 20,980 | 65,742 |
| Flexible Products & Services | 6,898 | 624 | |
| Paper Packaging | (451) | 5,142 | 685 |
| Land Management | (6) | | 163 |
| Total restructuring charges | 30,496 | 26,746 | 66,590 |
| **Restructuring related inventory charges:** | | | |
| Rigid Industrial Packaging & Services | | 131 | 10,772 |
| Total restructuring related inventory charges | | 131 | 10,772 |
| **Acquisition-related costs:** | | | |
| Rigid Industrial Packaging & Services | 9,872 | 7,672 | |
| Flexible Products & Services | 14,513 | 19,504 | |
| Total acquisition-related costs | 24,385 | 27,176 | |
| **Non-cash asset impairment charges:** | | | |
| Rigid Industrial Packaging & Services | 1,547 | | |

| | | | |
|---|---|---|---|
| Flexible Products & Services | 2,962 | | |
| Total non-cash asset impairment charges | 4,509 | | |
| **Operating profit before special items:** | | | |
| Rigid Industrial Packaging & Services | 261,800 | 291,066 | 210,908 |
| Flexible Products & Services | 41,245 | 18,761 | 8,588 |
| Paper Packaging | 74,385 | 60,640 | 35,526 |
| Land Management | 19,045 | 9,001 | 22,237 |
| Total operating profit before special items | $ 396,475 | $ 379,468 | $ 277,259 |

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The following table sets forth EBITDA and EBITDA before special items for our consolidated results for 2011, 2010 and 2009 (Dollars in thousands):

| For the year ended October 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Net income | $ 177,174 | $ 215,457 | $ 113,832 |
| Plus: interest expense, net | 79,552 | 65,787 | 53,593 |
| Plus: income tax expense | 71,077 | 40,571 | 24,061 |
| Plus: depreciation, depletion and amortization expense | 144,191 | 115,974 | 102,627 |
| Plus: debt extinguishment charge | | | 782 |
| Less: equity earnings of unconsolidated affiliates, net of tax | 4,838 | 3,539 | (436) |
| EBITDA | 467,156 | 434,250 | 295,331 |
| Restructuring charges | 30,496 | 26,746 | 66,590 |
| Restructuring related inventory charges | | 131 | 10,772 |
| Acquisition-related costs | 24,385 | 27,176 | |
| Non-cash asset impairment charges | 4,509 | | |
| EBITDA before special items | $ 526,546 | $ 488,303 | $ 372,693 |
| Net income | $ 177,174 | $ 215,457 | $ 113,832 |
| Plus: interest expense, net | 79,552 | 65,787 | 53,593 |
| Plus: income tax expense | 71,077 | 40,571 | 24,061 |
| Plus: other expense, net | 14,120 | 7,139 | 7,193 |
| Plus: debt extinguishment charge | | | 782 |
| Less: equity earnings of unconsolidated affiliates, net of tax | 4,838 | 3,539 | (436) |
| Operating profit | 337,085 | 325,415 | 199,897 |
| Less: other expense, net | 14,120 | 7,139 | 7,193 |
| Plus: depreciation, depletion and amortization expense | 144,191 | 115,974 | 102,627 |
| EBITDA | 467,156 | 434,250 | 295,331 |
| Restructuring charges | 30,496 | 26,746 | 66,590 |
| Restructuring related inventory charges | | 131 | 10,772 |
| Acquisition-related costs | 24,385 | 27,176 | |
| Non-cash asset impairment charges | 4,509 | | |
| EBITDA before special items | $ 526,546 | $ 488,303 | $ 372,693 |

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The following table sets forth EBITDA and EBITDA before special items for each of our business segments for 2011, 2010 and 2009 (Dollars in thousands):

| For the year ended October 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| **Rigid Industrial Packaging & Services** | | | |
| Operating profit | $ 226,326 | $ 262,283 | $ 134,394 |
| Less: other expense (income), net | 12,339 | 5,107 | 7,187 |
| Plus: depreciation and amortization expense | 93,023 | 79,050 | 73,212 |
| EBITDA | 307,010 | 336,226 | 200,419 |
| Restructuring charges | 24,055 | 20,980 | 65,742 |
| Restructuring related inventory charges | | 131 | 10,772 |
| Acquisition-related costs | 9,872 | 7,672 | |
| Non-cash asset impairment charges | 1,547 | | |
| EBITDA before special items | $ 342,484 | $ 365,009 | $ 276,933 |
| **Flexible Products & Services** | | | |
| Operating profit (loss) | $ 16,872 | $ (1,367) | $ 8,588 |
| Less: other expense (income), net | 1,397 | 1,206 | (1) |
| Plus: depreciation and amortization expense | 16,537 | 4,937 | 794 |
| EBITDA | 32,012 | 2,364 | 9,383 |
| Restructuring charges | 6,898 | 624 | |
| Acquisition-related costs | 14,513 | 19,504 | |
| Non-cash asset impairment charges | 2,962 | | |
| EBITDA before special items | $ 56,385 | $ 22,492 | $ 9,383 |
| **Paper Packaging** | | | |
| Operating profit | $ 74,836 | $ 55,498 | $ 34,841 |
| Less: other expense (income), net | 392 | 94 | 12 |
| Plus: depreciation and amortization expense | 31,622 | 29,204 | 25,517 |
| EBITDA | 106,066 | 84,608 | 60,346 |
| Restructuring charges | (451) | 5,142 | 685 |
| EBITDA before special items | $ 105,615 | $ 89,750 | $ 61,031 |
| **Land Management** | | | |
| Operating profit | $ 19,051 | $ 9,001 | $ 22,074 |
| Less: other expense (income), net | (8) | 732 | (5) |

| | | | |
|---|---|---|---|
| Plus: depreciation, depletion and amortization expense | 3,009 | 2,783 | 3,104 |
| EBITDA | 22,068 | 11,052 | 25,183 |
| Restructuring charges | (6) | | 163 |
| EBITDA before special items | $ 22,062 | $ 11,052 | $ 25,346 |
| Consolidated EBITDA | $ 467,156 | $ 434,250 | $ 295,331 |
| Consolidated EBITDA before special items | $ 526,546 | $ 488,303 | $ 372,693 |

**Year 2011 Compared to Year 2010**

***Net Sales***

Net sales were $4,248.0 million for 2011 compared with $3,461.5 million for 2010. The 23 percent increase was due to higher sales volumes (13 percent), which included an 11 percent increase from acquisitions and a 2 percent increase in same-structure volumes, increased selling prices (7 percent), primarily resulting from the pass-through of higher raw material costs, and the positive impact of foreign currency translation (3 percent). The higher sales volumes were primarily due to acquisitions in the Rigid Industrial Packaging & Services and Flexible Products & Services segments plus same-structure growth in all segments. The $786.3 million increase was due to Rigid Industrial Packaging & Services ($426.2 million increase), Flexible Products & Services ($304.9 million increase), Paper Packaging ($50.8 million increase) and Land Management ($4.4 million increase).

***Operating Costs***

Cost of products sold, as a percentage of net sales, was 81.1 percent for 2011 compared to 79.7 percent for 2010. The higher cost of products sold as a percentage of net sales was principally due to sales mix, inability to capture all cost increases in the Rigid Industrial Packaging & Services segment and higher costs of old corrugated containers in the Paper Packaging segment.

Selling, general and administrative ( SG&A ) expenses were $448.4 million for 2011 compared with $363.0 million for 2010. The $85.4 million increase was primarily due to the inclusion of SG&A expenses for acquired companies ($48.2 million), the negative impact of foreign currency translation ($10.1 million), higher professional fees ($11.7 million) and non-cash asset impairment charges ($4.5 million), partially offset by a reduction in performance based incentive accruals. Acquisition-related costs of $24.4 million and $27.2 million were also included in SG&A expenses for 2011 and 2010, respectively. SG&A expenses, as a percentage of net sales, were 10.6 percent for 2011 compared with 10.5 percent last year.

Restructuring charges were $30.5 million and $26.7 million in 2011 and 2010, respectively. Restructuring-related inventory charges were $0.1 million in 2010.

Restructuring charges for 2011 consisted of $13.3 million in employee separation costs, $4.5 million in asset impairments and $12.7 million in other restructuring costs, primarily consisting of lease termination costs ($3.5 million), professional fees ($1.9 million), relocation costs ($2.2 million) and other costs ($5.1 million). The focus for restructuring activities in 2011 was on integration of recent acquisitions in the Rigid Industrial Packaging & Services and Flexible Products & Services segments as well as the implementation of certain cost-cutting measures. During 2011, the we recorded restructuring charges of $30.5 million, Two plants in the Rigid Industrial Packaging & Services segment were closed. There were a total of 257 employees severed throughout 2011 as part of our restructuring efforts.

Restructuring charges for 2010 consisted of $13.7 million in employee separation costs, $2.9 million in asset impairments, $2.4 million in professional fees and $7.7 million in other restructuring costs. The focus of the 2010 restructuring activities was on integration of recent acquisitions in the Rigid Industrial Packaging & Services and Flexible Products & Services segments. In addition, we recorded $0.1 million of restructuring-related inventory charges as a cost of products sold in our Rigid Industrial Packaging & Services segment. Seven plants in the Rigid Industrial Packaging & Services segment, two plants in the Paper Packaging segment and one plant in Flexible Products & Services segment were closed. A total of 232 employees were severed during 2010.

In 2011, we recognized a non-cash impairment loss on machinery in our Rigid Industrial Packaging & Services segment of $1.5 million and a non-cash intangible asset impairment in our Flexible Products & Services for $3.0 million.

See Note 7 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for additional disclosures regarding our restructuring activities.

***Operating Profit***

Operating profit was $337.1 million for 2011 and $325.4 million for 2010. Operating profit before special items was $396.5 million for 2011 compared with $379.5 million for 2010. The $17.0 million increase was due to Flexible Products & Services ($22.5 million increase), Paper Packaging ($13.7 million increase) and Land Management ($10.0 million increase), partially offset by Rigid Industrial Packaging & Services ($29.3 million decrease).

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*EBITDA*

EBITDA was $467.2 million and $434.3 million for 2011 and 2010, respectively. EBITDA before special items was $526.5 million for 2011 compared with $488.3 million for 2010, and this $38.2 million increase was primarily due to improved operating profit before special items for the Flexible Products & Services, Paper Packaging and Land Management segments.

**Segment Review**

***Rigid Industrial Packaging & Services***

Our Rigid Industrial Packaging & Services segment offers a comprehensive line of rigid industrial packaging products, such as steel, fibre and plastic drums, rigid intermediate bulk containers, closure systems for industrial packaging products, transit protection products, water bottles and reconditioned containers. In addition, this segment offers a wide variety of services, such as container life cycle management, blending, filling and other packaging services, logistics and warehousing. The key factors influencing profitability in the Rigid Industrial Packaging & Services segment are:

- Selling prices, customer demand and sales volumes;
- Raw material costs, primarily steel, resin and containerboard;
- Energy and transportation costs;
- Benefits from executing the Greif Business System;
- Restructuring charges;
- Contributions from recent acquisitions;
- Divestiture of facilities; and
- Impact of foreign currency translation.

In this segment, net sales were $3,014.1 million for 2011 compared with $2,587.9 million for 2010. The 17 percent increase in net sales was primarily due to higher sales volumes (6 percent), which included a 4 percent increase from acquisitions and a 2 percent increase in same-structure volumes, higher selling prices (7 percent), primarily resulting from the pass-through of higher input costs, and the positive impact of foreign currency translation (4 percent).

Gross profit margin declined to 18.7 percent for 2011 from 20.9 percent for 2010. The reduction from last year was primarily due to sales mix and increased market pressure on margins and volumes.

Operating profit was $226.3 million and $262.3 million for 2011 and 2010, respectively. Operating profit before special items was $261.8 million for 2011 compared to $291.1 million for 2010. This decrease was primarily due to the lower gross profit margins and higher depreciation and amortization for this segment.

EBITDA was $307.0 million and $336.2 million for 2011 and 2010, respectively. EBITDA was impacted by restructuring charges of $24.1 million and $21.0 million, restructuring-related inventory charges of $0.1 million, acquisition-related costs of $9.9 million and $7.7 million and non-cash asset impairment charges of $1.5 million and zero for 2011 and 2010, respectively. EBITDA before special items was $342.5 million for 2011 and $365.0 million for 2010. EBITDA before special items was primarily lower due to the reduction in gross profit margins for this segment.

***Flexible Products & Services***

Our Flexible Products & Services segment offers a comprehensive line of flexible products, such as flexible intermediate bulk containers, shipping sacks and multiwall bags. The key factors influencing profitability in the Flexible Products & Services segment are:

- Selling prices, customer demand and sales volumes;
- Raw material costs, primarily resin and containerboard;

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- Energy and transportation costs;
- Benefits from executing the Greif Business System;
- Restructuring charges;
- Contributions from recent acquisitions; and
- Impact of foreign currency translation.

Net sales were $538.0 million for 2011 compared with $233.1 million for 2010. The increase was primarily due to same-structure growth and sales attributable to flexible intermediate bulk container companies acquired during 2010.

Gross profit margin increased to 21.4 percent for 2011 from 21.1 percent for 2010. The change in gross profit margin was primarily due to operating efficiencies attributable to the Greif Business System.

Operating profit was $16.9 million for 2011 and operating loss was $1.4 million for 2010. Operating profit before special items increased to $41.3 million for 2011 from $18.8 million for 2010. This increase was primarily due to acquisitions during 2010 and the improved gross profit margins for this segment.

EBITDA was $32.0 million and $2.4 million for 2011 and 2010, respectively. EBITDA was impacted by restructuring charges of $6.9 million and $0.6 million, acquisition-related costs of $14.5 million and $19.5 million and a non-cash asset impairment charge of $3.0 million and zero for 2011 and 2010, respectively. EBITDA before special items increased to $56.4 million for 2011 from $22.5 million for 2010. This increase was primarily due to acquisitions during 2010 and improved gross profit margins for this segment.

***Paper Packaging***

Our Paper Packaging segment sells containerboard, corrugated sheets, and corrugated containers in North America. The key factors influencing profitability in the Paper Packaging segment are:

- Selling prices, customer demand and sales volumes;
- Raw material costs, primarily old corrugated containers;
- Energy and transportation costs;
- Benefits from executing the Greif Business System;
- Contributions from recent acquisitions;
- Divestiture of facilities; and

Restructuring charges.

In this segment, net sales were $675.0 million in 2011 compared to $624.1 million in 2010. The 8 percent increase in net sales was primarily due to higher sales volumes and higher containerboard selling prices attributable to realization of two containerboard price increases implemented in 2010.

Gross profit margin for the Paper Packaging segment was 17.2 percent in 2011 compared to 16.8 percent in 2010. This increase was primarily due to higher selling prices and lower energy costs, substantially offset by higher raw material costs, including a year-over-year cost increase of approximately 27 percent, or $39 per ton, for old corrugated containers compared to last year.

Operating profit was $74.8 million and $55.5 million for 2011 and 2010, respectively. Operating profit before special items was $74.4 million for 2011 compared to $60.6 million for 2010. The $13.8 million increase was primarily due to the increase in net sales and the higher gross profit margin for 2011.

EBITDA increased to $106.1 million for 2011 compared with $84.6 million in 2010. EBITDA before special items increased to $105.6 million for 2011 from $89.7 million for 2010. This increase was primarily due to the increase in net sales and the higher gross profit margin for 2011.

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*Land Management*

As of October 31, 2011, our Land Management segment consisted of approximately 267,750 acres of timber properties in the southeastern United States, which are actively harvested and regenerated, and approximately 14,700 acres in Canada. The key factors influencing profitability in the Land Management segment are:

- Planned level of timber sales;
- Selling prices and customer demand;
- Gains (losses) on sale of timberland; and
- Gains on the sale of special use properties (surplus, HBU, and development properties).

In this segment, net sales were $20.9 million in 2011 compared to $16.5 million in 2010. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market, weather conditions and the age distribution of timber stands.

Operating profit and operating profit before the impact of special items were $19.0 million and $9.0 million in 2011 and 2010, respectively. The results of this segment reflect an increase in disposal of special-use properties (surplus, higher and better use and development properties) of $8.9 million for 2011 compared to $3.3 million for 2010. During 2011, a $2.5 million purchase price adjustment which resulted in a gain related to the expropriation of surplus property from a prior period was recorded.

EBITDA and EBITDA before special items were $22.1 million for 2011 compared to $11.1 million for 2010. Included in these amounts were profits from the disposal of special-use properties and the 2011 purchase price adjustment relating to the expropriation of surplus property from a prior period was recorded.

In order to maximize the value of our timber property, we continue to review our current portfolio and explore the development of certain of these properties in Canada and the United States. This process has led us to characterize our property as follows:

- Surplus property, meaning land that cannot be efficiently or effectively managed by us, whether due to parcel size, lack of productivity, location, access limitations or for other reasons.
- HBU property, meaning land that in its current state has a higher market value for uses other than growing and selling timber.
- Development property, meaning HBU land that, with additional investment, may have a significantly higher market value than its HBU market value.
- Timberland, meaning land that is best suited for growing and selling timber.

We report the sale of surplus and HBU property in our consolidated statements of income under gain on disposals of properties, plants and equipment, net and report the sale of development property under net sales and cost of products sold. All HBU and development property, together with surplus property, continues to be used by us to productively grow and sell timber until sold.

Whether timberland has a higher value for uses other than growing and selling timber is a determination based upon several variables, such as proximity to population centers, anticipated population growth in the area, the topography of the land, aesthetic considerations, including access to lakes or rivers, the condition of the surrounding land, availability of utilities, markets for timber and economic considerations both nationally and locally. Given these considerations, the characterization of land is not a static process, but requires an ongoing review and re-characterization as circumstances change.

As of October 31, 2011, we estimated that there were approximately 48,550 acres in Canada and the United States of special use property, which we expect will be available for sale in the next five to seven years.

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**Other Income Statement Changes**

***Interest Expense, Net***

Interest expense, net was $79.5 million and $65.8 million 2011 and 2010, respectively. The increase in interest expense, net was primarily attributable to higher average debt outstanding resulting from acquisitions and related working capital requirements. In July 2011, our wholly-owned Luxembourg subsidiary, Greif Luxembourg Finance S.C.A., issued 200.0 million of 7.375 percent Senior Notes. In October 2010, we entered into a new $1.0 billion senior secured credit facility which replaced our then-existing $700 million senior secured credit facility. See Liquidity and Capital Resources Borrowing Arrangements for a further discussion of this credit facility.

***Other Expense, Net***

Other expense, net was $14.1 million and $7.1 million for 2011 and 2010, respectively. The increase was primarily attributable to fees associated with the sale of non-United States accounts receivable and the impact of foreign currency exchange.

***Income Tax Expense***

During 2011, the effective tax rate was 29.2 percent compared to 16.1 percent in 2010. The change in the effective tax rate was primarily attributable to the change in global earnings mix, which caused a higher percentage of the company s income to be generated from countries with higher tax rates, recognition of valuation allowances on deferred tax assets in 2011, an incremental benefit from an alternative fuel tax credit in 2010 and other discrete tax items recognized in these periods. The effective tax rate may fluctuate based on the mix of income inside and outside the United States and other factors.

***Equity earnings (losses) of unconsolidated affiliates, net of tax***

We recorded $4.8 million and $3.5 million of equity earnings (losses) of unconsolidated affiliates, net of tax, during 2011 and 2010, respectively.

