

Greif gives customers *more*.

We deliver



**employee expertise,
customer insight
and financial stability.**



Greif Bros. Corporation

(NYSE: GEF, GEF.B) is a world leader in industrial packaging products and services. The Company provides extensive experience in steel, plastic, fibre, corrugated and multiwall containers and protective packaging for a wide range of industries. Greif also produces containerboard and manages timber properties in North America. Greif is strategically positioned in over 40 countries to serve multinational as well as regional customers. Additional information is on the Company's Web site at www.greif.com.

About the Cover

In November 2002, Greif launched a new company identity that reflects the Company's extensive packaging experience and global leadership. The new identity includes using the Greif name around the world. In addition, the new stylized Greif brand mark symbolizes the Company's focus on providing progressive solutions to address customer needs.

"We begin fiscal 2003 with a new identity that demonstrates the successful integration of our acquisitions, a stronger, broader-based company and a single focus for our customers," according to Chairman and CEO Michael J. Gasser.

"Greif has a proud 125-year history, serving customers with quality packaging products and services and timber. But I am even more excited about our future, as we apply our knowledge, quality focus, strategic geographic infrastructure and financial stability to help our customers be successful."

Greif's Five-year Vision Statement

We will achieve superior return on assets while consistently increasing revenue. – We will strive to be one of the most desirable companies to work for in our industries, focusing on establishing a work atmosphere in which our employees can excel. – We will continually add value to our customer relationships, with an emphasis on providing packaging solutions on a global scale. – We will capitalize on our leadership position and pursue profitable growth in the Industrial Packaging & Services business. – We will pursue internal growth in addition to strategic acquisitions to profitably expand the Paper, Packaging & Services business. – We will grow our Timber business both in terms of land holdings and revenue generation.

Contents

Financial Highlights	– 1
Letter to Shareholders	– 2
Overview	– 5
Financial Section	– 10
Directors and Management	– 44
Shareholder Information	– 45

Financial Highlights

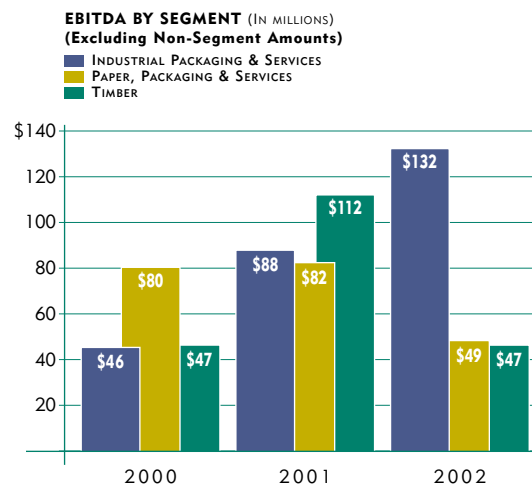
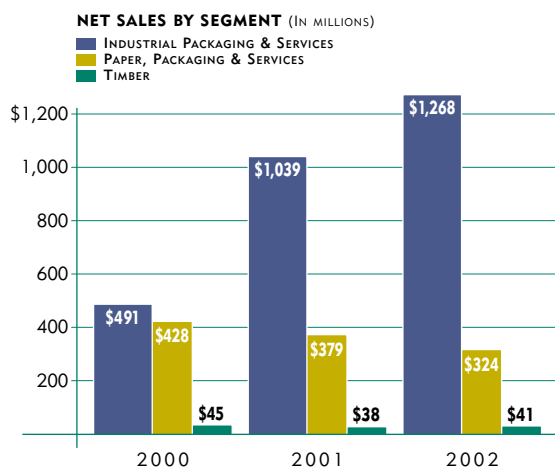
(Dollars in thousands, except per share amounts)

As of and for the years ended October 31,	2002 ⁽¹⁾	2001 ⁽¹⁾	2000
Net sales	\$1,632,767	\$1,456,000	\$963,956
Net income	\$ 30,979 ⁽²⁾	\$ 88,774 ⁽³⁾	\$ 75,794
Basic earnings per share:			
Class A Common Stock	\$ 1.10	\$ 3.14	\$ 2.68
Class B Common Stock	\$ 1.64	\$ 4.70	\$ 4.01
Diluted earnings per share:			
Class A Common Stock	\$ 1.10	\$ 3.14	\$ 2.67
Class B Common Stock	\$ 1.64	\$ 4.70	\$ 4.01
Dividends per share:			
Class A Common Stock	\$ 0.56	\$ 0.54	\$ 0.52
Class B Common Stock	\$ 0.83	\$ 0.80	\$ 0.77
Market price at year-end:			
Class A Common Stock	\$ 25.39	\$ 24.80	\$ 32.00
Class B Common Stock	\$ 25.65	\$ 25.00	\$ 30.00
Working capital	\$ 228,249	\$ 210,677	\$148,196
Total assets	\$1,758,295	\$1,771,188	\$939,331
Long-term debt, including current portion of long-term debt	\$ 632,982	\$ 697,514	\$235,000
Shareholders' equity	\$ 569,129	\$ 586,346	\$542,514
Cash flows from operating activities	\$ 147,025	\$ 115,119	\$117,229
Capital expenditures and acquisitions	\$ 57,464	\$ 445,109	\$ 78,833
Cash dividends paid	\$ 15,692	\$ 15,158	\$ 14,619

⁽¹⁾ Van Leer Industrial Packaging was acquired on March 2, 2001. Accordingly, the Van Leer Industrial Packaging operating results have been included since that date (see Note 2 to the Consolidated Financial Statements).

⁽²⁾ Includes the effects of a pretax debt extinguishment charge of \$10.3 million and a pretax restructuring charge of \$2.8 million.

⁽³⁾ Includes the effects of significant timberland transactions (see Note 4 to the Consolidated Financial Statements) and a pretax restructuring charge of \$11.5 million.



In 2002, our employees focused on supporting customers with quality products and services and improving shareholder value in a most challenging economic environment.

It was a year of transformation for Greif as we strengthened our Company in a number of ways, thanks to the excellent work of our employees. Although the economy, particularly in North America, was disappointing, we were able to continue pursuing our vision to achieve a superior return on assets while consistently increasing revenue.

Major accomplishments during the year included the successful integration of the Van Leer Industrial Packaging acquisition, which established Greif as a global leader in the industrial packaging business.

As a result of our successful strategy, Greif's expanded footprint enables our multinational and regional customers to receive an unmatched breadth of product offerings and supporting services.

Additionally, Greif's worldwide business helps reduce earnings volatility and increases our opportunities for growth. Strong demand in some global markets helped to moderate the negative impact on earnings resulting from the slower North American economy in 2002.

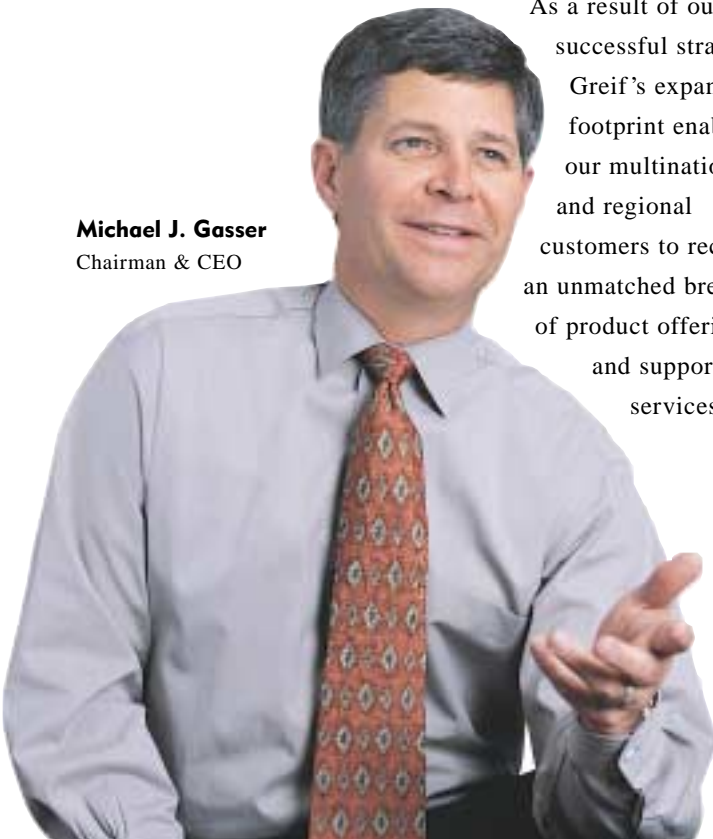
In Paper, Packaging & Services, we concentrated on serving those niche industries and regions that benefit from our value-added products and services. We continued to maximize the value of our Timber business through a combination of active regeneration, timberland management, real estate transactions and land usage leases. Companywide, we increased operating efficiencies, launched our Organizational Improvement Initiative, reduced debt and improved the capital structure.

Our achievements over the past year put Greif in a stronger market position, with enhanced capabilities and greater access to emerging markets throughout the world, as we aim for long-term growth.

A Year of Financial Accomplishments

Our key financial accomplishments in fiscal 2002 included paying down and restructuring debt, as well as exceeding our target of \$27.5 million in synergies from integrating the acquisition. We also were able to offset higher costs of raw materials – steel, plastics and old corrugated containers – by pricing our products competitively to maintain profit margins and market share.

Michael J. Gasser
Chairman & CEO



We help agriculture and food customers reduce total system costs with our plastic containers.

— Paulo Caron, *Production Control Industrial Packaging & Services*

We are encouraged every single day to improve and think like the customer. That motivates me because I would like my product on time, in excellent condition and with great quality.

— Gerson Arias, *Shipping Industrial Packaging & Services*

Whether containing harvested and processed food, food ingredients or materials used in agriculture, Greif industrial packaging is an important part of the total food supply chain. Among Greif's offerings are plastic containers, available in various designs and constructions. Greif experts counsel customers on technical developments that keep the contents safe; resin and additives that give stacking strength; body designs to optimize storage space; and covers and closures to meet filling, stacking and emptying requirements. Plastic containers can be cleaned and reused, which helps customers reduce total packaging costs. Greif also supplies the food and agriculture industries with intermediate bulk containers, steel and fibre drums, corrugated containers and multiwall bags.



Given the challenging operating environment, we have made good progress in paying down \$156 million of debt since the March 2001 Van Leer acquisition. At October 31, 2002, total debt outstanding was \$653.0 million, down from \$714.0 million a year earlier. Total debt to total capitalization was 53 percent at the end of fiscal 2002, compared with 55 percent at the end of fiscal 2001.

We issued \$250 million in senior subordinated notes to extend the maturity of our debt portfolio and more closely match the duration of our assets and liabilities. We also amended our credit facilities, including increasing our revolving credit line and repricing our term loan, which reflects our strengthened financial position.

Net sales increased 12 percent to \$1.63 billion in fiscal 2002, from \$1.46 billion the previous year. The increase was due primarily to the full year's impact of the March 2001 Van Leer acquisition, which

also improved sales for the Industrial Packaging & Services group. In Paper, Packaging & Services, lower containerboard sales prices for the year negatively impacted net sales. The Timber business had a good year, with net sales increasing approximately 7.9 percent in fiscal 2002 compared with 2001.

Net income in fiscal 2002 was \$31.0 million, or \$1.10 per diluted Class A common share and \$1.64 per diluted Class B common share, compared with \$88.8 million, or \$3.14 per diluted Class A common share and \$4.70 per diluted Class B common share, in fiscal 2001.

EBITDA (earnings before interest, income taxes, depreciation, depletion and amortization) was \$204.0 million, before the \$2.8 million restructuring charge, for fiscal 2002. This figure includes timberland gains of \$12.1 million and special charges of \$11.6 million for transition and organizational improvement costs related to acquisition integration. For fiscal 2001,



We generated significant cost savings by consolidating return shipments of intermediate bulk containers for reconditioning and using preferred trucking suppliers.

— Bonnie Elliott, *Logistics Industrial Packaging & Services*

During 2002, a major cost reduction initiative focused on better utilization of the North American truck fleet and contract carriers. This included optimizing freight by consolidating return shipments of intermediate bulk containers in a way that was convenient for customers. For Greif, it meant improved efficiencies. This project was one of several transportation cost reduction activities, which included improved freight management and tracking programs, critical analysis of outsourcing and leasing opportunities, standardized business processes and continued focus on more productive assets to serve the customer. During 2002, the total transportation effort resulted in \$4 million of savings, with opportunities to capture additional savings.

EBITDA was \$266.4 million, before the \$11.5 million restructuring charge, including \$79.7 million in timberland gains and \$5.9 million in special charges. EBITDA for 2002 was in line with the Company's guidance.

The balance sheet strengthened based on the strong cash flows and deleveraging. Operating cash flow for fiscal year 2002 was \$147.0 million, resulting in free cash flow of \$111.5 million.

Strong Competitive Position

We entered fiscal 2002 a larger and stronger company, and we completed the year with a fully integrated Industrial Packaging & Services business. Greif is the world leader in steel drums, fibre drums and closure systems, with strong market positions in plastic drums and intermediate bulk containers. We hold a substantial competitive advantage with our broadened product portfolio, expanded global network, improved overall cost structure and increased flexibility.

With the integration behind us, we are well positioned to leverage our product line and global resources into long-term profitable growth. Our focus will be on increasing sales to strategic global accounts, strengthening our position in emerging markets and broadening our value-added services offerings. As part of our strategy to capitalize on opportunities in emerging global markets, we plan to expand our operations in Russia and China in fiscal 2003.

In addition to Greif's leadership position in Industrial Packaging & Services, the Company's Paper, Packaging & Services business holds a profitable and growing niche position in the North American market. Here, we are focusing on markets for containerboard, corrugated sheets and containers, in-transit protection products, multiwall bags and packaging services. In each of these markets, Greif holds a competitive advantage as an integrated supplier of products and packaging solutions.

Greif provides a broad line of packaging solutions and services to multinational and local businesses in a wide variety of industries.

MOVE TO LARGEST STOCK EXCHANGE

Greif has been a publicly held company since 1926. In keeping with the Company's global growth strategy, Greif's Class A Common Stock now trades under the symbol "GEF" on the New York Stock Exchange, the world's largest stock exchange. Class B Common Stock trades under the symbol "GEF.B".

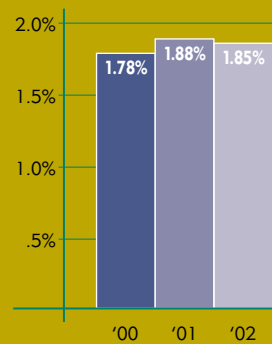


CONTINUOUS BUSINESS

CELEBRATING
125
YEARS
1877-2002

In 1877, "Vanderwyst and Greif" was founded in Cleveland, Ohio, as a cooperage shop, making wooden barrels, casks and kegs. One year later, when the co-founder's three brothers joined the business, it was renamed Greif Bros. Company. Greif has been a packaging company for 125 continuous years.

CLASS A COMMON STOCK DIVIDEND YIELD



Greif has continuously paid dividends since 1946. The 10-year compound annual growth rate in dividends exceeds 7 percent for both the Class A common shares and Class B common shares.

LEADERSHIP POSITION



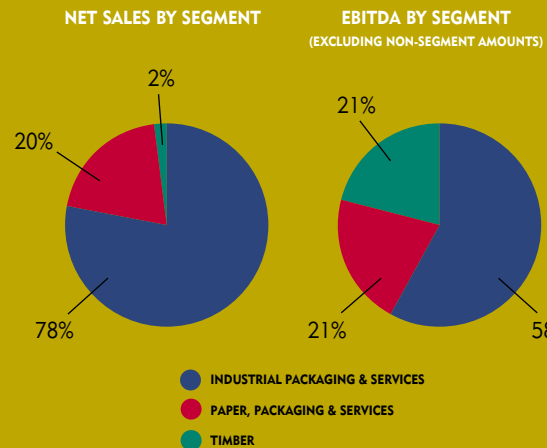
Greif holds number-one global and North American market positions in steel and fibre drums and container closure systems and is a worldwide leader in industrial packaging.

STRATEGIC LOCATIONS



With over 170 operating locations in more than 40 countries, Greif is strategically located to provide industrial packaging to customers of all sizes where they do business around the world.

BUSINESS CONTRIBUTIONS FOR FISCAL 2002

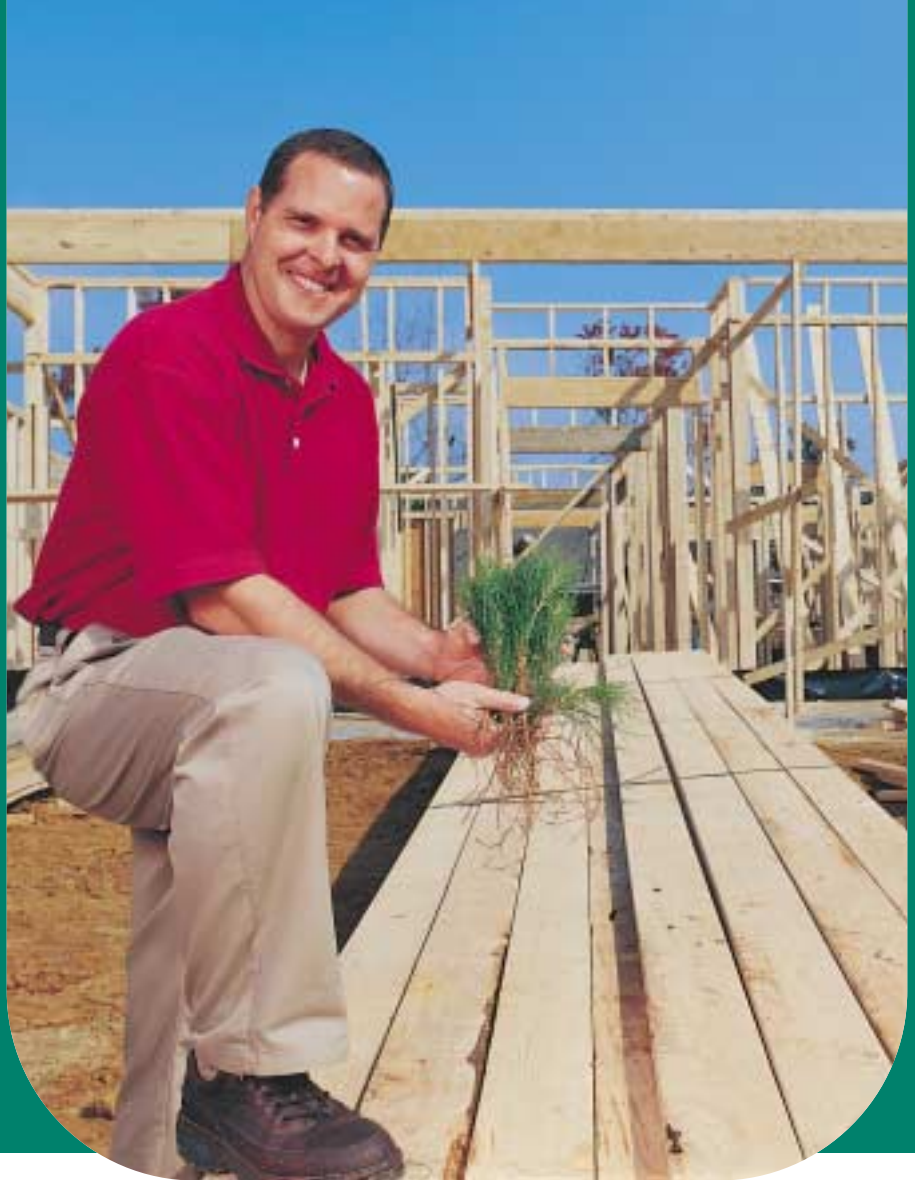


Greif manages each of its three major business segments for optimal returns, by capitalizing on its worldwide leadership positioning in Industrial Packaging & Services, expanding its niche opportunities in Paper, Packaging & Services and maximizing revenue from its Timber holdings.

