

GREIF INC
Form 10-Q
September 02, 2011

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

FORM 10-Q

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

**For the quarterly period ended July 31, 2011
Commission File Number 001-00566**

GREIF, INC.

(Exact name of registrant as specified in its charter)

**Delaware
(State or other jurisdiction of
incorporation or organization)**

**31-4388903
(I.R.S. Employer
Identification No.)**

425 Winter Road, Delaware, Ohio

43015

(Address of principal executive offices)

(Zip Code)

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

Not Applicable

Former name, former address and former fiscal year, if changed since last report.

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

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

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

Large accelerated filer

Accelerated filer

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

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 No

The number of shares outstanding of each of the issuer's classes of common stock at the close of business on August 31, 2011:

Class A Common Stock

Class B Common Stock

24,965,662
shares
22,362,266
shares



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GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(Dollars in thousands, except per share amounts)

	Three months ended		Nine months ended	
	July 31,		July 31,	
	2011	2010	2011	2010
Net sales	\$ 1,121,902	\$ 921,333	\$ 3,116,460	\$ 2,467,595
Cost of products sold	910,571	730,294	2,521,690	1,970,328
Gross profit	211,331	191,039	594,770	497,267
Selling, general and administrative expenses	109,094	90,461	329,456	264,511
Restructuring charges	3,396	9,779	11,407	20,566
(Gain) on disposal of properties, plants and equipment, net	(9,205)	(4,875)	(14,141)	(6,904)
Operating profit	108,046	95,674	268,048	219,094
Interest expense, net	18,435	15,935	53,817	47,582
Other expense, net	4,495	713	9,911	4,372
Income before income tax expense and equity earnings of unconsolidated affiliates, net	85,116	79,026	204,320	167,140
Income tax expense	21,637	14,408	49,650	31,590
Equity earnings of unconsolidated affiliates, net of tax	1,495	3,141	1,992	3,272
Net income	64,974	67,759	156,662	138,822
Net income attributable to noncontrolling interests	(2,034)	(1,784)	(1,397)	(5,394)
Net income attributable to Greif, Inc.	\$ 62,940	\$ 65,975	\$ 155,265	\$ 133,428
Basic earnings per share attributable to Greif, Inc. common shareholders:				
Class A Common Stock	\$ 1.08	\$ 1.13	\$ 2.66	\$ 2.29
Class B Common Stock	\$ 1.61	\$ 1.70	\$ 3.98	\$ 3.43
Diluted earnings per share attributable to Greif, Inc. common shareholders:				
Class A Common Stock	\$ 1.07	\$ 1.12	\$ 2.65	\$ 2.28

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Class B Common Stock	\$	1.61	\$	1.70	\$	3.98	\$	3.43
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See accompanying Notes to Consolidated Financial Statements

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GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(Dollars in thousands)
ASSETS

	July 31, 2011	October 31, 2010
Current assets		
Cash and cash equivalents	\$ 109,086	\$ 106,957
Trade accounts receivable, less allowance of \$12,732 in 2011 and \$13,117 in 2010	588,820	480,158
Inventories	484,777	396,572
Deferred tax assets	18,723	19,526
Net assets held for sale	23,036	28,407
Current portion related party notes receivable	1,714	
Prepaid expenses and other current assets	148,992	134,269
	1,375,148	1,165,889
Long-term assets		
Goodwill	794,794	709,725
Other intangible assets, net of amortization	241,443	173,239
Deferred tax assets	33,751	29,982
Related party notes receivable	19,538	
Assets held by special purpose entities	50,891	50,891
Other long-term assets	100,498	93,603
	1,240,915	1,057,440
Properties, plants and equipment		
Timber properties, net of depletion	215,790	215,537
Land	126,078	121,409
Buildings	446,345	411,437
Machinery and equipment	1,491,135	1,302,597
Capital projects in progress	131,493	112,300
	2,410,841	2,163,280
Accumulated depreciation	(1,023,012)	(888,164)
	1,387,829	1,275,116
Total assets	\$ 4,003,892	\$ 3,498,445

See accompanying Notes to Consolidated Financial Statements

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GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(Dollars in thousands)
LIABILITIES AND SHAREHOLDERS EQUITY

	July 31, 2011	October 31, 2010
Current liabilities		
Accounts payable	\$ 465,539	\$ 448,310
Accrued payroll and employee benefits	99,713	90,887
Restructuring reserves	14,074	20,238
Current portion of long-term debt	12,500	12,523
Short-term borrowings	117,412	60,908
Deferred tax liabilities	7,282	5,091
Other current liabilities	155,611	123,854
	872,131	761,811
Long-term liabilities		
Long-term debt	1,255,823	953,066
Deferred tax liabilities	180,283	180,486
Pension liabilities	54,965	65,915
Postretirement benefit obligations	22,825	21,555
Liabilities held by special purpose entities	43,250	43,250
Other long-term liabilities	101,585	116,930
	1,658,731	1,381,202
Shareholders equity		
Common stock, without par value	111,354	106,057
Treasury stock, at cost	(120,043)	(117,394)
Retained earnings	1,405,346	1,323,477
Accumulated other comprehensive loss:		
- foreign currency translation	44,763	44,612
- interest rate and other derivatives	(419)	(1,505)
- minimum pension liabilities	(77,312)	(76,526)
Total Greif, Inc. shareholders equity	1,363,689	1,278,721
Noncontrolling interests	109,341	76,711
Total shareholders equity	1,473,030	1,355,432
Total liabilities and shareholders equity	\$ 4,003,892	\$ 3,498,445