***Net income attributable to noncontrolling interests***

Net income attributable to noncontrolling interests represent the portion of earnings from the operations of our majority owned subsidiaries that was deducted from net income to arrive at net income attributable to us. One of the companies acquired in 2011 is a joint venture. We do not own 100 percent of this acquired company, and it is not considered a variable interest entity ( VIE ). We do, however, exert control over the acquired company, and accordingly, the operations of this acquired company are consolidated with our operations. Net income attributable to noncontrolling interests was $1.1 million and $5.5 million for 2011 and 2010, respectively.

***Net income attributable to Greif, Inc.***

Based on the foregoing, net income attributable to Greif, Inc. decreased $33.9 million to $176.0 million in 2011 from $210.0 million in 2010.

**Year 2010 Compared to Year 2009**

***Net Sales***

Net sales increased 24 percent on a year over year basis to $3,461.5 million in 2010 from $2,792.2 million in 2009. The $669.3 million increase was due to higher sales volumes, higher selling prices and favorable foreign currency translation. The $669.3 million increase was due to Rigid Industrial Packaging & Services ($321.0 million increase), Flexible Products & Services ($189.1 million increase) and Paper Packaging ($163.4 million increase), partially offset by Land Management ($4.2 million decrease).

***Operating Costs***

Cost of products sold, as a percentage of net sales, was 79.7 percent in 2010 compared to 82.1 percent for 2009. The lower cost of products sold as a percentage of net sales were primarily due to improved productivity in 2010, permanent cost savings achieved during 2009 and the execution of our Greif Business System.

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SG&A expenses were $362.9 million, or 10.5 percent of net sales, in 2010 compared to $267.6 million, or 9.6 percent of net sales, in 2009. The dollar increase in SG&A expense was primarily due to the inclusion of the SG&A of acquired companies and higher employment-related costs as compared to the same period in 2009, when normal salary increases and certain employee related benefits were curtailed. SG&A expense as a percentage of net sales primarily increased as a result of acquisition-related costs, which were previously capitalized. Excluding acquisition-related costs, SG&A expenses as a percent of net sales were 9.7 percent and 9.6 percent in 2010 and 2009, respectively.

Restructuring charges were $26.7 million and $66.6 million in 2010 and 2009, respectively. Restructuring-related inventory charges were $0.1 million and $10.8 million in 2010 and 2009, respectively.

Restructuring charges for 2010 consisted of $13.7 million in employee separation costs, $2.9 million in asset impairments, $2.4 million in professional fees and $7.7 million in other restructuring costs. The focus of the 2010 restructuring activities was on integration of recent acquisitions in the Rigid Industrial Packaging & Services and Flexible Products & Services segments. In addition, we recorded $0.1 million of restructuring-related inventory charges as a cost of products sold in our Rigid Industrial Packaging & Services segment. Seven plants in the Rigid Industrial Packaging & Services segment, two plants in the Paper Packaging segment and one plant in Flexible Products & Services segment were closed. A total of 232 employees were severed during 2010.

Restructuring charges for 2009 consisted of $28.4 million in employee separation costs, $19.6 million in asset impairments, $0.3 million in professional fees and $18.3 million in other restructuring costs. The focus of the 2009 restructuring activities was on business realignment due to the economic downturn and further implementation of the Greif Business System. Nineteen plants in the Rigid Industrial Packaging & Services segment were closed. A total of 1,294 employees were severed during 2009. In addition, we recorded $10.8 million of restructuring-related inventory charges as a cost of products sold in our Rigid Industrial Packaging & Services segment related to excess inventory adjustments of closed facilities.

See Note 7 to the Notes to Consolidated Financial Statements included in Item 8 of the Form 10-K for additional disclosures regarding our restructuring activities.

***Operating Profit***

Operating profit was $325.4 million and $199.9 million in 2010 and 2009, respectively. Operating profit before special items was $379.5 million for 2010 compared to $277.3 million for 2009. The $102.2 million increase in operating profit before special items was principally due to increases in Rigid Industrial Packaging & Services ($80.2 million), Flexible Products & Services ($10.2 million) and Paper Packaging ($25.1 million), partially offset by a decrease in Land Management ($13.2 million).

***EBITDA***

EBITDA was $434.3 million and $295.3 million for 2010 and 2009, respectively. EBITDA before special items increased 31 percent to $488.3 million for 2010 compared with $372.7 million for 2009. The $115.6 million increase was primarily due to the improved operating profit before special items in the Rigid Industrial Packaging & Services, Flexible Products & Services and Paper Packaging segments.

**Segment Review**

***Rigid Industrial Packaging & Services***

Our Rigid Industrial Packaging & Services segment offers a comprehensive line of rigid industrial packaging products, such as steel, fibre and plastic drums, rigid intermediate bulk containers, closure systems for industrial packaging products, transit protection products, water bottles and reconditioned containers, and services, such as container life cycle management, blending, filling and other packaging services, logistics and warehousing. The key factors influencing profitability in the Rigid Industrial Packaging & Services segment are:

- Selling prices, customer demand and sales volumes;

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- Raw material costs, primarily steel, resin and containerboard;
- Energy and transportation costs;
- Benefits from executing the Greif Business System;
- Restructuring charges;
- Contributions from recent acquisitions;
- Divestiture of business units; and
- Impact of foreign currency translation.

In this segment, net sales were $2,587.9 million in 2010 compared to $2,266.9 million in 2009. The 14.2 percent increase in net sales was due to higher sales volumes and favorable foreign currency translation, partially offset by lower selling prices reflecting lower average raw material costs.

Gross profit margin for the Rigid Industrial Packaging & Services segment was 21.0 percent in 2010 compared to 17.9 percent in 2009. This increase in gross profit margin was primarily due to higher sales volume, lower material costs and continued benefits from executing the Greif Business System.

Operating profit was $262.3 million in 2010 compared to $134.4 million in 2009. Operating profit before special items increased to $291.1 million in 2010 compared to $210.9 million in 2009. The increase in operating profit before special items was primarily due to higher net sales, lower materials costs, higher productivity and permanent cost savings achieved during 2009 from the execution of the Greif Business System, partially offset by lower net gains on asset disposals.

EBITDA was $336.2 million and $200.4 million for 2010 and 2009, respectively. EBITDA was impacted by restructuring charges of $21.0 million and $65.7 million, restructuring-related inventory charges of $0.1 million and $10.8 million and acquisition-related costs of $7.7 million and zero for 2010 and 2009, respectively. EBITDA before special items was $365.0 million for 2010 and $276.9 million for 2009. The increase in EBITDA before special items was primarily due to the same reasons affecting operating profit before special items for this segment.

***Flexible Products & Services***

Our Flexible Products & Services segment offers a comprehensive line of flexible products, such as flexible intermediate bulk containers and shipping sacks and multiwall bags. The key factors influencing profitability in the Flexible Products & Services segment are:

- Selling prices, customer demand and sales volumes;
- Raw material costs, primarily resin and containerboard;
- Energy and transportation costs;

Benefits from executing the Greif Business System.

Contributions from recent acquisitions; and

Impact of foreign currency translation.

In this segment, net sales were $233.1 million in 2010 compared to $44.0 million in 2009. The increase was primarily due to acquisitions throughout 2010. Both periods included our multiwall bag operations, which were previously included in the Paper Packaging segment, but which have been reclassified to conform to the current year s presentation.

Gross profit margin for the Flexible Products & Services segment was 21.1 percent in 2010 compared to 31.1 percent in 2009. This decrease in gross profit margin was primarily due to the acquisition in 2010 of several businesses that currently operate with lower margins.

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This segment experienced an operating loss of $1.4 million in 2010 compared to an operating profit of $8.6 million in 2009. Operating profit before special items increased to $18.8 million in 2010 from $8.6 million in 2009 primarily due to acquisitions throughout 2010.

EBITDA was $2.4 million and $9.4 million for 2010 and 2009, respectively. EBITDA was impacted by restructuring charges of $0.6 million and acquisition-related costs of $19.5 million for 2010. EBITDA before special items increased to $22.5 million for 2010 from $9.4 million for 2009 primarily due to acquisitions throughout 2010.

***Paper Packaging***

Our Paper Packaging segment sells containerboard, corrugated sheets, and corrugated containers in North America. The key factors influencing profitability in the Paper Packaging segment are:

- Selling prices, customer demand and sales volumes;
- Raw material costs, primarily old corrugated containers;
- Energy and transportation costs;
- Benefits from executing the Greif Business System;
- Contributions from recent acquisitions;
- Divestiture of business units; and
- Restructuring charges.

In this segment, net sales were $624.1 million in 2010 compared to $460.7 million in 2009. The 35 percent increase in net sales was due to higher sales volumes and higher selling prices.

Gross profit margin for the Paper Packaging segment was 16.8 percent in 2010 compared to 15.2 percent in 2009. This increase in gross profit margin was primarily driven by higher sales volumes and continued benefits from executing the Greif Business System partially offset by higher material costs.

Operating profit was $55.5 million and $34.8 million in 2010 and 2009, respectively. Operating profit before special items increased to $60.6 million in 2010 compared to $35.5 million in 2009. The increase in operating profit before special items was primarily due to higher net sales and permanent costs savings achieved during 2009 from the execution of the Greif Business System, partially offset by higher material costs.

EBITDA increased to $84.6 million for 2010 compared with $60.3 million in 2009. EBITDA before special items increased to $89.7 million for 2010 from $61.0 million for 2009. The increase in EBITDA before special items was primarily due to the same reasons affecting operating profit before special items for this segment.

***Land Management***

As of October 31, 2010, our Land Management segment consisted of approximately 267,150 acres of timber properties in the southeastern United States, which are actively harvested and regenerated, and approximately 24,700 acres in Canada. The key factors influencing profitability in the Land Management segment are:

- Planned level of timber sales;
- Selling prices and customer demand;
- Gains (losses) on sale of timberland; and
- Sale of special use properties (surplus, HBU, and development properties).

In this segment, net sales were $16.5 million in 2010 compared to $20.6 million in 2009. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market and weather conditions.

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Gross profit margin for the Land Management segment was 46.7 percent in 2010 compared to 53.5 percent in 2009. This decrease in gross profit margin was primarily driven by changes in product mix.

Operating profit was $9.0 million and $22.1 million in 2010 and 2009, respectively. Operating profit before special items was $9.0 million in 2010 compared to $22.2 million in 2009. Included in these amounts were profits from the sale of special use properties of $3.3 million in 2010 and $14.8 million in 2009.

EBITDA decreased to $11.1 million for 2010 compared with $25.2 million in 2009. EBITDA before special items decreased to $11.1 million for 2010 from $25.3 million for 2009 primarily due to the reduction in sales of special use properties as compared to 2009.

**Other Income Statement Changes**

***Interest Expense, Net***

Interest expense, net, was $65.8 million and $53.6 million in 2010 and 2009, respectively. The increase in interest expense, net was primarily attributable to higher average debt outstanding and an increase in our borrowing costs. In October 2010, we entered into a new $1.0 billion senior secured credit facility which replaced our then-existing $700 million senior secured credit facility. See Liquidity and Capital Resources Borrowing Arrangements for a further discussion of this credit facility.

***Debt Extinguishment Charges***

There were no debt extinguishment charges in 2010 and $0.8 million in 2009.

***Other Expense, Net***

Other expense, net for 2010 and 2009 was $7.1 million and $7.2 million, respectively. The slight decrease in other expense, net was primarily due to fees associated with the sale of our non-United States accounts receivable.

***Income Tax Expense***

During 2010, the effective tax rate was 16.1 percent compared to 17.4 percent in 2009. The change in the effective tax rate was primarily due to a change in the mix of income between the United States and non-U.S. locations for the respective periods as well as an incremental benefit from an alternative fuel tax credit. The effective tax rate may fluctuate based on the mix of income inside and outside the United States and other factors.

***Equity earnings (losses) of unconsolidated affiliates, net of tax***

We recorded $3.5 million and ($0.4) million of equity earnings (losses) of unconsolidated affiliates, net of tax, during 2010 and 2009, respectively.

***Net income attributable to noncontrolling interests***

Net income attributable to noncontrolling interests represent the portion of earnings from the operations of our majority owned subsidiaries that was deducted from net income to arrive at net income attributable to us. Net income attributable to noncontrolling interests was $5.5 million and $3.2 million for 2010 and 2009, respectively.

***Net income attributable to Greif, Inc.***

Based on the foregoing, net income attributable to Greif, Inc. increased $99.4 million to $210.0 million in 2010 from $110.6 million in 2009.

**BALANCE SHEET CHANGES**

During the third quarter of 2011, we recorded an out-of-period correction of an error in both noncontrolling interests, which had been understated by $24.7 million, and foreign currency translation within other comprehensive income

(loss), which had been overstated by $24.7 million, as of October 31, 2010. In the fourth quarter of 2011, we corrected a prior period error related to the incorrect balance sheet elimination of certain intercompany balances occurring in 2003. The effect of the error impacted both foreign currency translation within other comprehensive income (loss), which had been overstated by $19.6 million, and accounts payable, which had been understated by $19.6 million. We have corrected the errors for all periods presented by restating the consolidated statements of changes in shareholders equity and the consolidated balance sheets. The correction of the errors did not impact total assets, consolidated net income, or cash flows. See also Note 19 to the Consolidated Financial Statements included in Item 8 of this Form 8-K for additional disclosures.

***Working capital changes***

The $88.5 million increase in trade accounts receivable was primarily related to higher 2011 sales as compared to 2010 sales, extended credit terms with customers and 2011 acquisitions in North America, South America, Europe and Asia.

The $35.9 million increase in inventories was mainly driven by higher raw material prices, steel costs, higher overall business activity levels and 2011 acquisitions in North America, South America, Europe and Asia.

The $5.8 million increase in prepaid expenses and other current assets was primarily due to the 2011 acquisitions in North America, South America, Europe and Asia.

The $19.9 million increase in accounts payable primarily related to higher raw material costs, especially steel, timing of payments, foreign currency translation and the 2011 acquisitions in North America, South America, Europe and Asia.

The $8.9 million increase in accrued payroll and employee benefits primarily related to the increase in headcount and the 2011 acquisitions in North America, South America, Europe and Asia.

The $76.4 million increase in short-term borrowings was primarily related to the 2011 acquisitions in North America, South America, Europe and Asia.

The $43.8 million increase in other current liabilities was primarily related to the 2010 acquisitions in North America, South America, Europe and Asia.

***Other balance sheet changes***

The $295.2 million increase in goodwill primarily related to 2011 acquisitions in North America, South America, Europe and Asia. Refer to Note 6 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

The $56.6 million increase in other intangibles primarily related to the 2011 acquisitions in North America, South America, Europe and Asia. Refer to Note 6 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

The $143.5 million increase in net property, plant and equipment primarily related to the 2011 acquisitions in North America, South America, Europe and Asia.

The $392.1 million increase in long term debt was primarily related to the issuance of Senior Notes due 2021. Refer to Note 9 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

The $10.2 million increase in pension liabilities was primarily due to a reduction to the discount rate, which contributed to an increase in the projected benefit obligation.

The $86.3 million increase in other long-term liabilities was primarily due to a future payment for the purchase price of a 2011 acquisition and an increase in environmental liabilities resulting from a 2011 acquisition.

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**LIQUIDITY AND CAPITAL RESOURCES**

Our primary sources of liquidity are operating cash flows, the proceeds from our trade accounts receivable credit facility, proceeds from the sale of our non-United States accounts receivable and borrowings under our Credit Agreement and Senior Notes, further discussed below. We have used these sources to fund our working capital needs, capital expenditures, cash dividends, common stock repurchases and acquisitions. We anticipate continuing to fund these items in a like manner. We currently expect that operating cash flows, the proceeds from our trade accounts receivable credit facility, proceeds from the sale of our non-United States accounts receivable and borrowings under our Credit Agreement and Senior Notes will be sufficient to fund our currently anticipated working capital, capital expenditures, debt repayment, potential acquisitions of businesses and other liquidity needs for at least 12 months. As of October 31, 2011, we had $644.6 million available to borrow under our Credit Agreement, as described below.

**Capital Expenditures**

During 2011, 2010 and 2009, we invested $162.4 million (excluding $3.5 million for timberland properties), $144.1 million (excluding $21.0 million for timberland properties), $124.7 million (excluding $1.0 million for timberland properties) in capital expenditures, respectively.

We anticipate future capital expenditures, excluding the potential purchase of timberland properties, of approximately $130 million through October 31, 2012. The expenditures will replace and improve existing equipment and fund new facilities.

**Acquisitions, Divestitures and Other Significant Transactions**

During 2011, we completed eight acquisitions, all in the Rigid Industrial Packaging and Services segment: four European companies acquired in February, May, July and August; two joint ventures entered into in February and August in North America and in the Asia Pacific region, respectively; the acquisition of the remaining outstanding minority shares from a 2008 acquisition in South America; and the acquisition of additional shares of a company in North America that is a consolidated subsidiary as of October 31, 2011.

The cash paid, net of cash received for the eight 2011 acquisitions was $344.9 million. There is a future payment due related to a 2011 acquisition.

During 2010, the Company completed twelve acquisitions consisting of seven rigid industrial packaging companies and five flexible products companies and made a contingent purchase price related to a 2007 acquisition. The seven rigid industrial packaging companies consisted of a European company purchased in November 2009, an Asian company purchased in June 2010, a North American drum reconditioning company purchased in July, a North American drum reconditioning company purchased in August 2010, one European company purchased in August 2010, a 51 percent interest in a Middle Eastern company purchased in September 2010 and a South American company purchased in September 2010. The five flexible products companies acquired conduct business throughout Europe, Asia and North America and were acquired in February, June, August and September 2010. On September 29, 2010, we entered into a joint venture agreement with Dabbagh Group Holding Company Limited, a Saudi Arabia corporation ( Dabbagh ), and National Scientific Company Limited, a Saudi Arabia limited liability company and a subsidiary of Dabbagh ( NSC ), referred to herein as the Flexible Packaging Joint Venture ( Flexible Packaging JV ). Thereafter, we contributed the five acquired flexible product companies to the Flexible Packaging JV. We own 50 percent of the Flexible Packaging JV but exercise management control of its operations. The results of the Flexible Packaging JV have been consolidated within our 2011 and 2010 results.

The aggregate purchase price for the twelve 2010 acquisitions was $176.2 million.

During 2010, we sold specific Paper Packaging segment assets and facilities in North America. The net gain from these sales was immaterial.

Refer to Note 2 to the Consolidated Financial Statements included in Item 8 of this Form 10-K for additional disclosures regarding our 2011 and 2010 acquisitions and other significant transactions.

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**Borrowing Arrangements**

Long-term debt is summarized as follows (Dollars in thousands):

| | October 31, 2011 | October 31, 2010 |
|---|---|---|
| Credit Agreement | $ 355,447 | $ 273,700 |
| Senior Notes due 2017 | 302,853 | 303,396 |
| Senior Notes due 2019 | 242,932 | 242,306 |
| Senior Notes due 2021 | 280,206 | |
| Trade accounts receivable credit facility | 130,000 | 135,000 |
| Other long-term debt | 46,200 | 11,187 |
| | 1,357,638 | 965,589 |
| Less current portion | (12,500) | (12,523) |
| Long-term debt | $ 1,345,138 | $ 953,066 |

***Credit Agreement***

We and two of our international subsidiaries are borrowers under a $1.0 billion senior secured credit agreement (the Credit Agreement ) with a syndicate of financial institutions. The Credit Agreement provides us with a $750 million revolving multicurrency credit facility and a $250 million term loan, both expiring October 29, 2015, with an option to add $250 million to the facilities with the agreement of the lenders. The $250 million term loan is scheduled to amortize by the payment of principal in the amount of $3.1 million each quarter-end for the first eight quarters, $6.3 million each quarter-end for the next eleven quarters and the remaining balance on the maturity date. The revolving credit facility under the Credit Agreement is available to fund ongoing working capital and capital expenditure needs, for general corporate purposes and to finance acquisitions. Interest is based on a Eurodollar rate or a base rate that resets periodically plus an agreed upon margin amount. On June 22, 2011, the Credit Agreement was amended to allow for the issuance of additional senior notes, and additional senior notes in the amount of 200.0 million were issued on July 15, 2011. As of October 31, 2011, a total of $355.4 million was outstanding under the Credit Agreement. The weighted average interest rate on the Credit Agreement was 2.15% for the twelve months ended October 31, 2011.

