GREIF INC
Form 10-K
December 16, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended October 31, 2008

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 001-00566

Greif, Inc.
(Exact name of Registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock	New York Stock Exchange
Class B Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Exchange Act of 1934. Yes x No ¨

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ¨ No x

The aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the Registrant's most recently completed second fiscal quarter was as follows:

Non-voting common equity (Class A Common Stock) - $1,536,481,349

Voting common equity (Class B Common Stock) - $531,777,796

The number of shares outstanding of each of the Registrant's classes of common stock, as of December 12, 2008, was as follows:

Class A Common Stock – 24,081,998

Class B Common Stock – 22,562,266

Listed hereunder are the documents, portions of which are incorporated by reference, and the parts of this Form 10-K into which such portions are incorporated:

1. The Registrant's Definitive Proxy Statement for use in connection with the Annual Meeting of Stockholders to be held on February 23, 2009 (the "2009 Proxy Statement"), portions of which are incorporated by reference into Part III of this Form 10-K. The 2009 Proxy Statement will be filed within 120 days of October 31, 2008.

IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical facts, included in this Form 10-K of Greif, Inc. and subsidiaries (the "Company") or incorporated herein, including, without limitation, statements regarding the Company's 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 Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "project," "believe," "continu or the negative thereof or variations thereon or similar terminology. Forward-looking statements speak only as the date the statements were made. Although the Company believes that the expectations reflected in forward-looking statements have a reasonable basis, it 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. For a discussion of the most significant risks and uncertainties that could cause the Company's actual results to differ materially from those projected, see "Risk Factors" in Item 1A of this Form 10-K. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Index to Form 10-K Annual Report for the year ended October 31, 2008

PART I

ITEM 1. BUSINESS

(a) General Development of Business

General

The Company is a leading global producer of industrial packaging products with manufacturing facilities located in over 45 countries. The Company offers a comprehensive line of industrial packaging products, such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial packaging products, transit protection products, and polycarbonate water bottles, and services, such as blending, filling and other packaging services, logistics and warehousing. The Company also produces containerboard and corrugated products for niche markets in North America. The Company sells timber to third parties from its timberland in the southeastern United States that it manages to maximize long-term value. The Company also owns timberland in Canada that it does not actively manage. In addition, the Company sells, from time to time, timberland and special use land, which consists of surplus land, higher and better use ("HBU") land, and development land. The Company's customers range from Fortune 500 companies to medium and small-sized companies in a cross section of industries.

The Company was founded in 1877 in Cleveland Ohio, as "Vanderwyst and Greif," a cooperage shop co-founded by one of four Greif brothers. One year after its founding, the other three Greif brothers were invited to join the business, renamed Greif Bros. Company, making wooden barrels, casks and kegs to transport post-Civil War goods nationally and internationally. The Company later purchased nearly 300,000 acres of timberland to provide raw materials for the cooperage plants. The Company still owns forests located in the southeastern United States and in Canada. In the latter half of the 1900s, the Company transitioned from its keg and barrel heading mills, stave mills and cooperage facilities to the manufacturing of fibre, steel, and plastic drums; corrugated containers; intermediate bulk containers; corrugated products for transit protection; multiwall shipping bags; and containerboard. In 1926, the Company incorporated as a Delaware corporation and made its public offering as The Greif Bros. Cooperage Corporation. In 1951, the Company moved its headquarters from Cleveland, Ohio to Delaware, Ohio, which is in the Columbus metro-area, where its corporate headquarters are currently located. Following the Van Leer acquisition in 2001, the Company changed its name from Greif Bros. Corporation to Greif, Inc.

The Company's fiscal year begins on November 1 and ends on October 31 of the following year. Any references in this Form 10-K to the years 2008, 2007 or 2006, or to any quarter of those years, relate to the fiscal year ending in that year.

(b) Financial Information about Segments

The Company operates in three business segments: Industrial Packaging (formerly known as "Industrial Packaging & Services"); Paper Packaging (former known as "Paper, Packaging & Services"); and Timber. Information related to each of these segments is included in Note 15 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K, which Note is incorporated herein by reference.

