CLEAN HARBORS INC
Form 10-K
February 25, 2016

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

FORM 10-K

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from to .

COMMISSION FILE NO. 001-34223

CLEAN HARBORS, INC.
(Exact name of registrant as specified in its charter)

Massachusetts (State or other jurisdiction of incorporation or organization)	04-2997780 (IRS Employer Identification No.)
42 Longwater Drive, Norwell, MA (Address of principal executive offices)	02061-9149 (Zip Code)

Registrant's telephone number: (781) 792-5000

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class:	Name of each exchange on which registered:
Common Stock, $.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934:
None

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

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 o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve 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 ý No o

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 ý No o

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 definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

Large accelerated filer ý Accelerated filer o Non-accelerated filer o Smaller reporting company o

(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 Act). Yes o No ý

On June 30, 2015 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting and non-voting common stock of the registrant held by non-affiliates of the registrant was approximately $2.9 billion, based on the closing price of such common stock as of that date on the New York Stock Exchange. Reference is made to Part III of this report for the assumptions on which this calculation is based.

On February 19, 2016, there were outstanding 57,604,283 shares of Common Stock, $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement for its 2016 annual meeting of stockholders (which will be filed with the Commission not later than April 30, 2016) are incorporated by reference into Part III of this report.

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CLEAN HARBORS, INC.
ANNUAL REPORT ON FORM 10-K
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Disclosure Regarding Forward-Looking Statements

In addition to historical information, this annual report contains forward-looking statements, which are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans to," "estimates," "projects," or similar expressions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in this report under Item 1A, "Risk Factors," and Item 7, "Management's Discussion and Analysis on Financial Condition and Results of Operations." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should also carefully review the risk factors described in other documents which we file from time to time with the Securities and Exchange Commission (the "SEC"), including the quarterly reports on Form 10-Q to be filed by us during 2016.

PART I

ITEM 1. BUSINESS

General

Clean Harbors, Inc. and its subsidiaries (collectively, "we," "Clean Harbors" or the "Company") is a leading provider of environmental, energy and industrial services throughout North America.

Our operations are managed in six reportable segments: Technical Services, Industrial and Field Services which consists of the Industrial Services and Field Services operating segments, Kleen Performance Products, SK Environmental Services, Lodging Services and Oil and Gas Field Services.

- Technical Services — provides a broad range of hazardous material management services including the packaging, collection, transportation, treatment and disposal of hazardous and non-hazardous waste at our incineration, landfill, wastewater and other treatment facilities.
- Industrial and Field Services — provides industrial and specialty services such as high-pressure and chemical cleaning, catalyst handling, decoking and material processing to refineries, chemical plants, oil sands facilities, pulp and paper mills, and other industrial facilities. Also provides a wide variety of environmental cleanup services on customer sites or other locations on a scheduled or emergency response basis including tank cleaning, decontamination, remediation, and spill cleanup.
- Kleen Performance Products (formerly Oil Re-refining and Recycling) — processes used oil into high quality base and blended lubricating oils which are then sold to third party customers, and provides recycling of oil in excess of our current re-refining capacity into recycled fuel oil which is then sold to third parties. Processing into base and blended lubricating oils takes place in our three owned and operated re-refineries and recycling of oil into recycled fuel oil takes place in one of our used oil terminals.
- SK Environmental Services — consists of Safety-Kleen's branches and provides a broad range of environmental services such as parts cleaning, containerized waste services, used oil collection, and other complementary products and services, including vacuum services, allied products and other environmental services.
- Lodging Services — provides lodges and remote workforce accommodation facilities throughout Western Canada. These include both client and open lodges, operator camps, and drill camps. Also included within the segment are manufacturing of modular units and wastewater processing plants, operating services and parts.
- Oil and Gas Field Services — provides fluid handling, fluid hauling, production servicing, surface rentals, seismic services, and directional boring services to the energy sector serving oil and gas exploration and production, and power generation.

Clean Harbors, Inc. was incorporated in Massachusetts in 1980 and our principal office is located in Norwell, Massachusetts. We maintain a website at the following Internet address: http://www.cleanharbors.com. Through a link on this website to the SEC website, http://www.sec.gov, we provide free access to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after electronic filing with the SEC. Our guidelines on corporate governance, the charters for our board committees, and our code of ethics for members of the board of directors, our chief executive officer and our other senior officers are also available on our website, and we will post on our

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website any waivers of, or amendments to, such code of ethics. Our website and the information contained therein or connected thereto are not incorporated by reference into this annual report.

Health and Safety

Health and Safety is our #1 priority—companywide. Employees at all levels of our Company share this philosophy and are committed to ensuring our safety goals are met. Our commitment to health and safety benefits everyone—our employees, our customers, the community, and the environment. In 2015 we continued with our very successful Safety Starts With Me: Live It 3-6-5 program which is a key component in our overall safety program and along with our many other programs has continued to lower our Total Recordable Incident Rate, or "TRIR;" Days Away, Restricted Activity and Transfer Rate, or "DART;" and Experience Modification Rate, or "EMR." For the year ended December 31, 2015, our Company wide TRIR, DART and EMR were 1.33, 0.83 and 0.54, respectively. For the year ended December 31, 2014, our Company wide TRIR, DART and EMR were 1.57, 1.01 and 0.54, respectively.

In order to protect our employees, continue to lower our incident rates, and satisfy our customers' demands to retain the best service providers with the lowest TRIR, DART and EMR rates, we are fully committed to continuously improving our health and safety performance. All employees recognize the importance of protecting themselves, their fellow employees, their customers, and all those around them from harm. This commitment is supported by the philosophies and Golden Rules of Safety that is the cornerstone of the Safety Starts with Me: Live It 3-6-5 program. Live It 3-6-5 is our dedication to the safety of our workers through each and every employee’s commitment to our three Safety philosophies, our six Golden Rules of Safety and each employee’s five personal reasons why they choose to be safe both at work, on the road and at home.

Compliance

We regard compliance with applicable environmental regulations as a critical component of our overall operations. We strive to maintain the highest professional standards in our compliance activities. Our internal operating requirements are in many instances more stringent than those imposed by regulation. Our compliance program has been developed for each of our waste management facilities and service centers under the direction of our compliance staff. The compliance staff is responsible for facilities permitting and regulatory compliance, compliance training, transportation compliance, and related record keeping. To ensure the effectiveness of our regulatory compliance program, our compliance staff monitors daily operational activities. We also have an Environmental Health and Safety Compliance Internal Audit Program designed to identify any weaknesses or opportunities for improvement in our ongoing compliance programs. We also perform periodic audits and inspections of the disposal facilities owned by other companies which we utilize.

Our facilities are frequently inspected and audited by regulatory agencies, as well as by customers. Although our facilities have been cited on occasion for regulatory violations, we believe that each of our facilities is currently in substantial compliance with applicable permit requirements.

Strategy

Our strategy is to develop and maintain ongoing relationships with a diversified group of customers that have recurring needs for environmental, energy or industrial services. We strive to be recognized as the premier supplier of a broad range of value-added services based upon quality, responsiveness, customer service, information technologies, breadth of service offerings and cost effectiveness.

The principal elements of our business strategy are to:

- Expand Service Offerings and Geographic Coverage—We believe our Technical, Industrial and Field Services, and SK Environmental segments have a competitive advantage, particularly in areas where we maintain service locations at or near a treatment, storage and disposal facility, or "TSDF." By opening additional service locations in close proximity to our TSDFs, we believe that we can, with minimal capital expenditures, increase our market share within the Industrial and Field Services segment. We believe this will drive additional waste to our existing facilities, thereby increasing utilization and enhancing overall profitability.
- Cross-Sell Across Segments—We believe the breadth of our service offerings allows us to provide additional services to existing customers. In particular, we believe we can provide industrial and field services to customers that traditionally have only used our technical services and technical services to customers that use our industrial services or oil and gas field services. At the same time, we see a variety of cross-selling opportunities between our Technical,

Industrial and Field Services offerings and SK Environmental Services' 200,000 customers. Evidencing this strategy, we have been successfully cross selling the services of Safety-Kleen, Inc. ("Safety-Kleen"), since our acquisition of Safety-Kleen in December 2012, such as parts washers, Allied products and recycling services, to legacy Clean

Harbors customers. We believe leveraging our ability to cross-sell across all of our segments will drive additional revenue for our Company.

- Capture Large-Scale Projects—We provide turnkey offsite transportation and landfill or incineration disposal services for soil and other contaminated media generated from remediation activities. We also assist remediation contractors and project managers with support services including groundwater disposal, investigation derived waste disposal, rolloff container management, and many other related services. We believe this will drive incremental waste volume to our existing facilities, thereby increasing utilization and enhancing overall profitability.
- Expand Throughput Capacity of Existing Waste Facilities—We operate an extensive network of hazardous waste management facilities and have made substantial investments in these facilities, which provide us with significant operating leverage as volumes increase. In addition, there are opportunities to expand waste handling capacity at these facilities by modifying the terms of the existing permits and by adding equipment and new technology. Through selected permit modifications, we can expand the range of treatment services offered to our customers without the large capital investment necessary to acquire or build new waste management facilities.
- Pursue Selective Acquisitions—We actively pursue accretive acquisitions in certain services or market sectors where we believe the acquisitions can enhance and expand our business, such as the oil collection and refinery markets. We believe that we can expand existing services, especially in our non-disposal services, through strategic acquisitions in order to generate incremental revenues from existing and new customers and to obtain greater market share.
- Execute Strategic Mergers and Divestitures—To complement our acquisition strategy and our focus on internal growth, we regularly review and evaluate our existing operations to determine whether our business model should change through the merger or divestiture of certain businesses. Accordingly, from time to time, we may merge or divest certain non-core businesses and reallocate our resources to businesses that better align with our long-term strategic direction.
- Focus on Cost, Pricing and Productivity Initiatives—We continually seek to increase efficiency and to reduce costs in our business through enhanced technology, process efficiencies and stringent expense management. For instance, in 2014, we successfully executed a significant cost reduction program that included headcount reductions, branch consolidations, reduction in third-party rentals, greater internalization of maintenance costs, procurement and supply chain improvements and lowering reliance on outside transportation.

Acquisitions and Other Business Transactions

Acquisitions are an element of our business strategy that involves expansion through the acquisition of businesses that complement our existing company and create multiple opportunities for profitable growth.

On February 3, 2016, we purchased a re-refinery facility located in Nevada from Vertex Energy, Inc. for a purchase price of $35.0 million in cash, subject to customary post-closing adjustments. The acquired re-refinery facility further expands our re-refinery network within our Kleen Performance Products segment.

On April 11, 2015, we acquired Thermo Fluids Inc. (“TFI”) for approximately $78.6 million inclusive of current estimates of and subject to certain closing and post-closing adjustments relating to working capital and other assumed liabilities. TFI provides environmental services, including used oil recycling, used oil filter recycling, antifreeze products, parts washers and solvent recycling, and industrial waste management services, including vacuum services, remediation, lab pack and hazardous waste management. The acquisition expands our environmental services customer base while also complimenting the SK Environmental Services network and presence in the western United States.

In December 2015, we acquired certain assets and assumed certain defined liabilities of a privately owned company for approximately $14.7 million in cash. That Company specialized in the collection and recycling of used oil filters and was a service provider to the SK Environmental Services segment prior to the acquisition. The acquired company has been integrated into the SK Environmental Services segment.

In 2014, we acquired the assets of two privately owned companies for approximately $16.1 million in cash, net of cash acquired. The purchase price is subject to customary post-closing adjustments based upon finalized working capital amounts. The acquired companies have been integrated into the Technical Services and Lodging Services segments.

On September 13, 2013, we acquired all of the outstanding shares of Evergreen Oil, Inc. (“Evergreen”) for approximately $56.3 million in cash, net of cash acquired. Evergreen, headquartered in Irvine, California, specializes in the recovery and re-refining of used oil. Evergreen owns and operates an oil re-refining operation in the western United States and also offers other ancillary environmental services, including parts cleaning and containerized waste services, vacuum services and hazardous waste management services. The acquisition of Evergreen enables us to further penetrate the small quantity waste generator market and further expand its oil re-refining, oil recycling and waste treatment capabilities. Financial information and results of Evergreen have been recorded in our consolidated financial statements since acquisition and are primarily included in the Kleen Performance Products segment.

For additional information relating to our acquisition activities during fiscal years 2015, 2014 and 2013, see Note 3, "Business Combinations," to our consolidated financial statements included in Item 8 of this report.

Other business transactions may consist of mergers or divestitures and is another element of our business strategy that involves review of our portfolio of assets to determine the extent to which they are contributing to our objectives and growth strategy.

We have announced a planned carve-out of our Oil and Gas Field Services and Lodging Services segments into a standalone public company. Ultimate completion of the planned transaction is subject to certain conditions including, but not limited to, market conditions, determination of the most advantageous structure from a financial and tax standpoint, overall costs to our Company, receipt of regulatory approvals, compliance with our debt covenants, the effectiveness of securities laws filings and final approval by our board of directors. There can be no assurance regarding the ultimate structure and timing of the proposed transaction or whether the transaction will be completed.

Protecting the Environment and Corporate Sustainability

Our core business is to provide industry, government and the public a wide range of environmental, energy and industrial services that protect and restore North America's natural environment.

As North America's premier provider of environmental as well as energy and industrial services, our first goal is to help our customers prevent the release of hazardous wastes into the environment. We also are the leading service provider in the recovery and decontamination of pollutants that have been released to the environment. This includes the safe destruction or disposal of hazardous materials in a manner that ensures these materials are no longer a danger to the environment. When providing these services, we are committed to the recycling, reuse and reclamation of these wastes whenever possible using a variety of methods more fully explained below in the sections describing our general operations. Our Safety-Kleen branded services exemplify our commitment to sustainability and providing environmental solutions to the marketplace. Where possible, liquids such as solvents, chemicals and used oil are recycled to our high-quality standards and made into useful products. Tolling programs provide a closed-loop cycle in which the customer’s spent solvents are recycled to their precise specifications and returned directly to them.

We have become the leading North American provider of services to protect the ozone layer from the destructive effects of chlorofluorocarbons, or "CFCs," which are ozone layer depleting substances and global warming compounds that have global warming potentials up to 10,000 times more powerful than carbon dioxide.

Global-warming potential is a relative measure of how much heat a green house gas traps in the atmosphere.

Since 2013, California Air Resources Board has issued over 7,000,000 emission reduction credits that were generated by destroying CFC’s at Clean Harbors’ El Dorado Arkansas incinerator. Over 7,000,000 metric tons of carbon dioxide emissions were avoided by destroying these greenhouse gases. That is equivalent to removing over 1,473,684 passenger vehicles from the road for one year .

One of our most highly visible public programs for various governmental and community entities involves the removal of thousands of tons of hazardous wastes, from households throughout the United States and Canada, that might otherwise be improperly disposed of or become dangerous to the communities where they are stored.

As we provide these wide-ranging services throughout North America, we are committed to ensuring that our own operations are environmentally responsible. Our sustainability efforts are guided by a formal policy, strategy and plan and we continue to build on our past efforts, such as implementing numerous energy efficiency improvements and various transportation initiatives. Our 1.5 Mw solar array at a closed and capped landfill in New Jersey continues to provide virtually all of the power for the ongoing operation of the onsite ground water decontamination pump and treatment system.

Competitive Strengths

- Leading Provider of Environmental, Energy and Industrial Services—We are one of the largest providers of environmental, energy and industrial services and the largest operator of non-nuclear hazardous waste treatment facilities in North America. We provide multi-faceted and low cost services to a broad mix of customers. We attract and better serve our customers because of our capabilities and the size, scale and geographic location of our assets, which allow us to serve multiple locations. Based on latest industry data, we service approximately 65% of North America's commercial hazardous incineration volume and 24% of North America's hazardous landfill volume.

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- Largest collector and recycler of used motor oil— As the largest re-refiner and recycler of used oil in the world, we returned approximately 160 million gallons of new re-refined oil, lubricants and byproducts back into the marketplace. In 2015, our re-refining process eliminated over one million metric tons of greenhouse gas ("GHG"), which is the equivalent of growing more than 32 million trees for 10 years in an urban environment, or taking over 200,000 passenger cars off the road for one year.
- Large and Diversified Customer Base—Our customers range from Fortune 500 companies to midsize and small public and private entities that span multiple industries and business types, including governmental entities. This diversification limits our credit exposure to any one customer and potential cyclicality to any one industry. As a percentage of our 2015 revenues, the top ten industries we serviced totaled approximately 71% and included government (13%), chemical (12%), refineries and oil sands (11%), general manufacturing (9%), automotive (6%), base oil, blenders and packagers (6%), utilities (4%), oil gas production (4%), oil gas exploration (3%) and energy and consulting (3%).
- Stable and Recurring Revenue Base—We have long-standing relationships with our customers. Our diversified customer base also provides stable and recurring revenues as a majority of our revenues are derived from previously served customers with recurring needs for our services. In addition, switching costs for many of our customers are high. This is due to many customers' desire to audit disposal facilities prior to their qualification as approved sites and to limit the number of facilities to which their hazardous wastes are shipped in order to reduce their potential liability under United States and Canadian environmental regulations. We have been selected as an approved vendor by large and small generators of waste because we possess comprehensive collection, recycling, treatment, transportation, disposal, and waste tracking capabilities and have the expertise necessary to comply with applicable environmental laws and regulations. Those customers that have selected us as an approved vendor typically continue to use our services on a recurring basis.
- Comprehensive Service Capabilities—Our comprehensive service offerings allow us to act as a full-service provider to our customers. Our full-service orientation creates incremental revenue growth as customers seek to minimize the number of outside vendors and demand "one-stop shop" service providers.
- Integrated Network of Assets—We believe we operate, in the aggregate, the largest number of hazardous waste incinerators, landfills, treatment facilities and TSDFs in North America. Our broad service network enables us to effectively handle a waste stream from origin through disposal and to efficiently direct and internalize our waste streams to reduce costs. As our processing of wastes increases, our size allows us to increase our profit margins as we can internalize a greater volume of waste in our incinerators, landfills and other disposal facilities.
- Regulatory Compliance—We continue to make capital investments in our facilities to ensure that they are in compliance with current federal, state, provincial and local regulations. Companies that rely on in-house disposal may find the current regulatory requirements to be too capital intensive or complicated, and may choose to outsource many of their hazardous waste disposal needs.
- Effective Cost Management—Our significant scale allows us to maintain low costs through standardized compliance procedures, significant purchasing power, research and development capabilities and our ability to efficiently utilize logistics and transportation to economically direct waste streams to the most efficient facility. We also have the ability to transport and process with internal resources the substantial majority of all hazardous waste that we manage for our customers.
- Proven and Experienced Management Team—Our executive management team provides depth and continuity. Our 13 executive officers collectively have approximately 252 years of experience in the environmental, energy and industrial services industries. Our chief executive officer founded our Company in 1980, and the average experience of the 12 other members of the executive management team is approximately 18 years.

Operations

General

Seasonality and Cyclical Nature of Business. Our operations may be affected by seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' spending for remedial activities. Typically during the first quarter of each year there is less demand for environmental services due to the cold weather, particularly in the Northern and Midwestern United States and Canada. Accordingly, reduced volumes of waste are received at our facilities and higher operating costs are associated with operating in sub-freezing weather and high levels of snowfall. In addition, factory closings for the year-end holidays reduce the volume of industrial waste generated, which results in lower volumes of waste handled by us during the first quarter of the following year. In addition, our oil collection and recycling business may be affected by seasonal fluctuations due to weather cycles influencing the timing of customers' need for products and services. Typically during the first

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quarter of each year there is less demand for our products and services due to the lower levels of activities by our customers as a result of the cold weather, particularly in the Northern and Midwestern regions of the United States and in Canada. This lower level of activity also results in lower volumes of used oil generated for collection by us in the first quarter.

Conversely, typically during the first quarter of each year there is more demand for our Industrial and Field Services and Oil and Gas Field Services segments due to the cold weather, particularly in Alberta, Canada, and less demand during the warmer months. The main reason for this is that the areas we service in Alberta are easier to access when the cold conditions make the terrain more suitable for companies to deploy their equipment. During the warmer months, thawing and muddy conditions may impede deployment of equipment.

Geographical Information. For the year ended December 31, 2015, we generated $2,576.2 million or 78.7% of our revenues in the United States and Puerto Rico, $695.0 million or 21.2% of revenues in Canada, and less than 1% of revenues in other international locations. For the year ended December 31, 2014, we generated $2,414.6 million or 71.0% of our revenues in the United States and Puerto Rico, $982.1 million or 28.9% of revenues in Canada, and less than 1% of revenues in other international locations. For additional information about the geographical areas from which our revenues are derived and in which our assets are located, see Note 17, "Segment Reporting," to our consolidated financial statements included in Item 8 of this report.

Technical Services

These services involve the collection, transportation, treatment and disposal of hazardous and non-hazardous wastes, and include resource recovery, physical treatment, fuels blending, incineration, landfill disposal, wastewater treatment, lab chemical disposal, explosives management, and CleanPack® services. Our CleanPack services include the collection, identification and categorization, specialized packaging, transportation and disposal of laboratory chemicals and household hazardous wastes. Our technical services are provided through a network of service centers from which a fleet of trucks are dispatched to pick up customers' wastes either on a predetermined schedule or on-demand, and to deliver the wastes to permitted facilities, which are usually Company-owned. Our service centers also can dispatch chemists to a customer location for the collection of chemical and laboratory waste for disposal.

Collection, Transportation and Logistics Management. As an integral part of our services, we collect industrial wastes from customers and transport such wastes to and between our facilities for treatment or bulking for shipment to final disposal locations. Customers typically accumulate wastes in containers, such as 55-gallon drums, bulk storage tanks or 20-cubic-yard roll-off containers. In providing this service, we utilize a variety of specially designed and constructed tank trucks and semi-trailers as well as third-party transporters, including railroads.

Treatment and Disposal. We recycle, treat and dispose of hazardous and non-hazardous industrial wastes. The wastes handled include substances which are classified as "hazardous" because of their corrosive, ignitable, infectious, reactive or toxic properties, and other substances subject to federal, state and provincial environmental regulation. We provide final treatment and disposal services designed to manage wastes which cannot be otherwise economically recycled or reused. The wastes we handle come in solid, sludge, liquid and gas form.

We operate a network of TSDFs that collect, temporarily store and/or consolidate compatible waste streams for more efficient transportation to final recycling, treatment or disposal destinations. These facilities hold special permits, such as Part B permits under the Resource Conservation and Recovery Act, or "RCRA," in the United States, which allow them to process waste through various technologies including recycling, incineration, and landfill and wastewater treatment.

Resource Recovery and Fuels Blending. We operate recycling systems for the reclamation and reuse of certain wastes, particularly solvent-based wastes generated by industrial cleaning operations, metal finishing and other manufacturing processes. Resource recovery involves the treatment of wastes using various methods, which effectively remove contaminants from the original material to restore its fitness for its intended purpose and to reduce the volume of waste requiring disposal.