The Credit Agreement contains certain covenants, which include financial covenants that require us to maintain a certain leverage ratio and a fixed charge coverage ratio. The leverage ratio generally requires that at the end of any fiscal quarter we will not permit the ratio of (a) our total consolidated indebtedness, to (b) our consolidated net income plus depreciation, depletion and amortization, interest expense (including capitalized interest), income taxes, and minus certain extraordinary gains and non-recurring gains (or plus certain extraordinary losses and non-recurring losses) and plus or minus certain other items for the preceding twelve months ( adjusted EBITDA ) to be greater than 3.75 to 1 (or 3.5 to 1, during any collateral release period). The fixed charge coverage ratio generally requires that at the end of any fiscal quarter we will not permit the ratio of (a) (i) our consolidated adjusted EBITDA, less (ii) the aggregate amount of certain of our cash capital expenditures, and less (iii) the aggregate amount of our federal, state, local and foreign income taxes actually paid in cash (other than taxes related to asset sales not in the ordinary course of business), to (b) the sum of (i) our consolidated interest expense to the extent paid or payable in cash and (ii) the aggregate principal amount of all of our regularly scheduled principal payments or redemptions or similar acquisitions for value of outstanding debt for borrowed money, but excluding any such payments to the extent refinanced through the incurrence of additional indebtedness, to be less than 1.5 to 1, during the applicable trailing twelve month period. On October 31, 2011, we were in compliance with these two covenants.

The terms of the Credit Agreement limit our ability to make restricted payments, which include dividends and purchases, redemptions and acquisitions of our equity interests. The repayment of amounts borrowed under the Credit Agreement are secured by a security interest in the personal property of Greif, Inc. and certain of our United States subsidiaries, including equipment and inventory and certain intangible assets, as well as a pledge of the capital stock of substantially all of our United States subsidiaries. The repayment of amounts borrowed under the Credit Agreement is

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also secured, in part, by capital stock of the non-U.S. subsidiaries that are parties to the Credit Agreement. However, in the event that we receive and maintain an investment grade rating from either Moody s Investors Service, Inc. or Standard & Poor s Corporation, we may request the release of such collateral. The payment of outstanding principal under the Credit Agreement and accrued interest thereon may be accelerated and become immediately due and payable upon our default in its payment or other performance obligations or its failure to comply with the financial and other covenants in the Credit Agreement, subject to applicable notice requirements and cure periods as provided in the Credit Agreement.

Refer to Note 9 to the Consolidated Financial Statements included in Item 8 of this Form 10-K for additional disclosures regarding the Credit Agreement.

***Senior Notes***

We have issued $300.0 million of our 6.75% Senior Notes due February 1, 2017. Proceeds from the issuance of these Senior Notes were principally used to fund the purchase of our previously outstanding senior subordinated notes and for general corporate purposes. These Senior Notes are general unsecured obligations of Greif, Inc. only, provide for semi-annual payments of interest at a fixed rate of 6.75%, and do not require any principal payments prior to maturity on February 1, 2017. These Senior Notes are not guaranteed by any of our subsidiaries and thereby are effectively subordinated to all of our subsidiaries existing and future indebtedness. The Indenture pursuant to which these Senior Notes were issued contains covenants, which, among other things, limit our ability to create liens on our assets to secure debt and to enter into sale and leaseback transactions. These covenants are subject to a number of limitations and exceptions as set forth in the Indenture. As of October 31, 2011, we were in compliance with these covenants.

We have issued $250.0 million of our 7.75% Senior Notes due August 1, 2019. Proceeds from the issuance of these Senior Notes were principally used for general corporate purposes, including the repayment of amounts outstanding under our revolving multicurrency credit facility under our then-existing credit agreement, without any permanent reduction of the commitments thereunder. These Senior Notes are general unsecured obligations of Greif, Inc. only, provide for semi-annual payments of interest at a fixed rate of 7.75%, and do not require any principal payments prior to maturity on August 1, 2019. These Senior Notes are not guaranteed by any of our subsidiaries and thereby are effectively subordinated to all of our subsidiaries existing and future indebtedness. The Indenture pursuant to which these Senior Notes were issued contains covenants, which, among other things, limit our ability to create liens on our assets to secure debt and to enter into sale and leaseback transactions. These covenants are subject to a number of limitations and exceptions as set forth in the Indenture. As of October 31, 2011, we were in compliance with these covenants.

Our Luxembourg subsidiary has issued 200.0 million of 7.375% Senior Notes due July 15, 2021. These Senior Notes are fully and unconditionally guaranteed on a senior basis by Greif, Inc. A portion of the proceeds from the issuance of these Senior Notes was used to repay non-U.S. borrowings under the Credit Agreement, without any permanent reduction of the commitments thereunder, with the remaining proceeds available for general corporate purposes, including the financing of acquisitions. These Senior Notes are general unsecured obligations of the Luxembourg subsidiary and Greif, Inc. and provide for semi-annual payments of interest at a fixed rate of 7.375%, and do not require any principal payments prior to maturity on July 15, 2021. These Senior Notes are not guaranteed by any subsidiaries of the issuer or Greif, Inc. and thereby are effectively subordinated to all existing and future indebtedness of the subsidiaries of the issuer and Greif, Inc. The Indenture pursuant to which these Senior Notes were issued contains covenants, which, among other matters, limit our ability to create liens on our assets to secure debt and to enter into sale and leaseback transactions. These covenants are subject to a number of limitations and exceptions as set forth in the Indenture. As of October 31, 2011, we were in compliance with these covenants.

Refer to Note 9 to the Consolidated Financial Statements included in Item 8 of this Form 10-K for additional disclosures regarding the Senior Notes discussed above.

***United States Trade Accounts Receivable Credit Facility***

We have a $130.0 million trade accounts receivable credit facility (the Receivables Facility ) with a financial institution. The Receivables Facility matures in September 2014. In addition, we can terminate the Receivables Facility at any time upon five days prior written notice. The Receivables Facility is secured by certain of our United States trade receivables and bears interest at a variable rate based on the applicable base rate or other agreed-upon rate plus a margin amount. Interest is payable on a monthly basis and the principal balance is payable upon termination of the Receivables Facility. The Receivables Facility contains certain covenants, including financial covenants for leverage and fixed charge coverage ratios identical to the Credit Agreement. Proceeds of the Receivables Facility are available for working capital and general corporate purposes. As of October 31, 2011, $130.0 million was outstanding under the Receivables Facility.

Refer to Note 9 of the Consolidated Financial Statements included in Item 8 of this Form 10-K for additional disclosures regarding the Receivables Facility.

***Sale of Non-United States Accounts Receivable***

Certain of our international subsidiaries have entered into discounted receivables purchase agreements and factoring agreements (the RPAs ) pursuant to which trade receivables generated from certain countries other than the United States and which meet certain eligibility requirements are sold to certain international banks or their affiliates. The structure of these transactions provides for a legal true sale, on a revolving basis, of the receivables transferred from our various subsidiaries to the respective banks and affiliates. The banks fund an initial purchase price of a certain percentage of eligible receivables based on a formula with the initial purchase price approximating 75 percent to 90 percent of eligible receivables. The remaining deferred purchase price is settled upon collection of the receivables. At the balance sheet reporting dates, we remove from accounts receivable the amount of proceeds received from the initial purchase price since they meet the applicable criteria of ASC 860, Transfers and Servicing, and continue to recognize the deferred purchase price in our accounts receivable. The receivables are sold on a non-recourse basis with the total funds in the servicing collection accounts pledged to the respective banks between the settlement dates. The maximum amount of aggregate receivables that may be sold under our various RPAs was $179.5 million as of October 31, 2011. As of October 31, 2011, total accounts receivable of $163.1 million were sold under the various RPAs.

At the time the receivables are initially sold, the difference between the carrying amount and the fair value of the assets sold are included as a loss on sale and classified as other expense in the consolidated statements of operations. Expenses associated with the various RPAs totaled $6.5 million for the year ended October 31, 2011. Additionally, we perform collections and administrative functions on the receivables sold similar to the procedures we use for collecting all of our receivables. The servicing liability for these receivables is not material to the consolidated financial statements.

Refer to Note 3 to the Consolidated Financial Statements included in Item 8 of this Form 10-K for additional information regarding these various RPAs.

***Other***

In addition to the amounts borrowed against the Credit Agreement and proceeds from the Senior Notes and the United States trade accounts receivable credit facility, as of October 31, 2011, we had outstanding other debt of $183.5 million, comprised of $46.2 million in long-term debt and $137.3 million in short-term borrowings.

As of October 31, 2011, annual maturities, including the current portion, of long-term debt under our various financing arrangements were $12.5 million in 2012, $71.2 million in 2013, $155.0 million in 2014, $292.9 million in 2015, $0.0 million in 2016 and $826.0 million thereafter.

As of October 31, 2011 and 2010, we had deferred financing fees and debt issuance costs of $18.9 million and $21.4 million, respectively, which are included in other long-term assets.

**Financial Instruments**

***Cross-Currency Interest Rate Swaps***

We entered into a cross-currency interest rate swap agreement which was designated as a hedge of a net investment in a foreign operation. Under this swap agreement, we received interest semi-annually from the counterparties in an amount equal to a fixed rate of 6.75% on $200.0 million and paid interest in an amount equal to a fixed rate of 6.25% on 146.6 million. During the third quarter of 2010, we terminated this swap agreement, including any future cash flows. The termination of this swap agreement resulted in a cash gain of $25.7 million ($15.8 million, net of tax) which is included within foreign currency translation adjustments.

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***Interest Rate Derivatives***

We have interest rate swap agreements with various maturities through January 2013. These interest rate swap agreements are used to manage our fixed and floating rate debt mix. Under these swap agreements, we receive interest monthly from the counterparties based upon a designated London InterBank Offered Rate ( LIBOR ), and we pay interest based upon a designated fixed rate over the life of the swap agreements.

We have three interest rate derivatives (floating to fixed swap agreements recorded as cash flow hedges) with a total notional amount of $76.6 million. Under these swap agreements, we receive interest based upon a variable interest rate from the counterparties (weighted average of 0.27% as of October 31, 2011 and 0.26% as of October 31, 2010) and pay interest based upon a fixed interest rate (weighted average of 1.92% as of October 31, 2011 and 1.78% as of October 31, 2010). The other comprehensive loss on these interest rate derivatives was $0.3 million as of October 31, 2011 and $2.0 million as of October 31, 2010.

In the third quarter of 2010, we terminated a $100.0 million fixed to floating swap, including any future cash flows, which had been recorded as a fair value hedge. Under this swap agreement, we received interest from the counterparty based upon a fixed rate of 6.75% and paid interest based upon a variable rate on a semi-annual basis. The termination of this swap agreement resulted in a cash gain of $3.6 million.

***Foreign Exchange Hedges***

As of October 31, 2011, we had outstanding foreign currency forward contracts in the notional amount of $160.6 million ($252.9 million as of October 31, 2010). The purpose of these contracts is to hedge our exposure to foreign currency transactions and short-term intercompany loan balances in our international businesses. The fair value of these contracts as of October 31, 2011 resulted in a loss of $1.6 million recorded in the consolidated statements of operations and a gain of $0.7 million recorded in other comprehensive income. The fair value of similar contracts as of October 31, 2010 resulted in a gain of $0.8 million recorded in the consolidated statements of operations and a loss of $2.3 million recorded in other comprehensive income.

***Energy Hedges***

We have entered into certain cash flow hedge agreements to mitigate our exposure to cost fluctuations in natural gas prices through October 31, 2011. Under these hedge agreements, we have agreed to purchase natural gas at a fixed price. As of October 31, 2011, the notional amount of these hedge agreements was $2.7 million ($2.4 million as of October 31, 2010). The other comprehensive loss on these hedge agreements was $0.1 million as of October 31, 2011 and $0.3 million as of October 31, 2010. As a result of the high correlation between the hedged instruments and the underlying transactions, ineffectiveness has not had a material impact on our consolidated statements of operations for the year ended October 31, 2011.

**Contractual Obligations**

As of October 31, 2011, we had the following contractual obligations (Dollars in millions):

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1 -3 years | 3-5 years | After 5 years |
| Long-term debt | $ 1,827.0 | $ 71.8 | $ 270.4 | $ 514.3 | $ 970.5 |
| Short-term borrowing | 145.1 | 145.1 | | | |
| Capital lease obligations | 91.9 | 22.1 | 35.7 | 29.8 | 4.3 |
| Liabilities held by special purpose entities | 62.8 | 2.2 | 4.5 | 4.5 | 51.6 |
| Deferred purchase payments | 63.6 | | 63.6 | | |
| Environmental liabilities | 29.3 | 8.5 | 4.9 | 4.3 | 11.6 |
| Operating leases | 20.7 | 6.3 | 8.5 | 4.7 | 1.2 |
| Current portion of long-term debt | 12.5 | 12.5 | | | |
| Total | $ 2,252.9 | $ 268.5 | $ 387.6 | $ 557.6 | $ 1,039.2 |

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Our unrecognized tax benefits under ASC 740, Income Taxes have been excluded from the contractual obligations table because of the inherent uncertainty and the inability to reasonably estimate the timing of cash outflows.

**Stock Repurchase Program and Other Share Acquisitions**

Our Board of Directors has authorized us to purchase up to four million shares of Class A Common Stock or Class B Common Stock or any combination of the foregoing. During 2011, we repurchased 8,700 shares of Class A Common Stock and we repurchased 291,300 shares of Class B Common Stock (refer to Item 5 to this Form 10-K for additional information regarding these repurchases). As of October 31, 2011, we had repurchased 3,183,272 shares, including 1,425,452 shares of Class A Common Stock and 1,757,820 shares of Class B Common Stock, under this program. The total cost of the shares repurchased from November 1, 2008 through October 31, 2011 was $20.9 million.

**Effects of Inflation**

Inflation did not have a material impact on our operations during 2011, 2010 or 2009.

**Variable Interest Entities**

We evaluate whether an entity is a VIE and determine if the primary beneficiary status is appropriate on a quarterly basis. We consolidate VIE s for which we are the primary beneficiary. If we are not the primary beneficiary and an ownership interest is held, the VIE is accounted for under the equity method of accounting. When assessing the determination of the primary beneficiary, we consider all relevant facts and circumstances, including: the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and the obligation to absorb the expected losses and/or the right to receive the expected returns of the VIE.

During 2011, we acquired a minority ownership interest in an entity that is accounted for as an unconsolidated equity investment. This entity is deemed to be a VIE since the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support. However, we are not the primary beneficiary because we do not have (1) the power to direct the activities of the VIE that most significantly impact the VIE s economic performance, or (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. As a result, this entity is not consolidated in our results.

***Significant Nonstrategic Timberland Transactions***

On March 28, 2005, Soterra LLC (a wholly owned subsidiary) entered into two real estate purchase and sale agreements with Plum Creek Timberlands, L.P. ( Plum Creek ) to sell approximately 56,000 acres of timberland and related assets located primarily in Florida for an aggregate sales price of approximately $90 million, subject to closing adjustments. In connection with the closing of one of these agreements, Soterra LLC sold approximately 35,000 acres of timberland and associated assets in Florida, Georgia and Alabama for $51.0 million, resulting in a pretax gain of $42.1 million, on May 23, 2005. The purchase price was paid in the form of cash and a $50.9 million purchase note payable (the Purchase Note ) by an indirect subsidiary of Plum Creek (the Buyer SPE ). Soterra LLC contributed the Purchase Note to STA Timber LLC ( STA Timber ), one of our indirect wholly owned subsidiaries. The Purchase Note is secured by a Deed of Guarantee issued by Bank of America, N.A., London Branch, in an amount not to exceed $52.3 million (the Deed of Guarantee ), as a guarantee of the due and punctual payment of principal and interest on the Purchase Note.

On May 31, 2005, STA Timber issued in a private placement its 5.20% Senior Secured Notes due August 5, 2020 (the Monetization Notes ) in the principal amount of $43.3 million. In connection with the sale of the Monetization Notes, STA Timber entered into note purchase agreements with the purchasers of the Monetization Notes (the Note Purchase Agreements ) and related documentation. The Monetization Notes are secured by a pledge of the Purchase Note and the Deed of Guarantee. The Monetization Notes may be accelerated in the event of a default in payment or a breach of the other obligations set forth therein or in the Note Purchase Agreements or related documents, subject in certain cases to any applicable cure periods, or upon the occurrence of certain insolvency or bankruptcy related events.

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The Monetization Notes are subject to a mechanism that may cause them, subject to certain conditions, to be extended to November 5, 2020. The proceeds from the sale of the Monetization Notes were primarily used for the repayment of indebtedness. Greif, Inc. and its other subsidiaries have not extended any form of guaranty of the principal or interest on the Monetization Notes. Accordingly, Greif, Inc. and its other subsidiaries will not become directly or contingently liable for the payment of the Monetization Notes at any time. The Buyer SPE is a separate and distinct legal entity from us; however the Buyer SPE has been consolidated into our operations.

The Buyer SPE is deemed to be a VIE since the assets of the Buyer SPE are not available to satisfy the liabilities of the Buyer SPE. The Buyer SPE is a separate and distinct legal entity from us, but we are the primary beneficiary because we have (1) the power to direct the activities of the VIE that most significantly impact the VIE s economic performance, and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. As a result, Buyer SPE has been consolidated into our operations.

***Flexible Products Joint Venture***

On September 29, 2010, Greif, Inc. and its indirect subsidiary Greif International Holding Supra C.V. formed a joint venture (referred to herein as the Flexible Products JV ) with Dabbagh Group Holding Company Limited and its subsidiary National Scientific Company Limited. The Flexible Products JV owns the operations in the Flexible Products & Services segment, with the exception of the North American multi-wall bag business. The Flexible Products JV has been consolidated into our operations as of its formation date of September 29, 2010.

The Flexible Products JV is deemed to be a VIE since the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support. We are the primary beneficiary because we have (1) the power to direct the activities of the VIE that most significantly impact the VIE s economic performance, and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

**Recent Accounting Standards**

***Newly Adopted Accounting Standards***

In June 2009, the Financial Accounting Standards Board ( FASB ) amended ASC 860, Transfers and Servicing. The amendment to ASC 860 requires an enterprise to evaluate whether the transaction is legally isolated from us and whether the results of the transaction are consolidated within the consolidated financial statements. We adopted the new guidance beginning November 1, 2010, and the adoption of the new guidance did not impact our financial position, results of operations or cash flows, other than the related disclosures.

In June 2009, the FASB amended ASC 810, Consolidation. The amendment to ASC 810 changed the methodology for determining the primary beneficiary of a VIE from a quantitative risk and rewards based model to a qualitative determination. It also requires enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise s involvement in a VIE. Accordingly, we reevaluated our previous ASC 810 conclusions, including (1) whether an entity is a VIE, (2) whether the enterprise is the VIE s primary beneficiary, and (3) what type of financial statement disclosures are required. We adopted the new guidance beginning November 1, 2010, and the adoption of the new guidance did not impact our financial position, results of operations or cash flows, other than the related disclosures.

