GREIF INC
Form 10-Q
September 01, 2017

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 31, 2017
Commission File Number 001-00566

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

Delaware	31-4388903
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
425 Winter Road, Delaware, Ohio	43015
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code (740) 549-6000
Not Applicable
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

The number of shares outstanding of each of the issuer's classes of common stock as of the close of business on August 29, 2017:

Class A Common Stock 25,835,281 shares

Class B Common Stock 22,007,725 shares

Table of Contents

Item		Page
	Part I. Financial Information	
1	Financial Statements	4
	Condensed Consolidated Statements of Income for the Three and Nine Months Ended July 31, 2017 and 2016 (Unaudited)	4
	Condensed Consolidated Statements of Comprehensive Income (Loss) (for the Three and Nine Months Ended July 31, 2017 and 2016 (Unaudited)	5
	Condensed Consolidated Balance Sheets at July 31, 2017 (Unaudited) and October 31, 2016	6
	Condensed Consolidated Statements of Cash Flows for the Nine Months Ended July 31, 2017 and 2016 (Unaudited)	8
	Notes to Condensed Consolidated Financial Statements (Unaudited)	9
2	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
3	Quantitative and Qualitative Disclosures About Market Risk	49
4	Controls and Procedures	49
	Part II. Other Information	
1A	Risk Factors	50
2	Unregistered Sales of Equity Securities and Use of Proceeds	50
6	Exhibits	51
	Signatures	52

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
GREIF, INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended July 31,		Nine Months Ended July 31,	
(in millions, except per share amounts)	2017	2016	2017	2016
Net sales	$961.8	$845.0	$2,670.1	$2,456.0
Cost of products sold	774.7	668.5	2,137.8	1,954.5
Gross profit	187.1	176.5	532.3	501.5
Selling, general and administrative expenses	92.6	92.6	286.2	280.3
Restructuring charges	3.9	10.2	8.7	17.9
Non-cash asset impairment charges	2.0	4.1	5.9	44.9
Pension settlement charge	1.0	—	25.6	—
Gain on disposal of properties, plants and equipment, net	(1.1)	(0.7)	(3.9)	(9.5)
Gain on disposal of businesses, net	(0.8)	(1.3)	(2.2)	(4.1)
Operating profit	89.5	71.6	212.0	172.0
Interest expense, net	13.7	19.8	46.7	58.2
Other expense, net	1.4	2.7	8.2	7.4
Income before income tax expense and equity earnings of unconsolidated affiliates, net	74.4	49.1	157.1	106.4
Income tax expense	27.2	3.5	62.0	38.2
Equity earnings of unconsolidated affiliates, net of tax	(0.3)	(0.8)	(0.3)	(0.8)
Net income	47.5	46.4	95.4	69.0
Net income attributable to noncontrolling interests	(3.6)	(0.3)	(10.1)	(2.6)
Net income attributable to Greif, Inc.	$43.9	$46.1	$85.3	$66.4
Basic earnings per share attributable to Greif, Inc. common shareholders:				
Class A Common Stock	$0.74	$0.78	$1.45	$1.13
Class B Common Stock	$1.12	$1.18	$2.17	$1.69
Diluted earnings per share attributable to Greif, Inc. common shareholders:				
Class A Common Stock	$0.74	$0.78	$1.45	$1.13
Class B Common Stock	$1.12	$1.18	$2.17	$1.69
Weighted-average number of Class A common shares outstanding:				
Basic	25.8	25.8	25.8	25.7
Diluted	25.8	25.8	25.8	25.7
Weighted-average number of Class B common shares outstanding:				
Basic	22.0	22.0	22.0	22.1
Diluted	22.0	22.0	22.0	22.1
Cash dividends declared per common share:				
Class A Common Stock	$0.42	$0.42	$1.26	$1.26
Class B Common Stock	$0.63	$0.63	$1.88	$1.88

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

GREIF, INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended July 31,		Nine Months Ended July 31,	
(in millions)	2017	2016	2017	2016
Net income	$47.5	$46.4	$95.4	$69.0
Other comprehensive income (loss), net of tax:				
Foreign currency translation	30.5	(27.6)	31.7	(9.6)
Interest rate derivative	(0.8)	—	4.0	—
Minimum pension liabilities	0.4	2.9	29.8	3.5
Other comprehensive income (loss), net of tax	30.1	(24.7)	65.5	(6.1)
Comprehensive income	77.6	21.7	160.9	62.9
Comprehensive income (loss) attributable to noncontrolling interests	4.2	(3.4)	8.4	(1.7)
Comprehensive income attributable to Greif, Inc.	$73.4	$25.1	$152.5	$64.6

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

GREIF, INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions)	July 31, 2017	October 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$94.6	$ 103.7
Trade accounts receivable, less allowance of $6.3 in 2017 and $8.8 in 2016	453.6	399.2
Inventories	336.8	277.4
Assets held for sale	77.6	3.8
Prepaid expenses and other current assets	162.4	128.2
	1,125.0	912.3
Long-term assets		
Goodwill	772.7	786.4
Other intangible assets, net of amortization	86.6	110.6
Deferred tax assets	9.3	9.0
Assets held by special purpose entities	50.9	50.9
Pension asset	28.6	22.2
Other long-term assets	95.1	89.7
	1,043.2	1,068.8
Properties, plants and equipment		
Timber properties, net of depletion	275.2	277.8
Land	100.1	99.5
Buildings	406.4	398.1
Machinery and equipment	1,488.6	1,484.8
Capital projects in progress	109.0	91.3
	2,379.3	2,351.5
Accumulated depreciation	(1,210.8)	(1,179.6)
	1,168.5	1,171.9
Total assets	$3,336.7	$ 3,153.0

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

GREIF, INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions)	July 31, 2017	October 31, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$394.8	$372.0
Accrued payroll and employee benefits	99.9	93.7
Restructuring reserves	7.0	10.4
Current portion of long-term debt	16.3	—
Short-term borrowings	18.3	51.6
Liabilities held for sale	14.5	—
Other current liabilities	168.3	131.5
	719.1	659.2
Long-term liabilities		
Long-term debt	1,033.7	974.6
Deferred tax liabilities	202.9	193.0
Pension liabilities	159.9	179.8
Postretirement benefit obligations	13.3	13.7
Liabilities held by special purpose entities	43.3	43.3
Contingent liabilities and environmental reserves	6.9	6.8
Other long-term liabilities	85.1	92.9
	1,545.1	1,504.1
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests (Note 18)	29.8	31.8
Equity		
Common stock, without par value	144.2	141.4
Treasury stock, at cost	(135.6)	(135.6)
Retained earnings	1,355.2	1,340.0
Accumulated other comprehensive income (loss), net of tax:		
Foreign currency translation	(236.8)	(270.2)
Interest rate derivative	4.0	—
Minimum pension liabilities	(98.4)	(128.2)
Total Greif, Inc. shareholders' equity	1,032.6	947.4
Noncontrolling interests	10.1	10.5
Total shareholders' equity	1,042.7	957.9
Total liabilities and shareholders' equity	$3,336.7	$3,153.0

