

GREIF INC  
Form 10-K  
December 22, 2010

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

**FORM 10-K**

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended October 31, 2010
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from    to

Commission file number: 001-00566

**Greif, Inc.**  
(Exact name of Registrant as specified in its charter)

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

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

**425 Winter Road, Delaware, Ohio**  
(Address of principal executive offices)

**43015**  
(Zip Code)

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

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

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Class A Common Stock	New York Stock Exchange
Class B Common Stock	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during

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

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

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

(Do not check if a smaller reporting company)

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

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

Non-voting common equity (Class A Common Stock) - \$1,405,354,258

Voting common equity (Class B Common Stock) - \$393,745,476

The number of shares outstanding of each of the Registrant's classes of common stock, as of December 17, 2010, was as follows:

Class A Common Stock - 24,804,789

Class B Common Stock - 22,412,266

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

1. The Registrant's Definitive Proxy Statement for use in connection with the Annual Meeting of Stockholders to be held on February 28, 2011 (the 2011 Proxy Statement), portions of which are incorporated by reference into Parts II and III of this Form 10-K. The 2011 Proxy Statement will be filed within 120 days of October 31, 2010.

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**IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

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

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**PART I**

**ITEM 1. BUSINESS**

**(a) General Development of Business**

We are a leading global producer of industrial packaging products and services with manufacturing facilities located in over 50 countries. We offer a comprehensive line of rigid industrial packaging products, such as steel, fibre and plastic drums, rigid intermediate bulk containers, closure systems for industrial packaging products, transit protection products, water bottles and reconditioned containers, and services such as container lifecycle management, blending, filling and other packaging services, logistics and warehousing. We are also a leading global producer of flexible intermediate bulk containers and North American provider of industrial and consumer multiwall bag products. We also produce containerboard and corrugated products for niche markets in North America. We sell timber to third parties from our timberland in the southeastern United States that we manage to maximize long-term value. We also own timberland in Canada that we do not actively manage. In addition, we sell, from time to time, timberland and special use land, which consists of surplus land, higher and better use ( HBU ) land, and development land. Our customers range from Fortune 500 companies to medium and small-sized companies in a cross section of industries.

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

Our fiscal year begins on November 1 and ends on October 31 of the following year. Any references in this Form 10-K to the years 2010, 2009 or 2008, or to any quarter of those years, relate to the fiscal year ending in that year.

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

**(b) Financial Information about Segments**

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

**(c) Narrative Description of Business**

***Products and Services***



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

In the Flexible Products & Services segment, we are a leading global producer of flexible intermediate bulk containers and a North American provider of industrial and consumer multiwall bag products. Our flexible intermediate bulk containers consist of a polypropylene-based woven fabric that is partly produced at our production sites, as well as sourced from strategic regional suppliers. Our flexible products are sold globally and service customers and market segments similar to those served by

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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 multiwall bag products are used to ship a wide range of industrial and consumer products, such as seed, fertilizers, chemicals, concrete, flour, sugar, feed, pet foods, popcorn, charcoal and salt, primarily for the agricultural, chemical, building products and food industries.

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

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

As of October 31, 2010, we owned approximately 267,150 acres of timber property in the southeastern United States and approximately 24,700 acres of timber property in Canada.

### ***Customers***

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

### ***Backlog***

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

### ***Competition***

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

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

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

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

Based on current information, we believe that the probable costs of the remediation of company-owned property will not have a material adverse effect on our financial condition or results of operations. We believe that we have adequately reserved for our liability for these matters as of October 31, 2010.

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We do not believe that compliance with federal, state, local and international provisions, which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has had or will have a material effect upon our capital expenditures, earnings or competitive position. We do not anticipate any material capital expenditures related to environmental control in 2011.

Refer also to Item 7 of this Form 10-K and Note 14 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for additional information concerning environmental expenses and cash expenditures for 2010, 2009 and 2008, and our reserves for environmental liabilities at October 31, 2010.

### ***Raw Materials***

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

### ***Research and Development***

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

### ***Other***

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

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

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

### ***Employees***

As of October 31, 2010, we had approximately 12,250 full time employees, which has increased significantly from the prior year as a result of twelve acquisitions completed during 2010, particularly in the Flexible Products & Services segment. A significant number of our full time employees are covered under collective bargaining agreements. We believe that our employee relations are generally good.

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

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

**(e) Available Information**

We maintain a website at [www.greif.com](http://www.greif.com). We file reports with the Securities and Exchange Commission (the SEC) and make available, free of charge, on or through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q or Form 10-Q/A, current reports on Form 8-K, proxy and information statements and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have electronically filed such material with, or furnished it to, the SEC.

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

### **(f) Other Matters**

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

## **ITEM 1A. RISK FACTORS**

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

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

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

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

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

Our customers generally consist of other manufacturers and suppliers who purchase industrial packaging products and containerboard and related corrugated products for their own containment and shipping purposes. Because we supply

a cross section of industries, such as chemicals, food products, petroleum products, pharmaceuticals, metal products, agricultural and agrichemical products, and have operations in many countries, demand for our products and services has historically corresponded to changes in general economic and business conditions of the industries and countries in which we operate. Accordingly, our financial performance is substantially dependent upon the general economic conditions existing in these industries and countries, and any prolonged or substantial economic downturn in the markets in which we operate, including the current economic downturn, could have a material adverse affect on our business, results of operations or financial condition.

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

We have operations in over 50 countries. As a result of our international operations, we are subject to certain risks that could disrupt our operations or force us to incur unanticipated costs.

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

translations into United States dollars for financial reporting purposes of the assets and liabilities of our international operations conducted in local currencies; and

gains or losses from transactions conducted in currencies other than the operation's functional currency.

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

political, social and economic instability;

war, civil disturbance or acts of terrorism;

taking of property by nationalization or expropriation without fair compensation;

changes in government policies and regulations;

imposition of limitations on conversions of currencies into United States dollars or remittance of dividends and other payments by international subsidiaries;

imposition or increase of withholding and other taxes on remittances and other payments by international subsidiaries;

hyperinflation in certain countries and the current threat of global deflation; and

impositions or increase of investment and other restrictions or requirements by non-United States governments.

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

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

**We Operate in Highly Competitive Industries.**

Each of our business segments operates in highly competitive industries. The most important competitive factors we face are price, quality, design and service. To the extent that one or more of our competitors become more successful



with respect to any of these key competitive factors, we could lose customers and our sales could decline. In addition, due to the tendency of certain customers to diversify their suppliers, we could be unable to increase or maintain sales volumes with particular customers. Certain of our competitors are substantially larger and have significantly greater financial resources.

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

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

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

The principal raw materials used in the manufacture of our products are steel, resin, pulpwood, old corrugated containers for recycling, and containerboard, which we purchase in highly competitive, price sensitive markets. These raw materials have

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

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

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

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

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

As discussed elsewhere, we are also pursuing a transformation to become a leaner, more market-focused, performance-driven company what we call the Greif Business System. We believe that the Greif Business System has and will continue to generate productivity improvements and achieve permanent cost reductions. While we expect our cost saving initiatives to result in significant savings throughout our organization, our estimated savings are based on several assumptions that may prove to be inaccurate, and as a result, we cannot assure you that we will realize these cost savings or that, if realized, these cost savings will be sustained. If we cannot successfully implement and sustain the strategic cost reductions or other cost savings plans, our financial conditions and results of operations would be negatively affected.

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

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

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

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

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

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

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

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

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

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

We carry comprehensive liability, fire and extended coverage insurance on most of our facilities, with policy specifications and insured limits customarily carried for similar properties. However, there are certain types of losses, such as losses resulting from wars, acts of terrorism, or hurricanes, tornados, or other natural disasters, that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss

in excess of insured limits occur, we could lose capital invested in that property, as well as the anticipated future revenues derived from the manufacturing activities conducted at that property, while remaining obligated for any indebtedness or other financial obligations related to the property. Any such loss would adversely impact our business, financial condition and results of operations.

