

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

**FORM 10-Q**

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

For the quarterly period ended January 31, 2004

OR

**[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-566

**GREIF, INC.**

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(Exact name of registrant as specified in its charter)

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

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

Not Applicable

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

The number of shares outstanding of each of the issuer's classes of common stock at the close of business on January 31, 2004 was as follows:

Class A Common Stock	10,748,105 shares
Class B Common Stock	11,661,939 shares

## PART I. FINANCIAL INFORMATION

### ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

(Dollars in thousands, except per share amounts)

	<u>Three months ended</u> <u>January 31,</u>	
	<u>2004</u>	<u>2003</u>
Net sales	\$468,860	\$434,678
Costs of products sold	<u>399,410</u>	<u>358,949</u>
Gross profit	69,450	75,729
Selling, general and administrative expenses	51,025	59,501
Restructuring charges	15,259	1,539
Gain on sale of assets	<u>4,109</u>	<u>411</u>
Operating profit	7,275	15,100
Interest expense, net	12,247	13,554
Other income, net	<u>222</u>	<u>224</u>
Income (loss) before income tax expense (benefit) and equity in earnings of affiliates and minority interests	(4,750)	1,770
Income tax expense (benefit)	(1,463)	566
Equity in earnings of affiliates and minority interests	<u>(79)</u>	<u>(1,095)</u>
Income (loss) before cumulative effect of change in accounting principle	(3,366)	109
Cumulative effect of change in accounting principle	<u>--</u>	<u>4,822</u>
Net income (loss)	<u>\$ (3,366)</u>	<u>\$ 4,931</u>
<b>Basic and diluted earnings (loss) per share:</b>		
Class A Common Stock (before cumulative effect)	\$ (0.12)	\$ 0.01
Class A Common Stock (after cumulative effect)	\$ (0.12)	\$ 0.18
Class B Common Stock (before cumulative effect)	\$ (0.18)	\$ --
Class B Common Stock (after cumulative effect)	\$ (0.18)	\$ 0.26

See accompanying Notes to Consolidated Financial Statements

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

**ASSETS**

	<b>January 31, 2004</b>	<b>October 31, 2003</b>
	<u>(Unaudited)</u>	<u></u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 38,121	\$ 49,767
Trade accounts receivable – less allowance of \$11,817 in 2004 and \$11,225 in 2003	270,613	294,957
Inventories	170,295	167,157
Net assets held for sale	6,812	6,311
Deferred tax assets	4,802	10,875
Prepaid expenses and other	<u>60,427</u>	<u>54,390</u>
	<u>551,070</u>	<u>583,457</u>
<b>Long-term assets</b>		
Goodwill – less accumulated amortization	251,437	252,309
Other intangible assets – less accumulated amortization	29,808	30,654
Investment in affiliates	5,581	4,421
Other long-term assets	<u>52,009</u>	<u>47,995</u>
	<u>338,835</u>	<u>335,379</u>
<b>Properties, plants and equipment</b>		
Timber properties – less depletion	87,748	86,437
Land	101,838	100,615
Buildings	323,380	320,229
Machinery and equipment	830,190	831,815
Capital projects in progress	<u>42,143</u>	<u>36,522</u>
	1,385,299	1,375,618
Accumulated depreciation	<u>(483,476)</u>	<u>(463,243)</u>
	<u>901,823</u>	<u>912,375</u>
	<u>\$1,791,728</u>	<u>\$1,831,211</u>

See accompanying Notes to Consolidated Financial Statements

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

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	<b>January 31, 2004</b>	<b>October 31, 2003</b>
	<u>(Unaudited)</u>	<u></u>
<b>Current liabilities</b>		
Accounts payable	\$ 131,760	\$ 158,333
Accrued payrolls and employee benefits	30,760	43,126
Restructuring reserves	19,384	15,972
Short-term borrowings	19,734	15,605
Current portion of long-term debt	3,000	3,000
Other current liabilities	<u>82,698</u>	<u>76,282</u>
	<u>287,336</u>	<u>312,318</u>
<b>Long-term liabilities</b>		
Long-term debt	637,972	643,067
Deferred tax liability	161,073	159,825
Postretirement benefit liability	49,187	48,504
Other long-term liabilities	<u>86,269</u>	<u>93,047</u>
	<u>934,501</u>	<u>944,443</u>
<b>Minority interest</b>	<u>1,633</u>	<u>1,886</u>
<b>Shareholders' equity</b>		
Common stock, without par value	16,595	12,207
Treasury stock, at cost	(63,852)	(64,228)
Retained earnings	673,861	681,043
Accumulated other comprehensive loss:		
- foreign currency translation	(17,090)	(15,314)
- interest rate derivatives	(12,553)	(12,938)
- minimum pension liability	<u>(28,703)</u>	<u>(28,206)</u>
	<u>568,258</u>	<u>572,564</u>
	<u>\$1,791,728</u>	<u>\$1,831,211</u>

See accompanying Notes to Consolidated Financial Statements

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

<b>For the three months ended January 31,</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (3,366)	\$ 4,931
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, depletion and amortization	26,710	21,240
Asset impairments	2,177	--
Equity in earnings of affiliates and minority interests, net of dividends received	(1,413)	2,036
Deferred income taxes	8,250	3,201
Gain on disposals of properties, plants and equipment	(4,109)	(411)
Cumulative effect of change in accounting principle	--	(4,822)
Other, net	(7,957)	(11,388)
Changes in current assets and liabilities	<u>(22,571)</u>	<u>(18,697)</u>
Net cash used in operating activities	<u>(2,279)</u>	<u>(3,910)</u>
<b>Cash flows from investing activities:</b>		
Purchases of properties, plants and equipment	(9,771)	(12,454)
Proceeds on disposals of properties, plants and equipment	<u>4,200</u>	<u>1,390</u>
Net cash used in investing activities	<u>(5,571)</u>	<u>(11,064)</u>
<b>Cash flows from financing activities:</b>		
(Payments) proceeds from long-term debt	(8,451)	11,588
Proceeds from short-term borrowings	2,854	2,913
Dividends paid	(3,816)	(3,831)
Acquisitions of treasury stock	(2)	(1,031)
Exercise of stock options	<u>4,679</u>	<u>--</u>
Net cash (used in) provided by financing activities	<u>(4,736)</u>	<u>9,639</u>
<b>Effects of exchange rates on cash</b>	<u>940</u>	<u>(759)</u>
<b>Net decrease in cash and cash equivalents</b>	(11,646)	(6,094)
<b>Cash and cash equivalents at beginning of period</b>	<u>49,767</u>	<u>25,396</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 38,121</u>	<u>\$19,302</u>

See accompanying Notes to Consolidated Financial Statements

**GREIF, INC. AND SUBSIDIARY COMPANIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2004**

**NOTE 1 -- BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the consolidated balance sheets as of January 31, 2004 and October 31, 2003 and the consolidated statements of operations and cash flows for the three-month periods ended January 31, 2004 and 2003 of Greif, Inc. and subsidiaries (the "Company"). These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for its fiscal year ended October 31, 2003 (the "2003 Form 10-K").

The Company's fiscal year begins on November 1 and ends on October 31 of the following year. Any references to the year 2004 or 2003, or to any quarter of those years, relates to the fiscal year or quarter, as the case may be, ending in that year.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual amounts could differ from those estimates.

Certain prior year amounts have been reclassified to conform to the 2004 presentation.

Stock-Based Compensation

At January 31, 2004, the Company had various stock-based compensation plans as described in Note 10 to the Notes to Consolidated Financial Statements in the 2003 Form 10-K. The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans. If compensation cost would have been determined based on fair values at the date of grant under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," pro forma net income (loss) and earnings (loss) per share would have been as follows (Dollars in thousands, except per share amounts):

	Three months ended January 31,	
	<u>2004</u>	<u>2003</u>
Net income (loss) as reported	\$(3,366)	\$4,931
Deduct total stock option expense determined under fair value method, net of tax	<u>612</u>	<u>952</u>
Pro forma net income (loss)	<u>\$(3,978)</u>	<u>\$3,979</u>
<u>Basic and diluted earnings per share:</u>		
<u>Class A Common Stock:</u>		
As reported	\$(0.12)	\$0.18
Pro forma	\$(0.14)	\$0.15
<u>Class B Common Stock:</u>		
As reported	\$(0.18)	\$0.26
Pro forma	\$(0.22)	\$0.21

## **NOTE 2 -- RECENT ACCOUNTING STANDARDS**

In December 2003, the Financial Accounting Standards Board ("FASB") issued a revision to SFAS No. 132, "Employers Disclosures about Pensions and Other Postretirement Benefits." The revision relates to employers' disclosures about pension plans and other postretirement benefit plans. It does not alter the measurement or recognition provisions of the original SFAS No. 132. It requires additional disclosures regarding assets, obligations, cash flows and net periodic benefit costs of pension plans and other defined benefit postretirement plans. Excluding certain disclosure requirements, the revised Statement is effective for financial statements with fiscal years ended after December 15, 2003. Interim period disclosures are effective for interim periods beginning after December 15, 2003.