(c) Narrative Description of Business

Products and Services

In the Industrial Packaging segment, the Company offers a comprehensive line of industrial packaging products, such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial packaging products, transit protection products, and polycarbonate water bottles, and services, such as blending, filling and other packaging services, logistics and warehousing. The Company sells its industrial packaging products to customers in over 45 countries in industries such as chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical and mineral, among others. In addition, the Company provides a variety of blending, filling and other packaging services, logistics and warehousing to customers in many of these same industries in North America.

In the Paper Packaging segment, the Company sells 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. The Company’s 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. The Company’s industrial and consumer multiwall bag products are used to ship a wide range of industrial and consumer products, such as seed, fertilizers, chemicals, concrete, flour, sugar, feed, pet foods, popcorn, charcoal and salt, primarily for the agricultural, chemical, building products and food industries.

In the Timber segment, the Company is focused on the active harvesting and regeneration of its United States timber properties to achieve sustainable long-term yields. While timber sales are subject to fluctuations, the Company seeks to maintain a consistent cutting schedule, within the limits of market and weather conditions. The Company also sells, from time to time, timberland and special use land, which consists of surplus land, HBU land, and development land.

As of October 31, 2008, the Company owned approximately 268,700 acres of timber properties in the southeastern United States and approximately 27,450 acres of timber properties in Canada.

Customers

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.

Backlog

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.

Competition

The markets in which the Company sells its products are highly competitive with many participants. Although no single company dominates, the Company faces significant competitors in each of its businesses. The Company’s competitors include large vertically integrated companies as well as numerous smaller companies. The industries in which the Company competes are particularly sensitive to price fluctuations caused by shifts in industry capacity and other cyclical industry conditions. Other competitive factors include design, quality and service, with varying emphasis depending on product line.

In the industrial packaging industry, the Company competes by offering a comprehensive line of products on a global basis. In the paper and paper packaging industry, the Company competes by concentrating on providing value-added, higher-margin corrugated products to niche markets. In addition, over the past several years the Company has closed higher cost facilities and otherwise restructured its operations, which it believes has significantly improved its cost competitiveness.

Environmental Matters; Governmental Regulations

The Company’s operations are subject to extensive federal, state, local and international laws, regulations, rules and ordinances relating to pollution, the protection of the environment, the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials and numerous other environmental laws and regulations. In the ordinary course of business, the Company is subject to periodic environmental inspections and monitoring by governmental enforcement authorities. In addition, certain of the Company’s production facilities require environmental permits that are subject to revocation, modification and renewal.

Based on current information, the Company believes that the probable costs of the remediation of company-owned property will not have a material adverse effect on its financial condition or results of operations. The Company believes that its liability for these matters was adequately reserved as of October 31, 2008.

The Company does not believe that compliance with federal, state, local and international provisions, which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has had or will have a material effect upon the capital expenditures, earnings or competitive position of the Company. The Company does not anticipate any material capital expenditures related to environmental control in 2009.

See also Item 7 of this Form 10-K and Note 14 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for additional information concerning environmental expenses and cash expenditures for 2008, 2007 and 2006, and the Company's reserves for environmental liabilities at October 31, 2008.

Raw Materials

Steel, resin and containerboard are the principal raw materials for the Industrial Packaging segment, and pulpwood, old corrugated containers for recycling and containerboard are the principal raw materials for the Paper Packaging segment. The Company satisfies most of its needs for these raw materials through purchases on the open market or under short-term and long-term supply agreements. All of these raw materials are purchased in highly competitive, price-sensitive markets, which have historically exhibited price, demand and supply cyclicality. From time to time, some of these raw materials have been in short supply, but to date these shortages have not had a significant effect on the Company’s operations.

Research and Development

While research and development projects are important to the Company’s continued growth, the amount expended in any year is not material in relation to the results of operations of the Company.

The Company’s business is not materially dependent upon patents, trademarks, licenses or franchises.

Employees

As of October 31, 2008, the Company had approximately 9,600 full time employees. A significant number of the Company’s full time employees are covered under collective bargaining agreements. The Company believes that its employee relations are generally good.

(d) Financial Information about Geographic Areas

The Company’s operations are located in the Americas, Europe, Middle East, Africa and Asia Pacific. Information related to each of these areas is included in Note 15 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K, which Note is incorporated herein by reference. Quantitative and Qualitative Disclosures about Market Risk, included in Item 7A of this Form 10-K, is incorporated herein by reference.