We also operate a recycling facility that recycles refinery waste and spent catalyst. The recycled oil and recycled catalyst are sold to third parties.

Incineration. Incineration is the preferred method for the treatment of organic hazardous waste, because it effectively destroys the contaminants at high temperatures. High temperature incineration effectively eliminates organic wastes such as herbicides, halogenated solvents, pesticides, and pharmaceutical and refinery wastes, regardless of whether they are gases, liquids, sludge or solids. Federal and state incineration regulations require a destruction and removal efficiency of 99.99% for most organic wastes and 99.9999% for polychlorinated biphenyls, or "PCB," and dioxins. As of December 31, 2015, we had eight active incinerators operating in five incineration facilities that offer a wide range of technological capabilities to customers through this network. In the United States, we operate a fluidized bed thermal

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oxidation unit for maximum destruction efficiency of hazardous waste with an estimated annual capacity of 58,808 tons and three solids and liquids capable incineration facilities with a combined estimated annual capacity of 327,387 tons. We also operate one hazardous waste liquid injection incinerator in Canada with total annual capacity of 105,526 tons. Construction remains on schedule at our state-of-the-art hazardous waste incinerator at our El Dorado, Arkansas site. We expect this facility, the largest internal investment in Clean Harbors' history, to become commercially operational by year's end and to add approximately 70,000 tons of additional capacity.

Our incineration facilities in Kimball, Nebraska, Deer Park, Texas, El Dorado, Arkansas and Aragonite, Utah, are designed to process liquid organic wastes, sludge, solids, soil and debris. Our Deer Park facility has two kilns and a rotary reactor. Our El Dorado incineration facility specializes in the treatment of bulk and containerized hazardous liquids, solids and sludge through two rotary kilns. Our incineration facilities in Kimball and Deer Park have on-site landfills for the disposal of ash produced as a result of the incineration process.

Our incineration facilities in Lambton, Ontario are liquid injection incinerators, designed primarily for the destruction of liquid organic wastes. Typical waste streams include wastewater with low levels of organics and other higher concentration organic liquid wastes not amenable to conventional physical or chemical waste treatment.

Landfills. Landfills are primarily used for the disposal of inorganic wastes. In the United States and Canada, we operate nine commercial landfills. Seven of our commercial landfills are designed and permitted for the disposal of hazardous wastes and two of our landfills are operated for non-hazardous industrial waste disposal and, to a lesser extent, municipal solid waste. In addition to our commercial landfills, we also own and operate two non-commercial landfills that only accept waste from our on-site incinerators.

Of our seven commercial landfills used for disposal of hazardous waste, five are located in the United States and two are located in Canada. As of December 31, 2015, the useful economic lives of these landfills include approximately 24.9 million cubic yards of remaining capacity. This estimate of the useful economic lives of these landfills includes permitted airspace and unpermitted airspace that our management believes to be probable of being permitted based on our analysis of various factors. In addition to the capacity included in the useful economic lives of these landfills, there are approximately 31.9 million cubic yards of additional unpermitted airspace capacity included in the footprints of these landfills that may ultimately be permitted, although there can be no assurance that this unpermitted additional capacity will be permitted. In addition to the hazardous waste landfills, we operate two non-hazardous industrial landfills with 4.4 million cubic yards of remaining permitted capacity. These two facilities are located in the United States and have been issued operating permits under the authority of Subtitle D of RCRA. Our non-hazardous landfill facilities are permitted to accept commercial industrial waste, including wastes from foundries, demolition and construction, machine shops, automobile manufacturing, printing, metal fabrications and recycling.

Wastewater Treatment. We operate seven wastewater treatment facilities that offer a range of wastewater treatment technologies. These wastewater treatment operations involve processing hazardous and non-hazardous wastes through the use of physical and chemical treatment methods. These facilities treat a broad range of industrial liquid and semi-liquid wastes containing heavy metals, organics and suspended solids.

Industrial and Field Services

Industrial services include a wide range of industrial maintenance services and specialty industrial services provided at refineries, mines, upgraders, chemical plants, pulp and paper mills, manufacturing, and power generation facilities. We provide these services throughout North America, including a presence in the oil sands region in Alberta, Canada. Our crews handle as-needed in-plant services to support ongoing in-plant cleaning and maintenance services, including liquid/dry vacuum, hydro-blasting, steam cleaning and chemical hauling. We provide a variety of specialized industrial services including plant outage and turnaround services, decoking and pigging, catalyst handling, chemical cleaning, high and ultra-high pressure water cleaning, and large tank and surface impoundment cleaning.

Field services provide customers with highly skilled experts who utilize specialty equipment and resources to perform services at any chosen location. Our field service crews and equipment are dispatched on a planned or emergency basis, and perform services such as confined space entry for tank cleaning, site decontamination, large remediation projects, demolition, spill cleanup, railcar cleaning, product recovery and transfer, scarifying and media blasting and vacuum services. Additional services include used oil and oil products recycling. Other services include filtration and

water treatment services.
We are a leader in providing response services for environmental emergencies of any scale from man-made disasters, such as oil spills, and natural disasters such as hurricanes.

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Kleen Performance Products

The used oil collected by the SK Environmental Services branch network is processed or re-refined to convert into a variety of products, mostly base lubricating oils, and much smaller quantities of asphalt-like material, glycols and fuels. As the largest re-refiner of used oil in the world, we process the used oil collected through our four re-refineries located in East Chicago, Indiana, Newark, California and Breslau, Ontario. Our recent acquisition on February 3, 2016 further expands our re-refinery network, with an additional facility located in Nevada. Our primary goal is to produce and sell high-quality blended oils, which are created by combining our re-refined base and other base oils with performance additives in accordance with our proprietary formulations and American Petroleum Institute licenses.

Our Performance Plus brand, and our "green" proprietary brand, EcoPower, are sold to on and off-road corporate fleets, government entities, automotive service shops and industrial plants, which are serviced through our internal distribution network, as well as an extensive U.S. and Canada-wide independent distributor network. We also sell unbranded blended oils to distributors that resell them under their private label brands. The base oil we do not blend and sell ourselves is sold to independent blenders/packagers that use it to blend their own branded or private label oils.

With more than 200 million gallons of used oil processed annually, we were able to return in 2015 approximately 160 million gallons of new re-refined oil, lubricants and byproducts back into the marketplace.

SK Environmental Services

Our Safety-Kleen service brand offers an array of environmental services and complementary products to a diverse range of customers including automobile repair shops, car and truck dealers, metal fabricators, machine manufacturers, fleet maintenance shops and other automotive, industrial and retail customers.

As the largest provider of parts cleaning services in North America, our Safety-Kleen operation offers a complete line of specially designed parts washers to customer locations and then delivers recurring service that includes machine cleaning and maintenance and the disposal and replacement of clean solvent or aqueous fluids. We performed more than 950,000 parts washer services in 2015. We also sell allied products including degreasers, glass and floor cleaners, hand cleaners, absorbents, antifreeze, windshield washer fluid, mats and spill kits.

Utilizing our collection network, we provide the pickup and transportation of hazardous and non-hazardous containerized waste for recycling or disposal, primarily through the Clean Harbors network of recycling and waste treatment and disposal facilities. Some of the collected waste consists of used oil which serves as feedstock for our oil re-refineries, although a portion of the used oil brought to the re-refineries is either not suitable for re-refining or cannot be re-refined because we do not have sufficient re-refining capacity at a specific point in time. That oil is processed into recycled fuel oil, or "RFO." The RFO is then sold to various customers, such as asphalt plants, industrial plants, pulp and paper companies, and vacuum gas oil and marine diesel oil producers.

Our vacuum services provide the removal of solids, residual oily water and sludge and other fluids from customers' oil/water separators, sumps and collection tanks. We also remove and collect waste fluids found at large and small industrial locations, including metal fabricators, auto maintenance providers, and general manufacturers.

We provide total project management services in areas such as chemical packing, on-site waste management, remediation, compliance training and emergency spill response, while leveraging the Clean Harbors network of Technical, Industrial and Field Services centers and capabilities.

Lodging Services

Lodging Services consists of four lines of businesses; Lodge Operations, Mobile Camp Operations, Hospitality Operations, and Manufacturing. Synergy is created amongst all the lines of businesses within Lodging Services itself, as well with other Clean Harbors divisions by providing turnkey remote accommodations and manufacturing support.

Lodge Operations operates fixed lodges, ranging in size from 300 to 600 beds throughout Western Canada, primarily the Fort McMurray area. These include both client and open lodges, with amenities that include superior catering and housekeeping services, fully equipped common areas, fitness rooms and computer rooms, wireless internet and public phones, powered parking stalls, laundry facilities, and daily towel service.

Mobile Camp Operations include remote workforce accommodation facilities throughout Western Canada, currently in British Columbia, Saskatchewan and Alberta, with multiple accommodation types. These include both client and open camps, operator camps, and drill camps. Hospitality services are provided internally to the majority of the Lodges and Camps being operated, and include food services prepared by Red Seal Chefs, hospitality services, camp and lodge managers, and housekeeping. Furthermore, Hospitality services are available as a standalone service to clients who have other accommodation arrangements.

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Manufacturing is provided through BCT Structures Inc. and Sanitherm Inc. BCT is a premier custom manufacturer of modular buildings specializing in providing workforce housing, office complexes, schools, lavatories, multi story buildings, affordable housing, kitchen facilities and other customized modular solutions for various industries. Sanitherm manufactures and operates water and wastewater treatment equipment and processes.

Oil and Gas Field Services

These services support exploration, drilling and production programs for oil and gas companies.

Seismic and Right-of-Way: On the exploration side, we provide integrated seismic and right-of-way services for efficient resource discovery and site preparation. These services include: (i) seismic surveying that minimizes costs, environmental impact, and time in field; (ii) mulching/line clearing that expedites additional geophysical activities and minimizes environmental impact; (iii) shot-hole drilling that provides safe and efficient operations in every terrain, including hostile and inaccessible regions; and (iv) borehole directional services that improve the efficient installation of pipeline, fiberoptic, cable, gas, water and sewer lines.

Surface Rentals: These services support oil and gas companies' drilling and well completion programs. Key to our services is our ability to provide solids control to support the drilling process. Our technologies help manage liquids, solids and semi-solid material during the drilling operation, and include centrifuges, tanks, and drilling fluid recovery. We also can provide container rentals for the safe collection of drill cuttings and other wastes, as well as manage disposal for drilling fluids and solids. We also supply surface rental equipment to support drill sites by providing wellsite trailers, wastewater treatment systems and holding tanks, light towers, and generators and handling tools.

Oilfield Transport and Production: These services support oil and gas companies drilling, completions and production programs. On the drilling and completions side, we provide vehicles and services for fluid hauling and disposal for ad hoc and turnkey operations. We also provide services and equipment for drilling site cleanups and support. On the production side, we provide complete turnarounds and tank cleaning services. Our downhole well equipment helps maintain and increase well productivity. Our other services include special chemical hauling, hydro-excavation, pressure/hydro testing equipment that tests pipelines and facilities, wellheads before operations startups, and rental production equipment for oil and gas well production.

Competition

The hazardous waste management industry in which we compete is highly competitive. The sources of competition vary by locality and by type of service rendered, with competition coming from national and regional waste services companies and hundreds of privately-owned firms. Veolia Environmental Services, or "Veolia," Waste Management, Inc., or "WM," and U.S. Ecology are the principal national firms with which we compete. Each of these competitors is able to provide one or more of the environmental services offered by us.

Under federal and state environmental laws in the United States, generators of hazardous wastes remain liable for improper disposal of such wastes. Although generators may hire various companies that have the proper permits and licenses, because of the generators' potential liability, they are very interested in the reputation and financial strength of the companies they use for the management of their hazardous wastes. We believe that our technical proficiency and reputation are important considerations to our customers in selecting and continuing to utilize our services.

We believe that the depth of our recycling, treatment and disposal capabilities and our ability to collect and transport waste products efficiently, quality of service, safety, and pricing are the most significant factors in the market for treatment and disposal services.

For our Technical Services segment, competitors include several major national and regional environmental services firms, as well as numerous smaller local firms. We believe the availability of skilled technical professional personnel, quality of performance, diversity of services and price are the key competitive factors in this service industry.

For our Industrial and Field Services segment, competitors vary by locality and by type of service rendered, with competition coming from national and regional service providers and hundreds of privately-owned firms that offer energy or industrial services. CEDA International Corporation and Newalta in Canada, and Philip Services Corporation, Hydrochem and Veolia in the United States, are the principal national firms with which we compete. Each of these competitors is able to provide one or more of the industrial and field services offered by us. We believe the availability of specialized equipment, skilled technical professional personnel, quality of performance, diversity of services and price are the key competitive factors in this industry.

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For our Kleen Performance Products and SK Environmental Services segments, competitors vary by locality and by type of service rendered, with competition coming from Heritage Crystal Clean, and Veolia, along with several regional and local firms.

For our Lodging Services segment, competitors vary by locality and type of services provided. Our primary competitors in our lodging and remote camps business are Civeo, Black Diamond, Horizon North Logistics, Noralta, Royal Camps and William Scotsman, and in our manufacturing business, Atco Structures, Britco Manufacturing, Civeo, Horizon North Logistics and William Scotsman.

For our Oil and Gas Field Services segment, competitors vary by locality and type of service provided, with competition coming from national, regional and local service providers. Some of these competitors are able to provide one or more of the oil and gas services offered by us. Others only provide a limited range of equipment or services tailored for local markets. Competition is based on a number of factors, including safety, quality, performance, reliability, service, price, response time, and, in some cases, breadth of service offering.

The principal methods of competition for all of our services are price, quality, reliability of service rendered and technical proficiency. We believe that we offer a more comprehensive range of environmental, energy and industrial services than our competitors in major portions of our service territory.

Employees

As of December 31, 2015, we employed approximately 12,900 active full-time employees, of which 600 in the United States and 600 in Canada were represented by labor unions. We believe that our relationship with our employees is satisfactory. As part of our commitment to employee safety and quality customer service, we have an extensive compliance program and a trained environmental, health and safety staff. We adhere to a risk management program designed to reduce potential liabilities to us and to our customers.

Intellectual Property

We have invested significantly in the development of proprietary technology and also to establish and maintain an extensive knowledge of leading technologies and incorporate these technologies into the services we offer and provide to our customers. As of December 31, 2015, we held a total of 52 U.S. and 22 foreign issued or granted patents (which will expire between 2016 and 2031), 4 U.S. and 11 foreign pending patent applications, 70 U.S. and 52 foreign trademark registrations, and 13 U.S. and 11 foreign trademark applications. We also license software and other intellectual property from various third parties. We enter into confidentiality agreements with certain of our employees, consultants and corporate partners, and control access to software documentation and other proprietary information. We believe that we hold adequate rights to all intellectual property used in our business and that we do not infringe upon any intellectual property rights held by other parties.

Management of Risks

We adhere to a program of risk management policies and practices designed to reduce potential liability, as well as to manage customers' ongoing environmental exposures. This program includes installation of risk management systems at our facilities, such as fire suppression, employee training, environmental, auditing and policy decisions restricting the types of wastes handled. We evaluate all revenue opportunities and decline those that we believe involve unacceptable risks.

We dispose of wastes at our incineration, wastewater treatment and landfill facilities, or at facilities owned and operated by other firms that we have audited and approved. We apply established technologies to the treatment, storage and recovery of hazardous wastes. We believe our operations are conducted in a safe and prudent manner and in substantial compliance with applicable laws and regulations.

Insurance and Financial Assurance

Our insurance programs cover the potential risks associated with our multifaceted operations from two primary exposures: direct physical damage and third party liability. We maintain a casualty insurance program providing coverage for vehicles, employer's liability and commercial general liability in the aggregate amount of $105.0 million, $102.0 million and $104.0 million, respectively, per year, subject to retentions of $2.0 million per occurrence for auto and commercial general liability and $1.0 million for employers' liability in the United States and $2.0 million in Canada. We also have workers' compensation insurance whose limits are established by state statutes.

We have pollution liability insurance policies covering potential risks in three areas: as a contractor performing services at customer sites, as a transporter of waste and as a processor of waste at our facilities. The contractor's pollution liability insurance has limits of $20.0 million per occurrence and $25.0 million in the aggregate, covering offsite remedial activities and associated liabilities.

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For sudden and accidental in-transit pollution liability, our auto liability policy provides the primary $5.0 million per occurrence of transportation pollution insurance. Our pollution liability policies provide an additional $60.0 million per occurrence and $85.0 million in the aggregate for a total of $65.0 million per occurrence and $90.0 million, respectively. A $2.0 million deductible per occurrence applies to this coverage in the United States and Canada.

Federal and state regulations require liability insurance coverage for all facilities that treat, store or dispose of hazardous waste. RCRA, the Toxic Substances Control Act, and comparable state hazardous waste regulations typically require hazardous waste handling facilities to maintain pollution liability insurance in the amount of $1.0 million per occurrence and $2.0 million in the aggregate for sudden occurrences, and $3.0 million per occurrence and $6.0 million in the aggregate for non-sudden occurrences. Our liability insurance coverage meets or exceeds all federal and state regulations.

Our international operations are insured under locally placed insurance policies that are compulsory to place in a specific country. In addition, we have a global foreign liability policy that will provide excess and difference in condition coverage in international countries.

Under our insurance programs, coverage is obtained for catastrophic exposures as well as those risks required to be insured by law or contract. It is our policy to retain a significant portion of certain expected losses related primarily to employee benefit, workers' compensation, commercial general and vehicle liability. Provisions for losses expected under these programs are recorded based upon our estimates of the actuarial calculation of the aggregate liability for claims. We believe that policy cancellation terms are similar to those of companies in other industries.

Operators of hazardous waste handling facilities are also required by federal, state and provincial regulations to provide financial assurance for closure and post-closure care of those facilities should the facilities cease operation. Closure would include the cost of removing the waste stored at a facility which ceased operating and sending the material to another facility for disposal and the cost of performing certain procedures for decontamination of the facility. As of December 31, 2015, our total estimated closure and post-closure costs requiring financial assurance by regulators were $429.5 million for our U.S. facilities and $38.9 million for our Canadian facilities. We have obtained all of the required financial assurance for our facilities through a combination of surety bonds, funded trusts, letters of credit and insurance from a qualified insurance company. The financial assurance related to closure and post-closure obligations of our U.S. facilities will renew in 2016. Our Canadian facilities utilize surety bonds, which renew at various dates throughout 2016, as well as letters of credit. In connection with obtaining such insurance and surety bonds, we have provided our insurance companies $81.8 million of letters of credit which we obtained from our lenders under our revolving credit agreement.

Environmental Regulation

While our business has benefited substantially from increased governmental regulation of hazardous waste transportation, storage and disposal, the environmental services industry itself is the subject of extensive and evolving regulation by federal, state, provincial and local authorities. We are required to obtain federal, state, provincial and local permits or approvals for each of our hazardous waste facilities. Such permits are difficult to obtain and, in many instances, extensive studies, tests, and public hearings are required before the approvals can be issued. We have acquired all operating permits and approvals now required for the current operation of our business, and have applied for, or are in the process of applying for, all permits and approvals needed in connection with continued operation and planned expansion or modifications of our operations.

We make a continuing effort to anticipate regulatory, political and legal developments that might affect operations, but are not always able to do so. We cannot predict the extent to which any environmental legislation or regulation that may be enacted or enforced in the future may affect our operations.

United States Hazardous Waste Regulation

Federal Regulations. The most significant federal environmental laws affecting us are the Resource Conservation and Recovery Act, or "RCRA," the Comprehensive Environmental Response, Compensation and Liability Act, or "CERCLA," also known as the "Superfund Act," the Clean Air Act, the Clean Water Act, and the Toxic Substances Control Act, or "TSCA."

RCRA. RCRA is the principal federal statute governing hazardous waste generation, treatment, transportation, storage and disposal. Pursuant to RCRA, the EPA has established a comprehensive "cradle-to-grave" system for the management of a wide range of materials identified as hazardous waste. States that have adopted hazardous waste management programs with standards at least as stringent as those promulgated by the EPA have been delegated authority by the EPA to administer their facility permitting programs in lieu of the EPA's program.

Every facility that treats, stores or disposes of hazardous waste must obtain a RCRA permit from the EPA or an authorized state agency unless a specific exemption exists, and must comply with certain operating requirements (the Part B permitting process). RCRA also requires that Part B permits contain provisions for required on-site study and cleanup activities,

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known as "corrective action," including detailed compliance schedules and provisions for assurance of financial responsibility. See Note 8, "Closure and Post-Closure Liabilities," and Note 9, "Remedial Liabilities," to our consolidated financial statements included in Item 8 of this report for a discussion of our environmental liabilities. See "Insurance and Financial Assurance" above for a discussion of our financial assurance requirements.

The Superfund Act. The Superfund Act is the primary federal statute regulating the cleanup of inactive hazardous substance sites and imposing liability for cleanup on the responsible parties. It also provides for immediate response and removal actions coordinated by the EPA to releases of hazardous substances into the environment, and authorizes the government to respond to the release or threatened release of hazardous substances or to order responsible persons to perform any necessary cleanup. The statute provides for strict and, in certain cases, joint and several liability for these responses and other related costs, and for liability for the cost of damages to natural resources, to the parties involved in the generation, transportation and disposal of hazardous substances. Under the statute, we may be deemed liable as a generator or transporter of a hazardous substance which is released into the environment, or as the owner or operator of a facility from which there is a release of a hazardous substance into the environment. See Note 16, "Commitments and Contingencies," to our consolidated financial statements included in Item 8 of this report for a description of the principal such proceedings in which we are involved.

The Clean Air Act. The Clean Air Act was passed by Congress to control the emissions of pollutants into the air and requires permits to be obtained for certain sources of toxic air pollutants such as vinyl chloride, or criteria pollutants, such as carbon monoxide. In 1990, Congress amended the Clean Air Act to require further reductions of air pollutants with specific targets for non-attainment areas in order to meet certain ambient air quality standards. These amendments also require the EPA to promulgate regulations which (i) control emissions of 189 hazardous air pollutants; (ii) create uniform operating permits for major industrial facilities similar to RCRA operating permits; (iii) mandate the phase-out of ozone depleting chemicals; and (iv) provide for enhanced enforcement.

The Clean Water Act. This legislation prohibits discharge of pollutants into the waters of the United States without governmental authorization and regulates the discharge of pollutants into surface waters and sewers from a variety of sources, including disposal sites and treatment facilities. The EPA has promulgated "pretreatment" regulations under the Clean Water Act, which establish pretreatment standards for introduction of pollutants into publicly owned treatment works. In the course of the treatment process, our wastewater treatment facilities generate wastewater, which we discharge to publicly owned treatment works pursuant to permits issued by the appropriate governmental authority. We are required to obtain discharge permits and conduct sampling and monitoring programs. We believe each of our operating facilities complies in all material respects with the applicable requirements.