See accompanying Notes to Consolidated Financial Statements

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GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Dollars in thousands)

For the nine months ended July 31,	2011	2010
Cash flows from operating activities:		
Net income	\$ 156,662	\$ 138,822
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	102,617	84,927
Asset impairments	3,331	2,356
Deferred income taxes	(978)	2,317
Gain on disposals of properties, plants and equipment, net	(14,141)	(6,904)
Equity earnings of affiliates	(1,992)	(3,272)
Increase (decrease) in cash from changes in certain assets and liabilities:		
Trade accounts receivable	(38,791)	(83,713)
Inventories	(43,244)	(92,845)
Prepaid expenses and other current assets	(3,735)	(21,144)
Accounts payable	(80,640)	(71,330)
Accrued payroll and employee benefits	6,343	1,774
Restructuring reserves	(6,164)	2,478
Other current liabilities	19,647	29,981
Pension and postretirement benefit liabilities	(9,680)	2,555
Other long-term assets, other long-term liabilities and other	(66,511)	31,773
Net cash provided by operating activities	22,724	17,775
Cash flows from investing activities:		
Acquisitions of companies, net of cash acquired	(185,703)	(152,739)
Purchases of properties, plants and equipment	(117,821)	(101,046)
Purchases of timber properties	(3,400)	(19,500)
Proceeds from the sale of properties, plants, equipment and other assets	17,909	13,034
Issuance of notes receivable to related party	(21,252)	
Purchases of land rights	(650)	
Net cash used in investing activities	(310,917)	(260,251)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	2,804,521	2,351,553
Payments on long-term debt	(2,492,200)	(2,231,012)
Proceeds from short-term borrowings, net	55,213	20,554
Proceeds from (payments of) trade accounts receivable credit facility, net	(10,000)	117,800
Dividends paid	(73,396)	(68,607)
Exercise of stock options	2,161	1,164
Acquisitions of treasury stock and other	(3,060)	(2,696)
Restricted stock awards	(318)	
Settlement of derivatives		29,248

Net cash provided by financing activities	282,921	218,004
Effects of exchange rates on cash	7,401	(3,250)
Net increase (decrease) in cash and cash equivalents	2,129	(27,722)
Cash and cash equivalents at beginning of period	106,957	111,896
Cash and cash equivalents at end of period	\$ 109,086	\$ 84,174

See accompanying Notes to Consolidated Financial Statements

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GREIF, INC. AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2011

NOTE 1 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the consolidated balance sheets as of July 31, 2011 and October 31, 2010 and the consolidated statements of operations and cash flows for the three month and nine month periods ended July 31, 2011 and 2010 of Greif, Inc. and its subsidiaries (the Company). The consolidated financial statements include the accounts of the Company, all wholly-owned and majority-owned subsidiaries and investments in limited liability companies, partnerships and joint ventures in which it has controlling influence. Non-majority owned entities include investments in limited liability companies, partnerships and joint ventures in which the Company does not have controlling influence.

The unaudited consolidated financial statements included in the Quarterly Report on Form 10-Q (this Form 10-Q) should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for its fiscal year ended October 31, 2010 (the 2010 Form 10-K). Note 1 of the Notes to Consolidated Financial Statements from the 2010 Form 10-K is specifically incorporated in this Form 10-Q by reference. In the opinion of management, all adjustments necessary for fair presentation of the consolidated financial statements have been included and are of a normal and recurring nature.

The consolidated financial statements have been prepared in accordance with the U.S. Securities and Exchange Commission (SEC) instructions to Quarterly Reports on Form 10-Q and include all of the information and disclosures required by accounting principles generally accepted in the United States (GAAP) for interim financial reporting. The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual amounts could differ from those estimates.

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

Certain and appropriate prior year amounts have been reclassified to conform to the 2011 presentation.

Newly Adopted Accounting Standards

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

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

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Effective July 1, 2009, changes to the ASC are communicated through an Accounting Standards Update (ASU). As of July 31, 2011, the FASB has issued ASU s 2009-01 through 2011-07. The Company has reviewed each ASU and determined that they will not have a material impact on the Company s financial position, results of operations or cash flows, other than the related disclosures.

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

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

NOTE 2 ACQUISITIONS, DIVESTITURES AND OTHER SIGNIFICANT TRANSACTIONS

(Dollars in thousands):

	# of	Purchase		Operating	Tangible	Intangible		
	Acquisitions	Price,	Revenue	Profit	Assets,	Assets	Goodwill	
		net of Cash			net			
Total 2011								
Acquisitions	5	\$ 185,703	\$ 24,590	\$ 3,490	\$ 62,359	\$ 80,958	\$ 66,329	
Total 2010								
Acquisitions	12	\$ 176,156	\$ 268,443	\$ 19,042	\$ 108,991	\$ 49,467	\$ 129,830	

Note: Purchase price, net of cash acquired, does not factor payments for earn-out provisions on prior acquisitions. Revenue and operating profit represent activity only in the year of acquisition.