Greif's goal is to produce high quality pine timber for the U.S. lumber, pulp and other wood industries. We begin by selecting genetically improved seedlings that will be successful in our various growing regions.

— Matthew B. Bonham, *Regeneration Timber*

In 2002, over 6 million seedlings were planted on 12,000 acres of Greif's timberland, replacing timber that was harvested. Greif foresters choose seedlings that are best for the soil and growing conditions in their area. Over the next 12 to 15 years, Greif foresters will protect the plantings from weeds, pests and diseases to the first thinning. First thinning sales go to pulp and paper customers. Then, for 15 to 20 years more, the properties continue to be managed to yield higher income timber for poles, pilings and lumber products. Greif's regeneration program aims at ongoing timber revenues well into the future.



6

Improved efficiencies that we achieved in the past year have reinforced our position as a preferred supplier in many of these markets.

In the Timber business, we exceeded our annual sales goal for the third consecutive year, which is significant considering that Timber was established as a core business only in 1999. This business continues to season, focusing on optimizing its assets to make positive contributions to the Company's earnings.

Organizational Improvement

As we assimilated the Van Leer business following several acquisitions over the years, it was time to thoroughly assess our organization and reorganize critical corporate and business functions. During fiscal 2002, we conducted a comprehensive analysis to determine areas in which we could improve performance and efficiency.

As a result of this ongoing Organizational Improvement Initiative, we implemented a number

of changes late in the year. We will adopt further improvements in 2003 and beyond as we continuously look for new ways to simplify the organization, move accountability for certain functions to the business groups, standardize business processes, streamline activities and implement more efficient practices.

Measuring Success

At the end of fiscal 2002, to more accurately gauge our progress toward our financial goals, we implemented a common set of financial measurements for the entire Company.

Setting these financial targets will help us determine the actions that will keep us financially sound. Achieving them will ensure that we are putting our assets to the best use possible to generate long-term value.

Our goals are aggressive, yet achievable. We have tested our targets against the performance of our peer

We believe in quality at all times because our customers' products are so important. Our chemical customers demand stringent quality control in drum performance and durability.

— Jacqueline Lee, *Quality Control Industrial Packaging & Services*

Singapore is renowned for its world-class industry infrastructure and significant chemical business, so just-in-time delivery service is the top priority for our operation.

— Jamil Samad, *Production Industrial Packaging & Services*

Around the world, Greif containers are used to deliver chemical ingredients and products. The specialty chemical industry is the Company's largest market. Greif employees help chemical customers select the industrial package that is compatible with their products and needs. The large steel drum is popular, but Greif offers more – a wide range of steel containers in various sizes, gauges, constructions, linings, covers and closure systems, along with testing, technical support and manufacturing worldwide. Customers also have the advantage of Greif's full packaging line – fibre drums, plastic drums and intermediate bulk containers – also designed for chemicals.



companies in the packaging and paper industries, and the goals are realistic within the upcoming three-year time frame we have set.

Return on net assets (RONA) will be our key metric because it shows how productively we are using our asset base to generate profits. The other metrics are focused on improvements in net asset turnover and operating working capital, a higher percentage of earnings before interest and income taxes to net sales, and a lower ratio of selling, general and administrative (SG&A) expenses to net sales.

By meeting our financial targets, we expect to attract the capital required to support growth and to maximize the value we deliver to shareholders and customers.

Toward a Promising Future

We are embarking on an important and exciting new chapter in Greif's long and successful history. Through acquisitions, we have built the platform we

need to create sustainable, profitable growth, and we have realized significant operational benefits through synergies. We have made excellent strides in improving our global position and broadening our product line in recent years.

Next, Greif will focus on organic growth, while continuing to improve cost efficiency and strengthen our balance sheet by paying down debt. While major acquisitions are not likely in the foreseeable future, we remain open to "bolt-on" acquisition opportunities that could enhance our position in specific markets or regions.

In addition to expanding opportunities in global markets, we will achieve growth through our increased focus on value-added packaging services, such as fulfillment, vendor management and container warehousing. Providing services such as these is another way Greif differentiates itself from the competition.



It is gratifying to hear our customers compliment Greif for our dependability in both service and consistent quality. We continue to strive to improve even more with programs like the American Institute of Baking certification.

— Gloria Donner, *Multiwall Packaging Sales Paper, Packaging & Services*

Greif's multiwall bag business is managed to be flexible, efficient and aligned with the needs of small to medium-sized customers.

— Bill Spence, *Multiwall Packaging General Management Paper, Packaging & Services*

Customer service and operational improvement were the themes of Greif's multiwall bag business during 2002. This included a continued focus on having clean manufacturing environments to benefit food ingredient and processing customers. Greif follows the standards of the American Institute of Baking to ensure customers receive packaging that meets high quality and food safety criteria. Greif's customer-driven approach also includes in-house graphic design services and multi-color printing capabilities for customer-distinctive packaging.

As we move forward, our priorities are balanced, focusing simultaneously on improving return on assets, achieving growth, gaining further cost reductions and strengthening our balance sheet. It is encouraging that our initiatives are ones of aspiration, not necessity. In other words, our goals are of our own making. They are oriented toward achieving our long-term vision, which has not faded due to the difficult economic conditions.

For the coming year, the leading indicators for our businesses appear weak for the first half of fiscal 2003, with improvement expected later in the year. Economic sluggishness notwithstanding, several factors, all of which are under our control, will be key to a successful 2003 for Greif. We must manage our cost structure properly, improve productivity, capitalize on opportunities for growth, strengthen our balance sheet and continue to be a leader in pricing our products to reflect the costs of raw materials and

protect our profit margins. We are in an excellent position to achieve these goals as we begin fiscal 2003. Although we are cautious about the economic outlook, we remain excited about our opportunities.

A Quality and Experienced Brand of Employees

Greif is an outstanding company with a proud 125-year history. Our infrastructure is strategically positioned to serve customers more effectively and efficiently. Our employees possess expertise in packaging and timber management to serve our customers in a way that is unsurpassed in the marketplace. And our culture is dedicated to quality efforts and continuous improvement in all that we do.

Our progress is a result of many people, and I would like to acknowledge two of those individuals who helped shape today's Company. Joseph W. Reed, our chief financial officer and senior advisor for over four years, led us in improving our financial function,



To protect over-the-road shipments, Greif designed the M-style corrugated bulkhead system. This product helps customers properly distribute the weight of their valuable freight, such as chemicals in steel drums.

— Andy Mc Nally, *Protective Packaging Sales Paper, Packaging & Services*

For nearly 40 years, Greif has developed corrugated products that brace truck and rail shipments. Greif's knowledge about withstanding the pressures of quick stops and starts, turning corners and rounding bends is used to prevent cargo from being damaged. When a chemical customer needed a safe and economical way to transfer the weight of its chemical drums off the tractor's drive axles, Greif developed the M-style bulkhead. This corrugated system occupies the space at the front of the trailer, helping to distribute the weight of the filled drums while cushioning the shipment. The M-style bulkhead provides solid protection, quick installation, storage economy, reusability and all-recyclable construction – advantages that translate into customer cost savings.

9

managing acquisition transactions and completing the move to the New York Stock Exchange. Joe wanted to cap off his 40-year career with a challenging assignment, and he certainly found it as part of one of Greif's most exciting periods in its history. We wish him well in his retirement.

Charles R. Chandler is synonymous with Greif's drive to excel. He was a member of the original team that founded the Company's Virginia containerboard mill in 1973. From that entrepreneurial beginning, he progressed to be president of the mill business and later Company vice chairman and president of the Timber subsidiary. Because Charlie strives for improved customer satisfaction and internal operating efficiency, the Company recently began an achievement award program in his honor that stands for these values. His passion for Greif will not be lost in his retirement, as Charlie remains active in Greif's future through his position on the Board of Directors. We thank Charlie for his many contributions.

I want to thank all of our employees in over 40 countries for the tremendous work in helping our customers meet their needs. We have the enviable position in our industries of having employees who put customers first and give them more than just products and services – they provide individual extra efforts to ensure customer satisfaction.

With our ongoing focus on organizational improvement, cost reduction, financial strength and providing outstanding value to customers and shareholders, we will ensure that our vision is achieved and our growth will continue for many years to come. On behalf of the Company's 9,800 employees, I thank you for your continuing support.

Sincerely,

Michael J. Gasser

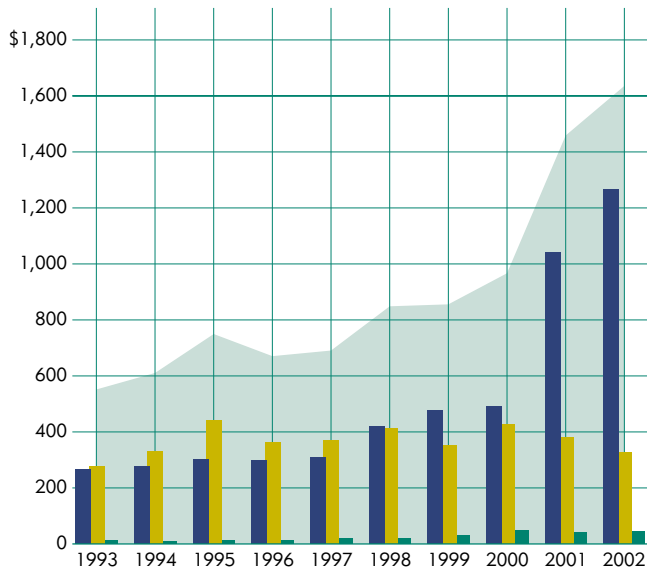
Chairman and Chief Executive Officer

Trends in Growth and Financial Position 1993-2002

(Dollars in thousands, except per share amounts)

As of and for the years ended October 31,

NET SALES (IN MILLIONS)
 ■ INDUSTRIAL PACKAGING & SERVICES
 ■ PAPER, PACKAGING & SERVICES
 ■ TIMBER
 ■ TOTAL NET SALES



Results of Operations

Net sales

- Industrial Packaging & Services
- Paper, Packaging & Services
- Timber
- Total net sales

Net income

Basic earnings per share:

- Class A Common Stock
- Class B Common Stock

Diluted earnings per share:

- Class A Common Stock
- Class B Common Stock

Financial Position

Assets

- Current assets
- Properties, plants and equipment
- Other long-term assets
- Total assets

Liabilities and shareholders' equity

- Current portion of long-term debt
- Other current liabilities
- Long-term debt
- Other long-term liabilities
- Minority interest
- Shareholders' equity
- Total liabilities and shareholders' equity

Other Data

- Current ratio (current assets to current liabilities)
- Cash flows from operating activities
- Capital expenditures and acquisitions
- Cash dividends paid
- Dividends per share:
 - Class A Common Stock
 - Class B Common Stock

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
\$265,838	\$273,652	\$301,061	\$298,946	\$307,813	\$420,092	\$477,370	\$490,909	\$1,038,948	\$1,268,013
278,353	330,195	439,668	361,662	368,380	412,360	351,936	428,369	379,302	324,009
5,297	4,498	6,516	7,376	11,798	13,301	24,132	44,678	37,750	40,745
\$549,488	\$608,345	\$747,245	\$667,984	\$687,991	\$845,753	\$853,438	\$963,956	\$1,456,000	\$1,632,767
\$ 27,247	\$ 37,438	\$ 65,268	\$ 48,524	\$ 22,526	\$ 37,441	\$ 51,373	\$ 75,794	\$ 88,774	\$ 30,979
\$ 0.88	\$ 1.22	\$ 2.13	\$ 1.68	\$ 0.78	\$ 1.30	\$ 1.78	\$ 2.68	\$ 3.14	\$ 1.10
\$ 1.31	\$ 1.81	\$ 3.18	\$ 2.52	\$ 1.17	\$ 1.94	\$ 2.67	\$ 4.01	\$ 4.70	\$ 1.64
\$ 0.88	\$ 1.22	\$ 2.13	\$ 1.68	\$ 0.78	\$ 1.29	\$ 1.78	\$ 2.67	\$ 3.14	\$ 1.10
\$ 1.31	\$ 1.81	\$ 3.18	\$ 2.52	\$ 1.17	\$ 1.94	\$ 2.67	\$ 4.01	\$ 4.70	\$ 1.64
\$169,854	\$188,342	\$197,901	\$185,447	\$172,918	\$258,506	\$217,298	\$213,143	\$ 504,196	\$ 509,821
202,615	221,170	258,855	312,176	337,797	419,785	401,133	435,662	808,837	792,018
31,210	36,244	43,423	53,797	83,502	200,129	292,555	290,526	458,155	456,456
\$403,679	\$445,756	\$500,179	\$551,420	\$594,217	\$878,420	\$910,986	\$939,331	\$1,771,188	\$1,758,295
\$ 375	\$ 249	\$ 264	\$ 2,455	\$ 8,504	\$ —	\$ —	\$ —	\$ 43,140	\$ 3,000
31,283	42,695	48,897	48,225	51,904	98,235	72,031	64,947	250,379	278,572
28,015	27,966	14,101	22,748	43,648	235,000	258,000	235,000	654,374	629,982
19,242	24,426	35,768	42,967	51,190	85,083	92,973	96,870	236,389	276,267
—	—	—	—	—	—	—	—	560	1,345
324,764	350,420	401,149	435,025	438,971	460,102	487,982	542,514	586,346	569,129
\$403,679	\$445,756	\$500,179	\$551,420	\$594,217	\$878,420	\$910,986	\$939,331	\$1,771,188	\$1,758,295
5.4:1	4.4:1	4.0:1	3.7:1	2.9:1	2.6:1	3.0:1	3.3:1	1.7:1	1.8:1
\$ 49,475	\$ 48,049	\$ 85,820	\$ 81,906	\$ 40,115	\$ 76,862	\$ 71,766	\$117,229	\$ 115,119	\$ 147,025
\$ 74,521	\$ 40,682	\$ 61,066	\$ 74,679	\$ 77,314	\$224,565	\$123,486	\$ 78,833	\$ 445,109	\$ 57,464
\$ 9,176	\$ 9,139	\$ 12,180	\$ 13,740	\$ 17,208	\$ 13,756	\$ 14,315	\$ 14,619	\$ 15,158	\$ 15,692
\$ 0.30	\$ 0.30	\$ 0.40	\$ 0.48	\$ 0.60	\$ 0.48	\$ 0.50	\$ 0.52	\$ 0.54	\$ 0.56
\$ 0.44	\$ 0.44	\$ 0.59	\$ 0.71	\$ 0.89	\$ 0.71	\$ 0.74	\$ 0.77	\$ 0.80	\$ 0.83

Consolidated Statements of Income

(Dollars in thousands, except per share amounts)

For the years ended October 31,	2002	2001	2000
Net sales	\$1,632,767	\$1,456,000	\$963,956
Gain on sale of timberland	12,122	79,663	9,255
Other income, net	7,837	6,358	4,872
	1,652,726	1,542,021	978,083
Cost of products sold	1,296,952	1,152,616	737,486
Selling, general and administrative expenses	250,756	204,716	128,301
Restructuring charge	2,824	11,534	—
Debt extinguishment charge	10,300	—	—
Interest expense, net	55,965	45,149	11,842
	1,616,797	1,414,015	877,629
Income before income taxes, minority interest in income of consolidated subsidiaries and equity in earnings of affiliates	35,929	128,006	100,454
Income taxes	12,934	48,514	38,027
Income before minority interest in income of consolidated subsidiaries and equity in earnings of affiliates	22,995	79,492	62,427
Minority interest in income of consolidated subsidiaries	(840)	(594)	—
Equity in earnings of affiliates, net of tax	8,824	9,876	13,367
Net income	\$ 30,979	\$ 88,774	\$ 75,794
Basic earnings per share:			
Class A Common Stock	\$ 1.10	\$ 3.14	\$ 2.68
Class B Common Stock	\$ 1.64	\$ 4.70	\$ 4.01
Diluted earnings per share:			
Class A Common Stock	\$ 1.10	\$ 3.14	\$ 2.67
Class B Common Stock	\$ 1.64	\$ 4.70	\$ 4.01

Consolidated Balance Sheets

(Dollars in thousands)

As of October 31,	2002	2001
ASSETS		
Current assets		
Cash and cash equivalents	\$ 25,396	\$ 29,720
Trade accounts receivable – less allowance of \$9,857 in 2002 and \$10,596 in 2001	274,222	282,982
Inventories	144,320	123,363
Deferred tax asset	3,652	9,697
Net assets held for sale	13,945	12,530
Prepaid expenses and other	48,286	45,904
	509,821	504,196
Long-term assets		
Goodwill – less accumulated amortization	232,577	236,623
Other intangible assets – less accumulated amortization	28,999	33,179
Investment in affiliates	149,820	144,071
Other long-term assets	45,060	44,282
	456,456	458,155
Properties, plants and equipment		
Timber properties – less depletion	81,380	74,851
Land	84,271	81,048
Buildings	244,967	235,980
Machinery and equipment	748,184	689,637
Capital projects in progress	26,042	43,200
	1,184,844	1,124,716
Accumulated depreciation	(392,826)	(315,879)
	792,018	808,837
	\$1,758,295	\$1,771,188
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 135,192	\$ 117,117
Accrued payroll and employee benefits	48,974	27,604
Restructuring reserves	2,300	15,109
Short-term borrowings	20,005	16,533
Current portion of long-term debt	3,000	43,140
Other current liabilities	72,101	74,016
	281,572	293,519
Long-term liabilities		
Long-term debt	629,982	654,374
Deferred tax liability	135,577	124,346
Postretirement benefit liability	47,131	50,028
Other long-term liabilities	93,559	62,015
	906,249	890,763
Minority interest		
	1,345	560
Shareholders' equity		
Common stock, without par value	11,974	10,446
Treasury stock, at cost	(61,130)	(58,812)
Retained earnings	687,204	671,917
Accumulated other comprehensive loss:		
– foreign currency translation	(33,726)	(21,378)
– interest rate derivatives	(15,601)	(13,071)
– minimum pension liability	(19,592)	(2,756)
	569,129	586,346
	\$1,758,295	\$1,771,188

Consolidated Statements of Cash Flows

(Dollars in thousands)

For the years ended October 31,	2002	2001	2000
Cash flows from operating activities:			
Net income	\$ 30,979	\$ 88,774	\$ 75,794
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	97,477	81,507	45,222
Equity in earnings of affiliates, net of dividends received	(6,527)	(7,007)	(10,976)
Minority interest in income of consolidated subsidiaries	840	560	—
Deferred income taxes	9,506	29,127	13,548
Gain on disposals of properties, plants and equipment, net	(13,387)	(84,661)	(502)
Increase (decrease) in cash from changes in certain assets and liabilities, net of effects from acquisitions:			
Trade accounts receivable	8,760	(7,613)	5,109
Inventories	(20,957)	23,526	7,965
Prepaid expenses and other	(7,382)	24,243	1,955
Other long-term assets	7,922	12,202	6,579
Accounts payable	18,075	(15,734)	(1,628)
Accrued payroll and employee benefits	21,370	(776)	1,062
Restructuring reserves	(12,809)	(4,241)	(5,157)
Other current liabilities	(1,915)	(28,545)	(15,704)
Postretirement benefit liability	(2,897)	3,315	(1,059)
Other long-term liabilities	17,970	442	(4,979)
Net cash provided by operating activities	147,025	115,119	117,229
Cash flows from investing activities:			
Acquisitions of companies, net of cash acquired	—	(312,892)	—
Disposals of investments in government securities	—	—	5,314
Purchases of properties, plants and equipment	(57,464)	(132,217)	(78,833)
Proceeds on disposals of properties, plants and equipment	21,960	92,403	4,672
Net cash used in investing activities	(35,504)	(352,706)	(68,847)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	663,250	760,000	—
Payments on long-term debt	(741,020)	(464,542)	(23,000)
Proceeds from (payments on) short-term borrowings	3,472	(7,062)	—
Debt issuance costs	(14,742)	(16,254)	—
Acquisitions of treasury stock	(2,458)	(924)	(4,968)
Exercise of stock options	1,668	69	190
Dividends paid	(15,692)	(15,158)	(14,619)
Net cash (used in) provided by financing activities	(105,522)	256,129	(42,397)
Effects of exchange rates on cash	(10,323)	(2,210)	(1,532)
Net (decrease) increase in cash and cash equivalents	(4,324)	16,332	4,453
Cash and cash equivalents at beginning of year	29,720	13,388	8,935
Cash and cash equivalents at end of year	\$ 25,396	\$ 29,720	\$ 13,388