In December 2003, the FASB issued a revision to Interpretation No. 46, "Consolidation of Variable Interest Entities." This Interpretation defines when a business enterprise must consolidate a variable interest entity. The Interpretation provisions are effective for variable interest entities commonly referred to as special-purpose entities for periods ending after March 15, 2004. The Company does not have any material unconsolidated variable interest entities as of January 31, 2004 that would require consolidation. Adoption of the subsequent provisions of the Interpretation is not expected to have a material impact on the Company's financial position or results of operations.

### **NOTE 3 -- INVENTORIES**

Inventories are summarized as follows (Dollars in thousands):

	January 31, <u>2004</u>	October 31, <u>2003</u>
Finished goods	\$ 56,010	\$ 44,894
Raw materials and work-in-process	<u>146,004</u>	<u>153,482</u>
	202,014	198,376
Reduction to state inventories on last-in, first-out basis	<u>(31,719)</u>	<u>(31,219)</u>
	<u>\$170,295</u>	<u>\$167,157</u>

### **NOTE 4 -- NET ASSETS HELD FOR SALE**

Net assets held for sale represent land, buildings and land improvements less accumulated depreciation for locations that have been closed. As of January 31, 2004, there were nine facilities held for sale. The net assets held for sale are being marketed for sale and it is the Company's intention to complete the sales within the upcoming year.

### **NOTE 5 -- GOODWILL AND OTHER INTANGIBLE ASSETS**

The Company periodically reviews goodwill and indefinite-lived intangible assets for impairment as required by SFAS No. 142, "Goodwill and Other Intangible Assets." The Company has performed the required impairment tests and has concluded that no impairment exists at this time.

Changes to the carrying amount of goodwill for the three-month period ended January 31, 2004 are as follows (Dollars in thousands):

	Industrial Packaging & <u>Services</u>	Paper, Packaging & <u>Services</u>	<u>Total</u>
Balance at October 31, 2003	\$220,619	\$31,690	\$252,309
Goodwill acquired	8	663	671
Currency translation	<u>(1,543)</u>	<u>--</u>	<u>(1,543)</u>
Balance at January 31, 2004	<u>\$219,084</u>	<u>\$32,353</u>	<u>\$251,437</u>

The goodwill acquired relates to refinements to the allocation of the investment in CorrChoice, Inc. in the Paper, Packaging & Services segment and the fair value of net assets acquired for a small steel drum company in Europe in the Industrial Packaging & Services segment.

All other intangible assets for the periods presented, except for \$3.4 million, net, related to the Tri-Sure Trademark, are subject to amortization and are being amortized using the straight-line method over periods that range from two to 20 years. The detail of other intangible assets by class as of January 31, 2004 and October 31, 2003 are as follows (Dollars in thousands):

	<u>Gross Intangible Assets</u>	<u>Accumulated Amortization</u>	<u>Net Intangible Assets</u>
<u>January 31, 2004:</u>			
Trademarks and patents	\$18,077	\$ 5,017	\$13,060
Non-compete agreements	9,525	6,385	3,140
Customer relationships	6,582	139	6,443
Other	<u>10,417</u>	<u>3,252</u>	<u>7,165</u>
Total	<u>\$44,601</u>	<u>\$14,793</u>	<u>\$29,808</u>
<u>October 31, 2003:</u>			
Trademarks and patents	\$18,077	\$ 4,675	\$13,402
Non-compete agreements	9,525	5,985	3,540
Customer relationships	6,582	47	6,535
Other	<u>10,417</u>	<u>3,240</u>	<u>7,177</u>
Total	<u>\$44,601</u>	<u>\$13,947</u>	<u>\$30,654</u>

During the first three months of 2004, there were no significant acquisitions of other intangible assets. Amortization expense for the three months ended January 31, 2004 and 2003 was \$0.8 million. Amortization expense for the next five years is expected to be \$4.0 million in 2004, \$3.6 million in 2005, \$2.9 million in 2006, \$2.5 million in 2007 and \$2.4 million in 2008.

In accordance with the transition provisions of SFAS No. 141, "Business Combinations," the Company recorded a \$4.8 million gain as a cumulative effect of change in accounting principle for its remaining unamortized negative goodwill upon the adoption of SFAS No. 142 in the first quarter of 2003.

#### **NOTE 6 -- INVESTMENT IN AFFILIATES**

The Company has investments in Socer-Embalagens, Lda. (25.00%) and Balmer Lawrie-Van Leer (40.06%) that are accounted for under the equity method. The Company's share of earnings for these affiliates is included in income as earned.

The summarized unaudited financial information below represents the combined results of those entities accounted for by the equity method (Dollars in thousands):

	<u>Three months ended January 31,</u>	
	<u>2004</u>	<u>2003</u>
Net sales	\$3,931	\$3,359
Gross profit	\$ 877	\$ 750
Net income	\$ 178	\$ 100

## **NOTE 7 -- RESTRUCTURING CHARGES**

During 2003, the Company initiated a performance improvement plan, which is expected to enhance long-term organic sales growth and productivity and achieve permanent cost reductions. As a result, the Company incurred restructuring charges of \$60.7 million in 2003 and incurred \$15.3 million during the first three months of 2004. The Company anticipates incurring additional restructuring charges of approximately \$30 million to \$35 million during the remainder of 2004.

As part of the performance improvement plan, the Company closed three company-owned plants (two in the Industrial Packaging & Services segment and one in the Paper, Packaging & Services segment) during the three months ended January 31, 2004. All of the plants are located in North America. In addition, administrative staff reductions have continued throughout the world. As a result of the performance improvement plan, during the first three months of 2004, the Company recognized pre-tax restructuring charges of \$15.3 million, consisting of \$7.0 million in employee separation costs, \$2.2 million in asset impairments and \$6.1 million in other costs. The asset impairment charges, which relate to the write-down to fair value of buildings and equipment, are based on recent buy offers, market comparables and/or data obtained from the Company's commercial real estate broker. A total of approximately 787 employees have been terminated in connection with the performance improvement plan, 180 of which were terminated during the three months ended January 31, 2004. For each of the Company's business segments, amounts incurred in the first quarter of 2004, the cumulative amounts incurred as of January 31, 2004 and total costs incurred in 2003 and expected to be incurred in 2004 in connection with the performance improvement plan are as follows (Dollars in thousands):

	Amounts Incurred in the Current Period	Cumulative Amounts Incurred to Date	Total Amounts Expected to be Incurred
<u>Industrial Packaging &amp; Services:</u>			
Employee separation costs	\$ 6,381	\$35,173	\$ 48,767
Asset impairments	1,161	8,097	13,664
Other costs	<u>4,481</u>	<u>16,676</u>	<u>26,913</u>
	<u>12,023</u>	<u>59,946</u>	<u>89,344</u>
<u>Paper, Packaging &amp; Services:</u>			
Employee separation costs	573	6,372	6,779
Asset impairments	1,016	4,262	5,319
Other costs	<u>1,580</u>	<u>5,004</u>	<u>3,841</u>
	<u>3,169</u>	<u>15,638</u>	<u>15,939</u>
<u>Timber:</u>			
Employee separation costs	2	148	148
Asset impairments	--	36	36
Other costs	<u>65</u>	<u>233</u>	<u>233</u>
	<u>67</u>	<u>417</u>	<u>417</u>
Total	<u>\$15,259</u>	<u>\$76,001</u>	<u>\$105,700</u>

Following is a reconciliation of the beginning and ending restructuring reserve balances for the three-month period ended January 31, 2004 (Dollars in thousands):

	Balance at October 31, <u>2003</u>	Costs Incurred and Charged to <u>Expense</u>	Costs Paid or Otherwise <u>Settled</u>	Balance at January 31, <u>2004</u>
<u>Cash charges:</u>				
Employee separation costs	\$13,289	\$ 6,956	\$ (6,227)	\$14,018
Other costs	<u>2,482</u>	<u>6,126</u>	<u>(3,242)</u>	<u>5,366</u>
	15,771	13,082	(9,469)	19,384
<u>Non-cash charges:</u>				
Asset impairments	<u>--</u>	<u>2,177</u>	<u>(2,177)</u>	<u>--</u>
Total	<u>\$15,771</u>	<u>\$15,259</u>	<u>\$(11,646)</u>	<u>\$19,384</u>

### **NOTE 8 -- LONG-TERM DEBT**

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

	January 31, <u>2004</u>	October 31, <u>2003</u>
\$550 million Amended and Restated Senior Secured Credit Agreement	\$313,021	\$308,783
8 7/8% Senior Subordinated Notes	254,673	251,380
Trade accounts receivable credit facility	72,438	85,406
Other long-term debt	<u>840</u>	<u>498</u>
	640,972	646,067
Current portion	<u>(3,000)</u>	<u>(3,000)</u>
	<u>\$637,972</u>	<u>\$643,067</u>

### **\$550 million Amended and Restated Senior Secured Credit Agreement**

On August 23, 2002, the Company and certain of its non-United States subsidiaries entered into a \$550 million Amended and Restated Senior Secured Credit Agreement with a syndicate of lenders. The Amended and Restated Senior Secured Credit Agreement originally provided for a \$300 million term loan and a \$250 million revolving multicurrency credit facility. The revolving multicurrency credit facility is available for working capital and general corporate purposes, and has been permanently reduced to \$240 million. The term loan periodically reduces through its maturity date of August 23, 2009 and the revolving multicurrency credit facility matures on February 28, 2006.

