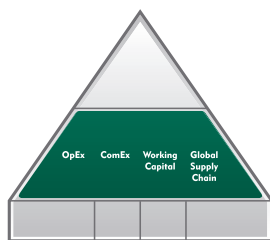


The Greif Business System is our catalyst for continuous improvement and growth. Four years following the introduction of the GBS, we continue to refine our business skills and initiate new diagnostics to identify additional opportunities for safety, savings and increased efficiencies in our facilities throughout the world. We are actively engaged in embedding, optimizing and extending the GBS in all aspects of our businesses. It shapes our corporate outlook and helps define pathways to success in Greif's operations, commercial activities, sourcing initiatives and financial management. While the GBS directly influences our strategy, general management style and commitment to people, our vision and values are expressed in The Greif Way.

The principles of The Greif Way have guided our company for decades. They influence our daily individual and corporate actions including ethical transactions with suppliers and customers, and transparent communications with investors and employees. Simply stated, The Greif Way mirrors The Golden Rule: we treat others as we want to be treated. The Greif Way shapes our vision to be the best packaging company in the world.

While The Greif Way unifies our thoughts and actions, we excel based on our diversity of products, geographic footprint, customers, skill sets, cultures and thought. Our diversity gives us a tremendous advantage in the global marketplace. Without it, we might still be making wooden barrels, or, more likely, have become a footnote in the history of packaging well before our 130th anniversary.



The GBS differs from other business models in its comprehensive nature and the holistic approach we use to implement it. Well-defined goals for Operational Excellence, Commercial Excellence, Working Capital and Global Supply Chain are pursued simultaneously. As a result, we are able to achieve key milestones, realize higher levels of performance, and reap the benefits of the GBS as it is applied to new ventures.

With the GBS integrated throughout our company, employees everywhere are now equipped with knowledge, such as how to conduct a kaizen event, and tools, such as performance dashboards, to help them achieve their goals at all levels.

GBS Skill Teams, comprising employees from around the world, are working hard to ensure that we standardize, optimize and embed the GBS in all of our facilities.

They gather data from all locations and analyze it to identify best practices within our network. Then the teams develop and implement plans to replicate those successes in similar facilities around the world.

Numerous best practices were initiated independently at the local level during the past year. These include an energy-savings initiative at two plants in Colombia that was expanded to the majority of our plants in Latin America during 2007. Based on their successful implementation efforts, energy consumption increased only nominally despite a 40 percent increase in production volume during the same period. Another example is in paper packaging where Six Sigma is being used to make improvements in their structure. Also, the Timber segment is employing Commercial Excellence tools to enhance services to customers and create new uses for our valuable timber assets.

Through Commercial Excellence we have the tools to quantify the value of our products and services for customers. Using techniques such as value selling, customer segmentation and total account management, we advance the benefits of our products and services as we work to become our customers' supplier of choice for their industrial packaging needs.

We have also achieved measurable progress through the GBS in other areas of the company. Due to the contributions of scores of employees involved in accounts receivable, accounts payable and inventory management activities throughout the world, we met our fiscal 2009 financial target for operating working capital to net sales two years ahead of schedule. We continue to seek ways to enhance our cash flow and remain committed to further strengthening our balance sheet.

During 2007 we faced rising costs, especially from cold rolled steel, high density polyethylene and old corrugated containers, as well as higher transportation and energy costs compared to 2006. We responded to these challenges through specific initiatives by our Global Sourcing & Supply Chain led by Senior Vice President Ron Brown. The team has made solid progress in achieving fair and equitable contract terms with our global suppliers. They are also implementing a companywide transportation management system (TMS), technology-based software designed to achieve increased efficiencies in our transportation expenditures. When fully implemented, TMS has the potential to save \$20 million a year. Also this year, the team intensified its focus companywide to reduce indirect costs, which include professional services, office supplies, travel and related expenses that represent approximately \$450 million of our annual spend.