During the first nine months of 2011, the Company completed five acquisitions consisting of four rigid industrial packaging companies and the acquisition of the minority shareholding from a 2008 acquisition of a rigid industrial packaging company. The acquired rigid industrial packaging companies included a European company purchased in February 2011, a European company purchased in May 2011 and a European company purchased in July 2011. Additionally, the company acquired the remaining minority shareholdings in an already consolidated South American acquisition from 2008 and a minority ownership interest in a North American company. The rigid industrial packaging acquisitions are expected to complement the Company s existing product lines that together will provide growth opportunities and economies of scale. The estimated fair value of the net tangible assets acquired was \$62.4 million. Identifiable intangible assets, with a combined fair value of \$81.0 million, including trade names, customer relationships, and certain non-compete agreements, have been recorded for these acquisitions. The excess of the purchase prices over the estimated fair values of the net tangible and intangible assets acquired of \$66.3 million was recorded as goodwill.

During 2010, the Company completed twelve acquisitions consisting of seven rigid industrial packaging companies and five flexible products companies and made a contingent purchase price payment related to a 2008 acquisition. The seven rigid industrial packaging companies consisted of a European company purchased in November 2009, an Asian company purchased in June 2010, a North American drum reconditioning company purchased in July 2010, a North American drum reconditioning company purchased in August 2010, a European company purchased in August 2010, a 51 percent interest in a Middle Eastern company purchased in September 2010 and a South American company purchased in September 2010. The five flexible products companies acquired conduct business throughout Europe, Asia and North America and were acquired in February, June, August and September 2010. The rigid industrial packaging acquisitions are expected to complement the Company's existing product lines that together will provide growth opportunities and economies of scale. The drum reconditioning acquisitions, within our Rigid Industrial Packaging & Services segment, and the flexible products acquisitions expand the Company's product and service offerings. The estimated fair value of the net tangible assets acquired was \$109.0 million. Identifiable intangible assets, with a combined fair value of \$49.5 million, including trade-names, customer relationships, and certain non-compete agreements, have been recorded for these acquisitions. The excess of the purchase prices over the estimated fair values of the net tangible and intangible assets acquired of \$129.8 million was recorded as goodwill.

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The five flexible products companies were contributed to a joint venture on September 29, 2010. See Flexible Products Joint Venture included in Note 8 for additional information on this joint venture. The aggregate purchase price in the table above includes the reimbursement of \$98.2 million received from the other joint venture partner relating to its investment and reimbursement of certain costs.

Had the transactions described above occurred on November 1, 2009, results of operations would not have differed materially from reported results.

NOTE 3 SALE OF NON-UNITED STATES ACCOUNTS RECEIVABLE

Pursuant to the terms of a Receivable Purchase Agreement (the RPA) between Greif Coordination Center BVBA, an indirect wholly-owned subsidiary of Greif, Inc., and a major international bank, the seller agreed to sell trade receivables meeting certain eligibility requirements that seller had purchased from other indirect wholly-owned subsidiaries of Greif, Inc., including Greif Belgium BVBA, Greif Germany GmbH, Greif Nederland BV, Greif Packaging Belgium NV, Greif Spain SA, Greif Sweden AB, Greif Packaging Norway AS, Greif Packaging France, SAS, Greif Packaging Spain SA, Greif Portugal Lda and Greif UK Ltd, under discounted receivables purchase agreements and from Greif France SAS under a factoring agreement. This agreement is amended from time to time to add additional Greif entities. In addition, Greif Italia S.P.A. also an indirect wholly-owned subsidiary of Greif, Inc., entered into the Italian Receivables Purchase Agreement with the Italian branch of the major international bank (the Italian RPA) agreeing to sell trade receivables that meet certain eligibility criteria to such branch. The Italian RPA is similar in structure and terms as the RPA. The maximum amount of receivables that may be financed under the RPA and the Italian RPA is 115 million (\$166.9 million) at July 31, 2011.

In October 2007, Greif Singapore Pte. Ltd., an indirect wholly-owned subsidiary of Greif, Inc., entered into the Singapore Receivable Purchase Agreement (the Singapore RPA) with a major international bank. The maximum amount of aggregate receivables that may be financed under the Singapore RPA is 15.0 million Singapore Dollars (\$12.5 million) at July 31, 2011.

In October 2008, Greif Embalagens Industriais do Brasil Ltda., an indirect wholly-owned subsidiary of Greif, Inc., entered into agreements (the Brazil Agreements) with Brazilian banks. There is no maximum amount of aggregate receivables that may be financed under the Brazil Agreements; however, the sale of individual receivables is subject to approval by the banks.

In May 2009, Greif Malaysia Sdn Bhd., an indirect wholly-owned subsidiary of Greif, Inc., entered into the Malaysian Receivables Purchase Agreement (the Malaysian Agreements) with Malaysian banks. The maximum amount of the aggregate receivables that may be financed under the Malaysian Agreements is 15.0 million Malaysian Ringgits (\$5.1 million) at July 31, 2011.