On February 6, 2004, the Company amended its term loan under the Amended and Restated Senior Secured Credit Agreement. As of January 31, 2004, the original \$300 million term loan had an outstanding balance of \$226 million. As a result of the amendment, the term loan was increased to \$250 million and the applicable margin was lowered by 50 basis points while maintaining the existing maturity schedule. The incremental borrowings under the term loan were used to reduce borrowings under the revolving multicurrency credit facility.

## 8 7/8% Senior Subordinated Notes

On July 31, 2002, the Company issued Senior Subordinated Notes in the aggregate principal amount of \$250 million, receiving net proceeds of approximately \$248 million before expenses. At January 31, 2004, the outstanding balance of \$254.7 million included gains on fair value hedges the Company has in place to hedge interest rate risk. Interest on the Senior Subordinated Notes is payable semi-annually at the annual rate of 8.875%. The Senior Subordinated Notes do not have required principal payments prior to maturity on August 1, 2012. However, the Senior Subordinated Notes are redeemable at the option of the Company beginning August 1, 2007, at the redemption prices set forth below (expressed as percentages of principal amount), plus accrued interest, if any, to the redemption date:

<u>Year</u>	<u>Redemption Price</u>
2007	104.438%
2008	102.958%
2009	101.479%
2010 and thereafter	100.000%

In addition, prior to August 1, 2007, the Company may redeem the Senior Subordinated Notes by paying a specified “make-whole” premium.

A description of the guarantors of the Senior Subordinated Notes by the Company’s United States subsidiaries is included in Note 15.

## Trade Accounts Receivable Credit Facility

On October 31, 2003, the Company entered into a five-year, up to \$120 million credit facility with an affiliate of a bank in connection with the securitization of certain of the Company’s trade accounts receivable. The credit facility is secured by certain of the Company’s trade accounts receivable and bears interest at a variable rate based on the London InterBank Offered Rate (“LIBOR”) plus a margin or other agreed upon rate (1.40% interest rate as of January 31, 2004). The Company also pays a commitment fee. The Company can terminate this facility at any time upon 60 days prior written notice. In connection with this transaction, the Company established Greif Receivables Funding LLC, which is included in the Company’s consolidated financial statements. This entity purchases and services the Company’s trade accounts receivable that are subject to this credit facility.

## **NOTE 9 -- FINANCIAL INSTRUMENTS**

The Company had interest rate swap agreements with an aggregate notional amount of \$355 million at January 31, 2004 with various maturities through 2012. Under certain of these agreements, the Company receives interest quarterly from the counterparties equal to the LIBOR rate and pays interest at a weighted average rate of 5.6% over the life of the contracts. The Company is also party to agreements in which the Company receives interest semi-annually from the counterparty equal to a fixed rate of 8.875% and pays interest based on the LIBOR rate plus a spread. At

January 31, 2004, a net liability for the loss on interest rate swap contracts, which represented their fair values at that time, in the amount of \$15.6 million (\$10.8 million net of tax) was recorded.

At January 31, 2004, the Company had outstanding foreign currency forward contracts in the notional amount of \$41.0 million. The fair value of these contracts at January 31, 2004 resulted in a loss of \$0.1 million recorded in the consolidated statement of operations. The purpose of these contracts is to hedge short-term intercompany loan balances with foreign businesses.

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

The fair values of all derivative financial instruments are estimated based on current settlement prices of comparable contracts obtained from dealer quotes. The values represent the estimated amounts the Company would pay or receive to terminate the agreements at the reporting date.

#### **NOTE 10 -- CAPITAL STOCK**

Class A Common Stock is entitled to cumulative dividends of 1 cent a share per year after which Class B Common Stock is entitled to non-cumulative dividends up to ½ cent per share per year. Further distribution in any year must be made in proportion of 1 cent a share for Class A Common Stock to 1 ½ cents a share for Class B Common Stock. The Class A Common Stock has no voting rights unless four quarterly cumulative dividends upon the Class A Common Stock are in arrears. The Class B Common Stock has full voting rights. There is no cumulative voting for the election of directors.

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

	<u>Authorized Shares</u>	<u>Issued Shares</u>	<u>Outstanding Shares</u>	<u>Treasury Shares</u>
<u>January 31, 2004:</u>				
Class A Common Stock	32,000,000	21,140,960	10,748,105	10,392,855
Class B Common Stock	17,280,000	17,280,000	11,661,939	5,618,061
<u>October 31, 2003:</u>				
Class A Common Stock	32,000,000	21,140,960	10,573,346	10,567,614
Class B Common Stock	17,280,000	17,280,000	11,662,003	5,617,997

## **NOTE 11 -- DIVIDENDS PER SHARE**

The following dividends per share were paid during the periods indicated:

	Three months ended January 31,	
	<u>2004</u>	<u>2003</u>
Class A Common Stock	\$0.14	\$0.14
Class B Common Stock	\$0.20	\$0.20

## **NOTE 12 -- CALCULATION OF EARNINGS (LOSS) PER SHARE**

The Company has two classes of common stock and, as such, applies the "two-class method" of computing earnings (loss) per share as prescribed in SFAS No. 128, "Earnings Per Share." In accordance with the Statement, earnings (losses) are allocated first to Class A and Class B Common Stock to the extent that dividends are actually paid and the remainder allocated assuming all of the earnings (losses) for the period have been distributed in the form of dividends.

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

	Three months ended January 31,	
	<u>2004</u>	<u>2003</u>
<u>Class A Common Stock:</u>		
Basic shares	10,620,133	10,562,640
Assumed conversion of stock options	<u>237,716</u>	<u>--</u>
Diluted shares	<u>10,857,849</u>	<u>10,562,640</u>
 <u>Class B Common Stock:</u>		
Basic and diluted shares	<u>11,661,995</u>	<u>11,754,661</u>

There were 8,000 stock options that were antidilutive for the three-month period ended January 31, 2004 (1,712,458 for the three-month period ended January 31, 2003).

## **NOTE 13 -- COMPREHENSIVE INCOME (LOSS)**

Comprehensive income (loss) is comprised of net income and other charges and credits to equity that are not the result of transactions with the Company's owners. The components of comprehensive income (loss), net of tax, are as follows (Dollars in thousands):

	Three months ended January 31,	
	<u>2004</u>	<u>2003</u>
Net income (loss)	\$(3,366)	\$ 4,931
Other comprehensive income (loss):		
Foreign currency translation adjustment	(1,776)	(2,245)
Change in market value of interest rate derivatives, net of tax	385	140
Minimum pension liability adjustment, net of tax	<u>(497)</u>	<u>--</u>
Comprehensive income (loss)	<u><u>\$(5,254)</u></u>	<u><u>\$ 2,826</u></u>

#### **NOTE 14 -- BUSINESS SEGMENT INFORMATION**

The Company operates in three business segments: Industrial Packaging & Services; Paper, Packaging & Services; and Timber.

The Company's reportable segments are strategic business units that offer different products. The accounting policies of the reportable segments are the same as those described in the "Description of Business and Summary of Significant Accounting Policies" note (see Note 1) in the 2003 Form 10-K, except that the Company accounts for inventories on a first-in, first-out basis at the segment level compared to a last-in, first-out basis at the consolidated level for most locations in the United States.