TSCA. We also operate a network of collection, treatment and field services (remediation) activities throughout North America that are regulated under provisions of TSCA. TSCA established a national program for the management of substances classified as polychlorinated biphenyls, or "PCBs," which include waste PCBs as well as RCRA wastes contaminated with PCBs. The rules set minimum design and operating requirements for storage, treatment and disposal of PCB wastes. Since their initial publication, the rules have been modified to enhance the management standards for TSCA-regulated operations including the decommissioning of PCB transformers and articles, detoxification of transformer oils, incineration of PCB liquids and solids, landfill disposal of PCB solids, and remediation of PCB contamination at customer sites.

Other Federal Laws. In addition to regulations specifically directed at the transportation, storage, and disposal facilities, there are a number of regulations that may "pass-through" to the facilities based on the acceptance of regulated waste from affected client facilities. Each facility that accepts affected waste must comply with the regulations for that waste, facility or industry. Examples of this type of regulation are National Emission Standards for Benzene Waste Operations and National Emissions Standards for Pharmaceuticals Production. Each of our facilities addresses these regulations on a case-by-case basis determined by its ability to comply with the pass-through regulations.

In our transportation operations, we are regulated by the U.S. Department of Transportation, the Federal Railroad Administration, the Federal Aviation Administration and the U.S. Coast Guard, as well as by the regulatory agencies of each state in which we operate or through which our vehicles pass.

Health and safety standards under the Occupational Safety and Health Act, or "OSHA," are also applicable to all of our operations.

State and Local Regulations. Pursuant to the EPA's authorization of their RCRA equivalent programs, a number of U.S. states have regulatory programs governing the operations and permitting of hazardous waste facilities. Accordingly, the hazardous waste treatment, storage and disposal activities of a number of our facilities are regulated by the relevant state agencies in addition to federal EPA regulation.

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Some states classify as hazardous some wastes that are not regulated under RCRA. For example, Massachusetts considers used oil as "hazardous waste" while RCRA does not. Accordingly, we must comply with state requirements for handling state regulated wastes, and, when necessary, obtain state licenses for treating, storing, and disposing of such wastes at our facilities.

Our facilities are regulated pursuant to state statutes, including those addressing clean water and clean air. Local sewer discharge and flammable storage requirements are applicable to certain of our facilities. Our facilities are also subject to local siting, zoning and land use restrictions. We believe that each of our facilities is in substantial compliance with the applicable requirements of federal and state licenses which we have obtained pursuant thereto. Once issued, such licenses have maximum fixed terms of a given number of years, which differ from state to state, ranging from three to ten years. The issuing state agency may review or modify a license at any time during its term. We anticipate that once a license is issued with respect to a facility, the license will be renewed at the end of its term if the facility's operations are in compliance with applicable requirements. However, there can be no assurance that regulations governing future licensing will remain static, or that we will be able to comply with such requirements.

Canadian Hazardous Waste Regulation

In Canada, the provinces retain control over environmental issues within their boundaries and thus have the primary responsibility for regulating management of hazardous wastes. The federal government regulates issues of national scope or where activities cross provincial boundaries.

Provincial Regulations. Most of Canada's industrial development and the major part of its population are located in four provinces: Ontario, Quebec, Alberta and British Columbia. These provinces have the most detailed environmental regulations. We operate major waste management facilities in each of these provinces, as well as waste transfer facilities in Nova Scotia and Manitoba.

The main provincial acts dealing with hazardous waste management are:

- Ontario—Environmental Protection Act;
- Quebec—Environmental Quality Act;
- Alberta—Environmental Protection and Enhancement Act; and
- British Columbia—Waste Management Act.

These pieces of legislation were developed by the provinces independently and, among other things, generally control the generation, characterization, transport, treatment and disposal of hazardous wastes. Regulations developed by the provinces under the relevant legislation are also developed independently, but are often quite similar in effect and sometimes in application. For example, there is some uniformity in manifest design and utilization.

Provincial legislation also provides for the establishment of waste management facilities. In this case, the facilities are also controlled by provincial statutes and regulations governing emissions to air, groundwater and surface water and prescribing design criteria and operational guidelines.

Waste transporters require a permit to operate under provincial waste management regulations and are subject to the requirements of the Federal Transportation of Dangerous Goods legislation. They are required to report the quantities and disposition of materials shipped.

Canadian Federal Regulations. The Canadian federal government has authority for those matters which are national in scope and in impact and for Canada's relations with other nations. The main federal laws governing hazardous waste management are:

- Canadian Environmental Protection Act (1999) ("CEPA 99"), and
- Transportation of Dangerous Goods Act.

Environment Canada is the federal agency with responsibility for environmental matters and the main legislative instrument is the Canadian Environmental Protection Act. This act charges Environment Canada and Health Canada with protection of human health and the environment and seeks to control the production, importation and use of substances in Canada and to control their impact on the environment.

The Export and Import of Hazardous Wastes Regulations under CEPA 99 control the export and import of hazardous wastes and hazardous recyclable materials. By reference, these regulations incorporate the Transportation of Dangerous Goods Act and Regulations, which address identification, packaging, marking and documentation of hazardous materials during transport. CEPA 99 requires that anyone proposing to export or import hazardous wastes or hazardous recyclable materials or to

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transport them through Canada notify the Minister of the Environment and obtain a permit to do so. Section 9 of CEPA 99 allows the federal government to enter into administrative agreements with the provinces and territories for the development and improvement of environmental standards. These agreements represent cooperation towards a common goal rather than a delegation of authority under CEPA 99. To facilitate the development of provincial and territorial agreements, the federal, provincial and territorial governments participate in the Canadian Council of Ministers of the Environment ("CCME"). The CCME comprises the 14 environment ministers from the federal, provincial and territorial governments, who normally meet twice a year to discuss national environmental priorities and to determine work to be carried out under the auspices of the CCME.

Canadian Local and Municipal Regulations. Local and municipal regulations seldom reference direct control of hazardous waste management activities. Municipal regulations and by-laws, however, control such issues as land use designation, access to municipal services and use of emergency services, all of which can have a significant impact on facility operation.

Compliance with Environmental Regulations

We incur costs and make capital investments in order to comply with the previously discussed environmental regulations. These regulations require that we remediate contaminated sites, operate our facilities in accordance with enacted regulations, obtain required financial assurance for closure and post-closure care of our facilities should such facilities cease operations, and make capital investments in order to keep our facilities in compliance with environmental regulations.

As further discussed in Note 8, "Closure and Post-Closure Liabilities," and Note 9, "Remedial Liabilities," to our consolidated financial statements included in Item 8 of this report, we have accrued environmental liabilities as of December 31, 2015, of $188.2 million. For the years ended December 31, 2015 and 2014, we spent $20.1 million and $20.2 million, respectively, to address environmental liabilities.

As discussed more fully above under the heading "Insurance and Financial Assurance," we are required to provide financial assurance with respect to certain statutorily required closure, post-closure and corrective action obligations at our facilities. We have placed the required financial assurance primarily through a qualified insurance company.

As described in Note 16, "Commitments and Contingencies," to our consolidated financial statements included in Item 8 of this report, we are involved in legal proceedings arising under environmental laws and regulations. Alleged failure to comply with laws and regulations may lead to the imposition of fines or the denial, revocation or delay of the renewal of permits and licenses by governmental entities. In addition, such governmental entities, as well as surrounding landowners, may claim that we are liable for environmental damages. Citizens groups have become increasingly active in challenging the grant or renewal of permits and licenses for hazardous waste facilities, and responding to such challenges has further increased the costs associated with establishing new facilities or expanding current facilities. A significant judgment against us, the loss of a significant permit or license, or the imposition of a significant fine could have a material effect on our business and future prospects.

ITEM 1A. RISK FACTORS

An investment in our securities involves certain risks, including those described below. You should consider carefully these risk factors together with all of the information included in this report before investing in our securities.

Risks Affecting All of Our Businesses

Our businesses are subject to operational and safety risks.

Provision of environmental, energy and industrial services to our customers by all six of our business segments involves risks such as equipment defects, malfunctions and failures, and natural disasters, which could potentially result in releases of hazardous materials, injury or death of our employees, or a need to shut down or reduce operation of our facilities while remedial actions are undertaken. Our employees often work under potentially hazardous conditions. These risks expose us to potential liability for pollution and other environmental damages, personal injury, loss of life, business interruption, and property damage or destruction. We must also maintain a solid safety record in order to remain a preferred supplier to our major customers.

While we seek to minimize our exposure to such risks through comprehensive training programs, vehicle and equipment maintenance programs, and insurance, such programs and insurance may not be adequate to cover all of our potential liabilities and such insurance may not in the future be available at commercially reasonable rates. If we were to incur substantial liabilities in excess of policy limits or at a time when we were not able to obtain adequate liability insurance on commercially reasonable terms, our business, results of operations and financial condition could be adversely affected to a material extent.

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Furthermore, should our safety record deteriorate, we could be subject to a potential reduction of revenues from our major customers.

Our businesses are subject to numerous statutory and regulatory requirements, which may increase in the future.

Our businesses are subject to numerous statutory and regulatory requirements, and our ability to continue to hold licenses and permits required for our businesses is subject to maintaining satisfactory compliance with such requirements. These requirements may increase in the future as a result of statutory and regulatory changes. Although we are very committed to compliance and safety, we may not, either now or in the future, be in full compliance at all times with such statutory and regulatory requirements. Consequently, we could be required to incur significant costs to maintain or improve our compliance with such requirements.

Certain adverse conditions have required, and future conditions might require, us to make substantial write-downs in our assets, which have adversely affected or would adversely affect our balance sheet and results of operations.

We review our long-lived tangible and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We also test our goodwill and indefinite-lived intangible assets for impairment at least annually on December 31, or when events or changes in the business environment indicate that the carrying value of a reporting unit may exceed its fair value. Based on the results of those tests, we determined during the second quarter of 2015 that the then carrying amount of our Oil and Gas Field Services reporting unit exceeded the estimated fair value of that unit and we therefore then recognized a goodwill impairment charge of $32.0 million with respect to that unit. During the third quarter of 2014, we determined that the then carrying amount of our Kleen Performance Products reporting unit exceeded the estimated fair value of that unit and we therefore then recognized a goodwill impairment charge of $123.4 million with respect to that unit. During and as of the end of each of 2015 and 2014, we determined that no other asset write-downs were required. However, if conditions in any of the businesses in which we compete were to deteriorate, we could determine that certain of our assets were impaired and we would then be required to write-off all or a portion of our costs for such assets. Any such significant write-offs would adversely affect our balance sheet and results of operations.

Fluctuations in foreign currency exchange could affect our financial results.

We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. In fiscal 2015, we recorded 21% of our revenues outside of the United States, primarily in Canada. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, income and expenses as well as assets and liabilities into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against other currencies in countries where we operate will affect our results of operations and the value of balance sheet items denominated in foreign currencies. These risks are non-cash exposures, and we manage these risks through normal operating and financing activities. However, we may not be successful in reducing the risks inherent in exposures to foreign currency fluctuations.

Failure to effectively manage acquisitions and divestitures could adversely impact our future results.

We continuously evaluate potential acquisition candidates and from time to time acquire companies that we believe will strategically fit into our business and growth objectives. In particular, we acquired on December 28, 2012, all of the outstanding shares of Safety-Kleen for approximately $1.26 billion in cash, on September 13, 2013, all of the outstanding shares of Evergreen Oil, Inc. for approximately $56.3 million in cash, and on April 11, 2015, all of the outstanding shares of Thermo Fluids Inc. for approximately $78.6 million in cash, subject to customary closing conditions. If we are unable to successfully integrate and develop acquired businesses, we could fail to achieve anticipated synergies and cost savings, including any expected increases in revenues and operating results, which could have a material adverse effect on our financial results. We also continually review our portfolio of assets to determine the extent to which they are contributing to our objectives and growth strategy. In particular, on January 20, 2015, we announced a planned carve-out to include our Oil and Gas Field Service segment and the drilling-related mobile assets of our Lodging Services segment, subject to certain conditions, and on May 6, 2015, we announced the expansion of the planned carve-out to include our entire Lodging Services segment, subject to certain conditions.

However, we may not be successful in separating underperforming or non-strategic assets, and gains or losses on the divestiture of, or lost operating income from, such assets may adversely affect our earnings. Moreover, we may incur asset impairment charges related to acquisitions or divestitures that reduce our earnings.

Our acquisitions may expose us to unknown liabilities.

Because we have acquired, and expect generally to acquire, all the outstanding shares of most of our acquired companies, our investment in those companies are or will be subject to all of their liabilities other than their respective debts which we paid or will pay at the time of the acquisitions. If there are unknown liabilities or other obligations, our business could be materially

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affected. We may also experience issues relating to internal controls over financial reporting, issues that could affect our ability to comply with the Sarbanes-Oxley Act, or issues that could affect our ability to comply with other applicable laws.

A cyber security incident could negatively impact our business and our relationships with customers.

We use computers in substantially all aspects of our business operations and also mobile devices and other online activities to connect with our employees and customers. Such uses give rise to cyber security risks, including security breach, espionage, system disruption, theft and inadvertent release of information. Our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property including, but not limited to, private information about employees, and financial and strategic information about our Company and our business partners. Furthermore, as we pursue our strategy to grow through acquisitions and new initiatives that improve our operations and cost structure, we are also expanding and improving our information technologies, resulting in a larger technological presence and corresponding exposure to cyber security risk. If we fail to assess and identify cyber security risks associated with acquisitions and new initiatives, we may become increasingly vulnerable to such risks. Additionally, while we have implemented measures to prevent security breaches and cyber incidents, our preventative measures and incident response efforts may not be entirely effective. The theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability and competitive disadvantage.

Additional Risks of Our Technical Services Business
The hazardous waste management business conducted by our Technical Services segment is subject to significant environmental liabilities.
We have accrued environmental liabilities valued as of December 31, 2015, at $188.2 million, substantially all of which we assumed in connection with certain acquisitions. We calculate our environmental liabilities on a present value basis in accordance with generally accepted accounting principles, which take into consideration both the amount of such liabilities and the timing when it is projected that we will be required to pay such liabilities. We anticipate our environmental liabilities will be payable over many years and that cash flows generated from our operations will generally be sufficient to fund the payment of such liabilities when required. However, events not now anticipated (such as future changes in environmental laws and regulations or their enforcement) could require that such payments be made earlier or in greater amounts than now estimated, which could adversely affect our financial condition and results of operations.
We may also assume additional environmental liabilities as part of further acquisitions. Although we will endeavor to accurately estimate and limit environmental liabilities presented by the businesses or facilities to be acquired, some liabilities, including ones that may exist only because of the past operations of an acquired business or facility, may prove to be more difficult or costly to address than we then estimate. It is also possible that government officials responsible for enforcing environmental laws may believe an environmental liability is more significant than we then estimate, or that we will fail to identify or fully appreciate an existing liability before we become legally responsible to address it.
If we become unable to obtain at reasonable cost the insurance, surety bonds, letters of credit and other forms of financial assurance required for our facilities and operations, our business and results of operations would be adversely affected.

We are required to provide substantial amounts of financial assurance to governmental agencies for closure and post-closure care of our licensed hazardous waste treatment facilities should those facilities cease operation, and we are also occasionally required to post surety, bid and performance bonds in connection with certain projects. As of December 31, 2015, our total estimated closure and post-closure costs requiring financial assurance by regulators were

$429.5 million for our U.S. facilities and $38.9 million for our Canadian facilities. We have obtained all of the required financial assurance for our facilities through a combination of surety bonds, funded trusts, letters of credit and insurance from a qualified insurance company. The financial assurance related to closure and post-closure obligations of our U.S. facilities will renew in 2016. Our Canadian facilities utilize surety bonds, which renew at various dates throughout 2016, as well as letters of credit. In connection with obtaining such insurance and surety bonds, we have provided our insurance companies $81.8 million of letters of credit which we obtained under our revolving credit agreement.

Our ability to continue operating our facilities and conducting our other operations would be adversely affected if we became unable to obtain sufficient insurance, surety bonds, letters of credit and other forms of financial assurance at reasonable cost to meet our regulatory and other business requirements. The availability of insurance, surety bonds, letters of credit and other forms of financial assurance is affected by our insurers', sureties' and lenders' assessment of our risk and by other factors outside of our control such as general conditions in the insurance and credit markets.

The hazardous waste management industry in which we participate is subject to significant economic and business risks.

The future operating results of our Technical Services segment may be affected by such factors as our ability to utilize our facilities and workforce profitably in the face of intense price competition, maintain or increase market share in an industry which has in the past experienced significant downsizing and consolidation, realize benefits from cost reduction programs, invest in new technologies for treatment of hazardous waste, generate incremental volumes of waste to be handled through our facilities from existing and acquired sales offices and service centers, obtain sufficient volumes of waste at prices which produce revenue sufficient to offset the operating costs of our facilities, minimize downtime and disruptions of operations, and develop our field services business. In particular, economic downturns or recessionary conditions in North America, and increased outsourcing by North American manufacturers to plants located in countries with lower wage costs and less stringent environmental regulations, have adversely affected and may in the future adversely affect the demand for our services. Our Technical Services segment is also cyclical to the extent that it is dependent upon a stream of waste from cyclical industries such as chemical and petrochemical, primary metals, paper, furniture and aerospace. If those cyclical industries slow significantly, the business that we receive from them would likely decrease.

The extensive environmental regulations to which we are subject may increase our costs and potential liabilities and limit our ability to expand our facilities.

Our operations and those of others in the environmental services industry are subject to extensive federal, state, provincial and local environmental requirements in both the United States and Canada, including those relating to emissions to air, discharged wastewater, storage, treatment, transport and disposal of regulated materials, and cleanup of soil and groundwater contamination. For example, any failure to comply with governmental regulations governing the transport of hazardous materials could negatively impact our ability to collect, process and ultimately dispose of hazardous wastes generated by our customers. While increasing environmental regulation often presents new business opportunities for us, it often also results in increased operating and compliance costs. Efforts to conduct our operations in compliance with all applicable laws and regulations, including environmental rules and regulations, require programs to promote compliance, such as training employees and customers, purchasing health and safety equipment, and in some cases hiring outside consultants and lawyers. Even with these programs, we and other companies in the environmental services industry are routinely faced with governmental enforcement proceedings, which can result in fines or other sanctions and require expenditures for remedial work on waste management facilities and contaminated sites. Certain of these laws impose strict and, under certain circumstances, joint and several liability on current and former owners and operators of facilities that release regulated materials or that generate those materials and arrange for their disposal or treatment at contaminated sites. Such liabilities can relate to required cleanup of releases of regulated materials and related natural resource damages.

From time to time, we have paid fines or penalties in governmental environmental enforcement proceedings, usually involving our waste treatment, storage and disposal facilities. Although none of these fines or penalties that we have paid in the past has had a material adverse effect upon us, we might in the future be required to make substantial expenditures as a result of governmental proceedings which would have a negative impact on our earnings. Furthermore, regulators have the power to suspend or revoke permits or licenses needed for operation of our plants, equipment, and vehicles based on, among other factors, our compliance record, and customers may decide not to use a particular disposal facility or do business with us because of concerns about our compliance record. Suspension or revocation of permits or licenses would impact our operations and could have a material impact on our financial results. Although we have never had any of our facilities' operating permits revoked, suspended or non-renewed involuntarily, it is possible that such an event could occur in the future.

Some environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities and sites for contamination at such facilities and sites without regard to causation or knowledge of contamination. In the past, practices have resulted in releases of regulated materials at and from certain of our facilities, or the disposal of regulated materials at third party sites, which may require investigation and remediation, and potentially result in claims of personal injury, property damage and damages to natural resources. In addition, we occasionally evaluate various alternatives with respect to our facilities, including possible dispositions or closures. Investigations undertaken in connection with these activities may lead to discoveries of contamination that must be remediated, and closures of facilities might trigger compliance requirements that are not applicable to operating facilities. We are currently conducting remedial activities at certain of our facilities and paying a portion of the remediation costs at certain sites owned by third parties. While, based on available information, we do not believe these remedial activities will result in a material effect upon our operations or financial condition, these activities or the discovery of previously unknown conditions could result in material costs.

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In addition to the costs of complying with environmental laws and regulations, we incur costs defending against environmental litigation brought by governmental agencies and private parties. We are now, and may in the future be, a defendant in lawsuits brought by parties alleging environmental damage, personal injury, and/or property damage, which may result in our payment of significant amounts of liabilities.

Environmental and land use laws also impact our ability to expand our facilities. In addition, we are required to obtain governmental permits to operate our facilities, including all of our landfills. Even if we comply with all applicable environmental laws, we might not be able to obtain requisite permits from applicable governmental authorities to extend or modify such permits to fit our business needs.

If our assumptions relating to expansion of our landfills should prove inaccurate, our results of operations and cash flow could be adversely affected.

When we include expansion airspace in our calculation of available airspace, we adjust our landfill liabilities to the present value of projected costs for cell closure and landfill closure and post-closure. It is possible that our estimates or assumptions could ultimately turn out to be significantly different from actual results. In some cases we may be unsuccessful in obtaining an expansion permit or we may determine that an expansion permit that we previously thought was probable has become unlikely. To the extent that such estimates, or the assumptions used to make those estimates, prove to be significantly different than actual results, or our belief that we will receive an expansion permit changes adversely in a significant manner, the landfill assets, including the assets incurred in the pursuit of the expansion, may be subject to impairment testing and lower prospective profitability may result due to increased interest accretion and depreciation or asset impairments related to the removal of previously included expansion airspace. In addition, if our assumptions concerning expansion airspace should prove inaccurate, certain of our cash expenditures for closure of landfills could be accelerated and adversely affect our results of operations and cash flow.

Additional Risks of Our Industrial and Field Services Business

A significant portion of our Industrial and Field Services business depends upon the demand for cleanup of major spills and other remedial projects and regulatory developments over which we have no control.

Our operations can be affected by the commencement and completion of cleanup of major spills and other events, customers' decisions to undertake remedial projects, seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' spending for remedial activities, the timing of regulatory decisions relating to hazardous waste management projects, changes in regulations governing the management of hazardous waste, secular changes in the waste processing industry towards waste minimization and the propensity for delays in the demand for remedial services, and changes in the myriad of governmental regulations governing our diverse operations. We do not control such factors and, as a result, our revenue and income can vary from quarter to quarter, and past financial performance for certain quarters may not be a reliable indicator of future performance for comparable quarters in subsequent years.

Additional Risks of Our Kleen Performance Products Business

Fluctuations in oil prices may have a negative effect on our Kleen Performance Products business.