***Recently Issued Accounting Standards***

Effective July 1, 2009, changes to the ASC are communicated through an Accounting Standards Update ( ASU ). As of October 31, 2011, the FASB has issued ASU s 2009-01 through 2011-09. We reviewed each ASU and determined that they will not have a material impact on our financial position, results of operations or cash flows, other than related disclosures.

In December 2010, the FASB issued ASU 2010-29 Business Combinations: Disclosure of supplementary pro forma information for business combinations. The amendment to ASC 805 Business Combinations requires a public entity to disclose pro forma information for business combinations that occurred in the current reporting period. The disclosures include pro forma revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period. If comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as through the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period. We will adopt the new guidance beginning November 1, 2011, and the adoption of the new guidance will not impact our financial position, results of operations or cash flows, other than the related disclosures.

In June 2011, the FASB issued ASU 2011-05 Comprehensive Income: Presentation of comprehensive income. The amendment to ASC 220 Comprehensive Income requires that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. We will adopt the new guidance beginning November 1, 2011, and the adoption of the new guidance will not impact our financial position, results of operations or cash flows, other than the related disclosures.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**
**Interest Rate Risk**

We are subject to interest rate risk related to our financial instruments that include borrowings under the 2010 Credit Agreement, proceeds from our Senior Notes and trade accounts receivable credit facility, and interest rate swap agreements. We do not enter into financial instruments for trading or speculative purposes. The interest rate swap agreements have been entered into to manage our exposure to variability in interest rates and changes in the fair value of fixed rate debt.

We had interest rate swap agreements with an aggregate notional amount of $76.6 million and $125.0 million as of October 31, 2011 and 2010, respectively, with various maturities through 2013. The interest rate swap agreements are used to manage our fixed and floating rate debt mix. Under certain of these agreements, we receive interest monthly from the counterparties equal to LIBOR and pay interest at a fixed rate over the life of the contracts. A liability for the loss on interest rate swap contracts, which represented their fair values, in the amount of $0.3 million and $2.0 million was recorded as of October 31, 2011 and 2010, respectively.

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The tables below provide information about our derivative financial instruments and other financial instruments that are sensitive to changes in interest rates. For the Credit Agreement, Senior Notes and trade accounts receivable credit facility, the tables present scheduled amortizations of principal and the weighted average interest rate by contractual maturity dates as of October 31, 2011 and 2010. For interest rate swaps, the tables present annual amortizations of notional amounts and weighted average interest rates by contractual maturity dates. Under the cash flow swap agreements, we receive interest monthly from the counterparties and pay interest monthly to the counterparties.

The fair values of our Credit Agreement, Senior Notes and trade accounts receivable credit facility are based on rates available to us for debt of the same remaining maturity as of October 31, 2011 and 2010. The fair value of the interest rate swap agreements has been determined based upon the market settlement prices of comparable contracts as of October 31, 2011 and 2010.

**Financial Instruments**

As of October 31, 2011

(Dollars in millions)

| | Expected Maturity Date | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** | **2016** | **After 2016** | **Total** | **Fair Value** |
| Credit Agreement: | | | | | | | | |
| Scheduled amortizations | $ 13 | $ 25 | $ 25 | $ 292 | | | $ 355 | $ 355.4 |
| Average interest rate(1) | 2.14% | 2.14% | 2.14% | 2.14% | | | 2.14% | |
| Senior Notes due 2017: | | | | | | | | |
| Scheduled amortizations | | | | | | $ 300 | $ 300 | $ 317.9 |
| Average interest rate | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | |
| Senior Notes due 2019: | | | | | | | | |
| Scheduled amortizations | | | | | | $ 250 | $ 250 | $ 268.8 |
| Average interest rate | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | |
| Senior Notes due 2021: | | | | | | | | |
| Scheduled amortizations | | | | | | $ 280 | $ 280 | $ 280.2 |
| Average interest rate | 7.38% | 7.38% | 7.38% | 7.38% | 7.38% | 7.38% | 7.38% | |
| Trade accounts receivable credit facility: | | | | | | | | |
| Scheduled amortizations | | | $ 130 | | | | $ 130 | $ 130 |
| Interest rate swaps: | | | | | | | | |
| Scheduled amortizations | $ 75 | $ 2 | | | | | $ 77 | $ (0.3) |
| Average pay rate(2) | 1.92% | 2.69% | | | | | | |
| Average receive rate(3) | 0.27% | 1.61% | | | | | | |

(1) Variable rate specified is based on LIBOR or an alternative base rate plus a calculated margin as of October 31, 2011. The rates presented are not intended to project our expectations for the future.

(2) The average pay rate is based upon the fixed rates we were scheduled to pay as of October 31, 2011. The rates presented are not intended to project our expectations for the future.

(3) The average receive rate is based upon the LIBOR we were scheduled to receive as of October 31, 2011. The rates presented are not intended to project our expectations for the future.

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**Financial Instruments**

As of October 31, 2010

(Dollars in millions)

| | Expected Maturity Date | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 | After 2015 | Total | Fair Value |
| 2010 Credit Agreement: | | | | | | | | |
| Scheduled amortizations | $ 13 | $ 13 | $ 25 | $ 25 | $ 198 | | $ 274 | $ 273.7 |
| Average interest rate(1) | 3.67% | 3.67% | 3.67% | 3.67% | 3.67% | | 3.67% | |
| Senior Notes due 2017: | | | | | | | | |
| Scheduled amortizations | | | | | | $ 300 | $ 300 | $ 322.9 |
| Average interest rate | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | |
| Senior Notes due 2019: | | | | | | | | |
| Scheduled amortizations | | | | | | $ 250 | $ 250 | $ 278.8 |
| Average interest rate | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | 7.75% | |
| Trade accounts receivable credit facility: | | | | | | | | |
| Scheduled amortizations | | | | $ 135 | | | | |
| Interest rate swaps: | | | | | | | | |
| Scheduled amortizations | $ 50 | $ 75 | | | | | $ 125 | $ (2.0) |
| Average pay rate(2) | 1.78% | 1.78% | | | | | 1.78% | |
| Average receive rate(3) | 0.26% | 0.26% | | | | | 0.26% | |

(1) Variable rate specified is based on LIBOR or an alternative base rate plus a calculated margin as of October 31, 2010. The rates presented are not intended to project our expectations for the future.

(2) The average pay rate is based upon the fixed rates we were scheduled to pay as of October 31, 2010. The rates presented are not intended to project our expectations for the future.

(3) The average receive rate is based upon the LIBOR we were scheduled to receive as of October 31, 2010. The rates presented are not intended to project our expectations for the future.

The fair market value of the interest rate swaps as of October 31, 2011 was a net liability of $0.3 million. Based on a sensitivity analysis we performed as of October 31, 2011, a 100 basis point decrease in interest rates would increase the fair value of the swap agreements by $0.2 million to a net liability of $0.1 million. Conversely, a 100 basis point increase in interest rates would decrease the fair value of the swap agreements by $0.1 million to a net loss of $0.4 million.

**Currency Risk**

As a result of our international operations, our operating results are subject to fluctuations in currency exchange rates. The geographic presence of our operations mitigates this exposure to some degree. Additionally, our transaction exposure is somewhat limited because we produce and sell a majority of our products within each country in which we operate.

As of October 31, 2011, we had outstanding foreign currency forward contracts in the notional amount of $159.6 million ($252.9 million as of October 31, 2010). The purpose of these contracts is to hedge our exposure to foreign currency transactions and short-term intercompany loan balances in our international businesses. The fair value of these contracts as of October 31, 2011 resulted in a loss of $1.6 million recorded in the consolidated statements of operations and a gain of $0.7 million recorded in other comprehensive income. The fair value of similar contracts as of October 31, 2010 resulted in a gain of $0.8 million recorded in consolidated statements of operations and a loss of $2.3 million recorded in other comprehensive income.

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A sensitivity analysis to changes in the foreign currencies hedged indicates that if the U.S. dollar strengthened by 10 percent, the fair value of these instruments would increase by $0.5 million to a net loss of $0.4 million. Conversely, if the U.S. dollar weakened by 10 percent, the fair value of these instruments would decrease by $0.4 million to a net loss of $1.3 million.

**Commodity Price Risk**

We purchase commodities such as steel, resin, containerboard, pulpwood and energy. We do not currently engage in material hedging of commodities, other than hedges in natural gas, because there has historically been a high correlation between the commodity cost and the ultimate selling price of our products. The fair value of our commodity hedging contracts resulted in a $0.1 million loss recorded in other comprehensive income as of October 31, 2011. A sensitivity analysis to changes in natural gas prices indicates that if natural gas prices decreased by 10 percent, the fair value of these instruments would decrease by $0.3 million to a net loss of $0.4 million. Conversely, if natural gas prices increased by 10 percent, the fair value of these instruments would increase by $0.2 million to a net gain of $0.1 million.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**
**GREIF, INC. AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENTS OF INCOME**

(Dollars in thousands, except per share amounts)

| **For the years ended October 31,** | **2011** | **2010** | **2009** |
|---|---|---|---|
| Net sales | $ 4,247,954 | $ 3,461,537 | $ 2,792,217 |
| Costs of products sold | 3,446,829 | 2,757,875 | 2,292,573 |
| Gross profit | 801,125 | 703,662 | 499,644 |
| Selling, general and administrative expenses | 448,399 | 362,935 | 267,589 |
| Restructuring charges | 30,496 | 26,746 | 66,590 |
| (Gain) on disposal of properties, plants and equipment, net | (14,855) | (11,434) | (34,432) |
| Operating profit | 337,085 | 325,415 | 199,897 |
| Interest expense, net | 79,552 | 65,787 | 53,593 |
| Debt extinguishment charge | | | 782 |
| Other expense, net | 14,120 | 7,139 | 7,193 |
| Income before income tax expense and equity earnings (losses) of unconsolidated affiliates, net | 243,413 | 252,489 | 138,329 |
| Income tax expense | 71,077 | 40,571 | 24,061 |
| Equity earnings (losses) of unconsolidated affiliates, net of tax | 4,838 | 3,539 | (436) |
| Net income | 177,174 | 215,457 | 113,832 |
| Net income attributable to noncontrolling interests | (1,134) | (5,472) | (3,186) |
| Net income attributable to Greif, Inc. | $ 176,040 | $ 209,985 | $ 110,646 |
| **Basic earnings per share:** | | | |
| Class A Common Stock | $ 3.02 | $ 3.60 | $ 1.91 |
| Class B Common Stock | $ 4.52 | $ 5.40 | $ 2.86 |
| **Diluted earnings per share:** | | | |
| Class A Common Stock | $ 3.01 | $ 3.58 | $ 1.91 |
| Class B Common Stock | $ 4.52 | $ 5.40 | $ 2.86 |

*Refer to the accompanying Notes to Consolidated Financial Statements.*

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**GREIF, INC. AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)

| As of October 31, | 2011 | 2010 (As Restated)[1] |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 127,413 | $ 106,957 |
| Trade accounts receivable, less allowance of $13,754 in 2011 and $13,311 in 2010 | 568,624 | 480,158 |
| Inventories | 432,518 | 396,572 |
| Deferred tax assets | 23,654 | 19,526 |
| Net assets held for sale | 11,381 | 11,742 |
| Current portion related party notes receivable | 1,714 | |
| Prepaid expenses and other current assets | 140,033 | 134,269 |
| | 1,305,337 | 1,149,224 |
| **Long-term assets** | | |
| Goodwill | 1,004,875 | 709,725 |
| Other intangible assets, net of amortization | 229,790 | 173,239 |
| Deferred tax assets | 70,630 | 29,982 |
| Related party notes receivable | 18,310 | |
| Assets held by special purpose entities | 50,891 | 50,891 |
| Other long-term assets | 92,160 | 93,603 |
| | 1,466,656 | 1,057,440 |
| **Properties, plants and equipment** | | |
| Timber properties, net of depletion | 216,026 | 215,537 |
| Land | 123,131 | 121,409 |
| Buildings | 480,399 | 411,437 |
| Machinery and equipment | 1,388,941 | 1,319,262 |
| Capital projects in progress | 139,963 | 112,300 |
| | 2,348,460 | 2,179,945 |
| Accumulated depreciation | (913,171) | (888,164) |
| | 1,435,289 | 1,291,781 |
| Total assets | $ 4,207,282 | $ 3,498,445 |

(1) The consolidated balance sheet as of October 31, 2010 and the consolidated statements of changes in shareholders equity as of October 31, 2009 and 2010 have been restated to correct prior period errors. The corrections did not impact total assets, consolidated net income, or cash flows of the Company. Refer to Note 19 for additional discussion.

*Refer to the accompanying Notes to Consolidated Financial Statements.*

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**GREIF, INC. AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)

| **As of October 31,** | **2011** | **2010 (As Restated)[1]** |
|---|---|---|
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable | $ 487,783 | $ 467,857 |
| Accrued payroll and employee benefits | 99,794 | 90,887 |
| Restructuring reserves | 19,607 | 20,238 |
| Current portion of long-term debt | 12,500 | 12,523 |
| Short-term borrowings | 137,334 | 60,908 |
| Deferred tax liabilities | 5,055 | 5,091 |
| Other current liabilities | 167,695 | 123,854 |
| | 929,768 | 781,358 |
| **Long-term liabilities** | | |
| Long-term debt | 1,345,138 | 953,066 |
| Deferred tax liabilities | 196,696 | 180,486 |
| Pension liabilities | 76,088 | 65,915 |
| Postretirement benefit obligations | 20,909 | 21,555 |
| Liabilities held by special purpose entities | 43,250 | 43,250 |
| Other long-term liabilities | 203,260 | 116,930 |
| | 1,885,341 | 1,381,202 |
| **Shareholders equity** | | |
| Common stock, without par value | 113,799 | 106,057 |
| Treasury stock, at cost | (131,997) | (117,394) |
| Retained earnings | 1,401,700 | 1,323,477 |
| Accumulated other comprehensive income (loss): | | |
| - foreign currency translation | (46,354) | 388 |
| - interest rate and other derivatives | (121) | (1,505) |
| - minimum pension liabilities | (101,676) | (76,526) |
| Total Greif, Inc. shareholders equity | 1,235,351 | 1,234,497 |
| Noncontrolling interests | 156,822 | 101,388 |

| | | |
|---|---|---|
| Total shareholders equity | 1,392,173 | 1,335,885 |
| Total liabilities and shareholders equity | $ 4,207,282 | $ 3,498,445 |

(1) The consolidated balance sheet as of October 31, 2010 and the consolidated statements of changes in shareholders equity as of October 31, 2009 and 2010 have been restated to correct prior period errors. The corrections did not impact total assets, consolidated net income, or cash flows of the Company. Refer to Note 19 for additional discussion.

*Refer to the accompanying Notes to Consolidated Financial Statements.*

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**GREIF, INC. AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

| **For the years ended October 31,** | **2011** | **2010** | **2009** |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net income | $ 177,174 | $ 215,457 | $ 113,832 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation, depletion and amortization | 144,191 | 115,974 | 102,627 |
| Asset impairments | 8,983 | 2,917 | 19,516 |
| Deferred income taxes | 12,342 | 4,596 | (13,167) |
| Gain on disposals of properties, plants and equipment, net | (14,855) | (11,434) | (34,432) |
| Equity (earnings) losses of affiliates | (4,838) | (3,539) | 436 |
| Loss on extinguishment of debt | | | 782 |
| Increase (decrease) in cash from changes in certain assets and liabilities: | | | |
| Trade accounts receivable | (22,591) | (54,046) | 73,358 |
| Inventories | 15,405 | (87,832) | 109,146 |
| Prepaid expenses and other current assets | (25,375) | (42,557) | (151) |
| Accounts payable | (33,360) | 4,134 | (72,902) |
| Accrued payroll and employee benefits | 8,194 | 18,868 | (20,511) |
| Restructuring reserves | (631) | 4,923 | 168 |
| Other current liabilities | 18,576 | (38,040) | (50,117) |
| Pension and postretirement benefit liabilities | 9,527 | (15,868) | 63,744 |
| Other long-term assets, other long-term liabilities and other | (120,402) | 64,558 | (25,805) |
| Net cash provided by operating activities | 172,340 | 178,111 | 266,524 |
| **Cash flows from investing activities:** | | | |
| Acquisitions of companies, net of cash acquired | (344,914) | (179,459) | (90,816) |
| Purchases of properties, plants and equipment | (162,409) | (144,137) | (124,671) |
| Purchases of timber properties | (3,462) | (20,996) | (1,000) |
| Proceeds from the sale of properties, plants, equipment and other assets | 31,013 | 17,325 | 50,279 |
| Issuance of notes receivable to related party, net | (20,024) | | |
| Purchases of land rights | (650) | | (4,992) |
| Net cash used in investing activities | (500,446) | (327,267) | (171,200) |
| **Cash flows from financing activities:** | | | |
| Proceeds from issuance of long-term debt | 3,859,401 | 3,731,683 | 3,170,212 |
| Payments on long-term debt | (3,465,834) | (3,637,945) | (2,983,534) |
| Proceeds from (payments of) short-term borrowings, net | 74,308 | 3,878 | (25,749) |
| Proceeds from (payments of) trade accounts receivable credit facility, net | (5,000) | 135,000 | (120,000) |
| Dividends paid | (97,817) | (93,122) | (87,957) |
| Acquisitions of treasury stock and other | (15,062) | (2,696) | (3,145) |
| Exercise of stock options | 2,540 | 2,002 | 2,015 |
| Debt issuance costs paid | (4,394) | (10,902) | (13,588) |
| Settlement of derivatives, net | | 17,985 | (3,574) |
| Net cash provided by (used in) financing activities | 348,142 | 145,883 | (65,320) |
| **Effects of exchange rates on cash** | 420 | (1,666) | 4,265 |
| Net increase (decrease) in cash and cash equivalents | 20,456 | (4,939) | 34,269 |
| Cash and cash equivalents at beginning of year | 106,957 | 111,896 | 77,627 |

| | | | |
|---|---|---|---|
| Cash and cash equivalents at end of year | $ 127,413 | $ 106,957 | $ 111,896 |

*Refer to the accompanying Notes to Consolidated Financial Statements.*

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**GREIF, INC. AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