Consolidated Statements of Changes in Shareholders' Equity

(Dollars and shares in thousands, except per share amounts)

	Capital Shares	Stock Amount	Treasury Shares	Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Share- holders' Equity
As of November 1, 1999	22,527	\$10,207	15,894	\$(52,940)	\$537,126	\$ (6,411)	\$487,982
Net income					75,794		75,794
Other comprehensive loss – foreign currency translation						(1,865)	(1,865)
Comprehensive income							73,929
Dividends paid (Note 8):							
Class A – \$0.52					(5,492)		(5,492)
Class B – \$0.77					(9,127)		(9,127)
Treasury shares acquired	(163)		163	(4,968)			(4,968)
Stock options exercised	7	176	(7)	14			190
As of October 31, 2000	22,371	\$10,383	16,050	\$(57,894)	\$598,301	\$ (8,276)	\$542,514
Net income					88,774		88,774
Other comprehensive loss:							
– foreign currency translation						(13,102)	(13,102)
– interest rate derivatives						(13,071)	(13,071)
– minimum pension liability adjustment						(2,756)	(2,756)
Comprehensive income							59,845
Dividends paid (Note 8):							
Class A – \$0.54					(5,683)		(5,683)
Class B – \$0.80					(9,475)		(9,475)
Treasury shares acquired	(35)		35	(924)			(924)
Stock options exercised	3	63	(3)	6			69
As of October 31, 2001	22,339	\$10,446	16,082	\$(58,812)	\$671,917	\$(37,205)	\$586,346
Net income					30,979		30,979
Other comprehensive loss:							
– foreign currency translation						(12,348)	(12,348)
– interest rate derivatives						(2,530)	(2,530)
– minimum pension liability adjustment						(16,836)	(16,836)
Comprehensive loss							(735)
Dividends paid (Note 8):							
Class A – \$0.56					(5,910)		(5,910)
Class B – \$0.83					(9,782)		(9,782)
Treasury shares acquired	(80)		80	(2,458)			(2,458)
Stock options exercised	66	1,528	(66)	140			1,668
As of October 31, 2002	22,325	\$11,974	16,096	\$(61,130)	\$687,204	\$(68,919)	\$569,129

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Business

Greif Bros. Corporation and subsidiaries (the “Company”) principally manufacture industrial shipping containers and containerboard and corrugated products that it sells to customers in many industries throughout the world. In March 2001, the Company acquired Van Leer Industrial Packaging (see Note 2), which significantly increased the operations of the Company. The Company has 173 operating locations in over 40 countries. In addition, the Company owns timber properties in the southeastern United States and Canada, which are harvested and regenerated.

Due to the variety of its products, the Company has many customers buying different types of its products and, due to the scope of the Company’s sales, no one customer is considered principal in the total operations of the Company.

Because the Company supplies a cross section of industries, such as chemicals, food products, petroleum products, pharmaceuticals and metal products, and must make spot deliveries on a day-to-day basis as its products are required by its customers, the Company does not operate on a backlog to any significant extent and maintains only limited levels of finished goods. Many customers place their orders weekly for delivery during the week.

The Company’s raw materials are principally steel, resins, paper, waste paper for recycling and pulpwood.

There are approximately 9,800 employees of the Company at October 31, 2002.

Fiscal Year

The Company’s fiscal year begins on November 1 and ends on October 31 of the following year. Any references to the year 2002, 2001 or 2000, or to any quarter of those years, relates to the fiscal year ending in that year.

Basis of Consolidation

The consolidated financial statements include the accounts of Greif Bros. Corporation and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

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. The most significant estimates are related to the allowance for doubtful accounts, inventory reserves, expected useful lives assigned to properties, plants and equipment, goodwill and other intangible assets, restructuring reserves, environmental liabilities, pension and postretirement benefits, income taxes and contingencies. Actual amounts could differ from those estimates.

Revenue Recognition

In December 1999, the Securities and Exchange Commission staff issued Staff Accounting Bulletin (“SAB”) No. 101, “Revenue Recognition in Financial Statements.” SAB No. 101 further defines the basic principles of revenue recognition and was

adopted by the Company during 2001. The Company recognizes revenue when title passes to customers or services have been rendered, with appropriate provision for returns and allowances. The adoption of SAB No. 101 did not have a material effect on the Company’s consolidated financial statements.

Shipping and Handling Fees and Costs

The Company includes shipping and handling fees and costs in cost of products sold.

Income Taxes

Income taxes are accounted for under Statement of Financial Accounting Standards (“SFAS”) No. 109, “Accounting for Income Taxes.” In accordance with this Statement, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as measured by enacted tax rates that are expected to be in effect in the periods when the deferred tax liabilities and assets are expected to be settled or realized.

Cash and Cash Equivalents

The Company considers highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. Included in these amounts are repurchase agreements of \$0.4 million in 2002 (\$1.9 million in 2001).

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of trade accounts receivable. Such credit risk is considered by management to be limited due to the Company’s many customers, none of which are considered principal in the total operations of the Company, doing business in a variety of industries throughout the world.

Inventories

Inventories are stated at the lower of cost or market, principally on the first-in, first-out basis (approximately 57% of consolidated inventories). The Company also utilizes the last-in, first-out basis (approximately 43% of consolidated inventories) for most locations in the United States. The inventories are comprised as follows at October 31 (Dollars in thousands):

	2002	2001
Finished goods	\$ 38,939	\$ 40,881
Raw materials and work-in-process	137,623	117,491
	<u>176,562</u>	<u>158,372</u>
Reduction to state inventories on last-in, first-out basis	(32,242)	(35,009)
	<u>\$144,320</u>	<u>\$123,363</u>

Properties, Plants and Equipment

Properties, plants and equipment are stated at cost.

Depreciation on properties, plants and equipment is provided on the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings	30-45
Machinery and equipment	3-19

Depreciation expense was \$78.5 million in 2002, \$63.8 million in 2001 and \$37.3 million in 2000. Expenditures for repairs and maintenance are charged to expense as incurred.

Depletion on timber properties is computed on the basis of cost and the estimated recoverable timber acquired.

When properties are retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the asset and related allowance accounts. Gains or losses are credited or charged to income as incurred.

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, primarily as a result of the restructuring plans in the Industrial Packaging & Services segment (see Note 5). As of both October 31, 2002 and 2001, there were 14 locations held for sale. The net sales and loss before income tax benefit of these locations were \$11.1 million and \$0.2 million, respectively, during 2002. The net sales and loss before income tax benefit of these locations were \$35.6 million and \$0.8 million, respectively, during 2001. The effect of suspending depreciation on the facilities held for sale is immaterial to the results of operations. The net assets held for sale have been listed for sale, and it is the Company's intention to complete the sales within the upcoming year.

Internal Use Software

Internal use software is accounted for under Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Internal use software is software that is acquired, internally developed or modified solely to meet the entity's needs and for which, during the software's development or modification, a plan does not exist to market the software externally. Costs incurred to develop the software during the application development stage and for upgrades and enhancements that provide additional functionality are capitalized.

Goodwill and Other Intangible Assets

Goodwill is amortized on a straight-line basis over 15 or 25 years. The cost of acquired intangible assets is amortized on a straight-line basis over their estimated economic lives of 2 to 25 years. The weighted average period of goodwill and intangible assets amortization is 23 years. Amortization expense was \$16.0 million in 2002, \$13.1 million in 2001 and \$7.0 million in 2000. Accumulated amortization was \$47.2 million at October 31, 2002 (\$31.2 million at October 31, 2001).

The Company's policy is to periodically review its goodwill, other intangible assets 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 businesses.

Derivative Financial Instruments

On November 1, 2000, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities,"

as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." These statements require that all derivatives be recorded in the balance sheet as either assets or liabilities and measured at fair value. Dependent on the designation of the derivative instrument, changes in fair value are recorded to earnings or shareholders' equity through other comprehensive income (loss).

The Company uses interest rate swap agreements for both cash flow hedging and fair value hedging purposes. For derivative instruments that hedge the exposure of variability in interest rates, designated as cash flow hedges, the effective portion of the net gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For derivative instruments that hedge the exposure to changes in the fair value of fixed rate debt, designated as fair value hedges, the net gain or loss on the derivative instrument, as well as the offsetting gain or loss on the fixed rate debt attributable to the hedged risk, are recorded in current period earnings.

Interest rate swap agreements that hedge against variability in interest rates effectively convert a portion of floating rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense. The Company uses the "variable cash flow method" for assessing the effectiveness of these swaps. The effectiveness of these swaps is reviewed at least every quarter. Hedge ineffectiveness is not material. The Company has outstanding one interest rate swap agreement to convert a portion of fixed rate debt to a floating rate basis, thus hedging for changes in the fair value of the fixed rate debt being hedged. The Company has determined that this interest rate swap agreement, designated as a fair value hedge, qualifies for treatment under the short-cut method of measuring effectiveness. Under the provisions of SFAS No. 133, this hedge is determined to be "perfectly effective", and there is no requirement to periodically evaluate effectiveness.

The Company enters into foreign currency forward contracts to hedge certain short-term intercompany loan transactions with its foreign businesses. Such contracts limit the Company's exposure to both favorable and unfavorable currency fluctuations. These contracts are adjusted to reflect market value as of each balance sheet date, with the resulting changes in fair value being recognized in other income, net.

Any derivative contract that is either not designated as a hedge, or is so designated but is ineffective, is adjusted to market value and recognized in earnings immediately. If a fair value or cash flow hedge ceases to qualify for hedge accounting or is terminated, the contract would continue to be carried on the balance sheet at fair value until settled and future adjustments to the contract's fair value would be recognized in earnings immediately. If a forecasted transaction were no longer probable to occur, amounts previously deferred in accumulated other comprehensive income (loss) would be recognized immediately in earnings.

Foreign Currency Translation

In accordance with SFAS No. 52, "Foreign Currency Translation," the assets and liabilities denominated in foreign currency are translated into U.S. dollars at the current rate of exchange existing at year-end, and revenues and expenses are translated at the average monthly exchange rates.

The cumulative translation adjustments, which represent the effects of translating assets and liabilities of the Company's foreign operations, are presented in the Consolidated Statements of Changes in Shareholders' Equity in "Accumulated Other Comprehensive Loss." The transaction gains and losses included in other income, net are immaterial.

The functional currency for foreign operations in highly inflationary economies is the U.S. dollar, and any gains or losses are credited or charged to income.

Earnings Per Share

The Company has two classes of common stock and, as such, applies the "two-class method" of computing earnings per share as prescribed in SFAS No. 128, "Earnings Per Share." In accordance with this Statement, earnings 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 for the period have been distributed in the form of dividends.

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

For the years ended October 31,	2002	2001	2000
Class A Common Stock:			
Basic earnings per share	10,555,215	10,523,476	10,557,935
Assumed conversion of stock options	71,001	26,603	41,600
Diluted earnings per share	<u>10,626,216</u>	<u>10,550,079</u>	<u>10,599,535</u>
Class B Common Stock:			
Basic and diluted earnings per share	<u>11,788,418</u>	<u>11,842,656</u>	<u>11,852,602</u>

There are 645,400 options that are antidilutive for 2002 (1,172,248 for 2001 and 370,090 for 2000).

Environmental Cleanup Costs

The Company expenses environmental expenditures related to existing conditions resulting from 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. The Company determines its liability on a site-by-site basis and records a liability at the time when it is probable and can be reasonably estimated. The Company's estimated liability is reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2002 presentation.

Recent Accounting Standards

Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," and

SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires use of the purchase method for business combinations initiated after June 30, 2001. SFAS No. 142 requires that goodwill no longer be amortized, but instead be periodically reviewed for impairment. The provisions of SFAS No. 142 are effective for fiscal years beginning after December 15, 2001, or November 1, 2002 for the Company.

The application of the non-amortization provisions of SFAS No. 142 will decrease amortization expense by approximately \$11 million and increase net income by approximately \$9 million upon adoption in 2003. At this time, the effect of the impairment provisions provided by SFAS No. 142 is not known.

Additionally, SFAS No. 141 requires that in a business combination in which the fair value of the net assets acquired exceeds cost, any residual negative goodwill is recognized as an extraordinary gain in the period in which the business combination is initially recognized. The transition provisions of SFAS No. 141 require that, upon adoption of SFAS No. 142, any existing negative goodwill be adjusted as a cumulative effect of a change in accounting principal in the Consolidated Statements of Income. In the first quarter of 2003, the Company will record a cumulative effect of a change in accounting principle for its remaining unamortized negative goodwill. The Company's recorded balance of negative goodwill at October 31, 2002 was \$4.8 million.

Impairment or Disposal of Long-Lived Assets

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses the accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of" and Accounting Principles Board Opinion ("APBO") No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and resolves implementation issues related to SFAS No. 121.

SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001, or November 1, 2002 for the Company. The Company does not expect the adoption of this Statement to have a material effect on its consolidated financial statements.

Costs Associated with Exit or Disposal Activities

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses the accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires entities to recognize a liability for a cost associated with an exit or disposal activity when the liability is incurred. Previously, under EITF No. 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan.

SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with earlier application encouraged. The Company will adopt this Statement at the begin-

ning of its 2003 fiscal year (November 1, 2002). The Company does not expect the adoption of this Statement to have a material effect on its consolidated financial statements.

Note 2 – ACQUISITIONS AND OTHER INVESTMENTS

Van Leer Industrial Packaging Acquisition

On March 2, 2001, pursuant to the terms of a Share Purchase Agreement dated October 27, 2000, as amended on January 5 and February 28, 2001, between the Company and Huhtamäki Van Leer Oyj, a Finnish corporation (“Huhtamäki”), the Company acquired all of the issued share capital of Royal Packaging Industries Van Leer N.V., a Dutch limited liability company, Huhtamäki Holdings do Brasil Ltda., a Brazilian limited liability company, Van Leer France Holding S.A.S., a French limited liability company, Van Leer Containers, Inc., a U.S. corporation, and American Flange & Manufacturing Co., Inc., a U.S. corporation (collectively, “Van Leer Industrial Packaging”). Van Leer Industrial Packaging was a worldwide provider of industrial packaging and components, including steel, fibre and plastic drums, polycarbonate water bottles, intermediate bulk containers and closure systems.

As consideration for the shares of Van Leer Industrial Packaging, the Company paid \$555.0 million less the amount of Van Leer Industrial Packaging’s debt and certain other obligations (\$206.4 million) that were assumed by the Company as of the closing date. In addition, the Company paid \$15.8 million in legal and professional fees related to the acquisition. The acquisition was funded by long-term debt borrowed against a \$900 million Senior Secured Credit Agreement (see Note 6).

The acquisition of Van Leer Industrial Packaging, included in operating results from the acquisition date, was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets purchased and liabilities assumed based upon their fair values at the date of acquisition. The fair values of the assets acquired and the liabilities assumed were \$637.7 million and \$425.5 million, respectively. Identifiable intangible assets, with a combined fair value of \$34.1 million, including the Van Leer trademark, Tri-Sure Closures trademarks, patents and other proprietary information, and certain noncompete agreements, have been recorded. The excess of the purchase price over the fair values of the net tangible and intangible assets acquired of \$118.1 million was recorded as goodwill.

Pro Forma Information

The following pro forma (unaudited) information assumes that the Van Leer Industrial Packaging acquisition had occurred on November 1, 1999 (Dollars in thousands, except per share amounts):

For the years ended October 31,	2001	2000
Net sales	\$1,746,255	\$1,914,846
Net income	\$ 72,795	\$ 74,546
Basic earnings per share:		
Class A Common Stock	\$ 2.58	\$ 2.63
Class B Common Stock	\$ 3.86	\$ 3.94
Diluted earnings per share:		
Class A Common Stock	\$ 2.57	\$ 2.63
Class B Common Stock	\$ 3.86	\$ 3.94

The amounts reflect adjustments for interest expense related to the debt issued for the purchase, amortization of goodwill and other intangible assets and depreciation expense on the revalued properties, plants and equipment.

The pro forma information, as presented above, is not necessarily indicative of the results which would have been obtained had the transaction occurred on November 1, 1999, nor are they necessarily indicative of future results.

Note 3 – INVESTMENT IN AFFILIATES

The Company has investments in CorrChoice, Inc. (“CorrChoice”) (63.24%), Socer-Embalagens, Lda. (25.00%) and Balmer Lawrie-Van Leer (40.06%) that are accounted for on the equity method. In connection with the investment in CorrChoice, the Company entered into a joint venture agreement, a voting agreement and other related agreements with the other stockholders of CorrChoice. Under the voting agreement, the Company can elect one-half of CorrChoice’s board of directors and the other stockholders can elect the other half of the board of directors, with no mechanism to break a board deadlock. Because of this situation, the Company does not control CorrChoice. During the second quarter of 2002, the Company’s investment in Abzac-Greif (49.00%) was sold for approximately \$2 million, with a gain of \$0.1 million. The Company’s share of earnings of these affiliates is included in income as earned. The Company received dividends from affiliates of \$2.3 million in 2002, \$2.9 million in 2001 and \$2.4 million in 2000.

The difference between the cost basis of the Company’s investment in the underlying equity of affiliates of \$4.4 million at October 31, 2002 (\$4.8 million at October 31, 2001) is being amortized over 15 years. Upon adoption of SFAS No. 142 on November 1, 2002, this difference will no longer be amortized.

CorrChoice manufactures corrugated sheets at seven locations in the United States. The Company sells paper to CorrChoice, which it uses to produce corrugated sheets, and purchases corrugated sheets from CorrChoice, with all transactions effected at prevailing market prices. Sales and purchases with CorrChoice were \$59.8 million and \$21.0 million in 2002, \$71.7 million and \$23.1 million in 2001 and \$81.4 million and \$26.0 million in 2000, respectively.

The summarized financial information below represents the financial position and results of operations of CorrChoice (Dollars in thousands):

As of and for the years ended October 31,	2002	2001	2000
Current assets	\$140,124	\$130,425	
Long-term assets	\$107,108	\$106,313	
Current liabilities	\$ 9,474	\$ 10,734	
Long-term liabilities	\$ 8,727	\$ 8,962	
Net sales	\$230,107	\$284,534	\$313,435
Gross profit	\$ 34,941	\$ 40,763	\$ 46,212
Operating income	\$ 23,644	\$ 25,673	\$ 32,250
Net income	\$ 15,783	\$ 18,161	\$ 22,690

The summarized unaudited financial information below represents the combined financial position and results of operations of the Company's 50% or less owned entities accounted for by the equity method (Dollars in thousands):

As of and for the years ended October 31,	2002	2001	2000
Current assets	\$ 6,921	\$11,919	
Long-term assets	\$15,180	\$16,791	
Current liabilities	\$ 5,288	\$ 9,533	
Long-term liabilities	\$ 9,616	\$ 8,884	
Net sales	\$12,761	\$22,194	\$13,881
Gross profit	\$ 2,525	\$ 5,687	\$ 2,260
Operating income	\$ 347	\$ 2,665	\$ 2,340
Net income	\$ 462	\$ 445	\$ 274

Note 4 – TIMBERLAND TRANSACTIONS

From time to time, the Company sells timber properties that no longer fit into its business strategy or have a higher and better use. In addition, the Company periodically purchases timber properties that would enhance its long-term sustainable yield strategy. Included in these amounts are the following significant transactions.

