EATON CORP
Form 10-Q
October 26, 2011
Table of Contents

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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2011
Commission file number 1-1396
EATON CORPORATION
(Exact name of registrant as specified in its charter)

Ohio	34-0196300
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
Eaton Center, Cleveland, Ohio	44114-2584
(Address of principal executive offices)	(Zip Code)

(216) 523-5000
(Registrant's telephone number, including area code)

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 þ No o
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 (§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 þ No o
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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ
There were 334.2 million Common Shares outstanding as of September 30, 2011.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

EATON CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Three months ended September 30		Nine months ended September 30	
(In millions except for per share data)	2011	2010	2011	2010
Net sales	$4,123	$3,571	$12,016	$10,052
Cost of products sold	2,900	2,480	8,444	7,068
Selling and administrative expense	668	651	2,031	1,842
Research and development expense	104	104	316	308
Interest expense-net	29	33	92	102
Other income-net	(10)	(2)	(30)	(11)
Income before income taxes	432	305	1,163	743
Income tax expense	65	36	172	89
Net income	367	269	991	654
Less net income for noncontrolling interests	(2)	(1)	(3)	(5)
Net income attributable to Eaton common shareholders	$365	$268	$988	$649
Net income per common share				
Diluted	$1.07	$0.78	$2.86	$1.90
Basic	1.07	0.80	2.90	1.93
Weighted-average number of common shares outstanding				
Diluted	341.9	340.6	344.4	340.1
Basic	338.1	335.2	339.7	334.7
Cash dividends paid per common share	$0.34	$0.29	$1.02	$0.79

Net income per common share, weighted-average number of common shares outstanding and cash dividends paid per common share have been restated to give effect to the two-for-one stock split. See Note 1 for additional information.
The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

EATON CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	September 30, 2011	December 31, 2010
Assets		
Current assets		
Cash	$278	$333
Short-term investments	536	838
Accounts receivable-net	2,549	2,239
Inventory	1,769	1,564
Other current assets	601	532
Total current assets	5,733	5,506
Property, plant and equipment-net	2,537	2,477
Other noncurrent assets		
Goodwill	5,571	5,454
Other intangible assets	2,253	2,272
Deferred income taxes	971	1,001
Other assets	562	542
Total assets	$17,627	$17,252
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	$86	$72
Current portion of long-term debt	321	4
Accounts payable	1,527	1,408
Accrued compensation	401	465
Other current liabilities	1,445	1,284
Total current liabilities	3,780	3,233
Noncurrent liabilities		
Long-term debt	3,368	3,382
Pension liabilities	1,182	1,429
Other postretirement benefits liabilities	634	743
Deferred income taxes	456	487
Other noncurrent liabilities	461	575
Total noncurrent liabilities	6,101	6,616
Shareholders' equity		
Eaton shareholders' equity	7,723	7,362
Noncontrolling interests	23	41
Total equity	7,746	7,403
Total liabilities and equity	$17,627	$17,252

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

EATON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30	
(In millions)	2011	2010
Operating activities		
Net income	$991	$654
Adjustments to reconcile to net cash provided by operating activities		
Depreciation and amortization	419	413
Contributions to pension plans	(341)	(378)
Contributions to other postretirement benefits plans	(150)	(61)
Changes in working capital	(290)	(70)
Other-net	60	169
Net cash provided by operating activities	689	727
Investing activities		
Cash paid for acquisitions of businesses	(298)	(172)
Capital expenditures for property, plant and equipment	(384)	(207)
Sales (purchases) of short-term investments-net	272	(47)
Other-net	1	(6)
Net cash used in investing activities	(409)	(432)
Financing activities		
Borrowings with original maturities of more than three months		
Proceeds	352	55
Payments	(14)	(59)
Payments with original maturities of less than three months-net (primarily commercial paper)	(38)	(19)
Cash dividends paid	(348)	(265)
Exercise of employee stock options	66	60
Repurchase of shares	(343)	—
Other-net	(4)	2
Net cash used in financing activities	(329)	(226)
Effect of foreign exchange rate changes on cash	(6)	(14)
Total (decrease) increase in cash	(55)	55
Cash at the beginning of the period	333	340
Cash at the end of the period	$278	$395

The accompanying notes are an integral part of these condensed consolidated financial statements.

EATON CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Amounts are in millions unless indicated otherwise (per share data assume dilution).
Note 1. BASIS OF PRESENTATION
The accompanying unaudited condensed consolidated financial statements of Eaton Corporation (Eaton or Company) have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring accruals) have been made that are necessary for a fair presentation of the condensed consolidated financial statements for the interim periods.
This Form 10-Q should be read in conjunction with the consolidated financial statements and related notes included in Eaton's 2010 Form 10-K. The interim period results are not necessarily indicative of the results to be expected for the full year. Management has evaluated subsequent events through the date this Form 10-Q was filed with the SEC.
On January 27, 2011, Eaton's Board of Directors announced a two-for-one stock split of the Company's common shares effective in the form of a 100% stock dividend. The record date for the stock split was February 7, 2011, and the additional shares were distributed on February 28, 2011. Accordingly, all per share amounts, weighted-average shares outstanding, and equity-based compensation presented in the condensed consolidated financial statements and notes have been adjusted retroactively to reflect the stock split.
Certain prior year amounts have been reclassified to conform to the current year presentation.

Note 2. ACQUISITIONS OF BUSINESSES
In 2011 and 2010, Eaton acquired businesses and entered into a joint venture in separate transactions. The Consolidated Statements of Income include the results of these businesses from the dates of the transactions or formation. These transactions are summarized below:

Acquired businesses and joint venture	Date of transaction	Business segment	Annual sales
IE Power, Inc. A Canada-based provider of high power inverters for a variety of mission-critical applications including solar, wind and battery energy storage.	August 31, 2011	Electrical Americas	$5 for 2010
E. Begerow GmbH & Co. KG A Germany-based system provider of advanced liquid filtration solutions. This business develops and produces technologically innovative filter media and filtration systems for food and beverage, chemical, pharmaceutical and industrial applications.	August 15, 2011	Hydraulics	$84 for 2010
ACTOM Low Voltage A South Africa manufacturer and supplier of motor control components, engineered electrical distribution systems and uninterruptible power supply (UPS) systems.	June 30, 2011	Electrical Rest of World	$65 for the year ended May 31, 2011
C.I. ESI de Colombia S.A. A Colombia-based distributor of industrial electrical equipment and engineering services in the Colombian market, focused on oil and gas, mining, and industrial and commercial construction.	June 2, 2011	Electrical Americas	$8 for 2010
Internormen Technology Group	May 12, 2011	Hydraulics	$55 for 2010

A Germany-based manufacturer of hydraulic filtration and instrumentation with sales and distribution subsidiaries in China, the United States, India and Brazil.			
Eaton-SAMC (Shanghai) Aircraft Conveyance System Manufacturing Co., Ltd. A 49%-owned joint venture in China focusing on the design, development, manufacturing and support of fuel and hydraulic conveyance systems for the global civil aviation market.	March 8, 2011	Aerospace	New joint venture

5

Table of Contents

Acquired businesses and joint venture	Date of transaction	Business segment	Annual sales
Tuthill Coupling Group A United States and France-based manufacturer of pneumatic and hydraulic quick coupling solutions and leak-free connectors used in industrial, construction, mining, defense, energy and power applications.	January 1, 2011	Hydraulics	$35 for the year ended November 30, 2010
Chloride Phoenixtec Electronics A China manufacturer of UPS systems. Eaton acquired the remaining shares to increase its ownership from 50% to 100%.	October 12, 2010	Electrical Rest of World	$25 for the year ended September 30, 2010
CopperLogic, Inc. A United States-based manufacturer of electrical and electromechanical systems.	October 1, 2010	Electrical Americas	$35 for the year ended September 30, 2010
Wright Line Holding, Inc. A United States provider of customized enclosures, rack systems, and air-flow management systems to store, power, and secure mission-critical IT data center electronics.	August 25, 2010	Electrical Americas	$101 for the year ended June 30, 2010
EMC Engineers, Inc. A United States energy engineering and energy services company that delivers energy efficiency solutions for a wide range of governmental, educational, commercial and industrial facilities.	July 15, 2010	Electrical Americas	$24 for 2009

Note 3. ACQUISITION INTEGRATION AND RESTRUCTURING CHARGES

Acquisition Integration Charges

Eaton incurs charges related to the integration of acquired businesses. A summary of these charges follows:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Business segment				
Electrical Americas	$3	$—	$7	$2
Electrical Rest of World	—	6	1	20
Hydraulics	1	—	1	—
Aerospace	—	1	—	3
Total integration charges before income taxes	$4	$7	$9	$25
After-tax integration charges	$2	$4	$6	$16
Per common share	$0.01	$0.01	$0.02	$0.05

Charges in 2011 were related primarily to CopperLogic, Wright Line Holding and EMC Engineers. Charges in 2010 were related primarily to Moeller and Phoenixtec. These charges were included in Cost of products sold or Selling and administrative expense, as appropriate. In Note 13. Business Segment Information, the charges reduced Operating profit of the related business segment.

Table of Contents

Workforce Reduction and Plant Closing Liabilities

The following table summarizes the liabilities related to acquisition integration, plant closing charges, and other workforce reduction actions:

	Workforce reductions		Plant closing	
	Employees	Dollars	and other	Total
Balance at January 1, 2011	327	$11	$5	$16
Liabilities recognized	79	2	7	9
Utilized	(258)	(7)	(10)	(17)
Balance at September 30, 2011	148	$6	$2	$8

Note 4. GOODWILL

A summary of goodwill follows:

	September 30, 2011	December 31, 2010
Electrical Americas	$2,059	$2,061
Electrical Rest of World	1,001	985
Hydraulics	1,111	1,007
Aerospace	1,041	1,037
Truck	150	151
Automotive	209	213
Total goodwill	$5,571	$5,454

The increase in goodwill in 2011 was primarily due to businesses acquired during 2011, partially offset by the impact of foreign currency translation. For additional information regarding acquired businesses, see Note 2.

Assessing Goodwill for Impairment

In September 2011, the Financial Accounting Standards Board issued a revised standard on testing goodwill for impairment. The revised standard allows an entity to first assess the carrying value of goodwill based on qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the reporting unit's carrying amount. If, based on a qualitative assessment, the fair value of a reporting unit is more likely than not lower than its carrying value, the entity must then test goodwill from a quantitative perspective similar to prior guidance. This standard is effective for 2012, with early adoption permitted. Eaton elected to adopt this standard for its 2011 annual impairment testing.

Goodwill is tested for impairment annually as of July 1 at the reporting unit level, which is equivalent to Eaton's operating segments. As disclosed in Eaton's 2010 Form 10-K, impairment testing for 2010 was performed from a quantitative perspective using a discounted cash flow model to estimate the fair value of each operating segment. For 2010, the fair value of Eaton's reporting units substantially exceeded the respective carrying values.

Impairment testing for 2011 was performed by assessing certain qualitative trends and factors, including projected market outlook and growth rates, forecasted and actual sales and operating profit margins, discount rates, industry data and other relevant qualitative factors. These trends and factors were compared to and based on the assumptions used in the quantitative assessment performed in 2010. For 2011, it is more likely than not that the fair value of Eaton's reporting units continues to substantially exceed the respective carrying amount.

Note 5. DEBT

On June 16, 2011, Eaton issued $300 floating rate senior unsecured Notes due June 16, 2014 (the Notes). The Notes bear interest annually at a floating rate, reset quarterly, equal to the three-month LIBOR rate for U.S. dollars plus .33% (33 basis points). Interest is payable quarterly in arrears. The Notes contain a provision which requires the Company to make an offer to purchase all or any part of the Notes at a purchase price of 101% of the principal amount plus accrued and unpaid interest if certain change of control events occur. The Notes are subject to customary non-financial covenants.

7

Table of Contents

Eaton refinanced a $500, five-year revolving credit facility in June 2011 (the Facility). This refinancing maintains long-term revolving credit facilities at a total of $1.5 billion. The revolving credit facility is used to support commercial paper borrowings. The Facility will expire June 16, 2016, replacing a $500 facility that had been set to expire on September 1, 2011.

Note 6. RETIREMENT BENEFITS PLANS

The components of retirement benefits expense follow:

	Three months ended September 30					
	United States pension benefit expense		Non-United States pension benefit expense		Other postretirement benefits expense	
	2011	2010	2011	2010	2011	2010
Service cost	$23	$20	$12	$10	$4	$4
Interest cost	33	33	19	17	10	11
Expected return on plan assets	(41)	(39)	(17)	(15)	—	—
Amortization	19	13	3	2	3	3
	34	27	17	14	17	18
Curtailment loss	—	—	1	—	—	—
Settlement loss	5	4	—	—	—	—
Total expense	$39	$31	$18	$14	$17	$18
	Nine months ended September 30					
	United States pension benefit expense		Non-United States pension benefit expense		Other postretirement benefits expense	
	2011	2010	2011	2010	2011	2010
Service cost	$69	$60	$37	$29	$12	$12
Interest cost	99	99	59	51	30	34
Expected return on plan assets	(123)	(117)	(53)	(46)	—	—
Amortization	57	39	9	6	9	8
	102	81	52	40	51	54
Curtailment loss	—	—	1	—	—	—
Settlement loss	12	13	3	—	—	—
Total expense	$114	$94	$56	$40	$51	$54

During the second quarter of 2011, Eaton contributed $100 into a Voluntary Employee Benefit Association trust for the pre-funding of postretirement Medicare Part D prescription drug benefits for the Company's eligible United States employees and retirees. The contribution was made as part of the Company's strategy to improve the funding of its pension and postretirement obligations. As part of that strategy, in the first quarter of 2011, the Company contributed $250 to its United States qualified pension plans.