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

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At July 31, 2011 and October 31, 2010, 112.8 million (\$163.6 million) and 117.6 million (\$162.9 million), respectively, of accounts receivable were sold under the RPA and Italian RPA. At July 31, 2011 and October 31, 2010, 8.6 million Singapore Dollars (\$7.1 million) and 6.7 million Singapore Dollars (\$5.4 million), respectively, of accounts receivable were sold under the Singapore RPA. At July 31, 2011 and October 31, 2010, 16.9 million Brazilian Reais (\$11.0 million) and 11.7 million Brazilian Reais (\$6.9 million), respectively, of accounts receivable were sold under the Brazil Agreements. At July 31, 2011 and October 31, 2010, 10.7 million Malaysian Ringgits (\$3.6 million) and 6.3 million Malaysian Ringgits (\$2.0 million), respectively, of accounts receivable were sold under the Malaysian Agreements.

Expenses associated with the RPA and Italian RPA totaled 0.8 million (\$1.1 million) and 0.8 million (\$1.0 million) for the three months ended July 31, 2011 and 2010, respectively; and 2.3 million (\$3.1 million) and 2.2 million (\$2.9 million) for the nine months ended July 31, 2011 and 2010, respectively.

Expenses associated with the Singapore RPA totaled 0.1 million Singapore Dollars (\$0.1 million) and 0.1 million Singapore Dollars (\$0.1 million) for the three months ended July 31, 2011 and 2010, respectively; and 0.3 million Singapore Dollars (\$0.3 million) and 0.3 million Singapore Dollars (\$0.3 million) for the nine months ended July 31, 2011 and 2010, respectively.

Expenses associated with the Brazil Agreements totaled 0.8 million Brazilian Reais (\$0.5 million) and 1.2 million Brazilian Reais (\$0.7 million) for the three months ended July 31, 2011 and 2010, respectively; and 2.6 million Brazilian Reais (\$1.6 million) and 3.3 million Brazilian Reais (\$1.9 million) for the nine months ended July 31, 2011 and 2010, respectively.

Expenses associated with the Malaysian Agreements totaled 0.2 million Malaysian Ringgits (\$0.1 million) and were insignificant for the three months ended July 31, 2011 and 2010, respectively; and 0.6 million Malaysian Ringgits (\$0.2 million) and 0.1 million Malaysian Ringgits (\$0.1 million) for the nine months ended July 31, 2011 and 2010, respectively.

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

NOTE 4 INVENTORIES

Inventories are stated at the lower of cost or market, utilizing the first-in, first-out basis. Inventories are summarized as follows (Dollars in thousands):

	July 31, 2011	October 31, 2010
Finished Goods	\$ 115,008	\$ 92,469
Raw materials and work-in-process	369,769	304,103
	\$ 484,777	\$ 396,572

NOTE 5 NET ASSETS HELD FOR SALE

As of July 31, 2011 and October 31, 2010, there were fourteen and sixteen locations with assets held for sale, respectively. During the first nine months of 2011, the Company sold three locations, added four locations and three locations were placed back in service and depreciation was resumed. The net assets held for sale are being marketed for sale and it is the Company's intention to complete the facility sales within the upcoming year. For the three months ended July 31, 2011, there were sales of other miscellaneous equipment which resulted in a \$0.2 million loss. For the nine months ended July 31, 2011, there was a sale of a location in the Rigid Industrial Packaging & Services segment which resulted in a \$2.6 million gain, a sale of a location in the Paper Packaging segment which resulted in a \$1.2 million gain and sales of other miscellaneous equipment which resulted in a \$0.3 million loss.

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The following table summarizes the changes in the carrying amount of goodwill by segment for the nine month period ended July 31, 2011 (Dollars in thousands):

	Rigid Industrial Packaging & Services	Flexible Products & Services	Paper Packaging	Land Management	Total
Balance at October 31, 2010	\$ 570,661	\$ 78,261	\$ 60,653	\$ 150	\$ 709,725
Goodwill acquired	66,329				66,329
Goodwill adjustments	3,325	(1,632)			1,693
Currency translation	13,365	3,682			17,047
Balance at July 31, 2011	\$ 653,680	\$ 80,311	\$ 60,653	\$ 150	\$ 794,794

The goodwill acquired during 2011 of \$66.3 million consisted of preliminary goodwill related to acquisitions in the Rigid Industrial Packaging & Services segment. The goodwill adjustments increased goodwill by a net amount of \$1.7 million related to the finalization of purchase price allocation of prior year acquisitions. Certain business combinations that occurred at or near year end were recorded with provisional estimates for fair value based on management's best estimate.

The following table summarizes the carrying amount of net intangible assets by class as of July 31, 2011 and October 31, 2010 (Dollars in thousands):

	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets
October 31, 2010:			
Trademark and patents	\$ 42,878	\$ 17,184	\$ 25,694
Non-compete agreements	20,456	7,774	12,682
Customer relationships	153,131	27,091	126,040
Other	15,235	6,412	8,823
Total	\$ 231,700	\$ 58,461	\$ 173,239
July 31, 2011:			
Trademark and patents	\$ 54,422	\$ 20,912	\$ 33,510
Non-compete agreements	27,055	8,822	18,233
Customer relationships	212,393	35,365	177,028
Other	21,874	9,202	12,672
Total	\$ 315,744	\$ 74,301	\$ 241,443

Gross intangible assets increased by \$84.0 million for the nine month period ended July 31, 2011. The increase in gross intangible assets was attributable to \$81.0 million in preliminary purchase price allocations related to three of the 2011 acquisitions in the Rigid Industrial Packaging & Services segment, \$7.2 million was attributable to currency

fluctuations, a \$3.0 million non-cash impairment charge related to the discontinued usage of certain trade names in the Flexible Products & Services segment and \$1.2 million in other adjustments. Amortization expense for the nine months ended July 31, 2011 and 2010 was \$12.4 million and \$10.0 million, respectively. Amortization expense for the next five years is expected to be \$5.7 million in 2011, \$17.1 million in 2012, \$20.3 million in 2013, \$19.5 million in 2014 and \$18.4 million in 2015.