(Amounts in thousands, except per share amounts)

| | Capital Stock | | Treasury Stock | | | | Accumulated | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Retained Earnings | Non-controlling interests | Other Comprehensive Income (Loss) | Shareholders Equity |
| **As of October 31, 2008 (As Previously Reported)** | 46,644 | $ 86,446 | 30,198 | $ (112,931) | $ 1,183,925 | $ 3,729 | $ (72,820) | $ 1,088,349 |
| Correction of an error | | | | | | | $ (19,547) | $ (19,547) |
| **As of October 31, 2008 (As Restated)[1]** | 46,644 | $ 86,446 | 30,198 | $ (112,931) | $ 1,183,925 | $ 3,729 | $ (92,367) | $ 1,068,802 |
| Net income | | | | | 110,646 | 3,186 | | 113,832 |
| Other comprehensive income (loss): | | | | | | | | |
| - foreign currency translation | | | | | | | 32,868 | 32,868 |
| - interest rate and other derivatives, net of income tax expense of $1,707 | | | | | | | 4,226 | 4,226 |
| - minimum pension liability adjustment, net of income tax benefit of $28,580 | | | | | | | (51,092) | (51,092) |
| Comprehensive income | | | | | | | | 99,834 |
| Change in pension measurement date, net of income tax benefit of $590 | | | | | | | (1,428) | (1,428) |
| Acquisitions of noncontrolling interests and other | | | | | | 82 | | 82 |
| Dividends paid | | | | | (87,957) | | | (87,957) |
| Treasury shares acquired | (100) | | 100 | (3,145) | | | | (3,145) |
| Stock options exercised | 133 | 1,749 | (133) | 266 | | | | 2,015 |
| Tax benefit of stock options | | 575 | | | | | | 575 |
| Long-term incentive shares issued | 260 | 7,734 | (260) | 533 | | | | 8,267 |
| **As of October 31, 2009 (As Restated)[1]** | 46,937 | $ 96,504 | 29,905 | $ (115,277) | $ 1,206,614 | $ 6,997 | $ (107,793) | $ 1,087,045 |
| Net income | | | | | 209,985 | 5,472 | | 215,457 |
| Other comprehensive income (loss): | | | | | | | | |
| - foreign currency translation | | | | | | | 26,760 | 26,760 |
| - interest rate and other derivatives, net of income tax expense of $149 | | | | | | | 370 | 370 |
| - minimum pension liability adjustment, net of income tax benefit of $1,279 | | | | | | | 3,020 | 3,020 |
| Comprehensive income | | | | | | | | 245,607 |
| Acquisitions and noncontrolling interests and other | | | | | | 88,919 | | 88,919 |
| Dividends paid | | | | | (93,122) | | | (93,122) |
| Treasury shares acquired | (50) | | 50 | (2,696) | | | | (2,696) |
| Stock options exercised | 133 | 1,729 | (133) | 273 | | | | 2,002 |
| Tax benefit of stock options | | 17 | | | | | | 17 |
| Long-term incentive shares issued | 149 | 7,807 | (149) | 306 | | | | 8,113 |
| **As of October 31, 2010 (As Restated)[1]** | 47,169 | $ 106,057 | 29,673 | $ (117,394) | $ 1,323,477 | $ 101,388 | $ (77,643) | $ 1,335,885 |
| Net income | | | | | 176,040 | 1,134 | | 177,174 |
| Other comprehensive income (loss): | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - foreign currency translation | | | | | | 14,572 | (46,742) | (32,170) |
| - interest rate and other derivatives, net of income tax benefit of $562 | | | | | | | 1,384 | 1,384 |
| - minimum pension liability adjustment, net of income tax expense of $9,652 | | | | | | | (25,150) | (25,150) |
| Comprehensive income | | | | | | | | 121,238 |
| Acquisitions and noncontrolling interests | | | | | | 39,728 | | 39,728 |
| Dividends paid | | | | | (97,817) | | | (97,817) |
| Treasury shares acquired | (300) | | 300 | (15,062) | | | | (15,062) |
| Stock options exercised | 168 | 2,196 | (168) | 344 | | | | 2,540 |
| Restricted stock directors | 11 | 697 | (11) | 22 | | | | 719 |
| Restricted stock executives | 5 | 308 | (5) | 10 | | | | 318 |
| Tax benefit of stock options and other | | 2,192 | | | | | | 2,192 |
| Long-term incentive shares issued | 40 | 2,349 | (40) | 83 | | | | 2,432 |
| **As of October 31, 2011** | 47,093 | $ 113,799 | 29,749 | $ (131,997) | $ 1,401,700 | $ 156,822 | $ (148,151) | $ 1,392,173 |

(1) The consolidated balance sheet as of October 31, 2010 and the consolidated statements of changes in shareholders equity as of October 31, 2009 and 2010 have been restated to correct prior period errors. The corrections did not impact total assets, consolidated net income, or cash flows of the Company. Refer to Note 19 for additional discussion.

*Refer to the accompanying Notes to Consolidated Financial Statements.*

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GREIF, INC. AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**The Business**

Greif, Inc. and its subsidiaries (collectively, Greif, our, or the Company ) principally manufacture industrial packaging products, complemented with a variety of value-added services, including blending, packaging, reconditioning, logistics and warehousing, flexible intermediate bulk containers and containerboard and corrugated products, that they sell to customers in many industries throughout the world. The Company has operations in over 55 countries. In addition, the Company owns timber properties in the southeastern United States, which are actively harvested and regenerated, and also owns timber properties in Canada.

Due to the variety of its products, the Company has many customers buying different products and, due to the scope of the Company s sales, no one customer is considered principal in the total operations of the Company.

Because the Company supplies a cross section of industries, such as chemicals, food products, petroleum products, pharmaceuticals and metal products, and must make spot deliveries on a day-to-day basis as its products are required by its customers, the Company does not operate on a backlog to any significant extent and maintains only limited levels of finished goods. Many customers place their orders weekly for delivery during the same week.

The Company s raw materials are principally steel, resin, containerboard, old corrugated containers for recycling and pulpwood.

There are approximately 15,660 employees of the Company as of October 31, 2011.

**Principles of Consolidation and Basis of Presentation**

The consolidated financial statements include the accounts of Greif, Inc., all wholly-owned and majority-owned subsidiaries, joint ventures managed by the Company including the joint venture relating to the Flexible Products & Services segment and equity earnings (losses) of unconsolidated affiliates. All intercompany transactions and balances have been eliminated in consolidation. Investments in unconsolidated affiliates are accounted for using the equity method.

The Company s consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States ( GAAP ). Certain prior year and prior quarter amounts have been reclassified to conform to the current year presentation.

The Company s fiscal year begins on November 1 and ends on October 31 of the following year. Any references to the year 2011, 2010 or 2009, or to any quarter of those years, relates to the fiscal year ending in that year.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates, judgments, and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The most significant estimates are related to the allowance for doubtful accounts, inventory reserves, expected useful lives assigned to properties, plants and equipment, goodwill and other intangible assets, restructuring reserves, environmental liabilities, pension and postretirement benefits, income taxes, derivatives, net assets held for sale, self-insurance reserves and contingencies. Actual amounts could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents. The carrying value of cash equivalents approximates fair value.

The Company had total cash and cash equivalents held outside of the United States in various foreign jurisdictions of $115.0 million as of October 31, 2011. Under current tax laws and regulations, if cash and cash equivalents held outside the United States are repatriated to the United States in the form of dividends or otherwise, we may be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes.

**Allowance for Doubtful Accounts**

Trade receivables represent amounts owed to the Company through its operating activities and are presented net of allowance for doubtful accounts. The allowance for doubtful accounts totaled $13.8 million and $13.3 million as of October 31, 2011 and 2010, respectively. The Company evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer s inability to meet its financial obligations to the Company, the Company records a specific allowance for bad debts against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. In addition, the Company recognizes allowances for bad debts based on the length of time receivables are past due with allowance percentages, based on its historical experiences, applied on a graduated scale relative to the age of the receivable amounts. If circumstances such as higher than expected bad debt experience or an unexpected material adverse change in a major customer s ability to meet its financial obligations to the Company were to occur, the recoverability of amounts due to the Company could change by a material amount. Amounts deemed uncollectible are written-off against an established allowance for doubtful accounts.

**Concentration of Credit Risk and Major Customers**

The Company maintains cash depository accounts with major banks throughout the world and invests in high quality short-term liquid instruments. Such investments are made only in instruments issued or enhanced by high quality institutions. These investments mature within three months and the Company has not incurred any related losses.

Trade receivables can be potentially exposed to a concentration of credit risk with customers or in particular industries. Such credit risk is considered by management to be limited due to the Company s many customers, none of which are considered principal in the total operations of the Company, and its geographic scope of operations in a variety of industries throughout the world. The Company does not have an individual customer that exceeds 10 percent of total revenue. In addition, the Company performs ongoing credit evaluations of its customers financial conditions and maintains reserves for credit losses. Such losses historically have been within management s expectations.

**Inventory Reserves**

Reserves for slow moving and obsolete inventories are provided based on historical experience, inventory aging and product demand. The Company continuously evaluates the adequacy of these reserves and makes adjustments to these reserves as required. The Company also evaluates reserves for losses under firm purchase commitments for goods or inventories.

**Net Assets Held for Sale**

Net assets held for sale represent land, buildings and land improvements for locations that have met the criteria of held for sale accounting, as specified by Accounting Standards Codification ( ASC ) 360, Property, Plant, and Equipment. As of October 31, 2011, there were seven locations held for sale in the Rigid Industrial Packaging & Services segment. In 2011, the Company recorded net sales of $0.2 million and net loss before taxes of $14.9 million associated with these properties, primarily related to the Rigid Industrial Packaging & Services segment. For 2010, the Company recorded net sales of $91.2 million and net loss before taxes of $1.3 million associated with these properties, primarily related to the Rigid Industrial Packaging & Services segment. The effect of suspending depreciation on the facilities held for sale is immaterial to the results of operations. The properties classified within net assets held for sale have been listed for sale and it is the Company s intention to complete these sales within the upcoming year.

**Goodwill and Other Intangibles**

Goodwill is the excess of the purchase price of an acquired entity over the amounts assigned to tangible and intangible assets and liabilities assumed in the business combination. The Company accounts for purchased goodwill and indefinite-lived intangible assets in accordance with ASC 350, Intangibles Goodwill and Other. Under ASC 350, purchased goodwill and intangible assets with indefinite lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with finite lives, primarily customer relationships, patents and trademarks, continue to be amortized over their useful lives on a straight-line basis. The Company tests for impairment during the fourth quarter of each fiscal year, or more frequently if certain indicators are present or changes in circumstances suggest that impairment may exist.

ASC 350 requires that testing for goodwill impairment be conducted at the reporting unit level using a two-step approach. The first step requires a comparison of the carrying value of the reporting units to the estimated fair value of these units. If the carrying value of a reporting unit exceeds its estimated fair value, the Company performs the second step of the goodwill impairment to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the estimated implied fair value of a reporting unit s goodwill to its carrying value. The Company allocates the estimated fair value of a reporting unit to all of the assets and liabilities in that reporting unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the estimated fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

The Company s determination of estimated fair value of the reporting units is based on a discounted cash flow analysis utilizing earnings before interest, taxes, depreciation, depletion and amortization ( EBITDA ). The discount rates used for impairment testing are based on the Company s weighted average cost of capital. The use of alternative estimates, peer groups or changes in the industry, or adjusting the discount rate, or EBITDA forecasts used could affect the estimated fair value of the reporting units and potentially result in goodwill impairment. Any identified impairment would result in an expense to the Company s results of operations. The Company performed its annual impairment test in fiscal 2011, 2010 and 2009, which resulted in no impairment charges. Refer to Note 6 for additional information regarding goodwill and other intangible assets.

**Acquisitions**

From time to time, the Company acquires businesses and/or assets that augment and complement its operations, in accordance with ASC 805, Business Combinations. These acquisitions are accounted for under the purchase method of accounting. The consolidated financial statements include the results of operations from these business combinations as of the date of acquisition.

Beginning November 1, 2009, the Company classifies costs incurred in connection with acquisitions as acquisition-related costs. These costs consist primarily of transaction costs, integration costs and changes in the fair value of contingent payments (earn-outs). Acquisition transaction costs are incurred during the initial evaluation of a potential targeted acquisition and primarily relate to costs to analyze, negotiate and consummate the transaction as well as financial and legal due diligence activities. Post acquisition integration activities are costs incurred to combine the operations of an acquired enterprise into the Company s operations.

**Internal Use Software**

Internal use software is accounted for under ASC 985, Software. Internal use software is software that is acquired, internally developed or modified solely to meet the Company s needs and for which, during the software s development or modification, a plan does not exist to market the software externally. Costs incurred to develop the software during the application development stage and for upgrades and enhancements that provide additional functionality are capitalized and then amortized over a three- to ten- year period.

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**Properties, Plants and Equipment**

Properties, plants and equipment are stated at cost. Depreciation on properties, plants and equipment is provided on the straight-line method over the estimated useful lives of the assets as follows:

| | Years |
|---|---|
| Buildings | 30-45 |
| Machinery and equipment | 3-19 |

Depreciation expense was $122.7 million, $98.5 million and $88.6 million, in 2011, 2010 and 2009, respectively. Expenditures for repairs and maintenance are charged to expense as incurred. When properties are retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the asset and related allowance accounts. Gains or losses are credited or charged to income as incurred.

For 2011, the Company recorded a gain of $14.9 million, primarily consisting of $3.2 million gain on the sale of specific Rigid Industrial Packaging & Services segment assets, $0.9 million gain on the sale of a Paper Packaging segment property, $11.4 million in net gains from the sale of surplus and higher and better use ( HBU ) timber properties and other miscellaneous losses of $0.6 million. The Company also recognized an impairment loss on machinery in our Rigid Industrial Packaging and Services segment of $1.3 million as well as several smaller impairment charges of $0.2 million.

The Company capitalizes interest on long-term fixed asset projects using a rate that approximates the weighted average cost of borrowing. As of October 31, 2011 and 2010, the Company had capitalized interest costs of $3.8 million and $5.3 million, respectively.

The Company owns timber properties in the southeastern United States and in Canada. With respect to the Company s United States timber properties, which consisted of approximately 267,750 acres as of October 31, 2011, depletion expense on timber properties is computed on the basis of cost and the estimated recoverable timber. Depletion expense was $2.7 million, $2.6 million and $2.9 million in 2011, 2010 and 2009, respectively. The Company s land costs are maintained by tract. The Company begins recording pre-merchantable timber costs at the time the site is prepared for planting. Costs capitalized during the establishment period include site preparation by aerial spray, costs of seedlings, planting costs, herbaceous weed control, woody release, labor and machinery use, refrigeration rental and trucking for the seedlings. The Company does not capitalize interest costs in the process. Property taxes are expensed as incurred. New road construction costs are capitalized as land improvements and depreciated over 20 years. Road repairs and maintenance costs are expensed as incurred. Costs after establishment of the seedlings, including management costs, pre-commercial thinning costs and fertilization costs, are expensed as incurred. Once the timber becomes merchantable, the cost is transferred from the pre-merchantable timber category to the merchantable timber category in the depletion block.

Merchantable timber costs are maintained by five product classes, pine sawtimber, pine chip-n-saw, pine pulpwood, hardwood sawtimber and hardwood pulpwood, within a depletion block, with each depletion block based upon a geographic district or subdistrict. Currently, the Company has eight depletion blocks. These same depletion blocks are used for pre-merchantable timber costs. Each year, the Company estimates the volume of the Company s merchantable timber for the five product classes by each depletion block. These estimates are based on the current state in the growth cycle and not on quantities to be available in future years. The Company s estimates do not include costs to be incurred in the future. The Company then projects these volumes to the end of the year. Upon acquisition of a new timberland tract, the Company records separate amounts for land, merchantable timber and pre-merchantable timber allocated as a percentage of the values being purchased. These acquisition volumes and costs acquired during the year are added to the totals for each product class within the appropriate depletion block(s). The total of the beginning, one-year growth and acquisition volumes are divided by the total undepleted historical cost to arrive at a depletion rate, which is then used for the current year. As timber is sold, the Company multiplies the volumes sold by the depletion rate for the current year to arrive at the depletion cost.

The Company s Canadian timber properties, which consisted of approximately 14,700 acres as of October 31, 2011, are not actively managed at this time, and therefore, no depletion expense is recorded.

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**Equity Earnings (Losses) of Unconsolidated Affiliates, net of tax and Noncontrolling Interests including Variable Interest Entities**

The Company accounts for equity earnings (losses) of unconsolidated affiliates, net of tax and noncontrolling interests under ASC 810, Consolidation. ASC 810 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. ASC 810 also changes the way the consolidated financial statements are presented, establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation, requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and expands disclosures in the consolidated financial statements that clearly identify and distinguish between the parent s ownership interest and the interest of the noncontrolling owners of a subsidiary. Refer to Note 16 for additional information regarding the Company s unconsolidated affiliates and noncontrolling interests.

ASC 810 also provides a framework for identifying variable interest entities ( VIE s ) and determining when a company should include the assets, liabilities, noncontrolling interests and results of operations of a VIE in its consolidated financial statements. In general, a VIE is a corporation, partnership, limited liability company, trust or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities or (3) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations. ASC 810 requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) is obligated to absorb a majority of the risk of loss from the VIE s activities, is entitled to receive a majority of the VIE s residual returns (if no party absorbs a majority of the VIE s losses), or both. One of the companies acquired in 2011 is considered a VIE. However, because the Company is not the primary beneficiary, the Company will report its ownership interest in this acquired company using the equity method of accounting.

On September 29, 2010, Greif, Inc. and its indirect subsidiary Greif International Holding Supra C.V. ( Greif Supra ), a Netherlands limited partnership, completed a Joint Venture Agreement with Dabbagh Group Holding Company Limited ( Dabbagh ), a Saudi Arabia corporation and National Scientific Company Limited ( NSC ), a Saudi Arabia limited liability company and a subsidiary of Dabbagh, referred to herein as the Flexible Packaging JV. The joint venture owns the operations in the Flexible Products & Services segment, with the exception of the North American multi-wall bag business. Greif Supra and NSC have equal economic interests in the joint venture, notwithstanding the actual ownership interests in the various legal entities. All investments, loans and capital injections are shared 50 percent by Greif and the Dabbagh entities. Greif has deemed this joint venture to be a VIE based on the criteria outlined in ASC 810. Greif exercises management control over this joint venture and is the primary beneficiary due to supply agreements and broader packaging industry customer risks and rewards. Therefore, Greif has fully consolidated the operations of this joint venture as of the formation date of September 29, 2010 and has reported Dabbagh s share in the profits and losses in this joint venture as from this date on the Company s income statement under net income attributable to noncontrolling interests.

The Company has consolidated the assets and liabilities of STA Timber LLC ( STA Timber ) in accordance with ASC 810 which was involved in the transactions described in Note 8. Because STA Timber is a separate and distinct legal entity from Greif, Inc. and its other subsidiaries, the assets of STA Timber are not available to satisfy the liabilities and obligations of these entities and the liabilities of STA Timber are not liabilities or obligations of these entities. The Company has also consolidated the assets and liabilities of the buyer-sponsored purpose entity described in Note 8 (the Buyer SPE ) involved in that transaction as a result of ASC 810. However, because the Buyer SPE is a separate and distinct legal entity from Greif, Inc. and its other subsidiaries, the assets of the Buyer SPE are not available to satisfy the liabilities and obligations of the Company, and the liabilities of the Buyer SPE are not liabilities or obligations of the Company.

**Contingencies**

Various lawsuits, claims and proceedings have been or may be instituted or asserted against the Company, including those pertaining to environmental, product liability, and safety and health matters. While the amounts claimed may be substantial, the ultimate liability cannot currently be determined because of the considerable uncertainties that exist.

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All lawsuits, claims and proceedings are considered by the Company in establishing reserves for contingencies in accordance with ASC 450, Contingencies. In accordance with the provisions of ASC 450, the Company accrues for a litigation-related liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information known to the Company, the Company believes that its reserves for these litigation-related liabilities are reasonable and that the ultimate outcome of any pending matters is not likely to have a material adverse effect on the Company s financial position or results of operations.

**Environmental Cleanup Costs**

The Company accounts for environmental clean up costs in accordance with ASC 450. The Company expenses environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernable. Expenditures that extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. The Company determines its liability on a site-by-site basis and records a liability at the time when it is probable and can be reasonably estimated. The Company s estimated liability is reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs.