Note 7. LEGAL CONTINGENCIES

In December 2010, a Brazilian court held that a judgment obtained by a Brazilian company, Raysul, against another Brazilian company, Saturnia, which was sold by Eaton in 2006, could be enforced against Eaton Ltda. This judgment is based on an alleged violation of an agency agreement between Raysul and Saturnia. At September 30, 2011, the Company has a total accrual of 67 Brazilian Reais related to this matter, comprised of 60 Brazilian Reais recognized in the fourth quarter of 2010 ($32 based on current exchange rates) with an additional 7 Brazilian Reais recognized in 2011 ($4 based on current exchange rates) due to subsequent accruals for interest and inflation. The Company expects that any sum it may be required to pay in connection with this matter will not exceed the amount of the recorded liability. In 2010, Eaton filed motions for clarification with the Brazilian court of appeals which were denied on April 6, 2011. Eaton Holding and Eaton Ltda. filed appeals on various issues to the Superior Court of Justice in Brasilia. On September 27, 2011, the Superior Court of Justice accepted two of the appeals and will hear those appeals in due course. Another appeal remains pending in the lower appellate court.

Table of Contents

On October 5, 2006, ZF Meritor LLC and Meritor Transmission Corporation (collectively, Meritor) filed an action against Eaton in the United States District Court for Delaware. The action sought damages, which would be trebled under United States antitrust laws, as well as injunctive relief and costs. The suit alleged that Eaton engaged in anti-competitive conduct against Meritor in the sale of heavy-duty truck transmissions in North America. Following a four week trial on liability only, on October 8, 2009, the jury returned a verdict in favor of Meritor. Eaton firmly believes that it competes fairly and honestly for business in the marketplace, and that at no time did it act in an anti-competitive manner. During an earlier stage in the case, the judge concluded that damage estimates contained in a report filed by Meritor were not based on reliable data and the report was specifically excluded from the case. On November 3, 2009, Eaton filed a motion for judgment as a matter of law and to set aside the verdict. That motion was denied on March 10, 2011. On March 14, 2011, Eaton filed a motion for entry of final judgment of liability, zero damages and no injunctive relief. That motion was denied on June 9, 2011. On August 19, 2011, the Court entered final judgment of liability but awarded zero damages to plaintiffs. The Court also entered an injunction prohibiting Eaton from offering rebates or other incentives based on purchasing targets but stayed the injunction pending appeal. Eaton has appealed the liability finding and the injunction to the Third Circuit Court of Appeals. Meritor has cross-appealed the finding of zero damages.

Eaton is subject to a broad range of claims, administrative and legal proceedings such as lawsuits that relate to contractual allegations, tax audits, patent infringement, personal injuries (including asbestos claims), antitrust matters and employment-related matters. Although it is not possible to predict with certainty the outcome or cost of these matters, the Company believes they will not have a material adverse effect on the consolidated financial statements.

Note 8. INCOME TAXES

The effective income tax rate for the third quarter of 2011 was 15.2% compared to 11.7% for the third quarter of 2010 and 14.8% for the first nine months of 2011 compared to 12.0% for the first nine months of 2010. Higher effective tax rates in both the third quarter and first nine months of 2011 were primarily attributable to greater levels of income in high tax jurisdictions, particularly in the United States and Brazil, due to improved economic and market conditions. The effective income tax rate for the third quarter of 2011 was also favorably impacted by positive adjustments to the tax provision for 2010 tax returns filed during the third quarter in the United States and international tax jurisdictions.

Note 9. EQUITY

Eaton has a common share repurchase program (2007 Program) that authorizes the repurchase of 10 million common shares. During the first nine months of 2011, 8.3 million common shares were repurchased under the 2007 Program in the open market at a total cost of $343. On September 28, 2011, Eaton's Board of Directors approved a common share repurchase program (2011 Program) which replaced the 2007 Program and authorizes the purchase of up to 20 million shares, not to exceed an aggregate purchase price of $1.25 billion. The common shares are expected to be repurchased over time, depending on market conditions, the market price of common shares, capital levels and other considerations. No common shares were repurchased in the open market in the first nine months of 2010.

The changes in Shareholders’ equity follow:

	Eaton shareholders’ equity	Noncontrolling interests	Total equity
Balance at December 31, 2010	$7,362	$41	$7,403
Net income	988	3	991
Other comprehensive loss	(67)	—	(67)
Total comprehensive income	921	3	924
Cash dividends paid	(348)	(7)	(355)
Issuance of shares under equity-based compensation plans-net	131	—	131
Business divestiture	—	(14)	(14)
Repurchase of shares	(343)	—	(343)

Balance at September 30, 2011	$7,723	$23	$7,746

Table of Contents

Comprehensive (Loss) Income

Comprehensive (loss) income consists primarily of net income, foreign currency translation and related hedging instruments, changes in unrecognized costs of pension and other postretirement benefits, and changes in the effective portion of open derivative contracts designated as cash flow hedges. The following table summarizes the components of Comprehensive (loss) income:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Net income	$367	$269	$991	$654
Foreign currency translation and related hedging instruments	(449)	419	(111)	(64)
Pensions and other postretirement benefits	34	4	69	51
Cash flow hedges	(20)	7	(25)	(2)
Other comprehensive (loss) income	(435)	430	(67)	(15)
Total comprehensive (loss) income	(68)	699	924	639
Adjustment for comprehensive income attributable to noncontrolling interests	(2)	(1)	(3)	(5)
Total Comprehensive (loss) income attributable to Eaton common shareholders	$(70)	$698	$921	$634

Net Income per Common Share

A summary of the calculation of net income per common share attributable to common shareholders follows:

	Three months ended September 30		Nine months ended September 30	
(Shares in millions)	2011	2010	2011	2010
Net income attributable to Eaton common shareholders	$365	$268	$988	$649
Weighted-average number of common shares outstanding-diluted	341.9	340.6	344.4	340.1
Less dilutive effect of stock options and restricted stock awards	3.8	5.4	4.7	5.4
Weighted-average number of common shares outstanding-basic	338.1	335.2	339.7	334.7
Net income per common share				
Diluted	$1.07	$0.78	$2.86	$1.90
Basic	1.07	0.80	2.90	1.93

For the third quarter and first nine months of 2011, 2.7 million and 1.1 million stock options, respectively, were excluded from the calculation of diluted net income per common share because the exercise price of the options exceeded the average market price of the common shares during the period and their effect, accordingly, would have been antidilutive. For the third quarter and first nine months of 2010, 7.0 million and 8.8 million stock options, respectively, were excluded from the calculation of diluted net income per common share because the exercise price of the options exceeded the average market price of the common shares during the period and their effect, accordingly, would have been antidilutive.

Note 10. FAIR VALUE MEASUREMENTS

Fair value is measured based on an exit price, representing the amount that would be received to sell an asset or paid to satisfy a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a fair value hierarchy is established, which categorizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

10

Table of Contents

A summary of financial instruments recognized at fair value, and the fair value measurements used, follows:

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
September 30, 2011				
Cash	$278	$278	$—	$—
Short-term investments	536	536	—	—
Net derivative contracts	25	—	25	—
Long-term debt converted to floating interest rates by interest rate swaps	67	—	67	—
December 31, 2010				
Cash	$333	$333	$—	$—
Short-term investments	838	838	—	—
Net derivative contracts	69	—	69	—
Long-term debt converted to floating interest rates by interest rate swaps	42	—	42	—

Eaton values its financial instruments using an industry standard market approach, in which prices and other relevant information is generated by market transactions involving identical or comparable assets or liabilities. No financial instruments were recognized using unobservable inputs.

Other Fair Value Measurements

Long-term debt and the current portion of long-term debt had a carrying value of $3,689 and fair value of $4,324 at September 30, 2011 compared to $3,386 and $3,787, respectively, at December 31, 2010.

Note 11. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, Eaton is exposed to certain risks related to fluctuations in interest rates, foreign currency exchange rates and commodity prices. The Company uses various derivative and non-derivative financial instruments, primarily interest rate swaps, foreign currency forward exchange contracts, foreign currency swaps and, to a lesser extent, commodity contracts, to manage risks from these market fluctuations. The instruments used by Eaton are straightforward, non-leveraged instruments. The counterparties to these instruments are financial institutions with strong credit ratings. Eaton maintains control over the size of positions entered into with any one counterparty and regularly monitors the credit rating of these institutions. Such instruments are not purchased and sold for trading purposes.

Derivative financial instruments are accounted for at fair value and recognized as assets or liabilities in the Condensed Consolidated Balance Sheets. Accounting for the gain or loss resulting from the change in the fair value of the derivative financial instrument depends on whether it has been designated, and is effective, as part of a hedging relationship and, if so, as to the nature of the hedging activity. Eaton formally documents all relationships between derivative financial instruments accounted for as hedges and the hedged item, as well as its risk-management objective and strategy for undertaking the hedge transaction. This process includes linking all derivative financial instruments to a recognized asset or liability, specific firm commitment, forecasted transaction, or net investment in a foreign operation. These financial instruments can be designated as:

- Hedges of the change in the fair value of a recognized fixed-rate asset or liability, or the firm commitment to acquire such an asset or liability (a fair value hedge); for these hedges, the gain or loss from the derivative financial instrument, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in income during the period of change in fair value.

- Hedges of the variable cash flows of a recognized variable-rate asset or liability, or the forecasted acquisition of such an asset or liability (a cash flow hedge); for these hedges, the effective portion of the gain or loss from the derivative financial instrument is recognized in Accumulated other comprehensive income (loss) and reclassified to income in the same period when the gain or loss on the hedged item is included in income.

Table of Contents

- Hedges of the foreign currency exposure related to a net investment in a foreign operation (a net investment hedge); for these hedges, the effective portion of the gain or loss from the derivative financial instrument is recognized in Accumulated other comprehensive income (loss) and reclassified to income in the same period when the gain or loss related to the net investment in the foreign operation is included in income.

The gain or loss from a derivative financial instrument designated as a hedge that is effective is classified in the same line of the Consolidated Statements of Income as the offsetting loss or gain on the hedged item. The change in fair value of a derivative financial instrument that is not effective as a hedge is immediately recognized in income.

For derivatives that are not designated as a hedge, any gain or loss is immediately recognized in income. The majority of derivatives used in this manner relate to risks resulting from assets or liabilities denominated in a foreign currency and certain commodity contracts that arise in the normal course of business. During the third quarter and first nine months of 2011, Eaton incurred losses associated with commodity hedge contracts of $23 and $19, respectively. These losses were incurred due to significant declines in metal prices during primarily the last two weeks in September. Gains and losses associated with commodity hedge contracts are reported in Cost of products sold.

Derivative Financial Statement Impacts

The fair value of derivative financial instruments recognized in the Condensed Consolidated Balance Sheets follows:

	Notional amount	Other current assets	Other long-term assets	Other current liabilities	Type of hedge	Term
September 30, 2011						
Derivatives designated as hedges						
Fixed-to-floating interest rate swaps	$540	$—	$67	$—	Fair value	2 to 23 years
Foreign currency exchange contracts	331	5	—	12	Cash flow	12 to 36 months
Commodity contracts	50	—	—	12	Cash flow	12 months
Total		$5	$67	$24		
Derivatives not designated as hedges						
Foreign currency exchange contracts	$2,845	$24		$25		12 months
Commodity contracts	114	—		22		12 months
Total		$24		$47		
December 31, 2010						
Derivatives designated as hedges						
Fixed-to-floating interest rate swaps	$540	$—	$42	$—	Fair value	2 to 23 years
Foreign currency exchange contracts	227	4	—	5	Cash flow	12 to 36 months
Commodity contracts	39	8	—	—	Cash flow	12 months
Cross currency swaps	75	2	—	—	Net investment	12 months
Total		$14	$42	$5		
Derivatives not designated as hedges						
Foreign currency exchange contracts	$2,777	$20		$19		12 months
Commodity contracts	102	17		—		12 months

Total	$37	$19

The foreign currency exchange contracts shown in the table above as derivatives not designated as hedges are primarily contracts entered into to manage foreign currency volatility or exposure on intercompany sales and loans. While Eaton does not elect hedge accounting treatment for these derivatives, Eaton targets managing 100% of the intercompany balance sheet exposure to minimize the effect of currency volatility related to the movement of goods and services in the normal course of its operations. This activity represents the great majority of these foreign currency exchange contracts.