The following segment information is presented for the periods indicated (Dollars in thousands):

	Three months ended January 31,	
	<u>2004</u>	<u>2003</u>
<b><u>Net sales:</u></b>		
Industrial Packaging & Services	\$337,391	\$303,148
Paper, Packaging & Services	125,294	124,680
Timber	<u>6,175</u>	<u>6,850</u>
Total net sales	<u><u>\$468,860</u></u>	<u><u>\$434,678</u></u>
<b><u>Operating profit:</u></b>		
Operating profit before restructuring charges and timberland gains:		
Industrial Packaging & Services	\$ 8,851	\$ 3,515
Paper, Packaging & Services	5,353	7,891
Timber	<u>4,396</u>	<u>4,837</u>
Operating profit before restructuring charges and timberland gains	<u>18,600</u>	<u>16,243</u>
Restructuring charges:		
Industrial Packaging & Services	12,023	1,165
Paper, Packaging & Services	3,169	374
Timber	<u>67</u>	<u>--</u>
Total restructuring charges	<u>15,259</u>	<u>1,539</u>
Timberland gains:		
Timber	<u>3,934</u>	<u>396</u>
Total	<u><u>\$ 7,275</u></u>	<u><u>\$15,100</u></u>

	Three months ended January 31,	
	<u>2004</u>	<u>2003</u>
<b><u>Depreciation, depletion and amortization expense:</u></b>		
Industrial Packaging & Services	\$17,058	\$14,854
Paper, Packaging & Services	8,825	8,847
Timber	<u>827</u>	<u>400</u>
Total depreciation, depletion and amortization expense	<u>\$26,710</u>	<u>\$24,101</u>
	January 31,	October 31,
	<u>2004</u>	<u>2003</u>
<b><u>Assets:</u></b>		
Industrial Packaging & Services	\$1,128,756	\$1,153,939
Paper, Packaging & Services	308,895	341,305
Timber	<u>127,262</u>	<u>123,582</u>
Total segment	1,564,913	1,618,826
Corporate and other	<u>226,815</u>	<u>212,385</u>
Total assets	<u>\$1,791,728</u>	<u>\$1,831,211</u>

The following table presents net sales to external customers by geographic area (Dollars in thousands):

	Three months ended January 31,	
	<u>2004</u>	<u>2003</u>
<b><u>Net sales:</u></b>		
North America	\$268,024	\$275,057
Europe	132,946	107,321
Other	<u>67,890</u>	<u>52,300</u>
Total net sales	<u>\$468,860</u>	<u>\$434,678</u>

The following table presents total assets by geographic area (Dollars in thousands):

	January 31,	October 31,
	<u>2004</u>	<u>2003</u>
<b><u>Assets:</u></b>		
North America	\$1,201,106	\$1,253,983
Europe	402,435	389,171
Other	<u>188,187</u>	<u>188,057</u>
Total assets	<u>\$1,791,728</u>	<u>\$1,831,211</u>

## **NOTE 15 -- SUMMARIZED CONDENSED CONSOLIDATING FINANCIAL STATEMENTS**

The Senior Subordinated Notes, more fully described in Note 8 – Long-Term Debt, are fully guaranteed, jointly and severally, by the Company’s United States subsidiaries (“Guarantor Subsidiaries”). The Company’s non-United States subsidiaries are not guaranteeing the Senior Subordinated Notes (“Non-Guarantor Subsidiaries”). Presented below are summarized condensed consolidating financial statements of Greif, Inc. (the “Parent”), which includes certain of the Company’s operating units, the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries and the Company on a consolidated basis.

These summarized condensed consolidating financial statements are prepared using the equity method. Separate financial statements for the Guarantor Subsidiaries are not presented based on management's determination that they do not provide additional information that is material to investors.

Condensed Consolidating Statement of Operations  
For the three months ended January 31, 2004

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$153,790	\$ 131,158	\$239,754	\$(55,842)	\$468,860
Cost of products sold	<u>135,688</u>	<u>112,556</u>	<u>207,008</u>	<u>(55,842)</u>	<u>399,410</u>
Gross profit	18,102	18,602	32,746	--	69,450
Selling, general and administrative expenses	24,959	3,800	22,266	--	51,025
Restructuring charges	3,208	9,408	2,643	--	15,259
Gain on sale of assets	<u>--</u>	<u>4,019</u>	<u>90</u>	<u>--</u>	<u>4,109</u>
Operating profit (loss)	(10,065)	9,413	7,927	--	7,275
Interest expense, net	10,172	1,064	1,011	--	12,247
Other income (expense), net (1)	<u>(8,889)</u>	<u>4,879</u>	<u>4,232</u>	<u>--</u>	<u>222</u>
Income (loss) before income tax expense (benefit) and equity in earnings of affiliates and minority interests	(29,126)	13,228	11,148	--	(4,750)
Income tax expense (benefit)	(8,971)	4,074	3,434	--	(1,463)
Equity in earnings of affiliates and minority interests	<u>16,789</u>	<u>--</u>	<u>(79)</u>	<u>(16,789)</u>	<u>(79)</u>
Net income (loss)	<u>\$ (3,366)</u>	<u>\$ 9,154</u>	<u>\$ 7,635</u>	<u>\$(16,789)</u>	<u>\$ (3,366)</u>

Condensed Consolidating Statement of Operations  
For the three months ended January 31, 2003

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$168,626	\$ 124,153	\$194,814	\$(52,915)	\$434,678
Cost of products sold	<u>143,635</u>	<u>104,295</u>	<u>163,934</u>	<u>(52,915)</u>	<u>358,949</u>
Gross profit	24,991	19,858	30,880	--	75,729
Selling, general and administrative expenses	23,089	12,434	23,978	--	59,501
Restructuring charges	1,123	--	416	--	1,539
Gain (loss) on sale of assets	<u>12</u>	<u>450</u>	<u>(51)</u>	<u>--</u>	<u>411</u>
Operating profit	791	7,874	6,435	--	15,100
Interest expense (income), net	12,477	(348)	1,425	--	13,554
Other income (expense), net (1)	<u>(10,091)</u>	<u>11,146</u>	<u>(831)</u>	<u>--</u>	<u>224</u>
Income (loss) before income tax expense (benefit) and equity in earnings of affiliates and minority interests	(21,777)	19,368	4,179	--	1,770
Income tax expense (benefit)	(7,841)	6,902	1,505	--	566
Equity in earnings of affiliates and minority interests	<u>14,045</u>	<u>(3,719)</u>	<u>(10)</u>	<u>(11,411)</u>	<u>(1,095)</u>
Income (loss) before cumulative effect of change in accounting principle	109	8,747	2,664	(11,411)	109
Cumulative effect of change in accounting principle	<u>4,822</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,822</u>
Net income (loss)	<u>\$ 4,931</u>	<u>\$ 8,747</u>	<u>\$ 2,664</u>	<u>\$(11,411)</u>	<u>\$ 4,931</u>

- (1) Parent column other expense amount and related amounts of other income in the Guarantor and Non-Guarantor Subsidiaries column primarily relate to an intercompany royalty arrangements.

Condensed Consolidating Balance Sheet  
January 31, 2004

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ --	\$ 12,897	\$ 25,224	\$ --	\$ 38,121
Trade accounts receivable	69,127	37,549	163,937	--	270,613
Inventories	17,774	48,372	104,149	--	170,295
Other current assets	<u>27,287</u>	<u>11,729</u>	<u>33,025</u>	--	<u>72,041</u>
	<u>114,188</u>	<u>110,547</u>	<u>326,335</u>	--	<u>551,070</u>
<b>Long-term assets</b>					
Goodwill and other intangible assets	113,536	38,794	128,915	--	281,245
Other long-term assets	<u>948,935</u>	<u>525,042</u>	<u>16,387</u>	<u>(1,432,774)</u>	<u>57,590</u>
	<u>1,062,471</u>	<u>563,836</u>	<u>145,302</u>	<u>(1,432,774)</u>	<u>338,835</u>
<b>Properties, plants and equipment, net</b>	<u>234,513</u>	<u>376,523</u>	<u>290,787</u>	--	<u>901,823</u>
	<u>\$1,411,172</u>	<u>\$1,050,906</u>	<u>\$762,424</u>	<u>\$(1,432,774)</u>	<u>\$1,791,728</u>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 19,756	\$ 26,532	\$ 85,472	\$ --	\$ 131,760
Short-term borrowings	--	--	19,734	--	19,734
Current portion of long-term debt	3,000	--	--	--	3,000
Other current liabilities	<u>16,311</u>	<u>30,397</u>	<u>86,134</u>	--	<u>132,842</u>
	<u>39,067</u>	<u>56,929</u>	<u>191,340</u>	--	<u>287,336</u>
<b>Long-term liabilities</b>					
Long-term debt	635,450	--	2,522	--	637,972
Other long-term liabilities	<u>168,397</u>	<u>53,316</u>	<u>74,816</u>	--	<u>296,529</u>
	<u>803,847</u>	<u>53,316</u>	<u>77,338</u>	--	<u>934,501</u>
<b>Minority interest</b>	--	--	<u>1,633</u>	--	<u>1,633</u>
<b>Shareholders' equity</b>	<u>568,258</u>	<u>940,661</u>	<u>492,113</u>	<u>(1,432,774)</u>	<u>568,258</u>
	<u>\$1,411,172</u>	<u>\$1,050,906</u>	<u>\$762,424</u>	<u>\$(1,432,774)</u>	<u>\$1,791,728</u>