All intangible assets for the periods presented are subject to amortization and are being amortized using the straight-line method over periods that range from three to 23 years, except for \$20.8 million related to the Tri-Sure trademark and the trade names related to Blagden Express, Closed-loop, Box Board and Fustiplast, all of which have indefinite lives.

The Company reviews goodwill and indefinite-lived intangible assets for impairment by reporting unit as required by ASC 350, Intangibles - Goodwill and Other, on an annual basis and when events and circumstances indicate impairment may have occurred. A reporting unit is the operating segment, or a business one level below that operating segment if discrete financial information is prepared and regularly reviewed by segment management.

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During the fiscal third quarter, the Flexible Products & Services segment made the strategic decision to announce the intention to rebrand the acquired companies of Storsack, Sunjut, Unsa and Ligtermoet under the Greif Flexibles brand globally. As a result, the Company recorded a non-cash impairment charge of \$3.0 million included in selling, general and administrative expenses against the intangible asset value of the legacy companies trade names.

The Company's business segments have been identified as reporting units and the Company concluded that no other impairment or impairment indicators exist at this time.

NOTE 7 RESTRUCTURING CHARGES

The following is a reconciliation of the beginning and ending restructuring reserve balances for the nine month period ended July 31, 2011 (Dollars in thousands):

	Cash Charges		Non-cash Charges	
	Employee Separation Costs	Other Costs	Asset Impairments	Total
Balance at October 31, 2010	\$ 12,668	\$ 7,570	\$	\$ 20,238
Costs incurred and charged to expense	6,197	4,841	369	11,407
Costs paid or otherwise settled	(11,453)	(6,008)	(110)	(17,571)
Balance at July 31, 2011	\$ 7,412	\$ 6,403	\$ 259	\$ 14,074

The focus for restructuring activities in 2011 continues to be on the integration of recent acquisitions in the Rigid Industrial Packaging & Services and Flexible Products & Services segments. During the first nine months of 2011, the Company recorded restructuring charges of \$11.4 million, which compares to \$20.7 million of restructuring charges during the first nine months of 2010. The restructuring activity for the nine month period ended July 31, 2011 consisted of \$6.2 million in employee separation costs, \$0.4 million in asset impairments and \$4.8 million in other costs. The \$6.2 million in employee separation costs relates to the realignment of the Company's management structure, plant closings and prior year acquisitions. The \$4.8 million in other costs relates to professional fees and other administrative costs. The restructuring activity for the nine month period ended July 31, 2010 consisted of \$11.4 million in employee separation costs, \$2.4 million in asset impairments and \$6.9 million in other costs.

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The following is a reconciliation of the total amounts expected to be incurred from open restructuring plans which are anticipated to be realized in 2011 and 2012 or plans that are being formulated and have not been announced as of the date of this Form 10-Q (Dollars in thousands):

	Amounts Expected to be Incurred	Three months ended July 31, 2011	Nine months ended July 31, 2011	Amounts Remaining to be Incurred
Rigid Industrial Packaging & Services				
Employee separation costs	\$ 4,064	\$ 2,015	\$ 4,055	\$ 9
Asset impairments	333		333	
Other restructuring costs	8,587	1,397	3,572	5,015
	12,984	3,412	7,960	5,024
Flexible Products & Services				
Employee separation costs	2,834	652	2,834	
Other restructuring costs	1,307	30	1,080	227
	4,141	682	3,914	227
Paper Packaging				
Employee separation costs		(701)	(685)	
Asset impairments	36		36	
Other restructuring costs	189	3	189	
	225	(698)	(460)	
Land Management				
Employee separation costs			(7)	
	\$ 17,350	\$ 3,396	\$ 11,407	\$ 5,251

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

NOTE 8 VARIABLE INTEREST ENTITIES

The Company evaluates whether an entity is a VIE and determines if the primary beneficiary status is appropriate on a quarterly basis. The Company consolidates VIEs for which it is the primary beneficiary. If the Company is not the primary beneficiary and an ownership interest is held, the VIE is accounted for under the equity or cost methods of accounting. When assessing the determination of the primary beneficiary, the Company considers all relevant facts and circumstances, including: the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb the expected losses and/or the right to receive the expected returns of the VIE.

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

Significant Nonstrategic Timberland Transactions

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

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

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

At July 31, 2011 and October 31, 2010, assets of the Buyer SPE consisted of \$50.9 million of restricted bank financial instruments. For the nine month periods ended July 31, 2011 and 2010, the Buyer SPE recorded interest income of \$1.8 million, respectively.

At July 31, 2011 and October 31, 2010, STA Timber had long-term debt of \$43.3 million. For the nine month periods ended July 31, 2011 and 2010, STA Timber recorded interest expense of \$1.7 million, respectively. STA Timber is exposed to credit-related losses in the event of nonperformance by the issuer of the Deed of Guarantee.