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

GREIF, INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Nine Months Ended July 31, (in millions)	2017	2016
Cash flows from operating activities:		
Net income	$ 95.4	$ 69.0
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, depletion and amortization	89.4	95.8
Non-cash asset impairment charges	5.9	44.9
Pension settlement charge	25.6	—
Gain on disposals of properties, plants and equipment, net	(3.9)	(9.5)
Gain on disposals of businesses, net	(2.2)	(4.1)
Unrealized foreign exchange loss	4.5	4.1
Deferred income tax benefit	(8.8)	(2.8)
Other, net	0.5	—
Increase (decrease) in cash from changes in certain assets and liabilities:		
Trade accounts receivable	(55.6)	(29.5)
Inventories	(60.5)	(3.6)
Deferred purchase price on sold receivables	(30.8)	(20.2)
Accounts payable	20.0	7.3
Restructuring reserves	(3.7)	(6.4)
Pension and postretirement benefit liabilities	(4.1)	(1.6)
Other, net	33.4	14.6
Net cash provided by operating activities	105.1	158.0
Cash flows from investing activities:		
Acquisitions of companies, net of cash acquired	—	(0.4)
Collection of subordinated note receivable	—	44.2
Purchases of properties, plants, and equipment	(65.1)	(71.4)
Purchases of and investments in timber properties	(7.3)	(4.7)
Purchases of properties, plants and equipment with insurance proceeds	—	(4.4)
Proceeds from the sale of properties, plants, equipment and other assets	9.3	10.9
Proceeds from the sale of businesses	4.5	23.8
Proceeds from insurance recoveries	0.4	6.6
Net cash provided by (used in) investing activities	(58.2)	4.6
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	1,101.6	919.5
Payments on long-term debt	(1,189.0)	(937.5)
Proceeds (payments) on short-term borrowings, net	(30.8)	8.5
Proceeds from trade accounts receivable credit facility	203.6	58.5
Payments on trade accounts receivable credit facility	(53.6)	(131.0)
Long-term debt and credit facility financing fees paid	(4.5)	—
Dividends paid to Greif, Inc. shareholders	(73.9)	(74.0)
Dividends paid to noncontrolling interests	(4.1)	(4.8)
Acquisitions of treasury stock	—	(5.2)
Purchases of redeemable noncontrolling interest	—	(6.0)
Cash contribution from noncontrolling interest holder	—	0.8
Net cash used in financing activities	(50.7)	(171.2)
Reclassification of cash to assets held for sale	(5.5)	—
Effects of exchange rates on cash	0.2	(3.3)
Net decrease in cash and cash equivalents	(9.1)	(11.9)

Cash and cash equivalents at beginning of period	103.7	106.2
Cash and cash equivalents at end of period	$ 94.6	$94.3

See accompanying Notes to Condensed Consolidated Financial Statements

8

Table of Contents

GREIF, INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
NOTE 1 — BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Basis of Presentation
The condensed consolidated financial statements have been prepared in accordance with the U.S. Securities and Exchange Commission ("SEC") instructions to Quarterly Reports on Form 10-Q and include all of the information and disclosures required by accounting principles generally accepted in the United States ("GAAP") for interim financial reporting. The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual amounts could differ from those estimates.
The Company's fiscal year begins on November 1 and ends on October 31 of the following year. Any references to the year 2017 or 2016, or to any quarter of those years, relates to the fiscal year or quarter, as the case may be, ended in that year.
The information filed herein reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the condensed consolidated balance sheets as of July 31, 2017 and October 31, 2016, the condensed consolidated statements of income and comprehensive income for the three and nine months ended July 31, 2017 and 2016 and the condensed consolidated statements of cash flows for the nine months ended July 31, 2017 and 2016 of Greif, Inc. and its subsidiaries (the "Company"). The condensed consolidated financial statements include the accounts of Greif, Inc., all wholly-owned and consolidated subsidiaries and investments in limited liability companies, partnerships and joint ventures in which it has controlling influence or is the primary beneficiary. Non-majority owned entities include investments in limited liability companies, partnerships and joint ventures in which the Company does not have controlling influence and are accounted for using either the equity or cost method, as appropriate.
The unaudited condensed consolidated financial statements included in the Quarterly Report on Form 10-Q (this "Form 10-Q") should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for its fiscal year ended October 31, 2016 (the "2016 Form 10-K").
Newly Adopted Accounting Standards
In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," which makes changes to both the variable interest model and the voting interest model and eliminates the indefinite deferral of FASB Statement No. 167, included in ASU 2010-10, for certain investment funds. All reporting entities that hold a variable interest in other legal entities were required to re-evaluate their consolidation conclusions as well as disclosure requirements. The Company adopted the new guidance beginning on November 1, 2016, and the adoption did not have a material impact on the Company's financial position, results of operations, comprehensive income, cash flows or disclosures.
In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350)," which simplifies the subsequent measurement of goodwill in Accounting Standards Codification ("ASC") 350 by eliminating the step 2 requirement to perform procedures to determine the fair value at the impairment testing date of assets and liabilities in order to calculate goodwill impairment based on the implied fair value of goodwill. This amendment modifies the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. The Company elected to adopt the new guidance beginning on February 1, 2017 using a prospective approach, and the adoption did not have a material impact on the Company's financial position, results of operations, comprehensive income, cash flows or disclosures.
Recently Issued Accounting Standards
In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs

incurred to obtain or fulfill a contract. The update is effective for the Company on November 1, 2018 using one of two retrospective application methods. The Company is in the process of determining the potential impact of adopting the new revenue standards, but anticipates that the impact of adoption will be limited to expanded disclosures with no material impact on its financial position, results of operations, comprehensive income or cash flow.

Table of Contents

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which amends the lease accounting and disclosure requirements in ASC 840, "Leases". The objective of this update is to increase transparency and comparability among organizations recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about lease arrangements. This ASU will require the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The update is effective for the Company on November 1, 2019 using a modified retrospective approach. The Company is in the process of determining the potential impact of adopting this guidance on its financial position, results of operations, comprehensive income, cash flows and disclosures.

In October 2016, the FASB issued ASU 2016-16, "Intra-Equity Transfers of Assets Other Than Inventory (Topic 740)," which improves the accounting for income tax consequences of intra-entity transfers of assets other than inventory. The update is effective for the Company on November 1, 2018 and early adoption is permitted, including any interim period. The Company is in the process of determining the potential impact of adopting this guidance on its financial position, results of operations, comprehensive income, cash flows and disclosures.

In March 2017, the FASB issued ASU 2017-07, "Compensation - Retirement Benefits (Topic 715)," which provides additional guidance in ASC 715 for the presentation of net periodic benefit cost in the income statement and on the components eligible for capitalization in assets. This ASU will require the reporting of the service cost component to be in the same line item as other compensation costs arising from services rendered by the pertinent employees. Also, the other components of net benefit cost will be required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. This update also allows only the service cost component to be eligible for capitalization when applicable. The update is effective for the Company on November 1, 2018 using a retrospective approach for the presentation of the service cost component and the other components of net periodic pension cost and net periodic post-retirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic post-retirement benefit in assets. The Company plans to early adopt ASU 2017-07 on November 1, 2017 and expects the update to have an immaterial impact on the results of operations and disclosures.

NOTE 2 — ACQUISITIONS AND DIVESTITURES

During the nine months ended July 31, 2017, the Company completed one divestiture, completed no acquisitions, deconsolidated two nonstrategic businesses, and liquidated one non-U.S. nonstrategic business. The Company completed one material divestiture in the Rigid Industrial Packaging & Services segment during the third quarter of 2017. The Company deconsolidated one nonstrategic business in the Flexible Products & Services segment during the first quarter of 2017, and one nonstrategic business in the Rigid Industrial Packaging & Services segment during the second quarter of 2017. The Company liquidated one non-U.S. nonstrategic business in the Rigid Industrial Packaging & Services segment during the second quarter of 2017. The gain on disposal of businesses was $2.2 million for the nine months ended July 31, 2017. Proceeds from divestitures were $3.7 million for the nine months ended July 31, 2017. Proceeds from divestitures that were completed in fiscal year 2015 and collected during the nine months ended July 31, 2017 were $0.8 million. The Company has $3.8 million of notes receivable recorded from the sale of businesses, ranging in remaining terms from two months to seventeen months.