Another key element of the GBS, Performance Management, plays a major role in our operations. Through his attention to detail and commitment to accountability, Executive Vice President and Chief Financial Officer Don Huml keeps us on course to meet our goals. At the corporate level, we track our progress through four key financial metrics – operating profit margin, return on net assets, operating working capital to net sales and SG&A expense to net sales. In our plants we

focus on overall equipment effectiveness, inventory days on the factory floor, and value added in sales. These topics are discussed regularly during shift meetings so that employees are informed and can promptly address challenges and opportunities that arise. Whiteboards that track each shift's metrics can be found in our manufacturing facilities worldwide. Whether the language is Chinese, Russian, Dutch, English, Spanish, French, German, Italian, or Portuguese – or any other language spoken in our plants – the measurements are the same. Our employees recognize that what gets measured gets done and what gets done gets improved. All of our employees, regardless of their work location within Greif, are tasked with asking two questions about their work. First, does this add value? And second, is there a better way?

GROWTH

Growth is an integral part of our future success.

Our growth strategy specifically addresses industry consolidation, emerging markets, and industry adjacencies. Opportunities are evaluated for each of our businesses in a similar manner based on specific criteria and financial merits. This competition for capital, which is driven by our financial goals, quickly eliminates marginal opportunities so that we consider only those with the greatest potential. As a result, we are disciplined buyers and close on only those transactions that are capable of accelerating growth and/or yielding meaningful benefits.

We are continuously looking for ways to augment our businesses, especially by adding strength in a specific geographic market or product line. As a result, from time to time we complete small acquisitions that also meet our criteria. Other acquisitions may be larger and address a strategic business opportunity. Since acquiring Delta in the fourth quarter of 2006, we have been working diligently through a new management team to institute lean practices, enhance safety performance, embed the GBS, standardize IT systems and develop employee skills. This extension into an industry adjacency initially benefits industrial packaging in North America by strengthening customer relationships and meeting more of their supply chain needs. Our work is yielding positive results. In addition to signs of overall improvement in performance, the number of Greif drums purchased by Delta on behalf of customers has increased. We believe Delta's long-term potential is especially well-suited for global expansion.

We acquired Blagden in the first quarter of 2007. The remarkable integration of their operations into Greif's network in less than a year – without disruption to customers – is attributable to the leadership of Senior Vice President Ivan Signorelli and his entire team in Europe as well as Greif's management team in Asia. Our new employees have embraced the GBS and they are ahead of original expectations in terms of anticipated savings. Another benefit of this acquisition has been the introduction of new best practices to Greif, which will make us a better company. Just 12 months following the acquisition, Greif has a much stronger presence throughout Europe and key markets in Asia that offer exciting growth potential. As originally anticipated, it will take another two years to realize all of the planned synergies.

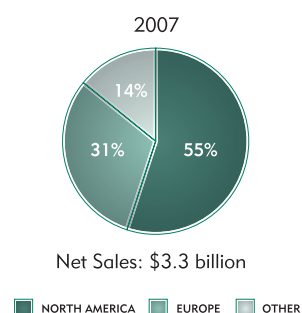
We opened four new plants during 2007, which included two in Russia and two in China, where markets are expanding at rates well above most regions of the world. These greenfield operations were constructed to support our customers' growth plans and serve new customers. We have operated plants in Russia and China since 1993 and 1994, respectively, and both of these countries are important to our future growth. During the past three years, we have nearly doubled the number of facilities in those two markets. We plan to continue expanding our footprint in both countries.

In response to opportunities in other regions, we entered into joint ventures in the Middle East and Latin America during 2007. These actions extend our global network and are also expected to contribute to our long-term growth objectives.

Not all of Greif's growth is dependent on acquisitions. We intend to achieve organic growth of 5 percent annually on a consolidated basis through 2009. Our diversity, especially the mix of fast-growing markets with mature ones around the world, enables us to realize our organic growth objective. For 2007 our organic growth was 8 percent, which was achieved through hard work in all regions and generally favorable market conditions. We expect to supplement our organic growth in future years with benefits from initiatives such as our recently established Greif Packaging Accessories strategic business unit. Today, Packaging Accessories encompasses transit protection supplies, barrier bags, closures, paints, linings and drum components. We expect to increase the scope of our product offerings in the future. Packaging Accessories represents a promising opportunity to further strengthen and also expand our customer relationships.

Consistent with our focus on growth initiatives and improved performance, David Fischer was elected president and chief operating officer. He had served as senior vice president and divisional president of our North and South America, Asia, Africa and Australia industrial packaging business units. His proven track record in operations, mergers and acquisitions and business integration make him ideally suited for his new position. David's responsibilities include our global packaging operations and continued execution of the GBS. He will also be identifying strategic growth opportunities for Greif's businesses around the world.