(e) Available Information

The Company maintains an Internet Web site at www.greif.com. The Company files reports with the Securities and Exchange Commission (the “SEC”) and makes available, free of charge, on or through this Internet Web site, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably possible after the Company electronically files such material with, or furnishes it to, the SEC.

Any of the materials the Company files with the SEC may also be read and/or copied at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the SEC’s Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet Web site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

(f) Other Matters

The Company’s common equity securities are listed on the New York Stock Exchange (“NYSE”) under the symbols GEF and GEF.B. Michael J. Gasser, the Company’s Chairman and Chief Executive Officer, has timely certified to the NYSE that, at the date of the certification, he was unaware of any violation by the Company of the NYSE’s corporate governance listing standards. In addition, Mr. Gasser and Donald S. Huml, the Company's Executive Vice President and Chief Financial Officer, have provided certain certifications in this Form 10-K regarding the quality of the Company's public disclosures. See Exhibits 31.1 and 31.2 to this Form 10-K.

ITEM 1A. RISK FACTORS

Statements contained in this Form 10-K may be "forward-looking" within the meaning of Section 21E of the Exchange Act. Such forward-looking statements are subject to certain risks and uncertainties that could cause the Company's operating results to differ materially from those projected. The following factors, among others, in some cases have affected, and in the future could affect, the Company's actual financial performance. The terms "Greif," "our company," "we," "us" and "our" as used in this discussion refer to Greif, Inc. and subsidiaries.

The current and future challenging global economy may adversely affect our business.

The current economic slowdown and any further economic decline in future reporting periods could negatively affect our business and results of operations. The volatility of the current economic climate makes it difficult for us to predict the complete impact of this slowdown on our business and results of operations. Due to these current economic conditions, our customers may face financial difficulties, the unavailability of or reduction in commercial credit, or both, that may result in decreased sales and revenues of the Company. Certain of our customers may cease operations or seek bankruptcy protection, which would reduce our cash flows and adversely impact our results of operations. Our customers that are financially viable and not experiencing economic distress may elect to reduce the volume of orders for our products in an effort to remain financially stable or as a result of the unavailability of commercial credit which would negatively affect our results of operations. We may also have difficulty accessing the global credit markets due to the tightening of commercial credit availability and the financial difficulties of our customers, which would result in decreased ability to fund capital-intensive strategic projects and our ongoing acquisition strategy. Further, we may experience challenges in forecasting revenues and operating results due to these global economic conditions. The difficulty in forecasting revenues and operating results may result in volatility in the market price of our common stock.

In addition, the lenders under our Credit Agreement and other borrowing facilities described in Item 7 of this Form 10-K under "Liquidity and Capital Resources - Borrowing Arrangements" and the counterparties with whom we maintain interest rate swap agreements, cross-currency interest rate swaps, currency forward contracts and derivatives and other hedge agreements may be unable to perform their lending or payment obligations in whole or in part, or may cease operations or seek bankruptcy protection, which would negatively affect our cash flows and our results of operations.

Historically, our business has been sensitive to changes in general economic or business conditions.

Our customers generally consist of other manufacturers and suppliers who purchase industrial packaging products and containerboard and related corrugated products for their own containment and shipping purposes. Because we supply a cross section of industries, such as chemicals, food products, petroleum products, pharmaceuticals, metal products, agricultural and agrichemical products, and have operations in many countries, demand for our industrial packaging products and containerboard and related corrugated products has historically corresponded to changes in general economic and business conditions of the industries and countries in which we operate. Accordingly, our financial performance is substantially dependent upon the general economic conditions existing in these industries and countries, and any prolonged or substantial economic downturn in the markets we operate, including the current economic downturn, could have a material adverse affect on our business, results of operations or financial condition.

Our operations are subject to currency exchange and political risks that could adversely affect our results of operations.

We have operations in over 45 countries. As a result of our international operations, we are subject to certain risks that could disrupt our operations or force us to incur unanticipated costs.

Our operating performance is affected by fluctuations in currency exchange rates by:

- translations into United States dollars for financial reporting purposes of the assets and liabilities of our international operations conducted in local currencies; and
- gains or losses from transactions conducted in currencies other than the operation's functional currency.