Table of Contents

Amounts recognized in Accumulated other comprehensive income (loss) follow:

	Three months ended September 30			
	2011		2010	
	Gain (loss) recognized in Accumulated other comprehensive income (loss)	Gain (loss) reclassified from Accumulated other comprehensive income (loss)	Gain (loss) recognized in Accumulated other comprehensive income (loss)	Gain (loss) reclassified from Accumulated other comprehensive income (loss)
Derivatives designated as cash flow hedges				
Foreign currency exchange contracts	$(7)	$(1)	$3	$1
Commodity contracts	(12)	2	5	—
Derivatives designated as net investment hedges				
Cross currency swaps	—	—	(16)	—
Total	$(19)	$1	$(8)	$1

	Nine months ended September 30			
	2011		2010	
	Gain (loss) recognized in Accumulated other comprehensive income (loss)	Gain (loss) reclassified from Accumulated other comprehensive income (loss)	Gain (loss) recognized in Accumulated other comprehensive income (loss)	Gain (loss) reclassified from Accumulated other comprehensive income (loss)
Derivatives designated as cash flow hedges				
Foreign currency exchange contracts	$(6)	$(1)	$2	$1
Commodity contracts	(13)	7	2	5
Derivatives designated as net investment hedges				
Cross currency swaps	1	—	(12)	—
Total	$(18)	$6	$(8)	$6

Gains and losses reclassified from Accumulated other comprehensive income (loss) to the Consolidated Statements of Income were recognized in Cost of products sold.

Amounts recognized in net income follow:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Derivatives designated as fair value hedges				
Fixed-to-floating interest rate swaps	$23	$13	$25	$49
Related long-term debt converted to floating interest rates by interest rate swaps	(23)	(13)	(25)	(49)
	$—	$—	$—	$—

Gains and losses described above were recognized in Interest expense.

Table of Contents

Note 12. INVENTORY

The components of inventory follow:

	September 30, 2011	December 31, 2010
Raw materials	$747	$651
Work-in-process	243	229
Finished goods	907	800
Inventory at FIFO	1,897	1,680
Excess of FIFO over LIFO cost	(128)	(116)
Total inventory	$1,769	$1,564

Note 13. BUSINESS SEGMENT INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance. Eaton's operating segments are Electrical Americas, Electrical Rest of World, Hydraulics, Aerospace, Truck and Automotive. For additional information regarding Eaton's business segments, see Note 14 to the Consolidated Financial Statements contained in the 2010 Form 10-K.

Table of Contents

EATON CORPORATION
BUSINESS SEGMENT INFORMATION

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Net sales				
Electrical Americas	$1,074	$967	$3,071	$2,663
Electrical Rest of World	755	707	2,285	1,980
Hydraulics	717	583	2,130	1,641
Aerospace	420	390	1,218	1,136
Truck	715	534	1,964	1,479
Automotive	442	390	1,348	1,153
Total net sales	$4,123	$3,571	$12,016	$10,052
Segment operating profit				
Electrical Americas	$156	$141	$432	$366
Electrical Rest of World	62	81	209	183
Hydraulics	109	76	335	207
Aerospace	71	60	166	157
Truck	139	74	349	179
Automotive	62	39	167	120
Total segment operating profit	599	471	1,658	1,212
Corporate				
Amortization of intangible assets	(47)	(46)	(143)	(134)
Interest expense-net	(29)	(33)	(92)	(102)
Pension and other postretirement benefits expense	(35)	(30)	(105)	(91)
Other corporate expense-net	(56)	(57)	(155)	(142)
Income before income taxes	432	305	1,163	743
Income tax expense	65	36	172	89
Net income	367	269	991	654
Less net income for noncontrolling interests	(2)	(1)	(3)	(5)
Net income attributable to Eaton common shareholders	$365	$268	$988	$649

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Amounts are in millions of dollars or shares unless indicated otherwise (per share data assume dilution).

TWO-FOR-ONE STOCK SPLIT

On January 27, 2011, Eaton's Board of Directors announced a two-for-one split of the Company's common shares effective in the form of a 100% stock dividend. The record date for the stock split was February 7, 2011, and the additional shares were distributed on February 28, 2011. Accordingly, all share and per share data have been adjusted retroactively to reflect the stock split.

COMPANY OVERVIEW

Eaton Corporation is a diversified power management company with 2010 sales of $13.7 billion. The Company is a global technology leader in electrical components and systems for power quality, distribution and control; hydraulics components, systems and services for industrial and mobile equipment; aerospace fuel, hydraulics and pneumatic systems for commercial and military use; and truck and automotive drivetrain and powertrain systems for performance, fuel economy and safety. Eaton has approximately 73,000 employees in over 50 countries, and sells products to customers in more than 150 countries.

Eaton acquired certain businesses that affect comparability on a year over year basis. The Consolidated Statements of Income include the results of these businesses from the dates of the transactions or formation. For a list of business acquisitions and joint ventures impacting the comparative periods, see Note 2 to the Condensed Consolidated Financial Statements.

A summary of Eaton's Net sales, Net income attributable to Eaton common shareholders, and Net income per common share-diluted follows:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Net sales	$4,123	$3,571	$12,016	$10,052
Net income attributable to Eaton common shareholders	365	268	988	649
Net income per common share-diluted	$1.07	$0.78	$2.86	$1.90

RESULTS OF OPERATIONS

The following discussion of Consolidated Financial Results and Business Segment Results of Operations includes certain non-GAAP financial measures. These financial measures include operating earnings, operating earnings per common share, and operating profit before acquisition integration charges for each business segment, each of which excludes amounts that differ from the most directly comparable measure calculated in accordance with generally accepted accounting principles (GAAP). A reconciliation of each of these financial measures to the most directly comparable GAAP measure is included in the table below and in the discussion of the operating results of each business segment. Management believes that these financial measures are useful to investors because they exclude transactions of an unusual nature, allowing investors to more easily compare Eaton's financial performance period to period. Management uses this information in monitoring and evaluating the on-going performance of Eaton and each business segment.

Table of Contents

Consolidated Financial Results

	Three months ended September 30			Nine months ended September 30		
	2011	2010	Increase	2011	2010	Increase
Net sales	$4,123	$3,571	15 %	$12,016	$10,052	20 %
Gross profit	1,223	1,091	12 %	3,572	2,984	20 %
Percent of net sales	29.7 %	30.6 %		29.7 %	29.7 %	
Income before income taxes	432	305	42 %	1,163	743	57 %
Net income	$367	$269	36 %	$991	$654	52 %
Less net income for noncontrolling interests	(2)	(1)		(3)	(5)	
Net income attributable to Eaton common shareholders	365	268	36 %	988	649	52 %
Excluding acquisition integration charges (after-tax)	2	4		6	16	
Operating earnings	$367	$272	35 %	$994	$665	49 %
Net income per common share-diluted	$1.07	$0.78	37 %	$2.86	$1.90	51 %
Excluding per share impact of acquisition integration charges (after-tax)	0.01	0.01		0.02	0.05	
Operating earnings per common share	$1.08	$0.79	37 %	$2.88	$1.95	48 %

Net Sales

Net sales in the third quarter of 2011 increased by 15% compared to the third quarter of 2010. The sales increase was due to an increase of 11% in core sales, 2% from acquisitions of businesses, and 2% from the favorable impact of foreign exchange. Net sales in the first nine months of 2011 increased by 20% compared to the first nine months of 2010. The sales increase was due to and increase of 14% in core sales, 4% from the favorable impact of foreign exchange, and 2% from acquisitions of businesses. The increase in core sales in both the third quarter and first nine months of 2011 reflects the continuing global expansion of the Company's markets, which increased 11% in the third quarter of 2011 compared to the same period in 2010, and the global economic recovery from the depressed levels of 2009. Eaton continues to anticipate that its end markets will grow by 11% for all of 2011.

Gross Profit

Gross profit increased by 12% in the third quarter of 2011 compared to the third quarter of 2010. Gross profit margin decreased 0.9 percentage points from 30.6% in the third quarter of 2010 to 29.7% in the third quarter of 2011. Gross profit increased by 20% in the first nine months of 2011 compared to the first nine months of 2010. Gross profit margin was 29.7% for the first nine months of both 2011 and 2010. The gross profit margin in both the third quarter and first nine months of 2011 was positively impacted by higher sales volumes and the benefits of substantial changes in the Company’s cost structure implemented in the past two years. These benefits were partially offset by higher raw material and commodity costs, including losses incurred of $23 associated with commodity hedge contracts due to significant declines in metal prices primarily during the last two weeks in September. For additional information related to derivatives, see Note 11 to the Condensed Consolidated Financial Statements.

Income Taxes

The effective income tax rate for the third quarter of 2011 was 15.2% compared to 11.7% for the third quarter of 2010 and 14.8% for the first nine months of 2011 compared to 12.0% for the first nine months of 2010. Higher effective tax rates in both the third quarter and first nine months of 2011 were primarily attributable to greater levels of income in high tax jurisdictions, particularly in the United States and Brazil, due to improved economic and market conditions. The effective income tax rate for the third quarter of 2011 was also favorably impacted by positive adjustments to the tax provision for 2010 tax returns filed during the third quarter in the United States and international tax jurisdictions.

Table of Contents

Net Income

Net income attributable to Eaton common shareholders of $365 in the third quarter of 2011 increased 36% compared to net income of $268 in the third quarter of 2010, and Net income per common share of $1.07 in the third quarter of 2011 increased 37% over Net income per common share of $0.78 in the third quarter of 2010. Net income attributable to Eaton common shareholders of $988 in the first nine months of 2011 increased 52% compared to net income of $649 in the first nine months of 2010, and Net income per common share of $2.86 in the first nine months of 2011 increased 51% over Net income per common share of $1.90 in the first nine months of 2010. The increase in both the third quarter and first nine months of 2011 was primarily due to higher sales and the factors noted above that affected gross profit.

Business Segment Results of Operations

The following is a discussion of net sales, operating profit and operating profit margin by business segment which includes a discussion of operating profit and operating profit margin before acquisition integration charges. For additional information related to integration charges see Note 3 to the Condensed Consolidated Financial Statements. For additional information related to acquired businesses see Note 2 to the Condensed Consolidated Financial Statements.

Electrical Americas

	Three months ended September 30			Nine months ended September 30		
	2011	2010	Increase	2011	2010	Increase
Net sales	$1,074	$967	11 %	$3,071	$2,663	15 %
Operating profit	156	141	11 %	432	366	18 %
Operating margin	14.5 %	14.6 %		14.1 %	13.7 %	
Acquisition integration charges	$3	$—		$7	$2	
Before acquisition integration charges						
Operating profit	$159	$141	13 %	$439	$368	19 %
Operating margin	14.8 %	14.6 %		14.3 %	13.8 %	

Net sales increased 11% in the third quarter of 2011 compared to the third quarter of 2010 due to an increase of 9% in core sales, an increase of 1% from the acquisition of businesses, and an increase of 1% from the favorable impact of foreign exchange. End markets increased 11% in the third quarter of 2011 compared to the same period in 2010. Net sales increased 15% in the first nine months of 2011 compared to the first nine months of 2010 due to an increase of 11% in core sales, an increase of 3% from the acquisition of businesses, and an increase of 1% from the favorable impact of foreign exchange. The increase in net sales in both the third quarter and first nine months of 2011 was due to strong growth in the markets served by the Electrical Americas segment. Eaton now anticipates its Electrical Americas markets will grow by 8% for all of 2011.

Operating profit before acquisition integration charges in the third quarter of 2011 increased 13% from the third quarter of 2010. Operating profit before acquisition integration charges in the first nine months of 2011 increased 19% from the first nine months of 2010. The increase in both the third quarter and first nine months of 2011 was largely due to higher net sales as noted above. This increase was partially offset by higher raw material and commodity costs, including losses associated with commodity hedge contracts due to significant declines in metal prices primarily during the last two weeks in September. These losses reduced operating margin before acquisition integration charges by 1.0 percentage points.

