

TO OUR SHAREHOLDERS:

If I had to summarize 2011 in one word, it would be this: Change. While change is challenging, change for Greif is also synonymous with opportunity.

Greif was thriving through continuous evolution when I joined the company in 1979. Founded as one of hundreds of wooden barrel manufacturers 102 years earlier, the company was by that time also producing fibre, steel and plastic drums, containerboard and boxes. Greif's then-chairman – and my mentor – John C. (Jack) Dempsey took a long-term view while he led his team through their day-to-day tasks. As they met their short-term goals, they were managing change and *continuing to prepare for the future*.



Because of their diligence and Jack Dempsey's foresight, our culture anticipates and responds positively to change. Similar to 2008, we responded quickly to the sudden change in the world's economy this year and despite those challenges we posted record net sales of \$4.2 billion and EBITDA of \$467 million, the second-highest in our 134-year history.

Just as the foundation of our success today was laid in the past, we are laying the foundation now for Greif's future. Our efforts in 2011 were driven by our vision of success in the coming decades. The abrupt economic downturn that began in Europe late in the third quarter of our fiscal year did not deflect us from our strategic path. We kept our focus on actions that would solidify our standing as our customers' preferred partner in each of our businesses.

In 2011, we capitalized on:

- **The further consolidation of the rigid industrial packaging industry.** Receding economies in Europe impacted our customers, causing them to curtail production and shift to leaner inventories. Fluctuating raw material costs and market disruptions due to macroeconomic and political concerns challenged even the healthiest manufacturers. Industrial packaging makers needed the resources to withstand these prolonged uncertainties, or find alternative arrangements. We had the resources on all counts, and expanded our capabilities through the acquisition of eight companies during the year.
- **The maturing of the flexible intermediate bulk container business.** Once upstart competitors to the rigid industrial packaging industry, and fierce competitors among themselves, FIBC producers are establishing global markets for their products. Greif's Flexible Products & Services business segment has the world's largest product share in that industry, which has exciting growth opportunities. Formed from our acquisition of four industry leaders in 2010 and part of a 50/50 joint venture, the businesses are coalescing well, finding the financial, administrative, production and marketing advantages in their integration. This business segment is on track to achieve its goal of 15 percent operating profit in 2015.
- **The ascent of responsible industrial packaging reconditioning.** Sustainability is a growing factor in customers' packaging decisions, and the best use of an industrial container is its re-use. Our EarthMinded™ Life Cycle Services business, formed in 2010 and expanded in 2011, is positioned to collect, recondition and sell used industrial containers throughout Europe and North America.

The business will continue to enlarge its footprint around the globe through acquisitions as well as network and greenfield developments. One key objective of EarthMinded™ LCS is to invent and deploy new technologies that will redefine the reconditioning industry. We are committed to meeting and exceeding customers' needs for quantifiable, increasingly responsible environmental practices.

- **The emergence of a competitive rigid IBC market.** Rigid IBCs are gaining ground with customers. Connecting our established global industrial packaging operations with our 2011 acquisition of Fustiplast, which has patented technology and innovative products, gives us a solid foothold to grow in this market. We will be replicating Fustiplast's operations and introducing its products in several select markets around the world.

Through our history that began in Cleveland in 1877, through the company's move to central Ohio in 1951, through the introduction of The Greif Business System in 2003 and the creation of three new growth platforms¹ in the last two years, we have become adept at managing – and orchestrating – change.

One shining example in 2011 was the integration of Eastern Tank Service into our rigid industrial packaging Pioneer Plant in Singapore. In less than three months, employees consolidated two factories into one (removing all the machines from the vacated plant), welcomed their new associates, implemented a new IT system, kept customers and suppliers apprised and never took their attention away from safety. (You can see them in the plant in the photo on page 18.)

I could cite dozens of examples like Singapore. Our people are testing and adopting new products, new technologies and new practices throughout the world. From consolidation to innovation, our people are eager to push the status quo to new heights.