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

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

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

Our information technology systems exist on platforms in more than 50 countries, many of which have been acquired in connection with business acquisitions, resulting in a complex technical infrastructure. Such complexity creates difficulties and inefficiencies in monitoring business results and consolidating financial data and could result in a material adverse effect on our business operations and financial performance.

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

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

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

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

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

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

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

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

Although there may be adverse financial impact (including compliance costs, potential permitting delays and increased cost of energy, raw materials and transportation) associated with any such legislation, regulation or other action, the extent and magnitude of that impact cannot be reliably or accurately estimated due to the fact that some requirements have only recently been adopted and the present uncertainty regarding other additional measures and how they will be implemented.

Furthermore, litigation or claims against us with respect to such matters could adversely affect our operations and financial performance. We may also become subject to product liability claims that could adversely affect our operations and financial performance.

**Table of Contents****Changing Climate Conditions May Adversely Affect Our Operations and Financial Performance.**

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

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

We have a significant inventory of standing timber and timberland and approximately 59,150 acres of special use properties in the United States and Canada as of October 31, 2010. The frequency, demand for and volume of sales of timber, timberland and special use properties will have an effect on our financial performance. In addition, volatility in the real estate market for special use properties could negatively affect our results of operations.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

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

<b>Location</b>	<b>Products or Use</b>	<b>Owned</b>	<b>Leased</b>
<b>RIGID INDUSTRIAL PACKAGING &amp; SERVICES</b>			
Algeria	Steel drums	1	
Argentina	Steel and plastic drums, water bottles and distribution centers	3	1
Australia	Closures		2
Austria	Steel drums and administrative office		1
Belgium	Steel and plastic drums and coordination center (shared services)	2	1
Brazil	Steel and plastic drums, water bottles, closures and general office	6	7
Canada	Fibre, steel and plastic drums, blending and packaging services and administrative office	6	1
Chile	Steel drums, water bottles and distribution centers		2
China	Steel drums, closures and general offices		12
Colombia	Steel and plastic drums and water bottles	1	1
Costa Rica	Steel drums		1
Czech Republic	Steel drums	1	
Denmark	Fibre drums, intermediate bulk containers	1	1
Egypt	Steel drums	1	
France	Steel and plastic drums, closures and distribution centers	4	2
Germany	Fibre, steel and plastic drums, closures and distribution centers	3	2
Greece	Steel drums	1	1



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Guatemala	Steel drums	1	
Hungary	Steel drums	1	
Ireland	Warehouse		1
Italy	Steel and plastic drums, water bottles and distribution center	1	1
Jamaica	Distribution center		1
Japan	Steel drums		2
Kazakhstan	Distribution center		1
Kenya	Steel and plastic drums		1

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<b>Location</b>	<b>Products or Use</b>	<b>Owned</b>	<b>Leased</b>
Malaysia	Steel and plastic drums		1
Mexico	Fibre, steel and plastic drums, closures and distribution centers	2	1
Morocco	Steel and plastic drums and plastic bottles	1	
Netherlands	Fibre, steel and plastic drums, closures, research center and general offices	4	
Nigeria	Steel and plastic drums		3
Norway	Steel drums	1	
Philippines	Steel drums and water bottles		1
Poland	Steel drums and water bottles		1
Portugal	Steel drums		1
Russia	Steel drums, water bottles and intermediate bulk containers	9	1
Saudi Arabia	Steel drums		1
Singapore	Steel drums, steel parts and distribution center		1
South Africa	Steel and plastic drums and distribution centers		5
Spain	Steel drums and distribution centers	3	
Sweden	Fibre and steel drums and distribution centers	3	1
Turkey	Steel drums and water bottles	1	
Ukraine	Distribution center and water bottles		1
United Arab Emirates	Steel drums		1
United Kingdom	Steel and plastic drums, water bottles and distribution centers	3	3
United States	Fibre, steel and plastic drums, intermediate bulk containers, closures, steel parts, water bottles, and distribution centers and blending and packaging services	21	23
Uruguay	Steel and plastic drums		1
Venezuela	Steel and plastic drums and water bottles	2	
Vietnam	Steel drums		1
<b>FLEXIBLE PRODUCTS &amp; SERVICES:</b>			
Australia	Distribution center and administrative offices		6
Austria	Distribution center		1
Belgium	Manufacturing plant		1
China	Manufacturing plant, administrative office, and sales offices	1	4
Finland	Manufacturing plants	1	1
France	Manufacturing plant and distribution centers	1	2
Germany	Distribution center and administrative offices		4
India	Distribution center and administrative offices		2
Ireland	Distribution center		1
Mexico	Manufacturing plant		1
Netherlands	Manufacturing plant, distribution center and administrative offices		3
Pakistan	Manufacturing plant and administrative offices	4	2
Poland	Manufacturing plant		1
Portugal	Manufacturing plant		1
Romania	Manufacturing plants		2
Spain	Distribution center		1
Sweden	Distribution center		1

Turkey	Manufacturing plants	1	3
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<b>Location</b>	<b>Products or Use</b>	<b>Owned</b>	<b>Leased</b>
United Kingdom	Manufacturing plant and distribution centers		2
Ukraine	Manufacturing plants	1	1
United States	Multiwall bags and distribution centers	2	5
Vietnam	Manufacturing plant		1
<b>PAPER PACKAGING:</b>			
United States	Corrugated sheets, containers and other products, containerboard, investment property and distribution centers	16	5
<b>LAND MANAGEMENT:</b>			
United States	General offices	4	1
<b>CORPORATE:</b>			
United States	Principal and general offices	2	

We also own a substantial number of timber properties comprising approximately 267,150 acres in the states of Alabama, Louisiana and Mississippi and approximately 24,700 acres in the provinces of Ontario and Quebec in Canada as of October 31, 2010.

**ITEM 3. LEGAL PROCEEDINGS**

We do not have any pending material legal proceedings.

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

**ITEM 4. (RESERVED)**

**Table of Contents****PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

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

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

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

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

**2009 Year Dividends per Share    Class A \$1.52; Class B \$2.27**

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

The following table sets forth our purchases of our shares of Class B Common Stock during 2010. No shares of Class A Common Stock were purchased during 2010.

**Issuer Purchases of Class B Common Stock**

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)</b>	<b>Maximum Number of Shares that May Yet be Purchased under the Plans or Programs(1)</b>
November 2009				1,166,728
December 2009				1,166,728
January 2010				1,166,728

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February 2010				1,166,728
March 2010				1,166,728
April 2010				1,166,728
May 2010				1,166,728
June 2010	50,000	\$ 53.92	50,000	1,116,728
July 2010				1,116,728
August 2010				1,116,728
September 2010				1,116,728
October 2010				1,116,728
Total	50,000		50,000	

(1) Our Board of Directors has authorized a stock repurchase program which permits us to purchase up to 4.0 million shares of our Class A or Class B Common Stock, or any combination thereof. As of October 31, 2010, the maximum number of shares that could be purchased was 1,116,728 which may be any combination of Class A or Class B Common Stock.

**Table of Contents****Performance Graph**

The following graph compares the performance of shares of our Class A and B Common Stock to that of the Standard and Poor's 500 Index and our industry group (Peer Index) assuming \$100 invested on October 31, 2005. The graph does not purport to represent our value.

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

Equity compensation plan information required by Items 201(d) of Regulation S-K will be found under the caption Equity Compensation Plan Information in the 2011 Proxy Statement, which information is incorporated herein by reference.