Sale of Timber Properties

In December 2000, the Company sold certain hardwood timberland for \$44.4 million. As a result of this transaction, the Company recognized a gain of \$43.0 million during the first quarter of 2001. In a related agreement, the Company sold other hardwood timberland for \$30.0 million in March 2001 and recognized an additional gain of \$27.7 million during the second quarter of 2001.

A total of approximately 65,000 acres of timber properties situated in Arkansas, Mississippi and Louisiana were sold as a result of these transactions.

Purchase of Timber Properties

In December 2000, the Company purchased certain pine timberland for \$42.8 million. In a related agreement, the Company purchased other pine timberland for \$43.1 million in March 2001.

A total of approximately 63,000 acres of timber properties situated in Louisiana were purchased as a result of these transactions.

Note 5 – RESTRUCTURING RESERVES

During the second quarter of 2001, the Company approved a plan to consolidate some of its locations in order to eliminate duplicate facilities caused by the Van Leer Industrial Packaging acquisition and improve operating efficiencies and capabilities. The plan was the result of an in-depth study to determine whether certain locations, either existing or newly acquired, should be closed and the sales and manufacturing volume associated with such plants relocated to a different facility. Six existing company-owned plastic drum and steel drum plants were identified to be closed. The plants are located in North America. In addition, certain redundant administrative functions were identified to be eliminated. As a result of this plan, during the second quarter of 2001, the Company recognized a pretax restructuring charge of \$11.5 million, consisting of \$8.0 million in employee separation costs (approximately 250 employees) and a \$3.5 million loss on disposal of equipment and facilities. Subsequent to the recognition

of these restructuring charges, the Company recognized expenses related to additional costs to relocate machinery and equipment and employees upon the closure of these plants. The Company also recognized an additional \$2.8 million pretax restructuring charge during the fourth quarter of 2002, primarily as a result of an extension of this plan. The fourth quarter 2002 charge consisted of \$1.4 million in employee separation costs, mostly related to early retirement expenses, and a \$1.4 million loss on facilities that are currently in the process of being sold. It is the Company's intention to sell the remainder of its facilities held for sale during 2003.

The amounts added to and reduced from this restructuring reserve during the years ended October 31, 2001 and 2002 were as follows (Dollars in thousands):

	Balance at 10/31/00	Reductions	Balance at 10/31/01
Cash charges:			
Employee separation costs	\$ 8,000	\$(4,009)	\$3,991
Cash and non-cash charges:			
Other exit costs	3,534	(3,222)	312
	<u>\$11,534</u>	<u>\$(7,231)</u>	<u>\$4,303</u>

	Balance at 10/31/01	Additions	Reductions	Balance at 10/31/02
Cash charges:				
Employee separation costs	\$3,991	\$1,441	\$(5,432)	\$ —
Cash and non-cash charges:				
Other exit costs	312	1,383	(1,186)	509
	<u>\$4,303</u>	<u>\$2,824</u>	<u>\$(6,618)</u>	<u>\$509</u>

As of October 31, 2002, there were a total of 229 employees that had been terminated and provided severance benefits under this restructuring plan.

In addition, in connection with the March 2001 acquisition of Van Leer Industrial Packaging from Huhtamäki and the consolidation plan, five facilities purchased as part of the acquisition have been or will be closed. Four of these facilities are owned by subsidiaries of the Company and one was leased. The facilities are located in North America, South America, United Kingdom and Asia Pacific. In addition, certain redundant administrative functions have been eliminated. Accordingly, the Company recognized a \$19.7 million restructuring liability in its purchase price allocation related to these locations. This liability was accounted for under EITF No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination." The liability consisted of \$16.5 million in employee separation costs (approximately 300 employees) and \$3.2 million in other exit costs. The Company intends to sell the four company-owned facilities during 2003, and the lease on the remaining facility was terminated.

The amounts reduced from this restructuring reserve during the years ended October 31, 2001 and 2002 were as follows (Dollars in thousands):

	Balance at 10/31/00	Reductions	Balance at 10/31/01
Cash charges:			
Employee separation costs	\$16,480	\$(6,962)	\$ 9,518
Cash and non-cash charges:			
Other exit costs	3,203	(1,915)	1,288
	<u>\$19,683</u>	<u>\$(8,877)</u>	<u>\$10,806</u>

	Balance at 10/31/01	Reductions	Balance at 10/31/02
Cash charges:			
Employee separation costs	\$ 9,518	\$(7,727)	\$1,791
Cash and non-cash charges:			
Other exit costs	1,288	(1,288)	—
	<u>\$10,806</u>	<u>\$(9,015)</u>	<u>\$1,791</u>

As of October 31, 2002, there were a total of 234 employees that had been terminated and provided severance benefits under this restructuring plan. The Company anticipates that the remaining severance benefits will be paid during the first half of 2003.

Note 6 – LONG-TERM DEBT

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

	October 31, 2002	October 31, 2001
\$550 million Amended and Restated Senior Secured Credit Agreement	\$384,250	\$ —
8-7/8% Senior Subordinated Notes	247,965	—
\$900 million Senior Secured Credit Agreement	—	696,306
Other debt	767	1,208
	632,982	697,514
Less current portion	(3,000)	(43,140)
	<u>\$629,982</u>	<u>\$654,374</u>

\$550 Million Amended and Restated Senior Secured Credit Agreement

On August 23, 2002, the Company, as U.S. borrower, and Greif Spain Holdings, S.L., Greif Canada Inc., Van Leer (UK) Ltd., Koninklijke Emballage Industrie Van Leer B.V. (dba Royal Packaging Industries Van Leer B.V.), and Van Leer Australia Pty. Limited, as non-U.S. borrowers, entered into a \$550 million Amended and Restated Senior Secured Credit Agreement with a syndicate of lenders. A portion of the proceeds from the Amended and Restated Senior Secured Credit Agreement was used to refinance amounts outstanding under the Company's then existing \$900 million Senior Secured Credit Agreement. The Amended and Restated Senior Secured Credit Agreement provides 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. The term loan periodically reduces through its maturity date of August 23, 2009, and the revolving multicurrency credit facility matures on February 28, 2006.

The Company is required to pay a commitment fee each quarter equal to 0.250% to 0.500% of the total unused revolver commitment amount, based upon the Company's leverage ratio. Interest is based on either a LIBOR rate or an alternative base rate that resets periodically plus a calculated margin amount. At October 31, 2002, the Company had \$384.3 million outstanding under the Amended and Restated Senior Secured Credit Agreement with a weighted average interest rate of 4.04%. The amounts outstanding, as well as the base rates and margins, at October 31, 2002, were as follows (Dollars in thousands):

	Amount	Base Rate	Margin
Term Loan C	\$299,250	1.76%	2.25%
Multicurrency revolver:	\$ 80,000	1.76%	2.25%
	\$ 5,000	4.75%	1.25%

The Amended and Restated Senior Secured Credit Agreement contains certain covenants, which include financial covenants that require the Company to maintain a certain leverage ratio, a minimum coverage of interest expense and fixed charges and a minimum net worth. At October 31, 2002, the Company was in compliance with these covenants. 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 Bros. Corporation and its U.S. subsidiaries and, in part, by the capital stock of the non-U.S. borrowers and any intercompany notes payable to them. Standard & Poor's and Moody's Investor Service have assigned a "BB" rating and a "Ba3" rating, respectively, to the loan obligations of the Company under the Amended and Restated Senior Secured Credit Agreement.

The \$250 million revolving multicurrency credit facility was also used to issue letters of credit. At October 31, 2002, the Company had outstanding \$20.0 million in letters of credit. The quarterly fronting fee related to these letters of credit was 0.125% of the outstanding amount plus a calculated margin (2.25% at October 31, 2002) for the use of this 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. Interest on the Senior Subordinated Notes is payable semi-annually at the annual rate of 8-7/8%. 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:

Year	Redemption Price
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.

The net proceeds from the Senior Subordinated Notes issuance were utilized to repay indebtedness under the Company's \$900 million Senior Secured Credit Agreement and fees paid in connection with the offering. The fair value of the Senior Subordinated Notes was approximately \$259 million at October 31, 2002, based on quoted market prices. The trust indenture pursuant to which the Senior Subordinated Notes were issued contains certain covenants. At October 31, 2002, the Company was in compliance with these covenants.

A description of the guarantees of the Senior Subordinated Notes by the Company's U.S. subsidiaries is included in Note 16.

\$900 Million Senior Secured Credit Agreement

On March 2, 2001, the Company and Greif Spain Holdings, S.L. had entered into a \$900 million Senior Secured Credit Agreement with a syndicate of lenders. A portion of the proceeds from the Senior Secured Credit Agreement was used to fund the Van Leer Industrial Packaging acquisition and to refinance amounts

outstanding under the Company's then existing revolving credit facility. The Senior Secured Credit Agreement provided for three term loans, a \$150 million U.S. Dollar Term Loan A, a \$200 million Euro Term Loan A and a \$400 million U.S. Dollar Term Loan B, and a \$150 million revolving multicurrency credit facility. The revolving multicurrency credit facility was available for working capital and general corporate purposes.

The Term Loan A (both U.S. dollar and euro) and Term Loan B were to amortize quarterly through the maturity dates of February 28, 2006 and February 29, 2008, respectively. The revolving multicurrency credit facility was to mature on February 28, 2006. However, during 2002, the \$900 million Senior Secured Credit Agreement was refinanced using proceeds from the Amended and Restated Senior Secured Credit Agreement and the Senior Subordinated Notes.

During 2002, the Company incurred a non-cash debt extinguishment charge of \$10.3 million related to the extinguishment of the indebtedness outstanding under the Senior Secured Credit Agreement. The Company has early adopted SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 rescinds SFAS No. 4, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. As such, the debt extinguishment charge has been presented as a component of income before income taxes, minority interest in income of consolidated subsidiaries and equity in earnings of affiliates.

The Company was required to pay a commitment fee each quarter equal to 0.375% to 0.500% of the total unused revolver commitment amount, based upon the Company's leverage ratio. Interest was based either on a LIBOR rate or an alternative base rate that reset periodically plus a calculated margin amount. At October 31, 2001, the Company had \$696.3 million outstanding under the Senior Secured Credit Agreement with a weighted average interest rate of 5.50%. The amounts outstanding, as well as the base rates and margins, at October 31, 2001, were as follows (U.S. dollars and euros in thousands):

	Amount	Base Rate	Margin
Term Loan A (U.S. dollar)	\$131,526	2.27%	2.50%
Term Loan A (euro)	€187,660	3.59%	2.50%
Term Loan B	\$377,256	2.27%	3.25%
Multicurrency revolver	\$ 20,000	2.34%	2.50%

The \$150 million revolving multicurrency credit facility was also used to issue letters of credit. At October 31, 2001, the Company had outstanding \$13.0 million in letters of credit. The quarterly fronting fee related to these letters of credit was 0.125% of the outstanding amount plus a calculated margin (2.50% at October 31, 2001) for the use of this facility.

Other

In addition to the amounts borrowed against the Amended and Restated Senior Secured Credit Agreement and the Senior Subordinated Notes, the Company had outstanding debt of \$20.8 million, comprised of \$0.8 million in long-term debt and \$20.0 million in short-term borrowings at October 31, 2002. At October 31, 2001, the Company had outstanding debt of \$17.7 million,

comprised of \$1.2 million in long-term debt and \$16.5 million in short-term borrowings, in addition to the amounts borrowed against the Senior Secured Credit Agreement.

Annual maturities of the Company's long-term debt are \$3.0 million in 2003, \$3.0 million in 2004, \$3.0 million in 2005, \$88.0 million in 2006, \$3.0 million in 2007 and \$533.0 million thereafter.

At October 31, 2002 and 2001, the Company had deferred financing fees and debt issuance costs of \$16.1 million and \$14.5 million, respectively, which are included in other long-term assets.

During 2002, the Company paid \$41.1 million of interest (\$44.8 million in 2001 and \$16.6 million in 2000) related to its long-term obligations. Interest of \$0.5 million in 2002, \$2.5 million in 2001 and \$2.5 million in 2000 was capitalized.

Non-Cancelable Operating Leases

The Company has entered into non-cancelable operating leases for buildings, trucks and computer equipment. During 2002, the Company sold a building to a subsidiary of CorrChoice for \$7.5 million. Concurrently with the sale, the Company entered into a lease-back arrangement for the building. The \$0.2 million gain on the sale transaction has been deferred over the term of the lease. The resulting 10-year lease is accounted for as an operating lease and is included in future minimum lease payments. The future minimum lease payments for the non-cancelable operating leases are \$14.7 million in 2003, \$13.1 million in 2004, \$11.3 million in 2005, \$9.1 million in 2006, \$7.2 million in 2007 and \$19.5 million thereafter. Rent expense was \$21.4 million in 2002, \$20.5 million in 2001 and \$14.0 million in 2000.

Note 7 – FINANCIAL INSTRUMENTS

The Company had interest rate swap agreements with an aggregate notional amount of \$330 million at October 31, 2002, with various maturities through 2012. Under most 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 5.61% over the life of the contracts. The Company is also party to an agreement 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 3.83%. At October 31, 2002, a net liability for the loss on interest rate swap contracts, which represented their fair values at that time, in the amount of \$21.1 million (\$13.5 million, net of tax) was recorded.

The Company had interest rate swap agreements with an aggregate notional amount of \$320 million and EUR 65 million at October 31, 2001, with various maturities through 2008. Under the agreements, the Company received interest quarterly from the counterparty equal to the LIBOR rate and paid interest quarterly to the counterparty at a weighted average rate of 5.56%. At October 31, 2001, a net liability for the loss on interest rate swap contracts, which represented their fair values at that time, in the amount of \$21.0 million (\$13.1 million, net of tax) was recorded.

At October 31, 2002, the Company had outstanding foreign currency forward contracts in the notional amount of \$25.6 million (\$33.4 million in 2001). The fair value of these contracts at October 31, 2002 resulted in a loss of \$0.1 million (gain of \$0.3 million in 2001). The purpose of these contracts is to hedge short-term intercompany loan balances with its 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.

The carrying amounts of cash and cash equivalents, trade receivables, accounts payable, current liabilities and short-term borrowings at October 31, 2002 and 2001 approximate their fair value because of the short-term maturities of these items.

The estimated fair value of the Company's long-term debt was \$643.8 million and \$697.5 million as compared to the carry-

ing amounts of \$633.0 million and \$697.5 million at October 31, 2002 and 2001, respectively. The fair value of the Company's long-term obligations is estimated based on either the quoted market prices for the same or similar issues and the current interest rates offered for debt of the same remaining maturities.

Note 8 – CAPITAL STOCK

Class A Common Stock is entitled to cumulative dividends of one cent a share per year after which Class B Common Stock is entitled to non-cumulative dividends up to a half cent a share per year. Further distribution in any year must be made in proportion of one cent a share for Class A Common Stock to one and a half 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 capital stock, without par value (Class A and Class B common shares), and treasury shares at the specified dates:

	Authorized Shares	Issued Shares	Outstanding Shares	Treasury Shares
October 31, 2002:				
Class A Common Stock	32,000,000	21,140,960	10,562,366	10,578,594
Class B Common Stock	17,280,000	17,280,000	11,762,859	5,517,141
October 31, 2001:				
Class A Common Stock	32,000,000	21,140,960	10,516,196	10,624,764
Class B Common Stock	17,280,000	17,280,000	11,822,859	5,457,141

Note 9 – STOCK OPTIONS

In 2001, the Company adopted the 2001 Management Equity Incentive and Compensation Plan (the "2001 Plan"). The provisions of the 2001 Plan allow the awarding of incentive and nonqualified stock options and restricted and performance shares of Class A Common Stock to key employees. The maximum number of shares that may be issued each year is determined by a formula that takes into consideration the total number of shares outstanding and is also subject to certain limits. In addition, the maximum number of incentive stock options that will be issued under the 2001 Plan during its term is 2,500,000 shares.

Prior to 2001, the Company had adopted a Nonstatutory Stock Option Plan (the "2000 Plan") that provides the discretionary granting of nonstatutory options to key employees, and an Incentive Stock Option Plan (the "Option Plan") that provides the discretionary granting of incentive stock options to key employees and nonstatutory options for non-employees. The aggregate number of the Company's Class A Common Stock options that may be granted under the 2000 Plan and Option Plan may not exceed 200,000 shares and 1,000,000 shares, respectively.

Under the terms of the 2001 Plan, the 2000 Plan and the Option Plan, stock options are granted at exercise prices equal to the market value of the common stock on the date options are granted and become exercisable two years after date of grant. Options expire 10 years after date of grant.

The Directors' Stock Option Plan (the "Directors' Plan") provides the granting of stock options to directors who are not employees of the Company. The aggregate number of the Company's Class A Common Stock options that may be granted may not exceed 100,000 shares. Under the terms of the Directors' Plan, options are granted at exercise prices equal to the market value of the common stock on the date options are granted and become exercisable immediately. Options expire 10 years after date of grant.

In 2002, 454,200 stock options were granted under the 2001 Plan with option prices of \$26.20 per share. Under the Directors' Plan, 10,000 options were granted to outside directors with option prices of \$33.95 per share.

In 2001, 444,800 stock options were granted under the 2001 Plan with option prices ranging from \$30.59 to \$33.98 per share. Under the Directors' Plan, 10,000 options were granted to outside directors with option prices of \$27.38 per share.

In 2000, 142,000 stock options and 163,730 stock options were granted under the Option Plan and 2000 Plan, respectively, at option prices ranging from \$27.75 to \$32.00 per share. Under the Directors' Plan, 10,000 options were granted to outside directors with option prices of \$29.88 per share.

The Company applies APBO 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 the fair values at the date of grant under

SFAS No. 123, "Accounting for Stock-Based Compensation," pro forma net income and earnings per share would have been as follows (Dollars in thousands, except per share amounts):

For the years ended October 31,	2002	2001	2000
Net income	\$28,667	\$86,566	\$73,990
Basic earnings per share:			
Class A Common Stock	\$ 1.02	\$ 3.06	\$ 2.62
Class B Common Stock	\$ 1.52	\$ 4.59	\$ 3.91
Diluted earnings per share:			
Class A Common Stock	\$ 1.02	\$ 3.06	\$ 2.61
Class B Common Stock	\$ 1.52	\$ 4.59	\$ 3.91

The fair value for each option is estimated on the date of grant using the Black-Scholes option pricing model, as allowed under SFAS No. 123, with the following assumptions:

	2002	2001	2000
Dividend yield	2.04%	1.70%	1.70%
Volatility rate	32.00%	27.20%	27.50%
Risk-free interest rate	3.88%	4.84%	6.05%
Expected option life	6 years	6 years	6 years

The fair values of shares granted in 2002, 2001 and 2000 were \$7.97, \$9.12 and \$9.49, respectively, as of grant date.

Stock option activity for the years ended October 31 was as follows (Shares in thousands):

	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning balance	1,506	\$29.13	1,154	\$28.48	861	\$28.23
Granted	464	\$26.37	455	\$30.76	316	\$29.22
Forfeited	14	\$29.92	100	\$28.53	16	\$29.76
Exercised	66	\$25.21	3	\$22.94	7	\$27.12
Ending balance	<u>1,890</u>	<u>\$28.58</u>	<u>1,506</u>	<u>\$29.13</u>	<u>1,154</u>	<u>\$28.48</u>

As of October 31, 2002, the outstanding stock options had exercise prices ranging from \$22.94 to \$36.53 and a remaining weighted average contractual life of eight years.