Flexible Products Joint Venture

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

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

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

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

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

July 31, 2011	Asset Co.	Trading Co.	Flexible Products JV
Total assets	\$ 191,907	\$ 177,288	\$ 369,195
Total liabilities	86,324	69,667	155,991
Net assets	\$ 105,583	\$ 107,621	\$ 213,204

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

Net income (loss) attributable to the non controlling interest in the Flexible Products JV for the three and nine months ended July 31, 2011 was \$0.1 million and (\$3.5) million respectively.

NOTE 9 LONG-TERM DEBT

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

	July 31, 2011	October 31, 2010
Credit Agreement	\$ 284,251	\$ 273,700
Senior Notes due 2017	302,989	303,396
Senior Notes due 2019	242,771	242,306
Senior Notes due 2021	290,220	
Trade accounts receivable credit facility	125,000	135,000
Other long-term debt	23,092	11,187
	1,268,323	965,589
Less current portion	(12,500)	(12,523)
Long-term debt	\$ 1,255,823	\$ 953,066

Credit Agreement

On October 29, 2010, the Company obtained a \$1.0 billion senior secured credit facility pursuant to an Amended and Restated Credit Agreement with a syndicate of financial institutions (the Credit Agreement). The Credit Agreement provides for a \$750 million revolving multicurrency credit facility and a \$250 million term loan, both expiring October 29, 2015, with an option to add \$250 million to the facilities with the agreement of the lenders. The \$250 million term loan is scheduled to amortize by \$3.1 million each quarter-end for the first eight quarters, \$6.3 million each quarter-end for the next eleven quarters and \$156.3 million on the maturity date.

The Credit Agreement is available to fund ongoing working capital and capital expenditure needs, for general corporate purposes and to finance acquisitions. Interest is based on a Eurodollar rate or a base rate that resets periodically plus a calculated margin amount. As of July 31, 2011, \$284.3 million was outstanding under the Credit Agreement. The current portion of the Credit Agreement was \$12.5 million and the long-term portion was \$271.8 million. The weighted average interest rate on the Credit Agreement was 2.13% for the nine months ended July 31, 2011.

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

Table of Contents***Senior Notes due 2017***

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

The fair value of these Senior Notes due 2017 was \$319.5 million at July 31, 2011 based upon quoted market prices. The indenture pursuant to which these Senior Notes were issued contains certain covenants. At July 31, 2011, the Company was in compliance with these covenants.

Senior Notes due 2019

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

The fair value of these Senior Notes due 2019 was \$273.1 million at July 31, 2011, based upon quoted market prices. The indenture pursuant to which these Senior Notes were issued contains certain covenants. At July 31, 2011, the Company was in compliance with these covenants.

Senior Notes due 2021

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

The fair value of these Senior Notes due 2021 was \$293.1 million at July 31, 2011, based upon quoted market prices. The indenture pursuant to which these Senior Notes were issued contains certain covenants. At July 31, 2011, the Company was in compliance with these covenants.

United States Trade Accounts Receivable Credit Facility

On December 8, 2008, the Company entered into a \$135.0 million trade accounts receivable credit facility with a financial institution and its affiliate, as purchasers, with a maturity date of December 8, 2013, subject to earlier termination of the purchasers' commitment on September 29, 2011, or such later date to which the purchase commitment may be extended by agreement of the parties. The credit facility is secured by certain of the Company's trade accounts receivable in the United States and bears interest at a variable rate based on the London Interbank Offered Rate (LIBOR) plus a margin or other agreed-upon rate (0.75% at July 31, 2011). In addition, the Company can terminate the credit facility at any time upon five days prior written notice. A significant portion of the initial proceeds from this credit facility was used to pay the obligations under the previous trade accounts receivable credit facility, which was terminated. The remaining proceeds were and will be used to pay certain fees, costs and expenses incurred in connection with the credit facility and for working capital and general corporate purposes. At July 31, 2011, there was \$125.0 million outstanding under the credit facility. The agreement for this credit facility contains financial covenants that require the Company to maintain a certain leverage ratio and a fixed charge coverage ratio. At July 31, 2011, the Company was in compliance with these covenants.

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

Table of Contents**Other**

In addition to the amounts borrowed under the Credit Agreement and proceeds from the Senior Notes and the United States Trade Accounts Receivable Credit Facility, at July 31, 2011, the Company had outstanding other debt of \$140.5 million, comprised of \$23.1 million in long-term debt and \$117.4 million in short-term borrowings, compared to other debt outstanding of \$72.1 million, comprised of \$11.2 million in long-term debt and \$60.9 million in short-term borrowings, at October 31, 2010. The \$68.4 million increase was primarily due to funding acquisitions, capital expenditures and increased working capital requirements.

At July 31, 2011, the current portion of the Company's long-term debt was \$12.5 million. Annual maturities, including the current portion, of long-term debt under the Company's various financing arrangements were \$3.1 million in 2011, \$35.6 million in 2012, \$25.0 million in 2013, \$150.0 million in 2014, \$218.6 million in 2015 and \$836.0 million thereafter.

At July 31, 2011 and October 31, 2010, the Company had deferred financing fees and debt issuance costs of \$23.6 million and \$21.4 million, respectively, which are included in other long-term assets.