**ITEM 6. SELECTED FINANCIAL DATA**

The five-year selected financial data is as follows (Dollars in thousands, except per share amounts)<sup>(1)</sup>:

<b>As of and for the years ended October 31,</b>	<b>2010</b>	<b>2009<sup>(2)</sup></b>	<b>2008<sup>(2)</sup></b>	<b>2007<sup>(2)</sup></b>	<b>2006<sup>(2)</sup></b>
Net sales	\$ 3,461,537	\$ 2,792,217	\$ 3,790,531	\$ 3,331,597	\$ 2,630,337
Net income attributable to Greif, Inc.	\$ 209,985	\$ 110,646	\$ 241,748	\$ 156,457	\$ 144,531
Total assets	\$ 3,498,445	\$ 2,823,929	\$ 2,792,749	\$ 2,687,537	\$ 2,222,683
Long-term debt, including current portion of long-term debt	\$ 965,589	\$ 738,608	\$ 673,171	\$ 622,685	\$ 481,408
Basic earnings per share:					
Class A Common Stock	\$ 3.60	\$ 1.91	\$ 4.16	\$ 2.70	\$ 2.51
Class B Common Stock	\$ 5.40	\$ 2.86	\$ 6.23	\$ 4.04	\$ 3.76
Diluted earnings per share:					
Class A Common Stock	\$ 3.58	\$ 1.91	\$ 4.11	\$ 2.65	\$ 2.46
Class B Common Stock	\$ 5.40	\$ 2.86	\$ 6.23	\$ 4.04	\$ 3.76
Dividends per share:					
Class A Common Stock	\$ 1.60	\$ 1.52	\$ 1.32	\$ 0.92	\$ 0.60
Class B Common Stock	\$ 2.39	\$ 2.27	\$ 1.97	\$ 1.37	\$ 0.89

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

(2) In the first quarter of 2010, our Company changed from using a combination of first-in, first-out ( FIFO ) and last-in, first-out ( LIFO ) inventory accounting methods to the FIFO method for all of its businesses. All amounts included herein have been presented on the FIFO basis.

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The results of operations include the effects of pretax restructuring charges of \$26.7 million, \$66.6 million, \$43.2 million, \$21.2 million and \$33.2 million for 2010, 2009, 2008, 2007 and 2006, respectively; pretax debt extinguishment charges of \$0.8 million and \$23.5 million for 2009 and 2007, respectively; restructuring-related inventory charges of \$0.1 million and \$10.8 million for 2010 and 2009 respectively; timberland gains of \$41.3 million for 2006; and pretax acquisition-related charges of \$27.2 million for 2010.

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

The purpose of this section is to discuss and analyze our consolidated financial condition, liquidity and capital resources and results of operations. This analysis should be read in conjunction with the consolidated financial statements and notes, which appear elsewhere in this Form 10-K. The terms Greif, our company, we, us, and our used in this discussion refer to Greif, Inc. and subsidiaries.

This discussion and analysis should be read in conjunction with our Current Report on Form 8-K filed on May 27, 2010 (the May 27 Form 8-K), which updated certain sections of our Annual Report on Form 10-K for the fiscal year ended October 31, 2009 to reflect revised financial information and disclosures resulting from the application of a change in an accounting principle from using a combination of the last-in, first-out (LIFO) and the first-in, first-out (FIFO) inventory accounting methods to the FIFO method for all of our businesses effective November 1, 2009. This discussion and analysis includes the financial information and disclosures contained in the May 27 Form 8-K.

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

During 2010, we completed the acquisition of twelve industrial packaging companies with businesses located in North America, South America, Europe and Asia and entered into a joint venture with a Saudi Arabian company for the flexible industrial packaging business. See Liquidity and Capital Resources Acquisitions, Divestitures and Other Significant Transactions for a further discussion of these transactions.

### **Business Segments**

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

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

We are a leading global producer of flexible intermediate bulk containers and a North American provider of industrial and consumer multiwall bag products. Our flexible intermediate bulk containers consist of a polypropylene-based woven fabric that is partly produced at our integrated production sites, as well as sourced from strategic regional suppliers. Our flexible products are sold globally and service customers and market segments similar to those served



by 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 multiwall bag products are used to ship a wide range of industrial and consumer products, such as seed, fertilizers, chemicals, concrete, flour, sugar, feed, pet foods, popcorn, charcoal and salt, primarily for the agricultural, chemical, building products and food industries.

We sell containerboard, corrugated sheets and other corrugated products to customers in North America in industries such as packaging, automotive, food and building products. Our corrugated container products are used to ship such diverse products

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as home appliances, small machinery, grocery products, building products, automotive components, books and furniture, as well as numerous other applications. Operations related to our industrial and consumer multiwall bag products have been reclassified to our Flexible Products & Services segment.

We own approximately 267,150 acres of timber properties in the southeastern United States, which were actively managed, and approximately 24,700 acres of timber properties in Canada. Our Land Management segment 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 land, which consists of surplus land, higher and better use ( HBU ) land, and development land.

In 2003, we began a transformation to become a leaner, more market-focused, performance-driven company what we call the Greif Business System. We believe the Greif Business System has and will continue to generate productivity improvements and achieve permanent cost reductions. The Greif Business System continues to focus on opportunities such as improved labor productivity, material yield and other manufacturing efficiencies, along with further plant consolidations. In addition, as part of the Greif Business System, we have launched a strategic sourcing initiative to more effectively leverage our global spending and lay the foundation for a world-class sourcing and supply chain capability. In response to the economic slowdown that began at the end of 2008, we accelerated the implementation of certain Greif Business System initiatives.

## **Critical Accounting Policies**

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

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

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

***Inventory.*** At the beginning of fiscal 2010, we changed our method of accounting for inventories at certain of our U.S. locations from the lower of cost, as determined by the LIFO method of accounting, or market to the lower of cost, as determined by the FIFO method of accounting, or market. We believe that this change is preferable because: (1) the change conforms to a single method of accounting for all of our inventories on a U.S. and global basis, (2) the

change simplifies financial disclosures, (3) financial statement comparability and analysis for investors and analysts is improved, and (4) the majority of our key competitors use FIFO. The financial information presented has been adjusted for all prior periods presented as if we had used FIFO instead of LIFO for each reporting period for all of our operations. The change in accounting principle is further discussed in Note 4 to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

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

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

***Goodwill, Other Intangible Assets and Other Long-Lived Assets.*** We account for goodwill in accordance with ASC 350, Intangibles Goodwill and Other . Under ASC 350, purchased goodwill and intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually or when indicators of impairment exist. Intangible assets with finite lives, primarily customer relationships, patents and trademarks, continue to be amortized over their useful lives. In conducting the impairment test, the estimated fair value of our reporting units is compared to its carrying amount including goodwill. If the estimated fair value exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the estimated fair value, further analysis is performed to assess impairment.

Our determination of estimated fair value of the reporting units is based on a discounted cash flow analysis, a multiple of earnings before interest, taxes, depreciation and amortization ( EBITDA ) and, if available, a review of the price/earnings ratio for publicly traded companies similar in nature, scope and size of the applicable reporting unit. The discount rates used for impairment testing are based on the risk-free rate plus an adjustment for risk factors. The EBITDA multiples used for impairment testing are judgmentally selected based on factors such as the nature, scope and size of the applicable reporting unit. The use of alternative estimates, peer groups or changes in the industry, or adjusting the discount rate, EBITDA multiples or price earnings ratios used could affect the estimated fair value of the assets and potentially result in impairment. Any identified impairment would result in an adjustment to our results of operations.

We performed our annual impairment tests in fiscal 2010, 2009 and 2008, which resulted in no impairment charges. Decreasing the price/earnings ratio of competitors used for impairment testing by 1 percent or increasing the discount rate in the discounted cash flow analysis used for impairment testing by 1 percent would not have indicated impairment for any of our reporting units for fiscal 2010, 2009 or 2008.

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

We own timber properties in the southeastern United States and in Canada. With respect to our United States timber properties, which consisted of approximately 267,150 acres at October 31, 2010, depletion expense is computed on the basis of cost and the estimated recoverable timber acquired. Our land costs are maintained by tract. Merchantable timber costs are maintained by five product classes, pine saw timber, pine chip-n-saw, pine pulpwood, hardwood sawtimber and hardwood pulpwood, within a depletion block, with each depletion block based upon a geographic district or subdistrict. Currently, we have eight depletion blocks. These same depletion blocks are used for pre-merchantable timber costs. Each year, we estimate the volume of our merchantable timber for the five product classes by each depletion block. These estimates are based on the current state in the growth cycle and not on quantities to be available in future years. Our estimates do not include costs to be incurred in the future. We then project these volumes to the end of the year. Upon acquisition of a new timberland tract, we record separate amounts for land, merchantable timber and pre-merchantable timber allocated as a percentage of the values being purchased. These acquisition volumes and costs acquired during the year are added to the totals for each product class within the appropriate depletion block(s). The total of the beginning, one-year growth and acquisition volumes are divided by the total undepleted historical cost to arrive at a depletion rate, which is then used for the current year. As timber is sold, we multiply the volumes sold by the depletion rate for the current year to arrive at the depletion cost. Our Canadian timber properties, which consisted of approximately 24,700 acres at October 31, 2010, did not have any depletion

expense since they were not actively managed at this time.