We are subject to various other risks associated with operating in international countries, such as the following:

- political, social and economic instability;
- war, civil disturbance or acts of terrorism;
- taking of property by nationalization or expropriation without fair compensation;
- changes in government policies and regulations;
- imposition of limitations on conversions of currencies into United States dollars or remittance of dividends and other payments by international subsidiaries;
- imposition or increase of withholding and other taxes on remittances and other payments by international subsidiaries;
- hyperinflation in certain countries and the current threat of global deflation; and
- impositions or increase of investment and other restrictions or requirements by non-United States governments.

We operate in highly competitive industries.

Each of our business segments operates in highly competitive industries. The most important competitive factors we face are price, quality and service. To the extent that one or more of our competitors become more successful with respect to any of these key competitive factors, we could lose customers and our sales could decline. In addition, due to the tendency of certain customers to diversify their suppliers, we could be unable to increase or maintain sales volumes with particular customers. Certain of our competitors are substantially larger and have significantly greater financial resources.

Our business is sensitive to changes in industry demands.

Industry demand for containerboard in the United States and certain of our industrial packaging products in our United States and international markets has varied in recent years causing competitive pricing pressures for those products. We compete in industries that are capital intensive, which generally leads to continued production as long as prices are sufficient to cover marginal costs. As a result, changes in industry demands like the current economic slowdown, including any resulting industry over-capacity, may cause substantial price competition and, in turn, negatively impact our financial performance.

The continuing consolidation of our customer base for industrial packaging, containerboard and corrugated products may intensify pricing pressures and may negatively impact our financial performance.

Over the last few years, many of our large industrial packaging, containerboard and corrugated products customers have acquired, or been acquired by, companies with similar or complementary product lines. This consolidation has increased the concentration of our largest customers, and resulted in increased pricing pressures from our customers. Any future consolidation of our customer base could negatively impact our financial performance.

Raw material and energy price fluctuations and shortages could adversely affect our ability to obtain the materials needed to manufacture our products and could adversely affect our manufacturing costs.

The principal raw materials used in the manufacture of our products are steel, resin, pulpwood, old corrugated containers for recycling, and containerboard, which we purchase in highly competitive, price sensitive markets. These raw materials have historically exhibited price and demand cyclicality. Some of these materials have been, and in the future may be, in short supply. However, we have not recently experienced any significant difficulty in obtaining our principal raw materials. We have long-term supply contracts in place for obtaining a portion of our principal raw materials. The cost of producing our products is also sensitive to the price of energy. We have, from time to time, entered into short-term contracts to hedge certain of our energy costs. Energy prices, in particular oil and natural gas, have fluctuated in recent years, with a corresponding effect on our production costs.

Environmental and health and safety matters and product liability claims could negatively impact our operations and financial performance.

We must comply with extensive rules and regulations regarding federal, state, local and international environmental matters, such as air and water quality and waste disposal. We must also comply with extensive rules and regulations regarding safety and health matters. The failure to materially comply with such rules and regulations could adversely affect our operations and financial performance. Furthermore, litigation or claims against us with respect to such matters could adversely affect our financial performance. We may also become subject to product liability claims, which could adversely affect our operations and financial performance.

Our business may be adversely impacted by work stoppages and other labor relations matters.

We are subject to risk of work stoppages and other labor relations matters because a significant number of our employees are represented by unions. We have experienced work stoppages and strikes in the past, and there may be work stoppages and strikes in the future. Any prolonged work stoppage or strike at any one of our principal manufacturing facilities could have a negative impact on our business, results of operations or financial condition.

We may encounter difficulties arising from acquisitions.

During recent years, we have invested a substantial amount of capital in acquisitions. Acquisitions involve numerous risks, including the failure to retain key customers, employees and contracts, the inability to integrate businesses without material disruption, unanticipated costs incurred in connection with integrating businesses and the incurrence of liabilities greater than anticipated or operating results that are less than anticipated. In addition, acquisitions and integration activities require time and attention of management and other key personnel, and other companies in our industries have similar acquisition strategies. There can be no assurance that any future acquisitions will be successfully integrated into our operations, that competition for acquisitions will not intensify or that we will be able to complete such acquisitions on acceptable terms and conditions. The costs of unsuccessful acquisition efforts may adversely affect our financial performance.