The Company completed four divestitures and no material acquisitions for the nine months ended July 31, 2016. The divestitures were of nonstrategic businesses, three in the Rigid Industrial Packaging & Services segment and one in the Flexible Products & Services segment. The gain on disposal of businesses was $4.1 million for the nine months ended July 31, 2016, and proceeds from divestitures were $25.2 million.

NOTE 3 — SALE OF NON-UNITED STATES ACCOUNTS RECEIVABLE

On April 27, 2012, Cooperage Receivables Finance B.V. (the “Main SPV”) and Greif Coordination Center BVBA, an indirect wholly owned subsidiary of Greif, Inc. (“Seller”), entered into the Nieuw Amsterdam Receivables Purchase Agreement (the “European RPA”) with affiliates of a major international bank (the “Purchasing Bank Affiliates”). On April 18, 2017, the Main SPV and Seller amended and extended the term of the existing European RPA. Under the European RPA, as amended, the maximum amount of receivables that may be sold and outstanding under the European RPA at any time is €100.0 million ($116.7 million as of July 31, 2017). Under the terms of the European RPA, the Company has the ability to loan excess cash to the Purchasing Bank Affiliates in the form of a subordinated

loan receivable. During the first quarter of 2016, the Company collected $44.2 million that had been loaned to the Purchasing Bank Affiliates, as excess cash at the end of fiscal 2015.

Under the terms of the European RPA, the Company has agreed to sell trade receivables meeting certain eligibility requirements that the Seller had purchased from other indirect wholly-owned subsidiaries of the Company under a factoring agreement. The structure of the transactions provide for a legal true sale, on a revolving basis, of the receivables transferred from the Company's various subsidiaries to the respective Purchasing Bank Affiliates. The purchaser funds an initial purchase price of a certain percentage of eligible receivables based on a formula, with the initial purchase price approximating 75 percent to 90 percent of

Table of Contents

eligible receivables. The remaining deferred purchase price is settled upon collection of the receivables. At the balance sheet reporting dates, the Company removes from accounts receivable the amount of proceeds received from the initial purchase price since they meet the applicable criteria of ASC 860, "Transfers and Servicing," and the Company continues to recognize the deferred purchase price in prepaid expenses and other current assets or other current liabilities. The receivables are sold on a non-recourse basis with the total funds in the servicing collection accounts pledged to the banks between settlement dates.

In October 2007, Greif Singapore Pte. Ltd., an indirect wholly-owned subsidiary of Greif, Inc., entered into the Singapore Receivable Purchase Agreement (the "Singapore RPA") with a major international bank. The maximum amount of aggregate receivables that may be financed under the Singapore RPA is 15.0 million Singapore Dollars ($11.0 million as of July 31, 2017). Under the terms of the Singapore RPA, the Company has agreed to sell trade receivables in exchange for an initial purchase price of approximately 90 percent of the eligible receivables. The remaining deferred purchase price is settled upon collection of the receivables.

The table below contains certain information related to the Company's accounts receivable sales programs:

	Three Months Ended July 31,		Nine Months Ended July 31,	
(in millions)	2017	2016	2017	2016
European RPA				
Gross accounts receivable sold to third party financial institution	$192.2	$160.0	$506.3	$463.3
Cash received for accounts receivable sold under the programs	170.0	140.7	448.2	409.2
Deferred purchase price related to accounts receivable sold	22.2	19.3	58.1	53.7
Loss associated with the programs	0.1	0.2	0.3	0.7
Expenses associated with the programs	—	—	—	—
Singapore RPA				
Gross accounts receivable sold to third party financial institution	$12.4	$11.4	$37.4	$32.5
Cash received for accounts receivable sold under the program	10.3	11.4	32.0	32.5
Deferred purchase price related to accounts receivable sold	2.2	—	5.4	—
Loss associated with the program	—	—	—	—
Expenses associated with the program	—	—	—	—
Total RPAs and Agreements				
Gross accounts receivable sold to third party financial institution	$204.6	$171.4	$543.7	$495.8
Cash received for accounts receivable sold under the program	180.3	152.1	480.2	441.7
Deferred purchase price related to accounts receivable sold	24.4	19.3	63.5	53.7
Loss associated with the program	0.1	0.2	0.3	0.7
Expenses associated with the program	—	—	—	—

Table of Contents

The table below contains certain information related to the Company's accounts receivable sales programs and the impact it has on the condensed consolidated balance sheets:

(in millions)	July 31, 2017	October 31, 2016
European RPA		
Accounts receivable sold to and held by third party financial institution	$ 147.8	$ 106.7
Deferred purchase price asset (liability) related to accounts receivable sold	32.7	(0.4)
Singapore RPA		
Accounts receivable sold to and held by third party financial institution	$ 3.5	$ 4.0
Deferred purchase price asset related to accounts receivable sold	0.8	0.5
Total RPAs and Agreements		
Accounts receivable sold to and held by third party financial institution	$ 151.3	$ 110.7
Deferred purchase price asset related to accounts receivable sold	33.5	0.1

The deferred purchase price related to the accounts receivable sold is reflected as prepaid expenses and other current assets or other current liabilities on the Company's condensed consolidated balance sheet and was initially recorded at an amount which approximates its fair value due to the short-term nature of these items. The cash received initially and the deferred purchase price relate to the sale or ultimate collection of the underlying receivables and are not subject to significant other risks given their short nature; therefore, the Company reflects all cash flows under the accounts receivable sales programs as operating cash flows on the Company's consolidated statements of cash flows. Additionally, the Company performs collections and administrative functions on the receivables sold, similar to the procedures it uses for collecting all of its receivables, including receivables that are not sold under the European RPA and the Singapore RPA. The servicing liability for these receivables is not material to the consolidated financial statements.

NOTE 4 — INVENTORIES

Inventories are stated at the lower of cost or market and are summarized as follows:

(in millions)	July 31, 2017	October 31, 2016
Raw materials	$ 231.4	$ 185.4
Work-in-process	12.2	12.2
Finished goods	93.2	79.8
	$ 336.8	$ 277.4

Table of Contents

NOTE 5 — ASSETS AND LIABILITIES HELD FOR SALE AND DISPOSALS OF PROPERTIES, PLANTS AND EQUIPMENT, NET

The following table presents assets and liabilities classified as held for sale as of July 31, 2017 and October 31, 2016:

(in millions)	July 31, 2017	October 31, 2016
Cash and cash equivalents	$ 5.5	$ —
Trade accounts receivable, less allowance	5.7	—
Inventories	2.6	—
Properties, plants and equipment, net	16.1	3.8
Goodwill	29.4	—
Other intangibles assets, net	17.0	—
Other assets	1.3	—
Assets held for sale	$ 77.6	$ 3.8
Accounts payable	$ 2.7	$ —
Other current liabilities	1.5	—
Other long-term liabilities	10.3	—
Liabilities held for sale	$ 14.5	$ —

As of July 31, 2017, there were four asset groups within the Rigid Industrial Packaging & Services segment classified as assets and liabilities held for sale. The assets held for sale are being marketed for sale, and it is the Company's intention to complete the sales of these assets within the next twelve months. As of July 31, 2017, one asset group in the Flexible Products & Services segment classified as assets and liabilities held for sale as of October 31, 2016, was reclassified into held and used as of July 31, 2017 and October 31, 2016.

As of October 31, 2016, there was one asset group in the Rigid Industrial Packaging & Services segment and one asset group in the Flexible Products & Services segment classified as assets and liabilities held for sale.

For the three months ended July 31, 2017, the Company recorded a gain on disposal of properties, plants and equipment, net of $1.1 million. This included disposals of assets in the Flexible Products & Services segment that resulted in gains of $0.7 million and special use property sales that resulted in gains of $0.6 million in the Land Management segment, offset by disposals of assets in the Paper Packaging segment that resulted in a loss of $0.2 million.