Mike Patton, senior vice president of our paper packaging and closures businesses, was named to lead Greif's combined industrial and paper packaging businesses in North America. He has been a strong leader in all of his roles within Greif, which also includes experience in industrial packaging and introduction of the GBS worldwide. Because of his deep understanding of the Greif Business System and his ability to effect change, he is the right person to take our business in North America to the next level. This sharpens the focus on our industrial and paper packaging businesses in North America, which accounted for 46 percent of net sales in 2007. Mike will increase the efficiency of our North American footprint by balancing growth and network rationalization issues. Additionally, he is responsible for the full adoption and deployment of the GBS in all industrial and paper packaging facilities within North America.





Our Timber segment, led by Soterra President Gary Martz, who also serves as senior vice president, general counsel and secretary, is also actively pursuing new avenues of growth. Consistent with their goal to be the premier land management company, Timber is expanding revenue streams, most notably through the sale of special use property that includes acreage best suited as higher and better use, as well as development and surplus properties. Timber has identified approximately 25 percent of the land owned in North America as special use property. During 2007, sales of these properties more than doubled to \$9.5 million. The multi-year plan is to unlock the value of our timber assets with the greatest worth and monetize a portion of them. Planned timber sales, the sale of mineral rights, recreational land management and our newly introduced wildlife management services are expected to generate additional income. This forward-thinking approach to the company's timber assets represents opportunities for additional growth initiatives that can generate sustainable value for Greif in the years ahead.

We believe that our long-term success is dependent on people.

In 2007, our commitment to our people took a significant leap forward with the redesign of our human resources department. In addition to providing traditional benefits and compensation services, our People Services & Talent Development group under the leadership of Senior Vice President Karen Lane now offers personal development opportunities and skills training to our employees around the world. We also provide disciplined recruiting, succession planning and onboarding assistance to foster strong employee relationships and a fast track to meaningful, productive work opportunities. Greif's Center of Excellence (CoE), designed by Greif employees, continues to provide training for operations improvement using in-class instruction and in-the-plant, hands-on assignments. We currently offer more than 200 training modules that address skills and management needs throughout the company. To date, more than 25 percent of our employees have participated in CoE training programs.

We are proud of each of our 10,300 employees who came together as a team to accomplish our 2007 results. Whether they have been with Greif for 40 years or 40 hours, each one of their activities on the job has made a difference. They are the foundation of our success.

We also believe that constituencies outside of Greif are integral to our future. Therefore, we value those relationships and seek to apply The Greif Way uniformly to each of them.

- **Our shareholders.** You demonstrate confidence in our company and our business strategy, which is focused on continuously creating value. Consistent with current practices, we will continue our efforts to be transparent in our discussions and presentations, maintain your trust and confidence through the execution of our strategies, and achieve a superior rate of return on your investment.

- **Our customers.** You are the reason we exist. Our goal is to offer the best overall value for your product and service needs and become the best packaging company in the world. We are committed to working closely with you as partners and keep earning your trust and business.
- **Our suppliers.** You provide the materials and services that are vital to our business. Reliable deliveries, even in the face of material shortages and complex logistics requirements, enable us to maintain production schedules and ship our orders in full and on time.
- **Our neighbors.** You share our interest in the welfare of the communities where we operate around the world. We live where you live. Your environment is our environment. Our children will inherit the same future as your children. We pledge to remain environmentally responsible and to consistently seek ways to improve our local and global neighborhoods.

Greif is a dynamic, evolving organization with a rich history and a bright future. We have clearly identified goals and a well-defined, disciplined approach to achieve them. To this end, we recognize that achievement of our goals requires continuous improvement, sound execution of our growth strategy, and an unswerving dedication by everyone involved with the company. Our goals will continue to be pursued comprehensively to realize sustained success, which will be achieved through collective contributions from:

GBS + **GROWTH** + **YOU**
GREIF BUSINESS SYSTEM

While we are pleased with our accomplishments to date, we are most excited about our future. Focus, discipline and passion are key determinants of continued success as we move toward achievement of our 2009 goals. The combination of the GBS plus Growth plus You provides a compelling formula for Greif – today and well into the future.

Sincerely,



Michael J. Gasser
Chairman and Chief Executive Officer