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

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

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

During the next three months, the Company expects to reclassify into earnings a net loss from accumulated other comprehensive loss of approximately \$0.4 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 adjustments for those assets and (liabilities) measured on a recurring basis as of July 31, 2011 (Dollars in thousands):

	Fair Value Measurement				Total	Balance sheet Location
	Level 1	Level 2	Level 3			
Interest rate derivatives	\$	\$ (671)	\$	\$	(671)	Other long-term liabilities
Foreign exchange hedges		(2,853)			(2,853)	Other current liabilities
Energy hedges		(27)			(27)	Other current liabilities

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Total*	\$	\$	(3,551)	\$	\$	(3,551)
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* The carrying amounts of cash and cash equivalents, trade accounts receivable, accounts payable, current liabilities and short-term borrowings at July 31, 2011 approximate their fair values because of the short-term nature of these items and are not included in this table.

Table of Contents***Interest Rate Derivatives***

The Company has interest rate swap agreements with various maturities through 2012. These interest rate swap agreements are used to manage the Company's fixed and floating rate debt mix. Under these agreements, the Company receives interest monthly from the counterparties based upon the LIBOR and pays interest based upon a designated fixed rate over the life of the swap agreements.

The Company has two interest rate derivatives (floating to fixed swap agreements recorded as cash flow hedges) with a total notional amount of \$125 million. Under these swap agreements, the Company receives interest based upon a variable interest rate from the counterparties (weighted average of 0.19% at July 31, 2011 and 0.26% at October 31, 2010) and pays interest based upon a fixed interest rate (weighted average of 1.78% at July 31, 2011 and October 31, 2010).

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

Foreign Exchange Hedges

At July 31, 2011, the Company had outstanding foreign currency forward contracts in the notional amount of \$157.1 million (\$252.9 million at October 31, 2010). The purpose of these contracts is to hedge the Company's exposure to foreign currency transactions and short-term intercompany loan balances in its international businesses. The fair value of these contracts at July 31, 2011 resulted in a loss of \$2.6 million recorded in the consolidated statements of operations and a loss of \$0.2 million recorded in other comprehensive income. The fair value of similar contracts at October 31, 2010 resulted in a gain of \$0.8 million in the consolidated statements of operations and a loss of \$2.3 million recorded in other comprehensive income.

Energy Hedges

The Company has entered into certain cash flow agreements to mitigate its exposure to cost fluctuations in natural gas prices through October 31, 2011. Under these hedge agreements, the Company agrees to purchase natural gas at a fixed price. At July 31, 2011, the notional amount of these hedges was \$0.4 million (\$2.4 million at October 31, 2010). The other comprehensive gain on these agreements was immaterial at July 31, 2011 and \$0.3 million at October 31, 2010.

Other financial instruments

The estimated fair value of the Company's long-term debt was \$1,318.1 million and \$1,021.5 million at July 31, 2011 and October 31, 2010, respectively. The current portion of the long-term debt was \$12.5 million at July 31, 2011 and October 31, 2010. The fair values of the Company's long-term obligations are estimated based on either the quoted market prices for the same or similar issues or the current interest rates offered for debt of the same remaining maturities.

Non Recurring Fair Value Measurements

The Company has reviewed the fair value adjustments for those assets and (liabilities) measured on a non-recurring basis as of July 31, 2011 discussed herein.

Net Assets Held for Sale

Net assets held for sale are considered level two inputs which include recent purchase offers, market comparables and/or data obtained from commercial real estate brokers. As of July 31, 2011, the Company had not recognized any impairment related to net assets held for sale.

Table of Contents***Long-Lived Assets***

As part of the Company's restructuring plans following recent acquisitions, the Company may close manufacturing facilities during the next few years. The long-lived assets are considered level two inputs which were valued based on bids received from third parties and using discounted cash flow analysis based on assumptions that the Company believes market participants would use. Key inputs included anticipated revenues, associated manufacturing costs, capital expenditures and discount, growth and tax rates. The Company recorded restructuring-related expenses for the nine-month period ended July 31, 2011 of \$0.4 million on long lived assets with net book values of \$1.3 million.

Goodwill and Long Lived Intangible Assets

The Company performs an impairment test for goodwill on an annual basis and when events and circumstances indicate impairment may have occurred. The Company concluded that no impairment existed at October 31, 2010. There have been no changes during the third quarter of 2011 that would warrant impairment considerations, other than previously disclosed. The 2011 impairment test will be performed during the fourth quarter of 2011.

NOTE 11 STOCK-BASED COMPENSATION

Stock-based compensation is accounted for in accordance with ASC 718, Compensation - Stock Compensation, which requires companies to estimate the fair value of share-based awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense in the Company's consolidated statements of operations over the requisite service periods. The Company uses the straight-line single option method of expensing stock options to recognize compensation expense in its consolidated statements of operations for all share-based awards. Because share-based compensation expense is based on awards that are ultimately expected to vest, share-based compensation expense will be reduced to account for estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. No stock options were granted in 2011 or 2010. 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 25.4% and 18.2% for the three months ended July 31, 2011 and 2010, respectively, and 24.3% and 18.9% for the nine months ended July 31, 2011 and 2010 respectively. The change in the effective tax rate is primarily attributable to the recognition of a valuation allowance on deferred tax assets in 2011, the incremental benefit from an alternative fuel tax credit in 2010, and other discrete tax items recognized in these periods.