A significant portion of our business involves collecting used oil from certain of our customers, re-refining a portion of such used oil into base and blended lubricating oils, and then selling both such re-refined oil and the excess recycled oil which we do not currently have the capacity to re-refine, or ‘‘RFO,’’ to other customers. The prices at which we sell our re-refined oil and RFO are affected by changes in the reported spot market prices of oil. If applicable rates increase or decrease, we typically will charge a higher or lower corresponding price for our re-refined oil and RFO. The price at which we sell our re-refined oil and RFO is affected by changes in certain indices measuring changes in the price of heavy fuel oil, with increases and decreases in the indices typically translating into a higher or lower price for our RFO. The cost to collect used oil, including the amounts we pay to obtain a portion of our used oil and therefore ability to collect necessary volumes as well as the fuel costs of our oil collection fleet, typically also increases or decreases when the relevant indices increase or decrease. However, even though the prices we can charge for our re-refined oil and RFO and the costs to collect and re-refine used oil and process RFO typically increase and decrease together, there is no assurance that when our costs to collect and re-refine used oil and process RFO increase we will be able to increase the prices we charge for our re-refined oil and RFO to cover such increased costs, or that our costs to collect and re-refine used oil and process RFO will decline when the prices we can charge for re-refined oil and RFO decline. These risks are exacerbated when there are rapid fluctuations in these oil indices.

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Additional Risks of Our SK Environmental Services Business
Environmental laws and regulations have adversely affected and may adversely affect Safety-Kleen's parts cleaning and other solvent related services.
In connection with its parts cleaning and other solvent related services, Safety-Kleen has been subject to fines and certain orders requiring it to take environmental remedial action. Safety-Kleen may be subject to monetary fines, civil or criminal penalties, remediation, cleanup or stop orders, injunctions, orders to cease or suspend certain practices or denial of permits required for the operation of its facilities. The outcome of any proceeding and associated costs and expenses could have a material adverse impact on Safety-Kleen’s financial condition and results of operations. Recent and potential changes in environmental laws and regulations may also adversely affect in the future Safety-Kleen's parts cleaning and other solvent related services. Interpretation or enforcement of existing laws and regulations, or the adoption of new laws and regulations, may require Safety-Kleen to modify or curtail its operations or replace or upgrade its facilities or equipment at substantial cost, which we may not be able to pass on to our customers, and we may choose to indemnify our customers from any fines or penalties they may incur as a result of these new laws and regulations. On the other hand, in some cases if new laws and regulations are less stringent, Safety-Kleen’s customers or competitors may be able to manage waste more effectively themselves, which could decrease the need for Safety-Kleen’s services or increase competition, which could adversely affect Safety-Kleen’s results of operations.

Safety-Kleen is subject to existing and potential product liability lawsuits.

Safety-Kleen has been named from time to time as a defendant in various product liability lawsuits in various courts and jurisdictions throughout the United States. As of December 31, 2015, Safety-Kleen was involved in approximately 58 proceedings (including cases which have been settled but not formally dismissed) wherein persons claim personal injury resulting from the use of its parts cleaning equipment or cleaning products. These proceedings typically involve allegations that the solvent used in Safety-Kleen’s parts cleaning equipment contains contaminants or that Safety-Kleen’s recycling process does not effectively remove the contaminants that become entrained in the solvent during their use. In addition, certain claimants assert that Safety-Kleen failed to warn adequately the product user of potential risks, including a historic failure to warn that solvent contains trace amounts of toxic or hazardous substances such as benzene. Although Safety-Kleen maintains insurance that we believe will provide coverage for these claims (over amounts accrued for self-insured retentions and deductibles in certain limited cases), this insurance may not provide coverage for potential awards of punitive damages against Safety-Kleen. Although Safety-Kleen has vigorously defended and will continue to vigorously defend itself and the safety of its products against all of these claims, these matters are subject to many uncertainties and outcomes are not predictable with assurance. Safety-Kleen may also be named in similar, additional lawsuits in the future, including claims for which insurance coverage may not be available. If one or more of these claims were decided unfavorably against Safety-Kleen and the plaintiffs were awarded punitive damages, or if insurance coverage were not available for any such claim, our financial condition and results of operations could be materially and adversely affected. Additionally, if one or more of these claims were decided unfavorably against Safety-Kleen, such outcome may encourage more lawsuits against us.

Safety-Kleen is dependent on third parties for the manufacturing of the majority of its equipment.

Safety-Kleen does not manufacture the majority of the equipment, including parts washers, that Safety-Kleen places at customer sites. Accordingly, Safety-Kleen relies on a limited number of third party suppliers for manufacturing this equipment. The supply of third party equipment could be interrupted or halted by a termination of Safety-Kleen’s relationships, a failure of quality control or other operational problems at such suppliers or a significant decline in their financial condition. If Safety-Kleen were not able to retain these providers or obtain its requests from them, Safety-Kleen may not be able to obtain alternate providers in a timely manner or on economically attractive terms, and as a result, Safety-Kleen may not be able to compete successfully for new business, complete existing engagements profitably or retain its existing customers. Additionally, if Safety-Kleen’s third party suppliers provide it with defective equipment, it may be subject to reputational damage or product liability claims which may negatively impact its reputation, financial condition and results of operations. Further, Safety-Kleen generally does not have long-term contracts with its third party suppliers, and as a result these suppliers may increase the price of the equipment they provide to Safety-Kleen, which may hurt Safety-Kleen's results of operations.

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Additional Risks of Our Lodging Services Business
All of our major Canadian lodges are located on land subject to leases; if we were unable to renew a lease, we could be materially and adversely affected.

All of our major Canadian lodges are located on land subject to leases. Accordingly, while we own the accommodations assets and can move them to other locations, if necessary, we only own a leasehold in those properties. If we were found to be in breach of a lease, we could lose the right to use the property. In addition, unless we could extend the terms of these leases before their expiration, we would lose our right to operate our facilities located on these properties upon expiration of the leases. In that event, we would be required to remove our accommodations assets and remediate the sites. We may not be able to renew our leases upon expiration on similar terms, or at all, and if we were unable to renew leases on similar terms, it may have an adverse effect on our business. In addition, if we were to lose the right to use a lodge due to non-renewal of a lease, we would be unable to derive income from such lodge, which could materially and adversely affect us.

Due to the significant concentration of our Lodging Services business in the oil sands region of Alberta, Canada, adverse events in that region could negatively impact our business.

Because of the concentration of our accommodations business in the oil sands region of Alberta, Canada, we have increased exposure to political, economic, regulatory, environmental, labor, climate or natural disaster events or developments that could disproportionately impact our operations and financial results.

Our Lodging Services business depends significantly on several major customers, and the loss of one or more such customers or the inability of one or more such customers to meet their obligations to us could adversely affect our results of operations.

Our Lodging Services business depends significantly on several major customers engaged primarily in oil and gas exploration and production. Declines in the general level of oil and gas exploration and production in the oil sands region resulting in decreased demand in our lodging services have occured in recent periods and could occur in the future, and have had and could have in the future adverse effects on the revenues and profitability of our Lodging Services business. The loss of any one or more of such large customers or a sustained decrease in demand by any of them have resulted and could result in a substantial loss of revenues and have had and could have a material adverse effect on our results of operations. In addition, the concentration of our customers in oil and gas exploration and production may impact our overall exposure to credit risk, either positively or negatively, because our customers may be similarly affected by changes in economic and industry conditions. While we perform ongoing credit evaluations of our customers, we do not generally require collateral in support of our trade receivables. As a result, we are subject to risks of loss resulting from nonpayment or nonperformance by our customers.

We may be adversely affected if customers reduce their accommodations outsourcing.

The business and growth strategy of our Lodging Services business depends in large part on the continuation of a current trend toward outsourcing services. Many oil and gas companies in our core markets own their own accommodations facilities, while others outsource all or part of their accommodations requirements. Customers have largely built their accommodations in the past but will outsource if they perceive that outsourcing may provide quality services at a lower overall cost or allow them to accelerate the timing of their projects. We cannot be certain that this trend will continue and not be reversed or that customers that have outsourced accommodations will not decide to perform these functions themselves or only outsource accommodations during the development or construction phases of their projects. In addition, labor unions representing customer employees and contractors have, in the past, opposed outsourcing accommodations to the extent that the unions believe that third-party accommodations negatively impact union membership and recruiting. The reversal or reduction in customer outsourcing of accommodations could negatively impact our financial results and growth prospects.

Increased operating costs and obstacles to cost recovery due to the pricing and cancellation terms of our accommodation services contracts may constrain our ability to make a profit.

The profitability of our Lodging Services business can be adversely affected by cost increases for food, wages and other labor related expenses, insurance, fuel and utilities, especially to the extent we are unable to recover such increased costs through increases in the prices for our services due to general economic conditions, competitive conditions or contractual provisions in our customer contracts. Oil and natural gas prices have fluctuated significantly in the last several years, and substantial increases in the cost of fuel and utilities have historically resulted in cost increases for our lodges. From time to time we have also experienced increases in our food costs. While we believe a portion of these increases were attributable to fuel prices, we believe the increases also resulted from rising global food demand. In addition, food prices can fluctuate as a result

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of temporary changes in supply, including as a result of severe weather such as droughts, heavy rains and late freezes. While our long term contracts often provide for annual escalation in our room rates for food, labor and utility inflation, we may be unable to fully recover costs and such increases in costs would negatively impact our profitability on contracts that do not contain inflation protections.

Additional Risks of Our Oil and Gas Field Services Business

A large portion of our Oil and Gas Field Services business is dependent on the oil and gas industry in Western Canada, and declines in oil and gas exploration and production in that region have adversely affected and could in the future adversely affect our business.

Our Oil and Gas Field Services business generates a significant portion of its total revenues from customers in the oil and gas industry operating in Western Canada, although a majority of the services we provide to such customers relate to oil and gas production and refining which is less volatile than oil and gas exploration. Accordingly, declines in the general level of oil and gas exploration and production in Western Canada have had and could potentially have significant adverse effects on the revenues and profitability of our Oil and Gas Field Services business and have resulted and could also potentially result in asset impairment charges being recognized, including the goodwill impairment charge of $32.0 million we recognized with respect to our Oil and Gas Field Services reporting unit during the third quarter of 2015. Such declines have occurred and could potentially occur in the future if reductions in the commodity prices of oil and gas result in reduced oil and gas exploration, production and refining. Such declines could also be triggered by technological and regulatory changes, such as those affecting the availability and cost of alternative energy sources and other changes in industry and worldwide economic and political conditions.

Many of our major customers in the oil and gas industry conduct a significant portion of their operations in the Alberta oil sands. The Alberta oil sands contain large oil deposits, but extraction may involve significantly greater cost and environmental concerns than conventional drilling. While we believe our major involvement in the oil sands region will provide significant future growth opportunities, such involvement also increases the risk that our business will be adversely affected if future economic activity in the Alberta oil sands were to further decline. Major factors that could cause such a decline might include a prolonged reduction in the commodity price of oil, future changes in environmental restrictions and regulations, and technological and regulatory changes relating to production of oil from the oil sands. The downturn in worldwide economic conditions and in the commodity price of oil and gas which has recently occurred and continues to occur has caused certain of our customers to delay a number of large projects in the planning and early development phases within the oil sands region. In addition, customers are revisiting their operating budgets and challenging their suppliers to reduce costs and achieve better efficiencies in their work programs.

Although we plan to carve-out our Oil and Gas Field Services and Lodging Services segments into a stand-alone new public company, there is no assurance if and when such carve-out will occur. Furthermore, even if and when such carve-out does occur, we will remain subject to the risks now associated with our Oil and Gas Field Services and Lodging Services segments as long as we retain a significant ownership interest in such new public company.

On January 20, 2015, we announced that we plan to carve out primarily our Oil and Gas Field Services segment and our lodging drill camps business from our Lodging Services segment into a new standalone public company. On May 6, 2015, we expanded the planned carve-out to include our entire Lodging Services segment as part of that new company. Timing could take more than 12 months and completion of the carve-out is subject to certain conditions including, but not limited to, market conditions, determination of the most advantageous structure from a financial and tax standpoint, overall costs to our Company, receipt of regulatory approvals, compliance with our debt covenants, the effectiveness of securities laws filings and final approval by our board of directors. There can be no assurance regarding the ultimate structure and timing of the proposed transaction or whether the transaction will be completed. Furthermore, even if and when such carve-out does occur, we will remain subject to the risks now associated with our Oil and Gas Field Services and Lodging Services segments as long as we retain a significant ownership interest in the new public company.

Risks Relating to Our Level of Debt, Letters of Credit and Senior Unsecured Notes

Our substantial levels of outstanding debt and letters of credit could adversely affect our financial condition and ability to fulfill our obligations.

As of December 31, 2015, we had outstanding $1.4 billion of senior unsecured notes and $144.6 million of letters of credit. Our substantial levels of outstanding debt and letters of credit may:

- adversely impact our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes or to repurchase the notes from holders upon any change of control;

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- require us to dedicate a substantial portion of our cash flow to the payment of interest on our debt and fees on our letters of credit, which reduces the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;

- subject us to the risk of increased sensitivity to interest rate increases based upon variable interest rates, including borrowings (if any) under our revolving credit facility;

- increase the possibility of an event of default under the financial and operating covenants contained in our debt instruments; and

- limit our ability to adjust to rapidly changing market conditions, reduce our ability to withstand competitive pressures and make us more vulnerable to a downturn in general economic conditions of our business than our competitors with less debt.

Our ability to make scheduled payments of principal or interest with respect to our debt, including our outstanding notes, any revolving loans and our capital leases, and to pay fee obligations with respect to our letters of credit, will depend on our ability to generate cash and on our future financial results. If we were unable to generate sufficient cash flow from operations in the future to service our debt and letter of credit fee obligations, we might be required to refinance all or a portion of our existing debt and letter of credit facilities or to obtain new or additional such facilities. However, we might not be able to obtain any such new or additional facilities on favorable terms or at all.

Despite our substantial levels of outstanding debt and letters of credit, we could incur substantially more debt and letter of credit obligations in the future.

Although our revolving credit agreement and the indentures governing our outstanding notes contain restrictions on the incurrence of additional indebtedness (including, for this purpose, reimbursement obligations under outstanding letters of credit), these restrictions are subject to a number of qualifications and exceptions and the additional indebtedness which we might incur in the future in compliance with these restrictions could be substantial. In particular, we had available at December 31, 2015, up to an additional approximately $178.5 million for purposes of additional borrowings and letters of credit. The revolving credit agreement and the indentures governing our outstanding notes also allow us to borrow significant amounts of money from other sources. These restrictions would also not prevent us from incurring obligations (such as operating leases) that do not constitute “indebtedness” as defined in the relevant agreements. To the extent we incur in the future additional debt and letter of credit obligations, the related risks would increase.

The covenants in our debt agreements restrict our ability to operate our business and might lead to a default under our debt agreements.

Our revolving credit agreement and the indentures governing our outstanding notes limit, among other things, our ability and the ability of our restricted subsidiaries to:

- incur or guarantee additional indebtedness (including, for this purpose, reimbursement obligations under letters of credit) or issue preferred stock;
- pay dividends or make other distributions to our stockholders;
- purchase or redeem capital stock or subordinated indebtedness;
- make investments;
- create liens;
- incur restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
- sell assets, including capital stock of our subsidiaries;
- consolidate or merge with or into other companies or transfer all or substantially all of our assets; and
- engage in transactions with affiliates.

As a result of these covenants, we may not be able to respond to changes in business and economic conditions and to obtain additional financing, if needed, and we may be prevented from engaging in transactions that might otherwise be beneficial to us. Our revolving credit facility requires, and our future credit facilities may require, us to maintain certain financial ratios and satisfy certain other financial condition tests. Our ability to meet these financial ratios and tests can be affected by events beyond our control, and we may not be able to meet those tests. The breach of any of these covenants could result in a default under our revolving credit facility or future credit facilities. Upon the occurrence of an event of default, the lenders could elect to declare all amounts outstanding under such credit facilities, including accrued interest or other obligations, to be immediately due and payable. If amounts outstanding under such credit facilities were to be accelerated, our assets might not be sufficient to repay in full that indebtedness and our other indebtedness.

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Our revolving credit agreement and the indentures governing our outstanding notes also contain cross-default and cross-acceleration provisions. Under these provisions, a default or acceleration under one instrument governing our debt may constitute a default under our other debt instruments that contain cross-default and cross-acceleration provisions, which could result in the related debt and the debt issued under such other instruments becoming immediately due and payable. In such event, we would need to raise funds from alternative sources, which funds might not be available to us on favorable terms, on a timely basis or at all. Alternatively, such a default could require us to sell assets and otherwise curtail operations to pay our creditors. The proceeds of such a sale of assets, or curtailment of operations, might not enable us to pay all of our liabilities.

Other Risks Relating to Our Common Stock

The Massachusetts Business Corporation Act and our By-Laws contain certain anti-takeover provisions.

Sections 8.06 and 7.02 of the Massachusetts Business Corporation Act provide that Massachusetts corporations which are publicly-held must have a staggered board of directors and that written demand by holders of at least 40% of the outstanding shares of each relevant voting group of stockholders is required for stockholders to call a special meeting unless such corporations take certain actions to affirmatively "opt-out" of such requirements. In accordance with these provisions, our By-Laws provide for a staggered Board of Directors which consists of three classes of directors of which one class is elected each year for a three-year term, and require that written application by holders of at least 25% (which is less than the 40% which would otherwise be applicable without such a specific provision in our By-Laws) of our outstanding shares of common stock is required for stockholders to call a special meeting. In addition, our By-Laws prohibit the removal by the stockholders of a director except for cause. These provisions could inhibit a takeover of our Company by restricting stockholders' action to replace the existing directors or approve other actions which a party seeking to acquire us might propose. A takeover transaction would frequently afford stockholders an opportunity to sell their shares at a premium over then market prices.

ITEM 1B.   UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2.   PROPERTIES

Our principal executive offices are in Norwell, Massachusetts where approximately 151,000 square feet is leased under arrangements expiring in 2022. There are also regional administrative offices in Texas, South Carolina and Alberta, Canada. Our properties are sufficient and suitable for our current needs.

We have a network of more than 450 service locations across 47 states, eight Canadian provinces, Puerto Rico, Mexico, and Trinidad. Those service locations include service centers, satellite locations, branches, active hazardous waste management properties, lodging facilities and oil processing facilities. The service centers and branches are the principal sales and service centers from which we provide our environmental, energy and industrial services. The active hazardous waste management properties include incineration facilities, commercial and non-commercial landfills, wastewater treatment facilities, treatment, storage and disposal facilities ("TSDFs"), solvent recovery management and recycling facilities, locations specializing in polychlorinated biphenyls ("PCBs") management, oil accumulation centers, oil terminals and oil re-refineries. Some of our properties offer multiple capabilities. The following sets forth certain information as of December 31, 2015 regarding our properties. Our principal owned operating properties located in the United States are mortgaged as collateral under our revolving credit facility.

Service Centers, Satellite Locations and Branches

We have approximately 330 service centers, satellite locations and branches throughout the United States and Canada which serve as principal sales and service centers from which we provide parts cleaning services, containerized waste services, oil collection services and other environmental services.

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Active Hazardous Waste Management Properties

Incineration Facilities. We own five operating incineration facilities that have a total of eight incinerators with 491,721 tons of total practical capacity and an average utilization rate for 2015 of 90.9%. The Company's practical capacity is not based on a theoretical 24-hour, seven-day operation, but rather is determined as the production level at which the incinerator can operate with an acceptable degree of efficiency, taking into consideration factors such as longer term customer demand, permanent staffing levels, operating shifts, holidays, scheduled maintenance and mix of product. Capacity utilization is calculated by dividing actual production pounds by practical capacity at each incinerator.

	# of Incinerators	Practical Capacity (Tons)	Utilization Rate Year Ended December 31, 2015	
Arkansas	2	95,072	80.5	%
Nebraska	1	58,808	79.2	%
Utah	1	66,815	83.0	%
Texas	3	165,500	94.6	%
Ontario, Canada	1	105,526	105.9	%
	8	491,721	90.9	%

Our incinerators offer a wide range of technological capabilities to customers through this network. Incineration in the United States is provided by one fluidized bed thermal oxidation unit and three solids and liquids-capable incineration facilities and in Canada, we operate one active hazardous waste liquid injection incinerator. In addition, construction remains on schedule at our state-of-the-art hazardous waste incinerator at our El Dorado, Arkansas site. We expect this facility, the largest internal investment in Clean Harbors' history, to become commercially operational by year's end and to add approximately 70,000 tons of additional capacity.

Commercial and Non-Commercial Landfills. In the United States and Canada, we operate nine commercial landfills with approximately 29.3 million cubic yards of remaining highly probable airspace. Seven of our commercial landfills are designed and permitted for the disposal of hazardous wastes and two landfills are operated for nonhazardous industrial waste disposal and, to a lesser extent, municipal solid waste. In addition to our commercial landfills, we also own and operate two non-commercial landfills that only accept waste from our on-site incinerators. See "Landfill Accounting" within Note 2, "Significant Accounting Policies," to our consolidated financial statements included in Item 8 of this report for additional information on our commercial and non-commercial landfills.

Wastewater Treatment Facilities. We operate a total of seven facilities, of which five are owned and two are leased, that offer a range of wastewater treatment technologies and customer services. Wastewater treatment consists primarily of three types of services: hazardous wastewater treatment, sludge de-watering or drying, and non-hazardous wastewater treatment.

Treatment, Storage and Disposal Facilities. We operate 22 TSDFs, of which 20 are owned and two are leased, in the United States and Canada. Our TSDFs facilitate the movement of materials among our network of service centers and treatment and disposal facilities. Transportation may be accomplished by truck, rail, barge or a combination of modes, with our own assets or in conjunction with third-party transporters. Specially designed containment systems, vehicles and other equipment permitted for hazardous and industrial waste transport, together with drivers trained in transportation and waste handling procedures, provide for the movement of customer waste streams.

Solvent Recovery Management and Recycling Operations. We own two facilities specializing in solvent recovery management.

PCB Management Facilities and Oil Storage or Recycling Capabilities. We operate nine facilities, of which seven are owned and two are leased, specializing in PCB management or providing oil recycling capabilities.

Lodging Facilities

Lodge Operations. We operate seven fixed lodges, all of which are owned and located on sites in Alberta, Canada that are leased under long term operating agreements.

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Camps. We operate various camp facilities that can grow and shrink in size and location. Generally, we have ongoing operations at 2-4 larger facilities that we expect to operate on a multi-year basis. Additionally, in our fleet we can operate five office complexes, six mini-camps, and approximately 50 single and double occupancy drill camps. All of our camp facilities are owned and located on various sites throughout Western Canada. Sites for the larger facilities are generally leased, whereas sites for the smaller facilities are generally provided by our customers.

Oil Processing Facilities

Oil Accumulation Centers. We operate a total of nine accumulation centers, of which eight are owned and one is leased, used for accumulating waste oil from our branches.

Oil Terminals. We operate a total of 56 oil terminals, of which 25 are owned and 31 are leased, which collect or process used oil prior to delivery to re-refineries or distribution as RFO.