Table of Contents

Electrical Rest of World

	Three months ended September 30		Increase (decrease)	Nine months ended September 30		Increase (decrease)
	2011	2010		2011	2010	
Net sales	$755	$707	7 %	$2,285	$1,980	15 %
Operating profit	62	81	(23)%	209	183	14 %
Operating margin	8.2 %	11.5 %		9.1 %	9.2 %	
Acquisition integration charges	$—	$6		$1	$20	
Before acquisition integration charges						
Operating profit	$62	$87	(29)%	$210	$203	3 %
Operating margin	8.2 %	12.3 %		9.2 %	10.3 %	

Net sales increased 7% in the third quarter of 2011 compared to the third quarter of 2010 due to an increase of 7% from the favorable impact of foreign exchange, an increase of 2% from the acquisition of a business, offset by a decrease in core sales of 2%. End markets grew 1% in the third quarter of 2011 compared to the third quarter of 2010. Net sales increased 15% in the first nine months of 2011 compared to the first nine months of 2010 due to an increase of 8% from the favorable impact of foreign exchange, an increase in core sales of 6%, and an increase of 1% from the acquisition of businesses. Eaton now anticipates its Electrical Rest of World markets will grow by 6% for all of 2011.
Operating profit before acquisition integration charges in the third quarter of 2011 decreased 29% from the third quarter of 2010. Operating profit in the third quarter was negatively impacted by a large decrease in the residential solar market and losses associated with commodity hedge contracts due to significant declines in metal prices primarily during the last two weeks in September. These losses reduced operating margin before acquisition integration charges by 1.5 percentage points. Operating profit before acquisition integration charges in the first nine months of 2011 increased 3% from the first nine months of 2010 primarily due to higher sales.

Hydraulics

	Three months ended September 30			Nine months ended September 30		
	2011	2010	Increase	2011	2010	Increase
Net sales	$717	$583	23 %	$2,130	$1,641	30 %
Operating profit	109	76	43 %	335	207	62 %
Operating margin	15.2 %	13.0 %		15.7 %	12.6 %	
Acquisition integration charges	$1	$—		$1	$—	
Before acquisition integration charges						
Operating profit	$110	$76	45 %	$336	$207	62 %
Operating margin	15.3 %	13.0 %		15.8 %	12.6 %	

Net sales in the third quarter of 2011 increased 23% compared to the third quarter of 2010 due to an increase of 13% in core sales, an increase of 7% from the acquisition of businesses and an increase of 3% from the favorable impact of foreign exchange. Global hydraulics markets grew 14% over the third quarter of 2010, with U.S. markets up 18% and markets outside the U.S. up 11%. Net sales in the first nine months of 2011 increased 30% compared to the first nine months of 2010 due to an increase in core sales of 22%, an increase of 4% from the acquisition of businesses, and an increase of 4% from the favorable impact of foreign exchange. Eaton now anticipates its Hydraulics markets will grow by 17% for all of 2011.

Table of Contents

Operating profit before acquisition integration charges in the third quarter of 2011 increased 45% from the third quarter of 2010. Operating profit before acquisition integration charges in the first nine months of 2011 increased 62% from the first nine months of 2010. The increase in both the third quarter and first nine months of 2011 was primarily due to higher sales volumes, partially offset by higher raw material and commodity costs.

Aerospace

	Three months ended September 30			Nine months ended September 30		
	2011	2010	Increase	2011	2010	Increase
Net sales	$420	$390	8 %	$1,218	$1,136	7 %
Operating profit	71	60	18 %	166	157	6 %
Operating margin	16.9 %	15.4 %		13.6 %	13.8 %	
Acquisition integration charges	$—	$1		$—	$3	
Before acquisition integration charges						
Operating profit	$71	$61	16 %	$166	$160	4 %
Operating margin	16.9 %	15.6 %		13.6 %	14.1 %	

Net sales in the third quarter of 2011 increased 8% compared to the third quarter of 2010 due to an increase in core sales of 7% and an increase of 1% from the favorable impact of foreign exchange. End markets grew 7% in the third quarter of 2011 compared to the third quarter of 2010. Net sales in the first nine months of 2011 increased 7% compared to the first nine months of 2010 due to an increase in core sales of 6% and an increase of 1% from the favorable impact of foreign exchange. Growth in both the third quarter and first nine months of 2011 was primarily driven by higher customer demand in the commercial OEM and aftermarket. Eaton now anticipates its Aerospace markets will grow by 5% for all of 2011.

Operating profit before acquisition integration charges in the third quarter of 2011 increased 16% from the third quarter of 2010. Operating margin before acquisition integration charges increased 1.3 percentage points from 15.6% in the third quarter of 2010 to 16.9% in the third quarter of 2011, reflecting the benefits from higher sales volume and growth in the commercial aftermarket. Operating profit before acquisition integration charges in the first nine months of 2011 increased 4% from the first nine months of 2010. Operating margin before acquisition integration charges decreased 0.5 percentage points from 14.1% in the first nine months of 2010 to 13.6% in the first nine months of 2011. The decrease in the first nine months of 2011 was primarily due to increased expenses stemming from changes in scope, program delays, and execution of new customer programs during the first half of 2011, which were partially offset by the benefits from higher sales volume and growth in the commercial aftermarket.

Truck

	Three months ended September 30			Nine months ended September 30		
	2011	2010	Increase	2011	2010	Increase
Net sales	$715	$534	34 %	$1,964	$1,479	33 %
Operating profit	139	74	88 %	349	179	95 %
Operating margin	19.4 %	13.9 %		17.8 %	12.1 %	

Net sales increased 34% in the third quarter of 2011 compared to the third quarter of 2010 due to an increase in core sales of 31% and an increase of 3% from the favorable impact of foreign exchange. End markets grew 25% in the third quarter of 2011 compared to the third quarter of 2010. U.S. markets grew 51% while markets outside the U.S. grew 7%. Net sales increased 33% in the first nine months of 2011 compared to the first nine months of 2010 due to an increase in core sales of 28% and an increase of 5% from the favorable impact of foreign exchange. The increase in core sales reflects the continuing rebound in global end markets. Eaton now anticipates its Truck markets will grow by 24% for all of 2011.

20

Table of Contents

Operating profit in the third quarter of 2011 increased 88% from the third quarter of 2010. Operating profit in the first nine months of 2011 increased 95% from the first nine months of 2010. The increase in operating profit in both the third quarter and first nine months of 2011 was primarily due to higher sales volumes in 2011.

Automotive

	Three months ended September 30			Nine months ended September 30		
	2011	2010	Increase	2011	2010	Increase
Net sales	$442	$390	13 %	$1,348	$1,153	17 %
Operating profit	62	39	59 %	167	120	39 %
Operating margin	14.0 %	10.0 %		12.4 %	10.4 %	

Net sales increased 13% in the third quarter of 2011 compared to the third quarter of 2010 due to an increase in core sales of 11% and an increase of 2% from the favorable impact of foreign exchange. The increase in core sales reflects the strong global automotive markets, which grew 8% in the third quarter of 2011 compared to the third quarter of 2010. U.S. markets grew 13% while markets outside the U.S. grew 6%. Net sales increased 17% in the first nine months of 2011 compared to the first nine months of 2010 due to an increase in core sales of 13% and an increase of 4% from the favorable impact of foreign exchange. The increase in core sales in the first nine months of 2011 is due to the same factors noted above. Eaton now anticipates its Automotive markets will grow by 10% for all of 2011.

Operating profit in the third quarter of 2011 increased 59% from the third quarter of 2010. Operating profit in the first nine months of 2011 increased 39% from the first nine months of 2010. The increase in operating profit in both the third quarter and first nine months of 2011 was primarily due to higher sales volumes and the resulting manufacturing efficiencies.

Corporate Expense

	Three months ended September 30		Increase (decrease)	Nine months ended September 30		Increase (decrease)
	2011	2010		2011	2010	
Amortization of intangible assets	$47	$46	2 %	$0.6		
Expenses paid	(2.7)	(2.1)		(0.7)	0.2	(0.1)
Plan participant contributions	0.2				0.2	
Foreign currency impact	(27.3)			(10.6)	(14.2)	(2.5)
Employer contributions	8.2	5.0		2.5		0.7
Benefits paid	(29.9)	(16.5)		(7.3)	(5.2)	(0.9)
Fair value of plan assets at end of year	$ 624.7	$ 311.1	$	$ 208.4	$ 92.7	$ 12.5

For the year ended October 31, 2014

Change in plan assets:						
Fair value of plan assets at beginning of year	$ 621.2	$ 301.8	$	$ 198.9	$ 106.5	$ 14.0
Actual return on plan assets	62.6	29.8		15.7	15.8	1.3
Expenses paid	(2.5)	(1.2)		(1.1)		(0.2)
Plan participant contributions	0.3				0.3	
Foreign currency impact	(10.0)			(0.3)	(8.7)	(1.0)
Employer contributions	15.5	11.9		1.9		1.7
Benefits paid	(36.3)	(16.7)		(12.4)	(6.1)	(1.1)
Fair value of plan assets at end of year	$ 650.8	$ 325.6	$	$ 202.7	$ 107.8	$ 14.7

The following table presents the fair value measurements for the pension assets:

As of October 31, 2015 (Dollars in millions)

Asset Category	Fair Value Measurement			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 124.4	$ 161.2	$	$ 285.6
Common stock	26.7			26.7
Cash	20.0			20.0
Money market fund	0.6			0.6
Common collective trusts		128.3		128.3
Corporate bonds		19.7		19.7
Government bonds		10.0		10.0
Insurance Annuity			130.2	130.2
Other assets		3.6		3.6
Total	$ 171.7	$ 322.8	$ 130.2	$ 624.7

As of October 31, 2014 (Dollars in millions)

Asset Category	Fair Value Measurement			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 143.0	$ 160.4	$	$ 303.4
Common stock	31.0			31.0
Cash	13.7			13.7
Money market fund	0.2			0.2
Common collective trusts		132.5		132.5
Government Bonds		15.6		15.6
Corporate bonds		3.1		3.1
Other assets		0.2		0.2
Insurance Annuity			151.1	151.1
Total	$ 187.9	$ 311.8	$ 151.1	$ 650.8

Table of Contents

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3). There have been no transfers in or out of level 3:

	Pension Plan	
(Dollars in millions)	2015	2014
Balance at beginning of year	$ 151.1	$ 96.6
Actual return on plan assets held at reporting date:		
Assets still held at reporting date	7.1	15.9
Plan participant contributions		0.3
Net purchases (settlements)		47.0
Transfers	(3.4)	
Currency impact	(24.6)	(8.7)
Balance at end of year	$ 130.2	$ 151.1

Financial statement presentation including other comprehensive income:

As of October 31, 2015	Consolidated	USA	Germany	United Kingdom	Netherlands	Other International
Unrecognized net actuarial loss	$ 192.1	$ 126.6	$ 15.9	$ 32.9	$ 14.9	$ 1.8
Unrecognized prior service cost	(3.5)	(1.8)			(1.7)	
Unrecognized initial net obligation						
Accumulated other comprehensive loss (Pre-tax)	$ 188.6	$ 124.8	$ 15.9	$ 32.9	$ 13.2	$ 1.8
Amounts recognized in the Consolidated Balance Sheets consist of:						
Prepaid benefit cost	$ 26.7	$	$	$ 24.4	$	$ 2.3
Accrued benefit liability	(167.8)	(121.0)	(38.6)		(8.2)	
Accumulated other comprehensive loss	188.6	124.8	15.9	32.9	13.2	1.8
Net amount recognized	$ 47.5	$ 3.8	$ (22.7)	$ 57.3	$ 5.0	$ 4.1

As of October 31, 2014	Consolidated	USA	Germany	United Kingdom	Netherlands	Other International
Unrecognized net actuarial loss	$ 198.5	$ 110.1	$ 16.8	$ 41.1	$ 25.4	$ 5.1
Unrecognized prior service cost		0.9			(0.9)	
Unrecognized initial net obligation	0.3					0.3
Accumulated other comprehensive loss (Pre-tax)	$ 198.8	$ 111.0	$ 16.8	$ 41.1	$ 24.5	$ 5.4
Amounts recognized in the Consolidated Balance Sheets consist of:						
Prepaid benefit cost	$ 18.6	$	$	$ 15.8	$	$ 2.8
Accrued benefit liability	(154.6)	(94.0)	(41.8)		(15.7)	(3.1)

Accumulated other comprehensive loss	198.8	111.0	16.8	41.1	24.5	5.4
Net amount recognized	$ 62.8	$ 17.0	$ (25.0)	$ 56.9	$ 8.8	$ 5.1

	October 31, 2015	October 31, 2014
Accumulated other comprehensive loss at beginning of year	$ 198.8	$ 149.6
Increase or (decrease) in accumulated other comprehensive (income) or loss		
Net transition obligation amortized during fiscal year	(0.1)	(0.1)
Net prior service costs amortized during fiscal year	(0.1)	(0.2)
Net loss amortized during fiscal year	(14.2)	(10.4)
Prior service cost recognized during fiscal year due to curtailment	(0.3)	
Transition obligation recognized during fiscal year due to curtailment	(0.2)	
Loss recognized during fiscal year due to settlement	(0.1)	
Prior service credit occurring during fiscal year	(3.2)	(0.5)
Liability loss occurring during fiscal year	8.4	92.8
Asset loss (gain) occurring during fiscal year	7.5	(28.6)
Increase (decrease) in accumulated other comprehensive loss	$ (2.3)	$ 53.0
Foreign currency impact	(7.9)	(3.8)
Accumulated other comprehensive (income) or loss at current fiscal year end	$ 188.6	$ 198.8

In 2016, the Company expects to record an amortization loss of $11.6 million of prior service costs from shareholders equity into pension costs.