The Company has estimated the reasonably possible expected net change in unrecognized tax benefits through July 31, 2011 based on expected settlements or payments of uncertain tax positions, and lapses of the applicable statutes of limitations of unrecognized tax benefits under ASC 740, Income Taxes.

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

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

	Three months ended		Nine months ended	
	July 31		July 31	
	2011	2010	2011	2010
Service cost	\$ 2,239	\$ 2,293	\$ 6,717	\$ 6,879
Interest cost	4,159	3,998	12,477	11,994
Expected return on plan assets	(4,928)	(4,524)	(14,784)	(13,572)
Amortization of prior service cost, initial net asset and net actuarial gain	2,160	1,700	6,480	5,100
Net periodic pension costs	\$ 3,630	\$ 3,467	\$ 10,890	\$ 10,401

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The Company made \$16.9 million in pension contributions in the nine months ended July 31, 2011. The Company estimates \$29.7 million of pension contributions for the entire 2011 fiscal year.

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

	Three months ended		Nine months ended	
	July 31		July 31	
	2011	2010	2011	2010
Service cost	\$ 2	\$ 1	\$ 6	\$ 3
Interest cost	219	283	657	849
Amortization of prior service cost and recognized actuarial gain	(334)	(251)	(1,002)	(753)
Net periodic cost for postretirement benefits	\$ (113)	\$ 33	\$ (339)	\$ 99

NOTE 14 CONTINGENT LIABILITIES

Various lawsuits, claims and proceedings have been or may be instituted or asserted against the Company, including those pertaining to environmental, product liability and safety and health matters. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of considerable uncertainties that exist. Therefore, it is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies.

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

Environmental Reserves

At July 31, 2011 and October 31, 2010, the Company had recorded liabilities of \$25.9 million and \$26.2 million, respectively, for estimated environmental remediation costs. The liabilities were recorded on an undiscounted basis and are included in other long-term liabilities. At July 31, 2011 and October 31, 2010, the Company had recorded environmental liability reserves of \$14.0 million and \$14.5 million, respectively, for its blending facility in Chicago, Illinois and \$10.2 million and \$10.3 million, respectively, for various European drum facilities acquired in November 2006 as well as the facility in Lier, Belgium. 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.

The Company anticipates that cash expenditures in future periods for remediation costs at identified sites will be made over an extended period of time. Given the inherent uncertainties in evaluating environmental exposures, actual costs may vary from those estimated at July 31, 2011. 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.

Table of Contents**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% times the average Class A shares outstanding, then divide that amount by the product of 40% of the average Class A shares outstanding plus 60% 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% times the average Class B shares outstanding, then divide that amount by the product of 40% of the average Class A shares outstanding plus 60% 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:

(In thousands, except per share data)	Three months ended		Nine months ended	
	July 31		July 31	
	2011	2010	2011	2010
Numerator for basic and diluted EPS				
Net income attributable to Greif, Inc.	\$ 62,940	\$ 65,975	\$ 155,265	\$ 133,428
Cash dividends	24,566	24,507	73,396	68,607
Undistributed net income attributable to Greif, Inc.	\$ 38,374	\$ 41,468	\$ 81,869	\$ 64,821
Denominator for basic EPS				
Class A common stock	24,897,665	24,687,006	24,837,097	24,623,262
Class B common stock	22,362,266	22,444,488	22,386,818	22,456,340
Denominator for diluted EPS				
Class A common stock	25,100,003	24,999,901	25,041,395	24,930,839
Class B common stock	22,362,266	22,444,488	22,386,818	22,456,340
EPS Basic				
Class A common stock	\$ 1.08	\$ 1.13	\$ 2.66	\$ 2.29
Class B common stock	\$ 1.61	\$ 1.70	\$ 3.98	\$ 3.43
EPS Diluted				
Class A common stock	\$ 1.07	\$ 1.12	\$ 2.65	\$ 2.28
Class B common stock	\$ 1.61	\$ 1.70	\$ 3.98	\$ 3.43
Dividends per share				
Class A common stock	\$ 0.42	\$ 0.42	\$ 1.26	\$ 1.18
Class B common stock	\$ 0.63	\$ 0.63	\$ 1.88	\$ 1.76

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 first nine months of 2011, the Company repurchased no shares of Class A Common Stock and 50,000 shares of Class B Common Stock. As of July 31, 2011, the Company had repurchased 2,933,272 shares, including 1,416,752 shares of Class A Common Stock and 1,516,520 shares of Class B Common Stock, under this program. The total cost of the shares repurchased from November 1, 2009 through July 31, 2011 was approximately \$5.8 million.

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

	Authorized Shares	Issued Shares	Outstanding Shares	Treasury Shares
July 31, 2011:				
Class A Common Stock	128,000,000	42,281,920	24,957,182	17,324,738
Class B Common Stock	69,120,000	34,560,000	22,362,266	12,197,734
October 31, 2010:				
Class A Common Stock	128,000,000	42,281,920	24,756,974	17,524,946
Class B Common Stock	69,120,000	34,560,000	22,412,266	12,147,734

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

	Three months ended July 31		Nine months ended July 31	
	2011	2010	2011	2010
Class A Common Stock:				
Basic shares	24,897,665	24,687,006	24,837,097	24,623,262
Assumed conversion of stock options	202,338	312,895	204,298	307,577
Diluted shares	25,100,003	24,999,901	25,041,395	