Oil Recycling and Re-refining Facilities. With our recent acquisition we now own four oil re-refineries, three in the United States and one in Canada. With more than 200 million gallons of used oil processed annually, we were able to return in 2015 over 160 million gallons of new re-refined oil, lubricants and byproducts back into the marketplace.

ITEM 3. LEGAL PROCEEDINGS

See Note 16, "Commitments and Contingencies," to our consolidated financial statements included in Item 8 of this report for a description of legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Common Stock

Our common stock trades on the New York Stock Exchange (the "NYSE") under the symbol CLH. The following table sets forth the high and low sales prices of our common stock for the indicated periods as reported by the NYSE.

	2015		2014	
	High	Low	High	Low
First Quarter	$58.44	$44.70	$60.47	$44.95
Second Quarter	$59.29	$50.65	$64.30	$52.02
Third Quarter	$54.31	$43.00	$65.53	$53.66
Fourth Quarter	$48.05	$39.89	$53.84	$43.05

On February 19, 2016, the closing price of our common stock on the NYSE was $42.53 and there were 301 stockholders of record of our common stock, excluding stockholders whose shares were held in nominee, or "street," name. We estimate that approximately 24,800 additional stockholders beneficially held shares in street name on that date.

We have never declared nor paid any cash dividends on our common stock, and we do not intend to pay any dividends on our common stock in the foreseeable future. We intend to retain our future earnings, if any, for use in the operation and expansion of our business, payment of our outstanding debt and our stock repurchase program. In addition, our current credit agreement and indentures limit the amount we could pay as cash dividends on, or for repurchase of, our common stock. See "Liquidity and Capital Resources" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (3)
October 1, 2015 through October 31, 2015	78,903	$45.07	78,398	$122,311,562
November 1, 2015 through November 30, 2015	421	$46.49	—	$122,311,562
December 1, 2015 through December 31, 2015	2,161	$41.44	—	$122,311,562
Total	81,485	$44.98	78,398	$122,311,562

(1) Includes 3,087 shares withheld by us from employees to satisfy employee tax obligations upon vesting of restricted stock units granted to our employees under our long-term equity incentive programs.

(2) The average price paid per share of common stock repurchased under our stock repurchase program includes the commissions paid to the brokers.

(3) On March 13, 2015, our board of directors increased the size of our current share repurchase program from up to $150 million to up to $300 million. We intend to fund the repurchases through available cash resources. The stock repurchase program authorizes us to purchase our common stock on the open market from time to time. The stock repurchases will be made in a manner that complies with applicable U.S. securities laws. The number of shares purchased and the timing of the purchases will depend on a number of factors, including share price, cash required for future business plans, trading volume and other conditions. We have no obligation to repurchase stock under this program and may suspend or terminate the repurchase program at any time.

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COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN
AMONG CLEAN HARBORS, INC.,
NYSE COMPOSITE INDEX, AND CUSTOM PEER GROUP

Performance Graph

The following graph compares the five-year return from investing $100 in each of our common stock, the NYSE Composite Index, and an index of environmental services companies (custom peer group) compiled by CoreData. The environmental services group used by CoreData includes all companies whose listed line-of-business is SIC Code 4953 (refuse systems), and assumes reinvestment of dividends on the ex-dividend date. An index compares relative performance since a particular starting date. In this instance, the starting date was December 31, 2010, when our common stock closed at $42.04 per share.

ASSUMES $100 INVESTED ON JAN. 01, 2010
ASSUMES DIVIDEND REINVESTED

Securities Authorized For Issuance Under Equity Compensation Plans

See Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," for a description of the securities which are authorized for issuance under our equity compensation plans.

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ITEM 6. SELECTED FINANCIAL DATA

The following summary of consolidated financial information has been derived from the audited consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data," of this report and in the annual reports we previously filed with the SEC. This information should be reviewed in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the financial statements and the notes thereto included in Item 8, "Financial Statements and Supplementary Data," of this report.

	For the Year Ended December 31,				
(in thousands except per share amounts)	2015	2014	2013	2012	2011
Income Statement Data:					
Total revenues	$3,275,137	$3,401,636	$3,509,656	$2,187,908	$1,984,136
Net income (loss) (1)	$44,102	$(28,328)	$95,566	$129,674	$127,252
Earnings (loss) per share: (1)(2)					
Basic	$0.76	$(0.47)	$1.58	$2.41	$2.40
Diluted	$0.76	$(0.47)	$1.57	$2.40	$2.39
Other Financial Data:					
Adjusted EBITDA (3)	$504,167	$521,919	$510,105	$373,767	$350,008

	At December 31,				
(in thousands)	2015	2014	2013	2012	2011
Balance Sheet Data:					
Total assets (4)	$3,431,428	$3,689,423	$3,936,430	$3,819,338	$2,076,089
Long-term obligations (including current portion) (4)	1,382,543	1,380,681	1,385,516	1,389,223	529,174
Stockholders' equity (2)	1,096,282	1,262,871	1,475,639	1,432,072	900,987

(1) The 2015 results include a $32.0 million goodwill impairment charge in our Oil and Gas Field Services reporting unit and the 2014 results include a $123.4 million goodwill impairment charge in our Kleen Performance Products reporting unit. In 2015 and 2014, we recorded an income tax benefit of $2.0 million and $2.7 million, respectively, as a result of the goodwill impairment charge. See Note 6, "Goodwill and Other Intangible Assets," to our consolidated financial statements included in Item 8 of this report for additional information regarding those goodwill impairment charges. The 2012 results include a $26.4 million loss on early extinguishment of debt in connection with a redemption and repurchase of our $520.0 million previously outstanding senior secured notes and a benefit for income taxes of $1.9 million primarily due to a decrease in unrecognized tax benefits of $52.4 million (net of interest and penalties of $29.3 million) resulting from expiring statute of limitation periods related to a historical Canadian debt restructuring transaction.

(2) We issued 6.9 million shares of our common stock in December 2012 upon the closing of a public offering for aggregate net proceeds of $369.3 million.

(3) See "Adjusted EBITDA" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this report for a discussion of Adjusted EBITDA.

(4) As a result of the adoption of a new accounting pronouncement issued in 2015 and discussed further in Note 2 under item 8, "Financial Statements and Supplementary Data" under the heading Recent Accounting Pronouncements, total assets and long-term obligations previously reported in prior period financial statements have been reclassified in accordance with the adopted pronouncements.

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

We are North America’s leading provider of environmental, energy and industrial services. We serve a diverse customer base, including a majority of the Fortune 500, across the chemical, energy, manufacturing and additional markets, as well as numerous government agencies. These customers rely on us to deliver a broad range of services including but not limited to end-to-end hazardous waste management, emergency spill response, industrial cleaning and maintenance, and recycling services. Through our acquisition in December 2012 of Safety-Kleen, Inc. ("Safety-Kleen"), we are also the largest re-refiner and recycler of used oil in the world and the largest provider of parts cleaning and environmental services to commercial, industrial and automotive customers in North America. On April 11, 2015, we acquired Thermo Fluids Inc. ("TFI") for an estimated preliminary acquisition price of approximately $78.6 million. Results of this business are included in the SK Environmental Services segment.

NOTE 10 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial Instruments

The Company uses derivatives from time to time partially to 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 loss from accumulated other comprehensive income of approximately $0.6 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.

Recurring Fair Value Measurements

The following table presents the fair value for those assets and (liabilities) measured on a recurring basis as of April 30, 2013 (Dollars in millions):

	Fair Value Measurement				Balance sheet
	Level 1	Level 2	Level 3	Total	Location
Interest rate derivatives	$	$ (1.3)	$	$ (1.3)	Other long-term liabilities
Foreign exchange hedges		0.3		0.3	Other current assets
Foreign exchange hedges		(0.5)		(0.5)	Other current liabilities
Energy hedges					Other current liabilities
Total*	$	$ (1.5)	$	$ (1.5)	

* The carrying amounts of cash and cash equivalents, trade accounts receivable, accounts payable, current liabilities and short-term borrowings as of April 30, 2013 approximate their fair values because of the short-term nature of these items and are not included in this table.

Interest Rate Derivatives

The Company has interest rate swap agreements with maturities through 2014. These interest rate swap agreements are used to manage the Company s fixed and floating rate debt mix. The assumptions used in measuring fair value of these interest rate derivatives are considered level 2 inputs, which were based on interest received monthly from the counterparties based upon the LIBOR and interest paid based upon a designated fixed rate over the life of the swap agreements. These derivative instruments are designated and qualify as cash flow hedges. Accordingly, the effective portion of the gain or loss on these derivative instruments is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument is recognized in earnings immediately.

The Company has two interest rate derivatives, both of which were entered into during the first quarter of 2012 to replace those that existed at October 31, 2011 (floating to fixed swap agreements designated as cash flow hedges) with a total notional amount of $150 million. Under these swap agreements, the Company receives interest based upon a variable interest rate from the counterparties (weighted average of 0.20% as of April 30, 2013 and 0.21% as of October 31, 2012) and pays interest based upon a fixed interest rate (weighted average of 0.75% as of April 30, 2013 and 0.75% as of October 31, 2012). Losses reclassified to earnings under these contracts (both those that existed as of October 31, 2011 and those entered into in the first quarter 2012) were $0.2 million and $0.2 million for the three months ended April 30, 2013 and 2012, respectively; and were $0.4 million and $0.6 million for the six months ending April 30, 2013 and 2012. These losses were recorded within the consolidated statement of operations as interest expense, net. The change in fair value of these contracts resulted in losses of $0.2 million and $1.3 million recorded in accumulated other comprehensive income as of April 30, 2013 and 2012, respectively.

Foreign Exchange Hedges

The Company conducts business in major international currencies and is subject to risks associated with changing foreign exchange rates. The Company s objective is to reduce volatility associated with foreign exchange rate changes. Accordingly, the Company enters into various contracts that change in value as foreign exchange rates change to protect the value of certain existing foreign currency assets and liabilities, commitments and anticipated foreign currency revenues and expenses.

As of April 30, 2013, the Company had outstanding foreign currency forward contracts in the notional amount of $155.7 million ($233.2 million as of October 31, 2012). At April 30, 2013, these derivative instruments were designated and qualified as fair value hedges. Adjustments to fair value for fair value hedges are recognized in earnings, offsetting the impact of the hedged item. The assumptions used in measuring fair value of foreign exchange hedges are considered level 2 inputs, which were based on observable market pricing for similar instruments, principally foreign exchange futures contracts. Losses recorded under fair value contracts were $1.3 million and $0.2 million for the three months ended April 30, 2013 and 2012; respectively; and realized (gains) losses were ($0.4) million and $1.7 million for the six months ended April 30, 2013 and 2012.

During 2012, some derivative instruments were designated and qualified as cash flow hedges. Accordingly, the effective portion of the gain or loss on these derivative instruments was previously reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affected earnings. Gains reclassified to earnings for hedging contracts qualifying as cash flow hedges were $0.1 million for the three months ended April 30, 2012 and were $0.2 million for the six months ended April 30, 2012. These gains and losses were recorded within the consolidated statement of operations as other (income) expense, net. The change in fair value of these contracts resulted in losses or $0.6 million recorded in other comprehensive income as of April 30, 2012. The ineffective portion of the gain or loss on the derivative instrument was previously recognized in earnings immediately.

Energy Hedges

The Company is exposed to changes in the price of certain commodities. The Company s objective is to reduce volatility associated with forecasted purchases of these commodities to allow management of the Company to focus its attention on business operations. Accordingly, the Company may enter into derivative contracts to manage the price risk associated with certain of these forecasted purchases.

From time to time, the Company has entered into certain cash flow hedges to mitigate its exposure to cost fluctuations in natural gas prices. Under these hedge agreements, the Company agreed to purchase natural gas at a fixed price. There were no energy hedges in effect as of April 30, 2013 or October 31, 2012. Such derivative instruments were previously designated and qualified as cash flow hedges. Accordingly, the effective portion of the gain or loss on such a derivative instrument was previously reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affected earnings. The ineffective portion of the gain or loss on such a derivative instrument was previously recognized in earnings immediately. The assumptions used in measuring fair value of energy hedges are considered level 2 inputs, which were based on observable market pricing for similar instruments, principally commodity futures contracts. Losses reclassified to earnings under such prior contracts were $0.4 million for the three months ended April 30, 2012 and $0.6 million for the six months ended April 30, 2012. Losses on such contracts were recorded within the consolidated statement of operations as cost of products sold. The change in fair value of these contracts resulted in immaterial losses recorded in accumulated other comprehensive income as of April 30, 2012.

Other financial instruments

The estimated fair value of the Company s 2017 Senior Notes are $338.3 million and $330.8 million compared to the carrying amounts of $302.0 million and $302.3 million as of April 30, 2013, and October 31, 2012, respectively. The estimated fair value of the Company s 2019 Senior Notes are $294.7 million and $286.9 million compared to the carrying amounts of $244.0 million and $243.6 million as of April 30, 2013, and October 31, 2012, respectively. The estimated fair value of the Company s 2021 Senior Notes are $298.5 million and $283.4 million compared to the carrying amounts of $257.0 million and $256.1 million as of April 30, 2013, and October 31, 2012, respectively. The fair values of the Company s Amended Credit Agreement, the United States Trade Accounts Receivable Credit Facility and the other long-term debt 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 the debt of the same remaining maturities.

Non Recurring Fair Value Measurements

Long-Lived Assets

As part of the Company s restructuring plans, the Company may close manufacturing facilities. The assumptions used in measuring fair value of long-lived assets are considered level 2 inputs which were valued based on bids received from third parties, recent purchase offers and market comparables. The Company recorded restructuring-related expenses for the six month period ended April 30, 2013 and 2012 of $0.5 million and $4.9 million, respectively, on long lived assets with net book values of $0.5 million and $17.6 million, respectively.

During the six month period ended April 30, 2013, the Company recognized an impairment of $1.8 million, primarily for assets under contract to be sold in Paper Packaging segment.

Net Assets Held for Sale

The assumptions used in measuring fair value of net assets held for sale are considered level 2 inputs which include recent purchase offers, market comparables and/or data obtained from commercial real estate brokers. As of April 30, 2013, the Company has not recognized impairment related to net assets held for sale. As of October 31, 2012 the Company had recognized $2.0 million of impairment related to net assets held for sale.

Goodwill and Long Lived Intangible Assets

On an annual basis or whenever 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. The Company concluded that no impairment existed as of April 30, 2013.

Pension Plan Assets

On an annual basis the Company compares the asset holdings of the 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 considered level 1, level 2 and level 3 fair value measurements, respectively. The typical asset holdings include:

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

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.

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.

Insurance Annuity: Value is derived based on the value of the corresponding liability.

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 2013 or 2012. 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.

NOTE 12 INCOME TAXES

The effective tax rate was 30.6% and 28.9% for the three months ended April 30, 2013 and 2012, respectively; and 31.3% and 30.3% for the six months ended April 30, 2013 and 2012, respectively. Income tax expense was $18.9 million and $15.1 million for the three months ended April 30, 2013 and 2012, respectively; and $31.4 million and $26.1 million for the six months ended April 30, 2013 and 2012, respectively. The increase was attributable to higher income and an increase in the proportion of income generated in the United States, which is a higher tax jurisdiction.

The Company has estimated the reasonably possible net change in its unrecognized tax benefits through April 30, 2014 under ASC 740, Income Taxes . The Company s estimate is based on expected settlements, payments of uncertain tax positions and lapses of applicable statues of limitations, and includes an unfavorable court decision related to a fully reserved foreign controversy for tax years ending October 31, 2001 through October 31, 2007. The resolution of the foreign controversy will be offset by the utilization of tax losses. The estimated net decrease in unrecognized tax benefits for the next 12 months ranges from approximately $17.8 million to $28.0 million. Actual results may differ materially from this estimate.

NOTE 13 RETIREMENT PLANS AND POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The components of net periodic pension cost include the following (Dollars in millions):

	Three months ended April 30,		Six months ended April 30,	
	2013	**2012**	**2013**	**2012**
Service cost	$ 4.2	$ 3.4	$ 8.4	$ 6.8
Interest cost	6.9	7.4	13.8	14.8
Expected return on plan assets	(8.1)	(8.5)	(16.2)	(17.0)
Amortization of prior service cost, initial net asset and net actuarial gain	4.2	3.2	8.4	6.4
Net periodic pension costs	$ 7.2	$ 5.5	$ 14.4	$ 11.0

The Company made $6.8 million in pension contributions in the six months ended April 30, 2013. The Company estimates $13.1 million of pension contributions for the entire 2013 fiscal year.

The components of net periodic cost for postretirement benefits include the following (Dollars in millions):

	Three months ended April 30,		Six months ended April 30,	
	2013	2012	2013	2012
Service cost	$	$	$	$
Interest cost	0.2	0.3	0.4	0.6
Amortization of prior service cost and recognized actuarial gain	(0.4)	(0.4)	(0.8)	(0.8)
Net periodic cost for postretirement benefits	$ (0.2)	$ (0.1)	$ (0.4)	$ (0.2)

NOTE 14 CONTINGENT LIABILITIES

Litigation-related Liabilities

The Company may become involved from time-to-time in litigation and regulatory matters incidental to its business, including governmental investigations, enforcement actions, personal injury claims, product liability, employment claims, health and safety matters, commercial disputes, intellectual property matters, disputes regarding environmental clean-up costs, litigation in connection with acquisitions and divestitures and other matters arising out of the normal conduct of its business. The Company intends to vigorously defend itself in such litigation. The Company does not believe that the outcome of any pending litigation will have a material adverse effect on its consolidated financial statements.

The Company may accrue for contingencies related to litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable and unfavorable resolutions can occur, assessing contingencies is highly subjective and requires judgments about future events. The Company regularly reviews contingencies to determine whether its accruals are adequate. The amount of ultimate loss may differ from these estimates.

Environmental Reserves

As of April 30, 2013 and October 31, 2012, environmental reserves of $26.9 million and $27.5 million, respectively, were included in other long-term liabilities and were recorded on an undiscounted basis. These reserves are principally based on environmental studies and cost estimates provided by third parties, but also take into account management estimates. The estimated liabilities are 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 relevant costs. For sites that involve formal actions subject to joint and several liabilities, these actions have formal agreements in place to apportion the liability. As of April 30, 2013 and October 31, 2012, environmental reserves of the Company included $13.8 million and $13.9 million, respectively, for its blending facility in Chicago, Illinois, $7.3 million and $7.4 million, respectively, for various European drum facilities acquired from Blagden and Van Leer, $3.7 million and $4.2 million, respectively, for its various container life cycle management and recycling facilities acquired in 2011 and 2010, and $2.1 million and $2.0 million for various other facilities around the world.

As of April 30, 2013, Greif estimated that payments for environmental remediation will be $8.0 million in 2013, $3.8 million in 2014, $2.1 million in 2015, $3.8 million in 2016, $2.1 million in 2017 and $7.1 million thereafter. The Company s 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 year, the Company believes that the chance of a series of adverse developments occurring in the same quarter or year is remote. Future information and developments will require the Company to continually reassess the expected impact of these environmental matters.

NOTE 15 EARNINGS PER SHARE

The Company has two classes of common stock and, as such, applies the two-class method of computing earnings per share (EPS) as prescribed in ASC 260, Earnings Per Share . In accordance with this guidance, earnings are allocated first to Class A and Class B Common Stock to the extent that dividends are actually paid and the remainder allocated assuming all of the earnings for the period have been distributed in the form of dividends.

The Company calculates Class A EPS as follows: (i) multiply 40 percent times the average Class A shares outstanding, then divide that amount by the product of 40 percent of the average Class A shares outstanding plus 60 percent of the average Class B shares outstanding to get a percentage, (ii) divide undistributed net income attributable to Greif, Inc. by the average Class A shares outstanding, then (iii) multiply item (i) by item (ii), and finally (iv) add item (iii) to the Class A cash dividend per share. Diluted shares are factored into the Class A calculation.

The Company calculates Class B EPS as follows: (i) multiply 60 percent times the average Class B shares outstanding, then divide that amount by the product of 40 percent of the average Class A shares outstanding plus 60 percent of the average Class B shares outstanding to get a percentage, (ii) divide undistributed net income attributable to Greif, Inc. by the average Class B shares outstanding, then (iii) multiply item (i) by item (ii), and finally (iv) add item (iii) to the Class B cash dividend per share. Class B diluted EPS is identical to Class B basic EPS.

The following table provides EPS information for each period, respectively:

	Three months ended April 30,		Six months ended April 30,	
(In millions, except per share data)	**2013**	**2012**	**2013**	**2012**
Numerator for basic and diluted EPS				
Net income attributable to Greif, Inc.	$ 40.9	$ 39.4	$ 65.8	$ 61.1
Cash dividends	24.6	24.5	49.0	48.8
Undistributed net income attributable to Greif, Inc.	$ 16.3	$ 14.9	$ 16.8	$ 12.3
Denominator for basic EPS				
Class A common stock	25.4	25.1	25.4	25.1
Class B common stock	22.1	22.1	22.1	22.1
Denominator for diluted EPS				
Class A common stock	25.4	25.3	25.4	25.2
Class B common stock	22.1	22.1	22.1	22.1
EPS Basic				
Class A common stock	$ 0.70	$ 0.68	$ 1.13	$ 1.05
Class B common stock	$ 1.05	$ 1.01	$ 1.68	$ 1.57
EPS Diluted				
Class A common stock	$ 0.70	$ 0.67	$ 1.13	$ 1.05
Class B common stock	$ 1.05	$ 1.01	$ 1.68	$ 1.57
Dividends per share				
Class A common stock	$ 0.42	$ 0.42	$ 0.84	$ 0.84
Class B common stock	$ 0.63	$ 0.63	$ 1.25	$ 1.25

Class A Common Stock is entitled to cumulative dividends of one cent a share per year after which Class B Common Stock is entitled to non-cumulative dividends up to a half-cent a share per year. Further distribution in any year must be made in proportion of one cent a share for Class A Common Stock to one and a half cents a share for Class B Common Stock. The Class A Common Stock has no voting rights unless four quarterly cumulative dividends upon the Class A Common Stock are in arrears. The Class B Common Stock has full voting rights. There is no cumulative voting for the election of directors.

Common stock repurchases

The Company s Board of Directors has authorized the purchase of up to four million shares of Class A Common Stock or Class B Common Stock or any combination of the foregoing. During the six months ended April 30, 2013, the Company repurchased no shares of Class A or Class B Common Stock. During the six months ended April 30, 2012, the Company repurchased no shares of Class A Common Stock. During the three and six months ended April 30, 2012, the Company repurchased 1,000 shares of Class B Common Stock. As of April 30, 2013, the Company had repurchased 3,184,272 shares, including 1,425,452 shares of Class A Common Stock and 1,758,820 shares of Class B Common Stock, under this program which were all purchased in prior years. The total cost of the shares repurchased from November 1, 2011 through April 30, 2013 was approximately $0.1 million.

