

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

(Dollars in thousands, except per share amounts)

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

Refer to the accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

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

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

Refer to the accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

As of October 31,	2011	2010
	(As Restated)¹	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 487,783	\$ 467,857
Accrued payroll and employee benefits	99,794	90,887
Restructuring reserves	19,607	20,238
Current portion of long-term debt	12,500	12,523
Short-term borrowings	137,334	60,908
Deferred tax liabilities	5,055	5,091
Other current liabilities	167,695	123,854
	<u>929,768</u>	<u>781,358</u>
Long-term liabilities		
Long-term debt	1,345,138	953,066
Deferred tax liabilities	196,696	180,486
Pension liabilities	76,088	65,915
Postretirement benefit obligations	20,909	21,555
Liabilities held by special purpose entities	43,250	43,250
Other long-term liabilities	203,260	116,930
	<u>1,885,341</u>	<u>1,381,202</u>
Shareholders' equity		
Common stock, without par value	113,799	106,057
Treasury stock, at cost	(131,997)	(117,394)
Retained earnings	1,401,700	1,323,477
Accumulated other comprehensive income (loss):		
- foreign currency translation	(46,354)	388
- interest rate and other derivatives	(121)	(1,505)
- minimum pension liabilities	(101,676)	(76,526)
Total Greif, Inc. shareholders' equity	<u>1,235,351</u>	<u>1,234,497</u>
Noncontrolling interests	156,822	101,388
Total shareholders' equity	<u>1,392,173</u>	<u>1,335,885</u>
Total liabilities and shareholders' equity	<u>\$4,207,282</u>	<u>\$3,498,445</u>

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

Refer to the accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

For the years ended October 31,	2011	2010	2009
Cash flows from operating activities:			
Net income	\$ 177,174	\$ 215,457	\$ 113,832
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	144,191	115,974	102,627
Asset impairments	8,983	2,917	19,516
Deferred income taxes	12,342	4,596	(13,167)
Gain on disposals of properties, plants and equipment, net	(14,855)	(11,434)	(34,432)
Equity (earnings) losses of affiliates	(4,838)	(3,539)	436
Loss on extinguishment of debt	—	—	782
Increase (decrease) in cash from changes in certain assets and liabilities:			
Trade accounts receivable	(22,591)	(54,046)	73,358
Inventories	15,405	(87,832)	109,146
Prepaid expenses and other current assets	(25,375)	(42,557)	(151)
Accounts payable	(33,360)	4,134	(72,902)
Accrued payroll and employee benefits	8,194	18,868	(20,511)
Restructuring reserves	(631)	4,923	168
Other current liabilities	18,576	(38,040)	(50,117)
Pension and postretirement benefit liabilities	9,527	(15,868)	63,744
Other long-term assets, other long-term liabilities and other	(120,402)	64,558	(25,805)
Net cash provided by operating activities	172,340	178,111	266,524
Cash flows from investing activities:			
Acquisitions of companies, net of cash acquired	(344,914)	(179,459)	(90,816)
Purchases of properties, plants and equipment	(162,409)	(144,137)	(124,671)
Purchases of timber properties	(3,462)	(20,996)	(1,000)
Proceeds from the sale of properties, plants, equipment and other assets	31,013	17,325	50,279
Issuance of notes receivable to related party, net	(20,024)	—	—
Purchases of land rights	(650)	—	(4,992)
Net cash used in investing activities	(500,446)	(327,267)	(171,200)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	3,859,401	3,731,683	3,170,212
Payments on long-term debt	(3,465,834)	(3,637,945)	(2,983,534)
Proceeds from (payments of) short-term borrowings, net	74,308	3,878	(25,749)
Proceeds from (payments of) trade accounts receivable credit facility, net	(5,000)	135,000	(120,000)
Dividends paid	(97,817)	(93,122)	(87,957)
Acquisitions of treasury stock and other	(15,062)	(2,696)	(3,145)
Exercise of stock options	2,540	2,002	2,015
Debt issuance costs paid	(4,394)	(10,902)	(13,588)
Settlement of derivatives, net	—	17,985	(3,574)
Net cash provided by (used in) financing activities	348,142	145,883	(65,320)
Effects of exchange rates on cash	420	(1,666)	4,265
Net increase (decrease) in cash and cash equivalents	20,456	(4,939)	34,269
Cash and cash equivalents at beginning of year	106,957	111,896	77,627
Cash and cash equivalents at end of year	\$ 127,413	\$ 106,957	\$ 111,896