There are 995,000 options that were exercisable at October 31, 2002 (789,000 options at October 31, 2001 and 628,000 options at October 31, 2000).

Note 10 – INCOME TAXES

The provision for income taxes consists of the following (Dollars in thousands):

For the years ended October 31,	2002	2001	2000
Current:			
Federal	\$ (9,604)	\$12,624	\$21,420
State and local	104	550	848
Foreign	10,914	6,213	2,211
	<u>1,414</u>	<u>19,387</u>	<u>24,479</u>
Deferred	<u>11,520</u>	<u>29,127</u>	<u>13,548</u>
	<u>\$12,934</u>	<u>\$48,514</u>	<u>\$38,027</u>

Foreign income before income taxes amounted to \$36.5 million in 2002 (\$13.6 million in 2001 and \$5.8 million in 2000).

The following is a reconciliation of the provision for income taxes based on the federal statutory rate to the Company's effective income tax rate:

For the years ended October 31,	2002	2001	2000
U.S. federal tax rate	35.0 %	35.0%	35.0%
State and local taxes, net of federal tax benefit	1.1 %	1.6%	1.7%
Other non-deductible expenses and foreign tax rates	<u>(0.1)%</u>	<u>1.3%</u>	<u>1.2%</u>
	<u>36.0 %</u>	<u>37.9%</u>	<u>37.9%</u>

Significant components of the Company's deferred tax assets and liabilities at October 31 were as follows (Dollars in thousands):

	2002	2001
Vacation accrual	\$ 2,021	\$ 1,320
Bad debt reserves	2,660	1,610
Restructuring reserves	182	5,439
Other	—	1,328
Current deferred tax asset	<u>\$ 4,863</u>	<u>\$ 9,697</u>
Foreign net operating loss carryforwards	\$ 64,235	\$ 34,019
Interest rate derivatives	8,775	7,977
Minimum pension liability	11,020	1,682
Deferred compensation	2,225	1,840
Environmental reserves	2,636	2,556
Other	—	878
	<u>88,891</u>	<u>48,952</u>
Valuation allowance for long-term deferred tax assets	(42,073)	(31,780)
Long-term deferred tax asset	<u>\$ 46,818</u>	<u>\$ 17,172</u>
Inventories	\$ 793	\$ —
Other	418	—
Current deferred tax liability	<u>\$ 1,211</u>	<u>\$ —</u>
Properties, plants and equipment	\$101,667	\$ 77,932
Equity investments	9,626	8,843
Goodwill and other intangible assets	4,901	4,053
Timberland transactions	39,892	35,530
Pension	1,917	1,771
Other	24,392	13,389
Long-term deferred tax liability	<u>\$182,395</u>	<u>\$141,518</u>

At October 31, 2002, the Company has foreign net operating loss carryforwards of approximately \$64 million for foreign income tax purposes expiring over various future periods. At October 31, 2002, valuation allowances of approximately \$42 million have been provided against the foreign net operating loss carryforwards. Substantially all of this valuation allowance is provided for foreign net operating loss carryforwards acquired in the Van Leer Industrial Packaging acquisition for which subsequently recognized tax benefits will be allocated to reduce goodwill.

At October 31, 2002, 2001 and 2000, the Company has provided deferred income taxes on all of its undistributed foreign earnings.

During 2002, the Company paid \$13.3 million in income taxes (\$20.2 million in 2001 and \$28.9 million in 2000).

Note 11 – RETIREMENT PLANS

In 2001, the Company assumed certain non-contributory defined benefit pension plans in the United States, Australia, Germany, Netherlands, South Africa and United Kingdom as a result of the Van Leer Industrial Packaging acquisition (see Note 2). In addition, the Company already had non-contributory defined benefit pension plans in the United States. The salaried plans' benefits are based primarily on years of service and earnings. The hourly plans' benefits are based primarily upon years of service. The Company contributes an amount that is not less than the minimum funding or more than the maximum tax-deductible amount to these plans. The plans' assets consist of large cap, small cap and international equity securities, fixed income investments and the allowable number of shares of the Company's common stock as follows:

	2002	2001
Class A Common Stock	123,752	123,752
Class B Common Stock	80,355	80,355

The components of net periodic pension cost include the following (Dollars in thousands):

For the years ended October 31,	2002	2001	2000
Service cost	\$ 10,106	\$ 7,432	\$ 4,193
Interest cost	19,129	13,982	5,561
Expected return on plan assets	(23,841)	(17,886)	(6,761)
Amortization of prior service cost	1,198	1,004	700
Amortization of initial net asset	(842)	(842)	(562)
Recognized net actuarial gain	(103)	(270)	(198)
	<u>\$ 5,647</u>	<u>\$ 3,420</u>	<u>\$ 2,933</u>

The weighted average assumptions used in the actuarial valuations are as follows:

	2002	2001	2000
Discount rate	6.50%	6.75%	7.50%
Expected return on plan assets	8.00%	8.00%	9.00%
Rate of compensation increase	4.00%	4.25%	4.25%

The following table sets forth the plans' change in benefit obligation, change in plan assets and amounts recognized in the consolidated financial statements (Dollars in thousands):

	2002	2001
Change in benefit obligation:		
Benefit obligation at beginning of year	\$289,372	\$ 82,140
Benefit obligation of acquired companies	—	202,122
Service cost	10,106	7,432
Interest cost	19,129	13,982
Plan participant contributions	859	626
Amendments	(1,126)	—
Actuarial loss (gain)	10,829	(5,454)
Foreign currency effects	14,082	(1,570)
Benefits paid	(18,199)	(9,861)
Additions of plan	17,566	—
Plan curtailment gain	—	(45)
Benefit obligation at end of year	<u>\$342,618</u>	<u>\$289,372</u>

Change in plan assets:

Fair value of plan assets at beginning of year	\$268,157	\$ 84,802
Fair value of plan assets of acquired companies	—	204,049
Actual return on plan assets	(20,192)	(17,660)
Plan participant contributions	859	626
Foreign currency effects	12,541	(2,169)
Employer contributions	12,008	8,082
Additions of plan	14,743	—
Settlements	—	(45)
Benefits paid	(17,686)	(9,528)
Fair value of plan assets at end of year	<u>\$270,430</u>	<u>\$268,157</u>

Funded status	\$ (72,188)	\$ (21,215)
Unrecognized net actuarial loss	83,801	26,677
Unrecognized prior service cost	8,252	8,507
Unrecognized initial net asset	(4,094)	(4,935)
Net amount recognized	<u>\$ 15,771</u>	<u>\$ 9,034</u>

Amounts recognized in the Consolidated

Balance Sheets consist of:

Prepaid benefit cost	\$ 27,909	\$ 26,721
Accrued benefit liability	(51,727)	(30,605)
Intangible asset	8,977	8,481
Accumulated other comprehensive loss	30,612	4,437
Net amount recognized	<u>\$ 15,771</u>	<u>\$ 9,034</u>

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$191.2 million, \$174.1 million and \$122.5 million, respectively, as of October 31, 2002.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the foreign pension plans were \$179.2 million, \$164.1 million and \$153.3 million, respectively, as of October 31, 2002.

The Company has several voluntary 401(k) savings plans that cover eligible employees. For certain plans, the Company matches a percentage of each employee's contribution up to a maximum percentage of base salary. Company contributions to the 401(k) plans were \$1.1 million in 2002, \$0.9 million in 2001 and \$0.9 million in 2000.

Note 12 – POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In 2001, the Company assumed certain postretirement health and life insurance benefit plans in the United States and South Africa as a result of the Van Leer Industrial Packaging acquisition (see Note 2).

In conjunction with the acquisition of the industrial containers business from Sonoco Products Company (“Sonoco”) in 1998, the Company assumed an obligation to reimburse Sonoco for its actual costs incurred in providing postretirement health care benefits to certain employees. Contributions by the Company are limited to an aggregate annual payment of \$1.4 million for eligible employees at the date of purchase. Further, the Company is responsible for the cost of certain union hourly employees who were not eligible at the date of closing. The Company intends to fund these benefits from its operations.

The components of net periodic cost for the postretirement benefits include the following (Dollars in thousands):

For the years ended October 31,	2002	2001	2000
Service cost	\$ 203	\$ 240	\$ —
Interest cost	3,770	3,033	1,453
Amortization of prior service cost	75	—	—
Recognized net actuarial loss	49	—	—
	<u>\$4,097</u>	<u>\$3,273</u>	<u>\$1,453</u>

The following table sets forth the plans’ change in benefit obligation, change in plan assets and amounts recognized in the consolidated financial statements (Dollars in thousands):

	2002	2001
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 52,319	\$ 19,573
Benefit obligation of acquired companies	—	31,648
Service cost	203	240
Interest cost	3,770	3,033
Plan participant contributions	73	40
Actuarial loss	2,937	754
Plan curtailment gain	(2,462)	—
Amendments	992	—
Foreign currency effects	(576)	(1,576)
Benefits paid	(4,208)	(1,393)
Benefit obligation at end of year	<u>\$ 53,048</u>	<u>\$ 52,319</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ —	\$ —
Employer contributions	4,208	1,393
Benefits paid	(4,208)	(1,393)
Fair value of plan assets at end of year	<u>\$ —</u>	<u>\$ —</u>
Funded status	<u>\$(53,048)</u>	<u>\$(52,319)</u>
Unrecognized net actuarial loss	5,000	2,291
Unrecognized prior service cost	917	—
Net amount recognized	<u>\$(47,131)</u>	<u>\$(50,028)</u>

The accumulated postretirement health and life insurance benefit and fair value of plan assets for the foreign plans were \$6.1 million and zero, respectively, as of October 31, 2002.

The measurements assume a discount rate of 7.00% in the United States and 12.00% in South Africa. The health care cost trend rates on gross eligible charges are as follows:

	Medical
Current trend rate	8.00%
Ultimate trend rate	5.00%

A one-percentage point change in assumed health care cost trend rates would have the following effects (Dollars in thousands):

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost components	\$ 212	\$ (334)
Effect on postretirement benefit obligation	\$3,327	\$(2,842)

Note 13 – CONTINGENT LIABILITIES

Various lawsuits, claims and proceedings have been or may be instituted or asserted against the Company, including those pertaining to environmental, product liability, safety and health matters. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of considerable uncertainties that exist. Therefore, it is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies.

At October 31, 2002 and 2001, the Company had recorded liabilities of \$8.0 million and \$7.1 million, respectively, for estimated environmental remediation costs based upon an evaluation of currently available facts with respect to each individual site, including the results of environmental studies and testing, and considering existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The recorded liabilities are included in other long-term liabilities. The estimated liabilities are reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of relevant costs. The Company’s potential future obligations for environmental contingencies related to facilities acquired in the Van Leer Industrial Packaging acquisition may, under certain circumstances, be reduced by insurance coverage and seller cost sharing provisions. The insurance policy, which has a 10-year term, insures for environmental contingencies unidentified at the acquisition date subject to a \$50 million aggregate self-insured retention. Unidentified environmental contingencies at the acquisition date up to \$50 million are shared 70% by the seller and 30% by the Company if they are identified within 10 years following the acquisition date. Identified environmental contingencies at the acquisition date are first provided for by the Company up to an aggregate \$10 million and shared on a 70/30% basis by the Company and seller, respectively, thereafter.

Actual costs to be incurred in future periods at identified sites may vary from the estimates, given the inherent uncertainties in evaluating environmental exposures. Future information and developments will require the Company to continually reassess the expected impact of these environmental matters.

Based upon the facts currently available, management believes that the disposition of matters that are pending or asserted will not have a material adverse effect on the consolidated financial position of the Company.

Note 14 – BUSINESS SEGMENT INFORMATION

The Company operates in three business segments: Industrial Packaging & Services (formerly Industrial Shipping Containers); Paper, Packaging & Services (formerly Containerboard & Corrugated Products); and Timber.

Operations in the Industrial Packaging & Services segment involve the production and sale of shipping containers. These products are manufactured and sold in over 40 countries throughout the world.

Operations in the Paper, Packaging & Services segment involve the production and sale of containerboard, both virgin and recycled, and related corrugated sheets, corrugated containers and multiwall bags. The products are manufactured and sold in North America.

Operations in the Timber segment involve the management and sale of timber on approximately 276,000 acres of timberland in the states of Alabama, Arkansas, Florida, Louisiana and Mississippi, and approximately 40,000 acres of timberland in the provinces of Ontario and Quebec in Canada.

The Company's reportable segments are strategic business units that offer different products. The Company evaluates performance and allocates resources based on earnings before interest, income taxes, depreciation, depletion, amortization, minority interest in income of consolidated subsidiaries, equity in earnings of affiliates, debt extinguishment charge and foreign currency effects ("EBITDA"). 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), except that the Company accounts for inventory 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.

Corporate and other includes the costs associated with the Company's corporate headquarters, the Company's long-term debt (see Note 6) and other non-segment items. Restructuring costs of \$2.8 million (\$0.6 million relating to Industrial Packaging & Services and \$2.2 million relating to corporate and other) in 2002 and \$11.5 million relating to Industrial Packaging & Services in 2001 include employee separation costs and a loss on disposal of equipment and facilities (see Note 5). The segment EBITDA amounts have been adjusted from the amounts previously disclosed in the Company's 2001 Annual Report to reflect the allocation of corporate costs consistent with a new allocation basis adopted by the Company in 2002.

The following segment information is presented for the three years ended October 31, 2002, except as to asset information that is as of October 31, 2002 and 2001 (Dollars in thousands):

	2002	2001	2000
Net sales:			
Industrial Packaging & Services	\$1,268,013	\$1,038,948	\$490,909
Paper, Packaging & Services	324,009	379,302	428,369
Timber	40,745	37,750	44,678
Total	<u>\$1,632,767</u>	<u>\$1,456,000</u>	<u>\$963,956</u>

	2002	2001	2000
EBITDA:			
Industrial Packaging & Services	\$ 131,596	\$ 87,902	\$ 45,851
Paper, Packaging & Services	49,178	82,370	80,499
Timber	47,244	112,100	47,114
Total segment	228,018	282,372	173,464
Restructuring charge	(2,824)	(11,534)	—
Corporate and other	(24,024)	(15,948)	(15,946)
Total EBITDA	201,170	254,890	157,518
Depreciation, depletion and amortization expense	(97,477)	(81,507)	(45,222)
Debt extinguishment charge	(10,300)	—	—
Interest expense, net	(55,965)	(45,149)	(11,842)
Foreign currency effects	(1,499)	(228)	—
Income before income taxes, minority interest in income of consolidated subsidiaries and equity in earnings of affiliates	<u>\$ 35,929</u>	<u>\$ 128,006</u>	<u>\$100,454</u>
Total assets:			
Industrial Packaging & Services	\$1,088,810	\$1,146,942	
Paper, Packaging & Services	323,704	345,155	
Timber	116,183	104,105	
Total segment	1,528,697	1,596,202	
Corporate and other	229,598	174,986	
Total	<u>\$1,758,295</u>	<u>\$1,771,188</u>	

Depreciation, depletion and amortization expense:

Industrial Packaging & Services	\$ 64,013	\$ 48,849	\$ 20,394
Paper, Packaging & Services	21,942	21,766	20,457
Timber	3,325	4,897	771
Total segment	89,280	75,512	41,622
Corporate and other	8,197	5,995	3,600
Total	<u>\$ 97,477</u>	<u>\$ 81,507</u>	<u>\$ 45,222</u>

Additions to long-lived assets:

Industrial Packaging & Services	\$ 28,081	\$ 17,621	\$ 21,442
Paper, Packaging & Services	5,912	14,152	33,464
Timber	15,476	91,228	10,222
Total segment	49,469	123,001	65,128
Corporate and other	7,995	9,216	13,705
Total	<u>\$ 57,464</u>	<u>\$ 132,217</u>	<u>\$ 78,833</u>

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

For the years ended October 31,	2002	2001	2000
North America	\$ 996,260	\$1,009,789	\$963,956
Europe	420,950	289,527	—
Other	215,557	156,684	—
	<u>\$1,632,767</u>	<u>\$1,456,000</u>	<u>\$963,956</u>

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

As of October 31,	2002	2001
North America	\$1,260,042	\$1,263,260
Europe	338,090	322,702
Other	160,163	185,226
	<u>\$1,758,295</u>	<u>\$1,771,188</u>

Note 15 – QUARTERLY FINANCIAL DATA (UNAUDITED)

The quarterly results of operations for 2002 and 2001 are shown below (Dollars in thousands, except per share amounts):

Quarter ended,	Jan. 31, 2002	Apr. 30, 2002	July 31, 2002	Oct. 31, 2002
Net sales	\$365,190	\$396,913	\$435,148	\$435,516
Gross profit	\$ 68,086	\$ 81,319	\$ 90,381	\$ 96,029
Net income	\$ 3,806	\$ 6,916	\$ 7,951	\$ 12,306
Earnings per share:				
Basic:				
Class A Common Stock	\$ 0.14	\$ 0.24	\$ 0.28	\$ 0.44
Class B Common Stock	\$ 0.20	\$ 0.37	\$ 0.42	\$ 0.65
Diluted:				
Class A Common Stock	\$ 0.14	\$ 0.24	\$ 0.28	\$ 0.44
Class B Common Stock	\$ 0.20	\$ 0.37	\$ 0.42	\$ 0.65
Earnings per share were calculated using the following number of shares:				
Basic:				
Class A Common Stock	10,520,027	10,550,055	10,577,951	10,572,826
Class B Common Stock	11,815,974	11,795,835	11,778,142	11,763,719
Diluted:				
Class A Common Stock	10,564,053	10,683,661	10,642,239	10,577,919
Class B Common Stock	11,815,974	11,795,835	11,778,142	11,763,719
Market price (Class A Common Stock):				
High	\$ 35.81	\$ 38.20	\$ 37.48	\$ 28.36
Low	\$ 24.81	\$ 29.79	\$ 24.06	\$ 23.00
Close	\$ 33.05	\$ 35.52	\$ 25.03	\$ 25.39
Market price (Class B Common Stock):				
High	\$ 35.10	\$ 35.50	\$ 35.00	\$ 27.00
Low	\$ 25.00	\$ 32.01	\$ 24.13	\$ 23.50
Close	\$ 34.25	\$ 34.00	\$ 25.00	\$ 25.65
Quarter ended,	Jan. 31, 2001	Apr. 30, 2001	July 31, 2001	Oct. 31, 2001
Net sales	\$218,854	\$356,628	\$435,765	\$444,753
Gross profit	\$ 50,372	\$ 66,971	\$ 91,241	\$ 94,800
Net income	\$ 38,575	\$ 22,958	\$ 12,913	\$ 14,328
Earnings per share:				
Basic:				
Class A Common Stock	\$ 1.37	\$ 0.81	\$ 0.46	\$ 0.51
Class B Common Stock	\$ 2.04	\$ 1.22	\$ 0.68	\$ 0.76
Diluted:				
Class A Common Stock	\$ 1.36	\$ 0.81	\$ 0.46	\$ 0.51
Class B Common Stock	\$ 2.04	\$ 1.22	\$ 0.68	\$ 0.76
Earnings per share were calculated using the following number of shares:				
Basic:				
Class A Common Stock	10,523,196	10,523,196	10,523,788	10,523,723
Class B Common Stock	11,846,778	11,842,859	11,842,859	11,838,128
Diluted:				
Class A Common Stock	10,552,723	10,547,231	10,563,081	10,545,847
Class B Common Stock	11,846,778	11,842,859	11,842,859	11,838,128
Market price (Class A Common Stock):				
High	\$ 32.31	\$ 31.75	\$ 34.49	\$ 33.00
Low	\$ 23.00	\$ 25.56	\$ 27.35	\$ 21.80
Close	\$ 25.69	\$ 28.92	\$ 32.50	\$ 24.80
Market price (Class B Common Stock):				
High	\$ 30.00	\$ 29.75	\$ 30.74	\$ 32.01
Low	\$ 23.63	\$ 25.00	\$ 26.50	\$ 24.00
Close	\$ 25.50	\$ 26.79	\$ 30.74	\$ 25.00

The Company's Class A Common Stock and Class B Common Stock are traded on the New York Stock Exchange where the symbols are GEF and GEF.B, respectively.