For the nine months ended July 31, 2017, the Company recorded a gain on disposal of properties, plants and equipment, net of $3.9 million. This included disposals of assets in the Rigid Industrial Packaging & Services segment that resulted in gains of $0.8 million, disposals of assets in the Flexible Products & Services segment that resulted in gains of $0.8 million, special use property sales that resulted in gains of $2.4 million in the Land Management segment, offset by disposals of assets in the Paper Packaging segment that resulted in a loss of $0.1 million.

For the three months ended July 31, 2016, the Company recorded a gain on disposal of properties, plants and equipment, net of $0.7 million. This included disposals of assets in the Flexible Products & Services segment classified as held for sale that resulted in gains of $0.4 million, insurance recoveries that resulted in gains of $0.2 million in the Paper Packaging segment, other net gains totaling $0.3 million, offset by disposals of an asset in the Rigid Industrial Packaging & Services segment classified as held for sale that resulted in a loss of $0.2 million.

For the nine months ended July 31, 2016, the Company recorded a gain on disposal of properties, plants and equipment, net of$9.5 million. This included insurance recoveries that resulted in gains of $6.4 million in the Rigid Industrial Packaging & Services segment, disposals of assets in the Flexible Products & Services segment classified as held for sale that resulted in gains of $1.3 million, sales of surplus properties in the Land Management segment that resulted in gains of $0.9 million, insurance recoveries that resulted in gains of $0.2 million in the Paper Packaging segment, and other net gains totaling an additional $0.7 million.

Table of Contents

NOTE 6 — GOODWILL AND OTHER INTANGIBLE ASSETS

The following table summarizes the changes in the carrying amount of goodwill by segment for the nine month period ended July 31, 2017:

(in millions)	Rigid Industrial Packaging & Services	Paper Packaging & Services	Total
Balance at October 31, 2016	$ 726.9	$ 59.5	$786.4
Goodwill allocated to divestitures and businesses held for sale	(37.2)	—	(37.2)
Currency translation	23.5	—	23.5
Balance at July 31, 2017	$ 713.2	$ 59.5	$772.7

As of July 31, 2017 and October 31, 2016, the accumulated goodwill impairment loss was $50.3 million in the Flexible Products & Services segment.

The following table summarizes the carrying amount of net other intangible assets by class as of July 31, 2017 and October 31, 2016:

(in millions)	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets
July 31, 2017:			
Indefinite lived:			
Trademarks and patents	$ 13.4	$ —	$ 13.4
Definite lived:			
Customer relationships	$ 147.0	$ 88.2	$ 58.8
Trademarks and patents	9.5	3.8	5.7
Non-compete agreements	—	—	—
Other	23.5	14.8	8.7
Total	$ 193.4	$ 106.8	$ 86.6
October 31, 2016:			
Indefinite lived:			
Trademarks and patents	$ 13.0	$ —	$ 13.0
Definite lived:			
Customer relationships	$ 167.6	$ 86.9	$ 80.7
Trademarks and patents	12.1	4.8	7.3
Non-compete agreements	1.0	0.9	0.1
Other	23.5	14.0	9.5
Total	$ 217.2	$ 106.6	$ 110.6

Amortization expense for the three months ended July 31, 2017 and 2016 was $3.1 million and $4.2 million, respectively. Amortization expense for the nine months ended July 31, 2017 and 2016 was $10.0 million and $12.7 million, respectively. Amortization expense for the next five years is expected to be $13.2 million in 2017, $12.2 million in 2018, $12.1 million in 2019, $11.5 million in 2020 and $10.0 million in 2021.

Definite lived intangible assets for the periods presented are subject to amortization and are being amortized using the straight-line method over periods that are contractually, legally determined, or over the period a market participant would benefit from the asset.

Table of Contents

NOTE 7 — RESTRUCTURING CHARGES

The following is a reconciliation of the beginning and ending restructuring reserve balances for the nine month period ended July 31, 2017:

(in millions)	Employee Separation Costs	Other Costs	Total
Balance at October 31, 2016	$ 9.2	$ 1.2	$ 10.4
Costs incurred and charged to expense	6.8	1.9	8.7
Costs paid or otherwise settled	(10.0)	(2.1)	(12.1)
Balance at July 31, 2017	$ 6.0	$ 1.0	$ 7.0

The focus for restructuring activities in 2017 is to continue to rationalize operations and close underperforming assets in the Rigid Industrial Packaging & Services and Flexible Products & Services segments. During the three months ended July 31, 2017, the Company recorded restructuring charges of $3.9 million, as compared to $10.2 million of restructuring charges recorded during the three months ended July 31, 2016. The restructuring activity for the three months ended July 31, 2017 consisted of $2.9 million in employee separation costs and $1.0 million in other restructuring costs. During the nine months ended July 31, 2017, the Company recorded restructuring charges of $8.7 million, which compares to $17.9 million of restructuring charges recorded during the nine months ended July 31, 2016. The restructuring activity for the nine months ended July 31, 2017 consisted of $6.8 million in employee separation costs and $1.9 million in other restructuring costs.

The following is a reconciliation of the total amounts expected to be incurred from approved restructuring plans or plans that are being formulated and have not been announced as of the date of this Form 10-Q. Remaining amounts expected to be incurred are $19.9 million as of July 31, 2017 compared to $16.1 million as of October 31, 2016. The change was due to the formulations of new plans during the period.

(in millions)	Total Amounts Expected to be Incurred	Amounts Incurred During the nine month period ended July 31, 2017	Amounts Remaining to be Incurred
Rigid Industrial Packaging & Services			
Employee separation costs	$ 21.1	$ 6.0	$ 15.1
Other restructuring costs	4.5	1.6	2.9
	25.6	7.6	18.0
Flexible Products & Services			
Employee separation costs	1.2	0.5	0.7
Other restructuring costs	1.5	0.3	1.2
	2.7	0.8	1.9
Paper Packaging & Services			
Employee separation costs	0.3	0.3	—
Other restructuring costs	—	—	—
	0.3	0.3	—
	$ 28.6	$ 8.7	$ 19.9

NOTE 8 — CONSOLIDATION OF VARIABLE INTEREST ENTITIES

The Company evaluates whether an entity is a variable interest entity (“VIE”) whenever reconsideration events occur and performs reassessments of all VIEs quarterly to determine if the primary beneficiary status is appropriate. The Company consolidates VIEs for which it is the primary beneficiary. If the Company is not the primary beneficiary and

an ownership interest is held, the VIE is accounted for under the equity or cost methods of accounting, as appropriate. When assessing the determination of the primary beneficiary, the Company considers all relevant facts and circumstances, including: the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and the obligation to absorb the expected losses and/or the right to receive the expected returns of the VIE.

Table of Contents

Significant Nonstrategic Timberland Transactions

In 2005, the Company sold certain timber properties to Plum Creek Timberlands, L.P. (“Plum Creek”) in a series of transactions that included the creation of two separate legal entities that are now consolidated as separate VIEs. One is an indirect subsidiary of Plum Creek (the “Buyer SPE”), and the other is STA Timber LLC, an indirect wholly owned subsidiary of the Company (“STA Timber”). As of July 31, 2017 and October 31, 2016, consolidated assets of the Buyer SPE consisted of $50.9 million of restricted bank financial instruments which are expected to be held to maturity. For both of the three month periods ended July 31, 2017 and 2016, Buyer SPE recorded interest income of $0.6 million. For both of the nine month periods ended July 31, 2017 and 2016, Buyer SPE recorded interest income of $1.8 million.