**Self-Insurance**

The Company is self-insured for certain of the claims made under its employee medical and dental insurance programs. The Company had recorded liabilities totaling $2.9 million and $2.6 million for estimated costs related to outstanding claims as of October 31, 2011 and 2010, respectively. These costs include an estimate for expected settlements on pending claims, administrative fees and an estimate for claims incurred but not reported. These estimates are based on management s assessment of outstanding claims, historical analyses and current payment trends. The Company recorded an estimate for the claims incurred but not reported using an estimated lag period based upon historical information. This lag period assumption has been consistently applied for the periods presented. If the lag period was hypothetically adjusted by a period equal to a half month, the impact on earnings would be approximately $0.7 million. However, the Company believes the reserves recorded are adequate based upon current facts and circumstances.

The Company has certain deductibles applied to various insurance policies including general liability, product, auto and workers compensation. Deductible liabilities are insured through the Company s captive insurance subsidiary, which had recorded liabilities totaling $15.3 million and $15.6 million for anticipated costs related to general liability, product, auto and workers compensation as of October 31, 2011 and 2010, respectively. These costs include an estimate for expected settlements on pending claims, defense costs and an estimate for claims incurred but not reported. These estimates are based on the Company s assessment of outstanding claims, historical analysis, actuarial information and current payment trends.

**Income Taxes**

Income taxes are accounted for under ASC 740, Income Taxes. In accordance with ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as measured by enacted tax rates that are expected to be in effect in the periods when the deferred tax assets and liabilities are expected to be settled or realized. Valuation allowances are established where expected future taxable income does not support the realization of the deferred tax assets.

The Company s effective tax rate is based on income, statutory tax rates and tax planning opportunities available to the Company in the various jurisdictions in which the Company operates. Significant judgment is required in determining the Company s effective tax rate and in evaluating its tax positions.

Tax benefits from uncertain tax position are recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized

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upon settlement. The Company s effective tax rate includes the impact of reserve provisions and changes to reserves that it considers appropriate as well as related interest and penalties.

A number of years may elapse before a particular matter, for which the Company has established a reserve, is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company believes that its reserves reflect the probable outcome of known tax contingencies. Unfavorable settlement of any particular issue would require use of the Company s cash. Favorable resolution would be recognized as a reduction to the Company s effective tax rate in the period of resolution.

**Restructuring Charges**

The Company accounts for all exit or disposal activities in accordance with ASC 420, Exit or Disposal Cost Obligations. Under ASC 420, a liability is measured at its fair value and recognized as incurred.

Employee-related costs primarily consist of one-time termination benefits provided to employees who have been involuntarily terminated and duplicate payroll costs during transition periods. A one-time benefit arrangement is an arrangement established by a plan of termination that applies for a specified termination event or for a specified future period. A one-time benefit arrangement exists at the date the plan of termination meets all of the following criteria and has been communicated to employees:

(1) Management, having the authority to approve the action, commits to a plan of termination.

(2) The plan identifies the number of employees to be terminated, their job classifications or functions and their locations, and the expected completion date.

(3) The plan establishes the terms of the benefit arrangement, including the benefits that employees will receive upon termination (including but not limited to cash payments), in sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are involuntarily terminated.

(4) Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Facility exit and other costs consist of accelerated depreciation, equipment relocation costs, project consulting fees and costs associated with restructuring the Company s delivery of information technology infrastructure services. A liability for other costs associated with an exit or disposal activity shall be recognized and measured at its fair value in the period in which the liability is incurred (generally, when goods or services associated with the activity are received). The liability shall not be recognized before it is incurred, even if the costs are incremental to other operating costs and will be incurred as a direct result of a plan.

**Pension and Postretirement Benefits**

Under ASC 715, Compensation Retirement Benefits, employers recognize the funded status of their defined benefit pension and other postretirement plans on the consolidated balance sheet and record as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that have not been recognized as components of the net periodic benefit cost.

**Transfer and Service of Assets**

An indirect wholly-owned subsidiary of Greif, Inc. agrees to sell trade receivables meeting certain eligibility requirements that it had purchased from other indirect wholly-owned subsidiaries of Greif, Inc., under a non-U.S. factoring agreement. The structure of the transactions provide for a legal true sale, on a revolving basis, of the receivables transferred from the various Greif, Inc. subsidiaries to the respective banks or their affiliates. The banks and their affiliates fund an initial purchase price of a certain percentage of eligible receivables based on a formula with the initial purchase price

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approximating 75 percent to 90 percent of eligible receivables. The remaining deferred purchase price is settled upon collection of the receivables. At the balance sheet reporting dates, the Company removes from accounts receivable the amount of proceeds received from the initial purchase price since they meet the applicable criteria of ASC 860, Transfers and Servicing, and continues to recognize the deferred purchase price in its accounts receivable. The receivables are sold on a non-recourse basis with the total funds in the servicing collection accounts pledged to the banks between settlement dates.

**Stock-Based Compensation Expense**

The Company recognizes stock-based compensation expense in accordance with ASC 718, Compensation Stock Compensation. ASC 718 requires the measurement and recognition of compensation expense, based on estimated fair values, for all share-based awards made to employees and directors, including stock options, restricted stock, restricted stock units and participation in the Company s employee stock purchase plan.

ASC 718 requires companies to estimate the fair value of share-based awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense in the Company s consolidated statements of income over the requisite service periods. No options were granted in 2011, 2010, or 2009. For any options granted in the future, compensation expense will be based on the grant date fair value estimated in accordance with the standard. During 2011 an officer of the Company received a restricted stock award as part of the terms of his initial employment arrangement. There was no share-based compensation expense recognized under the standard for 2010 or 2009.

The Company uses the straight-line single option method of expensing stock options to recognize compensation expense in its consolidated statements of income for all share-based awards. Because share-based compensation expense is based on awards that are ultimately expected to vest, share-based compensation expense will be reduced to account for estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

**Revenue Recognition**

The Company recognizes revenue when title passes to customers or services have been rendered, with appropriate provision for returns and allowances. Revenue is recognized in accordance with ASC 605, Revenue Recognition.

Timberland disposals, timber and special use property revenues are recognized when closings have occurred, required down payments have been received, title and possession have been transferred to the buyer, and all other criteria for sale and profit recognition have been satisfied.

The Company reports the sale of surplus and HBU property in our consolidated statements of income under gain on disposals of properties, plants and equipment, net and reports the sale of development property under net sales and cost of products sold. All HBU and development property, together with surplus property, is used by the Company to productively grow and sell timber until the property is sold.

**Shipping and Handling Fees and Costs**

The Company includes shipping and handling fees and costs in cost of products sold.

**Other Expense, Net**

Other expense, net primarily represents non-United States trade receivables program fees, currency translation and remeasurement gains and losses and other infrequent non-operating items.

**Currency Translation**

In accordance with ASC 830, Foreign Currency Matters, the assets and liabilities denominated in a foreign currency are translated into United States dollars at the rate of exchange existing at year-end, and revenues and expenses are translated at average exchange rates.

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The cumulative translation adjustments, which represent the effects of translating assets and liabilities of the Company s international operations, are presented in the consolidated statements of changes in shareholders equity in accumulated other comprehensive income (loss). The transaction gains and losses are credited or charged to income. The amounts included in other expense, net related to transaction gains and (losses), net of tax were ($4.7) million, $0.1 million and ($0.1) million in 2011, 2010 and 2009, respectively.

**Derivative Financial Instruments**

In accordance with ASC 815, Derivatives and Hedging, the Company records all derivatives in the consolidated balance sheet as either assets or liabilities measured at fair value. Dependent on the designation of the derivative instrument, changes in fair value are recorded to earnings or shareholders equity through other comprehensive income (loss).

The Company uses interest rate swap agreements for cash flow hedging purposes. For derivative instruments that hedge the exposure of variability in interest rates, designated as cash flow hedges, the effective portion of the net gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Interest rate swap agreements that hedge against variability in interest rates effectively convert a portion of floating rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense. The Company uses the variable cash flow method for assessing the effectiveness of these swaps. The effectiveness of these swaps is reviewed at least every quarter. Hedge ineffectiveness has not been material during any of the years presented herein.

The Company enters into currency forward contracts to hedge certain currency transactions and short-term intercompany loan balances with its international businesses. Such contracts limit the Company s exposure to both favorable and unfavorable currency fluctuations. These contracts are adjusted to reflect market value as of each balance sheet date, with the resulting changes in fair value being recognized in other comprehensive income (loss).

The Company uses derivative instruments to hedge a portion of its natural gas. These derivatives are designated as cash flow hedges. The effective portion of the net gain or loss is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period during which the hedged transaction affects earnings.

Any derivative contract that is either not designated as a hedge, or is so designated but is ineffective, is adjusted to market value and recognized in earnings immediately. If a cash flow or fair value hedge ceases to qualify for hedge accounting, the contract would continue to be carried on the balance sheet at fair value until settled and future adjustments to the contract s fair value would be recognized in earnings immediately. If a forecasted transaction were no longer probable to occur, amounts previously deferred in accumulated other comprehensive income (loss) would be recognized immediately in earnings.

**Fair Value**

The Company uses ASC 820, Fair Value Measurements and Disclosures to account for fair value. ASC 820 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. Additionally, this standard established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair values are as follows:

Level 1 Observable inputs such as unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities. For derivative instruments, the Company uses interest rates, LIBOR curves, commodity rates, and foreign currency futures when assessing fair value.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

**Newly Adopted Accounting Standards**

In June 2009, the Financial Accounting Standards Board ( FASB ) amended ASC 860, Transfers and Servicing. The amendment to ASC 860 requires an enterprise to evaluate whether the transaction is legally isolated from the Company and whether the results of the transaction are consolidated within the consolidated financial statements. The Company adopted the new guidance beginning November 1, 2010, and the adoption of the new guidance did not impact the Company s financial position, results of operations or cash flows, other than the related disclosures.

In June 2009, the FASB amended ASC 810, Consolidation. The amendment to ASC 810 changed the methodology for determining the primary beneficiary of a variable interest entity ( VIE ) from a quantitative risk and rewards based model to a qualitative determination. It also requires enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise s involvement in a VIE. Accordingly, the Company reevaluated its previous ASC 810 conclusions, including (1) whether an entity is a VIE, (2) whether the enterprise is the VIE s primary beneficiary, and (3) what type of financial statement disclosures are required. The Company adopted the new guidance beginning November 1, 2010, and the adoption of the new guidance did not impact the Company s financial position, results of operations or cash flows, other than the related disclosures.

**Recently Issued Accounting Standards**

Effective July 1, 2009, changes to the ASC are communicated through an Accounting Standards Update ( ASU ). As of October 31, 2011, the FASB has issued ASU s 2009-01 through 2011-09. The Company reviewed each ASU and determined that they will not have a material impact on the Company s financial position, results of operations or cash flows, other than related disclosures.

In December 2010, the FASB issued ASU 2010-29 Business Combinations: Disclosure of supplementary pro forma information for business combinations. The amendment to ASC 805 Business Combinations requires a public entity to disclose pro forma information for business combinations that occurred in the current reporting period. The disclosures include pro forma revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period. If comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as through the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period. The Company will adopt the new guidance beginning November 1, 2011, and the adoption of the new guidance will not impact the Company s financial position, results of operations or cash flows, other than the related disclosures.

In June 2011, the FASB issued ASU 2011-05 Comprehensive Income: Presentation of comprehensive income. The amendment to ASC 220 Comprehensive Income requires that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The Company will adopt the new guidance beginning November 1, 2011, and the adoption of the new guidance will not impact the Company s financial position, results of operations or cash flows, other than the related disclosures.

**NOTE 2 ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS**

The following table summarizes the Company s acquisition activity in 2011 and 2010 (Dollars in thousands).

| Segment | # of Acquisitions | Purchase Price, net of Cash | Revenue | Operating Profit | Tangible Assets, net | Intangible Assets | Goodwill |
|---|---|---|---|---|---|---|---|
| Total 2011 Acquisitions | 8 | $ 344,914 | $ 122,470 | $ 6,083 | $ 119,745 | $ 76,083 | $ 287,885 |
| Total 2010 Acquisitions | 12 | $ 176,156 | $ 268,443 | $ 19,042 | $ 109,038 | $ 49,601 | $ 129,500 |

Note: Purchase price, net of cash acquired, does not factor payments for earn-out provisions on prior acquisitions. Revenue and operating profit represent activity only in the year of acquisition. Goodwill in 2010 excludes an immaterial acquisition in our Land Management segment.

During 2011, the Company completed eight acquisitions, all in the Rigid Industrial Packaging and Services segment: four European companies acquired in February, May, July and August; two joint ventures entered into in February and August in North America and Asia Pacific, respectively; the acquisition of the remaining outstanding minority shares from a 2008 acquisition in South America; and the acquisition of additional shares of a company in North America that was a consolidated subsidiary as of October 31, 2011.

The rigid industrial packaging acquisitions are expected to complement the Company s existing product lines that together will provide growth opportunities and economies of scale. The estimated fair value of the net tangible assets acquired was $119.7 million. This does not include any liabilities for deferred purchase payments. Identifiable intangible assets, with a combined fair value of $76.1 million, including trade names, customer relationships and certain non-compete agreements, have been recorded for these acquisitions. The excess of the purchase prices over the estimated fair values of the net tangible and intangible assets acquired of $287.9 million was recorded as goodwill.

During 2011 there were no divestitures.

During 2010, the Company completed twelve acquisitions consisting of seven rigid industrial packaging companies and five flexible products companies and made a contingent purchase price related to a 2007 acquisition. The seven rigid industrial packaging companies consisted of a European company purchased in November 2009, an Asian company purchased in June 2010, a North American drum reconditioning company purchased in July, a North American drum reconditioning company purchased in August 2010, one European company purchased in August 2010, a 51 percent interest in a Middle Eastern company purchased in September 2010 and a South American company purchased in September 2010. The five flexible products companies acquired conduct business throughout Europe, Asia and North America and were acquired in February, June, August and September 2010. The aggregate purchase price in the table above includes approximately $98.2 million received from the Flexible Packaging JV partner relating to their investment in the Flexible Packaging JV and reimbursement of certain costs. The five flexible products companies were contributed to a joint venture on September 29, 2010 which was accounted for in accordance with ASC 810. Greif owns 50 percent of this joint venture but maintains management control. The rigid industrial packaging acquisitions are expected to complement the Company s existing product lines that together will provide growth opportunities and economies of scale. The drum reconditioning, within our rigid industrial packaging acquisitions, and flexible products acquisitions expand the Company s product and service offerings. The estimated fair value of the net tangible assets acquired was $109.0 million. Identifiable intangible assets, with a combined fair value of $49.6 million, including trade-names, customer relationships, and certain non-compete agreements, have been recorded for these acquisitions. The excess of the purchase prices over the estimated fair values of the net tangible and intangible assets acquired of $129.5 million was recorded as goodwill. Certain business combinations that occurred at or near year end have been recorded with provisional estimates for fair value based on management s best estimate.

During 2010, we sold specific Paper Packaging segment assets and facilities in North America. The net gain from these sales was immaterial.

The Company s 2011 and 2010 acquisitions were made to obtain technologies, patents, equipment, customer lists and access to markets. All of the 2011 and 2010 acquisitions were of companies not listed on a stock exchange or not otherwise publicly traded or not required to provide public financial information. Pro-forma results of operations for the years ended October 31, 2011 and October 31, 2010 were not materially different from reported results and, consequently, are not presented.

**NOTE 3 SALE OF NON-UNITED STATES ACCOUNTS RECEIVABLE**

Pursuant to the terms of a Receivable Purchase Agreement (the RPA ) between Greif Coordination Center BVBA, an indirect wholly-owned subsidiary of Greif, Inc., and a major international bank, the seller agreed to sell trade receivables meeting certain eligibility requirements that seller had purchased from other indirect wholly-owned subsidiaries of Greif, Inc., including Greif Belgium BVBA, Greif Germany GmbH, Greif Nederland BV, Greif Packaging Belgium NV, Greif Spain SA, Greif Sweden AB, Greif Packaging Norway AS, Greif Packaging France, SAS, Greif Packaging Spain SA, Greif Portugal Lda and Greif UK Ltd, under discounted receivables purchase agreements and from Greif France SAS under a factoring agreement. This agreement is amended from time to time to add additional Greif entities. In addition, Greif Italia S.P.A., also an indirect wholly-owned subsidiary of Greif, Inc., entered into the Italian Receivables Purchase Agreement with the Italian branch of the major international bank (the Italian RPA ) agreeing to sell trade receivables that meet certain eligibility criteria to the Italian branch of the major international bank. The Italian RPA is similar in structure and terms as the RPA. The maximum amount of receivables that may be financed under the RPA and the Italian RPA is 115 million ($162.7 million) as of October 31, 2011.

In October 2007, Greif Singapore Pte. Ltd., an indirect wholly-owned subsidiary of Greif, Inc., entered into the Singapore Receivable Purchase Agreement (the Singapore RPA ) with a major international bank. The maximum amount of aggregate receivables that may be sold under the Singapore RPA is 15.0 million Singapore Dollars ($12.0 million) as of October 31, 2011.

In October 2008, Greif Embalagens Industrialis Do Brasil Ltda., an indirect wholly-owned subsidiary of Greif, Inc., entered into agreements (the Brazil Agreements ) with Brazilian banks. As of October 31, 2011, there were no more sales of trade receivables under this agreement.

In May 2009, Greif Malaysia Sdn Bhd., an indirect wholly-owned Malaysian subsidiary of Greif, Inc., entered into the Malaysian Receivables Purchase Agreement (the Malaysian Agreement ) with Malaysian banks. The maximum amount of the aggregate receivables that may be sold under the Malaysian Agreement is 15.0 million Malaysian Ringgits ($4.8 million) as of October 31, 2011.

The structure of the transactions provide for a legal true sale, on a revolving basis, of the receivables transferred from the various Greif, Inc. subsidiaries to the respective banks. The bank funds an initial purchase price of a certain percentage of eligible receivables based on a formula with the initial purchase price approximating 75 percent to 90 percent of eligible receivables. The remaining deferred purchase price is settled upon collection of the receivables. At the balance sheet reporting dates, the Company removes from accounts receivable the amount of proceeds received from the initial purchase price since they meet the applicable criteria of ASC 860, Transfers and Servicing , and continues to recognize the deferred purchase price in its accounts receivable. The receivables are sold on a non-recourse basis with the total funds in the servicing collection accounts pledged to the banks between settlement dates.

As of October 31, 2011 and October 31, 2010, 105.4 million ($149.2 million) and 117.6 million ($162.9 million), respectively, of accounts receivable were sold under the RPA and Italian RPA.

As of October 31, 2011 and October 31, 2010, 12.2 million Singapore Dollars ($9.8 million) and 6.7 million Singapore Dollars ($5.4 million), respectively, of accounts receivable were sold under the Singapore RPA.

As of October 31, 2011 there were no accounts receivable sold and, 11.7 million Brazilian Reais ($6.9 million) of accounts receivable were sold under the Brazil Agreements as of October 31, 2010.

As of October 31, 2011 and October 31, 2010, 12.6 million Malaysian Ringgits ($4.1million) and 6.3 million Malaysian Ringgits ($2.0 million), respectively, of accounts receivable were sold under the Malaysian Agreement.

Expenses associated with the RPA and Italian RPA totaled 3.1 million ($4.3 million), 2.9 million ($3.9 million) and 3.7 million ($5.5 million) for the year ended October 31, 2011, 2010 and 2009, respectively.

Expenses associated with the Singapore RPA totaled 0.4 million Singapore Dollars ($0.3 million), 0.4 million Singapore Dollars ($0.3 million) and 0.3 million Singapore Dollars ($0.2 million) for the year ended October 31, 2011, 2010 and 2009, respectively.