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

At October 31, 2010 and 2009, we had capitalized interest costs of \$5.3 million and \$2.7 million, respectively.

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

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

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

In accordance with ASC 740, Income Taxes , we believe it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with the tax effects of the deferred tax liabilities, will be sufficient to fully recover the remaining deferred tax assets. In the event that all or part of the net deferred tax assets are determined not to be realizable in the future, an adjustment to the valuation allowance would be charged to earnings, in the period such determination is made. In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of ASC 740 and other complex tax laws. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our financial condition and operating results.

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

We have estimated the reasonably possible expected net change in unrecognized tax benefits through October 31, 2010 based on lapses of the applicable statutes of limitation on unrecognized tax benefits. The estimated net decrease in unrecognized tax benefits for the next 12 months ranges from \$0 to \$0.8 million. Actual results may differ from this estimated range.

***Pension and Postretirement Benefits.*** Pension and postretirement benefit expenses and liabilities are determined by our actuaries using assumptions about the discount rate, expected return on plan assets, rate of compensation increase and health care cost trend rates to determine pension and postretirement benefit liabilities. Further discussion of our pension and postretirement benefit plans and related assumptions is contained in Note 13 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K. The results would be different using other assumptions.

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

principally based on management estimates.

Environmental expenses were \$0.2 million, (\$2.1) million, and \$0.4 million in 2010, 2009, and 2008, respectively. In 2010, we reduced the environmental liability at three of our facilities by \$5.9 million consistent with revised third party estimates which reduced our total estimated cleanup costs. Environmental cash expenditures were \$1.7 million, \$3.4 million, and \$3.2 million in 2010, 2009 and 2008, respectively. Our reserves for environmental liabilities at October 31, 2010 amounted to \$26.2 million, which included a reserve of \$14.5 million related to our blending facility in Chicago, Illinois, \$8.4 million related to our European drum facilities and \$1.9 million related to our facility in Lier, Belgium. The remaining reserves were for asserted and unasserted environmental litigation, claims and/or assessments at manufacturing sites and other locations where we believe it is probable the outcome of such matters will be unfavorable to us, but the environmental exposure at any one of

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those sites was not individually material. We cannot determine the timing of payments for our environmental exposure beyond 2010.

We anticipate that expenditures for remediation costs at most of the sites will be made over an extended period of time. Given the inherent uncertainties in evaluating environmental exposures, actual costs may vary from those estimated at October 31, 2010. Our exposure to adverse developments with respect to any individual site is not expected to be material. Although environmental remediation could have a material effect on results of operations if a series of adverse developments occur in a particular quarter or fiscal year, we believe that the chance of a series of adverse developments occurring in the same quarter or fiscal year is remote. Future information and developments will require us to continually reassess the expected impact of these environmental matters.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

## **RESULTS OF OPERATIONS**

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

The non-GAAP financial measure of operating profit before the impact of restructuring charges, restructuring-related inventory charges, timberland disposals, net and acquisition-related costs is used throughout the following discussion of our results of operations (except that acquisition-related costs are only applicable to the 2010 fiscal year, restructuring-related inventory charges are only applicable to the Rigid Industrial Packaging & Services segment, timberland disposal, net are only applicable to the Land Management segment, and acquisition-related costs are only applicable to the Rigid Industrial Packaging & Services and Flexible Products & Services segments). Operating profit before the impact of restructuring charges, restructuring-related inventory charges, timberland disposals, net, and acquisition-related costs is equal to operating profit plus restructuring charges, restructuring-related inventory charges, timberland losses and acquisition-related costs. We use operating profit before the impact of restructuring charges, restructuring-related inventory charges, timberland disposals, net and acquisition-related costs because we believe that this measure provides a better indication of our operational performance since it excludes restructuring charges, restructuring-related inventory charges and acquisition-related costs, which are not representative of ongoing operations, and timberland disposals, net which are volatile from period to period, and because it provides a more stable platform on which to compare our historical performance.

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The following table sets forth the net sales and operating profit for each of our business segments for 2010, 2009 and 2008 (Dollars in thousands):

<b>For the year ended October 31,</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
		<b>(As Adjusted)<sup>1</sup></b>	<b>(As Adjusted)<sup>1</sup></b>
Net Sales			
Rigid Industrial Packaging & Services	\$ 2,587,854	\$ 2,266,890	\$ 3,074,834
Flexible Products & Services	233,119	43,975	52,604
Paper Packaging	624,092	460,712	644,298
Land Management	16,472	20,640	18,795
Total net sales	3,461,537	2,792,217	3,790,531
Operating Profit:			
Operating profit, before the impact of restructuring charges, restructuring-related inventory charges, timberland disposals, net and acquisition-related costs:			
Rigid Industrial Packaging & Services	\$ 291,066	\$ 210,908	\$ 325,956
Flexible Products & Services	18,761	8,588	8,679
Paper Packaging	60,640	35,526	69,967
Land Management	9,001	22,237	20,571
Total operating profit before the impact of restructuring charges, restructuring-related inventory charges, timberland disposals, net and acquisition-related costs:	379,468	277,259	425,173
Restructuring charges:			
Rigid Industrial Packaging & Services	20,980	65,742	33,971
Flexible Products & Services	624		
Paper Packaging	5,142	685	9,155
Land Management		163	76
Restructuring charges	26,746	66,590	43,202
Restructuring-related inventory charges:			
Rigid Industrial Packaging & Services	131	10,772	
Timberland disposals, net			
Land Management			340
Acquisition-related costs:			
Rigid Industrial Packaging & Services	7,672		
Flexible Products & Services	19,504		
Acquisition-related costs	27,176		

Operating profit:			
Rigid Industrial Packaging & Services	262,283	134,394	291,985
Flexible Products & Services	(1,367)	8,588	8,679
Paper Packaging	55,498	34,841	60,812
Land Management	9,001	22,074	20,835
Total operating profit	\$ 325,415	\$ 199,897	\$ 382,311

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- (1) Amounts presented in 2009 and 2008 reflect the change in accounting principle from using a combination of the LIFO and FIFO inventory accounting methods to the FIFO method for all of our businesses effective November 1, 2009 and the realignment of the multiwall bag operations, which was previously included in the Paper Packaging segment, into the Flexible Products & Services segment.

**Year 2010 Compared to Year 2009**

***Net Sales***

Net sales increased 24.0 percent on a year over year basis to \$3,461.5 million in 2010 from \$2,792.2 million in 2009. The \$669.3 million increase was due to higher sales volumes, higher selling prices and favorable foreign currency translation. The \$669.3 million increase was due to Rigid Industrial Packaging & Services (\$321.0 million increase), Flexible Products & Services (\$189.1 million increase) and Paper Packaging (\$163.4 million increase) offset by Land Management (\$4.2 million decrease).

***Operating Costs***

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

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

***Restructuring and Restructuring-Related Inventory Charges***

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

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

Restructuring charges for 2009 consisted of \$28.4 million in employee separation costs, \$19.6 million in asset impairments, \$0.3 million in professional fees, and \$18.3 million in other restructuring costs. The focus of the 2009 restructuring activities was on business realignment due to the economic downturn and further implementation of the Greif Business System. Nineteen plants in the Rigid Industrial Packaging & Services segment were closed. A total of

1,294 employees were severed during 2009. In addition, we recorded \$10.8 million of restructuring-related inventory charges as a cost of products sold in our Rigid Industrial Packaging & Services segment related to excess inventory adjustments of closed facilities.