As of July 31, 2017 and October 31, 2016, STA Timber had consolidated long-term debt of $43.3 million. For both of the three month periods ended July 31, 2017 and 2016, STA Timber recorded interest expense of $0.5 million. For both of the nine month periods ended July 31, 2017 and 2016, STA Timber recorded interest expense of $1.7 million. The intercompany borrowing arrangement between the two VIEs is eliminated in consolidation. STA Timber is exposed to credit-related losses in the event of nonperformance by an issuer of a deed of guarantee in the transaction.

Flexible Packaging Joint Venture

On September 29, 2010, Greif, Inc. and one of its indirect subsidiaries formed a joint venture (referred to herein as the “Flexible Packaging JV” or “FPS VIE”) with Dabbagh Group Holding Company Limited and one of its subsidiaries, originally National Scientific Company Limited and now Gulf Refined Packaging for Industrial Packaging Company LTD. The Flexible Packaging JV owns the operations in the Flexible Products & Services segment. The Flexible Packaging JV has been consolidated into the operations of the Company as of its formation date of September 29, 2010.

The Flexible Packaging JV is deemed to be a VIE since the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support. The major factors that led to the conclusion that the Company was the primary beneficiary of this VIE was that (1) the Company has the power to direct the most significant activities due to its ability to direct the operating decisions of the FPS VIE, which power is derived from the significant CEO discretion over the operations of the FPS VIE combined with the Company’s sole and exclusive right to appoint the CEO of the FPS VIE, and (2) the significant variable interest through the Company’s equity interest in the FPS VIE.

All entities contributed to the Flexible Packaging JV were existing businesses acquired by one of the Company's subsidiaries that were reorganized under Greif Flexibles Asset Holding B.V. and Greif Flexibles Trading Holding B.V.

The following table presents the Flexible Packaging JV total net assets:

(in millions)	July 31, 2017	October 31, 2016
Cash and cash equivalents	$ 14.3	$ 15.2
Trade accounts receivable, less allowance of $2.3 in 2017 and $2.8 in 2016	50.9	43.3
Inventories	51.1	50.9
Properties, plants and equipment, net	31.6	25.0
Other assets	28.0	37.3
Total Assets	$ 175.9	$ 171.7
Accounts payable	$ 31.8	$ 30.7
Other liabilities	35.2	43.7
Total Liabilities	$ 67.0	$ 74.4

Net (income) losses attributable to the noncontrolling interest in the Flexible Packaging JV for the three months ended July 31, 2017 and 2016 were $(1.5) million and $1.9 million, respectively; and for the nine months ended July 31, 2017 and 2016, net (income) losses attributable to the noncontrolling interest were $(3.3) million and $4.5 million, respectively.

Non-United States Accounts Receivable VIE

As further described in Note 3, Cooperage Receivables Finance B.V. is a party to the European RPA. Cooperage Receivables Finance B.V. is deemed to be a VIE since this entity is not able to satisfy its liabilities without the financial support from the

Table of Contents

Company. While this entity is a separate and distinct legal entity from the Company and no ownership interest in this entity is held by the Company, the Company is the primary beneficiary because it has (1) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE. As a result, Cooperage Receivables Finance B.V. has been consolidated into the operations of the Company.

NOTE 9 — LONG-TERM DEBT

Long-term debt is summarized as follows:

(in millions)	July 31, 2017	October 31, 2016
2017 Credit Agreement	$418.9	$—
Prior Credit Agreement	—	201.2
Senior Notes due 2017	—	300.1
Senior Notes due 2019	247.7	247.0
Senior Notes due 2021	232.1	216.6
Receivables Facility	150.0	—
Other debt	8.2	9.7
	1,056.9	974.6
Less current portion	16.3	—
Less deferred financing costs	6.9	—
Long-term debt	$1,033.7	$974.6

2017 Credit Agreement

On November 3, 2016, the Company and certain of its international subsidiaries entered into a new senior secured credit agreement (the “2017 Credit Agreement”) with a syndicate of financial institutions. The 2017 Credit Agreement replaced in its entirety the $1.0 billion senior secured credit agreement entered into on December 19, 2012, by the Company and two of its international subsidiaries ("Prior Credit Agreement") with a syndicate of financial institutions. The total available borrowing under the 2017 Credit Agreement was $661.7 million as of July 31, 2017, which has been reduced by $11.9 million for outstanding letters of credit, all of which was then available without violating covenants.

The 2017 Credit Agreement provides for an $800.0 million revolving multicurrency credit facility expiring November 3, 2021, and a $300.0 million term loan, with quarterly principal installments that commenced on April 30, 2017, through maturity on November 3, 2021, both with an option to add an aggregate of $550.0 million to the facilities with the agreement of the lenders. The Company used the term loan on February 1, 2017, to repay the principal of the Company’s $300.0 million 6.75% Senior Notes that matured on that date. The revolving credit facility is available to fund ongoing working capital and capital expenditure needs, for general corporate purposes, and to finance acquisitions. Interest is based on either a Eurodollar rate or a base rate that resets periodically plus a calculated margin amount. On November 3, 2016, a total of approximately $208.0 million was used to pay the obligations outstanding under the Prior Credit Agreement in full and certain costs and expenses incurred in connection with the 2017 Credit Agreement. The financing costs associated with the 2017 Credit Agreement totaled $6.0 million as of July 31, 2017, and are recorded as a direct deduction from the long-term debt liability.

The 2017 Credit Agreement contains certain covenants, which include financial covenants that require the Company to maintain a certain leverage ratio and an interest coverage ratio. The leverage ratio generally requires that at the end of any fiscal quarter the Company will not permit the ratio of (a) its total consolidated indebtedness, to (b) the Company's net income plus depreciation, depletion, and amortization, interest expense (including capitalized interest), and income taxes, minus certain extraordinary gains and non-recurring gains (or plus certain extraordinary losses and non-recurring losses) and plus or minus certain other items for the preceding twelve months ("adjusted EBITDA") to be greater than 4.00 to 1.00 (or 3.75 to 1.00, during any collateral release period). The interest coverage ratio generally requires that at the end of any fiscal quarter the Company will not permit the ratio of (a) adjusted EBITDA, to (b) the consolidated interest expense to the extent paid or payable, to be less than 3.00 to 1.00, during the applicable

preceding twelve month period.

Table of Contents

As of July 31, 2017, $418.9 million was outstanding under the 2017 Credit Agreement. The current portion of the 2017 Credit Agreement was $15.0 million and the long-term portion was $403.9 million. The weighted average interest rate on the 2017 Credit Agreement was 2.07% for the nine months ended July 31, 2017. The actual interest rate on the 2017 Credit Agreement was 2.49% as of July 31, 2017.

Senior Notes due 2017

On February 9, 2007, the Company issued $300.0 million of 6.75% Senior Notes due February 1, 2017. These Senior Notes were paid in full on February 1, 2017, with $300.0 million of term loan proceeds borrowed under the 2017 Credit Agreement.

Senior Notes due 2019

On July 28, 2009, the Company issued $250.0 million of 7.75% Senior Notes due August 1, 2019. Interest on these Senior Notes is payable semi-annually. The financing costs associated with the Senior Notes due 2019 totaled $0.9 million as of July 31, 2017, and are recorded as a direct deduction from the long-term liability.

Senior Notes due 2021

On July 15, 2011, Greif, Inc.'s wholly-owned subsidiary, Greif Nevada Holdings, Inc., S.C.S. issued €200.0 million of 7.375% Senior Notes due July 15, 2021. These Senior Notes are fully and unconditionally guaranteed on a senior basis by Greif, Inc. Interest on these Senior Notes is payable semi-annually.