77

Table of Contents

Defined contribution plans

The Company has several voluntary 401(k) savings plans that cover eligible employees. For certain plans, the Company matches a percentage of each employee s contribution up to a maximum percentage of base salary. Company contributions to the 401(k) plans were $7.8 million in 2015, $7.3 million in 2014 and $6.5 million in 2013.

Supplemental Employee Retirement Plan

The Company has a supplemental employee retirement plan which is an unfunded plan providing supplementary retirement benefits primarily to certain executives and longer-service employees.

Postretirement Health Care and Life Insurance Benefits

The Company has certain postretirement health and life insurance benefit plans in the United States and South Africa. The Company uses a measurement date of October 31 for its postretirement benefit plans.

The following table presents the number of participants in the post-retirement health and life insurance benefit plan:

October 31, 2015	**Consolidated**	**USA**	**South Africa**
Active participants	25	12	13
Vested former employees	0	0	0
Retirees and beneficiaries	757	667	90
Other plan participants	0	0	
October 31, 2014	**Consolidated**	**USA**	**South Africa**
Active participants	25	12	13
Vested former employees	0	0	0
Retirees and beneficiaries	779	683	96
Other plan participants	0	0	0

The discount rate actuarial assumptions at October 31 are used to measure the year-end benefit obligations and the pension costs for the subsequent year were as follows:

	Consolidated	**United States**	**South Africa**
For the year ended October 31, 2015	4.65%	3.88%	9.20%
For the year ended October 31, 2014	4.45%	3.70%	8.20%

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

For the years ended October 31,	**2015**	**2014**	**2013**
Service cost	$	$	$
Interest cost	0.7	0.8	0.8

Amortization of prior service cost	(1.5)	(1.6)	(1.5)
Recognized net actuarial gain	(0.1)		
Net periodic income	$ (0.9)	$ (0.8)	$ (0.7)

The following table sets forth the plans change in benefit obligation (Dollars in millions):

	October 31, 2015	October 31, 2014
Benefit obligation at beginning of year	$ 17.3	$ 18.5
Service cost		
Interest cost	0.7	0.8
Actuarial loss	(1.0)	(0.5)
Foreign currency effect	(0.6)	(0.3)
Benefits paid	(1.5)	(1.2)
Benefit obligation at end of year	$ 14.9	$ 17.3

Table of Contents

Financial statement presentation included other comprehensive income (Dollars in millions):

	October 31, 2015		October 31, 2014	
Unrecognized net actuarial gain	$	1.6	$	0.8
Unrecognized prior service credit		5.8		7.4
Accumulated other comprehensive income	$	7.4	$	8.2

The accumulated postretirement health and life insurance benefit obligation and fair value of plan assets for the consolidated plans were $14.9 million and $0, respectively, as of October 31, 2015 compared to $17.3 million and $0, respectively, as of October 31, 2014.

The healthcare cost trend rates on gross eligible charges are as follows:

	Medical
Current trend rate	7.2%
Ultimate trend rate	5.2%
Year ultimate trend rate reached (South Africa)	2017
Year ultimate trend rate reached (US)	2026

A one-percentage point change in assumed health care cost trend rates would have the following effects (Dollars in thousands):

	1-Percentage-Point Increase		1-Percentage-Point Decrease	
Effect on total of service and interest cost components	$	34	$	(29)
Effect on postretirement benefit obligation	$	361	$	(309)

Future benefit payments, which reflect expected future service, as appropriate, during the next five years, and in the aggregate for the five years thereafter, are as follows (Dollars in millions):

Year	Expected benefit payments	
2016	$	1.5
2017	$	1.4
2018	$	1.3
2019	$	1.2
2020	$	1.2
2021-2025	$	5.3

NOTE 14   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 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.

Table of Contents

Environmental Reserves

As of October 31, 2015 and 2014, environmental reserves were $8.2 million and $24.7 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 October 31, 2015 and 2014, environmental reserves of the Company included $0.6 million and $13.7 million, respectively, for its blending facility in Chicago, Illinois; $4.3 million and $6.8 million, respectively, for various European drum facilities acquired from Blagden and Van Leer; $2.0 million and $2.6 million, respectively, for its various container life cycle management and recycling facilities acquired in 2011 and 2010, and $1.3 million and $1.6 million for various other facilities around the world. The $13.1 million decrease in environmental reserve for the blending facility located in Chicago is a result of the divestment during the second quarter of 2015 of the subsidiary that owns this facility.

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 15 EARNINGS PER SHARE

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

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

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

Basic = * + Class B Dividends

	60% * Average Class B Shares Outstanding	Undistributed Net Income	Per Share
Class B EPS	40% * Average Class A Shares Outstanding +	Average Class B	
	60% * Average Class B Shares Outstanding	Shares Outstanding	

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

80

Table of Contents

The following table provides EPS information for each period, respectively:

(In millions except per share data)	2015	2014	2013
Numerator			
Numerator for basic and diluted EPS			
Net income attributable to Greif	$ 71.9	$ 91.5	$ 144.7
Cash dividends	98.7	98.6	98.3
Undistributed net (loss) income attributable to Greif, Inc.	$ (26.8)	$ (7.1)	$ 46.4
Denominator			
Denominator for basic EPS			
Class A common stock	25.7	25.5	25.4
Class B common stock	22.1	22.1	22.1
Denominator for diluted EPS			
Class A common stock	25.7	25.5	25.4
Class B common stock	22.1	22.1	22.1
EPS Basic			
Class A common stock	$ 1.23	$ 1.56	$ 2.47
Class B common stock	$ 1.83	$ 2.33	$ 3.70
EPS Diluted			
Class A common stock	$ 1.23	$ 1.56	$ 2.47
Class B common stock	$ 1.83	$ 2.33	$ 3.70

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

Common Stock Repurchases

The Company s Board of Directors has authorized the purchase of up to four million shares of Class A Common Stock or Class B Common Stock or any combination of the foregoing. During 2015, the Company repurchased no shares of Class A or Class B Common Stock. As of October 31, 2015, the Company had repurchased 3,184,272 shares, including 1,425,452 shares of Class A Common Stock and 1,758,820 shares of Class B Common Stock, under this program, all of which were repurchased in prior years. There were no shares repurchased from November 1, 2012 through October 31, 2015.

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

	Authorized Shares	Issued Shares	Outstanding Shares	Treasury Shares
October 31, 2015:				
Class A Common Stock	128,000,000	42,281,920	25,693,564	16,588,356
Class B Common Stock	69,120,000	34,560,000	22,119,966	12,440,034
October 31, 2014:				

Class A Common Stock	128,000,000	42,281,920	25,603,452	16,678,468
Class B Common Stock	69,120,000	34,560,000	22,119,966	12,440,034

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

For the years ended October 31,	**2015**	**2014**	**2013**
Class A Common Stock:			
Basic shares	25,668,204	25,547,650	25,399,256
Assumed conversion of stock options	5,901	5,336	23,066
Diluted shares	25,674,105	25,552,986	25,422,322
Class B Common Stock:			
Basic and diluted shares	22,119,966	22,119,966	22,119,966

No stock options were antidilutive for the years ended October 31, 2015, 2014, or 2013.

81

Table of Contents

NOTE 16 EQUITY EARNINGS OF UNCONSOLIDATED AFFILIATES, NET OF TAX AND NET INCOME (LOSS) 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 has an equity interest in one such affiliate as of October 31, 2015. Equity earnings of unconsolidated affiliates, net of tax for the years ended October 31, 2015, 2014 and 2013 were $0.8 million, $1.9 million and $2.9 million, respectively. Dividends received from the Company s equity method affiliates for the years ended October 31, 2015, 2014 and 2013 were $0.2 million, $0.2 million and $0.3 million, respectively.

Net (income) loss attributable to noncontrolling interests

Net (income) loss attributable to noncontrolling interests represent the portion of earnings or losses from the operations of the Company s consolidated subsidiaries attributable to unrelated third party equity owners that were (deducted from) added to net income to arrive at net income attributable to the Company. Net (income) loss attributable to noncontrolling interests for the years ended October 31, 2015, 2014 and 2013 was $4.7 million, $46.6 million and ($2.8) million, respectively.

NOTE 17 LEASES

The table below contains information related to the Company s rent expense (Dollars in millions):

For the years ended October 31,	2015	2014	2013
Rent Expense	$ 50.4	$ 57.4	$ 54.7

The following table provides the Company s minimum rent commitments under operating and capital leases in the next five years and the remaining years thereafter:

Fiscal Year	Operating Leases	Capital Leases
2016	$ 46.9	$ 0.2
2017	37.3	0.1
2018	28.0	
2019	21.8	
2020	15.5	
Thereafter	53.8	
Total	$ 203.3	$ 0.3

NOTE 18 BUSINESS SEGMENT INFORMATION

The Company has five operating segments, which are aggregated into four reportable business segments: Rigid Industrial Packaging & Services; Paper Packaging; Flexible Products & Services; and Land Management. The Rigid Industrial Packaging & Services reportable business segment is the aggregation of two operating segments: Rigid Industrial Packaging & Services Americas and Rigid Industrial Packaging & Services Europe, Middle East, Africa, and Asia Pacific.

Operations in the Rigid Industrial Packaging & Services segment involve the production and sale 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 remanufactured and reconditioned industrial containers, and services, such as container life cycle management, blending, filling, logistics, warehousing and other packaging services. The Company s rigid industrial packaging products and services are sold to customers in industries such as chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical and mineral products, among others.

Operations in the Paper Packaging segment involve the production and sale of containerboard, corrugated sheets, corrugated containers and other corrugated products to customers in North America in industries such as packaging, automotive, food and building products. The Company s corrugated container products are used to ship such diverse products as home appliances, small machinery, grocery products, automotive components, books and furniture, as well as numerous other applications.

Operations in the Flexible Products & Services segment involve the production and sale of flexible intermediate bulk containers and related services on a global basis. The Company s flexible intermediate bulk containers are constructed from a polypropylene-based woven fabric that is produced at its production sites, as well as sourced from strategic regional suppliers. Flexible products are sold to customers and in market segments similar to those of the Company s Rigid Industrial Packaging & Services segment. Additionally, the Company s flexible products significantly expand its presence in the agricultural and food industries, among others.

82

Table of Contents

Operations in the Land Management segment involve the management and sale of timber and special use properties from approximately 242,673 acres of timber properties in the southeastern United States, which are actively managed. Land Management s operations focus on the active harvesting and regeneration of its timber properties to achieve sustainable long-term yields. While timber sales are subject to fluctuations, the Company seeks to maintain a consistent cutting schedule, within the limits of market and weather conditions. The Company also sells, from time to time, timberland and special use properties, which consists of surplus properties, HBU properties, and development properties.

In order to maximize the value of timber property, the Company continues to review its current portfolio and explore the development of certain of these properties. This process has led the Company to characterize property as follows:

Surplus property, meaning land that cannot be efficiently or effectively managed by the Company, 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.

The disposal of surplus and HBU property is reported in the consolidated statements of income under gain on disposals of properties, plants and equipment, net and the sale of development property is reported under net sales and cost of products sold. All HBU, development and surplus property is used by the Company 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 water, 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.