We may be subject to losses that might not be covered in whole or in part by existing insurance reserves or insurance coverage. These uninsured losses could adversely affect our financial performance.

We are self-insured for certain of the claims made under our employee medical and dental insurance programs and for certain of our workers' compensation claims. We establish reserves for estimated costs related to pending claims, administrative fees and claims incurred but not reported. Because establishing reserves is an inherently uncertain process involving estimates, currently established reserves may not be adequate to cover the actual liability for claims made under our employee medical and dental insurance programs and for certain of our workers' compensation claims. If we conclude that our estimates are incorrect and our reserves are inadequate for these claims, we will need to increase our reserves, which could adversely affect our financial performance.

We carry comprehensive liability, fire and extended coverage insurance on most of our facilities, with policy specifications and insured limits customarily carried for similar properties. However, there are certain types of losses, such as losses resulting from wars, acts of terrorism, or hurricanes, tornados, or other natural disasters, that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in that property, as well as the anticipated future revenues derived from the manufacturing activities conducted at that property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any such loss would adversely impact our business, financial condition and results of operations.

We purchase insurance policies covering general liability and product liability with substantial policy limits. However, there can be no assurance that any liability claim would be adequately covered by our applicable insurance policies or it would not be excluded from coverage based on the terms and conditions of the policy. This could also apply to any applicable contractual indemnity.

The frequency and volume of our timber and timberland sales will impact our financial performance.

We have a significant inventory of standing timber and timberland and approximately 61,600 acres of special use properties in the United States and Canada. The frequency, demand for and volume of sales of timber, timberland and special use properties will have an effect on our financial performance. In addition, volatility in the real estate market for special use properties could negatively affect our results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following are the Company's principal operating locations and the products manufactured at such facilities or the use of such facilities. The Company considers its operating properties to be in satisfactory condition and adequate to meet its present needs. However, the Company expects to make further additions, improvements and consolidations of its properties to support its business expansion.

Location	Products or Use	Owned	Leased
INDUSTRIAL PACKAGING:			
Algeria	Steel drums	1	—
Argentina		3	1

	Steel and plastic drums, water bottles and distribution center		
Australia	Closures	—	2
Austria	Steel drums and administrative office	—	1
Belgium	Steel and plastic drums and coordination center (shared services)	2	1
Brazil	Steel and plastic drums, water bottles, closures and general office	5	5
Canada	Fibre, steel and plastic drums, blending and packaging services and administrative office	8	1
Chile	Steel drums, water bottles and distribution center	—	1
China	Steel drums, closures and general office	—	8
Colombia	Steel and plastic drums and water bottles	1	1
Costa Rica	Steel drums	—	1
Czech Republic	Steel drums	2	—
Denmark	Fibre drums	1	—
Egypt	Steel drums	1	—
France	Fibre, steel and plastic drums, intermediate bulk containers, closures and distribution center	4	2
Germany	Fibre, steel and plastic drums and distribution center	3	2

Location	Products or Use	Owned	Leased
Greece	Steel drums and water bottles	2	2
Guatemala	Steel drums	1	—
Hungary	Steel drums	1	—
Ireland	Warehouse	—	1
Italy	Steel and plastic drums, water bottles and distribution center	1	2
Jamaica	Distribution center	—	1
Kazakhstan	Distribution center	—	1
Kenya	Steel and plastic drums	—	1
Malaysia	Steel and plastic drums	—	2
Mexico	Fibre, steel and plastic drums, closures and distribution center	2	2
Morocco	Steel and plastic drums and plastic bottles	1	—
Mozambique	Steel drums and plastic bottles	—	1
Netherlands	Fibre steel and plastic drums, closures, research center and general office	5	—
New Zealand	Intermediate bulk containers	—	1
Nigeria	Steel and plastic drums	—	3
Philippines	Steel drums and water bottles	—	1
Poland	Steel drums and water bottles	2	—
Portugal	Steel drums	1	—
Russia	Steel drums, water bottles and intermediate bulk containers	9	—
Saudi Arabia	Steel drums	—	1
Singapore	Steel drums, steel parts and distribution center	—	2
South Africa	Steel and plastic drums and distribution center	—	6