Condensed Consolidating Balance Sheet  
October 31, 2003

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ --	\$ 26,421	\$ 23,346	\$ --	\$ 49,767
Trade accounts receivable	84,282	49,517	161,158	--	294,957
Inventories	16,896	46,696	103,565	--	167,157
Other current assets	<u>30,938</u>	<u>8,348</u>	<u>32,290</u>	--	<u>71,576</u>
	<u>132,116</u>	<u>130,982</u>	<u>320,359</u>	--	<u>583,457</u>
<b>Long-term assets</b>					
Goodwill and other intangible assets	113,117	38,847	130,999	--	282,963
Other long-term assets	<u>952,972</u>	<u>524,372</u>	<u>10,651</u>	<u>(1,435,579)</u>	<u>52,416</u>
	<u>1,066,089</u>	<u>563,219</u>	<u>141,650</u>	<u>(1,435,579)</u>	<u>335,379</u>
<b>Properties, plants and equipment, net</b>	<u>243,007</u>	<u>383,205</u>	<u>286,163</u>	--	<u>912,375</u>
	<u>\$1,441,212</u>	<u>\$1,077,406</u>	<u>\$748,172</u>	<u>\$(1,435,579)</u>	<u>\$1,831,211</u>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 26,776	\$ 39,392	\$ 92,165	\$ --	\$ 158,333
Short-term borrowings	--	--	15,605	--	15,605
Current portion of long-term debt	3,000	--	--	--	3,000
Other current liabilities	<u>20,353</u>	<u>22,146</u>	<u>92,881</u>	--	<u>135,380</u>
	<u>50,129</u>	<u>61,538</u>	<u>200,651</u>	--	<u>312,318</u>
<b>Long-term liabilities</b>					
Long-term debt	637,034	--	6,033	--	643,067
Other long-term liabilities	<u>181,485</u>	<u>56,645</u>	<u>63,246</u>	--	<u>301,376</u>
	<u>818,519</u>	<u>56,645</u>	<u>69,279</u>	--	<u>944,443</u>
<b>Minority interest</b>	--	--	<u>1,886</u>	--	<u>1,886</u>
<b>Shareholders' equity</b>	<u>572,564</u>	<u>959,223</u>	<u>476,356</u>	<u>(1,435,579)</u>	<u>572,564</u>
	<u>\$1,441,212</u>	<u>\$1,077,406</u>	<u>\$748,172</u>	<u>\$(1,435,579)</u>	<u>\$1,831,211</u>

Condensed Consolidating Statement of Cash Flows  
For the three months ended January 31, 2004

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Cash flows from operating activities:</b>					
Net cash provided by (used in) operating activities	<u>\$2,545</u>	<u>\$(12,175)</u>	<u>\$ 7,351</u>	<u>\$ --</u>	<u>\$(2,279)</u>
<b>Cash flows from investing activities:</b>					
Purchases of properties, plants and equipment	(1,822)	(5,446)	(2,503)	--	(9,771)
Proceeds on disposals of properties, plants and equipment	--	4,097	103	--	4,200
Net cash used in investing activities	<u>(1,822)</u>	<u>(1,349)</u>	<u>(2,400)</u>	<u>--</u>	<u>(5,571)</u>
<b>Cash flows from financing activities:</b>					
Payments on long-term debt	(1,584)	--	(6,867)	--	(8,451)
Proceeds from short-term borrowings	--	--	2,854	--	2,854
Dividends paid	(3,816)	--	--	--	(3,816)
Other, net	4,677	--	--	--	4,677
Net cash used in financing activities	<u>(723)</u>	<u>--</u>	<u>(4,013)</u>	<u>--</u>	<u>(4,736)</u>
<b>Effects of exchange rates on cash</b>	<u>--</u>	<u>--</u>	<u>940</u>	<u>--</u>	<u>940</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>--</u>	<u>(13,524)</u>	<u>1,878</u>	<u>--</u>	<u>(11,646)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>--</u>	<u>26,421</u>	<u>23,346</u>	<u>--</u>	<u>49,767</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ --</u>	<u>\$ 12,897</u>	<u>\$ 25,224</u>	<u>\$ --</u>	<u>\$38,121</u>

Condensed Consolidating Statement of Cash Flows  
For the three months ended January 31, 2003

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Cash flows from operating activities:</b>					
Net cash provided by (used in) operating activities	<u>\$3,571</u>	<u>\$2,623</u>	<u>\$(10,104)</u>	<u>\$ --</u>	<u>\$(3,910)</u>
<b>Cash flows from investing activities:</b>					
Purchases of properties, plants and equipment	(1,697)	(5,351)	(5,406)	--	(12,454)
Proceeds on disposals of properties, plants and equipment	880	510	--	--	1,390
Net cash used in investing activities	<u>(817)</u>	<u>(4,841)</u>	<u>(5,406)</u>	<u>--</u>	<u>(11,064)</u>
<b>Cash flows from financing activities:</b>					
Proceeds from issuance of long-term debt	814	--	10,774	--	11,588
Proceeds from short-term borrowings	--	--	2,913	--	2,913
Dividends paid	(3,831)	--	--	--	(3,831)
Other, net	(1,031)	--	--	--	(1,031)
Net cash provided by (used in) financing activities	<u>(4,048)</u>	<u>--</u>	<u>13,687</u>	<u>--</u>	<u>9,639</u>
<b>Effects of exchange rates on cash</b>	<u>--</u>	<u>--</u>	<u>(759)</u>	<u>--</u>	<u>(759)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(1,294)</u>	<u>(2,218)</u>	<u>(2,582)</u>	<u>--</u>	<u>(6,094)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>1,326</u>	<u>2,218</u>	<u>21,852</u>	<u>--</u>	<u>25,396</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 32</u>	<u>\$ --</u>	<u>\$ 19,270</u>	<u>\$ --</u>	<u>\$19,302</u>

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

### **GENERAL**

The terms "Greif," "our company," "we," "us" and "our" as used in this discussion refer to Greif, Inc. and its subsidiaries. Our fiscal year begins on November 1 and ends on October 31 of the following year. Any references in this Form 10-Q to the years 2004 or 2003, or to any quarter of those years, relates to the fiscal year or quarter, as the case may be, ending in that year.

### **BUSINESS SEGMENTS**

We operate in three business segments: Industrial Packaging & Services; Paper, Packaging & Services; and Timber.

We are a leading global provider of industrial packaging products such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial shipping containers and polycarbonate water bottles. We seek to provide complete packaging solutions to our customers by offering a comprehensive range of products and services on a global basis. We sell our products to customers in industries such as chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical and mineral, among others.

We sell our containerboard, corrugated sheets and other corrugated products and multiwall bags to customers in North America. Our corrugated container products are used to ship such diverse products as home appliances, small machinery, grocery products, building products, automotive components, books and furniture, as well as numerous other applications. Our full line of industrial and consumer multiwall bag products is used to ship a wide range of industrial and consumer products, such as fertilizers, chemicals, concrete, flour, sugar, feed, seed, pet foods, popcorn, charcoal and salt. Our products are primarily sold to the agricultural, automotive, chemical, building products, food and packaging industries.

As of January 31, 2004, we owned approximately 279,000 acres of timberland in the southeastern United States and approximately 40,000 acres of timberland in Canada. Our timber management in the United States is focused on the active harvesting and regeneration of our timber properties to achieve sustainable long-term yields on our timberland. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market and weather conditions. Our Canadian timberland are not actively managed at this time.

### **CRITICAL ACCOUNTING POLICIES**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported

amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements.

A summary of our significant accounting policies is included in Note 1 to the Notes to Consolidated Financial Statements in our 2003 Form 10-K. We believe that the consistent application of these policies enables us to provide readers of the consolidated financial statements with useful and reliable information about our operating results and financial condition. The following are the accounting policies that we believe are most important to the portrayal of our financial condition and results and require our most difficult, subjective or complex judgments.

- Allowance for Accounts Receivable — We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, we record a specific allowance for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. In addition, we recognize allowances for bad debts based on length of time receivables are past due with allowance percentages, based on our historical experiences, applied on a graduated scale relative to the age of the receivable amounts. If circumstances change (i.e., higher than expected bad debt experience or an unexpected material adverse change in a major customer's ability to meet its financial obligations to us), our estimates of the recoverability of amounts due to us could be reduced by a material amount.
- Inventory Reserves — Reserves for slow moving and obsolete inventories are provided based on historical experience and product demand. We continuously evaluate the adequacy of these reserves and make adjustments to these reserves as required.
- Net Assets Held for Sale — Net assets held for sale represent land, buildings and land improvements less accumulated depreciation for locations that have been closed. We record net assets held for sale in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," at the lower of carrying value or fair value less cost to sell. Fair value is based on the estimated proceeds from the sale of the facility utilizing recent buy offers, market comparables and/or data obtained from our commercial real estate broker. Our estimate as to fair value is regularly reviewed and subject to changes in the commercial real estate markets and our continuing evaluation as to the facility's acceptable sale price.
- Properties, Plants and Equipment — Depreciation on properties, plants and equipment is provided on the straight-line method over the estimated useful lives of our assets.