As of December 10, 2002, there were 538 shareholders of record of the Class A Common Stock and 145 shareholders of record of the Class B Common Stock.

Note 16 – SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

On July 31, 2002, the Company issued \$250 million of Senior Subordinated Notes which mature in August 2012 (see Note 6). The Senior Subordinated Notes are guaranteed by each of the Company's existing U.S. subsidiaries and future restricted U.S. subsidiaries ("Guarantor Subsidiaries"). The Company's non-U.S. subsidiaries and any future unrestricted U.S. subsidiaries do not and will not guarantee the Senior Subordinated Notes ("Non-Guarantor Subsidiaries").

Presented below are summarized condensed consolidating financial statements of Greif Bros. Corporation ("Parent"), the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries as of October 31, 2002 and 2001, and for each of the three years in the period ended October 31, 2002.

These summarized condensed consolidating financial statements are prepared on 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. Therefore, the Guarantor Subsidiaries are combined in the presentation below.

Condensed Consolidating Balance Sheets

October 31, 2002	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,326	\$ 2,218	\$ 21,852	\$ —	\$ 25,396
Trade accounts receivable	87,651	47,505	139,066	—	274,222
Inventories	28,186	27,168	88,966	—	144,320
Other current assets	28,801	6,883	30,199	—	65,883
	<u>145,964</u>	<u>83,774</u>	<u>280,083</u>	<u>—</u>	<u>509,821</u>
Long-term assets					
Goodwill and other intangible assets	113,118	21,316	127,142	—	261,576
Investment in affiliates	851,815	514,386	—	(1,216,381)	149,820
Other long-term assets	42,929	—	2,131	—	45,060
	<u>1,007,862</u>	<u>535,702</u>	<u>129,273</u>	<u>(1,216,381)</u>	<u>456,456</u>
Properties, plants and equipment, net					
	<u>261,009</u>	<u>271,100</u>	<u>259,909</u>	<u>—</u>	<u>792,018</u>
	<u>\$1,414,835</u>	<u>\$890,576</u>	<u>\$669,265</u>	<u>\$(1,216,381)</u>	<u>\$1,758,295</u>
LIABILITIES & SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable	\$ 27,865	\$ 29,363	\$ 77,964	\$ —	\$ 135,192
Short-term borrowings	—	—	20,005	—	20,005
Current portion of long-term debt	3,000	—	—	—	3,000
Other current liabilities	5,242	44,415	73,718	—	123,375
	<u>36,107</u>	<u>73,778</u>	<u>171,687</u>	<u>—</u>	<u>281,572</u>
Long-term liabilities					
Long-term debt	629,266	—	716	—	629,982
Other long-term liabilities	180,333	49,745	46,189	—	276,267
	<u>809,599</u>	<u>49,745</u>	<u>46,905</u>	<u>—</u>	<u>906,249</u>
Minority interest					
	<u>—</u>	<u>—</u>	<u>1,345</u>	<u>—</u>	<u>1,345</u>
Shareholders' equity					
	<u>569,129</u>	<u>767,053</u>	<u>449,328</u>	<u>(1,216,381)</u>	<u>569,129</u>
	<u>\$1,414,835</u>	<u>\$890,576</u>	<u>\$669,265</u>	<u>\$(1,216,381)</u>	<u>\$1,758,295</u>

October 31, 2001	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,632	\$ (6,516)	\$ 34,604	\$ —	\$ 29,720
Trade accounts receivable	22,591	119,660	140,731	—	282,982
Inventories	21,014	20,230	82,119	—	123,363
Other current assets	26,402	12,347	29,382	—	68,131
	<u>71,639</u>	<u>145,721</u>	<u>286,836</u>	<u>—</u>	<u>504,196</u>
Long-term assets					
Goodwill and other intangible assets	116,999	23,775	129,028	—	269,802
Investment in affiliates	958,552	511,893	1,545	(1,327,919)	144,071
Other long-term assets	41,692	—	20,488	(17,898)	44,282
	<u>1,117,243</u>	<u>535,668</u>	<u>151,061</u>	<u>(1,345,817)</u>	<u>458,155</u>
Properties, plants and equipment, net					
	<u>270,759</u>	<u>268,865</u>	<u>269,213</u>	<u>—</u>	<u>808,837</u>
	<u>\$1,459,641</u>	<u>\$950,254</u>	<u>\$707,110</u>	<u>\$(1,345,817)</u>	<u>\$1,771,188</u>
LIABILITIES & SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable	\$ 21,824	\$ 23,667	\$ 71,626	\$ —	\$ 117,117
Short-term borrowings	—	—	16,533	—	16,533
Current portion of long-term debt	43,140	—	—	—	43,140
Other current liabilities	10,943	34,154	71,632	—	116,729
	<u>75,907</u>	<u>57,821</u>	<u>159,791</u>	<u>—</u>	<u>293,519</u>
Long-term liabilities					
Long-term debt	653,166	—	1,208	—	654,374
Other long-term liabilities	144,222	49,062	61,003	(17,898)	236,389
	<u>797,388</u>	<u>49,062</u>	<u>62,211</u>	<u>(17,898)</u>	<u>890,763</u>
Minority interest					
	<u>—</u>	<u>—</u>	<u>560</u>	<u>—</u>	<u>560</u>
Shareholders' equity					
	<u>586,346</u>	<u>843,371</u>	<u>484,548</u>	<u>(1,327,919)</u>	<u>586,346</u>
	<u>\$1,459,641</u>	<u>\$950,254</u>	<u>\$707,110</u>	<u>\$(1,345,817)</u>	<u>\$1,771,188</u>

Condensed Consolidating Statements of Operations

For the year ended October 31, 2002	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$747,529	\$333,415	\$776,455	\$(224,632)	\$1,632,767
Gain on sale of timberland	—	12,122	—	—	12,122
Other income (expense), net ⁽¹⁾	(44,391)	51,979	249	—	7,837
	<u>703,138</u>	<u>397,516</u>	<u>776,704</u>	<u>(224,632)</u>	<u>1,652,726</u>
Cost of products sold	619,943	264,174	637,467	(224,632)	1,296,952
Selling, general and administrative expenses	105,762	48,816	96,178	—	250,756
Restructuring charge	1,621	—	1,203	—	2,824
Debt extinguishment charge	10,300	—	—	—	10,300
Interest expense, net	49,392	2,863	3,710	—	55,965
	<u>787,018</u>	<u>315,853</u>	<u>738,558</u>	<u>(224,632)</u>	<u>1,616,797</u>
Income (loss) before income taxes, minority interest in income of consolidated subsidiaries and equity in earnings of affiliates	(83,880)	81,663	38,146	—	35,929
Income taxes	(30,196)	29,398	13,732	—	12,934
Income (loss) before minority interest in income of consolidated subsidiaries and equity in earnings of affiliates	(53,684)	52,265	24,414	—	22,995
Minority interest in income of consolidated subsidiaries	—	—	(840)	—	(840)
Equity in earnings of affiliates, net of tax	84,663	—	3	(75,842)	8,824
Net income (loss)	<u>\$ 30,979</u>	<u>\$ 52,265</u>	<u>\$ 23,577</u>	<u>\$ (75,842)</u>	<u>\$ 30,979</u>

For the year ended October 31, 2001	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$760,376	\$285,221	\$553,870	\$(143,467)	\$1,456,000
Gain on sale of timberland	—	79,019	644	—	79,663
Other income (expense), net ⁽¹⁾	(44,734)	52,265	(1,173)	—	6,358
	<u>715,642</u>	<u>416,505</u>	<u>553,341</u>	<u>(143,467)</u>	<u>1,542,021</u>
Cost of products sold	612,395	221,927	461,761	(143,467)	1,152,616
Selling, general and administrative expenses	106,482	37,316	60,918	—	204,716
Restructuring charge	11,534	—	—	—	11,534
Interest expense (income), net	23,793	(280)	21,636	—	45,149
	<u>754,204</u>	<u>258,963</u>	<u>544,315</u>	<u>(143,467)</u>	<u>1,414,015</u>
Income (loss) before income taxes, minority interest in income of consolidated subsidiaries and equity in earnings of affiliates	(38,562)	157,542	9,026	—	128,006
Income taxes	(14,615)	59,708	3,421	—	48,514
Income (loss) before minority interest in income of consolidated subsidiaries and equity in earnings of affiliates	(23,947)	97,834	5,605	—	79,492
Minority interest in income of consolidated subsidiaries	—	—	(594)	—	(594)
Equity in earnings of affiliates, net of tax	112,721	—	131	(102,976)	9,876
Net income (loss)	<u>\$ 88,774</u>	<u>\$ 97,834</u>	<u>\$ 5,142</u>	<u>\$(102,976)</u>	<u>\$ 88,774</u>

For the year ended October 31, 2000	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$840,546	\$160,438	\$ 49,071	\$ (86,099)	\$ 963,956
Gain on sale of timberland	—	8,773	482	—	9,255
Other income (expense), net ⁽¹⁾	(48,549)	53,460	(39)	—	4,872
	<u>791,997</u>	<u>222,671</u>	<u>49,514</u>	<u>(86,099)</u>	<u>978,083</u>
Cost of products sold	669,146	114,592	39,847	(86,099)	737,486
Selling, general and administrative expenses	104,662	18,665	4,974	—	128,301
Interest expense (income), net	(1,167)	14,115	(1,106)	—	11,842
	<u>772,641</u>	<u>147,372</u>	<u>43,715</u>	<u>(86,099)</u>	<u>877,629</u>
Income before income taxes, minority interest in income of consolidated subsidiaries and equity in earnings of affiliates	19,356	75,299	5,799	—	100,454
Income taxes	7,331	28,501	2,195	—	38,027
Income before minority interest in income of consolidated subsidiaries and equity in earnings of affiliates	12,025	46,798	3,604	—	62,427
Equity in earnings of affiliates, net of tax	63,769	—	119	(50,521)	13,367
Net income (loss)	<u>\$ 75,794</u>	<u>\$ 46,798</u>	<u>\$ 3,723</u>	<u>\$ (50,521)</u>	<u>\$ 75,794</u>

⁽¹⁾ Parent column other expense amount and a related amount of other income in the Guarantor Subsidiaries column primarily relate to an intercompany royalty arrangement.

Condensed Consolidating Statements of Cash Flows

For the year ended October 31, 2002	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash provided by operating activities	\$ 99,260	\$ 23,309	\$ 24,456	\$ —	\$ 147,025
Cash flows from investing activities:					
Purchases of properties, plants and equipment	(12,642)	(27,008)	(17,814)	—	(57,464)
Proceeds on disposals of properties, plants and equipment	8,340	12,433	1,187	—	21,960
Net cash used in investing activities	(4,302)	(14,575)	(16,627)	—	(35,504)
Cash flows from financing activities:					
Proceeds from issuance of long-term debt	663,250	—	—	—	663,250
Payments on long-term debt	(727,290)	—	(13,730)	—	(741,020)
Proceeds from short-term borrowings	—	—	3,472	—	3,472
Debt issuance costs	(14,742)	—	—	—	(14,742)
Dividends paid	(15,692)	—	—	—	(15,692)
Other, net	(790)	—	—	—	(790)
Net cash used in financing activities	(95,264)	—	(10,258)	—	(105,522)
Effect of exchange rates on cash	—	—	(10,323)	—	(10,323)
Net (decrease) increase in cash and cash equivalents	(306)	8,734	(12,752)	—	(4,324)
Cash and cash equivalents at beginning of year	1,632	(6,516)	34,604	—	29,720
Cash and cash equivalents at end of year	\$ 1,326	\$ 2,218	\$ 21,852	\$ —	\$ 25,396

For the year ended October 31, 2001	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	\$ 83,343	\$ (581)	\$ 32,357	\$ —	\$ 115,119
Cash flows from investing activities:					
Acquisitions of companies, net of cash acquired	(571,829)	257,678	1,259	—	(312,892)
Purchases of properties, plants and equipment	(15,893)	(115,159)	(1,165)	—	(132,217)
Proceeds on disposals of properties, plants and equipment	9,526	82,877	—	—	92,403
Net cash (used in) provided by investing activities	(578,196)	225,396	94	—	(352,706)
Cash flows from financing activities:					
Proceeds from issuance of long-term debt	760,000	—	—	—	760,000
Payments on long-term debt	(234,204)	(235,000)	4,662	—	(464,542)
Payments on short-term borrowings	—	—	(7,062)	—	(7,062)
Debt issuance costs	(16,254)	—	—	—	(16,254)
Dividends paid	(15,158)	—	—	—	(15,158)
Other, net	(855)	—	—	—	(855)
Net cash provided by (used in) financing activities	493,529	(235,000)	(2,400)	—	256,129
Effect of exchange rates on cash	—	—	(2,210)	—	(2,210)
Net (decrease) increase in cash and cash equivalents	(1,324)	(10,185)	27,841	—	16,332
Cash and cash equivalents at beginning of year	2,956	3,669	6,763	—	13,388
Cash and cash equivalents at end of year	\$ 1,632	\$ (6,516)	\$ 34,604	\$ —	\$ 29,720

For the year ended October 31, 2000	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash provided by operating activities	\$ 38,465	\$ 73,041	\$ 5,723	\$ —	\$ 117,229
Cash flows from investing activities:					
Disposals of investments in government securities	—	—	5,314	—	5,314
Purchases of properties, plants and equipment	(22,538)	(47,270)	(9,025)	—	(78,833)
Proceeds on disposals of properties, plants and equipment	4,632	35	5	—	4,672
Net cash used in investing activities	(17,906)	(47,235)	(3,706)	—	(68,847)
Cash flows from financing activities:					
Payments on long-term debt	—	(23,000)	—	—	(23,000)
Dividends paid	(14,619)	—	—	—	(14,619)
Other, net	(4,778)	—	—	—	(4,778)
Net cash used in financing activities	(19,397)	(23,000)	—	—	(42,397)
Effect of exchange rates on cash	—	—	(1,532)	—	(1,532)
Net increase in cash and cash equivalents	1,162	2,806	485	—	4,453
Cash and cash equivalents at beginning of year	1,794	863	6,278	—	8,935
Cash and cash equivalents at end of year	\$ 2,956	\$ 3,669	\$ 6,763	\$ —	\$ 13,388

REPORT OF MANAGEMENT'S RESPONSIBILITIES

To the Shareholders of Greif Bros. Corporation

The Company's management is responsible for the financial and operating information included in this Annual Report, including the consolidated financial statements of Greif Bros. Corporation and subsidiaries. These statements were prepared in accordance with accounting principles generally accepted in the United States and, as such, include certain estimates and judgments made by management. Future events could affect these judgments and estimates.

The system of internal controls, which are designed to provide reasonable assurance as to the integrity and reliability of financial reporting, is established and maintained by the Company's management. To assure the continuing effectiveness of the system of internal controls and to maintain a climate in which such controls can be effective, management selects, trains and develops qualified personnel; maintains an organizational structure that provides defined lines of responsibility, appropriate delegation of authority and segregation of duties; and maintains a continuous program of internal audits with appropriate management follow-up. In addition, the Company's code of conduct requires employees to maintain a high level of ethical standards in the conduct of the Company's business.

The Audit Committee of the Board of Directors is composed of three independent directors who meet with the independent auditors, internal auditors and management to ensure that each is meeting its responsibilities regarding the objectivity and integrity of the Company's financial statements. Both the independent auditors and the internal auditors have full and free access to the Audit Committee.



Michael J. Gasser
Chairman and Chief Executive Officer



Donald S. Huml
Chief Financial Officer

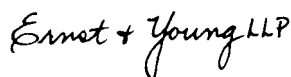
REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and the Board of Directors of Greif Bros. Corporation

We have audited the consolidated balance sheets of Greif Bros. Corporation and subsidiaries as of October 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended October 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Greif Bros. Corporation and subsidiaries at October 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 2002 in conformity with accounting principles generally accepted in the United States.



Columbus, Ohio
December 10, 2002

Management's Discussion and Analysis of Financial Condition and Results of Operations

The purpose of this section is to discuss and analyze our consolidated financial condition, liquidity and capital resources and results of operations. This analysis should be read in conjunction with the consolidated financial statements and notes which appear elsewhere in this Annual Report. The terms "Greif," "our company," "we," "us," and "our" as used in this discussion refer to Greif Bros. Corporation and subsidiaries. Our fiscal year begins on November 1 and ends on October 31 of the following year. Any references in this Annual Report to the years 2002, 2001 or 2000, or to any quarter of those years, relate to the fiscal year ending in that year. This section contains certain "forward-looking statements" within the meaning of federal securities laws that involve risks and uncertainties, including statements regarding our plans, objectives, goals, strategies and financial performance. Our actual results could differ materially from the results anticipated in these forward-looking statements as a result of factors set forth under the caption "Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995" below.

General

Business Segments

We operate in three business segments: Industrial Packaging & Services (formerly Industrial Shipping Containers); Paper, Packaging & Services (formerly Containerboard & Corrugated Products); and Timber.

We are a leading global provider of industrial shipping container products such as steel, fibre and plastic drums, intermediate bulk containers ("IBCs"), 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 in industries such as packaging, automotive, food and building products. 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, primarily for the agricultural, chemical, building products and food industries.

We also provide our customers with a variety of value-added packaging services to complement our industrial containers and corrugated products, such as total supply chain management services (including warehousing, outgoing logistics, inventory management, vendor management, on-site labor management and contract filling), as well as research and development, engineering and design and testing services.

As of October 31, 2002, we owned approximately 276,000 acres of timberland in the southeastern United States and approximately 40,000 acres of timberland in Canada. Our timber management 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.

Van Leer Industrial Packaging Acquisition

In March 2001, we acquired Royal Packaging Industries Van Leer N.V., a Dutch company, Huhtamaki Holdings do Brasil Ltda., a Brazilian company, Van Leer France Holding S.A.S., a French company, Van Leer Containers, Inc., a U.S. company, and American Flange and Manufacturing Co., Inc., a U.S. company, which are collectively referred to as "Van Leer Industrial Packaging." We acquired Van Leer Industrial Packaging for \$555.0 million less the amount of certain of its debt and other obligations (\$206.4 million) that were assumed by us as of the closing date. Van Leer Industrial Packaging was a worldwide provider of industrial packaging and components, including steel, fibre and plastic drums, polycarbonate water bottles, IBCs and closure systems for industrial shipping containers.

In connection with the Van Leer Industrial Packaging acquisition, we acquired a 25.00% interest in Socer-Embalagens, Lda. and a 40.06% interest in Balmer Lawrie-Van Leer. Socer-Embalagens reconditions used drums at its facility in Portugal and resells them to customers. Balmer Lawrie-Van Leer manufactures closure systems for industrial shipping containers at its two facilities in India.

The results of the operations of Van Leer Industrial Packaging are included in the consolidated financial statements for eight months of 2001 and for the entire year in 2002, but are not included in the consolidated financial statements for 2000 or for the first four months of 2001.