United States Trade Accounts Receivable Credit Facility

On September 28, 2016, the Company amended and restated its existing receivables financing facility in the United States to establish a $150.0 million United States Trade Accounts Receivable Credit Facility (the "Receivables Facility") with a financial institution. The Receivables Facility matures in September 2017, and the Company intends to renew this facility on similar terms. The $150.0 million outstanding as of July 31, 2017 is reported in long-term debt in the condensed consolidated balance sheets because the Company intends to refinance the obligation on a long-term basis and has the intent and ability to consummate a long-term refinancing.

NOTE 10 — FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

The following table presents the fair value for those assets and (liabilities) measured on a recurring basis as of July 31, 2017 and October 31, 2016:

	July 31, 2017				
	Fair Value Measurement				
(in millions)	Level 1	Level 2	Level 3	Total	Balance Sheet Location
Interest rate derivatives	$—	$ 7.1	$ —	$7.1	Other long-term assets
Foreign exchange hedges	—	0.1	—	0.1	Prepaid expenses and other current assets
Foreign exchange hedges	—	(0.6)	—	(0.6)	Other current liabilities
Insurance annuity	—	—	21.4	21.4	Other long-term assets
Total[(1)]	$—	$ 6.6	$ 21.4	$28.0	

	October 31, 2016				
	Fair Value Measurement				
(in millions)	Level 1	Level 2	Level 3	Total	Balance Sheet Location
Foreign exchange hedges	$—	$ 0.3	$ —	$0.3	Prepaid expenses and other current assets
Foreign exchange hedges	—	(0.3)	—	(0.3)	Other current liabilities
Insurance annuity	—	—	20.1	20.1	Other long-term assets
Total[(1)]	$—	$ —	$ 20.1	$20.1	

Table of Contents

[1]The carrying amounts of cash and cash equivalents, trade accounts receivable, accounts payable, current liabilities and short-term borrowings as of July 31, 2017 and October 31, 2016 approximate their fair values because of the short-term nature of these items and are not included in this table.

Interest Rate Derivatives

The Company has various borrowing facilities which charge interest based on the 1 month U.S. dollar LIBOR rate plus an interest spread. During the first quarter of 2017, the Company entered into a forward interest rate swap with a notional amount of $300.0 million. As of February 1, 2017, the Company began to receive variable rate interest payments based upon one month U.S. dollar LIBOR and in return was obligated to pay interest at a fixed rate of 1.194%. This effectively converted the borrowing rate on $300.0 million of debt from a variable rate to a fixed rate. This derivative is designated as a cash flow hedge for accounting purposes. Accordingly, any effective portion of the gain or loss on this derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings. Any ineffective portion of the gain or loss on the derivative instrument is recognized into earnings. For additional disclosures of the gain or loss included with other comprehensive income, see also Note 16 to the interim condensed consolidated financial statements. The assumptions used in measuring fair value of the interest rate derivative are considered level 2 inputs, which are based upon LIBOR and interest paid based upon a designated fixed rate over the life of the swap agreements.

Foreign Exchange Hedges

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

As of July 31, 2017, the Company had outstanding foreign currency forward contracts in the notional amount of $75.1 million ($78.9 million as of October 31, 2016). Adjustments to fair value are recognized in earnings, offsetting the impact of the hedged profits. The assumptions used in measuring fair value of foreign exchange hedges are considered level 2 inputs, which were based on observable market pricing for similar instruments, principally foreign exchange futures contracts. Realized gains recorded in other expense, net under fair value contracts were $0.6 million for the three months ended July 31, 2017 and realized losses were$2.0 million for the three months ended July 31, 2016. Realized losses were $0.9 million and $2.3 million for the nine months ended July 31, 2017, and 2016, respectively.

Other Financial Instruments

The fair values of the Company's 2017 Credit Agreement and the Receivables Facility do not materially differ from carrying value as the Company's cost of borrowing is variable and approximates current borrowing rates. The fair values of the Company's long-term obligations are estimated based on either the quoted market prices for the same or similar issues or the current interest rates offered for the debt of the same remaining maturities, which are considered level 2 inputs in accordance with ASC Topic 820, Fair Value Measurements and Disclosures.

The following table presents the estimated fair values of the Company's senior notes:

(in millions)	July 31, 2017	October 31, 2016
Senior Notes due 2017		
Estimated fair value	$ —	$ 302.4
Senior Notes due 2019		
Estimated fair value	276.6	280.1
Senior Notes due 2021		
Estimated fair value	282.7	264.9

Table of Contents

Non-Recurring Fair Value Measurements

The following table presents quantitative information about the significant unobservable inputs used to determine the fair value of the impairment of long-lived assets held and used and net assets held for sale for the nine months ended July 31, 2017 and 2016:

	Quantitative Information about Level 3 Fair Value Measurements			
(in millions)	Fair Value of Impairment	Valuation Technique	Unobservable Input	Range of Input Values
July 31, 2017				
Impairment of Net Assets Held for Sale	$5.6	Broker Quote/ Indicative Bids	Indicative Bids	N/A
Impairment of Long Lived Assets	0.3	Sales Value	Sales Value	N/A
Total	$5.9			
July 31, 2016				
Impairment of Net Assets Held for Sale	$37.6	Broker Quote/ Indicative Bids	Indicative Bids	N/A
Impairment of Long Lived Assets	7.3	Sales Value	Sales Value	N/A
Total	$44.9			

Long-Lived Assets

The assumptions used in measuring fair value of long-lived assets are considered level 3 inputs, which include bids received from third parties, recent purchase offers, market comparable information and discounted cash flows based on assumptions that market participants would use. As a result of the Company measuring long-lived assets at fair value on a non-recurring basis, during the nine months ended July 31, 2017, the Company recorded impairment charges of $0.3 million. As a result of the Company measuring long-lived assets at fair value on a non-recurring basis, during the nine months ended July 31, 2016, the Company recorded impairment charges of $5.0 million related to properties, plants and equipment, net, in the Rigid Industrial Packaging & Services segment, $1.5 million related to a cost method investment in the Paper Packaging & Services segment, and $0.8 million of properties, plants and equipment, net, in the Flexible Products & Services segment.

Assets and Liabilities Held for Sale

The assumptions used in measuring fair value of assets and liabilities held for sale are considered level 3 inputs, which include recent purchase offers, market comparables and/or data obtained from commercial real estate brokers. During the nine month period ended July 31, 2017, one asset group was reclassified to assets and liabilities held for sale, resulting in a $5.6 million impairment to net realizable value. During the nine month period ended July 31, 2016, three asset groups were reclassified to assets and liabilities held for sale, resulting in $23.6 million impairment to net realizable value. During the nine month period ended July 31, 2016, one asset group classified as held for sale as of October 31, 2015, was remeasured to net realizable value, resulting in an impairment of $14.0 million. For additional disclosures on the assets and liabilities held for sale, also see Note 5 to the interim condensed consolidated financial statements.

Goodwill and Other Intangible Assets

On an annual basis or whenever events or circumstances indicate impairment may have occurred, the Company performs impairment tests for goodwill and long lived intangible assets as defined under ASC 350, “Intangibles-Goodwill and Other.” The Company concluded that no impairment existed as of July 31, 2017 and October 31, 2016.

NOTE 11 — INCOME TAXES

Income tax expense for the quarter was computed in accordance with ASC 740-270 "Income Taxes - Interim Reporting" (ASC 740-270). Under this method, losses from jurisdictions for which a valuation allowance has been provided have not been included in the amount to which the ASC 740-270 rate was applied. Income tax expense of the

Company fluctuates primarily due to changes in income mix by jurisdiction, including changes in losses and income from jurisdictions for which a valuation allowance has been provided, and the impact of discrete items in the respective quarter.