We own timber properties in the southeastern United States and in Canada. With respect to our United States timber properties, which are being actively managed, depletion expense is computed on the basis of cost and the estimated recoverable timber acquired. Our land costs are maintained by tract. Merchantable timber costs are maintained by five product classes, pine

sawtimber, pine chip-n-saw, pine pulpwood, hardwood sawtimber and hardwood pulpwood, within a “depletion block,” with each depletion block based upon a geographic district or subdistrict. Currently, we have twelve depletion blocks. These same depletion blocks are used for pre-merchantable timber costs. Each year we estimate the volume of our merchantable timber for the five product classes by each depletion block. These estimates are based on the current state in the growth cycle and not on quantities to be available in future years. Our estimates do not include costs to be incurred in the future. We then project these volumes to the end of the year. Upon acquisition of a new timberland tract, we record separate amounts for land, merchantable timber and pre-merchantable timber allocated as a percentage of the values being purchased. These acquisition volumes and costs acquired during the year are added to the totals for each product class within the appropriate depletion block(s). The total of the beginning, one-year growth and acquisition volumes are divided by the total undepleted historical cost to arrive at a depletion rate, which is then used for the current year. As timber is sold, we multiply the volumes sold by the depletion rate for the current year to arrive at the depletion cost.

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

- **Restructuring Reserves** — Restructuring reserves are determined in accordance with appropriate accounting guidance, including SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities,” and Staff Accounting Bulletin No. 100, “Restructuring and Impairment Charges,” depending upon the facts and circumstances surrounding the situation. Restructuring reserves recorded in connection with existing and acquired companies are further discussed in Note 7 to the Notes to Consolidated Financial Statements included in this Form 10-Q.
- **Pension and Postretirement Benefits** — Pension and postretirement benefit expenses are determined by our actuaries using assumptions about the discount rate, expected return on plan assets, rate of compensation increase and health care cost trend rates. Further discussion of our pension and postretirement benefit plans and related assumptions is included in Notes 12 and 13 to the Notes to Consolidated Financial Statements included in our 2003 Form 10-K. The actual results would be different using other assumptions.
- **Income Taxes** — Our effective tax rate, taxes payable and the tax bases of our assets and liabilities reflect current tax rates in our domestic and foreign tax jurisdictions and our best estimate of the ultimate outcome of ongoing and potential future tax audits. Valuation allowances are established where expected future taxable income does not support the realization of the deferred tax assets.
- **Environmental Cleanup Costs** — We expense environmental expenditures related to existing conditions caused by past or current operations and from which no current or future benefit is discernable. Expenditures that extend the life of the related property, or mitigate or prevent future environmental contamination, are capitalized.

Our reserves for environmental liabilities at January 31, 2004 amounted to \$9.4 million, which included a reserve of \$4.9 million related to our facility in Lier, Belgium and \$4.5 million for asserted and unasserted environmental litigation, claims and/or assessments at several manufacturing sites or other locations where we believe the outcome of such matters will be unfavorable to us. The environmental exposures for those sites included in the \$4.5 million reserve were not individually significant. The reserve for the Lier, Belgium site is based on environmental studies that have been conducted at this location. The Lier, Belgium site is being monitored by the Public Flemish Waste Company (“PFWC”), which is the Belgian body for waste control. The PFWC must approve all remediation efforts that are undertaken by us at this site.

We anticipate that expenditures in future periods for remediation costs at identified sites will be over an extended period of time. Given the inherent uncertainties in evaluating environmental exposures, actual costs may vary from those estimated at January 31, 2004. Our exposure to adverse developments with respect to any individual site is not expected to be material. Although environmental remediation could have a material effect on results of operations if a series of adverse developments occur in a particular quarter or fiscal year, we believe that the chance of such developments occurring in the same quarter or fiscal year is remote. Future information and developments will require us to continually reassess the expected impact of these environmental matters.

- Contingencies — Various lawsuits, claims and proceedings have been or may be instituted or asserted against us, including those pertaining to environmental, product liability, safety and health matters. We are continually consulting legal counsel and evaluating requirements to reserve for contingencies in accordance with SFAS No. 5, “Accounting for Contingencies.” While the amounts claimed may be substantial, the ultimate liability cannot currently be determined because of the considerable uncertainties that exist. Based on the facts currently available, we believe the disposition of matters that are pending will not have a material effect on the consolidated financial statements.
- Goodwill, Other Intangible Assets and Other Long-Lived Assets — Goodwill and indefinite-lived intangible assets are periodically reviewed for impairment as required by SFAS No. 142, “Goodwill and Other Intangible Assets.” The costs of acquired intangible assets determined to have definite lives are amortized on a straight-line basis over their estimated economic lives of two to 20 years. Our policy is to periodically review other intangible assets subject to amortization and other long-lived assets based upon the evaluation of such factors as the occurrence of a significant adverse event or change in the environment in which the business operates, or if the expected future net cash flows (undiscounted and without interest) would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related assets.

Other items that could have a significant impact on the consolidated financial statements include the risks and uncertainties listed in this Form 10-Q under the

“Forward-Looking Statements; Certain Factors Affecting Future Results” below. Actual results could differ materially using different estimates and assumptions or if conditions are significantly different in the future.

## RESULTS OF OPERATIONS

The following comparative information is presented for the three-month periods ended January 31, 2004 and 2003. Historically, revenues or earnings may or may not be representative of future operating results due to various economic and other factors.

The non-GAAP financial measure of operating profit, before restructuring charges and timberland gains, is used throughout the following discussion of our results of operations (except with respect to the segment discussions for Industrial Packaging & Services and Paper, Packaging & Services, where timberland gains are not applicable). Operating profit, before restructuring charges and timberland gains, is equal to the GAAP operating profit plus restructuring charges less timberland gains. We use operating profit, before restructuring charges and timberland gains, because we believe that this measure provides a better indication of our operational performance than the corresponding GAAP measure because it excludes restructuring charges, which are not representative of ongoing operations, and timberland gains, which are volatile from period to period, and it provides a more stable platform on which to compare our historical performance.

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

For the three months ended January 31,	<u>2004</u>	<u>2003</u>
<b>Net Sales</b>		
Industrial Packaging & Services	\$337,391	\$303,148
Paper, Packaging & Services	125,294	124,680
Timber	<u>6,175</u>	<u>6,850</u>
Total net sales	<u>\$468,860</u>	<u>\$434,678</u>
<b>Operating Profit</b>		
Operating profit, before restructuring charges and timberland gains:		
Industrial Packaging & Services	\$ 8,851	\$ 3,515
Paper, Packaging & Services	5,353	7,891
Timber	<u>4,396</u>	<u>4,837</u>
Total operating profit before restructuring charges and timberland gains	<u>18,600</u>	<u>16,243</u>
Restructuring charges:		
Industrial Packaging & Services	12,023	1,165
Paper, Packaging & Services	3,169	374
Timber	<u>67</u>	<u>--</u>
Total restructuring charges	<u>15,259</u>	<u>1,539</u>
Timberland gains:		
Timber	<u>3,934</u>	<u>396</u>
Total operating profit	<u>\$ 7,275</u>	<u>\$15,100</u>

## **Overview**

Net sales rose 8% to \$468.9 million for the first quarter of 2004 from \$434.7 million during the same quarter last year. On a consolidated basis, net sales increased approximately 1% after excluding the impact of foreign currency translation.

The GAAP operating profit was \$7.3 million for the first quarter of 2004 compared with \$15.1 million a year ago. Our operating profit for the first quarter of 2004 was negatively impacted by a higher level of restructuring charges and positively impacted by a higher level of timberland gains versus the first quarter of 2003.

Operating profit, before restructuring charges of \$15.3 million and timberland gains of \$3.9 million, increased 15% to \$18.6 million for the first quarter of 2004 compared with operating profit, before restructuring charges of \$1.5 million and timberland gains of \$0.4 million, of \$16.2 million for the same period last year.

## **Segment Review**

### *Industrial Packaging & Services*

Net sales rose 11% to \$337.4 million for the first quarter of 2004 from \$303.1 million for the same period last year. After excluding the impact of foreign currency translation, net sales for this segment increased 1% on a quarter-over-quarter basis.

The GAAP operating loss was \$3.2 million for the first quarter of 2004 compared with a GAAP operating profit of \$2.4 million for the first quarter of 2003. This segment's first quarter of 2004 results were negatively impacted by a higher level of restructuring charges versus the same period last year.

Operating profit, before restructuring charges of \$12.0 million, rose to \$8.9 million for the first quarter of 2004 from operating profit, before restructuring charges of \$1.2 million, of \$3.5 million a year ago. Cost reduction initiatives continue to be implemented to reduce costs and improve operating efficiencies. Lower selling, general and administrative ("SG&A") expenses for Industrial Packaging & Services reflect a portion of the savings resulting from these initiatives. These benefits were partially offset by higher raw material costs and lower absorption of fixed costs, which reduced this segment's gross profit margins.

