

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share amounts)

For the years ended October 31,	2009	2008	2007
Net sales	\$2,792,217	\$3,790,531	\$3,331,597
Costs of products sold	2,257,141	3,097,760	2,726,195
Gross profit	535,076	692,771	605,402
Selling, general and administrative expenses	267,589	339,157	313,377
Restructuring charges	66,590	43,202	21,229
Timberland disposals, net	—	340	(648)
(Gain) on disposal of properties, plants and equipment, net	(34,432)	(59,534)	(19,434)
Operating profit	235,329	370,286	289,582
Interest expense, net	53,593	49,628	45,512
Debt extinguishment charge	782	—	23,479
Other expense, net	7,193	8,751	8,956
Income before income tax expense and equity in earnings of affiliates and minority interests	173,761	311,907	211,635
Income tax expense	37,706	73,610	53,544
Equity in earnings of affiliates and minority interests	(3,622)	(3,943)	(1,723)
Net income	<u>\$ 132,433</u>	<u>\$ 234,354</u>	<u>\$ 156,368</u>
Basic earnings per share:			
Class A Common Stock	\$ 2.29	\$ 4.04	\$ 2.69
Class B Common Stock	\$ 3.42	\$ 6.04	\$ 4.04
Diluted earnings per share:			
Class A Common Stock	\$ 2.28	\$ 3.99	\$ 2.65
Class B Common Stock	\$ 3.42	\$ 6.04	\$ 4.04

See accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

As of October 31,	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 111,896	\$ 77,627
Trade accounts receivable, less allowance of \$12,510 in 2009 and \$13,532 in 2008	337,054	392,537
Inventories	227,432	303,994
Deferred tax assets	19,901	33,206
Net assets held for sale	31,574	21,321
Prepaid expenses and other current assets	105,904	93,965
	833,761	922,650
Long-term assets		
Goodwill	592,117	512,973
Other intangible assets, net of amortization	131,370	104,424
Assets held by special purpose entities (Note 6)	50,891	50,891
Other long-term assets	112,092	88,563
	886,470	756,851
Properties, plants and equipment		
Timber properties, net of depletion	197,114	199,701
Land	120,667	119,679
Buildings	380,816	343,702
Machinery and equipment	1,148,406	1,046,347
Capital projects in progress	70,489	91,549
	1,917,492	1,800,978
Accumulated depreciation	(825,213)	(734,581)
	1,092,279	1,066,397
	\$2,812,510	\$2,745,898

See accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

As of October 31,	2009	2008
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 335,816	\$ 384,648
Accrued payroll and employee benefits	74,475	91,498
Restructuring reserves	15,315	15,147
Short-term borrowings	37,084	44,281
Other current liabilities	99,407	136,227
	<u>562,097</u>	<u>671,801</u>
Long-term liabilities		
Long-term debt	721,108	673,171
Deferred tax liabilities	156,755	183,021
Pension liabilities	77,942	14,456
Postretirement benefit obligations	25,396	25,138
Liabilities held by special purpose entities (Note 6)	43,250	43,250
Other long-term liabilities	126,392	75,521
	<u>1,150,843</u>	<u>1,014,557</u>
Minority Interest	<u>6,997</u>	<u>3,729</u>
Shareholders' equity		
Common stock, without par value	96,504	86,446
Treasury stock, at cost	(115,277)	(112,931)
Retained earnings	1,199,592	1,155,116
Accumulated other comprehensive loss:		
- foreign currency translation	(6,825)	(39,693)
- interest rate derivatives	(1,484)	(1,802)
- energy and other derivatives	(391)	(4,299)
- minimum pension liabilities	(79,546)	(27,026)
	<u>1,092,573</u>	<u>1,055,811</u>
	<u>\$2,812,510</u>	<u>\$2,745,898</u>

See accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

For the years ended October 31,	2009	2008	2007
Cash flows from operating activities:			
Net income	\$ 132,433	\$ 234,354	\$ 156,368
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	102,627	106,378	102,295
Asset impairments	19,516	12,325	1,108
Deferred income taxes	478	4,485	(8,494)
Gain on disposals of properties, plants and equipment, net	(34,432)	(59,534)	(19,434)
Timberland disposals, net	—	(340)	648
Equity in earnings (losses) of affiliates, net of dividends received, and minority interests	3,622	3,943	1,723
Loss on extinguishment of debt	782	—	23,479
Increase (decrease) in cash from changes in certain assets and liabilities:			
Trade accounts receivable	73,358	(65,877)	42,876
Inventories	91,756	(77,263)	24,120
Prepaid expenses and other current assets	(151)	(3,467)	(11,403)
Other long-term assets	(19,674)	13,240	(49,861)
Accounts payable	(92,449)	39,827	29,051
Accrued payroll and employee benefits	(20,511)	6,584	13,475
Restructuring reserves	168	(629)	5,772
Other current liabilities	(50,117)	16,310	55,194
Pension and postretirement benefit liabilities	63,744	(13,281)	(12,136)
Other long-term liabilities	50,871	(43,659)	41,692
Other	(55,497)	(33,560)	(4,472)
Net cash provided by operating activities	<u>266,524</u>	<u>139,836</u>	<u>392,001</u>
Cash flows from investing activities:			
Acquisitions of companies, net of cash acquired	(90,816)	(99,962)	(346,629)
Purchases of properties, plants and equipment	(124,671)	(143,077)	(112,600)
Purchases of timber properties	(1,000)	(2,500)	(2,300)
Receipt (issuance) of notes receivable	—	33,178	(32,248)
Proceeds from the sale of properties, plants, equipment and other assets	50,279	60,333	22,218
Purchases of land rights and other	(4,992)	(9,289)	(3,765)
Net cash used in investing activities	<u>(171,200)</u>	<u>(161,317)</u>	<u>(475,324)</u>
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	3,285,343	2,293,751	2,040,111
Payments on long-term debt	(3,218,665)	(2,243,482)	(1,918,807)
(Payments of) proceeds from short-term borrowings, net	(25,749)	23,020	(14,486)
Dividends paid	(87,957)	(76,524)	(53,335)
Acquisitions of treasury stock and other	(3,145)	(21,483)	(11,409)
Exercise of stock options	2,015	4,540	19,415
Debt issuance costs	(13,588)	—	(2,839)
Settlement of derivatives	(3,574)	—	(33,935)
Payments for premium for debt extinguishment	—	—	(14,303)
Net cash (used in) provided by financing activities	<u>(65,320)</u>	<u>(20,178)</u>	<u>10,412</u>
Effects of exchange rates on cash	<u>4,265</u>	<u>(4,413)</u>	<u>9,509</u>
Net increase (decrease) in cash and cash equivalents	<u>34,269</u>	<u>(46,072)</u>	<u>(63,402)</u>
Cash and cash equivalents at beginning of year	<u>77,627</u>	<u>123,699</u>	<u>187,101</u>
Cash and cash equivalents at end of year	<u>\$ 111,896</u>	<u>\$ 77,627</u>	<u>\$ 123,699</u>

See accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars and shares in thousands, except per share amounts)

	Capital Stock		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
	Shares	Amount	Shares	Amount			
As of October 31, 2006	46,300	\$56,765	30,542	\$ (81,643)	\$ 901,267	\$(32,378)	\$ 844,011
Net income					156,368		156,368
Other comprehensive income (loss):							
- foreign currency translation						41,735	41,735
- interest rate derivative, net of income tax expense of \$466						864	864
- minimum pension liability adjustment, net of income tax expense of \$7,232						17,360	17,360
- energy derivatives, net of income tax expense of \$361						1,171	1,171
Comprehensive income							<u>217,498</u>
Adjustment to initially apply SFAS No. 158, net of income tax benefit of \$7,769						(16,268)	(16,268)
Dividends paid (Note 10):							
Class A - \$0.92					(21,716)		(21,716)
Class B - \$1.37					(31,619)		(31,619)
Treasury shares acquired	(204)		204	(11,409)			(11,409)
Stock options exercised	559	7,732	(559)	949			8,681
Tax benefit of stock options		8,076					8,076
Long-term incentive shares issued	38	2,104	(38)	64			2,168
Directors shares issued	6	479	(6)	11			490
As of October 31, 2007	46,699	\$75,156	30,143	\$ (92,028)	\$1,004,300	\$ 12,484	\$ 999,912
Net income					234,354		234,354
Other comprehensive income (loss):							
- foreign currency translation						(82,953)	(82,953)
- interest rate derivative, net of income tax benefit of \$433						(805)	(805)
- minimum pension liability adjustment, net of income tax expense of \$920						2,979	2,979
- energy derivatives, net of income tax benefit of \$1,954						(3,629)	(3,629)
- commodity hedge, net of income tax benefit of \$482						(896)	(896)
Comprehensive income							<u>149,050</u>
Adjustment to initially apply FIN 48					(7,015)		(7,015)
Dividends paid:							
Class A - \$1.32					(31,591)		(31,591)
Class B - \$1.97					(44,933)		(44,933)
Treasury shares acquired	(382)		382	(21,476)			(21,476)
Stock options exercised	283	3,949	(283)	484			4,433
Tax benefit of stock options		4,709					4,709
Long-term incentive shares issued	44	2,633	(44)	89			2,722
As of October 31, 2008	46,644	\$86,446	30,198	\$ (112,931)	\$1,155,116	\$(72,820)	\$1,055,811
Net income					132,433		132,433
Other comprehensive income (loss):							
- foreign currency translation						32,868	32,868
- interest rate derivative, net of income tax expense of \$128						318	318
- minimum pension liability adjustment, net of income tax benefit of \$28,580						(51,092)	(51,092)
- energy derivatives, net of income tax expense of \$1,579						3,908	3,908
Comprehensive income							<u>118,435</u>
Change in pension measurement date, net of income tax benefit of \$590						(1,428)	(1,428)
Dividends paid:							
Class A - \$1.52					(36,967)		(36,967)
Class B - \$2.27					(50,990)		(50,990)
Treasury shares acquired	(100)		100	(3,145)			(3,145)
Stock options exercised	133	1,749	(133)	266			2,015
Tax benefit of stock options		575					575
Long-term incentive shares issued	260	7,734	(260)	533			8,267
As of October 31, 2009	46,937	\$96,504	29,905	\$ (115,277)	\$1,199,592	\$(88,246)	\$1,092,573

See accompanying Notes to Consolidated Financial Statements.