The following table summarizes the Company s Class A and Class B common and treasury shares as of the specified dates:

	Authorized Shares	Issued Shares	Outstanding Shares	Treasury Shares
October 31, 2012:				
Class A Common Stock	128,000,000	42,281,920	25,283,465	16,998,455
Class B Common Stock	69,120,000	34,560,000	22,119,966	12,440,034
April 30, 2013:				
Class A Common Stock	128,000,000	42,281,920	25,424,224	16,857,696
Class B Common Stock	69,120,000	34,560,000	22,119,966	12,440,034

The following is a reconciliation of the shares used to calculate basic and diluted earnings per share:

	Three months ended April 30,		Six months ended April 30,	
	2013	2012	2013	2012
Class A Common Stock:				
Basic shares	25,390,486	25,149,691	25,353,441	25,101,280
Assumed conversion of stock options	43,699	141,404	40,962	134,423
Diluted shares	25,434,185	25,291,095	25,394,403	25,235,703
Class B Common Stock:				
Basic and diluted shares	22,119,966	22,120,666	22,119,966	22,120,816

No stock options were antidilutive for the three and six month periods ended April 30, 2013 and 2012, respectively.

NOTE 16 EQUITY EARNINGS OF UNCONSOLIDATED AFFILIATES, NET OF TAX AND NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS

Equity earnings of unconsolidated affiliates, net of tax

Equity earnings of unconsolidated affiliates, net of tax represent the Company s share of earnings of affiliates in which the Company does not exercise control and has a 20 percent or more voting interest. Investments in such 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. The Company has an equity interest in six such affiliates. Equity earnings of unconsolidated affiliates, net of tax for the three months ended April 30, 2013 and 2012 were $0.2 million and $2.0 million, respectively. Dividends received from the Company s equity method affiliates for the three months ended April 30, 2013 were immaterial and there were no dividends received for the three months ended April 30, 2012. Equity earnings of unconsolidated affiliates, net of tax for the six months ended April 30, 2013 and 2012 were $0.3 million and $2.0 million, respectively. Dividends received from the Company s equity method affiliates for the six months ended April 30, 2013 were immaterial and there were no dividends received for the six months ended April 30, 2012. The Company has made loans to an entity deemed a VIE and accounted for as an unconsolidated equity investment. These loans bear interest at various interest rates. The original principal balance of these loans was $22.2 million. As of April 30, 2013, these loans had an outstanding balance of $16.3 million.

Net (income) loss attributable to noncontrolling interests

Net (income) loss attributable to noncontrolling interests represent the portion of earnings or losses from the operations of the Company s consolidated subsidiaries attributable to unrelated third party equity owners that were (deducted from)/added to net income to arrive at net income attributable to the Company. Net (income) loss attributable to noncontrolling interests for the three months ended April 30, 2013 and 2012 was ($2.1) million and $0.2 million, respectively. Net (income) loss attributable to noncontrolling interests for the six months ended April 30, 2013 and 2012 was ($3.4) million and ($0.9) million, respectively.

NOTE 17 SHAREHOLDERS EQUITY

The components of Shareholders Equity from October 31, 2012 to April 30, 2013 (Dollars in millions, shares in thousands):

	Capital Stock		Treasury Stock				Accumulated Other Comprehensive	
	Common Shares	Amount	Treasury Shares	Amount	Retained Earnings	Noncontrolling interests	Income (Loss)	Shareholders Equity
As of October 31, 2012	47,403	$ 123.8	29,439	$ (131.4)	$ 1,404.4	$ 119.6	$ (196.0)	$ 1,320.4
Net income					65.8	3.4		69.2
Other comprehensive income (loss):								
- foreign currency translation						2.9	(7.3)	(4.4)
- Reclassification of cash flow hedges to earnings, net of income tax benefit of $0.2 million							0.2	0.2
- Unrealized loss on cash flow hedges, net of income tax expense of $0.2 million							(0.1)	(0.1)
- minimum pension liability adjustment, net of income tax expense of $0.3 million							0.8	0.8
Comprehensive income								65.7
Noncontrolling interests and other						(3.8)		(3.8)
Dividends paid					(49.0)			(49.0)
Stock options exercised	66	0.9	(66)	0.1				1.0
Restricted stock executives and directors	21	1.0	(21)	0.1				1.1
Long-term incentive shares issued	54	2.1	(54)	0.1				2.2
As of April 30, 2013	47,544	$ 127.8	29,298	$ (131.1)	$ 1,421.2	$ 122.1	$ (202.4)	$ 1,337.6

NOTE 18 BUSINESS SEGMENT INFORMATION

The Company has five operating segments, which are aggregated into four reportable business segments: Rigid Industrial Packaging & Services, Flexible Products & Services, Paper Packaging, and Land Management.

Operations in the Rigid Industrial Packaging & Services segment involve the production and sale 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. The Company s rigid industrial packaging products are sold to customers in industries such as chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical and mineral, among others.

Operations in the Flexible Products & Services segment involve the production and sale of flexible intermediate bulk containers and related services on a global basis and the sale of industrial and consumer shipping sacks and multiwall bag products in North America. The Company s flexible intermediate bulk containers are constructed from a polypropylene-based woven fabric that is produced at its fully integrated production sites, as well as sourced from strategic regional suppliers. Flexible products are sold to customers and in market segments similar to those of the Company s Rigid Industrial Packaging & Services segment. Additionally, the Company s flexible products significantly expand its presence in the agricultural and food industries, among others. The Company s 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.

Operations in the Paper Packaging segment involve the production and sale of containerboard, corrugated sheets, corrugated containers and other corrugated products to customers in North America. The Company s corrugated container products are used to ship such diverse products as home appliances, small machinery, grocery products, automotive components, books and furniture, as well as numerous other applications.

Operations in the Land Management segment involve the management and sale of timber and special use properties from approximately 269,550 acres of timber properties in the southeastern United States, which are actively managed, and 11,850 acres of timber properties in Canada. Land Management s operations focus 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, the Company seeks to maintain a consistent cutting schedule, within the limits of market and weather conditions. The Company also sells, from time to time, timberland and special use properties, which consists of surplus properties, HBU properties, and development properties.

The Company s reportable business segments offer different products and services. The accounting policies of the reportable business segments are substantially the same as those described in the Basis of Presentation and Summary of Significant Accounting Policies note in the 2012 Form 10-K.

The following segment information is presented for the periods indicated (Dollars in millions):

	Three months ended April 30,		Six months ended April 30,	
	2013	2012	2013	2012
Net sales				
Rigid Industrial Packaging & Services	$ 773.4	$ 803.0	$ 1,477.8	$ 1,506.4
Flexible Products & Services	112.4	113.9	223.8	228.7
Paper Packaging	194.5	173.4	378.7	341.5
Land Management	8.6	7.9	17.2	14.4
Total net sales	$ 1,088.9	$ 1,098.2	$ 2,097.5	$ 2,091.0
Operating profit:				
Rigid Industrial Packaging & Services	$ 53.2	$ 56.0	$ 85.3	$ 87.0
Flexible Products & Services	0.8	(1.9)	1.4	0.4
Paper Packaging	25.7	17.1	53.4	37.3
Land Management	4.2	7.1	8.4	10.1
Total operating profit	$ 83.9	$ 78.3	$ 148.5	$ 134.8
Depreciation, depletion and amortization expense:				
Rigid Industrial Packaging & Services	$ 26.6	$ 27.3	$ 53.5	$ 53.2
Flexible Products & Services	3.7	3.8	7.2	7.7
Paper Packaging	7.4	7.8	15.4	15.7
Land Management	1.2	0.8	2.3	1.8
Total depreciation, depletion and amortization expense	$ 38.9	$ 39.7	$ 78.4	$ 78.4

The following table presents net sales to external customers by geographic area (Dollars in millions):

	Three months ended April 30,		Six months ended April 30,	
	2013	2012	2013	2012
Net sales:				
North America	$ 513.3	$ 506.6	$ 989.4	$ 960.0
Europe, Middle East and Africa	413.5	423.9	784.1	802.2
Asia Pacific and Latin America	162.1	167.7	324.0	328.8
Total net sales	$ 1,088.9	$ 1,098.2	$ 2,097.5	$ 2,091.0

The following table presents total assets by segment and geographic area (Dollars in millions):

	April 30, 2013	October 31, 2012
Assets:		
Rigid Industrial Packaging & Services	$ 2,436.1	$ 2,484.7
Flexible Products & Services	381.7	363.8
Paper Packaging	409.0	401.7
Land Management	282.3	280.5
Total segments	3,509.1	3,530.7
Corporate and other	384.1	326.2
Total assets	$ 3,893.2	$ 3,856.9
Assets:		
North America	$ 1,733.8	$ 1,717.2
Europe, Middle East and Africa	1,580.4	1,555.0
Asia Pacific and Latin America	579.0	584.7
Total assets	$ 3,893.2	$ 3,856.9

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The terms Greif, our company, we, us and our as used in this discussion refer to Greif, Inc. and its subsidiaries. Our fiscal year begins on November 1 and ends on October 31 of the following year. Any references in this Form 10-Q to the years 2013 or 2012, or to any quarter of those years, relates to the fiscal year or quarter, as the case may be, ended 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 April 30, 2013 and October 31, 2012, and for the consolidated statements of operations for the three and six months ended April 30, 2013 and 2012. This discussion and analysis should be read in conjunction with the consolidated financial statements that appear elsewhere in this Form 10-Q and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2012 (the 2012 Form 10-K). Readers are encouraged to review the entire 2012 Form 10-K, as it includes information regarding Greif not discussed in this Form 10-Q. This information will assist in your understanding of the discussion of our current period financial results. Certain prior year amounts have been reclassified to conform to the current year presentation.

All statements, other than statements of historical facts, included in this Form 10-Q, 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 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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 track or target or the negative thereof or variat terminology. All forward-looking statements made in this Form 10-Q are based on information currently available to management. 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. Such risks and uncertainties that might cause a difference include, but are not limited to, the following: (i) the current and future challenging global economy may adversely affect our business, (ii) historically, our business has been sensitive to changes in general economic or business conditions, (iii) our operations are subject to currency exchange and political risks that could adversely affect our results of operations (iv) the continuing consolidation of our customer base and suppliers may intensify pricing pressure, (v) we operate in highly competitive industries, (vi) our business is sensitive to changes in industry demands, (vii) raw material and energy price fluctuations and shortages may adversely impact our manufacturing operations and costs, (viii) we may encounter difficulties arising from acquisitions, (ix) we may incur additional restructuring costs and there is no guarantee that our efforts to reduce costs will be successful, (x) tax legislation initiatives or challenges to our tax positions may adversely impact our financial results or condition, (xi) several operations are conducted by joint ventures that we cannot operate solely for our benefit, (xii) our ability to attract, develop and retain talented employees, managers and executives is critical to our success, (xiii) our business may be adversely impacted by work stoppages and other labor relations matters, (xiv) we may be subject to losses that might not be covered in whole or in part by existing insurance reserves or insurance coverage, (xv) our business depends on the uninterrupted operations of our facilities, systems and business functions, including our information technology and other business systems, (xvi) legislation/regulation related to climate change, environmental and health and safety matters and corporate social responsibility could negatively impact our operations and financial performance, (xvii) product liability claims and other legal proceedings could adversely affect our operations and financial performance, (xviii) we may incur fines or penalties, damage to 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, (xix) changing climate conditions may adversely affect our operations and financial performance, and (xx) the frequency and volume of our timber and timberland sales will impact our financial performance. The risks described above 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. For a more detailed discussion of the most significant risks and uncertainties that could cause our actual results to differ materially from those projected, see Risk Factors in Part I, Item 1A of our Form 10-K for the year ended October 31, 2012 and our other filings with the Securities and Exchange Commission. All forward-looking statements made in this Form 10-Q 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.

OVERVIEW

Business Segments

We have five operating segments, which are aggregated into four reportable business segments: Rigid Industrial Packaging & Services; Flexible Products & Services; Paper Packaging; and Land Management.

We are a leading global producer 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 and services to customers in industries such as chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical and mineral, among others.

We are a leading global producer of flexible intermediate bulk containers and related services on a global basis and the sale of industrial and consumer shipping sacks and multiwall bag products in North America. Our flexible intermediate bulk containers consist of a polypropylene-based woven fabric that is partly produced at our fully integrated production sites, as well as sourced from strategic regional suppliers. Our flexible products are sold to customers and in market segments similar to those in 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. Our corrugated container products are used to ship such diverse products as home appliances, small machinery, grocery products, automotive components, books and furniture, as well as numerous other applications.

As of April 30, 2013, we owned approximately 269,550 acres of timber properties in the southeastern United States, which are actively managed, and approximately 11,850 acres of timber properties in Canada. 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 consist of surplus properties, higher and better use (HBU) properties, and development properties.

Greif Business System

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 as of the date of our consolidated financial statements.

Our significant accounting policies are discussed in Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operation of the 2012 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.

Other items that could have a significant impact on the financial statements include the risks and uncertainties listed in Part I, Item 1A Risk Factors, of the 2012 Form 10-K. Actual results could differ materially using different estimates and assumptions, or if conditions are significantly different in the future.

RESULTS OF OPERATIONS

The following comparative information is presented for the three and six month periods ended April 30, 2013 and 2012. Historically, revenues and earnings may or may not be representative of future operating results attributable to various economic and other factors.

The non-GAAP financial measure of EBITDA is used throughout the following discussion of our results of operations. 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. Since we do not calculate net income by segment, EBITDA by segment is reconciled to operating profit by segment. We use EBITDA as one of the financial measures to evaluate our historical and ongoing operations.

Second Quarter Results

The following table sets forth the net sales, operating profit and EBITDA* for each of our business segments for the three month periods ended April 30, 2013 and 2012 (Dollars in millions):

	Three months ended April 30, 2013	2012
Net sales:		
Rigid Industrial Packaging & Services	$ 773.4	$ 803.0
Flexible Products & Services	112.4	113.9
Paper Packaging	194.5	173.4
Land Management	8.6	7.9
Total net sales	$ 1,088.9	$ 1,098.2
Operating profit:		
Rigid Industrial Packaging & Services	$ 53.2	$ 56.0
Flexible Products & Services	0.8	(1.9)
Paper Packaging	25.7	17.1
Land Management	4.2	7.1
Total operating profit	$ 83.9	$ 78.3
EBITDA*:		
Rigid Industrial Packaging & Services	$ 80.9	$ 82.1
Flexible Products & Services	3.4	0.5
Paper Packaging	32.3	24.8
Land Management	5.4	7.9
Total EBITDA	$ 122.0	$ 115.3

The following table sets forth EBITDA*, reconciled to net income and operating profit, for our consolidated results for the three month periods ended April 30, 2013 and 2012 (Dollars in millions):

For the three months ended April 30,	**2013**	**2012**
Net income	$ 43.0	$ 39.2
Plus: interest expense, net	21.4	23.3
Plus: income tax expense	18.9	15.1
Plus: depreciation, depletion and amortization expense	38.9	39.7
Plus: debt extinguishment charges		
Less: equity earnings of unconsolidated affiliates, net of tax	0.2	2.0
EBITDA*	$ 122.0	$ 115.3
Net income	$ 43.0	$ 39.2
Plus: interest expense, net	21.4	23.3
Plus: income tax expense	18.9	15.1
Plus: other expense (income), net	0.8	2.7
Plus: debt extinguishment charges		
Less: equity earnings of unconsolidated affiliates, net of tax	0.2	2.0
Operating profit	83.9	78.3

Less: other expense (income), net	0.8	2.7
Plus: depreciation, depletion and amortization expense	38.9	39.7
EBITDA*	$ 122.0	$ 115.3

* 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.

The following table sets forth EBITDA* for our business segments, reconciled to the operating profit for each segment, for the three month periods ended April 30, 2013 and 2012 (Dollars in millions):

For the three months ended April 30,	2013	2012
Rigid Industrial Packaging & Services		
Operating profit	$ 53.2	$ 56.0
Less: other (income) expense, net	(1.1)	1.2
Plus: depreciation and amortization expense	26.6	27.3
EBITDA*	80.9	82.1
Flexible Products & Services		
Operating profit	$ 0.8	$ (1.9)
Less: other (income) expense, net	1.1	1.4
Plus: depreciation and amortization expense	3.7	3.8
EBITDA*	3.4	0.5
Paper Packaging		
Operating profit	$ 25.7	$ 17.1
Less: other (income) expense, net	0.8	0.1
Plus: depreciation and amortization expense	7.4	7.8
EBITDA*	32.3	24.8
Land Management		
Operating profit	$ 4.2	$ 7.1
Plus: depreciation, depletion and amortization expense	1.2	0.8
EBITDA*	$ 5.4	$ 7.9
Consolidated EBITDA	$ 122.0	$ 115.3

* 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. However, because we do not calculate net income by segment, this table calculates EBITDA by segment with reference to operating profit by segment, which as demonstrated in the table on page 30 is another method to achieve the same result.

Net Sales

Net sales were $1,088.9 million for the second quarter of 2013 compared with $1,098.2 million for the second quarter of 2012. The second quarter 2013 net sales change by segment compared with the same period in 2012 was Paper Packaging ($21.1 million increase), Land Management ($0.7 million increase), Flexible Products & Services ($1.5 million decrease) and Rigid Industrial Packaging & Services ($29.6 million decrease).

The decrease in net sales of 0.8 percent was primarily due to the impact of a 0.5 percent increase in volumes, offset by a 0.5 percent decline in selling prices and a 0.8 percent negative impact of foreign currency translation. Higher selling prices for containerboard products were more than offset by lower selling prices for rigid industrial packaging products and polywoven products.

Operating Costs

Gross profit decreased 1.4 percent to $202.6 million for the second quarter of 2013 compared with $205.5 million for the second quarter of 2012. Improvements in the Paper Packaging segment were more than offset by a decline in the Rigid Industrial Packaging & Services and Flexible Products & Services segments. Gross profit was 18.6 percent of net sales for the second quarter of 2013 versus 18.7 percent of net sales for the second quarter of 2012.

SG&A expenses increased to $121.9 million for the second quarter of 2013 compared with $119.1 million for the second quarter of 2012. The increase was principally due to start-up costs related to the expansion of the rigid IBC business globally and higher information technology expenditures. There were $1.8 million of non-cash impairment charges related to surplus non-timber properties under contract or being marketed for sale in the second quarter of 2013 compared with $2.4 million in the second quarter of 2012. Included in SG&A expenses are acquisition-related costs, which were immaterial for the second quarter 2013, compared to $1.2 million for the second quarter 2012. SG&A expenses, as a percentage of net sales, were 11.2 percent for the second quarter of 2013 compared with 10.9 percent for the second quarter of 2012.

Restructuring Charges

Second quarter 2013 restructuring charges were immaterial. Second quarter 2012 restructuring charges of $10.1 million, primarily related to consolidation of operations in the Flexible Products & Services segment and rationalization of operations in the Rigid Industrial Packaging & Services segment, consisted of $3.0 million in employee separation costs, $3.2 million of asset impairments and $3.9 million in other costs. Refer to Note 7 to the Consolidated Financial Statements included in Item I of Part I of this Form 10-Q for additional disclosures regarding our restructuring activities.

Acquisition-Related Costs

Second quarter 2013 acquisition-related costs were immaterial. Second quarter 2012 acquisition-related costs were $1.2 million and consisted of $0.2 million of acquisition-related costs and $1.0 million of post-acquisition integration costs associated with integrating acquired companies, such as costs associated with implementing the Greif Business System, sourcing and supply chain initiatives, and finance and administrative reorganizations.

Gain on Disposal of Properties, Plants and Equipment, net

The gain on disposal of properties, plants and equipment, net, increased to $3.1 million for the second quarter 2013 compared to $2.0 million for the same period in 2012. This increase was primarily due to the sale of land and a building in China as well as proceeds from an insurance claim in Europe in the second quarter 2013, compared to the sale of surplus machinery in the Paper Packaging segment in the second quarter 2012. There was a decrease in the gain on disposal of special-use properties in the Land Management segment to $0.5 million for second quarter of 2013 compared to $3.9 million for the same period in 2012.

Operating Profit

Operating profit increased to $83.9 million for the second quarter of 2013 compared to $78.3 million for the second quarter of 2012. The $5.6 million increase was primarily due to lower restructuring charges and improved results in the Paper Packaging segment and consisted of Paper Packaging ($8.6 million increase), Flexible Products & Services ($2.7 million increase), Rigid Industrial Packaging & Services ($2.8 million decrease) and Land Management ($2.9 million decrease).

EBITDA

EBITDA increased to $122.0 million for the second quarter of 2013 compared to $115.3 million for the second quarter of 2012. The $6.7 million increase was primarily due to lower restructuring charges and improved results in the Paper Packaging and Flexible Products & Services segments, partially offset by lower results in the Land Management and Rigid Industrial Packaging & Services segments. Depreciation, depletion and amortization expense was $38.9 million for the second quarter of 2013 compared with $39.7 million for the same period in 2012.

Trends

Markets are gradually improving across our business notwithstanding ongoing concerns regarding economic conditions in Western Europe. Volume growth in the Rigid Industrial Packaging & Services and Paper Packaging segments and stable to slightly lower raw material costs contributed to our improved performance. For the second half of 2013, we anticipate an increase in volumes versus the prior year, reflecting modest global economic growth benefiting from the agricultural sector plus relatively stable to declining raw material costs and favorable market conditions in our Paper Packaging segment. We continue to manage our cost structure consistent with demand and leverage our global footprint to realize increased profitability for the full-year results.

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, water bottles and reconditioned containers and services, such as container life cycle services, blending, filing, logistics, warehousing and other packaging services. 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, containerboard and used industrial packaging for reconditioning;
- Energy and transportation costs;
- Benefits from executing the Greif Business System;
- Restructuring charges;
- Contributions from acquisitions;
- Divestiture of facilities; and
- Impact of foreign currency translation.

Net sales were $773.4 million for the second quarter of 2013 compared with $803.0 million for the second quarter of 2012. Sales volumes were slightly lower (0.3 percent) and selling prices declined by 2.4 percent, primarily resulting from the pass-through of lower raw material costs and changes in product mix. The impact of foreign currency translation was a negative 1.0 percent. Economic conditions stabilized but remained challenging in Western Europe while changes in product mix accounted for most of the net sales decline in the Americas.

Gross profit was $136.7 million for the second quarter of 2013 compared with $146.6 million for the second quarter of 2012. Gross profit margin was 17.7 percent and 18.3 percent for the second quarters of 2013 and 2012, respectively. This decline was primarily due to changes in product mix in the Americas.

Operating profit decreased to $53.2 million for the second quarter of 2013 from $56.0 million for the second quarter of 2012. The $2.8 million decrease was primarily due to the same factors that impacted the decline in gross profit margin and $0.9 million in non-cash asset write-downs partially offset by lower restructuring charges and acquisition-related costs.