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

***Timberland Disposals, Net***

For both 2010 and 2009, we recorded no net gain on sale of timberland property.

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***Acquisition-Related Costs***

There were \$27.2 million of acquisition-related costs recognized in 2010 that were included in SG&A expenses. This amount included \$19.1 million of acquisition costs previously capitalized as part of the purchase price of acquisitions, of which \$6.1 million was incurred prior to November 1, 2009, the date on which we adopted ASC 805, Business Combinations. In addition, we incurred post acquisition-related integration costs of \$8.1 million which represented costs associated with integrating acquired companies, such as costs associated with Greif Business System initiatives, sourcing and supply chain initiatives, and finance and administrative reorganizations.

***Operating Profit***

Operating profit was \$325.4 million and \$199.9 million in 2010 and 2009, respectively. Operating profit before the impact of restructuring charges, restructuring-related inventory charges and acquisition-related costs was \$379.5 million for 2010 compared to \$277.3 million for 2009. The \$102.2 million increase in operating profit before the impact of restructuring charges, restructuring-related inventory charges and acquisition-related costs was principally due to increases in Rigid Industrial Packaging & Services (\$80.2 million), Flexible Products & Services (\$10.2 million) and Paper Packaging (\$25.1 million) partially offset by a decrease in Land Management (\$13.2 million).

**Segment Review**

***Rigid Industrial Packaging & Services***

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

Selling prices, customer demand and sales volumes;

Raw material costs, primarily steel, resin and containerboard;

Energy and transportation costs;

Benefits from executing the Greif Business System;

Restructuring charges;

Contributions from recent acquisitions;

Divestiture of business units; and

Impact of foreign currency translation.

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

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

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



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***Flexible Products & Services***

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

Selling prices, customer demand and sales volumes;

Raw material costs, primarily resin and containerboard;

Energy and transportation costs;

Benefits from executing the Greif Business System;

Contributions from recent acquisitions; and

Impact of foreign currency translation.

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

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

This segment experienced an operating loss of \$1.4 million in 2010 compared to an operating profit of \$8.6 million in 2009. Operating profit before the impact of restructuring charges and acquisition-related costs increased to \$18.8 million in 2010 from \$8.6 million in 2009 primarily due to acquisitions throughout 2010.

***Paper Packaging***

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

Selling prices, customer demand and sales volumes;

Raw material costs, primarily old corrugated containers;

Energy and transportation costs;

Benefits from executing the Greif Business System;

Contributions from recent acquisitions;

Divestiture of business units; and

Restructuring charges.

In this segment, net sales were \$624.1 million in 2010 compared to \$460.7 million in 2009. The 35.5 percent increase in net sales was due to higher sales volumes and higher selling prices.

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

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

### ***Land Management***

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

Planned level of timber sales;

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Selling prices and customer demand;

Gains (losses) on sale of timberland; and

Gains on the sale of special use properties (surplus, HBU, and development properties).

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

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

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

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

Surplus property, meaning land that cannot be efficiently or effectively managed by us, whether due to parcel size, lack of productivity, location, access limitations or for other reasons.

HBU property, meaning land that in its current state has a higher market value for uses other than growing and selling timber.

Development property, meaning HBU land that, with additional investment, may have a significantly higher market value than its HBU market value.

Timberland, meaning land that is best suited for growing and selling timber.

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

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

At October 31, 2010, we estimated that there were approximately 59,150 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**

***Gain on Disposal of Properties, Plants and Equipment, Net***

For 2010, we recorded a gain on disposal of properties, plants and equipment, net of \$11.4 million, primarily consisting of a \$6.6 million pre-tax net gain on the sale of specific Rigid Industrial Packaging & Services segment assets and facilities in North America, \$1.4 million in specific Paper Packaging segment assets, \$0.1 million in net gains from the sale of Flexible Products and Services assets and \$3.3 million in net gains from the sale of surplus and HBU timber properties. During 2009, we recorded a gain on disposal of properties, plants and equipment, net of \$34.4 million, primarily consisting of a \$17.2 million pre-tax net gain on the sale of specific Rigid Industrial Packaging & Services segment assets and facilities in North America and \$14.8 million in net gains from the sale of surplus and HBU timber properties.

***Interest Expense, Net***

Interest expense, net was \$65.8 million and \$53.6 million 2010 and 2009, respectively. The increase in interest expense, net was primarily attributable to higher average debt outstanding and an increase in our borrowing costs. In October 2010, we entered

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into a new \$1.0 billion senior secured credit facility which replaced our then-existing \$700 million senior secured credit facility. See **Liquidity and Capital Resources** **Borrowing Arrangements** for a further discussion of this credit facility.

### ***Debt Extinguishment Charges***

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

### ***Other Expense, Net***

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

### ***Income Tax Expense***

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

### ***Equity Earnings (Losses) of Unconsolidated Affiliates, Net of Tax and Net Income Attributable to Noncontrolling Interests***

Equity earnings (losses) of unconsolidated affiliates, net of tax were \$3.5 million and (\$0.4) million for 2010 and 2009, respectively.

In addition, some of our subsidiaries are not wholly-owned by us, which means we own a majority interest in those subsidiaries, and other unrelated persons own the remaining portion. Net income attributable to noncontrolling interests reflect the portion of earnings or losses of operations of these subsidiaries that are owned by persons otherwise unrelated to us. Net income attributable to noncontrolling interests for the year ended October 31, 2010 and 2009 were \$5.5 million and \$3.2 million, respectively, and were deducted from net income to arrive at net income attributable to Greif, Inc.

### ***Net Income***

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

## **Year 2009 Compared to Year 2008**

### ***Net Sales***

Net sales decreased 26.3 percent on a year over year basis to \$2,792.2 million in 2009 from \$3,790.5 million in 2008. The \$998.3 million decrease was due to lower sales volumes, unfavorable foreign currency translation, and lower selling prices. The constant-currency decrease was primarily due to lower sales volumes resulting from the sharp decline in the global economy.

### ***Operating Costs***

Cost of products sold, as a percentage of net sales, increased to 82.1 percent in 2009 from 81.4 percent in 2008 primarily as a result of higher raw material costs partially offset by contributions from further execution of incremental and accelerated Greif Business System initiatives and specific contingency actions. Driving the increase further was \$10.8 million of restructuring-related inventory charges.

SG&A expenses were \$267.6 million, or 9.6 percent of net sales, in 2009 compared to \$339.2 million, or 9.0 percent of net sales, in 2008. The dollar decrease in our SG&A expense was primarily due to the reduction in personnel on a period over period basis, tighter controls over SG&A expenses, and accelerated Greif Business System and specific contingency initiatives including the curtailment of normal salary increases and certain employee related benefits and reductions on both travel related programs and professional fees. SG&A expense as a percentage of net sales increased as a result of decreased net sales in 2009 as compared to 2008.

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### ***Restructuring and Restructuring-Related Inventory Charges***

Restructuring charges were \$66.6 million and \$43.2 million in 2009 and 2008, respectively. Restructuring-related inventory charges were \$10.8 million in 2009 and no restructuring-related inventory charges were incurred in 2008.

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

Restructuring charges for 2008 consisted of \$20.6 million in employee separation costs, \$12.3 million in asset impairments, \$0.4 million in professional fees and \$9.9 million in other restructuring costs, primarily consisting of facility consolidation and lease termination costs. Six plants in the Rigid Industrial Packaging & Services segment and four company-owned plants in the Paper Packaging segment were closed. Additionally, severance costs were incurred due to the elimination of certain operating and administrative positions throughout the world. A total of 630 employees were severed during 2008.

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

### ***Timberland Disposals, Net***

For 2009, we recorded no net gain on sale of timberland property compared to a net gain of \$0.3 million in 2008.