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. The preparation of these consolidated financial statements, in accordance with these principles, require 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 the Notes to Consolidated Financial Statements included in this Annual Report. 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. For all other customers, we recognize allowances for bad debts based on the 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, primarily as a result of the consolidation plans in the Industrial Packaging & Services segment. We record net assets held for sale in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 121 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. Depletion on timber properties is computed on the basis of cost and the estimated recoverable timber acquired. 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 Liabilities* – Restructuring liabilities are determined in accordance with appropriate accounting guidance, including Emerging Issues Task Force (“EITF”) No. 94-3, EITF No. 95-3 and Staff Accounting Bulletin No. 100, depending upon the facts and circumstances surrounding the situation. Restructuring liabilities recorded in connection with existing and acquired companies are further discussed in the Notes to Consolidated Financial Statements included in this Annual Report.
- *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 11 and 12 to the consolidated financial statements included in this Annual Report. 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. Our estimates of environmental remediation costs are based upon an evaluation of currently available facts with respect to each individual site, including the results of environmental studies and testing, and considering existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. Expenditures that extend the life of the related property, or mitigate or prevent future environmental contamination are capitalized. We determine our liability on a site-by-site basis and record a liability at the time when it is probable and can be reasonably estimated. Our estimated liability is reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. Our potential future obligations for environmental contingencies related to facilities acquired in the Van Leer Industrial Packaging acquisition may, under certain circumstances, be reduced by insurance coverage and seller cost sharing provisions. The insurance policy, which has a 10-year term, insures for environmental contingencies unidentified at the acquisition date subject to a \$50 million aggregate self-insured retention. Unidentified environmental contingencies at the acquisition date up to an aggregate \$50 million are shared 70% by the seller and 30% by us if they are identified within 10 years following the acquisition date. Identified environmental contingencies at the acquisition date are first provided for by us up to \$10 million and shared on a 70/30% basis by us and the seller, respectively, thereafter. Actual costs to be incurred in future periods at the identified sites may vary from the estimates, given the inherent uncertainties in evaluating environmental exposures. 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. 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 is amortized on a straight-line basis over 15 or 25 years based on consideration regarding the age of the acquired companies, their customers and the risk of obsolescence of their products. The costs of acquired intangible assets are amortized on a straight-line basis over their estimated economic lives of 2 to 25 years. Our policy is to periodically review goodwill, other intangible assets 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.

In June 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 142, “Goodwill and Other Intangible Assets,” which requires that goodwill no longer be amortized, but instead be periodically reviewed for impairment. The provisions of SFAS No. 142 will be effective for fiscal years beginning after December 15, 2001. As such, we will adopt SFAS No. 142 at the beginning of our 2003 fiscal year.

We anticipate that the application of the non-amortization provisions of SFAS No. 142 will increase our net income upon adoption. Amortization expense related to our goodwill and indefinite-lived assets was \$11.2 million and \$9.2 million for the fiscal years ended October 31, 2002 and 2001, respectively.

At this time, the effect of the impairment provisions provided by SFAS No. 142 is not known.

Other items that could have a significant impact on the financial statements include the risks and uncertainties listed in this Annual Report under the “Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995” below. Actual results could differ materially using different estimates and assumptions, or if conditions are significantly different in the future.

Results of Operations

Historically, revenues and earnings may or may not be representative of future operating results due to various economic and other factors. Our year-to-year comparisons have been

significantly affected by our acquisition of Van Leer Industrial Packaging in March 2001.

We define EBITDA as earnings from continuing operations before interest, income taxes, depreciation, depletion, amortization, minority interest in income of consolidated subsidiaries, equity in earnings of affiliates, debt extinguishment charge and foreign currency effects. EBITDA is included in this section because it is a basis on which we assess our financial performance and debt service capabilities. However, EBITDA should not be considered in isolation or viewed as a substitute for cash flow from operations, net income or other measures of performance as defined by accounting principles generally accepted in the United States, or as a measure of our Company’s profitability or liquidity. While EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, EBITDA as used herein is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation.

The following table sets forth the net sales and EBITDA for each of our business segments for 2002, 2001 and 2000 (Dollars in millions):

For the years ended October 31,	2002	2001	2000
Net sales			
Industrial Packaging & Services	\$1,268.0	\$1,038.9	\$490.9
Paper, Packaging & Services	324.0	379.3	428.4
Timber	40.8	37.8	44.7
Total net sales	<u>\$1,632.8</u>	<u>\$1,456.0</u>	<u>\$964.0</u>
EBITDA			
Industrial Packaging & Services	\$ 131.6	\$ 87.9	\$ 45.8
Paper, Packaging & Services	49.2	82.4	80.5
Timber	47.2	112.1	47.1
Total segment	228.0	282.4	173.4
Restructuring charge	(2.8)	(11.5)	—
Corporate and other	(24.0)	(16.0)	(15.9)
Total EBITDA	201.2	254.9	157.5
Depreciation, depletion and amortization expense	(97.5)	(81.5)	(45.2)
Debt extinguishment charge	(10.3)	—	—
Interest expense, net	(56.0)	(45.2)	(11.8)
Foreign currency effects	(1.5)	(0.2)	—
Income before income taxes, minority interest in income of consolidated subsidiaries and equity in earnings of affiliates	<u>\$ 35.9</u>	<u>\$ 128.0</u>	<u>\$100.5</u>

FISCAL YEAR 2002 COMPARED TO FISCAL YEAR 2001

Overview

Net sales increased to \$1,632.8 million, an increase of 12.1%, in 2002 from \$1,456.0 million in 2001. This increase resulted from a \$190.3 million increase in net sales from outside North America, partially offset by a \$13.5 million decrease in net sales from the North American operations. The decrease in the North American operations was due to lower net sales in the

Paper, Packaging & Services segment (\$55.3 million decrease), which were partially offset by the Industrial Packaging & Services segment (\$38.8 million increase) and the Timber segment (\$3.0 million increase). The higher net sales in the North American operations of the Industrial Packaging & Services segment, as well as the higher net sales outside North America, were primarily due to the inclusion of Van Leer Industrial Packaging sales volume for all of 2002 compared to eight months in 2001.

EBITDA was \$204.0 million, before the \$2.8 million fourth quarter restructuring charge, for 2002 as compared to \$266.4 million, before the \$11.5 million second quarter restructuring charge, for 2001. The \$62.4 million decrease in EBITDA was attributable to lower gains on the sale of timberland (\$67.5 million decrease) and the Paper, Packaging & Services segment (\$33.2 million decrease), which were partially offset by the inclusion of the Van Leer Industrial Packaging operations and higher timber sales.

Segment Review

Industrial Packaging & Services

The Industrial Packaging & Services segment had an increase in net sales of \$229.1 million, or 22.1%. This increase was primarily due to an increase of \$190.3 million in net sales outside North America and an increase of \$38.8 million in net sales in North America due to additional sales volume from the inclusion of an entire year of the Van Leer Industrial Packaging operating results in 2002 compared to eight months in 2001. In addition, increased pricing for this segment's products in response to higher raw material costs, especially for steel and resin during 2002, contributed to the increase in net sales. Net sales outside of North America also benefited from an improvement in currency exchange rates in Europe, which were offset by lower net sales in South America, in particular Argentina and Venezuela, and Africa caused by unstable economic conditions and currency devaluations. Finally, sales volumes in North America were lower due to the weak economic conditions that prevailed throughout 2002.

EBITDA for Industrial Packaging & Services increased to \$131.6 million, before the \$0.6 million fourth quarter restructuring charge, for 2002 as compared to \$87.9 million, before the \$11.5 million second quarter restructuring charge, for 2001. The primary reasons for this increase relate to improved sales volumes as a result of the Van Leer Industrial Packaging acquisition, lower raw material costs as a percentage of net sales, positive contributions from the prior year consolidation plan and other cost savings initiatives.

Paper, Packaging & Services

The Paper, Packaging & Services segment had a decrease in net sales of \$55.3 million, or 14.6%, in 2002 as compared to 2001. This decrease in net sales was primarily due to lower average sales prices for linerboard and medium of approximately 15%, partially offset by an improvement in sales volumes on most of the segment's products. However, our multiwall bag operations had reduced sales volumes resulting primarily from weaknesses in the agricultural industry, particularly in the midwestern United States.

EBITDA for the Paper, Packaging & Services segment decreased to \$49.2 million for 2002 as compared to \$82.4 million for 2001. The decline was caused by lower net sales and higher raw material costs, especially for old corrugated containers ("OCC"), on a quarter-over-quarter comparison.

Timber

The Timber segment had an increase in net sales of \$3.0 million, or 7.9%, for 2002 as compared to 2001. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market and weather conditions.

The sales of timber are recorded as net sales, while timberland sales are included in gain on sale of timberland. The gain on sale of timberland was \$12.1 million for 2002 as compared to \$79.7 million for 2001. See "Timberland Transactions" below.

EBITDA for the Timber segment decreased to \$47.2 million for 2002 as compared to \$112.1 million for 2001. The decrease in EBITDA was primarily the result of the significant gain on sale of timberland in the prior period slightly offset by higher timber sales.

Other Income Statement Changes

Gain on Sale of Timberland

Gain on sale of timberland decreased \$67.6 million in 2002 as compared to 2001 primarily due to the timberland sales described in the "Timberland Transactions" section below.

Other Income, Net

Other income, net increased \$1.5 million in 2002 as compared to 2001. The change in other income was primarily due to an increase from gains on the sale of closed facilities and equipment in comparison to 2001.

Cost of Products Sold

The cost of products sold, as a percentage of net sales, increased to 79.4% in 2002 from 79.2% in 2001. This increase was primarily caused by weakening in the Paper, Packaging & Services segment, which was affected by increased raw material costs, especially OCC, without a corresponding increase in sales prices. The increase was partially offset by an overall improvement in the Industrial Packaging & Services segment, which resulted from lower raw material costs, as a percentage of net sales, and improved operating efficiencies. Higher timber segment sales, which have a very low cost associated with them, also benefited our gross margin.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased to \$250.8 million (15.4% of net sales) in 2002 as compared to \$204.7 million (14.1% of net sales) in 2001. The \$46.1 million increase was primarily due to additional SG&A expenses related to Van Leer Industrial Packaging, including \$3.1 million of additional amortization expense related to the acquisition's goodwill and other intangible assets. SG&A expenses, as a percentage of net sales, primarily increased as a result of lower sales volumes, on a comparable structure basis, for Industrial Packaging & Services and lower net sales in the Paper, Packaging & Services

segment. In addition, the 2002 results were impacted by higher employee benefit costs and certain non-recurring costs related to our organizational improvement initiatives and ongoing reorganization activities.

Restructuring Charge

During the fourth quarter of 2002, we recorded a \$2.8 million pretax restructuring charge due to the reorganization activities described in the “Restructuring Plans” section below.

Debt Extinguishment Charge

During 2002, we recorded a debt extinguishment charge of \$10.3 million (\$4.4 million in the third quarter and \$5.9 million in the fourth quarter) related to the extinguishment of the indebtedness outstanding under the \$900 million Senior Secured Credit Agreement.

Interest Expense, Net

Interest expense, net increased to \$56.0 million during 2002 as compared to \$45.1 million in 2001. The increase was primarily due to higher average debt outstanding of \$683.5 million during 2002 as compared to \$555.4 million during 2001. The increase in average debt outstanding was primarily the result of borrowings made in connection with the Van Leer Industrial Packaging acquisition. Because the acquisition occurred on March 2, 2001, the acquisition-related debt was outstanding for only eight months in 2001 as compared to all of 2002.

Income Taxes

The effective tax rate decreased to 36.0% for 2002 as compared to 37.9% in 2001, primarily as a result of a change in the mix of income from outside North America.

Minority Interest in Income of Consolidated Subsidiaries

As part of the Van Leer Industrial Packaging acquisition, we acquired majority holdings in various companies. The operating results of these companies have been included in the consolidated results following the acquisition on March 2, 2001, and the minority interest of other persons in the respective net income of these companies has been reflected as an expense.

Equity in Earnings of Affiliates

Equity in earnings of affiliates decreased to \$8.8 million for 2002 as compared to \$9.9 million in 2001. This income represents our equity interest in the net income of CorrChoice, Inc. (“CorrChoice”) and, to a lesser extent, Abzac-Greif (we sold our equity interest in Abzac-Greif during the second quarter of 2002), Socer-Embalagens, Lda. and Balmer Lawrie-Van Leer.

Net Income

Based on the foregoing, net income decreased \$57.8 million, or 65.1%, to \$31.0 million for 2002 from \$88.8 million in 2001.

FISCAL YEAR 2001 COMPARED TO FISCAL YEAR 2000

Overview

Net sales increased to \$1,456.0 million, an increase of 51.0%, in 2001 from \$964.0 million in 2000. This increase resulted from a \$446.2 million increase in net sales from outside North America and a \$45.8 million increase in net sales from the

North American operations. The increase in net sales from the North American operations was due to the Industrial Packaging & Services segment (\$101.8 million increase), which was partially offset by lower net sales in the Paper, Packaging & Services segment (\$49.1 million decrease) and the Timber segment (\$6.9 million decrease). The higher net sales in the North American operations of the Industrial Packaging & Services segment were primarily due to the inclusion of additional sales volume from the operations of Van Leer Industrial Packaging. The weaker economic conditions in the United States that prevailed throughout 2001 compared to 2000 caused lower sales volumes and increased competitive pricing in both the Industrial Packaging & Services and Paper, Packaging & Services segments.

EBITDA was \$266.4 million, before the \$11.5 million second quarter restructuring charge, for 2001 as compared to \$157.5 million for 2000. The \$108.9 million increase in EBITDA was attributable to higher gains on the sale of timberland (\$70.4 million increase) and the inclusion of the operations of Van Leer Industrial Packaging. Factors that reduced EBITDA included weaker economic conditions in the United States for both the Industrial Packaging & Services and Paper, Packaging & Services segments. In addition, lower timber sales partially offset the improvement in EBITDA.

Segment Review

Industrial Packaging & Services

The Industrial Packaging & Services segment had an increase in net sales of \$548.0 million, or 111.6%, for 2001 as compared to 2000. This increase was primarily due to the inclusion of \$446.2 million of net sales outside North America resulting from the operations of Van Leer Industrial Packaging. Net sales for the North American operations increased \$101.8 million for 2001 as compared to 2000 due to additional sales volume from the operations of Van Leer Industrial Packaging during the eight months included in that year. A decrease in customer demand caused by weaknesses in the United States economy, particularly in the chemical industry, partially offset this increase in net sales. In addition, net sales to the agricultural sector were lower in the first quarter of 2001 compared to 2000, which benefited from a late harvest of certain crops during 1999 that extended into the first quarter of 2000.

EBITDA for the Industrial Packaging & Services segment increased to \$87.9 million, before the \$11.5 million second quarter restructuring charge, for 2001 as compared to \$45.8 million for 2000. The primary reason for this increase relates to \$48.8 million in EBITDA from outside North America related to the inclusion of the operations of Van Leer Industrial Packaging.

Paper, Packaging & Services

The Paper, Packaging & Services segment had a decrease in net sales of \$49.1 million, or 11.5%, for 2001 as compared to 2000. This reduction in net sales was caused by lower customer demand for corrugated containers and containerboard due to continued weaknesses in the United States economy. Lower average sales prices for linerboard and medium also affected net sales during 2001 as compared to 2000.

EBITDA for the Paper, Packaging & Services segment increased to \$82.4 million for 2001 as compared to \$80.5 million in 2000. Lower raw material prices, especially for OCC, a higher containerboard integration percentage and improved operating efficiencies more than offset the decline caused by lower net sales for this segment.

Timber

The Timber segment had a decrease in net sales of \$6.9 million, or 15.4%, for 2001 as compared to 2000. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule within the limits of market and weather conditions.

The sales of timber are recorded as net sales, while timberland sales are included in gain on sale of timberland. The gain on sale of timberland was \$79.7 million for 2001 as compared to \$9.2 million for 2000. See "Timberland Transactions" below.

EBITDA for the Timber segment increased to \$112.1 million for 2001 as compared to \$47.1 million for 2000. The increase was primarily the result of significant gains on the sale of timberland which were partially offset by lower timber sales.

Other Income Statement Changes

Gain on Sale of Timberland

Gain on sale of timberland increased \$70.5 million in 2001 as compared to 2000 primarily due to the timber property sales described in the "Timberland Transactions" section below.

Other Income, Net

Other income, net increased \$1.4 million in 2001 as compared to 2000. The increase in other income was primarily due to an increase from gains on the sale of closed facilities in comparison to 2000.

Cost of Products Sold

The cost of products sold, as a percentage of net sales, increased to 79.2% in 2001 from 76.5% in 2000. The increase was primarily due to the inclusion of the operations of Van Leer Industrial Packaging, which contributed to a higher cost of products sold as a percentage of net sales because products from those operations have lower gross margins than our other products. In addition, Timber segment sales, which have a much lower cost associated with them, were below those in 2000. This increase was partially offset by lower raw material costs, which more than offset the lower sales volume, in the Paper, Packaging & Services segment.

Selling, General and Administrative Expenses

SG&A expenses increased to \$204.7 million (14.1% of net sales) for 2001 as compared to \$128.3 million (13.3% of net sales) for 2000. The \$76.4 million increase was primarily due to additional SG&A expenses related to the operations of Van Leer Industrial Packaging. In addition, there was \$5.3 million of amortization expense related to the goodwill and other intangible assets acquired in the Van Leer Industrial Packaging transaction included in the 2001 results.

Restructuring Charge

During the second quarter of 2001, we recorded an \$11.5 million restructuring charge due to the reorganization activities described in the "Restructuring Plans" section below.

Interest Expense, Net

Interest expense, net increased to \$45.2 million in 2001 as compared to \$11.8 million in 2000. This increase was primarily due to higher average debt outstanding in 2001 as compared to 2000 as a result of the Van Leer Industrial Packaging acquisition.

Income Taxes

The effective tax rate remained at 37.9% in 2001 and 2000.

Minority Interest in Income of Consolidated Subsidiaries

As part of the Van Leer Industrial Packaging acquisition, we acquired majority holdings in various companies. The operating results of these companies have been included in the consolidated results following the acquisition on March 2, 2001, and the minority interest of other persons in the respective net income of these companies has been reflected as an expense.

Equity in Earnings of Affiliates

Equity in earnings of affiliates decreased to \$9.9 million for 2001 as compared to \$13.3 million in 2000. This income represents our equity interest in the net income of CorrChoice and, to a lesser extent, Abzac-Greif, Socer-Embalagens, Lda. and Balmer Lawrie-Van Leer.

Net Income

Based on the foregoing, net income increased \$13.0 million, or 17.1%, to \$88.8 million in 2001 from \$75.8 million in 2000.

Timberland Transactions

In December 2000, we sold certain hardwood timberland for \$44.4 million. As a result of this transaction, we recognized a gain of \$43.0 million during the first quarter of 2001. In a related agreement, we sold other hardwood timberland for \$30.0 million in March 2001, and we recognized a gain of \$27.7 million during the second quarter of 2001. A total of approximately 65,000 acres of timber properties situated in Arkansas, Mississippi and Louisiana were sold as a result of these transactions.

In a separate transaction in December 2000, we purchased certain pine timberland for \$42.8 million. In a related agreement, we purchased other pine timberland for \$43.1 million in March 2001. A total of approximately 63,000 acres of timber properties situated in Louisiana were purchased as a result of these transactions.

For tax purposes, these sale and purchase transactions were treated as like-kind exchanges pursuant to Section 1031 of the Internal Revenue Code, which resulted in a deferral of the tax gain on the sale transactions.

Restructuring Plans

During the second quarter of 2001, we approved a plan to consolidate some of our locations in order to eliminate duplicate facilities caused by the Van Leer Industrial Packaging acquisition and improve operating efficiencies and capabilities. The plan was the result of an in-depth study to determine whether certain

locations, either existing or newly acquired, should be closed and the sales and manufacturing volume associated with such plants relocated to a different facility. Six existing company-owned plastic drum and steel drum plants were identified to be closed. These plants are located in North America. In addition, certain redundant administrative functions were identified to be eliminated. As a result of this plan, during the second quarter of 2001, we recognized a pretax restructuring charge of \$11.5 million, consisting of \$8.0 million in employee separation costs and a \$3.5 million loss on disposal of equipment and facilities. We also recognized an additional \$2.8 million pretax restructuring charge during the fourth quarter of 2002, primarily as a result of an extension of this plan. The fourth quarter 2002 charge consisted of \$1.4 million in employee separation costs, mostly related to early retirement expenses, and a \$1.4 million loss on facilities that are currently in the process of being sold. We intend to sell the remainder of our facilities held for sale during 2003.