Table of Contents

The following segment information is presented for each of the three years in the period ended October 31, 2015 (Dollars in millions):

	2015	2014	2013
Net sales:			
Rigid Industrial Packaging & Service	$ 2,586.4	$ 3,077.0	$ 3,062.1
Paper Packaging	676.1	706.8	676.0
Flexible Products & Services	322.6	425.8	448.7
Land Management	31.6	29.5	33.1
Total net sales	$ 3,616.7	$ 4,239.1	$ 4,219.9
Operating profit (loss):			
Rigid Industrial Packaging	86.4	170.1	196.8
Paper Packaging	109.3	125.8	123.8
Flexible Products & Services	(36.6)	(78.6)	(11.7)
Land Management	33.7	32.0	32.7
Total operating profit	$ 192.8	$ 249.3	$ 341.6
Depreciation, depletion and amortization expense:			
Rigid Industrial Packaging & Services	$ 94.0	$ 108.4	$ 107.4
Paper Packaging	28.7	29.8	30.3
Flexible Products & Services	8.6	13.3	15.2
Land Management	3.3	4.3	4.7
Total depreciation, depletion and amortization expense	$ 134.6	$ 155.8	$ 157.6
Capital Expenditures			
Rigid Industrial Packaging & Services	$ 69.4	$ 73.8	$ 64.8
Paper Packaging	56.4	38.9	21.7
Flexible Products & Services	3.2	4.9	14.0
Land Management	1.6	60.0	13.0
Total segment	130.6	177.6	113.5
Corporate and other	10.7	17.1	31.9
Total capital expenditures	$ 141.3	$ 194.7	$ 145.4
Assets:			
Rigid Industrial Packaging & Services	$ 2,043.3	$ 2,334.1	
Paper Packaging	444.0	408.3	

Flexible Products & Services	187.0	251.0
Land Management	335.2	319.0
Total Segment	3,009.5	3,312.4
Corporate and other	306.2	355.0
Total Assets	$ 3,315.7	$ 3,667.4

The following geographic information is presented for each of the three years in the period ended October 31, 2015 (Dollars in millions):

	2015	**2014**	**2013**
Net Sales			
United States	$ 1,688.3	$ 1,905.8	$ 1,843.6
Europe, Middle East, and Africa	1,287.2	1,596.2	1,610.6
Asia Pacific and other Americas	641.2	737.1	765.7
Total net sales	$ 3,616.7	$ 4,239.1	$ 4,219.9

The following table presents properties, plants and equipment, net by geographic region (Dollars in millions):

	2015	**2014**
Properties, plants and equipment, net		
United States	$ 734.1	$ 716.5
Europe, Middle East, and Africa	335.4	402.8
Asia Pacific and other Americas	148.2	189.0
Total properites, plants and equipment, net	$ 1,217.7	$ 1,308.3

Table of Contents

NOTE 19 COMPREHENSIVE (LOSS) INCOME

The following table provides the roll forward of accumulated other comprehensive income for the year ended October 31, 2015 (Dollars in millions):

	Foreign Currency Translation	Cash Flow Hedges	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Loss
Balance as of October 31, 2014	$ (144.5)	$ (0.1)	$ (129.8)	$ (274.4)
Other Comprehensive (Loss) Income Before Reclassifications	(112.1)		9.0	$ (103.1)
Amounts reclassified from Accumulated Other Comprehensive Loss		0.1		$ 0.1
Current-period Other Comprehensive (Loss) Income	(112.1)	0.1	9.0	$ (103.0)
Balance as of October 31, 2015	$ (256.6)	$	$ (120.8)	$ (377.4)

The following table provides the roll forward of accumulated other comprehensive income for the year ended October 31, 2014 (Dollars in millions):

	Foreign Currency Translation	Cash Flow Hedges	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Loss
Balance as of October 31, 2013	$ (56.9)	$ (0.6)	$ (95.1)	$ (152.6)
Other Comprehensive (Loss) Income Before Reclassifications	(87.6)	0.1	(34.7)	$ (122.2)
Amounts reclassified from Accumulated Other Comprehensive Loss		0.4		$ 0.4
Current-period Other Comprehensive (Loss) Income	(87.6)	0.5	(34.7)	$ (121.8)
Balance as of October 31, 2014	$ (144.5)	$ (0.1)	$ (129.8)	$ (274.4)

The components of accumulated other comprehensive income above are presented net of tax, as applicable.

NOTE 20 QUARTERLY FINANCIAL DATA (UNAUDITED)

The quarterly results of operations for 2015 and 2014 are shown below (Dollars in millions, except per share amounts):

2015	January 31	April 30	July 31	October 31
Net sales	$ 902.3	$ 915.9	$ 930.0	$ 868.5
Gross profit	$ 153.9	$ 181.1	$ 166.8	$ 168.0
Net income(1)	$ 28.2	$ 20.5	$ 9.3	$ 9.2
Net income attributable to Greif, Inc.(1)	$ 30.1	$ 20.8	$ 8.6	$ 12.4
Earnings per share				
Basic:				
Class A Common Stock	$ 0.52	$ 0.35	$ 0.15	$ 0.21
Class B Common Stock	$ 0.76	$ 0.53	$ 0.22	$ 0.32
Diluted:				
Class A Common Stock	$ 0.52	$ 0.35	$ 0.15	$ 0.21
Class B Common Stock	$ 0.76	$ 0.53	$ 0.22	$ 0.32
Earnings per share were calculated using the following number of shares:				
Basic:				
Class A Common Stock	25,607,886	25,678,393	25,692,973	25,693,564
Class B Common Stock	22,119,966	22,119,966	22,119,966	22,119,966
Diluted:				
Class A Common Stock	25,617,814	25,688,653	25,698,547	25,701,264
Class B Common Stock	22,119,966	22,119,966	22,119,966	22,119,966
Market price (Class A Common Stock):				
High	$ 45.94	$ 41.97	$ 41.65	$ 35.97
Low	$ 36.43	$ 34.52	$ 29.43	$ 27.13
Close	$ 36.43	$ 39.29	$ 30.20	$ 32.33
Market price (Class B Common Stock):				
High	$ 47.39	$ 45.89	$ 47.80	$ 47.97
Low	$ 41.47	$ 40.40	$ 36.59	$ 33.42
Close	$ 41.47	$ 45.89	$ 37.13	$ 37.98

(1) We recorded the following significant transactions during the fourth quarter of 2015: (i) restructuring charges of $13.3 million, (ii) non-cash asset impairment charges of $23.6 million, (iii) loss on disposals of properties, plants, equipment, net of $2.3 million, and (iv) loss on disposals of businesses, net of $0.7 million. Refer to Form 10-Q filings, as previously filed with the SEC, for prior quarter significant transactions or trends.

Table of Contents

2014	January 31		April 30		July 31		October 31	
Net sales	$	1,001.5	$	1,065.5	$	1,124.0	$	1,048.1
Gross profit	$	186.1	$	204.3	$	217.7	$	202.9
Net income (loss) [(1)]	$	31.8	$	37.1	$	11.5	$	(35.5)
Net income attributable to Greif, Inc.[(1)]	$	30.7	$	38.4	$	13.7	$	8.7
Earnings per share								
Basic:								
Class A Common Stock	$	0.53	$	0.65	$	0.23	$	0.15
Class B Common Stock	$	0.78	$	0.98	$	0.35	$	0.22
Diluted:								
Class A Common Stock	$	0.53	$	0.65	$	0.23	$	0.15
Class B Common Stock	$	0.78	$	0.98	$	0.35	$	0.22
Earnings per share were calculated using the following number of shares:								
Basic:								
Class A Common Stock		25,470,354		25,540,341		25,576,452		25,603,452
Class B Common Stock		22,119,966		22,119,966		22,119,966		22,119,966
Diluted:								
Class A Common Stock		25,495,642		25,560,846		25,581,952		25,554,934
Class B Common Stock		22,119,966		22,119,966		22,119,966		22,119,966
Market price (Class A Common Stock):								
High	$	56.47	$	54.98	$	56.53	$	50.85
Low	$	50.35	$	47.91	$	49.70	$	41.75
Close	$	50.63	$	54.19	$	50.18	$	44.06
Market price (Class B Common Stock):								
High	$	60.00	$	59.20	$	61.09	$	55.00
Low	$	51.10	$	53.03	$	53.06	$	47.90
Close	$	55.51	$	58.81	$	53.62	$	50.20

(1) We recorded the following significant transactions during the fourth quarter of 2014: (i) restructuring charges of $5.6 million, (ii) non-cash asset impairment charges of $70.2 million, (iii) gain on disposals of properties, plants, equipment, net of $2.8 million, and (iv) gain on disposal of businesses, net of $21.2 million. Refer to Form 10-Q filings, as previously filed with the SEC, for prior quarter significant transactions or trends.

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

As of December 16, 2015, there were 406 stockholders of record of the Class A Common Stock and 95 stockholders of record of the Class B Common Stock.

86

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Greif, Inc. and subsidiary companies:

We have audited the accompanying consolidated balance sheets of Greif, Inc. and subsidiary companies (the Company) as of October 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders equity, and cash flows for each of the two years in the period ended October 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Greif, Inc. and subsidiary companies as of October 31, 2015 and 2014, and the results of their operations and their cash flows for each of the two years in the period ended October 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (Unites States), the Company s internal control over financial reporting as of October 31, 2015, based on criteria established in *Internal Control- Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 21, 2015 expressed an adverse opinion on the Company s internal control over financial reporting because of material weaknesses.

/s/ Deloitte & Touche LLP

Columbus, Ohio

December 21, 2015

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Greif, Inc. and subsidiary companies:

We have audited the accompanying consolidated statements of income, comprehensive income, changes in shareholders equity, and cash flows of Greif, Inc. and subsidiary companies for the year ended October 31, 2013. Our audit also included the financial statement schedule listed in the Index at Item 15. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Greif, Inc. and subsidiary companies for the year ended October 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Columbus, Ohio

December 23, 2013, except for the impact of the matters

discussed in Notes 1, 20 and 21 pertaining to the

correction of errors and restatement included in the

Annual Report on Form 10-K of Greif, Inc. for the year

ended October 31, 2014 as filed with the Securities and

Exchange Commission on January 21, 2015, as to which

the date is January 21, 2015

Table of Contents

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

Changes in Internal Control Over Financial Reporting

As previously disclosed in Item 9A of the 2013 Form 10-K (the preceding Form 10-K), management had then concluded that there was a material weakness in internal controls over financial reporting related to accounting for non-routine or complex transactions. Remedial actions were taken to improve these controls, including improving processes and communications around non-routine or complex transactions, supplementing the technical competence of our accounting staff with additional internal and contract resources and improving, from a holistic standpoint, the documentation of the review of the accounting, presentation and disclosure of such transactions. The Company believes these actions taken have improved the effectiveness of our internal control over financial reporting. As of October 31, 2015, testing of both the design and operating effectiveness of the new and improved controls was completed, and management concluded that the material weakness in internal controls over financial reporting related to accounting for non-routine or complex transactions has been fully remediated.

During the fourth quarter of 2014, in conjunction with the implementation of additional internal controls starting in 2013 related to the calculation and reconciliation of deferred income tax assets, deferred income tax liabilities and uncertain tax positions, management identified unreconciled differences and errors in the income tax accounts of certain of the Company s non-U.S. subsidiaries. Specifically, prior to 2014, certain calculations and reconciliations had not been accurately and consistently performed for these income tax accounts for certain non-U.S. subsidiaries nor were return-to-provision reconciliations consistently performed as non-U.S. subsidiary tax returns were filed. As a result, management concluded that there was a material weakness in internal controls over financial reporting related to accounting for international income taxes, including deferred taxes and uncertain tax positions.

The actions that have been implemented to remediate the above identified material weakness include the improvement of internal controls for the Company s non-U.S. subsidiaries related to the timely and accurate calculation and reconciliation of the income tax accounts and the completion and review of return-to-provision reconciliations. Management believes the steps taken to date have improved the effectiveness of our internal control over financial reporting. Moreover, the Company has hired additional personnel and engaged external tax advisors for the income tax accounting function in connection with remediating this material weakness. While improvements have been made, the material weakness will not be considered remediated until the applicable internal controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Management concluded that the material weakness related to controls over the accounting for international income taxes including deferred taxes and uncertain tax positions had not been remediated as of October 31, 2015.

In the course of completing our assessment of internal control over financial reporting as of October 31, 2014, management identified a number of deficiencies related to the design and operating effectiveness of information technology general controls for certain of our information systems that are relevant to the preparation of the Company s consolidated financial statements and system of internal control over financial reporting (i.e., the affected IT systems). In particular, these deficiencies related to logical access controls and program change management controls that are intended to ensure that access to financial applications and data is adequately restricted to appropriate personnel and that all changes affecting the financial applications and underlying account records are identified, authorized, tested and implemented appropriately. Additionally, as a result of the deficiencies identified, there is a possibility that the effectiveness of business process controls that are dependent on the affected IT systems or data and financial reports generated from the affected IT systems may be adversely affected.

Management has been actively engaged in developing and implementing a remediation plan to address the material weakness in the Company s IT systems noted above. The remediation actions that were planned include the following:

- Improvement of the design and operation of control activities and procedures associated with user and administrator access to the affected IT systems, including both preventive and detective control activities.

- Implementation of appropriate program change management control activities, including implementation of change management control setting configurations across the affected IT systems, including tracking of access and history of changes.

- Implementation of business process controls that directly and precisely address the risks related to accuracy and completeness of the financial reports and data generated from the affected IT systems and used in the performance of underlying business process controls.

In addition, the continued implementation of our global ERP platform has occurred throughout fiscal 2015 and several of the affected IT systems with deficiencies have been removed from operation with several additional locations transitioned already in fiscal 2016.

While progress was made throughout fiscal 2015 related to the planned remediation activities noted above, access and change management controls in several key systems were not designed and operating effectively as of the end of fiscal 2015 and additional deficiencies were identified related to reliance on data or financial key reports generated from those IT systems. As such, as of October 31, 2015, management concluded that the material weakness in internal controls over financial reporting related to information technology general controls in the areas of user access, change management and key reports had not been remediated.

Table of Contents

As part of the process of remediating our material weaknesses discussed above, management continues to evaluate resources, change and expand roles and responsibilities of key personnel and make changes to certain processes related to financial close, systems and financial reporting. We continue to consolidate some of our transaction processing and general accounting activities onto a common, company-wide management information and accounting system and have also continued implementation of a global account reconciliation and monitoring tool. These changes are intended to further enhance our internal control over financial reporting and our operating efficiencies. No other changes occurred in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Except as noted in the preceding paragraphs, there has been no change in our internal control over financial reporting that occurred during the most recent quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Disclosure Controls and Procedures

With the participation of our principal executive officer and principal financial officer, our management has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report:

- Information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission;

- Information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure; and

- Because of material weaknesses in our internal controls over financial reporting related to accounting for international income taxes, including deferred income taxes and uncertain tax positions, and over financial reporting related to information technology general controls in the areas of user access, change management and key reports, our disclosure controls and procedures and internal controls over financial reporting were not effective.