### *Paper, Packaging & Services*

Net sales rose nominally to \$125.3 million for the first quarter of 2004 from \$124.7 million for the same period last year. Improved volumes were offset by lower average sales prices in the containerboard operations of this segment.

The GAAP operating profit was \$2.2 million for the first quarter of 2004 compared with \$7.5 million for the first quarter of 2003. This segment's first quarter of 2004 results were negatively impacted by a higher level of restructuring charges versus the same period last year.

Operating profit, before restructuring charges of \$3.2 million, was \$5.4 million for the first quarter of 2004 compared with operating profit, before restructuring charges of \$0.4 million, of \$7.9 million a year ago. This decrease was primarily due to a decline in gross profit margin resulting from reduced pricing levels and higher raw material costs in the containerboard operations. The decline in gross profit was partially offset by lower SG&A expenses in the first quarter of 2004 compared with the same quarter last year.

### *Timber*

Timber sales were \$6.2 million for the first quarter of 2004 compared with \$6.9 million for the same period last year. These sales were consistent with budgeted levels for both periods.

The GAAP operating profit was \$8.3 million for the first quarter of 2004 compared with \$5.2 million for the first quarter of 2003. This segment's first quarter of 2004 results were positively impacted by a higher level of timberland gains versus the same period last year.

As a result of the lower sales volume, operating profit, before restructuring charges of \$0.1 million and timberland gains of \$3.9 million, was \$4.4 million for the first quarter of 2004, compared to operating profit, before timberland gains of \$0.4 million, of \$4.8 million a year ago.

## **Other Income Statement Changes**

### *Cost of Products Sold*

The cost of products sold, as a percentage of net sales, increased to 85.2% for the first quarter of 2004 from 82.6% for the first quarter of 2003. The cost of products sold, as a percentage of net sales, primarily increased as a result of higher costs for raw materials and lower absorption of fixed costs in the Industrial Packaging & Services segment; lower selling prices and higher raw material costs in the containerboard operations of the Paper, Packaging & Services segment; and lower planned sales in the Timber segment, which have a relatively lower cost associated with them.

### *Selling, General and Administrative Expenses*

SG&A expenses declined to \$51.0 million, or 10.9% of net sales, for the first quarter of 2004 from \$59.5 million, or 13.7% of net sales, for the same period a year ago. The decline in SG&A expenses was primarily attributable to solid progress regarding our performance improvement plan. The dollar reduction in SG&A expenses was partially offset by the negative impact of foreign currency translation (approximately \$2 million).

### *Restructuring Charges*

As previously announced, our performance improvement plan is expected to enhance long-term organic sales growth and productivity and achieve permanent cost reductions. Our focus during 2003 had been primarily SG&A optimization, which is expected to result in annual cost savings of \$60 million realized in 2004. The focus during 2004 is to become an even leaner, more market-focused/performance-driven company. This next and final phase of the transformation is expected to deliver additional annualized benefits of approximately \$50 million, with about \$15 million of those savings to be realized in 2004. The opportunities identified include, but are not limited to, improved labor productivity, material yield and other manufacturing efficiencies, coupled with further network consolidation. The related one-time costs for this phase will be approximately \$45 million to \$50 million, all of which will be incurred in 2004. In addition, we are launching a strategic sourcing initiative to more effectively leverage our global spending and lay the foundation for a world class sourcing and supply chain capability.

As part of the performance improvement plan, we closed three company-owned plants (two in the Industrial Packaging & Services segment and one in the Paper, Packaging & Services segment) during the first quarter of 2004. These plants are located in North America. In addition, administrative staff reductions have been made throughout the world. As a result of the performance improvement plan, during the first quarter of 2004, we recognized restructuring charges of \$15.3 million, consisting of \$7.0 million in employee separation costs, \$2.2 million in asset impairments and \$6.1 million in other costs. See Note 7 to the Notes to Consolidated Financial Statements for additional disclosures regarding our restructuring activities.

#### *Gain on Sale of Assets*

Gain on sale of assets increased to \$4.1 million in the first quarter of 2004 as compared to \$0.4 million in the first quarter of 2003 resulting from the sale of certain timber properties.

#### *Interest Expense, Net*

Interest expense declined to \$12.2 million for the first quarter of 2004 from \$13.6 million for the same period last year. This reduction was primarily due to lower average interest rates on our debt.

#### *Other Income, Net*

Other income, net was \$0.2 million in the first quarter of both 2004 and 2003.

#### *Income Tax Expense (Benefit)*

The effective tax rate was 30.8% and 32.0% in the first quarter of 2004 and 2003, respectively. The lower effective tax rate resulted from a change in the mix of income outside the United States.

### *Equity in Earnings of Affiliates and Minority Interests*

Equity in earnings of affiliates and minority interests was a charge of \$0.1 million for the first quarter of 2004 as compared to a charge of \$1.1 million in the same period of 2003. During the first quarter of 2003, we deducted 37% of CorrChoice's net income related to its minority shareholders. Effective September 30, 2003, our ownership increased to 100% resulting from CorrChoice's redemption of its minority shareholders' outstanding shares. Therefore, no such deduction was made in the first quarter of 2004.

### *Cumulative Effect of Change in Accounting Principle*

During the first quarter of 2003, we recorded a \$4.8 million gain as a cumulative effect of change in accounting principle resulting from the adjustment of our unamortized negative goodwill in accordance with the transition provisions of SFAS No. 141, "Business Combinations," upon the adoption of SFAS No. 142.

### *Net Income (Loss)*

Based on the foregoing, we recorded a net loss of \$3.4 million for the first quarter of 2004 compared to net income of \$4.9 million in the same period last year.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our primary sources of liquidity are operating cash flows, the proceeds from our Senior Subordinated Notes and trade accounts receivable credit facility, and borrowings under our Amended and Restated Senior Secured Credit Agreement, discussed below. We have used these sources to fund our working capital needs, capital expenditures, cash dividends, common stock repurchases and acquisitions. We anticipate continuing to fund these items in a like manner. We currently expect that operating cash flows, the proceeds from our Senior Subordinated Notes and trade accounts receivable credit facility, and borrowings under our Amended and Restated Senior Secured Credit Agreement will be sufficient to fund our working capital, capital expenditures, debt repayment and other liquidity needs for the foreseeable future.

### **Capital Expenditures**

During the first three months of 2004, we invested \$9.8 million in capital expenditures, which included \$2.7 million for the purchase of timber properties.

We expect capital expenditures to be approximately \$75 million to \$80 million in 2004, which would be \$20 million to \$25 million below our anticipated depreciation expense.

### **Balance Sheet Changes**

The reduction in trade accounts receivable was primarily due to lower net sales in the first quarter of 2004 compared to the fourth quarter of 2003.

The decrease in accounts payable was mostly due to lower cost of products sold in the first quarter of 2004 compared to the fourth quarter of 2003 and the timing of payments made to our suppliers.

Accrued payroll and employee benefits were lower primarily due to the timing of the annual bonus payments, which were accrued at October 31, 2003.

### **Borrowing Arrangements**

#### *\$550 Million Amended and Restated Senior Secured Credit Agreement*

On August 23, 2002, we and certain of our non-United States subsidiaries entered into a \$550 million Amended and Restated Senior Secured Credit Agreement with a syndicate of lenders. The Amended and Restated Senior Secured Credit Agreement originally provided for a \$300 million term loan and a \$250 million revolving multicurrency credit facility. The revolving multicurrency credit facility is available for working capital and general corporate purposes, and has been permanently reduced to \$240 million. Interest is based on either a London InterBank Offered Rate ("LIBOR") or an alternative base rate that resets periodically plus a calculated margin amount. As of January 31, 2004, there was a total of \$313 million outstanding under the Amended and Restated Senior Secured Credit Agreement.

The Amended and Restated Senior Secured Credit Agreement contains certain covenants, which include financial covenants that require us to maintain a certain leverage ratio, a minimum coverage of interest expense and fixed charges, and a minimum net worth. At January 31, 2004, we were in compliance with these covenants. The terms of the Amended and Restated Senior Secured Credit Agreement also limit our ability to make "restricted payments," which include dividends and purchases, redemptions and acquisitions of equity interests. The repayment of this facility is secured by a first lien on substantially all of the personal property and certain of the real property of Greif and its United States subsidiaries and, in part, by the capital stock of the non-United States borrowers and any intercompany notes payable to them.

On February 6, 2004, we amended our term loan under the Amended and Restated Senior Secured Credit Agreement. As of January 31, 2004, the original \$300 million term loan had an outstanding balance of \$226 million. As a result of the amendment, the term loan was increased to \$250 million and the applicable margin was lowered by 50 basis points while maintaining the existing maturity schedule. The incremental borrowings under the term loan were used to reduce borrowings under the revolving multicurrency credit facility.