Restructuring charges for the second quarter of 2013 were immaterial compared with $5.5 million for the same period in 2012. There were $0.1 million and $0.8 million of acquisition-related costs for the second quarters of 2013 and 2012, respectively.

EBITDA was $80.9 million for the second quarter of 2013 compared with $82.1 million for the same period in 2012 due to the same factors that impacted the segment s operating profit. Depreciation, depletion and amortization expense was $26.6 million for the second quarter of 2013 compared with $27.3 million for the same period in 2012.

Flexible Products & Services

Our Flexible Products & Services segment offers a comprehensive line of flexible products, such as flexible intermediate bulk containers and multiwall bags. 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;
- Restructuring charges; and
- Impact of foreign currency translation.

Net sales were $112.4 million for the second quarter of 2013 compared with $113.9 million for the second quarter of 2012. Volumes increased slightly (0.4 percent) due to higher polywoven volumes in Western Europe partially offset by lower polywoven volumes in Asia and Australia and lower multiwall volumes in the United States, and the negative impact of foreign currency translation (1.1 percent). Polywoven selling prices declined 0.7 percent while multiwall selling prices increased 0.4 percent, both principally due to changes in product mix.

Gross profit was $20.6 million and $22.1 million for the second quarters of 2013 and 2012, respectively. Gross profit margin decreased to 18.3 percent for the second quarter of 2013 from 19.4 percent for the second quarter of 2012. The decrease in gross profit was primarily due to higher polywoven production costs related to the ongoing consolidation of operations and start-up costs related to new facilities, including the fabric hub in Saudi Arabia.

Operating profit was $0.8 million for the second quarter of 2013 compared with an operating loss of $1.9 million for the second quarter of 2012. The $2.7 million increase was primarily due to lower restructuring charges and acquisition-related costs in the second quarter of 2013, partially offset by the same factors that impacted the decline in gross profit. There were also $1.3 million of additional bad debt expenses in the second quarter of 2013 compared with the same period in 2012.

Restructuring charges were immaterial for the second quarter of 2013 compared with $4.6 million for the same period in 2012. There were no acquisition-related costs for the second quarter of 2013 compared with $0.4 million in the second quarter of 2012.

EBITDA was $3.4 million and $0.5 million for the second quarters of 2013 and 2012, respectively due to the same factors that impacted the segment s operating profit. Depreciation, depletion and amortization expense was $3.7 million and $3.8 million for the second quarters of 2013 and 2012, respectively.

Paper Packaging

Our Paper Packaging segment sells containerboard, corrugated sheets and corrugated containers in North America. 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; and
- Divestiture of facilities.

Net sales were $194.5 million for the second quarter of 2013 compared with $173.4 million for the second quarter of 2012. This increase was due to higher selling prices (8.6 percent) and a 3.5 percent increase in volumes.

Gross profit was $41.1 million and $33.0 million for the second quarters of 2013 and 2012, respectively. Gross profit margin increased to 21.1 percent for the second quarter of 2013 from 19.0 percent for the second quarter of 2012. This increase was primarily due to higher selling prices coupled with lower raw material costs.

Operating profit increased 50.3 percent to a record $25.7 million for the second quarter of 2013 from $17.1 million for the second quarter of 2012. This increase was primarily due to higher selling prices, higher volumes and lower raw material costs. There were $1.6 million of non-cash impairment charges related to surplus non-timber properties under contract or being marketed for sale in the second quarter of 2013 compared with $2.4 million in the second quarter of 2012.

EBITDA increased to $32.3 million for the second quarter of 2013 compared with $24.8 million for the second quarter of 2012 due to the same factors that impacted the segment s operating profit. Depreciation, depletion and amortization expense was $7.4 million and $7.8 million for the second quarters of 2013 and 2012, respectively.

Land Management

As of April 30, 2013, our Land Management segment consisted of approximately 269,550 acres of timber properties in the southeastern United States, which are actively harvested and regenerated, and approximately 11,850 acres of timber properties in Canada. 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 disposal of special use properties (surplus, HBU and development properties).

Net sales were $8.6 million for the second quarter of 2013 compared with $7.9 million for the second quarter of 2012. This increase was primarily due to opportunistic timber sales from wet weather logging tracts.

Operating profit decreased to $4.2 million for the second quarter of 2013 from $7.1 million for the second quarter of 2012. This decrease was primarily due to fewer special use property disposals, which were $0.5 million for the second quarter of 2013 versus $3.9 million for the second quarter of 2012.

EBITDA was $5.4 million and $7.9 million for the second quarters of 2013 and 2012, respectively, due to the same factors that impacted the segment s operating profit. Depreciation, depletion and amortization expense was $1.2 million and $0.8 million for the second quarter of 2013 and 2012, respectively.

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 disposal 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, development and surplus property is 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 water, 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 April 30, 2013, we estimated that there were approximately 45,750 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.

Other Income Statement Changes

Interest expense, net

Interest expense, net, was $21.4 million for the second quarter of 2013 compared with $23.3 million for the second quarter of 2012. This decrease was due to lower outstanding debt compared with the second quarter of 2012 and lower average interest rates.

Other expense, net

Other expense, net was $0.8 million for the second quarter 2013 compared to $2.7 million for the second quarter 2012. The change was primarily due to foreign exchange gains in the second quarter 2013 compared with foreign exchange losses in the second quarter 2012.

Income tax expense

Income tax expense was $18.9 million and $15.1 million for the second quarters of 2013 and 2012, respectively. This increase in tax expense was attributable to higher income and an increase in the proportion of income generated in higher tax jurisdictions.

Our effective tax rate was 30.6 percent and 28.9 percent for the second quarters of 2013 and 2012, respectively. The increase was due to a higher proportion of income generated in higher tax jurisdictions. Cash tax payments for the second quarter of 2013 were $24.0 million.

Equity earnings of unconsolidated affiliates, net of tax

We recorded $0.2 million of equity earnings of unconsolidated affiliates, net of tax, during the second quarter 2013 compared to $2.0 million for the same period in 2012.

Net (income) loss attributable to noncontrolling interests

Net income attributable to noncontrolling interests represents 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 for the second quarters of 2013 and 2012 was $2.1 million and ($0.2) million, respectively.

Net income attributable to Greif, Inc.

Based on the factors noted above, net income attributable to Greif, Inc. was $40.9 million for the second quarter of 2013 compared to $39.4 million for the second quarter of 2012.

Year-to-Date Results

The following table sets forth the net sales, operating profit and EBITDA* for each of our business segments for the six month periods ended April 30, 2013 and 2012 (Dollars in millions):

	Six months ended April 30, 2013	2012
Net sales:		
Rigid Industrial Packaging & Services	$ 1,477.8	$ 1,506.4
Flexible Products & Services	223.8	228.7
Paper Packaging	378.7	341.5
Land Management	17.2	14.4
Total net sales	$ 2,097.5	$ 2,091.0
Operating profit:		
Rigid Industrial Packaging & Services	$ 85.3	$ 87.0
Flexible Products & Services	1.4	0.4
Paper Packaging	53.4	37.3
Land Management	8.4	10.1
Total operating profit	$ 148.5	$ 134.8
EBITDA*:		
Rigid Industrial Packaging & Services	$ 136.1	$ 138.6
Flexible Products & Services	7.2	7.0
Paper Packaging	69.0	53.2
Land Management	10.7	11.9
Total EBITDA	$ 223.0	$ 210.7

The following table sets forth EBITDA*, reconciled to net income and operating profit, for our consolidated results for the six month periods ended April 30, 2013 and 2012 (Dollars in millions):

For the six months ended April 30,	2013	2012
Net income	$ 69.2	$ 62.0
Plus: interest expense, net	43.0	46.2
Plus: income tax expense	31.4	26.1
Plus: depreciation, depletion and amortization expense	78.4	78.4
Plus: debt extinguishment charges	1.3	
Less: equity earnings of unconsolidated affiliates, net of tax	0.3	2.0
EBITDA*	$ 223.0	$ 210.7
Net income	$ 69.2	$ 62.0
Plus: interest expense, net	43.0	46.2
Plus: income tax expense	31.4	26.1
Plus: other expense (income), net	3.9	2.5
Plus: debt extinguishment charges	1.3	
Less: equity earnings of unconsolidated affiliates, net of tax	0.3	2.0
Operating profit	148.5	134.8

Less: other expense (income), net	3.9	2.5
Plus: depreciation, depletion and amortization expense	78.4	78.4
EBITDA*	$ 223.0	$ 210.7

* 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.

The following table sets forth EBITDA* for our business segments, reconciled to the operating profit for each segment, for the six month periods ended April 30, 2013 and 2012 (Dollars in millions):

For the six months ended April 30,	2013	2012
Rigid Industrial Packaging & Services		
Operating profit	$ 85.3	$ 87.0
Less: other (income) expense, net	2.7	1.6
Plus: depreciation and amortization expense	53.5	53.2
EBITDA*	136.1	138.6
Flexible Products & Services		
Operating profit	$ 1.4	$ 0.4
Less: other (income) expense, net	1.4	1.1
Plus: depreciation and amortization expense	7.2	7.7
EBITDA*	7.2	7.0
Paper Packaging		
Operating profit	$ 53.4	$ 37.3
Less: other (income) expense, net	(0.2)	(0.2)
Plus: depreciation and amortization expense	15.4	15.7
EBITDA*	69.0	53.2
Land Management		
Operating profit	$ 8.4	$ 10.1
Plus: depreciation, depletion and amortization expense	2.3	1.8
EBITDA*	$ 10.7	$ 11.9
Consolidated EBITDA	$ 223.0	$ 210.7

* 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. However, because we do not calculate net income by segment, this table calculates EBITDA by segment with reference to operating profit by segment, which as demonstrated in the table on page 30 is another method to achieve the same result.

Net Sales

Net sales were $2,097.5 million for the first half of 2013 compared with $2,091.0 million for the first half of 2012. The first half 2013 net sales change by segment compared with the same period in 2012 was Paper Packaging ($37.2 million increase), Land Management ($2.8 million increase), Flexible Products & Services ($4.9 million decrease) and Rigid Industrial Packaging & Services ($28.6 million decrease).

The increase in net sales of 0.3 percent was primarily due to a 1.0 percent increase in volumes, partially offset by a 0.3 percent decline in selling prices and a 0.4 percent negative impact of foreign currency translation. Higher containerboard prices in Paper Packaging were more than offset by selling price decreases resulting from the pass-through of lower raw material costs and changes in product mix in Rigid Industrial Packaging & Services and Flexible Products.

Operating Costs

Gross profit increased 1.8 percent to $389.9 million for the first half of 2013 compared with $382.9 million for the first half of 2012. This increase was primarily due to lower raw material costs and improved operating leverage and efficiencies in the first half of 2013. Gross profit margin improved to 18.6 percent for the first half of 2013 compared to 18.3 percent for the first half of 2012.

SG&A expenses increased to $244.5 million for the first half of 2013 compared with $232.2 million for the first half of 2012. First half of 2013 employee-related expenses, including performance-based incentive accruals, IBC start-up costs and information technology expenditures were higher compared to the same period in 2012, partially offset by lower acquisition-related costs of $0.6 million for the first half of 2013 compared with $3.4 million for the first half of 2012. SG&A expenses, as a percentage of net sales, were 11.7 percent for the first half of 2013 compared with 11.1 percent for the first half of 2012.

Restructuring Charges

First half of 2013 restructuring charges of $1.2 million, primarily related to the rationalization of operations in the Rigid Industrial Packaging & Services segment, consisted of ($0.4) million of employee separation costs, $0.5 million in asset impairments and $1.1 million in other restructuring costs, primarily consisting of lease termination costs and professional fees. First half of 2012 restructuring charges of $19.0 million, primarily related to consolidation of operations in the Flexible Products & Services segment and rationalization of operations in the Rigid Industrial Packaging and Services segment, consisted of $8.2 million in employee separation costs, $4.9 million of asset impairments and $5.9 million in other costs. Refer to Note 7 to the Consolidated Financial Statements included in Item I of Part I of this Form 10-Q for additional disclosures regarding our restructuring activities.

Acquisition-Related Costs

Acquisition-related costs were $0.6 million and $3.4 million for the first half 2013 and 2012, respectively. For the first half 2013, these costs included $0.2 million of acquisition-related costs and $0.4 million of post-acquisition integration costs attributable to acquisitions completed during 2011. The first half 2012 amount included $1.4 million of acquisition-related costs and $2.0 million of post-acquisition integration costs associated with integrating acquired companies, such as costs associated with implementing the Greif Business System, sourcing and supply chain initiatives, and finance and administrative reorganizations.

Gain on Disposal of Properties, Plants and Equipment, net

The gain on disposal of properties, plants and equipment, net, increased to $4.3 million for the first half 2013 compared to $3.1 million for the same period in 2012. This increase was primarily due to the sale of land and a building in China, proceeds from an insurance claim in Europe and the sale of excess machinery in the Paper Packaging segment. There was a decrease in the gains on sales of special-use properties in the Land Management segment to $0.7 million for first half of 2013 compared to $4.2 million for the same period in 2012.

Operating Profit

Operating profit was $148.5 million for the first half of 2013 compared to $134.8 million for the first half of 2012. The $13.7 million increase consisted of Paper Packaging ($16.1 million increase), Flexible Products & Services ($1.0 million increase), Land Management ($1.7 million decrease) and Rigid Industrial Packaging & Services ($1.7 million decrease).

EBITDA

EBITDA was $223.0 million for the first half of 2013 compared with $210.7 for the first half of 2012. The $12.3 million increase was primarily due to improved results in the Paper Packaging segment partially offset by slightly lower results in the Land Management and Rigid Industrial Packaging & Services segments. Depreciation, depletion and amortization expense was $78.4 million for both the first half of 2013 and 2012.

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, water bottles and reconditioned containers and services, such as container life cycle services, blending, filing, logistics, warehousing and other packaging services. 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, containerboard and used industrial packaging for reconditioning;

- Energy and transportation costs;

Benefits from executing the Greif Business System;

Restructuring charges;

Contributions from acquisitions;

Divestiture of facilities; and

Impact of foreign currency translation.

Net sales were $1,477.8 million for the first half of 2013 compared with $1,506.4 million for the first half of 2012. A 0.6 percent increase in volumes was offset by the combination of a 1.9 percent decrease in selling prices and a 0.6 percent negative impact of foreign currency translation. Economic conditions remained challenging in Western Europe while volumes in other regions were stable to slightly higher. Selling prices declined mostly due to the pass-through of lower raw material costs and changes in product mix.

Gross profit decreased to $257.0 million for the first half of 2013 from $266.0 million for the first half of 2012. Gross profit margin was 17.4 percent for the first half of 2013 compared to 17.7 percent for the first half of 2012. This decline was primarily due to changes in product mix in the Americas.

Operating profit decreased to $85.3 million for the first half of 2013 from $87.0 million for the first half of 2012. The $1.7 million decrease was primarily due to the same reasons as the decline in gross profit margin plus non-cash asset write-downs, partially offset by lower restructuring charges and acquisition-related costs.

There were $0.9 million of restructuring charges for the first half of 2013, primarily related to rationalization of operations, compared with $12.8 million for the same period in 2012. There were $0.6 million and $2.5 million of acquisition-related costs for the first half of 2013 and 2012, respectively.

EBITDA was $136.1 million for the first half of 2013 compared with $138.6 million for the same period in 2012, due to the same factors that impacted the segment s operating profit. Depreciation, depletion and amortization expense was $53.5 million for the first half of 2013 compared with $53.2 million for the same period in 2012.

Flexible Products & Services

Our Flexible Products & Services segment offers a comprehensive line of flexible products, such as flexible intermediate bulk containers and multiwall bags. 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;

Restructuring charges; and

Impact of foreign currency translation.

Net sales were $223.8 million for the first half of 2013 compared with $228.7 million for the first half of 2012. This 2.1 percent decrease was primarily due to a 0.8 percent increase in volumes mostly from multiwall products in the United States offset by a 2.5 percent decrease in selling prices and a 0.4 percent negative impact of foreign currency translation. Volumes were lower for polywoven products due to the impact of market conditions, especially in Asia and Australia, partially offset by slightly improved volumes in Europe.

Gross profit was $41.5 million and $45.8 million for the first half of 2013 and 2012, respectively. Gross profit margin decreased to 18.5 percent for the first half of 2013 from 20.0 percent for the first half of 2012, primarily due to pricing pressures in multiwall bags and higher polywoven production costs related to the ongoing consolidation of operations and start-up costs related to new facilities, including the fabric hub in Saudi Arabia.

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Operating profit was $1.4 million and $0.4 million for the first half of 2013 and 2012, respectively. The $1.0 million increase compared with the same period in 2012 was primarily due to lower restructuring charges and acquisition-related costs, partially offset by the same factors that impacted the decrease in gross profit.

There were $0.3 million of restructuring charges for the first half of 2013 compared with $6.2 million for the same period in 2012. There were no acquisition-related costs for the first half of 2013 compared with $0.9 million in the first half of 2012.

EBITDA was $7.2 million and $7.0 million for the first half of 2013 and 2012, respectively, due to the same factors that impacted the segment s operating profit. Depreciation, depletion and amortization expense was $7.2 million and $7.7 million for the first half of 2013 and 2012, respectively.

Paper Packaging

Our Paper Packaging segment sells containerboard, corrugated sheets and corrugated containers in North America. 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; and

Divestiture of facilities.

Net sales were $378.7 million for the first half of 2013 compared with $341.5 million for the first half of 2012. This 10.9 percent increase was due to higher selling prices (8.0 percent), and a 2.9 percent increase in volumes.

Gross profit was $82.4 million and $64.2 million for the first half of 2013 and 2012, respectively. Gross profit margin increased to 21.8 percent for the first half of 2013 from 18.8 percent for the first half of 2012. This increase was primarily due to higher selling prices coupled with lower raw material costs.

Operating profit increased 43.2 percent to $53.4 million for the first half of 2013 from $37.3 million for the first half of 2012, primarily due to higher selling prices, higher volumes and lower raw material costs.

EBITDA increased to $69.0 million for the first half of 2013 compared with $53.2 million for the first half of 2012, due to the same factors that contributed to the increase in the segment s operating profit. Depreciation, depletion and amortization expense was $15.4 million and $15.7 million for the first half of 2013 and 2012, respectively.

Land Management

As of April 30, 2013, our Land Management segment consisted of approximately 269,550 acres of timber properties in the southeastern United States, which are actively harvested and regenerated, and approximately 11,850 acres of timber properties in Canada. 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 disposal of special use properties (surplus, HBU and development properties).

Net sales were $17.2 million for the first half of 2013 compared with $14.4 million for the first half of 2012, primarily due to increased timber sales resulting from customer demand and weather conditions favoring the ability to access our timberlands.

Operating profit decreased to $8.4 million for the first half of 2013 from $10.1 million for the first half of 2012, primarily due to fewer special use property disposals, which were $0.7 million for the first half of 2013 compared with $4.2 million for the first half of 2012.

EBITDA was $10.7 million and $11.9 million for the first half of 2013 and 2012, respectively. This decrease was due to the same factors that impacted the segment s operating profit. Depreciation, depletion and amortization expense was $2.3 million and $1.8 million for the first half of 2013 and 2012, respectively.

As of April 30, 2013, we estimated that there were approximately 45,750 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.

Other Income Statement Changes

Interest expense, net

Interest expense, net, was $43.0 million for the first half of 2013 compared with $46.2 million for the first half of 2012. This decrease was due to lower outstanding debt compared with the first half of 2012 and lower average interest rates.

There was a non-cash debt extinguishment expense of $1.3 million in the first half of 2013 related to completion of our December 2012 amended credit agreement.

Other (income) expense, net

Other expense, net was $3.9 million for the first half 2013 compared with $2.5 million for the first half 2012. The change was primarily due to higher foreign exchange losses and a hyperinflation adjustment expense for Venezuela in the first half 2013 compared with the first half 2012.

Income tax expense

Income tax expense was $31.4 million and $26.1 million for the first half of 2013 and 2012, respectively. This increase was due to higher income before income tax expense and equity earnings of unconsolidated affiliates, net of tax compared with the first half of 2012.

For the first half of 2013, the effective tax rate was 31.3 percent compared with 30.3 percent for the first half of 2012. This increase in the tax rate was due to an increase in the proportion of income generated in higher tax jurisdictions. Cash tax payments for the first half of 2013 were $33.0 million. In addition, during the first half of 2013 we received a $5.0 million refund in the United States related to a credit from fiscal 2009.

Equity earnings of unconsolidated affiliates, net of tax

We recorded $0.3 million of equity earnings of unconsolidated affiliates, net of tax, during the first half 2013 compared to $2.0 million for the same period in 2012.

Net income attributable to noncontrolling interests

Net income attributable to noncontrolling interests represents 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 for the first half of 2013 and 2012 was $3.4 million and $0.9 million, respectively.

Net income attributable to Greif, Inc.

Based on the factors noted above, net income attributable to Greif, Inc. was $65.8 million for the first half of 2013 compared to $61.1 million for the first half of 2012.

BALANCE SHEET CHANGES

Working capital changes

The $17.9 million increase in accounts receivable to $471.8 million as of April 30, 2013 from $453.9 million as of October 31, 2012 was primarily due to seasonal factors and timing of collections.

The $18.2 million increase in inventories to $392.5 million as of April 30, 2013 from $374.3 million as of October 31, 2012 was primarily due to the termination of consignment arrangements with suppliers in North America and Asia, replenishing finished goods inventories in Flexible Products & Services and higher raw material costs in Paper Packaging.

The $29.3 million increase in prepaid expenses and other current assets to $146.5 million as of April 30, 2013 from $117.2 million as of October 31, 2012 was primarily due to the timing of sales of accounts receivable under the Nieuw Amsterdam Receivables Purchase Agreement, increased non-United States sales tax receivable and increased prepaid expenses at the beginning of the fiscal and calendar year.

The $40.4 million decrease in accounts payable to $425.7 million as of April 30, 2013 from $466.1 million as of October 31, 2012 was primarily due to generally lower raw material prices, benefiting from early payment discounts where financially justified and seasonal factors.

The $7.9 million decrease in accrued payroll and employee benefits to $88.2 million as of April 30, 2013 from $96.1 million as of October 31, 2012 was primarily due to the payout of 2012 incentives in December 2012.

The $15.2 million decrease in short-term borrowings to $60.8 million as of April 30, 2013 from $76.0 million as of October 31, 2012 was primarily due to the refinancing of short term debt to long term debt in Brazil.

The $15.0 million decrease in current portion of long-term debt to $10.0 million as of April 30, 2013 from $25.0 million as of October 31, 2012 was primarily due to the company s December 2012 amended senior secured credit facilities.

The $4.2 million decrease in restructuring reserves to $3.8 million as of April 30, 2013 from $8.0 million as of October 31, 2012 was primarily due to lower restructuring activity.