Table of Contents

Income tax expense was $27.2 million and $3.5 million for the three months ended July 31, 2017 and 2016, respectively, and $62.0 million and $38.2 million for the nine months ended July 31, 2017 and 2016, respectively. Prior to the three months ended January 31, 2017, the Company asserted under ASC 740-30, formerly Accounting Principles Board opinion 23 ("APB 23"), that unremitted earnings of its subsidiaries directly, or indirectly, owned by Greif International Holdings BV ("GIH") were permanently reinvested. As a result of the Company's debt re-financing concluded in November 2016, the Company reassessed its unremitted earnings position in the first quarter of fiscal year 2017. The Company concluded that the unremitted earnings of subsidiaries owned directly, or indirectly, by GIH may be used to fully fund the repayment of up to €187.0 million ($218.4 million as of July 31, 2017) of third-party debt of GIH's non-U.S. parent company, Greif Luxembourg Holding Sarl, a company organized under the laws of Luxembourg. The amount of pre-2017 non-U.S. earnings that may be remitted to repay this debt is $104.0 million. Further, the Company has concluded that, until such third-party debt has been fully repaid, the current earnings of the subsidiaries owned directly, or indirectly, by GIH may be distributed to and utilized to repay such debt. Accordingly, deferred tax liabilities of $3.6 million related to withholding taxes have been recorded through the third quarter of 2017 with respect to the $104.0 million of pre-2017 unremitted earnings, which represents the total tax liability for all of the pre-2017 unremitted earnings expected to be remitted and, starting in fiscal year 2017, deferred tax liabilities have been recorded on current year earnings not required to be immediately reinvested by the respective subsidiary of GIH. During the third quarter of 2017, €145.0 million ($169.3 million as of July 31, 2017) of the debt was repaid, utilizing, in part, $104.0 million of pre-2017 earnings distributed to GIH during the quarter. Other than this change in assertion with respect to the unremitted earnings of subsidiaries owned directly, or indirectly, by GIH, the Company has not recognized U.S. deferred income taxes on its undistributed earnings from other non-U.S. subsidiaries as it is the Company's intention to reinvest those earnings indefinitely outside of the U.S., or to repatriate the earnings only when it is tax-efficient to do so.

NOTE 12 — POST RETIREMENT BENEFIT PLANS

During the nine months ended July 31, 2017, an annuity contract for approximately $49.2 million was purchased with United States defined benefit plan assets, and the pension obligation for certain retirees in the United States under that plan was irrevocably transferred from that plan to the annuity contract. Additionally, lump sum payments totaling $42.4 million were made from the defined benefit plan assets to certain participants who agreed to such payments, representing the current fair value of the participant's respective pension benefit. The settlement items described above resulted in a decrease in the fair value of plan assets and the projected benefit obligation of $91.6 million and a non-cash pension settlement charge of $25.6 million of unrecognized net actuarial loss included in accumulated other comprehensive loss.

During the three months ended July 31, 2017, net lump sum payments totaling $3.5 million were made resulting in a non-cash pension settlement charge of $1.0 million of unrecognized actuarial loss included in accumulated other comprehensive loss.

As a result of the settlements described above, the Company remeasured the United States defined pension plan as of November 30, 2016. The result of this remeasurement was a decline in projected benefit obligation of $21.3 million. This reduction is due to an increase in discount rates from 3.82 percent as of October 31, 2016 to 4.20 percent as of November 30, 2016.

The components of net periodic pension cost include the following:

	Three Months Ended July 31,		Nine Months Ended July 31,	
(in millions)	2017	2016	2017	2016
Service cost	$3.5	$3.2	$10.1	$9.4
Interest cost	4.6	5.7	13.8	16.9
Expected return on plan assets	(7.0)	(8.3)	(21.2)	(24.9)
Amortization of prior service cost and net actuarial gain	2.6	2.8	8.2	8.6
Net periodic pension costs	$3.7	$3.4	$10.9	$10.0

The Company made $10.7 million and $9.4 million in pension contributions in the nine months ended July 31, 2017 and 2016, respectively.

Table of Contents

The components of net periodic cost for post retirement benefits include the following:

	Three Months Ended July 31,		Nine Months Ended July 31,	
(in millions)	2017	2016	2017	2016
Service cost	$—	$—	$—	$—
Interest cost	0.1	0.2	0.3	0.4
Amortization of prior service cost and net actuarial gain	(0.5)	(0.4)	(1.2)	(1.2)
Net periodic benefit for post retirement benefits	$(0.4)	$(0.2)	$(0.9)	$(0.8)

NOTE 13 — CONTINGENT LIABILITIES AND ENVIRONMENTAL RESERVES

Litigation-related Liabilities

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

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

The Company is currently involved in legal proceedings outside of the United States related to various wrongful termination lawsuits filed by former employees and benefit claims filed by some existing employees of our Flexible Products & Services segment. The lawsuits include claims for severance for employment periods prior to the Company's ownership in the business. As of July 31, 2017 and October 31, 2016, the estimated liability recorded related to these matters were $3.8 million and $1.3 million. The estimated liability has been determined based on the number of active cases and the settlements and rulings on previous cases. It is reasonably possible the estimated liability could increase if additional cases are filed or adverse rulings are made.

Environmental Reserves

As of July 31, 2017 and October 31, 2016, environmental reserves were $6.9 million and $6.8 million, respectively, and were recorded on an undiscounted basis. These reserves are principally based on environmental studies and cost estimates provided by third parties, but also take into account management estimates. The estimated liabilities are reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of relevant costs. For sites that involve formal actions subject to joint and several liabilities, these actions have formal agreements in place to apportion the liability. As of July 31, 2017 and October 31, 2016, environmental reserves of the Company included $4.4 million and $3.9 million, respectively, for various European drum facilities acquired from Blagden and Van Leer; $0.3 million and $0.3 million, respectively, for its various container life cycle management and recycling facilities; $1.3 million and $1.7 million, respectively, for remediation of sites no longer owned by the Company; and $0.9 million and $0.9 million, respectively, for various other facilities around the world.

The Company's exposure to adverse developments with respect to any individual site is not expected to be material. Although environmental remediation could have a material effect on results of operations if a series of adverse developments occur in a particular quarter or year, the Company believes that the chance of a series of adverse developments occurring in the same quarter or year is remote. Future information and developments will require the Company to continually reassess the expected impact of these environmental matters.

NOTE 14 — EARNINGS PER SHARE

The Company has two classes of common stock and, as such, applies the “two-class method” of computing earnings per share (“EPS”) as prescribed in ASC 260, “Earnings Per Share.” In accordance with this guidance, earnings are allocated in the same

22

Table of Contents

fashion as dividends would be distributed. Under the Company's articles of incorporation, any distribution of dividends in any year must be made in proportion of one cent a share for Class A Common Stock to one and one-half cents a share for Class B Common Stock, which results in a 40% to 60% split to Class A and B shareholders, respectively. In accordance with this, earnings are allocated first to Class A and Class B Common Stock to the extent that dividends are actually paid and the remainder is allocated assuming all of the earnings for the period have been distributed in the form of dividends.

