

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

Year Ended October 31, (in millions, except per share amounts)	2018	2017	2016
Net sales	\$ 3,873.8	\$ 3,638.2	\$ 3,323.6
Costs of products sold	3,084.9	2,923.5	2,638.7
Gross profit	788.9	714.7	684.9
Selling, general and administrative expenses	397.9	380.4	376.8
Restructuring charges	18.6	12.7	26.9
Non-cash asset impairment charges	8.3	7.8	51.4
Goodwill impairment charges	—	13.0	—
Gain on disposal of properties, plants and equipment, net	(5.6)	(0.4)	(10.3)
(Gain) loss on disposal of businesses, net	(0.8)	1.7	14.5
Operating profit	370.5	299.5	225.6
Interest expense, net	51.0	60.1	75.4
Pension settlement charge	1.3	27.1	—
Other expense, net	18.4	12.0	9.0
Income before income tax expense and equity earnings of unconsolidated affiliates, net	299.8	200.3	141.2
Income tax expense	73.3	67.2	66.5
Equity earnings of unconsolidated affiliates, net of tax	(3.0)	(2.0)	(0.8)
Net income	229.5	135.1	75.5
Net income attributable to noncontrolling interests	(20.1)	(16.5)	(0.6)
Net income attributable to Greif, Inc.	\$ 209.4	\$ 118.6	\$ 74.9
Basic earnings per share attributable to Greif, Inc.:			
Class A Common Stock	\$ 3.56	\$ 2.02	\$ 1.28
Class B Common Stock	\$ 5.33	\$ 3.02	\$ 1.90
Diluted earnings per share attributed to Greif, Inc.:			
Class A Common Stock	\$ 3.55	\$ 2.02	\$ 1.28
Class B Common Stock	\$ 5.33	\$ 3.02	\$ 1.90

Refer to the accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

<i>(in millions)</i>	October 31, 2018	October 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 94.2	\$ 142.3
Trade accounts receivable, less allowance of \$4.2 in 2018 and \$8.9 in 2017	456.7	447.0
Inventories:		
Raw materials	203.9	192.1
Work-in-process	10.0	11.5
Finished goods	75.6	75.9
Assets held for sale	4.4	2.2
Prepaid expenses	39.8	35.3
Other current assets	92.1	88.2
	<u>976.7</u>	<u>994.5</u>
Long-term assets		
Goodwill	776.0	785.4
Other intangible assets, net of amortization	80.6	98.0
Deferred tax assets	7.9	10.5
Assets held by special purpose entities	50.9	50.9
Pension assets	10.4	10.3
Other long-term assets	100.4	94.3
	<u>1,026.2</u>	<u>1,049.4</u>
Properties, plants and equipment		
Timber properties, net of depletion	274.2	276.2
Land	96.4	99.5
Buildings	431.4	428.3
Machinery and equipment	1,554.9	1,540.2
Capital projects in progress	117.2	80.2
	<u>2,474.1</u>	<u>2,424.4</u>
Accumulated depreciation	(1,282.2)	(1,236.0)
	<u>1,191.9</u>	<u>1,188.4</u>
Total assets	<u>\$ 3,194.8</u>	<u>\$ 3,232.3</u>

Refer to the accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

<i>(in millions)</i>	October 31, 2018	October 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 403.8	\$ 399.2
Accrued payroll and employee benefits	114.4	111.8
Restructuring reserves	4.4	5.2
Current portion of long-term debt	18.8	15.0
Short-term borrowings	7.3	14.5
Other current liabilities	121.5	142.2
	<u>670.2</u>	<u>687.9</u>
Long-term liabilities		
Long-term debt	884.1	937.8
Deferred tax liabilities	179.8	217.8
Pension liabilities	78.0	159.5
Postretirement benefit obligations	10.7	12.6
Liabilities held by special purpose entities	43.3	43.3
Contingent liabilities and environmental reserves	6.8	7.1
Mandatorily redeemable noncontrolling interests	8.6	9.2
Long-term income tax payable	46.1	—
Other long-term liabilities	77.5	78.1
	<u>1,334.9</u>	<u>1,465.4</u>
Commitments and Contingencies (Note 13)		
Redeemable Noncontrolling Interests (Note 20)	35.5	31.5
Equity		
Common stock, without par value	150.5	144.2
Treasury stock, at cost	(135.4)	(135.6)
Retained earnings	1,469.8	1,360.5
Accumulated other comprehensive income (loss), net of tax:		
Foreign currency translation	(292.8)	(249.3)
Derivative financial instruments	13.4	5.1
Minimum pension liabilities	(97.7)	(114.0)
Total Greif, Inc. shareholders' equity	<u>1,107.8</u>	<u>1,010.9</u>
Noncontrolling interests	46.4	36.6
Total shareholders' equity	<u>1,154.2</u>	<u>1,047.5</u>
Total liabilities and shareholders' equity	<u>\$ 3,194.8</u>	<u>\$ 3,232.3</u>