Refer to the accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts in thousands, except per share amounts)

	Capital Stock		Treasury Stock		Retained Earnings	Non-controlling interests	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
	Shares	Amount	Shares	Amount				
As of October 31, 2008 (As Previously Reported)	46,644	\$ 86,446	30,198	\$(112,931)	\$1,183,925	\$ 3,729	\$ (72,820)	\$1,088,349
Correction of an error							\$ (19,547)	\$ (19,547)
As of October 31, 2008 (As Restated)¹	46,644	\$ 86,446	30,198	\$(112,931)	\$1,183,925	\$ 3,729	\$ (92,367)	\$1,068,802
Net income					110,646	3,186		113,832
Other comprehensive income (loss):								
- foreign currency translation							32,868	32,868
- interest rate and other derivatives, net of income tax expense of \$1,707							4,226	4,226
- minimum pension liability adjustment, net of income tax benefit of \$28,580							(51,092)	(51,092)
Comprehensive income								99,834
Change in pension measurement date, net of income tax benefit of \$590							(1,428)	(1,428)
Acquisitions of noncontrolling interests and other						82		82
Dividends paid					(87,957)			(87,957)
Treasury shares acquired	(100)		100	(3,145)				(3,145)
Stock options exercised	133	1,749	(133)	266				2,015
Tax benefit of stock options		575						575
Long-term incentive shares issued	260	7,734	(260)	533				8,267
As of October 31, 2009 (As Restated)¹	46,937	\$ 96,504	29,905	\$(115,277)	\$1,206,614	\$ 6,997	\$(107,793)	\$1,087,045
Net income					209,985	5,472		215,457
Other comprehensive income (loss):								
- foreign currency translation							26,760	26,760
- interest rate and other derivatives, net of income tax expense of \$149							370	370
- minimum pension liability adjustment, net of income tax benefit of \$1,279							3,020	3,020
Comprehensive income								245,607
Acquisitions and noncontrolling interests and other						88,919		88,919
Dividends paid					(93,122)			(93,122)
Treasury shares acquired	(50)		50	(2,696)				(2,696)
Stock options exercised	133	1,729	(133)	273				2,002
Tax benefit of stock options		17						17
Long-term incentive shares issued	149	7,807	(149)	306				8,113
As of October 31, 2010 (As Restated)¹	47,169	\$106,057	29,673	\$(117,394)	\$1,323,477	\$101,388	\$ (77,643)	\$1,335,885
Net income					176,040	1,134		177,174
Other comprehensive income (loss):								
- foreign currency translation						14,572	(46,742)	(32,170)
- interest rate and other derivatives, net of income tax benefit of \$562							1,384	1,384
- minimum pension liability adjustment, net of income tax expense of \$9,652							(25,150)	(25,150)
Comprehensive income								121,238
Acquisitions and noncontrolling interests						39,728		39,728
Dividends paid					(97,817)			(97,817)
Treasury shares acquired	(300)		300	(15,062)				(15,062)
Stock options exercised	168	2,196	(168)	344				2,540
Restricted stock directors	11	697	(11)	22				719
Restricted stock executives	5	308	(5)	10				318
Tax benefit of stock options and other		2,192						2,192
Long-term incentive shares issued	40	2,349	(40)	83				2,432
As of October 31, 2011	47,093	\$113,799	29,749	\$(131,997)	\$1,401,700	\$156,822	\$(148,151)	\$1,392,173

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

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