The Company calculates EPS as follows:

$$\text{Basic Class A EPS} = \frac{40\% * \text{Average Class A Shares Outstanding}}{40\% * \text{Average Class A Shares Outstanding} + 60\% * \text{Average Class B Shares Outstanding}} * \frac{\text{Undistributed Net Income}}{\text{Average Class A Shares Outstanding}} + \text{Class A Dividends Per Share}$$

$$\text{Diluted Class A EPS} = \frac{40\% * \text{Average Class A Shares Outstanding}}{40\% * \text{Average Class A Shares Outstanding} + 60\% * \text{Average Class B Shares Outstanding}} * \frac{\text{Undistributed Net Income}}{\text{Average Diluted Class A Shares Outstanding}} + \text{Class A Dividends Per Share}$$

$$\text{Basic Class B EPS} = \frac{60\% * \text{Average Class B Shares Outstanding}}{40\% * \text{Average Class A Shares Outstanding} + 60\% * \text{Average Class B Shares Outstanding}} * \frac{\text{Undistributed Net Income}}{\text{Average Class B Shares Outstanding}} + \text{Class B Dividends Per Share}$$

*Diluted Class B EPS calculation is identical to Basic Class B calculation

The following table provides EPS information for each period:

(in millions)	Three Months Ended July 31, 2017	Three Months Ended July 31, 2016	Nine Months Ended July 31, 2017	Nine Months Ended July 31, 2016
Numerator for basic and diluted EPS				
Net income attributable to Greif, Inc.	$43.9	$46.1	$85.3	$66.4
Cash dividends	(24.7)	(24.7)	(73.9)	(74.0)
Undistributed net income (loss) attributable to Greif, Inc.	$19.2	$21.4	$11.4	$(7.6)

The Class A Common Stock has no voting rights unless four quarterly cumulative dividends upon the Class A Common Stock are in arrears. The Class B Common Stock has full voting rights. There is no cumulative voting for the election of directors.

Common Stock Repurchases

In June 2017, the Company's Board of Directors authorized the purchase of an additional 4,000,000 of the Company's shares of Class A Common Stock or Class B Common Stock or any combination of the foregoing. In July 2017, the Company's Stock Repurchase Committee authorized and the Company executed the repurchase of 2,000 shares of Class B Common Stock, which reduced the remaining amount of shares that may be repurchased by the Company to 4,703,487. During the nine months ended July 31, 2016, the Stock Repurchase Committee authorized and the Company executed the repurchase of 110,241 shares of Class B Common Stock. There have been no other shares repurchased under this program from November 1, 2015 through July 31, 2017.

Table of Contents

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

	Authorized Shares	Issued Shares	Outstanding Shares	Treasury Shares
July 31, 2017				
Class A Common Stock	128,000,000	42,281,920	25,835,281	16,446,639
Class B Common Stock	69,120,000	34,560,000	22,007,725	12,552,275
October 31, 2016				
Class A Common Stock	128,000,000	42,281,920	25,781,791	16,500,129
Class B Common Stock	69,120,000	34,560,000	22,009,725	12,550,275

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2017	2016	2017	2016
Class A Common Stock:				
Basic shares	25,834,636	25,781,146	25,815,533	25,746,797
Assumed conversion of restricted shares	658	2,038	3,284	349
Diluted shares	25,835,294	25,783,184	25,818,817	25,747,146
Class B Common Stock:				
Basic and diluted shares	22,009,596	22,009,725	22,009,682	22,079,544

NOTE 15 — EQUITY EARNINGS OF UNCONSOLIDATED AFFILIATES, NET OF TAX AND NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS

Equity earnings of unconsolidated affiliates, net of tax

Equity earnings of unconsolidated affiliates, net of tax, represent the Company's share of earnings of affiliates in which the Company does not exercise control and has a 20 percent or more voting interest. Investments in such affiliates are accounted for using the equity method of accounting. If the fair value of an investment in an affiliate is below its carrying value and the difference is deemed to be other than temporary, the difference between the fair value and the carrying value is charged to earnings. The Company had an equity interest in two such affiliates as of July 31, 2017. Equity earnings of unconsolidated affiliates, net of tax, were $0.3 million for the three and nine months ended July 31, 2017. Equity earnings of unconsolidated affiliates, net of tax, were $0.8 million for the three and nine months ended July 31, 2016. There were no dividends received from the Company's equity method affiliates for the three and nine months ended July 31, 2017 and 2016.

Net income attributable to noncontrolling interests

Net income attributable to noncontrolling interests represent the portion of earnings from the operations of the Company's consolidated subsidiaries attributable to unrelated third party equity owners that were deducted from net income to arrive at net income attributable to the Company. Net income attributable to noncontrolling interests for the three months ended July 31, 2017 and 2016 was $3.6 million and $0.3 million, respectively. Net income attributable to noncontrolling interests for the nine months ended July 31, 2017 and 2016 was $10.1 million and $2.6 million, respectively.

Table of Contents

NOTE 16 — EQUITY AND COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes of equity from October 31, 2016 to July 31, 2017 (Dollars in millions, shares in thousands):

	Capital Stock		Treasury Stock						
	Common Shares	Amount	Treasury Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Greif, Inc. Equity	Non controlling interests	Total Equity
As of October 31, 2016	47,792	$141.4	29,050	$(135.6)	$1,340.0	$ (398.4)	$947.4	$ 10.5	$957.9
Net income					85.3		85.3	10.1	95.4
Other comprehensive income (loss):									
- foreign currency translation						33.4	33.4	(1.7)	31.7
- interest rate derivative, net of income tax of $2.5 million						4.0	4.0		4.0
- change in minimum pension liability adjustment from remeasurement, settlement, and amortization, net of income tax of $17.5 million						29.8	29.8		29.8
Comprehensive income							152.5		160.9
Current period mark to redemption value of redeemable noncontrolling interest					3.8		3.8		3.8
Net income allocated to redeemable noncontrolling interests							—	(3.1)	(3.1)
Deconsolidation of noncontrolling interest							—	(2.6)	(2.6)
Other							—		—
Dividends paid to Greif, Inc. shareholders					(73.9)		(73.9)		(73.9)
Dividends to noncontrolling interests							—	(3.1)	(3.1)
Treasury shares acquired	(2)	—	2	0.1			0.1		0.1
Restricted stock executives and directors	24	1.3	(24)	—			1.3		1.3
Long-term incentive shares issued	29	1.5	(29)	(0.1)			1.4		1.4
As of July 31, 2017	47,843	$144.2	28,999	$(135.6)	$1,355.2	$ (331.2)	$1,032.6	$ 10.1	$1,042.7

Table of Contents

The following table summarizes the changes of equity from October 31, 2015 to July 31, 2016 (Dollars in millions, shares in thousands):

	Capital Stock		Treasury Stock						
	Common Shares	Amount	Treasury Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Greif, Inc. Equity	Non controlling interests	Total Equity
As of October 31, 2015	47,814	$ 139.1	29,028	$ (130.6)	$ 1,384.5	$ (377.4)	$ 1,015.6	$ 44.3	$ 1,059.9
Net income					66.4		66.4	2.6	69.0
Other comprehensive income (loss):									
- foreign currency translation						(5.3)	(5.3)	(4.3)	(9.6)
- minimum pension liability adjustment, net of immaterial income tax						3.5	3.5		3.5
Comprehensive loss							64.6		62.9
Out of period mark to redemption value of redeemable noncontrolling interest					(19.8)		(19.8)		(19.8)
Current period mark to redemption value of redeemable noncontrolling interest					(3.1)		(3.1)		(3.1)
Reclassification of redeemable noncontrolling interest					1.2		1.2	(22.8)	(21.6)
Net income allocated to redeemable noncontrolling interests							—	(3.9)	(3.9)
Other							—	(0.4)	(0.4)
Dividends paid to Greif, Inc. shareholders					(74.0)		(74.0)		(74.0)
Contributions from noncontrolling interest							—	0.8	0.8
Dividends paid to noncontrolling interests								(3.9)	(3.9)
Treasury shares acquired	(110)		110	(5.2)			(5.2)		(5.2)
Restricted stock executives and directors	47	1.3	(47)	0.1			1.4		1.4
Long-term incentive shares issued	41	1.0	(41)	0.1			1.1		1.1
As of July 31, 2016	47,792	$ 141.4	29,050	$ (135.6)	$ 1,355.2				