Management s Annual Report on Internal Control over Financial Reporting

Management s annual report on internal control over financial reporting required by Item 308(a) of Regulation S-K follows. The report of the independent registered public accounting firm required by Item 308(b) of Regulation S-K is found under the caption Report of Independent Registered Public Accounting Firm below.

The following report is provided by our management on our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act):

1. Our management is responsible for establishing and maintaining adequate internal control over our financial reporting as such term is defined in Exchange Act Rule 13a-15(f).

2. Our management has used the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (COSO) framework to evaluate the effectiveness of our internal control over financial reporting. Management believes that the COSO framework is a suitable framework for its evaluation of our internal control over financial reporting because it is free from bias, permits reasonably qualitative and quantitative measurements of our internal controls, is sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of our internal controls are not omitted and is relevant to an evaluation of internal control over financial reporting.

3. Management has assessed the effectiveness of our internal control over financial reporting as of October 31, 2015, and has concluded that, because of material weaknesses in internal controls over financial reporting related to accounting for income taxes, including deferred income taxes and uncertain tax positions, and over financial reporting related to information technology general controls in the areas of user access, change management and key reports, our internal controls over financial reporting were not effective.

Our internal control over financial reporting as of October 31, 2015, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which follows below.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Greif, Inc. and subsidiary companies:

We have audited Greif, Inc. and subsidiary companies (the Company) internal control over financial reporting as of October 31, 2015, based on criteria established in *Internal Control- Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management s Annual Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principle executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with the authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management s assessment. Management has identified material weaknesses in internal controls over financial reporting relating to income tax accounting for certain foreign subsidiaries, and logical access and program change management controls related to certain information systems that are relevant to information and reports produced by certain information systems. These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the consolidated financial statements and financial statement schedule as of and for the year ended October 31, 2015, of the Company and this report does not affect our report on such financial statements and financial statement schedule.

In our opinion, because of the effects of the material weaknesses identified above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of October 31, 2015, based on the criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule of Greif, Inc. and subsidiary companies as of and for the year ended October 31, 2015, and our report dated December 21, 2015 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Columbus, Ohio

December 21, 2015

Table of Contents

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our directors required by Items 401(a) and (d)-(f) of Regulation S-K will be found under the caption Proposal Number 1 Election of Directors in the 2016 Proxy Statement, which information is incorporated herein by reference. Information regarding our executive officers required by Items 401(b) and (d)-(f) of Regulation S-K will be contained under the caption Executive Officers of the Company in the 2016 Proxy Statement, which information is incorporated herein by reference.

We have a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. As of the date of this filing, the members of the Audit Committee were Vicki L. Avril, Bruce A. Edwards, John F. Finn and John W. McNamara. Ms. Avril is Chairperson of the Audit Committee. Our Board of Directors has determined that Ms. Avril is an audit committee financial expert, as that term is defined in Item 401(h)(2) of Regulation S-K, and independent, as that term is defined in Rule 10A-3 of the Exchange Act.

Information regarding the filing of reports of ownership under Section 16(a) of the Exchange Act by our officers and directors and persons owning more than 10 percent of a registered class of our equity securities required by Item 405 of Regulation S-K will be found under the caption Corporate Governance Stock Holdings of Certain Owners and Management Section 16(a) Beneficial Ownership Reporting Compliance in the 2016 Proxy Statement, which information is incorporated herein by reference.

Information concerning the procedures by which stockholders may recommend nominees to our Board of Directors will be found under the caption Corporate Governance Board of Directors Director Nominations in the 2016 Proxy Statement. There has been no material change to the nomination procedures we previously disclosed in the proxy statement for our 2015 annual meeting of stockholders.

Our Board of Directors has adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, controller, and persons performing similar functions. This code of ethics is posted on our Internet Web site at www.greif.com under Investor Center Corporate Governance. Copies of this code of ethics are also available to any person, without charge, by making a written request to us. Requests should be directed to Greif, Inc., Attention: Corporate Secretary, 425 Winter Road, Delaware, Ohio 43015. Any amendment (other than any technical, administrative or other non-substantive amendment) to, or waiver from, a provision of this code will be posted on our website described above within four business days following its occurrence.

ITEM 11. EXECUTIVE COMPENSATION

The 2016 Proxy Statement will contain information regarding the following matters: information regarding executive compensation required by Item 402 of Regulation S-K will be found under the caption Compensation Discussion and Analysis ; information required by Item 407(e)(4) of Regulation S-K will be found under the caption Compensation Committee Interlocks and Insider Participation, and information required by Item 407(e)(5) of Regulation S-K will be found under the caption Compensation Committee Report. This information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management required by Item 403 of Regulation S-K will be found under the caption Stock Holdings of Certain Owners and Management in the 2016 Proxy Statement, which information is incorporated herein by reference.

Information regarding equity compensation plan information required by Item 201(d) of Regulation S-K will be found under the caption Executive Compensation Equity Compensation Plan Information in the 2016 Proxy Statement, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions required by Item 404 of Regulation S-K will be found under the caption Certain Relationships and Related Transactions in the 2016 Proxy Statement, which information is incorporated herein by reference.

Information regarding the independence of our directors required by Item 407(a) of Regulation S-K will be found under the caption Corporate Governance Director Independence in the 2016 Proxy Statement, which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding principal accounting fees and services required by Item 9(e) of Schedule 14A will be found under the caption Independent Registered Public Accounting Firm in the 2016 Proxy Statement, which information is incorporated herein by reference.

Table of Contents

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

EXHIBIT INDEX

Exhibit No.	Description of Exhibit	If Incorporated by Reference, Document with which Exhibit was Previously Filed with SEC
3.1	Amended and Restated Certificate of Incorporation of Greif, Inc.	Annual Report on Form 10-K for the fiscal year ended October 31, 1997, File No. 001-00566 (see Exhibit 3(a) therein).
3.2	Amendment to Amended and Restated Certificate of Incorporation of Greif, Inc.	Definitive Proxy Statement on Form 14A dated January 27, 2003, File No. 001-00566 (see Exhibit A therein).
3.3	Amendment to Amended and Restated Certificate of Incorporation of Greif, Inc.	Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2007, File No. 001-00566 (see Exhibit 3.1 therein).
3.4	Second Amended and Restated By-Laws of Greif, Inc.	Current Report on Form 8-K dated August 29, 2008, File No. 001-00566 (see Exhibit 99.2 therein)
3.5	Amendment of Second Amended and Restated By-Laws of Greif, Inc. (effective November 1, 2011).	Current Report on Form 8-K dated November 2, 2011, File No. 001-00566 (see Exhibit 99.2 therein)
3.6	Amendment of Second Amended and Restated By-Laws of Greif, Inc. (effective September 3, 2013).	Current Report on Form 8-K dated September 6, 2013, File No. 001-00566 (see Exhibit 99.3 therein)
4.1	Indenture dated as of February 9, 2007, among Greif, Inc., as Issuer, and U.S. Bank National Association, as Trustee, regarding 6-3/4% Senior Notes due 2017	Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2007, File No. 001-00566 (see Exhibit 4.2 therein).
4.2	Indenture dated as of July 28, 2009, among Greif, Inc., as Issuer, and U.S. Bank National Association, as Trustee, regarding 7-3/4% Senior Notes due 2019	Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2009, File No. 001-00566 (see Exhibit 4(b) therein).
4.3	Indenture dated as of July 15, 2011, among Greif Luxembourg Finance S.C.A., as Issuer, Greif, Inc. as Guarantor, The Bank of New York Mellon, as Trustee and Principal Paying Agent, and The Bank of New York Mellon (Luxembourg) S.A., as Transfer	Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2011, File No. 001-00566 (see Exhibit 99.3 therein).

	Agent, Registrar and Luxembourg Paying Agent, regarding 7.375% Senior Notes due 2021	
10.1*	Greif, Inc. Directors Stock Option Plan.	Registration Statement on Form S-8, File No. 333-26977 (see Exhibit 4(b) therein).
10.2*	Greif, Inc. Incentive Stock Option Plan, as Amended and Restated.	Annual Report on Form 10-K for the fiscal year ended October 31, 1997, File No. 001-00566 (see Exhibit 10(b) therein).
10.3*	Greif, Inc. Amended and Restated Directors Deferred Compensation Plan.	Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2006, File No. 001-00566 (see Exhibit 10.2 therein).
10.5*	Supplemental Retirement Benefit Agreement.	Annual Report on Form 10-K for the fiscal year ended October 31, 1999, File No. 001-00566 (see Exhibit 10(i) therein).
10.6*	Second Amended and Restated Supplemental Executive Retirement Plan.	Annual Report on Form 10-K for fiscal year ended October 31, 2007, File No. 001-00566 (see Exhibit 10(f) therein).

Table of Contents

Exhibit No.	Description of Exhibit	If Incorporated by Reference, Document with which Exhibit was Previously Filed with SEC
10.7*	Greif, Inc. Amended and Restated Long-Term Incentive Plan.	Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2006, File No. 001-00566 (see Exhibit 10.1 therein).
10.8*	Amendment No. 1 to Greif, Inc. Amended and Restated Long-Term Incentive Plan.	Contained herein.
10.9*	Greif, Inc. Performance-Based Incentive Compensation Plan.	Definitive Proxy Statement on Form 14A dated January 25, 2002, File No. 001-00566 (see Exhibit B therein).
10.10*	Amendment No. 1 to Greif, Inc. Performance-Based Incentive Compensation Plan	Annual Report on Form 10-K for the fiscal year ended October 31, 2011, File No. 001-00566 (See Exhibit 10(i) therein).
10.11*	Amendment No. 2 to Greif, Inc. Performance-Based Incentive Compensation Plan	Annual Report on Form 10-K for the fiscal year ended October 31, 2013, File No. 001-00566 (See Exhibit 10.10 therein).
10.12*	Greif, Inc. 2001 Management Equity Incentive and Compensation Plan.	Definitive Proxy Statement on Form DEF 14A dated January 26, 2001, File No. 001-00566 (see Exhibit A therein).
10.13.1*	Amendment No. 1 to Greif, Inc. 2001 Management Equity Incentive and Compensation Plan	Annual Report on Form 10-K for the fiscal year ended October 31, 2011, File No. 001-00566 (See Exhibit 10(k) therein).
10.13.2*	Amendment No. 2 to Greif, Inc. 2001 Management Equity Incentive and Compensation Plan	Contained herein.
10.14*	Greif, Inc. 2000 Nonstatutory Stock Option Plan.	Registration Statement on Form S-8, File No. 333-61058 (see Exhibit 4(c) therein).
10.15*	2005 Outside Directors Equity Award Plan	Definitive Proxy Statement on Form DEF 14A, File No. 001-00566, filed with the Securities and Exchange Commission on January 21, 2005 (see Exhibit A therein).
10.16*	Form of Stock Option Award Agreement for the 2005 Outside Directors Equity Award Plan of Greif, Inc.	Registration Statement on Form S-8, File No. 333-123133 (see Exhibit 4(c) therein).
10.17*	Form of Restricted Share Award Agreement for the 2005 Outside Directors Equity Award Plan of Greif, Inc.	Registration Statement on Form S-8, File No. 333-123133 (see Exhibit 4(d) therein).
10.18*	Greif, Inc. Nonqualified Deferred Compensation Plan	Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2008, File No. 001-00566 (see Exhibit 10.CC therein).
10.19*		

Restricted Share Award Agreement under the 2001 Management Equity Incentive and Compensation Plan dated May 12, 2014, with Lawrence A. Hilsheimer	Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2014, File No. 001-00566 (see Exhibit 10.1 therein).

94

Table of Contents

Exhibit No.	Description of Exhibit	If Incorporated by Reference, Document with which Exhibit was Previously Filed with SEC
10.20	Second Amended and Restated Credit Agreement dated as of December 19, 2012 among Greif, Inc., Greif International Holding Supra C.V. and Greif International Holding B.V., as borrowers, with a syndicate of financial institutions, as lenders, Bank of America, N.A., as administrative agent and L/C issuer, Merrill Lynch, Pierce, Fenner & Smith Incorporated, JP Morgan Securities LLC and Wells Fargo Securities, LLC, as joint lead arrangers and joint book managers, JP Morgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as co-syndication agents, and KeyBank National Association, Citizens Bank of Pennsylvania, ING Bank N.V. and U.S. Bank National Association, as co-documentation agents.	Current Report on Form 8-K dated December 20, 2012, File No. 001-00566 (see Exhibit 99.2 therein).
10.21	Transfer and Administration Agreement dated as of December 8, 2008, by and among Greif Receivables Funding LLC, Greif Packaging LLC, YC SUSI Trust, as Conduit Investor and Uncommitted Investor, and Bank of America, National Association, as Agent, a Managing Agent, an Administrator and a Committed Investor. Certain portions of this exhibit have been omitted pursuant to an order granting confidential treatment and have been filed separately with the Securities and Exchange Commission.	Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2010, File No. 001-00566 (see Exhibit 10(bb) therein).
10.22	First Amendment dated as of September 11, 2009, to the Transfer and Administration Agreement dated as of December 8, 2008, by and among Greif Receivables Funding LLC, Greif Packaging LLC, YC SUSI Trust, as Conduit Investor and Uncommitted Investor, and Bank of America, National Association, as Agent,	Registration Statement on Form S-4, File No. 333-162011 (see Exhibit 10(cc) therein).