Expenses associated with the Brazil Agreements totaled 2.8 million Brazilian Reais ($1.7 million), 4.4 million Brazilian Reais ($2.5 million) and 1.3 million Brazilian Reais ($0.8 million) for the year ended October 31, 2011, 2010 and 2009, respectively.

Expenses associated with the Malaysian Agreement totaled 0.7 million Malaysian Ringgits ($0.2 million), 0.4 million Malaysian Ringgits ($0.1 million) and 0.2 million Malaysian Ringgits ($0.1 million) for the year ended October 31, 2011, 2010 and 2009, respectively.

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Additionally, the Company performs collections and administrative functions on the receivables sold similar to the procedures it uses for collecting all of its receivables, including receivables that are not sold under the RPA, the Italian RPA, the Singapore RPA, the Brazil Agreements, and the Malaysian Agreement. The servicing liability for these receivables is not material to the consolidated financial statements.

**NOTE 4 INVENTORIES**

The inventories are comprised as follows as of October 31 for each year (Dollars in thousands):

| | 2011 | 2010 |
|---|---|---|
| Finished goods | $ 105,461 | $ 92,469 |
| Raw materials and work-in process | 327,057 | 304,103 |
| | $ 432,518 | $ 396,572 |

**NOTE 5 NET ASSETS HELD FOR SALE**

As of October 31, 2011 there were seven locations in the Rigid Industrial Packaging & Services segment with assets held for sale. During 2011, the Company sold seven locations, added four locations and placed six locations back in service for purposes of GAAP and resumed depreciation. As a result of placing six locations back in service in 2011, the 2010 consolidated balance sheet has been reclassified for such locations to conform to the current year presentation. The net assets held for sale are being marketed for sale and it is the Company s intention to complete the facility sales within the upcoming year. In 2011, there were sales in the Rigid Industrial Packaging & Services segment which resulted in a $3.2 million gain, sales in the Paper Packaging segment which resulted in a $0.9 million gain, sales in the Land Management segment of HBU and surplus properties which resulted in a $11.4 million gain and sales of other miscellaneous equipment which resulted in a $0.6 million loss.

**NOTE 6 GOODWILL AND OTHER INTANGIBLE ASSETS**

The Company reviews goodwill and indefinite-lived intangible assets for impairment as required by ASC 350, Intangibles Goodwill and Other , either annually or when events and circumstances indicate an impairment may have occurred. The Company s business segments have been identified as reporting units, which contain goodwill and indefinite-lived intangibles that are assessed for impairment. A reporting unit is the operating segment, or a business one level below that operating segment (the component level) if discrete financial information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics. The Company has concluded that no impairment exists at this time. The following table summarizes the changes in the carrying amount of goodwill by segment for the year ended October 31, 2011 and 2010 (Dollars in thousands):

| | Rigid Industrial Packaging & Services | Flexible Products & Services | Paper Packaging | Land Management | Total |
|---|---|---|---|---|---|
| Balance at October 31, 2009 | $ 530,717 | $ | $ 61,400 | $ | $ 592,117 |
| Goodwill acquired | 51,655 | 75,656 | | 150 | 127,461 |
| Goodwill adjustments | (6,316) | | (747) | | (7,063) |
| Currency translation | (5,395) | 2,605 | | | (2,790) |
| Balance at October 31, 2010 | $ 570,661 | $ 78,261 | $ 60,653 | $ 150 | $ 709,725 |
| Goodwill acquired | 287,885 | | | | 287,885 |
| Goodwill adjustments | 9,807 | (1,779) | (997) | | 7,031 |
| Currency translation | (1,432) | 1,666 | | | 234 |
| Balance at October 31, 2011 | $ 866,921 | $ 78,148 | $ 59,656 | $ 150 | $ 1,004,875 |

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The goodwill acquired during 2011 of $287.9 million consisted of preliminary goodwill related to acquisitions in the Rigid Industrial Packaging & Services segment. Goodwill from prior year acquisitions has been adjusted to properly reflect tax valuation allowances in our Rigid Industrial Packaging & Services.

The goodwill adjustments during 2011 increased goodwill by a net amount of $7.0 million related to the finalization of purchase price allocation of prior year acquisitions. Certain business combinations that occurred at or near year end were recorded with provisional estimates for fair value based on management s best estimate.

The goodwill acquired during 2010 of $127.5 million consisted of preliminary goodwill related to acquisitions in the Rigid Industrial Packaging & Services and Flexible Products & Services segments. Goodwill from prior year acquisitions has been adjusted to properly reflect tax valuation allowances in our Rigid Industrial Packaging & Services.

The details of other intangible assets by class as of October 31, 2011 and October 31, 2010 are as follows (Dollars in thousands):

| | **Gross** | **Accum** | **Net** |
|---|---|---|---|
| 2011 | | | |
| Trademarks and patents | 47,419 | 17,422 | 29,997 |
| Non-compete agreements | 22,743 | 8,953 | 13,790 |
| Customer Relationships | 183,015 | 22,449 | 160,566 |
| Other | 33,132 | 7,695 | 25,437 |
| | 286,309 | 56,519 | 229,790 |

| | **Gross** | **Accum** | **Net** |
|---|---|---|---|
| 2010 | | | |
| Trademarks and patents | 41,040 | 15,346 | 25,694 |
| Non-compete agreements | 20,456 | 7,774 | 12,682 |
| Customer Relationships | 146,568 | 20,528 | 126,040 |
| Other | 14,582 | 5,759 | 8,823 |
| | 222,647 | 49,408 | 173,239 |

Gross intangible assets increased by $63.7 million for the year ended October 31, 2011. The increase in gross intangible assets consisted of $0.3 million in final purchase price allocations related to the 2010 acquisitions in the Flexible Products & Services segment and $63.4 million in purchase price allocations substantially related to 2011 acquisitions in the Rigid Industrial Packaging & Services and other miscellaneous items. As a result of impairment in certain intangible assets in the Flexible Products & Services segment in 2011, the 2010 consolidated balance sheet has been reclassified for such locations to conform to the current year presentation. Amortization expense was $18.6 million, $14.4 million and $11.0 million for 2011, 2010 and 2009, respectively. Amortization expense for the next five years is expected to be $26.3 million in 2012, $24.1 million in 2013, $23.2 million in 2014, $22.1 million in 2015 and $21.4 million in 2016.

All intangible assets for the periods presented are subject to amortization and are being amortized using the straight-line method over periods that range from three to 15 years for trade names, two to ten years for non-competes, one to 23 for customer relationships and four to 20 for other intangibles, except for $17.5 million related to the Tri-Sure trademark and the trade names related to Blagden Express, Closed-loop, Box Board, and Fustiplast, all of which have indefinite lives.

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**NOTE 7 RESTRUCTURING CHARGES**

The following is a reconciliation of the beginning and ending restructuring reserve balances for the years ended October 31, 2011, 2010 and 2009 (Dollars in thousands):

| | Cash Charges | | Non-cash Charges | | |
|---|---|---|---|---|---|
| | Employee Separation Costs | Other costs | Asset Impairments | Inventory Write-down | Total |
| Balance at October 31, 2009 | $ 9,239 | $ 6,076 | $ | $ | $ 15,315 |
| Costs incurred and charged to expense | 13,744 | 10,086 | 2,916 | 131 | 26,877 |
| Costs paid or otherwise settled | (10,315) | (8,592) | (2,916) | (131) | (21,954) |
| Balance at October 31, 2010 | $ 12,668 | $ 7,570 | $ | $ | $ 20,238 |
| Costs incurred and charged to expense | 13,360 | 12,662 | 4,474 | | 30,496 |
| Costs paid or otherwise settled | (14,213) | (12,617) | (4,297) | | (31,127) |
| Balance at October 31, 2011 | $ 11,815 | $ 7,615 | $ 177 | $ | $ 19,607 |

The focus for restructuring activities in 2011 was on integration of recent acquisitions in the Rigid Industrial Packaging & Services and Flexible Products & Services segments as well as the implementation of certain cost-cutting measures. During 2011, the Company recorded restructuring charges of $30.5 million, consisting of $13.3 million in employee separation costs, $4.5 million in asset impairments and $12.7 million in other restructuring costs, primarily consisting of lease termination costs ($3.5 million), professional fees ($1.9 million), relocation costs ($2.2 million) and other costs ($5.1 million). Two plants in the Rigid Industrial Packaging & Services segment were closed. There were a total of 257 employees severed throughout 2011 as part of the Company s restructuring efforts.

The following is a reconciliation of the total amounts expected to be incurred from open restructuring plans which are anticipated to be realized in 2012 or plans that are being formulated and have not been announced as of the date of this From 10-K (Dollars in thousands):

| | Amounts expected to be incurred | Amounts Incurred in 2011 | Amounts remaining to be incurred |
|---|---|---|---|
| Rigid Industrial Packaging & Services: | | | |
| Employee separation costs | $ 11,874 | $ 9,538 | $ 2,336 |
| Asset impairments | 4,395 | 4,395 | |
| Other restructuring costs | 17,868 | 10,121 | 7,747 |
| | 34,137 | 24,054 | 10,083 |
| Flexible Products & Services: | | | |
| Employee separation costs | 4,872 | 4,513 | 359 |
| Asset impairments | 44 | 44 | |
| Other restructuring costs | 2,342 | 2,342 | |
| | 7,258 | 6,899 | 359 |
| Paper Packaging: | | | |
| Employee separation costs | | (685) | |
| Asset impairments | 35 | 35 | |

| | | | |
|---|---|---|---|
| Other restructuring costs | 199 | 199 | |
| | 234 | (451) | |
| Land Management: | | | |
| Employee separation costs | | (6) | |
| | $ 41,629 | $ 30,496 | $ 10,442 |

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The gain recognized within the Paper Packaging segment reflects actual expenditures being less than originally estimated for completed restructuring activities.

The focus for restructuring activities in 2010 was on integration of recent acquisitions in the Rigid Industrial Packaging & Services and Flexible Products & Services segments. During 2010, the Company recorded restructuring charges of $26.7 million, consisting of $13.7 million in employee separation costs, $2.9 million in asset impairments, $2.4 million in professional fees and $7.7 million in other restructuring costs, primarily consisting of facility consolidation and lease termination costs. In addition, the Company recorded $0.1 million in restructuring-related inventory charges in cost of products sold. Seven plants in the Rigid Industrial Packaging & Services segment, one plant in the Flexible Products & Services segment and two plants in the Paper Packaging segment were closed. There were a total of 232 employees severed throughout 2010 as part of the Company s restructuring efforts.

The focus for restructuring activities in 2009 was on business realignment to address the adverse impact resulting from the global economic downturn and further implementation of the Greif Business System and specific contingency actions. During 2009, the Company recorded restructuring charges of $66.6 million, consisting of $28.4 million in employee separation costs, $19.6 million in asset impairments, $0.3 million in professional fees, and $18.3 million in other restructuring costs, primarily consisting of facility consolidation and lease termination costs. In addition, the Company recorded $10.8 million in restructuring-related inventory charges in costs of products sold. Nineteen plants in the Rigid Industrial Packaging & Services segment were closed. There were a total of 1,294 employees severed throughout 2009 as part of the Company s restructuring efforts. Within the Paper Packaging segment, the Company recorded a reversal of severance expense in the amount of $2.1 million related to the actual costs being less as a result of fewer employees being served in connection with the sale of assets and closure of operations.

**NOTE 8 SIGNIFICANT NONSTRATEGIC TIMBERLAND TRANSACTIONS AND CONSOLIDATION OF VARIABLE INTEREST ENTITIES**

The Company evaluates whether an entity is a VIE whenever reconsideration events occur and performs reassessments of all VIE s quarterly to determine if the primary beneficiary status is appropriate. The Company consolidates VIE s for which it is the primary beneficiary. If the Company is not the primary beneficiary and an ownership interest is held, the VIE is accounted for under the equity or cost methods of accounting. When assessing the determination of the primary beneficiary, the Company considers all relevant facts and circumstances, including: the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and the obligation to absorb the expected losses and/or the right to receive the expected returns of the VIE. One of the companies acquired in 2011 is considered a VIE. However, because the Company is not the primary beneficiary, the Company will report its ownership interest in this acquired company using the equity method of accounting.

**Significant Nonstrategic Timberland Transactions**

On March 28, 2005, Soterra LLC (a wholly owned subsidiary) entered into two real estate purchase and sale agreements with Plum Creek Timberlands, L.P. ( Plum Creek ) to sell approximately 56,000 acres of timberland and related assets located primarily in Florida for an aggregate sales price of approximately $90 million, subject to closing adjustments. In connection with the closing of one of these agreements, Soterra LLC sold approximately 35,000 acres of timberland and associated assets in Florida, Georgia and Alabama for $51.0 million, resulting in a pretax gain of $42.1 million, on May 23, 2005. The purchase price was paid in the form of cash and a $50.9 million purchase note payable (the Purchase Note ) by an indirect subsidiary of Plum Creek (the Buyer SPE ). Soterra LLC contributed the Purchase Note to STA Timber LLC ( STA Timber ), one of the Company s indirect wholly owned subsidiaries. The Purchase Note is secured by a Deed of Guarantee issued by Bank of America, N.A., London Branch, in an amount not to exceed $52.3 million (the Deed of Guarantee ), as a guarantee of the due and punctual payment of principal and interest on the Purchase Note.

The Company completed the second phase of these transactions in the first quarter of 2006. In this phase, the Company sold 15,300 acres of timberland holdings in Florida for $29.3 million in cash, resulting in a pre-tax gain of $27.4 million. The final phase of this transaction, approximately 5,700 acres sold for $9.7 million in 2006 which resulted in a pre-tax gain of $9.0 million.

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On May 31, 2005, STA Timber issued in a private placement its 5.20% Senior Secured Notes due August 5, 2020 (the Monetization Notes ) in the principal amount of $43.3 million. In connection with the sale of the Monetization Notes, STA Timber entered into note purchase agreements with the purchasers of the Monetization Notes (the Note Purchase Agreements ) and related documentation. The Monetization Notes are secured by a pledge of the Purchase Note and the Deed of Guarantee. The Monetization Notes may be accelerated in the event of a default in payment or a breach of the other obligations set forth therein or in the Note Purchase Agreements or related documents, subject in certain cases to any applicable cure periods, or upon the occurrence of certain insolvency or bankruptcy related events. The Monetization Notes are subject to a mechanism that may cause them, subject to certain conditions, to be extended to November 5, 2020. The proceeds from the sale of the Monetization Notes were primarily used for the repayment of indebtedness. Greif, Inc. and its other subsidiaries have not extended any form of guaranty of the principal or interest on the Monetization Notes. Accordingly, Greif, Inc. and its other subsidiaries will not become directly or contingently liable for the payment of the Monetization Notes at any time.

The Buyer SPE is deemed to be a VIE since the assets of the Buyer SPE are not available to satisfy the liabilities of the Buyer SPE. The Buyer SPE is a separate and distinct legal entity from the Company, but the Company is the primary beneficiary because it has (1) the power to direct the activities of the VIE that most significantly impact the VIE s economic performance, and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. As a result, Buyer SPE has been consolidated into the operations of the Company.

As of October 31, 2011 and 2010, assets of the Buyer SPE consisted of $50.9 million of restricted bank financial instruments. For the years ended October 31, 2011 and 2010, the Buyer SPE recorded interest income of $2.4 million, respectively.

As of October 31, 2011 and 2010, STA Timber had long-term debt of $43.3 million. For the years ended October 31, 2011 and 2010, STA Timber recorded interest expense of $2.2 million, respectively. STA Timber is exposed to credit-related losses in the event of nonperformance by the issuer of the Deed of Guarantee.

**Flexible Products Joint Venture**

On September 29, 2010, Greif, Inc. and its indirect subsidiary Greif International Holding Supra C.V. ( Greif Supra, ) formed a joint venture (referred to herein as the Flexible Products JV ) with Dabbagh Group Holding Company Limited and its subsidiary National Scientific Company Limited ( NSC ). The Flexible Products JV owns the operations in the Flexible Products & Services segment, with the exception of the North American multi-wall bag business. The Flexible Products JV has been consolidated into the operations of the Company as of its formation date of September 29, 2010.

The Flexible Products JV is deemed to be a VIE since the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support. The Company is the primary beneficiary because it has (1) the power to direct the activities of the VIE that most significantly impact the VIE s economic performance, and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The economic and business purpose underlying the Flexible Products JV is to establish a global industrial flexible products enterprise through a series of targeted acquisitions and major investments in plant, machinery and equipment. All entities contributed to the Flexible Products JV were existing businesses acquired by Greif Supra and that were reorganized under Greif Flexibles Asset Holding B.V. and Greif Flexibles Trading Holding B.V. ( Asset Co. and Trading Co. ), respectively. The Company has 51 percent ownership in Trading Co. and 49 percent ownership in Asset Co. However, Greif Supra and NSC have equal economic interests in the Flexible Products JV, notwithstanding the actual ownership interests in the various legal entities.

All investments, loans and capital contributions are to be shared equally by Greif Supra and NSC and each partner has committed to contribute capital of up to $150 million and obtain third party financing for up to $150 million as required.

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The following table presents the Flexible Products JV total net assets (Dollars in thousands):

| October 31, 2011 | Asset Co. | Trading Co. | Flexible Products JV |
|---|---|---|---|
| Total assets | $ 192,977 | $ 171,261 | $ 364,238 |
| Total liabilities | 78,917 | 57,195 | 136,112 |
| Net assets | $ 114,060 | $ 114,066 | $ 228,126 |

| October 31, 2010 | Asset Co. | Trading Co. | Flexible Products JV |
|---|---|---|---|
| Total assets | $ 187,727 | $ 166,956 | $ 354,683 |
| Total liabilities | 79,243 | 65,033 | 144,276 |
| Net assets | $ 108,484 | $ 101,923 | $ 210,407 |

Net income (loss) attributable to the non controlling interest in the Flexible Products JV for the years ended October 31, 2011 and 2010 was ($5.3) million and ($1.1) million, respectively and was added to net income to arrive at net income attributable to the Company.

**NOTE 9 LONG-TERM DEBT**

Long-term debt is summarized as follows (Dollars in thousands):

| | October 31, 2011 | October 31, 2010 |
|---|---|---|
| Credit Agreement | $ 355,447 | $ 273,700 |
| Senior Notes due 2017 | 302,853 | 303,396 |
| Senior Notes due 2019 | 242,932 | 242,306 |
| Senior Notes due 2021 | 280,206 | |
| Trade accounts receivable credit facility | 130,000 | 135,000 |
| Other long-term debt | 46,200 | 11,187 |
| | 1,357,638 | 965,589 |
| Less current portion | (12,500) | (12,523) |
| Long-term debt | $ 1,345,138 | $ 953,066 |

**Credit Agreement**

On October 29, 2010, the Company obtained a $1.0 billion senior secured credit facility pursuant to an Amended and Restated Credit Agreement with a syndicate of financial institutions (the Credit Agreement ). The Credit Agreement provides for a $750 million revolving multicurrency credit facility and a $250 million term loan, both expiring October 29, 2015, with an option to add $250 million to the facilities with the agreement of the lenders. The $250 million term loan is scheduled to amortize by $3.1 million each quarter-end for the first eight quarters, $6.3 million each quarter-end for the next eleven quarters and the remaining balance due on the maturity date.