### ***Operating Profit***

Operating profit was \$199.9 million and \$382.3 million in 2009 and 2008, respectively. Operating profit before the impact of restructuring charges, restructuring-related inventory charges and timberland disposals, net was \$277.3 million for 2009 compared to \$425.2 million for 2008. The \$147.9 million decrease in operating profit before the impact of restructuring charges, restructuring-related inventory charges and timberland disposals, net was principally due to decreases in Rigid Industrial Packaging & Services (\$115.0 million), Flexible Products & Services (\$0.1 million), and Paper Packaging (\$34.4 million), offset by an increase in Land Management (\$1.7 million). Operating profit, expressed as a percentage of net sales, decreased to 7.1 percent for 2009 from 10.1 percent in 2008. Operating profit before restructuring charges, restructuring-related inventory charges, and the impact of timberland disposals, net, expressed as a percentage of net sales, decreased to 9.9 percent for 2009 from 11.2 percent in 2008.

## **Segment Review**

### ***Rigid Industrial Packaging & Services***

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

Selling prices, customer demand and sales volumes;

Raw material costs, primarily steel, resin and containerboard;

Energy and transportation costs;

Benefits from executing the Greif Business System;

Restructuring charges;

Contributions from recent acquisitions;

Divestiture of business units; and

Impact of foreign currency translation.



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In this segment, net sales decreased 26.3 percent to \$2,266.9 million in 2009 compared to \$3,074.8 million in 2008 due to lower sales volume, unfavorable foreign currency translation, and lower selling prices. The Rigid Industrial Packaging & Services segment was directly impacted by lower sales volumes resulting from the sharp decline in the global economy and lower selling prices primarily resulting from the pass-through of lower raw material costs.

Gross profit margin for the Rigid Industrial Packaging & Services segment was 17.9 percent in 2009 compared to 18.8 percent in 2008. This decrease in gross profit margin was primarily due to lower sales volume partially offset by the continued benefits from executing the Greif Business System and specific contingency actions (lower labor, transportation, and other manufacturing costs).

Operating profit was \$134.4 million in 2009 compared to \$292.0 million in 2008. Operating profit before the impact of restructuring charges and restructuring-related inventory charges decreased to \$210.9 million in 2009 compared to \$326.0 million in 2008. The decrease in operating profit before the impact of restructuring charges and restructuring-related inventory charges was primarily due to lower net sales which were partially offset by net gains on asset disposals, lower raw material costs, partially offset by lower of cost or market steel inventory write-downs early in the year and by increased supply chain costs caused by temporary reductions in the supply of steel on the spot market in certain regions later in the year.

***Flexible Products & Services***

Our Flexible Products & Services segment offers a comprehensive line of multiwall bags. The key factors influencing profitability in the Flexible Products & Services segment are:

Selling prices, customer demand and sales volumes;

Raw material costs, primarily containerboard;

Energy and transportation costs; and

Benefits from executing the Greif Business System.

In this segment, net sales were \$44.0 million in 2009 compared to \$52.6 million in 2008. This 16.4 percent decrease was due to lower sales volumes resulting from the sharp decline in the global economy. Both periods included our multiwall bag operations, which were previously included in the Paper Packaging segment, but which have been reclassified to conform to the current year's presentation.

Gross profit margin for the Flexible Products & Services segment was 31.1 percent in 2009 compared to 27.7 percent in 2008. This increase in gross profit margin was primarily due to lower product costs, the continued implementation of the Greif Business System and specific contingency actions (lower labor, transportation, and other manufacturing costs).

Operating profit was \$8.6 million in 2009 and \$8.7 million in 2008.

***Paper Packaging***

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

Selling prices, customer demand and sales volumes;

Raw material costs, primarily old corrugated containers;

Energy and transportation costs;

Benefits from executing the Greif Business System; and

Restructuring charges.

In this segment, net sales decreased 28.5 percent to \$460.7 million in 2009 from \$644.3 million in 2008. The \$183.6 million decrease was primarily due to lower sales volumes and lower selling prices.

Gross profit margin for the Paper Packaging segment was 15.2 percent in 2009 compared to 16.4 percent in 2008. This decrease in gross profit margin was primarily the result of decreasing sales volume partially offset by the continued implementation of the Greif Business System.

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Operating profit was \$34.8 million and \$60.8 million in 2009 and 2008, respectively. Operating profit before the impact of restructuring charges decreased to \$35.5 million in 2009 compared to \$70.0 million in 2008. The decrease in operating profit before the impact of restructuring charges was primarily due to lower net sales, partially offset by lower raw material costs, especially for old corrugated containers. In addition, labor, transportation and energy costs were lower in 2009 as compared to 2008.

### ***Land Management***

As of October 31, 2009, our Land Management segment consisted of approximately 256,700 acres of timber properties in the southeastern United States, which are actively harvested and regenerated, and approximately 25,050 acres in Canada. The key factors influencing profitability in the Land Management segment are:

Planned level of timber sales;

Selling prices and customer demand;

Gains (losses) on sale of timberland; and

Sale of special use properties (surplus, HBU, and development properties).

In this segment, net sales were \$20.6 million in 2009 compared to \$18.8 million in 2008. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market and weather conditions.

Gross profit margin for the Land Management segment was 53.5 percent in 2009 compared to 39.3 percent in 2008. This increase in gross profit margin was primarily driven by the change in product mix.

Operating profit was \$22.1 million and \$20.8 million in 2009 and 2008, respectively. Operating profit before the impact of restructuring charges and timberland disposals, net was \$22.2 million in 2009 compared to \$20.6 million in 2008. Included in these amounts were profits from the sale of special use properties of \$14.8 million in 2009 and \$16.8 million in 2008.

At October 31, 2009, we estimated that there were approximately 58,900 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**

#### ***Gain on Disposal of Properties, Plants and Equipment, Net***

For 2009, we recorded a gain on disposal of properties, plants and equipment, net of \$34.4 million, primarily consisting of a \$17.2 million pre-tax net gain on the sale of specific Rigid Industrial Packaging & Services segment assets and facilities in North America and \$14.8 million in net gains from the sale of surplus and HBU timber properties. During 2008, gain on disposal of properties, plants and equipment, net was \$59.5 million, primarily consisting of a \$29.9 million pre-tax net gain on the divestiture of business units in Australia and our controlling interest in a Zimbabwean operation and \$15.2 million in net gains from the sale of surplus and HBU timber properties.

#### ***Interest Expense, Net***

Interest expense, net, was \$53.6 million and \$49.6 million in 2009 and 2008, respectively. The increase was primarily due to higher outstanding debt and increased borrowing costs in connection with our entering into a \$700 million senior secured credit facility and our issuance of \$250 million of Senior Notes due 2019 at 7.75%, both of which occurred in 2009.

***Debt Extinguishment Charges***

In 2009, we completed a \$700 million senior secured credit facility. This facility replaced an existing \$450 million revolving credit facility that was scheduled to mature in March 2010. As a result of this transaction, a debt extinguishment charge of \$0.8 million related to the write-off of unamortized capitalized debt issuance costs was recorded. No debt extinguishment charges were incurred in 2008.

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***Other Expense, Net***

Other expense, net was \$7.2 million in 2009 compared to \$8.8 million in 2008. The decrease was primarily due to foreign exchange losses of \$0.1 million in 2009 as compared to losses of \$1.7 million in 2008.

***Income Tax Expense***

During 2009, the effective tax rate was 17.4% compared to 24.2% in 2008. The decrease in the effective tax rate was primarily due a change in the mix of income in the United States compared to regions outside of the United States, where tax rates were lower, among other factors. The effective tax rate may fluctuate based on the mix of income inside and outside the United States and other factors.

***Equity Earnings (Losses) of Unconsolidated Affiliates, Net of Tax and Net Income Attributable to Noncontrolling Interests***

Equity earnings (losses) of unconsolidated affiliates, net of tax were (\$0.4) million in 2009 compared to a gain of \$1.6 million in 2008.

In addition, some of our subsidiaries are not wholly-owned by us, which means we own a majority interest in those subsidiaries, and other unrelated persons own the remaining portion. Net income attributable to noncontrolling interests reflect the portion of earnings or losses of operations of these subsidiaries that are owned by persons otherwise unrelated to us. Net income attributable to noncontrolling interests for the year ended October 31, 2009 and 2008 were \$3.2 million and \$5.6 million, respectively, and were deducted from net income to arrive at net income attributable to Greif, Inc.