Other balance sheet changes

The $94.1 million increase in long-term debt to $1,269.4 million as of April 30, 2013 from $1,175.3 million as of October 31, 2012 was primarily due to the termination of consignment arrangements with suppliers in North America and Asia as a result of more favorable terms of the amended credit agreement and the refinancing of short term debt to long term debt in Brazil.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are operating cash flows and borrowings under our senior secured credit facility and the senior notes we have issued and, to a lesser extent, proceeds from our trade accounts receivable credit facility and proceeds from the sale of our non-United States accounts receivable. We use 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, borrowings under our senior secured credit facility, proceeds from our U.S. trade accounts receivable credit facility and proceeds from the sale of our non-United States accounts receivable will be sufficient to fund our anticipated working capital, capital expenditures, debt repayment, potential acquisitions of businesses and other liquidity needs for at least 12 months.

Capital Expenditures

During the first six months of 2013, we invested $55.5 million in capital expenditures, excluding timberland purchases of $0.5 million, compared with capital expenditures of $80.7 million, excluding timberland purchases of $2.6 million, during the first six months of 2012.

We expect capital expenditures, excluding timberland purchases and acquisitions, to be approximately $141 million in 2013. The 2013 expenditures will replace and improve existing equipment and fund new facilities.

Sale of Non-United States Accounts Receivable

Certain of our international subsidiaries have entered into discounted receivables purchase agreements and factoring agreements (collectively, 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. In particular, in April 2012, certain of our international subsidiaries entered into a new RPA with affiliates of a major international bank. Under this new RPA, the maximum amount of receivables that may be financed at any time is 145 million ($188.7 million as of April 30, 2013). A significant portion of the proceeds from the new RPA was used to pay the obligations under previous RPAs, which were then terminated, and to pay expenses incurred in connection with this transaction. The remaining proceeds from the new RPA will be available for working capital and general corporate purposes. Under the terms of a performance and indemnity agreement, the performance obligations of our international subsidiaries under the new RPA have been guaranteed by Greif, Inc.

Transactions under the RPAs are structured to provide for legal true sales, on a revolving basis, of the receivables transferred from our various subsidiaries to the respective banks or their affiliates. The banks or their affiliates fund an initial purchase price of a certain percentage of eligible receivables based on a formula with the initial purchase price paid by the banks approximating 75 percent to 90 percent of eligible receivables, and under our new RPA, the balance of purchase price to the originating subsidiaries is paid from the proceeds of a related party subordinated loan. The remaining deferred purchase price and the repayment of the subordinated loan are settled upon collection of the receivables. As of 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 Accounting Standards Codification (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 financed under our various RPAs was $205.7 million as of April 30, 2013. As of April 30, 2013, total accounts receivable of $190.3 million were sold to and held by third party financial institutions or their affiliates 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 $0.1 million and $2.0 million for the three months ended April 30, 2013 and April 30, 2012, respectively. Expenses associated with the various RPAs totaled $0.1 million and $2.0 million for the six months ended April 30, 2013 and April 30, 2012, respectively. 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 1 of Part I of this Form 10-Q for additional information regarding these various RPAs.

Acquisitions, Divestitures and Other Significant Transactions

There were no acquisitions and no material divestitures during the first six months of 2013 and 2012. During the second quarter 2012, we made a $14.3 million deferred cash payment related to an acquisition completed in 2010.

Borrowing Arrangements

Credit Agreement

On December 19, 2012, we and two of our international subsidiaries amended and restated (the Amended Credit Agreement) our existing $1.0 billion senior secured credit agreement (the 2010 Credit Agreement), which is with substantially the same syndicate of financial institutions. The Amended Credit Agreement and the 2010 Credit Agreement are each described below.

The Amended Credit Agreement provides us with an $800 million revolving multicurrency credit facility and a $200 million term loan, both expiring in December 2017, with an option to add $250 million to the facilities with the agreement of the lenders. The $200 million term loan is scheduled to amortize by the payment of principal in the amount of $2.5 million each quarter-end for the first eight quarters, beginning January 2013, $5.0 million each quarter-end for the next twelve quarters and the remaining balance on the maturity date. The revolving credit facility under the Amended 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. As of April 30, 2013, a total of $298.3 million was outstanding and $682.1 million was available for borrowing under this facility, which has been reduced by $14.6 million for outstanding letters of credit as of April 30, 2013. The weighted average interest rate on the Amended Credit Agreement was 1.83% for the six months ended April 30, 2013.

The Amended Credit Agreement contains certain covenants, which include financial covenants that require us to maintain a certain leverage ratio and an interest 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 4.00 to 1. The interest coverage ratio generally requires that at the end of any fiscal quarter we will not permit the ratio of (a) our consolidated adjusted EBITDA for the preceding twelve month period to (b) our consolidated interest expense to the extent paid or payable, to be less than 3.00 to 1. As of April 30, 2013, we were in compliance with these two covenants

During the six months ended April 30, 2013, we recorded debt extinguishment charges of $1.3 million resulting from the write off of unamortized deferred financing costs associated with the 2010 Credit Agreement. Financing costs associated with the Amended Credit Agreement totaling $3.4 million have been capitalized and included in other long term assets.

The terms of the Amended 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 Amended 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 Amended Credit Agreement is also secured, in part, by capital stock of the non-U.S. subsidiaries that are parties to the Amended 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 Amended 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 Amended Credit Agreement, subject to applicable notice requirements and cure periods as provided in the Amended Credit Agreement.

Until December 19, 2012, we and two of our international subsidiaries were borrowers under the 2010 Credit Agreement with a syndicate of financial institutions. The 2010 Credit Agreement provided 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 was 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 2010 Credit Agreement was available to fund ongoing working capital and capital expenditure needs, for general corporate purposes and to finance acquisitions. Interest was based on a Eurodollar rate or a base rate that resets periodically plus an agreed upon margin amount.

Refer to Note 9 to the Consolidated Financial Statements included in Item I of Part I of this Form 10-Q for additional disclosures regarding the Amended Credit Agreement and 2010 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., 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 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 April 30, 2013, 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, without any permanent reduction of the commitments. These Senior Notes are general unsecured obligations of Greif, Inc., 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 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 April 30, 2013, 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 2010 Credit Agreement, without any permanent reduction of the commitments, 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. (other than the issuer) 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 April 30, 2013, we were in compliance with these covenants.

Refer to Note 9 to the Consolidated Financial Statements included in Item 1 of Part I of this Form 10-Q for additional disclosures regarding the Senior Notes.

United States Trade Accounts Receivable Credit Facility

We have a $130.0 million trade accounts receivable 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 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 interest coverage ratios identical to the Amended Credit Agreement. Proceeds of the Receivables Facility are available for working capital and general corporate purposes. As of April 30, 2013, $130.0 million was outstanding under the Receivables Facility.

Refer to Note 9 to the Consolidated Financial Statements included in Item 1 of Part I of this Form 10-Q for additional disclosures regarding this credit facility.

Other

In addition to the amounts borrowed under the Amended Credit Agreement and proceeds from the Senior Notes and the Receivables Facility, as of April 30, 2013, we had outstanding other debt of $108.3 million, comprised of $47.5 million in long-term debt and $60.8 million in short-term borrowings.

As of April 30, 2013, the current portion of our long-term debt was $10.0 million. Annual maturities, including the current portion, of long-term debt under our various financing arrangements are $5.0 million in 2013, $187.5 million in 2014, $20.0 million in 2015, $20.0 million in 2016, $322.0 million in 2017 and $724.9 million thereafter.

As of April 30, 2013 and October 31, 2012, we had deferred financing fees and debt issuance costs of $14.4 million and $14.8 million, respectively, which were included in other long-term assets.

Financial Instruments

Interest Rate Derivatives

We have interest rate swap agreements with various maturities through 2014. These interest rate swap agreements are used to manage our fixed and floating rate debt mix, specifically debt under the Amended Credit Agreement. The assumptions used in measuring fair value of these interest rate derivatives are considered level 2 inputs, which were based on interest received monthly from the counterparties based upon the LIBOR and interest paid based upon a designated fixed rate over the life of the swap agreements. These derivative instruments are designated and qualify as cash flow hedges. Accordingly, the effective portion of the gain or loss on these derivative instruments is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument is recognized in earnings immediately.

We have two interest rate derivatives, both of which were entered into during the first quarter of 2012 (floating to fixed swap agreements designated as cash flow hedges) with a total notional amount of $150 million. Under these swap agreements, we receive interest based upon a variable interest rate from the counterparties (weighted average of 0.20% as of April 30, 2013 and 0.21% as of October 31, 2012) and pay interest based upon a fixed interest rate (weighted average of 0.75% as of April 30, 2013 and 0.75% as of October 31, 2012). Losses reclassified to earnings under these contracts (both those that existed as of October 31, 2011 and those entered into in the first quarter 2012) were $0.2 million and $0.2 million for the three months ended April 30, 2013 and 2012, respectively; and were $0.4 million and $0.6 million for the six months ending April 30, 2013 and 2012, respectively. These losses were recorded within the consolidated statement of operations as interest expense, net. The change in fair value of these contracts resulted in losses of $.02 million and $1.3 million recorded in accumulated other comprehensive income as of April 30, 2013 and 2012, respectively.

Foreign Exchange Hedges

We conduct business in major international currencies and are subject to risks associated with changing foreign exchange rates. Our objective is to reduce volatility associated with foreign exchange rate changes to allow management to focus its attention on business operations. Accordingly, we enter into various contracts that change in value as foreign exchange rates change to protect the value of certain existing foreign currency assets and liabilities, commitments and anticipated foreign currency revenues and expenses.

As of April 30, 2013, we had outstanding foreign currency forward contracts in the notional amount of $155.7 million ($233.2 million as of October 31, 2012). At April 30, 2013, these derivative instruments were designated and qualified as fair value hedges. During 2012, some derivative instruments were designated and qualified as cash flow hedges. Accordingly, the effective portion of the gain or loss on these derivative instruments was previously reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affected earnings. The ineffective portion of the gain or loss on the derivative instrument was previously recognized in earnings immediately. Adjustments to fair value for fair value hedges are recognized in earnings, offsetting the impact of the hedged item. The assumptions used in measuring fair value of foreign exchange hedges are considered level 2 inputs, which were based on observable market pricing for similar instruments, principally foreign exchange futures contracts. Losses recorded under fair value contracts were $1.3 million and $0.2 million for the three months ended April 30, 2013 and 2012; respectively; and a realized gain was $0.4 million and a realized loss was $1.7 million for the six months ending April 30, 2013 and 2012, respectively.

Gains reclassified to earnings for hedging contracts qualifying as cash flow hedges were $0.1 million for the three months ended April 30, 2012 and were $0.2 million for the six months ended April 30, 2012. These gains and losses were recorded within the consolidated statement of operations as other (income) expense, net. The change in fair value of these contracts resulted in losses of $0.6 million recorded in other comprehensive income as of April 30, 2012.

Energy Hedges

We are exposed to changes in the price of certain commodities. Our objective is to reduce volatility associated with forecasted purchases of these commodities to allow management to focus its attention on business operations. Accordingly, we may enter into derivative contracts to manage the price risk associated with certain of these forecasted purchases.

From time to time, we have entered into certain cash flow hedges to mitigate our exposure to cost fluctuations in natural gas prices. Under these hedge agreements, we had agreed to purchase natural gas at a fixed price. There were no energy hedges in effect as of April 30, 2013 or October 31, 2012. Such derivative instruments were previously designated and qualified as cash flow hedges. Accordingly, the effective portion of the gain or loss on such a derivative instrument was previously reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affected earnings. The ineffective portion of the gain or loss on such a derivative instrument was previously recognized in earnings immediately. The assumptions used in measuring fair value of energy hedges are considered level 2 inputs, which were based on observable market pricing for similar instruments, principally commodity futures contracts. Losses reclassified to earnings under such prior contracts were $0.4 million for the three months ended April 30, 2012 and were $0.6 million for the six months ended April 30, 2012. Losses on such contracts were recorded within the consolidated statement of operations as cost of products sold. The change in fair value of these contracts resulted in immaterial losses recorded in accumulated other comprehensive income as of April 30, 2012.

Contractual Obligations

As of April 30, 2013, 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	$ 1,677.8	$ 100.4	$ 341.1	$ 547.6	$ 688.7
Short-term borrowing	63.3	63.3			
Lease obligations	106.3	14.1	43.6	29.9	18.7
Deferred purchase payments	59.1	46.2	12.9		
Liabilities held by special purpose entities	60.6	1.1	4.5	4.5	50.5
Environmental liabilities	26.9	8.0	5.9	5.9	7.1
Current portion of long-term debt	10.0	10.0			
Total	$ 2,004.0	$ 243.1	$ 408.0	$ 587.9	$ 765.0

Note: Amounts presented in the contractual obligation table include interest.

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 the purchase of up to four million shares of Class A Common Stock or Class B Common Stock or any combination of the foregoing. During the six months ended April 30, 2013, we repurchased no shares of Class A or Class B Common Stock. During the six months ended April 30, 2012, we repurchased no shares of Class A Common Stock. During the three and six months ended April 30, 2012, we repurchased 1,000 shares of Class B Common Stock. As of April 30, 2013, we had repurchased 3,184,272 shares, including 1,425,452 shares of Class A Common Stock and 1,758,820 shares of Class B Common Stock, under this program. The total cost of the shares repurchased from November 1, 2011 through April 30, 2013 was approximately $0.1 million.

VARIABLE INTEREST ENTITIES

We evaluate whether an entity is a variable interest entity (VIE) at inception or whenever reconsideration events occur and perform reassessments of all VIE s quarterly to determine if the primary beneficiary status is appropriate. 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 or cost methods 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. A company acquired in 2011 is considered a VIE. However, because we are not the primary beneficiary, we report our ownership interest in this acquired company using the equity method of accounting.

Significant Nonstrategic Timberland Transactions

In March 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. 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.

We completed the second phase of these transactions in the first quarter of 2006. In this phase, we 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 the second quarter of 2006, resulted in a pre-tax gain of $9.0 million.

In May 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 Buyer SPE is not able to satisfy its liabilities without financing support from us. While Buyer SPE is a separate and distinct legal entity from us, 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 Packaging Joint Venture

In 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 Packaging JV) with Dabbagh Group Holding Company Limited and its subsidiary National Scientific Company Limited (NSC). The Flexible Packaging JV owns the operations in the Flexible Products & Services segment, with the exception of the North American multi-wall bag business. The Flexible Packaging JV has been consolidated into our operations as of its formation date of September 29, 2010.

The Flexible Packaging 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 from us. 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.

The economic and business purpose underlying the Flexible Packaging 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 Packaging JV were existing businesses acquired by a subsidiary of Greif, Inc. and were reorganized under Greif Flexibles Asset Holding B.V. and Greif Flexibles Trading Holding B.V. (Asset Co. and Trading Co.), respectively. The Flexible Packaging JV also includes Global Textile Company LLC (Global Textile), which owns and operates a fabric hub in Saudi Arabia that commenced operations in 2012. We have 51 percent ownership in Trading Co. and 49 percent ownership in Asset Co. and Global Textile. However, Greif Supra and NSC have equal economic interests in the Flexible Packaging 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 and/or make loans for up to $150 million as required.

As of April 30, 2013, Asset Co. had outstanding advances to NSC for $0.6 million which are being used to fund certain costs incurred in Saudi Arabia in respect of the fabric hub being constructed and equipped there. These advances are recorded within the current portion related party notes and advances receivable on our consolidated balance sheet since they are expected to be repaid within the next twelve months. As of April 30, 2013, Asset Co. and Trading Co. held short term loans payable to NSC for $12.0 million recorded within short-term borrowings on our consolidated balance sheet. These loans are interest bearing and are used to fund certain operational requirements.

Non-United States Accounts Receivable VIE

As further described in Note 3 to the Consolidated Financial Statements included in Item 1 of Part I of this Form 10-Q, Cooperage Receivables Finance B.V. is a party to the Nieuw Amsterdam Receivables Purchase Agreement (the European RPA). Cooperage Receivables Finance B.V. is deemed to be a VIE since this entity is not able to satisfy its liabilities without the financial support from us. While this entity is a separate and distinct legal entity from us and no ownership interest in Cooperage Receivables Finance B.V. is held by us, 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. As a result, Cooperage Receivables Finance B.V. has been consolidated into our operations.

RECENT ACCOUNTING STANDARDS

Newly Adopted Accounting Standards

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05 Comprehensive Income: Presentation of comprehensive income. This amendment to Accounting Standards Codification (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. In December 2011, the FASB issued ASU 2011-12 Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This amendment to ASC 220 Comprehensive Income deferred the adoption of presentation of reclassification items out of accumulated other comprehensive income. We adopted this new guidance beginning November 1, 2012, 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 September 2011, the FASB issued ASU 2011-08 Intangibles Goodwill and Other: Testing Goodwill for Impairment which provides an entity the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test for goodwill impairment. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We adopted this new guidance, which will be fully implemented when the annual goodwill impairment testing which is performed during the fourth quarter of 2013, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than related disclosures.

In July 2012, the FASB issued ASU 2012-02 Intangibles Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment which provides an entity the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. We adopted this new guidance, which will be fully implemented when the annual intangible asset impairment testing is performed during the fourth quarter of 2013, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than related disclosures.

Recently Issued Accounting Standards

As of April 30, 2013, the FASB has issued ASU s through 2013-07. We have reviewed each ASU and determined that the adoption of each ASU that is applicable to us will not have a material impact on our financial position, results of operations, comprehensive income or cash flows, other than the related disclosures.

In December 2011, the FASB issued ASU 2011-11 Balance Sheet: Disclosures about Offsetting Assets and Liabilities. The differences in the offsetting requirements in GAAP and International Financial Reporting Standards (IFRS) account for a significant difference in the amounts presented in statements of financial position prepared in accordance with GAAP and in the amounts presented in those statements prepared in accordance with IFRS for certain institutions. This difference reduces the comparability of statements of financial position. The FASB and IASB are issuing joint requirements that will enhance current disclosures. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. We expect to adopt the new guidance beginning on November 1, 2013, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than the related disclosures.

In January 2013, the FASB issued ASU 2013-01 Balance Sheet: Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The main objective in developing this update is to address implementation issues about the scope of ASU 2011-11. FASB stakeholders have told the FASB that because the scope in ASU 2011-11 is unclear, diversity in practice may result. Recent feedback from FASB stakeholders is that standard commercial provisions of many contracts would equate to a master netting arrangement. FASB stakeholders questioned whether it was the FASB s intent to require disclosures for such a broad scope, which would significantly increase the cost of compliance. The objective of this update is to clarify the scope of the offsetting disclosures and address any unintended consequences. We expect to adopt the new guidance beginning on November 1, 2013, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than the related disclosures.

In February 2013, the FASB issued ASU 2013-02 Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The objective of this update is to improve the reporting of reclassifications out of accumulated other comprehensive income. The amendments in this update seek to attain that objective by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. This would be the case when a portion of the amount reclassified out of accumulated other comprehensive income is reclassified to a balance sheet account instead of directly to income or expense in the same reporting period. We expect to adopt the new guidance beginning on November 1, 2013, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than the related disclosures.

In March 2013, the FASB issued ASU 2013-05 Foreign Currency Matters: Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or an Investment in a Foreign Entity. The objective of this update is to resolve the diversity in practice about whether ASC 810-10 or ASC 830-30 applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas rights) within a foreign entity. We expect to adopt the new guidance beginning November 1, 2014, and the impact of the adoption of the new guidance will be evaluated when an acquisition or divestiture occurs with respect to our financial position, results of operations, comprehensive income, cash flows, and disclosures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There has not been a significant change in the quantitative and qualitative disclosures about our market risk from the disclosures contained in the 2012 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Changes in Internal Control Over Financial Reporting

As previously disclosed in Item 9A of the 2012 Form 10-K, management had then concluded that there was a material weakness in internal controls over financial reporting related to the financial statement close process and oversight in the Rigid Industrial Packaging & Services business unit in Brazil. In response, management has changed and added personnel in the Brazil business unit and in its corporate accounting function and has strengthened internal controls to provide more rigorous reconciliation and analytical review procedures. Management has monitored, tested and continues to enhance these new controls. Because new controls are still being developed and have not been in place long enough to provide sufficient assurances to support the conclusion that the above identified material weakness has been fully remediated, management concluded that, as of April 30, 2013, there was a material weakness in internal controls over financial reporting related to the financial statement close process and oversight in the Rigid Industrial Packaging & Services business unit in Brazil.

As previously disclosed in Item 9A of the 2012 Form 10-K, management had then concluded that there was a material weakness in internal controls over financial reporting related to accounting for non-routine or complex transactions. Remedial actions have been implemented to address these controls, including improving processes and communications around non-routine or complex transactions, supplementing the technical competence of our accounting staff with additional internal and, as needed, contract resources and improving, from a holistic standpoint, the documentation of the review of the accounting, presentation and disclosure of such transactions. Because new controls are still being developed and have not been in place long enough to provide sufficient assurances to support the conclusion that the above identified material weakness has been fully remediated, management concluded that, as of April 30, 2013, there was a material weakness in internal controls over financial reporting related to accounting for non-routine or complex transactions.

Except as noted in the preceding paragraphs, there has been no change in our internal control over financial reporting that occurred during the most recent quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Disclosure Controls and Procedures

With the participation of our principal executive officer and principal financial officer, our management has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report:

Information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission;

Information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure; and

Management has concluded that, because of a material weakness in our internal controls over financial reporting related to the financial statement close process and oversight within the Brazil unit of our Rigid Industrial Packaging & Services business segment and a material weakness in internal controls over financial reporting related to accounting for non-routine transactions, our disclosure controls and procedures were not effective.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in the 2012 Form 10-K under Part I, Item 1A Risk Factors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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 (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs (1)
November 2012				815,728
December 2012				815,728
January 2013				815,728
February 2013				815,728
March 2013				815,728
April 2013				815,728

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 (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs (1)
November 2012				815,728
December 2012				815,728
January 2013				815,728
February 2013				815,728
March 2013				815,728
April 2013				815,728

(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 Common Stock or Class B Common Stock, or any combination thereof. As of April 30, 2013, the maximum number of shares that may yet be purchased was 815,728 shares, which may be any combination of Class A Common Stock or Class B Common Stock.

ITEM 6. EXHIBITS

(a.) Exhibits

Exhibit No.	Description of Exhibit
10.1	Defined Contribution Supplemental Executive Retirement Plan.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a 14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a 14(a) of the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer required by Rule 13a 14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Certification of Chief Financial Officer required by Rule 13a 14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101	The following financial statements from the Company s Annual Report on Form 10-Q for the quarter ended April 30, 2013, formatted in XBRL: (i) Consolidated Statements of Income and Comprehensive Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flow and (iv) Notes to Consolidated Financial Statements. (1)
(1)	The XBRL related information in Exhibit 101 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

Greif, Inc.
(Registrant)

Date: June 7, 2013

/s/ Robert M. McNutt
Robert M. McNutt,
Senior Vice President and Chief Financial Officer
(Duly Authorized Signatory)