The Credit Agreement is available to fund ongoing working capital and capital expenditure needs, for general corporate purposes and to finance acquisitions. Interest is based on a Eurodollar rate or a base rate that resets periodically plus a calculated margin amount. As of October 31, 2011, $355.4 million was outstanding under the Credit Agreement. The current portion of the Credit Agreement was $12.5 million and the long-term portion was $342.9 million. The weighted average interest rate on the Credit Agreement was 2.15% for the year ended October 31, 2011. The actual interest rate on the Credit Agreement was 2.14% as of October 31, 2011.

The Credit Agreement contains financial covenants that require the Company to maintain a certain leverage ratio and a fixed charge coverage ratio. As of October 31, 2011, the Company was in compliance with these covenants.

**Senior Notes due 2017**

On February 9, 2007, the Company issued $300.0 million of 6.75% Senior Notes due February 1, 2017. Interest on these Senior Notes is payable semi-annually. Proceeds from the issuance of these Senior Notes were principally used to fund the purchase of previously outstanding 8.875% Senior Subordinated Notes in a tender offer and for general corporate purposes.

The fair value of these Senior Notes due 2017 was $317.9 million as of October 31, 2011 based upon quoted market prices. The Indenture pursuant to which these Senior Notes were issued contains certain covenants. As of October 31, 2011, the Company was in compliance with these covenants.

**Senior Notes due 2019**

On July 28, 2009, the Company issued $250.0 million of 7.75% Senior Notes due August 1, 2019. Interest on these Senior Notes is payable semi-annually. Proceeds from the issuance of Senior Notes were principally used for general corporate purposes, including the repayment of amounts outstanding under the Company s then existing revolving multicurrency credit facility, without any permanent reduction of the commitments thereunder.

The fair value of these Senior Notes due 2019 was $268.8 million at October 31, 2011 based upon quoted market prices. The Indenture pursuant to which these Senior Notes were issued contains certain covenants. As of October 31, 2011, the Company was in compliance with these covenants.

**Senior Notes due 2021**

On July 15, 2011, Greif, Inc. s wholly-owned indirect Luxembourg subsidiary, Greif Luxembourg Finance S.C.A., issued 200.0 million of 7.375% Senior Notes due July 15, 2021. These Senior Notes are fully and unconditionally guaranteed on a senior basis by Greif, Inc. Interest on these Senior Notes is payable semi-annually. A portion of the proceeds from the issuance of these Senior Notes was used to repay non-U.S. borrowings under the credit agreement, without any permanent reduction of the commitments thereunder, and the remaining proceeds are available for general corporate purposes, including the financing of acquisitions.

The fair value of these Senior Notes due 2021 was $280.2 million as of October 31, 2011, based upon quoted market prices. The Indenture pursuant to which these Senior Notes were issued contains certain covenants. As of October 31, 2011, the Company was in compliance with these covenants.

**United States Trade Accounts Receivable Credit Facility**

On December 8, 2008, the Company entered into a trade accounts receivable credit facility with a financial institution. This facility was amended on September 19, 2011, which decreased the amount available to the borrowers from $135.0 million to $130.0 million and extended the termination date of the commitment to September 19, 2014. The credit facility is secured by certain of the Company s trade accounts receivable in the United States and bears interest at a variable rate based on the applicable base rate or other agreed-upon rate plus a margin amount (1.01% as of October 31, 2011). In addition, the Company can terminate the credit facility at any time upon five days prior written notice. A significant portion of the initial proceeds from this credit facility was used to pay the obligations under the previous trade accounts receivable credit facility, which was terminated. The remaining proceeds were and will be used to pay certain fees, costs and expenses incurred in connection with the credit facility and for working capital and general corporate purposes. As of October 31, 2011, there was $130.0 million outstanding under the credit facility. The agreement for this receivables financing facility contains financial covenants that require the Company to maintain the same leverage ratio and fixed charge coverage ratio as set forth in the Credit Agreement. As of October 31, 2011, the Company was in compliance with these covenants.

Greif Receivables Funding LLC ( GRF ), an indirect subsidiary of the Company, has participated in the purchase and transfer of receivables in connection with these credit facilities and is included in the Company s consolidated financial statements. However, because GRF is a separate and distinct legal entity from the Company and its other subsidiaries, the assets of GRF are not available to satisfy the liabilities and obligations of the Company and its other subsidiaries, and the liabilities of GRF are not the liabilities or obligations of the Company and its other subsidiaries. This entity purchases and services the Company s trade accounts receivable that are subject to this credit facility.

**Other**

In addition to the amounts borrowed under the Credit Agreement and proceeds from these Senior Notes and the United States Trade Accounts Receivable Credit Facility, as of October 31, 2011, the Company had outstanding other debt of $183.5 million, comprised of $46.2 million in long-term debt and $137.3 million in short-term borrowings, compared to other debt outstanding of $72.1 million, comprised of $11.2 million in long-term debt and $60.9 million in short-term borrowings, as of October 31, 2010.

As of October 31, 2011, the current portion of the Company s long-term debt was $12.5 million. Annual maturities, including the current portion, of long-term debt under the Company s various financing arrangements were $12.5 million in 2012, $71.2 million in 2013, $155.0 million in 2014, $292.9 million in 2015, $0.0 million in 2016 and $826.0 million thereafter. Cash paid for interest expense was $67.7 million, $65.3 million and $48.0 million in 2011, 2010 and 2009, respectively.

As of October 31, 2011 and 2010, the Company had deferred financing fees and debt issuance costs of $18.9 million and $21.4 million, respectively, which are included in other long-term assets.

**NOTE 10 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

**Financial Instruments**

The Company uses derivatives from time to time to partially mitigate the effect of exposure to interest rate movements, exposure to currency fluctuations, and energy cost fluctuations. Under ASC 815, Derivatives and Hedging, all derivatives are to be recognized as assets or liabilities on the balance sheet and measured at fair value. Changes in the fair value of derivatives are recognized in either net income or in other comprehensive income, depending on the designated purpose of the derivative.

While the Company may be exposed to credit losses in the event of nonperformance by the counterparties to its derivative financial instrument contracts, its counterparties are established banks and financial institutions with high credit ratings. The Company has no reason to believe that such counterparties will not be able to fully satisfy their obligations under these contracts.

During the next twelve months, the Company expects to reclassify into earnings a net gain from accumulated other comprehensive gain of approximately $0.1 million after tax at the time the underlying hedge transactions are realized.

ASC 820, Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements for financial and non-financial assets and liabilities. Additionally, this guidance established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair values are as follows:

Level 1 Observable inputs such as unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

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**Recurring Fair Value Measurements**

The following table presents the fair values adjustments for those assets and (liabilities) measured on a recurring basis as of October 31, 2011 and 2010 (Dollars in thousands):

| | October 31, 2011 | | | | October 31, 2010 | | | | Balance sheet Location |
|---|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | |
| Interest rate derivatives | $ | $ (339) | $ | $ (339) | $ | $ (2,028) | $ | $ (2,028) | Other long-term liabilities |
| Foreign exchange hedges | | 1,001 | | 1,001 | | 946 | | 946 | Other current assets |
| Foreign exchange hedges | | (1,930) | | (1,930) | | (2,443) | | (2,443) | Other current liabilities |
| Energy hedges | | (126) | | (126) | | (288) | | (288) | Other current liabilities |
| Total* | $ | $ (1,394) | $ | $ (1,394) | $ | $ (3,813) | $ | $ (3,813) | |

* The carrying amounts of cash and cash equivalents, trade accounts receivable, accounts payable, current liabilities and short-term borrowings as of October 31, 2011 and 2010 approximate their fair values because of the short-term nature of these items and are not included in this table.

***Cross-Currency Interest Rate Swaps***

The Company entered into a cross-currency interest rate swap agreement which was designated as a hedge of a net investment in a foreign operation. Under this swap agreement, the Company received interest semi-annually from the counterparties in an amount equal to a fixed rate of 6.75% on $200.0 million and paid interest in an amount equal to a fixed rate of 6.25% on 146.6 million. During 2010, the Company terminated this swap agreement, including any future cash flows. The termination of this swap agreement resulted in a cash benefit of $25.7 million ($15.8 million, net of tax) which is included within foreign currency translation adjustments.

***Interest Rate Derivatives***

The Company has interest rate swap agreements with various maturities through 2013. These interest rate swap agreements are used to manage the Company s fixed and floating rate debt mix. Under these agreements, the Company receives interest monthly from the counterparties based upon a designated London Interbank Offered Rate ( LIBOR ) and pays interest based upon a designated fixed rate over the life of the swap agreements.

The Company has three interest rate derivatives (floating to fixed swap agreements recorded as cash flow hedges) with a total notional amount of $76.6 million. Under these swap agreements, the Company receives interest based upon a variable interest rate from the counterparties (weighted average of 0.27% as of October 31, 2011 and 0.26% as of October 31, 2010) and pays interest based upon a fixed interest rate (weighted average of 1.92% as of October 31, 2011 and 1.78% as of October 31, 2010). The other comprehensive loss on these interest rate derivatives was $0.3 million and $2.0 million as of October 31, 2011 and 2010, respectively.

In the first quarter of 2010, the Company entered into a $100.0 million fixed to floating swap agreement which was recorded as a fair value hedge. Under this swap agreement, the Company received interest from the counterparty based upon a fixed rate of 6.75% and paid interest based upon a variable rate on a semi-annual basis. In the third quarter of 2010, the Company terminated this swap agreement, including any future cash flows. The termination of this swap agreement resulted in a cash benefit of $3.6 million ($2.2 million, net of tax) which is included within long-term debt on the balance sheet.

***Foreign Exchange Hedges***

As of October 31, 2011, the Company had outstanding foreign currency forward contracts in the notional amount of $160.6 million (252.9 million as of October 31, 2010). The purpose of these contracts is to hedge the Company s exposure to foreign currency transactions and short-term intercompany loan balances in its international businesses. The fair value of these contracts as of October 31, 2011 resulted in a loss of $1.6 million recorded in the consolidated statements of operations and a gain of $0.7 million recorded in other comprehensive income. The fair value of similar contracts as of October 31, 2010 resulted in a gain of $0.8 million recorded in the consolidated statements of operations and a loss of $2.3 million recorded in other comprehensive income.

***Energy Hedges***

The Company has entered into certain cash flow agreements to mitigate its exposure to cost fluctuations in natural gas prices through October 31, 2011. Under these hedge agreements, the Company agrees to purchase natural gas at a fixed price. As of October 31, 2011, the notional amount of these hedges was $2.7 million ($2.4 million as of October 31, 2010). The other comprehensive loss on these agreements was $0.1 million as of October 31, 2011 and $0.3 million as of October 31, 2010. As a result of the high correlation between the hedged instruments and the underlying transactions, ineffectiveness has not had a material impact on the Company s consolidated statements of operations for the year ended October 31, 2011.

***Other Financial Instruments***

The estimated fair values of the Company s long-term senior notes were $866.8 million and $601.6 million compared to the carrying amounts of $825.9 million and $545.7 million as of October 31, 2011 and October 31, 2010, respectively. All of the Company s long-term debt is considered level 2. The current portion of the long-term debt was $12.5 million as of October 31, 2011 and 2010. The fair value of the Company s Credit Agreement and the United States Trade Accounts Receivable Credit Facility does not materially differ from carrying value as the Company s cost of borrowing is variable and approximates current borrowing rates. The fair values of the Company s long-term obligations are estimated based on either the quoted market prices for the same or similar issues or the current interest rates offered for debt of the same remaining maturities.

**Non-Recurring Fair Value Measurements**

***Long-Lived Assets***

As part of the Company s restructuring plans following current and future acquisitions, the Company may shut down manufacturing facilities during the next few years. The long-lived assets are considered level three assets which were valued based on bids received from third parties and using discounted cash flow analysis based on assumptions that the Company believes market participants would use. Key inputs included anticipated revenues, associated manufacturing costs, capital expenditures and discount, growth and tax rates. The Company recorded restructuring related expenses for the year ended October 31, 2011 of $4.5 million on long lived assets with net book values of $5.4 million.

***Net Assets Held for Sale***

Net assets held for sale are considered level two assets which include recent purchase offers, market comparables and/or data obtained from commercial real estate brokers. As of October 31, 2011, the Company recognized an impairment of $1.3 million related to net assets held for sale in our Rigid Industrial Packaging & Service Segment.

***Goodwill and Long Lived Intangible Assets***

On an annual basis or when events or circumstances indicate impairment may have occurred, the Company performs impairment tests for goodwill and intangibles as defined under ASC 350, Intangibles-Goodwill and Other. In the third quarter of 2011, the Company recognized an impairment charge of $3.0 million related to the discontinued usage of certain trade names in our Flexible Products & Services segment. The Company concluded that no further impairment existed as of October 31, 2011.

***Pension Plan Assets***

On an annual basis we compare the asset holdings of our pension plan to targets established by the Company. The pension plan assets are categorized as either equity securities, debt securities, or other assets, which are all considered level 1 and level 2 fair value measurements. The typical asset holdings include:

Mutual funds: Valued at the Net Asset Value NAV available daily in an observable market.

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Common collective trusts: Unit value calculated based on the observable NAV of the underlying investment.

Pooled separate accounts: Unit value calculated based on the observable NAV of the underlying investment.

The common collective trusts invest in an array of fixed income, debt and equity securities with various growth and preservation strategies. The trusts invest in long term bonds and large small capital stock.

Government and corporate debt securities: Valued based on readily available inputs such as yield or price of bonds of comparable quality, coupon, maturity and type.

**NOTE 11 STOCK-BASED COMPENSATION**

Stock-based compensation is accounted for in accordance with ASC 718, Compensation Stock Compensation, which requires companies to estimate the fair value of share-based awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense in the Company s consolidated statements of operations over the requisite service periods. The Company uses the straight-line single option method of expensing stock options to recognize compensation expense in its consolidated statements of operations for all share-based awards. Because share-based compensation expense is based on awards that are ultimately expected to vest, share-based compensation expense will be reduced to account for estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. No stock options were granted in 2011, 2010 or 2009. For any options granted in the future, compensation expense will be based on the grant date fair value estimated in accordance with the provisions of ASC 718.

In 2001, the Company adopted the 2001 Management Equity Incentive and Compensation Plan (the 2001 Plan ). The provisions of the 2001 Plan allow the awarding of incentive and nonqualified stock options and restricted and performance shares of Class A Common Stock to key employees. The maximum number of shares that may be issued each year is determined by a formula that takes into consideration the total number of shares outstanding and is also subject to certain limits. In addition, the maximum number of incentive stock options that will be issued under the 2001 Plan during its term is 5,000,000 shares.

Prior to 2001, the Company had adopted a Non-statutory Stock Option Plan (the 2000 Plan ) that provides the discretionary granting of non-statutory options to key employees, and an Incentive Stock Option Plan (the Option Plan ) that provides the discretionary granting of incentive stock options to key employees and non-statutory options for non-employees. The aggregate number of the Company s Class A Common Stock options that may be granted under the 2000 Plan and Option Plan may not exceed 400,000 shares and 2,000,000 shares, respectively.

Under the terms of the 2001 Plan, the 2000 Plan and the Option Plan, stock options may be granted at exercise prices equal to the market value of the common stock on the date options are granted and become fully vested two years after date of grant. Options expire 10 years after date of grant.

In 2005, the Company adopted the 2005 Outside Directors Equity Award Plan (the 2005 Directors Plan ), which provides for the granting of stock options, restricted stock or stock appreciation rights to directors who are not employees of the Company. Prior to 2005, the Directors Stock Option Plan (the Directors Plan ) provided for the granting of stock options to directors who are not employees of the Company. The aggregate number of the Company s Class A Common Stock options, and in the case of the 2005 Directors Plan, restricted stock, that may be granted may not exceed 200,000 shares under each of these plans. Under the terms of both plans, options are granted at exercise prices equal to the market value of the common stock on the date options are granted and become exercisable immediately. Options expire 10 years after date of grant.

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Stock option activity for the years ended October 31 was as follows (Shares in thousands):

| | Shares | 2011 Weighted Average Exercise price | Shares | 2010 Weighted Average Exercise price | Shares | 2009 Weighted Average Exercise price |
|---|---|---|---|---|---|---|
| Beginning balance | 510 | $ 16.14 | 643 | $ 15.91 | 785 | $ 16.01 |
| Granted | | | | | | |
| Forfeited | 1 | 12.72 | | | 1 | 13.10 |
| Exercised | 167 | 15.17 | 133 | 15.06 | 141 | 16.50 |
| Ending balance | 342 | $ 16.61 | 510 | $ 16.14 | 643 | $ 15.91 |

As of October 31, 2011, outstanding stock options had exercise prices and contractual lives as follows (Shares in thousands):

| Range of Exercise Prices | Number Outstanding | Weighted-Average Remaining Contractual Life |
|---|---|---|
| $5 $15 | 228 | 1.3 |
| $15 $25 | 102 | 2.9 |
| $25 $35 | 12 | 3.3 |

All outstanding options were exercisable as of October 31, 2011, 2010 and 2009, respectively.

During 2011, the Company awarded an officer, as part of the terms of his initial employment arrangement, 30,000 shares of Class A Common Stock under the 2001 Plan. These shares were issued subject to restrictions on transfer and risk of forfeiture. The sale or transfer of these shares is restricted until January 1, 2016. In June 2011, 7,500 of such shares vested with an expense of $0.5 million. The remaining shares vest in equal installments of 7,500 shares each on January 1, 2012, 2013 and 2014, respectively. When shares vest, they are no longer subject to any risk of forfeiture. The Company s results of operations did not include share based compensation expense for stock options for 2011, 2010, or 2009 respectively.

Under the Company s Long-Term Incentive Plan and the 2005 Directors Plan, the Company granted 40,215 and 11,144 shares of restricted stock with a weighted average grant date fair value of $60.46 and $64.59, respectively, in 2011. The Company granted 134,721 and 14,480 shares of restricted stock with a weighted average grant date fair value of $54.88 and $49.70, under the Company s Long-Term Incentive Plan and the 2005 Directors Plan, respectively, in 2010. All restricted stock awards under the Long Term Investment Plan are fully vested at the date of award.

**NOTE 12 INCOME TAXES**

The Company files income tax returns in the U.S. federal jurisdiction, various U.S. state and local jurisdictions, and various non-U.S. jurisdictions.

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The provision for income taxes consists of the following (Dollars in thousands):

| For the years ended October 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Current | | | |
| Federal | $ 25,894 | $ 15,222 | $ 24,005 |
| State and local | 4,435 | 5,892 | 1,268 |
| non-U.S. | 28,406 | 14,861 | 11,955 |
| | 58,735 | 35,975 | 37,228 |
| Deferred | | | |
| Federal | 10,587 | (372) | (8,762) |
| State and local | 4,908 | 653 | 2,062 |
| non-U.S. | (3,153) | 4,315 | (6,467) |
| | 12,342 | 4,596 | (13,167) |
| | $ 71,077 | $ 40,571 | $ 24,061 |

Non-U.S. income before income tax expense was $134.1 million, $159.7 million and $63.3 million in 2011, 2010, and 2009, respectively.

The following is a reconciliation of the provision for income taxes based on the federal statutory rate to the Company s effective income tax rate:

| For the years ended October 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| United States federal tax rate | 35.00% | 35.00% | 35.00% |
| Non-U.S. tax rates | (8.80)% | (15.30)% | (9.00)% |
| State and local taxes, net of federal tax benefit | 1.80% | 1.30% | 1.90% |
| United States tax credits | (0.70)% | (3.90)% | (4.40)% |
| Unrecognized tax benefits | 13.60% | (1.50)% | (2.30)% |
| Valuation allowance | (14.60)% | 0.70% | (4.80)% |
| Withholding tax | 1.10% | 1.30% | 1.50% |