***Net Income***

Based on the foregoing, net income decreased \$131.1 million to \$110.6 million in 2009 from \$241.7 million in 2008.

**BALANCE SHEET CHANGES**

The \$143.1 million increase in trade accounts receivable was primarily related to higher 2010 sales as compared to 2009 sales, extended credit terms with customers and acquisitions in 2010 in North America, South America, Europe and Asia.

The \$157.7 million increase in inventories was mainly driven by higher raw material prices, steel costs, higher overall business activity levels and acquisitions in 2010 in North America, South America, Europe and Asia.

The \$28.4 million increase in prepaid expenses and other current assets was primarily due to acquisitions in 2010 in North America, South America, Europe and Asia.

The \$117.6 million increase in goodwill primarily related to acquisitions in 2010 in North America, South America, Europe and Asia. Refer to Note 6 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

The \$41.9 million increase in other intangibles primarily related to acquisitions in 2010 in North America, South America, Europe and Asia. Refer to Note 6 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for our intangible asset detail by asset class.

The \$7.5 million increase in other long-term assets primarily related to acquisitions in 2010 in North America, South America, Europe and Asia.

The \$182.8 million increase in net property, plant and equipment primarily related to acquisitions in 2010 in North America, South America, Europe and Asia.

The \$112.5 million increase in accounts payable primarily related to higher raw material costs, especially steel, timing of payments, foreign currency translation and acquisitions in 2010 in North America, South America, Europe and Asia.

The \$16.4 million increase in accrued payroll and employee benefits primarily related to the increase in headcount and acquisitions in 2010 in North America, South America, Europe and Asia.

The \$41.3 million increase in short-term borrowings was primarily related to acquisitions in 2010 in North America, South America, Europe and Asia.

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The \$24.4 million increase in other current liabilities was primarily related to acquisitions in 2010 in North America, South America, Europe and Asia.

The \$227.0 million increase in long-term debt and the current portion of long-term debt primarily related to acquisitions in 2010 in North America, South America, Europe and Asia and purchases of properties, plants and equipment.

The \$12.0 million decrease in pension liabilities was primarily due to the recovering market in 2010.

The \$9.5 million decrease in other long-term liabilities primarily related to a fair value adjustment of \$14.9 million related to foreign currency swaps.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our primary sources of liquidity are operating cash flows, the proceeds from our trade accounts receivable credit facility, proceeds from the sale of our non-United States accounts receivable and borrowings under our 2010 Credit Agreement and Senior Notes, further discussed below. We have used these sources to fund our working capital needs, capital expenditures, cash dividends, common stock repurchases and acquisitions. We anticipate continuing to fund these items in a like manner. We currently expect that operating cash flows, the proceeds from our trade accounts receivable credit facility, proceeds from the sale of our non-United States accounts receivable and borrowings under our 2010 Credit Agreement and Senior Notes will be sufficient to fund our currently anticipated working capital, capital expenditures, debt repayment, potential acquisitions of businesses and other liquidity needs for at least 12 months. At October 31, 2010, we had \$695.6 million available to borrow under our 2010 Credit Agreement, as described below.

### **Capital Expenditures**

During 2010, 2009 and 2008, we invested \$144.1 million (excluding \$21.0 million for timberland properties), \$124.7 million (excluding \$1.0 million for timberland properties), and \$143.1 million (excluding \$2.5 million for timberland properties) in capital expenditures, respectively.

We anticipate future capital expenditures, excluding the potential purchase of timberland properties, of approximately \$140 million through October 31, 2011. These expenditures will be used to fund a manufacturing site for the Flexible Products & Services segment and to replace and improve existing equipment.

### **Acquisitions, Divestitures and Other Significant Transactions**

During 2010, we completed acquisitions of seven rigid industrial packaging companies and made a contingent purchase price payment related to a 2008 rigid industrial packaging acquisition. The seven rigid industrial packaging companies consisted of a European company purchased in November 2009, an Asian company purchased in June 2010, two North American drum reconditioning companies purchased in July and August 2010, one European company purchased in August 2010, a 51 percent interest in a Middle Eastern company and a South American company purchased in September 2010.

During 2010, we completed acquisitions of five flexible products companies. These five flexible product companies conduct business throughout Europe, Asia and North America and were acquired in February, June, August and September 2010. On September 29, 2010, we entered into a joint venture agreement with Dabbagh Group Holding Company Limited, a Saudi Arabia corporation ( Dabbagh ), and National Scientific Company Limited, a Saudi Arabia limited liability company and a subsidiary of Dabbagh ( NSC ), referred to herein as the Flexible Packaging Joint

Venture ( Flexible Packaging JV ). Thereafter, we contributed the five acquired flexible product companies to the Flexible Packaging JV. We own 50 percent of the Flexible Packaging JV but exercise management control of its operations. The results of the Flexible Packaging JV have been consolidated within our 2010 results.

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

During 2009, we acquired five Rigid Industrial Packaging & Services companies and one paper packaging company and made a contingent purchase price payment related to a 2005 acquisition for an aggregate purchase price of \$90.8 million. These six acquisitions consisted of the acquisition of two North American industrial packaging companies in February 2009, a North American industrial packaging company in June 2009, an Asian industrial packaging company in July 2009, a South American industrial packaging company in October 2009, and a 75 percent interest in a North American paper packaging company in October 2009.



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

During 2009, we sold specific Rigid Industrial Packaging & Services segment assets and facilities in North America. The net gain from these sales was \$17.1 million and was included in gain on disposal of properties, plants and equipment, net in the accompanying consolidated statement of income.

Refer to Note 2 to the Consolidated Financial Statements included in Item 8 of this Form 10-K for additional disclosures regarding our 2010 and 2009 acquisitions and other significant transactions.

## **Borrowing Arrangements**

### ***Credit Agreement***

On October 29, 2010, we and two of our international subsidiaries, as borrowers, obtained a \$1.0 billion senior secured credit facility pursuant to an Amended and Restated Credit Agreement (the 2010 Credit Agreement ) with a syndicate of financial institutions. The 2010 Credit Agreement replaced our then existing credit agreement (the 2009 Credit Agreement ) that provided us with a \$500 million revolving multicurrency credit facility and a \$200 million term loan, both expiring in February 2012. The revolving multicurrency credit facility under the 2009 Credit Agreement was available for ongoing working capital and capital expenditure needs, for general corporate purposes, and to finance acquisitions. Interest was based on either a euro currency rate or an alternative base rate that resets periodically plus a calculated margin.

The 2010 Credit Agreement provides us with a \$750 million revolving multicurrency credit facility and a \$250 million term loan, both expiring October 29, 2015, with an option to add \$250 million to the facilities with the agreement of the lenders. The \$250 million term loan is scheduled to amortize by the payment of principal in the amount of \$3.1 million each quarter-end for the first eight quarters, \$6.3 million each quarter-end for the next eleven quarters and \$156.3 million on the maturity date. The revolving credit facility under the 2010 Credit Agreement is available to fund ongoing working capital and capital expenditure needs, for general corporate purposes, to finance acquisitions and to refinance amounts outstanding under the 2009 Credit Agreement. Interest is based on a Eurodollar rate or a base rate that resets periodically plus an agreed upon margin amount. On October 29, 2010, a total of \$374 million was borrowed under the 2010 Credit Agreement to pay the obligations outstanding under the 2009 Credit Agreement in full and certain costs and expenses incurred in connection with the 2010 Credit Agreement. As of October 31, 2010, a total of \$273.7 million was outstanding under the 2010 Credit Agreement, with available borrowing capacity of \$695.6 million. The weighted average interest rate on the 2010 Credit Agreement was 3.67% for the year ended October 31, 2010 and at October 31, 2010.