	Managing Partner, an Administrator and a Committed Investor.	
10.23	Second Amendment dated as of December 7, 2009, to the Transfer and Administration Agreement dated as of December 8, 2008, by and among Greif Receivables Funding LLC, Greif Packaging LLC, YC SUSI Trust, as Conduit Investor and Uncommitted Investor, and Bank of America, National Association, as Agent, Managing Partner, an Administrator and a Committed Investor.	Annual Report on Form 10-K for fiscal year ended October 31, 2009, File No. 001-00566 (see Exhibit 10(dd) therein).

95

Table of Contents

Exhibit No.	Description of Exhibit	If Incorporated by Reference, Document with which Exhibit was Previously Filed with SEC
10.24	Third Amendment dated as of May 10, 2010, to the Transfer and Administration Agreement dated as of December 8, 2008 by and among Greif Receivables Funding LLC, Greif Packaging LLC, YC SUSI Trust, as Conduit Investor and Uncommitted Investor, and Bank of America National Association, as Agent, Managing Agent, an Administrator and a Committed Investor.	Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2010, File No. 001-00566 (see Exhibit 99.1 therein).
10.25	Fourth Amendment dated as of June 22, 2010, to the Transfer and Administration Agreement dated as of December 8, 2008, by and among Greif Receivables Funding LLC, Greif Packaging LLC, YC SUSI Trust, as Conduit Investor and Uncommitted Investor, and Bank of America National Association, as Agent, Managing Agent, an Administrator and a Committed Investor.	Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2010, File No. 001-00566 (see Exhibit 10.1 therein).
10.26	Fifth Amendment dated as of September 30, 2010, to the Transfer and Administration Agreement dated as of December 8, 2008, by and among Greif Receivables Funding LLC, Greif Packaging LLC, YC SUSI Trust, as Conduit Investor and Uncommitted Investor, and Bank of America National Association, as Agent, Managing Agent, an Administrator and a Committed Investor.	Annual Report on Form 10-K for the fiscal year ended October 31, 2010, File No. 001-00566 (see Exhibit 10(cc) therein).
10.27	Sixth Amendment, dated as of September 19, 2011, to the Transfer and Administration Agreement, dated as of December 8, 2008, by and among Greif Packaging LLC, Greif Receivables Funding LLC and Bank of America National Association, as Managing Agent, Administrator, Committed Investor and Agent.	Current Report on Form 8-K dated September 23, 2011, File No. 001-00566 (see Exhibit 10.1 therein).

10.28	Formation Agreement dated as of June 14, 2010, by and among Greif, Inc. and Greif International Holding Supra C.V. and National Scientific Company Limited and Dabbagh Group Holding Company Limited.	Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2010, File No. 001-00566 (see Exhibit 10.2 therein).
10.29	Joint Venture Agreement dated as of September 29, 2010, by and among Greif, Inc. and Greif International Holding Supra C.V. and Dabbagh Group Holding Company Limited and National Scientific Company Limited.	Annual Report on Form 10-K for the fiscal year ended October 31, 2010, File No. 001-00566 (see Exhibit 10(ee) therein).
10.30	Sale Agreement dated as of December 8, 2008, by and between Greif Packaging LLC, each other entity from time to time a party as Originator, and Greif Receivables Funding LLC.	Annual Report on Form 10-K for the fiscal year ended October 31, 2010, File No. 001-00566 (see Exhibit 10(ff) therein).

Table of Contents

10.31	First Amendment dated as of September 30, 2010, to the Sale Agreement dated as of December 8, 2008, by and between Greif Packaging LLC, each other entity from time to time a party as Originator, and Greif Receivables Funding LLC.	Annual Report on Form 10-K for the fiscal quarter ended October 31, 2010, File No. 001-00566 (see Exhibit 10(gg) therein).
10.32	Master Definitions Agreement dated as of April 27, 2012, by and among Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Nieuw Amsterdam Receivables Corporation, Cooperage Receivables Finance B.V., Stichting Cooperage Receivables Finance Holding, Greif Coordination Center BVBA, Greif, Inc., the Originators as described therein and Trust International Management (T.I.M.) B.V. (Master Definitions Agreement provides definitions for agreements listed as Exhibits 10.2, 10.3 and 10.4).	Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2012, File No. 001-00566 (see Exhibit 10.1 therein).
10.33	Performance and Indemnity Agreement dated as of April 27, 2012, by and among Greif, Inc., as Performance Indemnity Provider, Cooperage Receivables Finance B.V., as Main SPV, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., as Italian Intermediary, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch, as Committed Purchaser, Facility Agent and Funding Administrator.	Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2012, File No. 001-00566 (see Exhibit 10.2 therein).

Table of Contents

10.34	Nieuw Amsterdam Receivables Purchase Agreement dated as of April 27, 2012, by and among Cooperage Receivables Finance B.V., as Main SPV, Nieuw Amsterdam Receivables Corporation, as Conduit Purchaser, Greif Coordination Center BVBA, as Master Servicer, Onward Seller and Originator Agent, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., as Italian Intermediary, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch, as Committed Purchaser, Facility Agent and Funding Administrator.	Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2012, File No. 001-00566 (see Exhibit 10.3 therein).
10.35	Subordinated Loan Agreement dated as of April 27, 2012, by and among Cooperage Receivables Finance B.V., as Main SPV, Greif Coordination Center BVBA, as Subordinated Lender, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch, as Facility Agent, Funding Administrator and Main SPV Administrator.	Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2012, File No. 001-00566 (see Exhibit 10.4 therein).
10.36	Defined Contribution Supplemental Executive Retirement Plan.	Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2013, File No. 001-00566 (see Exhibit 10.1 therein).
10.37	Amended and Restated Transfer and Administration Agreement dated as of September 30, 2013, by and among Greif Receivables Funding LLC, Greif Packaging LLC, Delta Petroleum Company, Inc., American Flange & Manufacturing Co., Inc., Olympic Oil Ltd., Trilla-St. Louis Corporation, and PNC Bank, National Association, as a Committed Investor, a Managing Agent, an Administrator, and the Agent.	Annual Report on Form 10-K for the fiscal year ended October 31, 2013, File No. 001-00566 (see Exhibit 10.44 therein).
10.38	Amended and Restated Sale Agreement dated as of September 30, 2013, by and between Greif Packaging LLC, Delta Petroleum Company, Inc., American Flange & Manufacturing Co., Inc., Olympic Oil Ltd., Trilla-St. Louis Corporation, each other entity from time to time party as an Originator, and Greif Receivables Funding LLC.	Annual Report on Form 10-K for the fiscal year ended October 31, 2013, File No. 001-00566 (see Exhibit 10.45 therein).
10.39	Amendment Agreement dated April 20, 2015, by and among Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. Trading as Rabobank London, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Nieuw Amsterdam Receivables Corporation S. À.R.L., Cooperage Receivables Finance B.V., Stichting Cooperage Receivables Finance Holding, Greif Services Belgium	Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2015, File No. 001-00566 (see Exhibit 10.1 therein).

BVBA, Greif, Inc., the Originators as described therein and Trust International Management (T.I.M.) B.V. (in connection with the Master Definitions Agreement dated April 27, 2012).

98

Table of Contents

10.40	Amendment and Restated Master Definition Agreement dated April 20, 2015, by and among Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. Trading as Rabobank London, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Nieuw Amsterdam Receivables Corporation S. À.R.L., Cooperage Receivables Finance B.V., Stichting Cooperage Receivables Finance Holding, Greif Services Belgium BVBA, Greif, Inc., the Originators as described therein and Trust International Management (T.I.M.) B.V.	Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2015, File No. 001-00566 (see Exhibit 10.2 therein).
10.41	Amendment No. 1, dated as of December 1, 2015, to the Amended and Restated Transfer and Administration Agreement, dated as of September 30, 2013, by and among Greif Receivables Funding LLC, Greif Packaging LLC, Delta Petroleum Company, Inc., American Flange & Manufacturing Co., Inc., and Trilla-St. Louis Corporation, as originators, and PNC Bank, National Association, as a Committed Investor, Managing Agent and Administrator and the Agent.	Current Report on Form 8-K dated December 7, 2015, File No. 001-00566 (see Exhibit 10.1 therein).
10.42	Separation Agreement of CEO, dated as of December 4, 2015, between David Fischer and Greif Packaging LLC.	Current Report on Form 8-K dated December 7, 2015, File No. 001-00566 (see Exhibit 10.2 therein).

Exhibit No.	**Description of Exhibit**	**If Incorporated by Reference, Document with which Exhibit was Previously Filed with SEC**
21	Subsidiaries of the Registrant.	Contained herein.
23(a)	Consent of Deloitte & Touche LLP.	Contained herein.
23(b)	Consent of Ernst & Young LLP.	Contained herein.
24	Powers of Attorney for Peter G. Watson, Lawrence A. Hilsheimer, Michael J. Gasser, Vicki L. Avril, John F. Finn, John W. McNamara, Bruce A. Edwards, Daniel J. Gunsett, Judith D. Hook, Patrick J. Norton and Mark A. Emkes.	Contained herein.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	Contained herein.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.	Contained herein.

32.1	Certification of Chief Executive Officer required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.	Contained herein.

32.2	Certification of Chief Financial Officer required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.	Contained herein.
101	The following financial statements from the Company s Annual Report on Form 10-K for the year ended October 31, 2015, formatted in XBRL (Extensive Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidate Balance Sheets, (iii) Consolidated Statements of Cash Flow, (iv) Consolidated Statements of Changes in Shareholders Equity and (v) Notes to Consolidated Financial Statements.	Contained herein.

* Executive compensation plans and arrangements required to be filed pursuant to Item 601(b)(10) of Regulation S-K.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Greif, Inc.
(Registrant)

Date: December 21, 2015

By: /s/ PETER G. WATSON
Peter G. Watson
President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

/s/ PETER G. WATSON
Peter G. Watson
President and Chief Executive Officer

Member of the Board of Directors
(principal executive officer)

/s/ LAWRENCE A. HILSHEIMER
Lawrence A. Hilsheimer
Executive Vice President and Chief Financial Officer
(principal financial officer)

VICKI L. AVRIL*
Vicki L. Avril
Member of the Board of Directors

/s/ DAVID C. LLOYD
David C. Lloyd
Vice President, Corporate Financial Controller
(principal accounting officer)

JOHN W. MCNAMARA*
John W. McNamara
Member of the Board of Directors

MICHAEL J. GASSER*
Michael J. Gasser
Chairman
Member of the Board of Directors

DANIEL J. GUNSETT*
Daniel J. Gunsett
Member of the Board of Directors

JOHN F. FINN*
John F. Finn
Member of the Board of Directors

PATRICK J. NORTON*
Patrick J. Norton
Member of the Board of Directors

BRUCE A. EDWARDS*
Bruce A. Edwards
Member of the Board of Directors

MARK A. EMKES*	JUDITH D. HOOK*
Mark A. Emkes	**Judith D. Hook**
Member of the Board of Directors	**Member of the Board of Directors**

* The undersigned, Peter G. Watson, by signing his name hereto, does hereby execute this Form 10-K on behalf of each of the above-named persons pursuant to powers of attorney duly executed by such persons and filed as an exhibit to this Form 10-K.

By: /s/ PETER G. WATSON
Peter G Watson
President and
Chief Executive Officer

Each of the above signatures is affixed as of December 21, 2015.

101

Table of Contents

SCHEDULE II

GREIF, INC. AND SUBSIDIARY COMPANIES

Consolidated Valuation and Qualifying Accounts and Reserves (Dollars in millions)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Year ended October 31, 2013:					
Allowance for doubtful accounts	$ 17.1	$ 3.8	$ (7.4)	$	$ 13.5
Environmental reserves	$ 27.5	$ 2.6	$ (3.9)	$ 0.6	$ 26.8
Year ended October 31, 2014:					
Allowance for doubtful accounts	$ 13.5	$ 7.5	$ (4.2)	$	$ 16.8
Environmental reserves	$ 26.8	$ 0.7	$ (2.0)	$ (0.8)	$ 24.7
Year ended October 31, 2015:					
Allowance for doubtful accounts	$ 16.8	$ 0.2	$ (3.7)	$ (1.5)	$ 11.8
Environmental reserves	$ 24.7	$ 1.7	$ (16.8)	$ (1.4)	$ 8.2

102