Refer to the accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended October 31, (in millions)	2018	2017	2016
Cash flows from operating activities:			
Net income	\$ 229.5	\$ 135.1	\$ 75.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	126.9	120.5	127.7
Non-cash asset impairment charges	8.3	20.8	51.4
Pension settlement charge	1.3	27.1	—
Gain on disposals of properties, plants and equipment, net	(5.6)	(0.4)	(10.3)
(Gain) loss on disposals of businesses, net	(0.8)	1.7	14.5
Unrealized foreign exchange (gain) loss	(0.7)	4.6	4.1
Deferred income tax (benefit) expense	(44.8)	2.3	1.5
Transition tax expense	52.8	—	—
Other, net	(2.8)	1.2	—
Increase (decrease) in cash from changes in certain assets and liabilities:			
Trade accounts receivable	(34.0)	(47.3)	(18.6)
Inventories	(24.8)	(7.0)	3.4
Deferred purchase price on sold receivables	2.1	5.1	5.2
Accounts payable	24.3	20.5	39.4
Restructuring reserves	(0.8)	(5.3)	(10.7)
Pension and postretirement benefit liabilities	(66.8)	(1.7)	(8.9)
Other, net	(11.1)	27.8	26.8
Net cash provided by operating activities	253.0	305.0	301.0
Cash flows from investing activities:			
Acquisitions of companies, net of cash acquired	—	—	(0.4)
Collection of subordinated note receivable	—	—	44.2
Purchases of properties, plants and equipment	(140.2)	(96.8)	(100.1)
Purchases of and investments in timber properties	(8.9)	(9.5)	(7.1)
Purchases of properties, plants and equipment with insurance proceeds	—	—	(4.4)
Proceeds from the sale of properties, plants, equipment and other assets	12.5	9.6	12.3
Proceeds from the sale of businesses	1.4	5.9	23.8
Proceeds on insurance recoveries	—	0.4	6.6
Net cash used in investing activities	(135.2)	(90.4)	(25.1)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	1,020.7	1,446.0	1,102.3
Payments on long-term debt	(1,065.4)	(1,627.9)	(1,119.2)
Proceeds from (payments on) short-term borrowings, net	(11.0)	(36.4)	4.7
Proceeds from trade accounts receivable credit facility	2.8	203.6	283.5
Payments on trade accounts receivable credit facility	(2.8)	(53.6)	(431.1)
Long-term debt and credit facility financing fees paid	—	(4.5)	—
Dividends paid to Greif, Inc. shareholders	(100.0)	(98.6)	(98.7)
Dividends paid to noncontrolling interests	(4.6)	(4.2)	(4.9)
Proceeds from the sale of membership units of a consolidated subsidiary	—	—	0.3
Acquisitions of treasury stock	—	—	(5.2)
Purchases of redeemable noncontrolling interest	—	—	(6.0)
Cash contribution from noncontrolling interest holder	2.0	—	1.5
Net cash used in financing activities	(158.3)	(175.6)	(272.8)
Effects of exchange rates on cash	(7.6)	(0.4)	(5.6)
Net increase (decrease) in cash and cash equivalents	(48.1)	38.6	(2.5)
Cash and cash equivalents at beginning of year	142.3	103.7	106.2