The 2010 Credit Agreement contains certain covenants, which include financial covenants that require us to maintain a certain leverage ratio and a fixed charge coverage ratio. The leverage ratio generally requires that at the end of any fiscal quarter we will not permit the ratio of (a) our total consolidated indebtedness, to (b) our consolidated net income plus depreciation, depletion and amortization, interest expense (including capitalized interest), income taxes, and minus certain extraordinary gains and non-recurring gains (or plus certain extraordinary losses and non-recurring losses) and plus or minus certain other items for the preceding twelve months ( adjusted EBITDA ) to be greater than 3.75 to 1 (or 3.5 to 1, during any collateral release period). The fixed charge coverage ratio generally requires that at the end of any fiscal quarter we will not permit the ratio of (a) (i) our adjusted EBITDA, less (ii) the aggregate amount of certain of our cash capital expenditures, and less (iii) the aggregate amount of our federal, state, local and foreign income taxes actually paid in cash (other than taxes related to asset sales not in the ordinary course of business), to (b) the sum of (i) our consolidated interest expense to the extent paid or payable in cash and (ii) the aggregate principal amount of all of our regularly scheduled principal payments or redemptions or similar acquisitions for value

of outstanding debt for borrowed money, but excluding any such payments to the extent refinanced through the incurrence of additional indebtedness, to be less than 1.5 to 1, during the applicable trailing twelve month period. On October 31, 2010, we were in compliance with these two covenants.

The terms of the 2010 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 2010 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 2010 Credit Agreement will also be secured, in part,

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by capital stock of the non-U.S. subsidiaries that are parties to the 2010 Credit Agreement and their non-U.S. parent companies, following the completion of a corporate reorganization. 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 2010 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 2010 Credit Agreement, subject to applicable notice requirements and cure periods as provided in the 2010 Credit Agreement.

Refer to Note 9 to the Consolidated Financial Statements included in Item 8 of this Form 10-K for additional disclosures regarding the 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. only, provide for semi-annual payments of interest at a fixed rate of 6.75%, and do not require any principal payments prior to maturity on February 1, 2017. These Senior Notes are not guaranteed by any of our subsidiaries and thereby are effectively subordinated to all of our subsidiaries' existing and future indebtedness. The Indenture pursuant to which these Senior Notes were issued contains covenants, which, among other things, limit our ability to create liens on our assets to secure debt and to enter into sale and leaseback transactions. These covenants are subject to a number of limitations and exceptions as set forth in the Indenture. At October 31, 2010, we were in compliance with these covenants.

We have issued \$250.0 million of our 7.75% Senior Notes due August 1, 2019. Proceeds from the issuance of these Senior Notes were principally used for general corporate purposes, including the repayment of amounts outstanding under our revolving multicurrency credit facility under the 2009 Credit Agreement, without any permanent reduction of the commitments. These Senior Notes are general unsecured obligations of Greif, Inc. only, provide for semi-annual payments of interest at a fixed rate of 7.75%, and do not require any principal payments prior to maturity on August 1, 2019. These Senior Notes are not guaranteed by any of our subsidiaries and thereby are effectively subordinated to all of our subsidiaries' existing and future indebtedness. The Indenture pursuant to which these Senior Notes were issued contains covenants, which, among other things, limit our ability to create liens on our assets to secure debt and to enter into sale and leaseback transactions. These covenants are subject to a number of limitations and exceptions as set forth in the Indenture. At October 31, 2010, we were in compliance with these covenants.

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

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

We have a \$135.0 million trade accounts receivable facility (the "Receivables Facility") with a financial institution and its affiliate (the "Purchasers"). The Receivables Facility matures in December 2013, subject to earlier termination by the Purchasers of their purchase commitment in December 2010. In addition, we can terminate the Receivables Facility at any time upon five days prior written notice. The Receivables Facility is secured by certain of our United States trade receivables and bears interest at a variable rate based on the commercial paper rate, or alternatively, the London Interbank Offered Rate, plus a margin. Interest is payable on a monthly basis and the principal balance is payable upon termination of the Receivables Facility. The Receivables Facility contains certain covenants, including financial covenants for leverage and fixed charge ratios identical to the 2010 Credit Agreement. Proceeds of the Receivables Facility are available for working capital and general corporate purposes. At October 31, 2010, \$135.0 million was outstanding under the Receivables Facility.

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

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

Certain of our international subsidiaries have entered into discounted receivables purchase agreements and factoring agreements (the RPAs ) pursuant to which trade receivables generated from certain countries other than the United States

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and which meet certain eligibility requirements are sold to certain international banks or their affiliates. The structure of these transactions provides for a legal true sale, on a revolving basis, of the receivables transferred from our various subsidiaries to the respective banks. The banks fund an initial purchase price of a certain percentage of eligible receivables based on a formula with the initial purchase price approximating 75 percent to 90 percent of eligible receivables. The remaining deferred purchase price is settled upon collection of the receivables. At the balance sheet reporting dates, we remove from accounts receivable the amount of proceeds received from the initial purchase price since they meet the applicable criteria of ASC 860, *Transfers and Servicing*, and continue to recognize the deferred purchase price in our accounts receivable. The receivables are sold on a non-recourse basis with the total funds in the servicing collection accounts pledged to the respective banks between the settlement dates. The maximum amount of aggregate receivables that may be sold under our various RPAs, was \$175.7 million at October 31, 2010. The number does not account for the Brazilian RPA which does not have a maximum. At October 31, 2010, total accounts receivable of \$177.2 million were sold under the various RPAs, of which \$6.9 million related to the Brazilian RPA.

At the time the receivables are initially sold, the difference between the carrying amount and the fair value of the assets sold are included as a loss on sale and classified as *other expense* in the consolidated statements of operations. Expenses associated with the various RPAs totaled \$6.8 million for the year ended October 31, 2010. Additionally, we perform collections and administrative functions on the receivables sold similar to the procedures we use for collecting all of our receivables. The servicing liability for these receivables is not material to the consolidated financial statements.

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

### ***Other***

In addition to the amounts borrowed against the 2010 Credit Agreement and proceeds from the Senior Notes and the United States trade accounts receivable credit facility, at October 31, 2010, we had outstanding other debt 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, annual maturities, including the current portion, of long-term debt under our various financing arrangements were \$12.5 million in 2011, \$23.7 million in 2012, \$160.0 million in 2013, \$25.0 million in 2014, \$198.7 million in 2015 and \$545.7 million thereafter.

At October 31, 2010 and 2009, we had deferred financing fees and debt issuance costs of \$19.9 million and \$14.9 million, respectively, which are included in other long-term assets.

## **Financial Instruments**

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

We entered into a cross-currency interest rate swap agreement which was designated as a hedge of a net investment in a foreign operation. Under this swap agreement, we received interest semi-annually from the counterparties in an amount equal to a fixed rate of 6.75% on \$200.0 million and paid interest in an amount equal to a fixed rate of 6.25% on 146.6 million. During the third quarter of 2010, we terminated this swap agreement, including any future cash flows. The termination of this swap agreement resulted in a cash gain of \$25.7 million (\$15.8 million, net of tax) which is included within foreign currency translation adjustments. At October 31, 2009, we had recorded an other comprehensive loss of \$14.6 million as a result of this swap agreement.

### ***Interest Rate Derivatives***

We have interest rate swap agreements with various maturities through 2012. These interest rate swap agreements are used to manage our fixed and floating rate debt mix. Under these swap agreements, we receive interest monthly from the counterparties based upon a designated LIBOR, and we pay interest based upon a designated fixed rate over the life of the swap agreements.

We have 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, we receive interest based upon a variable interest rate from the

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counterparties (weighted average of 0.26% at October 31, 2010 and 0.25% at October 31, 2009) and pay interest based upon a fixed interest rate (weighted average of 1.78% at October 31, 2010 and 2.71% at October 31, 2009). The other comprehensive loss on these interest rate derivatives was \$2.0 million at October 31, 2010 and \$2.3 million at October 31, 2009.

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

***Foreign Exchange Hedges***

At October 31, 2010, we had outstanding foreign currency forward contracts in the notional amount of \$252.9 million (\$70.5&#1