#### *8 7/8% Senior Subordinated Notes*

On July 31, 2002, we issued Senior Subordinated Notes in the aggregate principal amount of \$250 million, receiving net proceeds of approximately \$248 million before expenses. Interest on the Senior Subordinated Notes is payable semi-annually at the annual rate of 8.875%. The Senior Subordinated Notes do not have required

principal payments prior to maturity on August 1, 2012. As of January 31, 2004, there was a total of \$255 million outstanding under the Senior Subordinated Notes. The increase in the balance as compared to the proceeds originally received was primarily due to the recording of gains on fair value hedges we have in place to hedge interest rate risk.

The Indenture pursuant to which the Senior Subordinated Notes were issued contains certain covenants. At January 31, 2004, we were in compliance with these covenants. The terms of the Senior Subordinated Notes also limit our ability to make "restricted payments," which include dividends and purchases, redemptions and acquisitions of equity interests.

#### *Trade Accounts Receivable Credit Facility*

On October 31, 2003, we entered into a five-year, up to \$120 million credit facility with an affiliate of a bank in connection with the securitization of certain of our trade accounts receivable. The facility is secured by certain of our trade accounts receivable and bears interest at a variable rate based on LIBOR plus a margin or other agreed upon rate. We also pay a commitment fee. We can terminate the facility at any time upon 60 days prior written notice. In connection with this transaction, we established Greif Receivables Funding LLC, which is included in our consolidated financial statements. This entity purchases and services our trade accounts receivable that are subject to this credit facility. As of January 31, 2004, there was a total of \$72 million outstanding under the trade accounts receivable credit facility.

The trade accounts receivable credit facility provides that in the event we breach any of our financial covenants under the Amended and Restated Senior Secured Credit Agreement, and the majority of the lenders thereunder consent to a waiver thereof, but the provider of the trade accounts receivable credit facility does not consent to any such waiver, then we must within 90 days of providing notice of the breach pay all amounts outstanding under the trade accounts receivable credit facility.

### **Contractual Obligations**

As of January 31, 2004, we had the following contractual obligations (Dollars in millions):

	Payments Due By Period				
	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>After 5 years</u>
Long-term debt	\$641	\$ 3	\$ 94	\$78	\$466
Short-term borrowings	20	20	--	--	--
Non-cancelable operating leases	<u>60</u>	<u>11</u>	<u>23</u>	<u>13</u>	<u>13</u>
Total contractual cash obligations	<u>\$721</u>	<u>\$34</u>	<u>\$117</u>	<u>\$91</u>	<u>\$479</u>

### **Stock Repurchase Program**

In February 1999, our Board of Directors authorized a one million-share stock repurchase program. During the first three months of 2004, we repurchased 64 shares

of Class B Common Stock. As of January 31, 2004, we had repurchased 712,930 shares, including 435,476 shares of Class A Common Stock and 277,454 shares of Class B Common Stock. The total cost of the shares repurchased during 1999 through January 31, 2004 was \$20.5 million.

### **Recent Accounting Standards**

In December 2003, the Financial Accounting Standards Board ("FASB") issued a revision to SFAS No. 132, "Employers Disclosures about Pensions and Other Postretirement Benefits." The revision relates to employers' disclosures about pension plans and other postretirement benefit plans. It does not alter the measurement or recognition provisions of the original SFAS No. 132. It requires additional disclosures regarding assets, obligations, cash flows and net periodic benefit costs of pension plans and other defined benefit postretirement plans. Excluding certain disclosure requirements, the revised Statement is effective for financial statements with fiscal years ended after December 15, 2003. Interim period disclosures are effective for interim periods beginning after December 15, 2003.

In December 2003, the FASB issued a revision to Interpretation No. 46, "Consolidation of Variable Interest Entities." This Interpretation defines when a business enterprise must consolidate a variable interest entity. The Interpretation provisions are effective for variable interest entities commonly referred to as special-purpose entities for periods ending after March 15, 2004. We do not have any material unconsolidated variable interest entities as of January 31, 2004 that would require consolidation. Adoption of the subsequent provisions of the Interpretation is not expected to have a material impact on our financial position or results of operations.

### **Forward-Looking Statements; Certain Factors Affecting Future Results**

All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs, goals and plans and objectives of management for future operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "project," "believe" or "continue" or the negative thereof or variations thereon or similar terminology. All forward-looking statements made in this Form 10-Q are based on information presently available to our management. Although we believe that the expectations reflected in forward-looking statements have a reasonable basis, we can give no assurance that these expectations will prove to be correct. Forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed in or implied by the statements. Such risks and uncertainties that could cause a difference include, but are not limited to: general economic and business conditions, including a prolonged or substantial economic downturn; changing trends and demands in the industries in which we compete, including industry over-capacity; industry competition; the continuing consolidation of our

customer base for industrial packaging, containerboard and corrugated products; political instability in those foreign countries where we manufacture and sell our products; foreign currency fluctuations and devaluations; availability and costs of raw materials for the manufacture of our products, particularly steel and resin, and price fluctuations in energy costs; costs associated with litigation or claims against us pertaining to environmental, safety and health, product liability and other matters; work stoppages and other labor relations matters; property loss resulting from wars, acts of terrorism, or natural disasters; the frequency and volume of sales of our timber and timberland; and the deviation of actual results from the estimates and/or assumptions used by us in the application of our significant accounting policies. These and other risks and uncertainties that could materially affect our consolidated financial results are further discussed in our filings with the Securities and Exchange Commission, including our Form 10-K for the year ended October 31, 2003. We assume no obligation to update any forward-looking statements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

There has not been a significant change in the quantitative and qualitative disclosures about the Company's market risk from the disclosures contained in the Company's Form 10-K for the year ended October 31, 2003.

### **ITEM 4. CONTROLS AND PROCEDURES**

Under the supervision of the Chief Executive Officer and Chief Financial Officer, the Company's management conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures, as such term is defined under Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective in timely making known to them material information required to be included in the Company's periodic filings with the Securities and Exchange Commission.

There has been no change in the Company's internal controls over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

- (a.) The Company held its Annual Meeting of Stockholders on February 23, 2004.
- (b.) At the Annual Meeting of Stockholders, the following nominees were elected to the Board of Directors. The inspectors of election certified the following vote tabulations:

	<u>For</u>	<u>Against</u>
Charles R. Chandler	11,419,192	7,678
Michael H. Dempsey	11,412,284	14,586
Michael J. Gasser	11,419,292	7,578
Daniel J. Gunsett	11,414,284	12,586
Judith D. Hook	11,423,670	3,200
Patrick J. Norton	11,423,770	3,100
David J. Olderman	11,423,770	3,100
William B. Sparks, Jr.	11,419,192	7,678

- (c.) An amendment to the Company's Long-Term Incentive Plan was approved at the Annual Meeting of Stockholders. The inspectors of election certified the following vote tabulations:

<u>For</u>	<u>Against</u>	<u>Withheld</u>
11,353,876	47,610	25,384

## **ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

- (a.) Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a -14(a) of the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a -14(a) of the Securities Exchange Act of 1934
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
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

- (b.) Reports on Form 8-K.

No events occurred requiring a Form 8-K to be filed during the first quarter of 2004.

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

Greif, Inc.  
(Registrant)

Date: March 5, 2004

/s/ Donald S. Huml  
Donald S. Huml, Chief Financial  
Officer (Duly Authorized Signatory)

**GREIF, INC.**

**Form 10-Q  
For Quarterly Period Ended January 31, 2004**

**EXHIBIT INDEX**

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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

**CERTIFICATION**

I, Michael J. Gasser, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greif, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

**EXHIBIT 31.1  
(concluded)**

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2004

/s/ Michael J. Gasser  
Michael J. Gasser, Chairman  
and Chief Executive Officer  
(Principal executive officer)

**CERTIFICATION**

I, Donald S. Huml, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greif, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

**EXHIBIT 31.2**  
**(concluded)**

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2004

/s/ Donald S. Huml  
Donald S. Huml, Chief Financial  
Officer (Principal financial officer)

**Certification 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**

In connection with the Quarterly Report of Greif, Inc. (the "Company") on Form 10-Q for the quarterly period ended January 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Gasser, the chief executive officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 5, 2004

/s/ Michael J. Gasser  
Michael J. Gasser, Chairman  
and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Greif, Inc. and will be retained by Greif, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification 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**

In connection with the Quarterly Report of Greif, Inc. (the "Company") on Form 10-Q for the quarterly period ended January 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald S. Huml, the chief financial officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 5, 2004

/s/ Donald S. Huml  
Donald S. Huml, Chief Financial  
Officer

A signed original of this written statement required by Section 906 has been provided to Greif, Inc. and will be retained by Greif, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.