Speaking of our people, we experienced changes in our executive management team in 2011 as well. Rob McNutt joined the company in January as our senior vice president and chief financial officer and subsequently traveled extensively to our operations around the world, becoming intimately knowledgeable about our businesses. All the while, he has led our Finance team through the recent economic crisis. David Fischer added the role of chief executive officer in November and joined our Board of Directors. This has been a long-planned and consequently smooth transition in leadership. His commitment to Greif and The Greif Way and his expertise, experience and energy assure that Greif will continue to prosper.

On a final note, with the close of 2011 we completed our 2008 strategic three-year cycle and embarked on our new plan, developed by an outstanding team of individuals representing our businesses and geographies. Our strategic focus for the next three years is to keep sustainability at the foundation of our business, expand the capabilities and reach of the Greif Business System, continue to strengthen the expanding core and investigate and pursue adjacencies where appropriate. With this strategy, our intention is to grow profitably to achieve our goals.

It's an exciting time at Greif. Our future rests on a solid foundation as we continue to prepare for the future.



Michael J. Gasser
Executive Chairman

¹Flexible Products & Services, EarthMinded™ Life Cycle Services, rigid intermediate bulk containers

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2011 was a year of two disparate halves. The first six months progressed reasonably well; the echoes of the 2009 global economic crisis were fading and our customers were getting back on track with steady production. We reported record second-quarter net sales and higher sales volumes. Then, in July the economy of Western Europe stumbled under the weight of economic and political issues. The emerging debt crisis heavily impacted our European-based businesses and spread to pockets of the world that depended on exports to Europe.

We reacted swiftly to the new order with actions designed to improve our performance in the midst of an uncertain global economy. Careful not to make moves we would regret in the long term – such as withdrawing from a market – we instituted actions to address the fast-changing situation and concentrated on controlling what was in our power to control. We addressed salary, hiring and staffing levels; conferences, travel and entertainment; capital expenditures and discretionary spending; and professional services.

These measures, coupled with our expanded portfolio of businesses and a record year in terms of operating profit for Paper Packaging, Rigid Industrial Packaging & Services in North America and Asia Pacific, and Greif Packaging Accessories benefited our 2011 results.

Our nascent three growth platforms contributed nicely to our record results. Flexible industrial packaging, industrial packaging reconditioning and rigid intermediate bulk containers complement, diversify and reinforce our existing businesses. We expect solid contributions from these operations as they become fully integrated and proficient in the use of the Greif Business System tools and techniques.

We made significant progress in the construction of our fabric hub in the Kingdom of Saudi Arabia. When it begins production in 2012, the hub will have unparalleled scale with technological and cost advantages that will further strengthen Flexible Products & Services.

As we continue to prepare for the future, we are also keeping sharp focus on the imperative to reduce our impact on the planet. The Greif Business System has been an invaluable tool for reducing our consumption of resources and eliminating waste. We are also directly addressing energy use and carbon emissions and will be setting goals for water usage in the coming year. Every effort we make to enhance our sustainability profile must have a business case. If it doesn't make sense for the business, it isn't sustainable.

Hand-in-hand with our drive to be a more sustainable company is innovation. Innovative thinking led to the addition of consulting and outfitting services in our Land Management business. It led to our entry into the flexible products and reconditioning businesses. We have more products and technologies in the pipeline to reduce our environmental footprint; more importantly, they will reduce our customers' footprints as well. We see some of these products and technologies coming to fruition in the coming year.

In many ways, we are a different company than the one Mike Gasser joined in 1979, yet we have maintained the same core values and determination to continuously improve our performance. In 1994, when he was named chairman and CEO, Greif was a \$608 million net sales enterprise operating in North America. During his tenure, he led the growth of our product lines and business segments and the global expansion of our company to become the \$4.2 billion world leader it is today with solid improvement in financial results over that same period.

There is one way that Greif will never change, however. We continue to be guided by The Greif Way. We continue to be a kind, respectful company where how we treat each other really matters. It's our competitive advantage, and one we will not relinquish as we continue to prepare for the future.



David B. Fischer
President and Chief Executive Officer