In addition, in connection with the March 2001 acquisition of Van Leer Industrial Packaging and the consolidation plan described in the preceding paragraph, five facilities purchased as part of that acquisition have been or will be closed. Four of these facilities are owned by our subsidiaries and one was leased. The facilities are located in North America, South America, United Kingdom and Asia Pacific. In addition, certain redundant administrative functions have been eliminated. Accordingly, we recognized a \$19.7 million restructuring liability in our purchase price allocation related to these locations. This liability was accounted for under EITF No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination." The liability consisted of \$16.5 million in employee separation costs and \$3.2 million in other exit costs. We intend to sell the four company-owned facilities during 2003, and the lease on the remaining facility was terminated.

During 2002, our restructuring reserves were significantly reduced as related costs were incurred and charged to the reserves. Our restructuring activities were substantially completed at October 31, 2002, and positive contributions to earnings have exceeded \$27.5 million on an annualized basis. Remaining reserves are approximately \$2.3 million at October 31, 2002, with future cash outlays anticipated to occur in the first half of 2003 (see Note 5 to the consolidated financial statements for additional disclosures and description of restructuring activities). We incurred additional costs of \$5.5 million and \$5.9 million in 2002 and 2001, respectively, related to the relocation of machinery, employees and other reorganization activities, all of which have been charged to the results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are operating cash flows, the proceeds from our Senior Subordinated Notes 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 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 and Business Acquisitions

During 2002, we invested \$45.7 million in capital expenditures, excluding the purchase of timberland properties (\$11.8 million), and we invested \$42.7 million in capital expenditures, excluding the purchase of timberland properties (\$89.5 million), during 2001. During the last three years, we have invested \$167.2 million in capital expenditures, \$101.3 million in timberland purchases and \$312.9 million for the Van Leer Industrial Packaging acquisition, net of cash acquired.

We have approved future capital expenditures of approximately \$79 million through October 31, 2003. These expenditures are primarily to replace and improve equipment and to continue implementation of a new management information system.

Balance Sheet Changes

The reduction in trade accounts receivable was due mostly to lower net sales in the fourth quarter of 2002 compared to the fourth quarter of 2001.

Inventories were higher primarily due to the increases in our raw material costs.

The increase in accounts payable was due to higher raw material costs and the timing of payments made to our suppliers.

Accrued payroll and employee benefits were higher as a result of the increase in these costs as well as timing of our payments.

The restructuring reserves decreased as a result of plant closings and other reorganization costs (see "Restructuring Plans" section above).

The reduction in total debt was due to the repayment of amounts borrowed and the extinguishment of our \$900 million Senior Secured Credit Agreement, partially offset by the issuance of \$250 million of Senior Subordinated Notes and the \$550 million Amended and Restated Senior Secured Credit Agreement (see "Borrowing Arrangements" section below).

The increase in other long-term liabilities was primarily due to a higher minimum pension liability.

Borrowing Arrangements

\$550 Million Amended and Restated Senior Secured Credit Agreement

On August 23, 2002, we, as U.S. borrower, and Greif Spain Holdings, S.L., Greif Canada Inc., Van Leer (UK) Ltd., Koninklijke Emballage Industrie Van Leer B.V. (dba Royal Packaging Industries Van Leer B.V.), and Van Leer Australia Pty. Limited, as non-U.S. borrowers, entered into a \$550 million Amended and Restated Senior Secured Credit Agreement with a syndicate of lenders. A portion of the proceeds from the Amended and Restated Senior Secured Credit Agreement was used to refinance amounts outstanding under our then existing \$900 million Senior Secured Credit Agreement. The Amended and Restated Senior Secured Credit Agreement provides 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. As of October 31, 2002, there was a total of \$384.3 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 October 31, 2002, we were in compliance with these covenants. 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 Bros. Corporation and its U.S. subsidiaries and, in part, by the capital stock of the non-U.S. borrowers and any intercompany notes payable to them.

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 8-7/8%. The Senior Subordinated Notes do not have required principal payments prior to maturity on August 1, 2012. As of October 31, 2002, there was a total of \$248.0 million outstanding under the Senior Subordinated Notes. The trust indenture pursuant to which the Senior Subordinated Notes were issued contains certain covenants. At October 31, 2002, we were in compliance with these covenants.

\$900 Million Senior Secured Credit Agreement

On March 2, 2001, the Company and Greif Spain Holdings, S.L. had entered into a \$900 million Senior Secured Credit Agreement with a syndicate of lenders. A portion of the proceeds from the Senior Secured Credit Agreement was used to fund the Van Leer Industrial Packaging acquisition and to refinance amounts outstanding under the Company's then existing revolving credit facility. The Senior Secured Credit Agreement provided for three term loans, a \$150 million U.S. Dollar Term Loan A, a \$200 million Euro Term Loan A and a \$400 million U.S. Dollar Term Loan B, and a \$150 million revolving multicurrency credit facility. The revolving multicurrency credit facility was available for working capital and general corporate purposes.

During 2002, the Senior Secured Credit Agreement was refinanced using proceeds from the Amended and Restated Senior Secured Credit Agreement and the Senior Subordinated Notes.

Contractual Obligations

As of October 31, 2002, we had the following contractual obligations (Dollars in millions):

Payments Due By Period	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Long-term debt	\$633	\$ 3	\$ 6	\$ 91	\$533
Short-term borrowings	20	20	—	—	—
Non-cancelable operating leases	75	15	24	16	20
Total contractual cash obligations	<u>\$728</u>	<u>\$38</u>	<u>\$30</u>	<u>\$107</u>	<u>\$553</u>

CorrChoice Joint Venture

We own 63.24% of the outstanding stock of CorrChoice, Inc. ("CorrChoice"). In connection with the investment in CorrChoice, we entered into a joint venture agreement, a voting agreement and other related agreements with the other stockholders of CorrChoice. Under the voting agreement, we can elect one-half of CorrChoice's board of directors and the other stockholders can elect the other half of the board of directors, with no mechanism to break a board deadlock. Because of this situation, we do not control CorrChoice.

CorrChoice manufactures corrugated sheets at seven locations in the United States. We sell paper to CorrChoice, which it uses to produce corrugated sheets, and we purchase corrugated sheets from CorrChoice, with all transactions effected at prevailing market prices. Sales and purchases with CorrChoice were \$59.8 million and \$21.0 million in 2002, \$71.7 million and \$23.1 million in 2001 and \$81.4 million and \$26.0 million in 2000, respectively.

The joint venture agreement and related agreements contain certain covenants and restrictions on certain business activities. These restrictions have not affected our business or operations in any material respect and have not prevented us from pursuing any business opportunities that we desire to pursue. Under certain circumstances, we may purchase, or be required to purchase, the other parties' interest in CorrChoice, or we may be required to sell our interest to the other parties, at a price determined in a manner described in the relevant agreement.

During 2002, we sold a building to a subsidiary of CorrChoice for \$7.5 million. Concurrently with the sale, we entered into a lease-back arrangement for the building. The \$0.2 million gain on the sale transaction has been deferred over the term of the lease. The resulting 10-year lease is accounted for as an operating lease. Management believes that the sales price of the building to the subsidiary of CorrChoice was at fair market value. Furthermore, management believes that the lease for this building is on terms at least as favorable as those that we could have obtained from unaffiliated third parties.

Share Repurchase Program

In February 1999, our Board of Directors authorized a one million share stock repurchase program. During 2002, we repurchased 80,000 shares, including 20,000 shares of Class A Common Stock and 60,000 shares of Class B Common Stock. During 2001, we repurchased 34,500 shares, including 10,000 shares of Class A Common Stock and 24,500 shares of Class B Common Stock. As of October 31, 2002, we had repurchased 674,410 shares, including 435,476 shares of Class A Common Stock and 238,934 shares of Class B Common Stock. The total cost of the shares repurchased during 1999 through October 31, 2002 was \$19.5 million. Future share repurchases will be limited under our Amended and Restated Senior Secured Credit Agreement and the indenture governing the Senior Subordinated Notes.

Effects of Inflation

The effects of inflation did not have a material impact on our operations during 2002, 2001 or 2000.

Recent Accounting Standards

Goodwill and Other Intangible Assets

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires use of the purchase method for business combinations initiated after June 30, 2001. SFAS No. 142 requires that goodwill no longer be amortized, but instead be periodically reviewed for impairment. The provisions of SFAS No. 142 are effective for fiscal years beginning after December 15, 2001, or November 1, 2002 for us.

The application of the non-amortization provisions of SFAS No. 142 will decrease our amortization expense by approximately \$11 million and increase our net income by approximately \$9 million upon adoption in 2003. At this time, the effect of the impairment provisions provided by SFAS No. 142 is not known.

Additionally, SFAS No. 141 requires that in a business combination in which the fair value of the net assets acquired exceeds cost, any residual negative goodwill is recognized as an extraordinary gain in the period in which the business combination is initially recognized. The transition provisions of SFAS No. 141 require that upon adoption of SFAS No. 142, any existing negative goodwill be adjusted as a cumulative effect of a change in accounting principal in the Consolidated Statements of Income. In the first quarter of 2003, we will record a cumulative effect of a change in accounting principle for our remaining unamortized negative goodwill. Our recorded balance of negative goodwill at October 31, 2002 was \$4.8 million.

Impairment or Disposal of Long-Lived Assets

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses the accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of" and Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and resolves implementation issues related to SFAS No. 121.

SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001, or November 1, 2002 for us. We do not expect the adoption of this Statement to have a material effect on our consolidated financial statements.

Costs Associated with Exit or Disposal Activities

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses the accounting and reporting for costs associated with exit or disposal activities and nullifies EITF No. 94-3, "Liability Recognition for Certain Employee Termination Benefits

and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires entities to recognize a liability for a cost associated with an exit or disposal activity when the liability is incurred. Previously, under EITF No. 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan.

SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with earlier application encouraged. We will adopt this Statement at the beginning of our 2003 fiscal year (November 1, 2002). We do not expect the adoption of this Statement to have a material effect on our consolidated financial statements.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

All statements other than statements of historical facts included in this Annual Report, 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 Annual Report 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 our paper 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; 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, 2002. We assume no obligation to update any forward-looking statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are subject to interest rate risk related to our financial instruments that include borrowings under our Amended and Restated Senior Secured Credit Agreement and interest rate swap agreements with an aggregate notional amount of \$330.0 million as of October 31, 2002. We do not enter into financial instruments for trading or speculative purposes. The interest rate swap agreements have been entered into to manage our exposure to variability in interest rates and changes in the fair value of fixed rate debt.

The table below provides information about our derivative financial instruments and other financial instruments that are

sensitive to changes in interest rates. For the existing Amended and Restated Senior Secured Credit Agreement, the table presents scheduled amortizations of principal and the current weighted average interest rate by contractual maturity dates. For interest rate swaps, the table presents annual amortizations of notional amounts and weighted average interest rates by contractual maturity dates. Under the swap agreements, we receive interest quarterly from the counterparties and pay interest quarterly to the counterparties. The fair value of the existing Amended and Restated Senior Secured Credit Agreement is based on current rates available to us for debt of the same remaining maturity. The fair value of the interest rate swap agreements has been determined based upon the current market settlement prices of comparable contracts.

Financial Instruments (Dollars in millions)	Expected Maturity Date						Total	Fair Value
	2003	2004	2005	2006	2007	Thereafter		
Amended and Restated Senior Secured Credit Agreement:								
Scheduled amortizations	\$ 3	\$ 3	\$ 3	\$ 88	\$ 3	\$ 284	\$ 384	\$384
Average interest rate ⁽¹⁾	4.04%	4.04%	4.04%	4.04%	4.04%	4.04%	4.04%	4.04%
Interest rate swaps:								
Scheduled amortizations	\$ 70	\$ 15	\$ 45	\$ 100	\$ —	\$ 100	\$ 330	\$(21)
Average pay rate ⁽²⁾	5.72%	5.72%	5.80%	5.90%	5.90%	5.65%	5.77%	
Average receive rate ⁽³⁾	3.17%	3.25%	3.58%	5.34%	5.34%	8.88%	4.03%	

⁽¹⁾ Variable rate specified is based on the LIBOR rate or an alternative base rate plus a calculated margin at October 31, 2002.

⁽²⁾ The average pay rate is based upon the fixed rates we were scheduled to pay at October 31, 2002, along with one additional agreement where we pay the LIBOR rate plus 3.83%.

⁽³⁾ The average receive rate is based upon the LIBOR rates we were scheduled to receive at October 31, 2002, along with one additional agreement where we receive a fixed rate of 8.875%. The rates presented are not intended to project our expectations for the future.

Based on a sensitivity analysis performed by the counterparties at October 31, 2002, a 100 basis point increase in interest rates would improve the fair value of the swap agreements to a liability of \$17.6 million. Conversely, a 100 basis point decrease in interest rates would result in a fair value liability of \$24.6 million.

Foreign Currency Risk

As a result of our acquisition of Van Leer Industrial Packaging, our operating income is subject to fluctuations in foreign currency exchange rates. The geographic presence of our operations mitigates this exposure to some degree. Additionally, our transaction exposure is somewhat limited because we produce and sell a majority of our products within each country in which we operate.

We have entered into foreign currency forward contracts to hedge certain short-term intercompany loan balances among our foreign businesses. At October 31, 2002, we had contracts outstanding of \$25.6 million. The fair value of these contracts at October 31, 2002 resulted in a loss of \$0.1 million. Each of these contracts hedges the exposure of the euro against the fluctuation of various other currencies. A sensitivity analysis to changes in the

euro against these other currencies indicates that if the euro uniformly weakened by 10% against all of the hedged currency exposures, the fair value of these instruments would decrease by \$2.5 million. Conversely, if the euro uniformly strengthened by 10% against all of the hedged currency exposures, the fair value of these instruments would increase by \$2.3 million. Any resulting changes in fair value would be offset by changes in the underlying hedged balance sheet position. The sensitivity analysis assumes a parallel shift in foreign currency exchange rates. The assumption that exchange rates change in parallel fashion may overstate the impact of changing exchange rates on assets and liabilities denominated in a foreign currency.

Commodity Price Risk

Our operating income is potentially affected to a significant degree by fluctuations in the cost of our raw materials and energy (see "Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995"). We do not have long-term supply contracts or hedging arrangements in place for obtaining our principal raw materials. In general, we do not use derivative instruments to hedge against fluctuations in commodity prices.

Directors and Management

Board of Directors

Michael J. Gasser	Chairman of the Board, Chief Executive Officer, Chairman of Executive and Stock Repurchase Committees and member of Nominating Committee
Charles R. Chandler	Former Vice Chairman, Investor and member of Executive Committee
Michael H. Dempsey	Investor and member of Compensation, Executive and Stock Option Committees
Naomi C. Dempsey	Investor and Chairwoman of Nominating Committee
Daniel J. Gunsett	Partner with the law firm of Baker & Hostetler LLP, Chairman of Audit Committee and member of Compensation, Executive, Nominating, Stock Option and Stock Repurchase Committees
John C. Kane	Former President of Cardinal Health, Inc., Investor, Chairman of Compensation Committee and member of Audit and Stock Option Committees
Robert C. Macauley	Founder of AmeriCares Foundation and Investor
David J. Olderman	Former Chairman, Chief Executive Officer and Owner of Carret and Company LLC, Investor, Chairman of Stock Option Committee and member of Audit and Compensation Committees
William B. Sparks, Jr.	President and Chief Operating Officer and member of Executive Committee

Corporate Management Team/Executive Officers

Michael J. Gasser	Chairman of the Board of Directors and Chief Executive Officer
William B. Sparks, Jr.	President and Chief Operating Officer
Donald S. Huml	Chief Financial Officer
John S. Lilak	Executive Vice President, Paper, Packaging & Services and President of Soterra LLC (subsidiary company)
Gary R. Martz	Senior Vice President, General Counsel and Secretary
Michael L. Roane	Senior Vice President, Human Resources & Communications
Maureen A. Conley	Senior Vice President, New Business Development
Francisco de Miguel	Special Counsel to the Chairman
Michael J. Barilla	Vice President, Business Information Services
John K. Dieker	Vice President and Corporate Controller
Robert A. Young	Vice President, Taxes
Sharon R. Maxwell	Assistant Secretary
Robert S. Zimmerman	Assistant Treasurer

Operating Locations

Industrial Packaging & Services

Argentina	Malaysia	United States
Australia	Mexico	Alabama
Belgium	Morocco	Arkansas
Brazil	Mozambique	California
Canada	Netherlands	Colorado
Chile	New Zealand	Connecticut
China	Nigeria	Georgia
Colombia	Philippines	Illinois
Costa Rica	Poland	Kansas
Czech Republic	Portugal	Kentucky
Denmark	Russia	Massachusetts
Egypt	Singapore	Michigan
France	South Africa	Minnesota
Germany	Spain	Mississippi
Greece	Sweden	Missouri
Guatemala	Turkey	New Jersey
Hungary	United Kingdom	New York
India	Uruguay	North Carolina
Italy	Venezuela	Ohio
Jamaica	Zimbabwe	Pennsylvania
Kenya		Tennessee
		Texas
		West Virginia

Paper, Packaging & Services

United States
California
Georgia
Illinois
Indiana
Kentucky
Michigan
Minnesota
Nebraska
Ohio
Pennsylvania
Texas
Virginia
Washington
West Virginia

Timber

Canada
United States
Alabama
Arkansas
Florida
Louisiana
Mississippi

Shareholder Information

Corporate Headquarters

Greif Bros. Corporation
425 Winter Road
Delaware, Ohio 43015
(740) 549-6000

Stock Exchange Listing

The Company's Class A Common Stock and Class B Common Stock are traded on the New York Stock Exchange where the symbols are GEF and GEF.B, respectively.

Stock Transfer Agent

Class A Common Stock:
National City Bank
Cleveland, Ohio

Class B Common Stock:
Greif Bros. Corporation
Delaware, Ohio

Independent Accountants

Ernst & Young LLP
Columbus, Ohio

Financial Information

The Company will furnish, upon request, a copy of its 2002 Annual Report on Form 10-K (without exhibits) as filed with the Securities and Exchange Commission. Requests for information should be directed to Donald S. Huml, Chief Financial Officer, at the Corporate Headquarters address listed above. In addition, the Company maintains a Web site at www.greif.com. Copies of the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings with the Securities and Exchange Commission are available on this Web site free of charge.



Greif Stock Moves to NYSE

Greif stock began trading on the New York Stock Exchange (NYSE) on October 7, 2002. Opening the trading day were members of the senior management team and the Board of Directors, along with NYSE officials, including (front row - left) Greif Board Member Daniel J. Gunsett; former Vice Chairman Charles R. Chandler; NYSE Chairman and CEO Dick Grasso; Greif Chairman and CEO Michael J. Gasser; President and Chief Operating Officer William B. Sparks, Jr.; Chief Financial Officer Donald S. Huml; Assistant Secretary Sharon R. Maxwell; Executive Vice President and President, Soterra LLC John S. Lilak; (back row - left) former Senior Vice President Joseph W. Reed; Greif Board Member David J. Olderman; NYSE President, Co-Chief Operating Officer and Executive Vice President Catherine R. Kinney; and Senior Vice President, General Counsel and Secretary Gary R. Martz.



GREIF

425 Winter Road
Delaware, OH 43015
www.greif.com