

TO OUR SHAREHOLDERS



Michael J. Gasser
Chairman and
Chief Executive Officer

2009 was among the most difficult and challenging years in Greif's 132-year history.

While Greif has faced difficulties in the past because of changing economic cycles, limited business visibility, volatile raw material costs or uncertain market conditions, the year included all of those factors simultaneously on a global scale.

2009 was also among the most rewarding years in our history.

This was the year when all Greif associates came together as a team to make a difference. Everyone from the factory floor to the Board Room focused on fighting the fallout of the global recession. And due to their outstanding efforts, we had a better year.

I am proud of our team's swift, comprehensive and effective response to the unprecedented challenges of the year. With our results, we showed once more that Greif is a company committed to delivering on its promises.

With our collective response to the challenges, and our solid results given the circumstances, I believe we differentiated ourselves significantly from others inside our industry and out. As challenging as it was, 2009 made us a better company.

The fiscal year began with an economic meltdown that swept the entire globe in a matter of days. No one seemed to be immune from its consequences, including our customers and their customers as well. Our orders dropped precipitously beginning in October 2008 (the end of our fiscal year 2008) and we adapted quickly.

We announced our 2009 plans early in December 2008, which included \$100 million of contingency actions to reduce the impact from expectations of lower net sales for the year. In June 2009, we expanded our cost-saving initiatives to include an additional \$50 million of cost reductions to offset persistent weakness in some of our industrial packaging markets, particularly specialty chemicals. As the year progressed, we also faced challenges in our Paper Packaging business through generally weaker volumes and a growing price/cost squeeze.

The strong defensive actions we developed and the speed with which they were implemented helped to mitigate the challenges we faced this past year.

Net sales for the year were \$2.8 billion, down from a record \$3.8 billion in 2008. Lower volume, lower selling prices and lower foreign exchange impact all contributed to the net sales decline. However, we also realized positive contributions from the contingency actions we implemented, which led to sequential improvement in our results throughout the year. Rigorous planning and strong execution had much to do with those achievements.

Throughout all market cycles, we remain committed to controlling the controllable. We also seek to mitigate the adverse impact from factors outside our direct control. With this ingrained in the way we manage, we focused on the following specific goals in 2009:

- Outperform industry peers on a relative basis.
- Execute contingency actions to protect operating profits.
- Extend and expand credit facilities to improve financial flexibility.
- Execute our growth strategy with discipline.

Outperform industry peers on a relative basis. We are dedicated to achieving superior results compared with our peers in any environment with all factors being equal. At the beginning of 2009, we accelerated Greif Business System (GBS) initiatives, redoubling our efforts to implement those actions that would take waste out of operations, thus creating real and lasting savings. Due to the committed efforts of employees worldwide coupled with the discipline of the GBS, we achieved more than \$150 million of annual cost savings in our businesses during 2009. We expect to retain \$120 million, or 80 percent, of those savings on a permanent basis.

Execute contingency actions to protect operating profits. The contingency plans we announced in December 2008 were based on six levels, which were developed in a matter of days by our senior management team as the global crisis began to unfold. During the year, we implemented four of these levels. At each level, we took no-regret actions, meaning that we did not take measures that would impair Greif's long-term business and growth opportunities. These contingencies enabled us to move quickly and confidently to achieve expected outcomes.

Our primary focus was to protect operating profit. We immediately slashed discretionary spending, froze salaries, reduced work hours, renegotiated supplier contracts, delayed capital projects and managed inventories. We supplemented those savings with other measures that touched all areas within Greif. Implementation, solid measurement and active communication were the keys to success, especially since we had to expand our efforts throughout most of the year to capture additional savings.

The number of tasks and associates involved in capturing the cost savings was impressive. More than 1,800 individual actions contributed to the realization of more than \$150 million in annual cost savings during 2009. Implementation of those actions was broad-based, involving close coordination among many departments. We were gratified by the number of cost-saving ideas that were suggested and implemented in all areas of the company throughout the world.

To further reduce fixed costs and adjust to lower activity levels, we rationalized our footprint even more during 2009 by selling or closing 19 facilities. Additionally, Greif's workforce was reduced on a net basis by about 1,400 positions.

Extend and expand credit facilities to improve financial flexibility. Although the fast-changing markets and uncertain global economic environment required continuous attention, we also wanted to be in a position to shift our focus from defensive to offensive actions. Once we had stabilized our performance and as conditions began to change, we needed to enhance our ability to pursue our growth strategy through acquisitions. To achieve this, we executed plans to further strengthen our balance sheet by increasing our financial flexibility and capacity. In February 2009, we successfully completed the syndication of \$700 million in credit facilities, including a \$500 million revolver and a \$200 million term loan. These facilities represented a \$250 million increase in credit availability, with an option for an additional \$200 million. In July 2009, our issuance of \$250 million aggregate principal amount of 7¾ percent Senior Notes due 2019 was oversubscribed by 2.5 times. With these credit facilities in place, we are in a position of strength.

Execute our growth strategy with discipline. During 2009, we completed six tuck-in acquisitions to enhance our product, customer and geographic diversity. These acquisitions were in North America and the emerging markets. Shortly following year-end 2009, we announced an acquisition in Europe. These transactions complemented our development of new products this past year.

Greif is a stronger, more resilient company today as a result of our achievements in 2009. Our primary objective for 2009 was to exit the year better than we started it. The actions we took were fact-based, implemented with conviction, and guided by the longstanding values of The Greif Way. All of this was achieved without compromising what makes Greif different – our history, core values and commitment to improved performance.

We entered 2010 with increased confidence concerning opportunities to further improve performance, accelerate our growth strategy and continue to differentiate Greif as a special company committed to growth and sustainability of our financial performance and increased role as a responsible corporate citizen. Further details of this strategic emphasis are presented on pages 5 through 14 of this annual report, which I encourage you to read.

We believe our commitment to growth and sustainability will continue to define Greif and position us to achieve additional success in the future. I appreciate your continued support and comments.

Finally, I do want to note the passing of our dear friend and Board Director Mike Dempsey in April 2009 (see page 15). Mike served on Greif's Board for 13 years, and his absence has left a hole in our hearts. Even so, just as sunshine follows rain, John McNamara was appointed to the Board in September to fill the vacant seat. John's lifelong association with Greif and his dedication to the company promise the continuation of the Dempsey legacy into the next generation.



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Chief Executive Officer
December 30, 2009