Spain	Steel drums and distribution center	3	—
Sweden	Fibre and steel drums and distribution center	2	—
Turkey	Steel drums and water bottles	1	—
Ukraine	Distribution center and water bottles	—	1
United Kingdom	Steel and plastic drums, water bottles and distribution center	3	2
United States	Fibre, steel and plastic drums, intermediate bulk containers, closures, steel parts, water bottles, load securement and distribution centers and blending and packaging services	34	28
Uruguay	Steel and plastic drums	—	1
Venezuela	Steel and plastic drums and water bottles	2	—
Vietnam	Steel drums	—	1
PAPER PACKAGING:			
United States	Corrugated sheets, containers and other products, containerboard, multiwall bags, investment property and distribution center	23	4
TIMBER:			
United States	General offices	4	1
CORPORATE:			
United States	Principal and general offices	2	—

The Company also owns a substantial number of timber properties comprising approximately 268,700 acres in the states of Alabama, Louisiana and Mississippi and approximately 27,450 acres in the provinces of Ontario and Quebec in Canada as of October 31, 2008.

ITEM 3. LEGAL PROCEEDINGS

The Company has no pending material legal proceedings.

From time to time, various legal proceedings arise at the country, state or local levels involving environmental sites to which the Company has shipped, directly or indirectly, small amounts of toxic waste, such as paint solvents, etc. The Company, to date, has been classified as a “de minimis” participant and such proceedings do not involve potential monetary sanctions in excess of $100,000.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the year covered by this Form 10-K.

PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Shares of the Company’s Class A and Class B Common Stock are listed on the New York Stock Exchange under the symbols GEF and GEF.B, respectively.

Financial information regarding the Company’s two classes of common stock, as well as the number of holders of each class and the high, low and closing sales prices for each class for each quarterly period for the two most recent years, is included in Note 16 to the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K, which Note is incorporated herein by reference.

The Company pays quarterly dividends of varying amounts computed on the basis described in Note 9 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K, which Note is incorporated herein by reference. The annual dividends paid for the last two years are as follows(1):

2008 year dividends per share – Class A $1.32; Class B $1.97

2007 year dividends per share(1) – Class A $0.92; Class B $1.38

(1) Dividends per share for 2007 has been adjusted to reflect a 2-for-1 stock split of the Company’s shares of Class A and Class B Common Stock distributed on April 11, 2007.

The terms of the Company’s Credit Agreement limit its ability to make “restricted payments,” which include dividends and purchases, redemptions and acquisitions of equity interests of the Company. The payment of dividends and other restricted payments are subject to the condition that certain defaults not exist under the terms of the Credit Agreement and are limited in amount by a formula based, in part, on the consolidated net income of the Company. See “Borrowing Arrangements” in Item 7 of this Form 10-K.

The following tables set forth the Company’s purchases of its shares of Class B Common Stock during 2008. No shares of Class A Common Stock were purchased during 2008.

Issuer Purchases of Class B Common Stock

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs(1)
November 2007	—	—	—	1,648,128
December 2007	—	—	—	1,648,128
January 2008	2,500	$ 59.04	2,500	1,645,628
February 2008	—	—	—	1,645,628
March 2008	5,900	$ 59.04	5,900	1,639,728
April 2008	170,500	$ 61.22	170,500	1,469,228
May 2008	—	—	—	1,469,228
June 2008	2,000	$ 57.69	2,000	1,467,228
July 2008	100,500	$ 56.41	100,500	1,366,728
August 2008	—	—	—	1,366,728
September 2008	—	—	—	1,366,728
October 2008	100,000	$ 48.00	100,000	1,266,728
Total	381,400		381,400	

(1) The Company's Board of Directors has authorized a stock repurchase program which permits the Company to purchase up to 4.0 million shares of the Company's Class A or Class B Common Stock, or any combination thereof. As of October 31, 2008, the maximum number of shares that could be purchased was 1,266,728, which may be any combination of Class A or Class B Common Stock.

Performance Graph

The following graph compares the performance of shares of the Company's Class A and B Common Stock to that of the Standard and Poor's 500 Index and the Company's industry group (Peer Index) assuming $100 invested on October 31, 2003. The graph does not purport to represent the value of the Company.

The Peer Index comprises the containers and packaging index as shown by Dow Jones.

ITEM 6. SELECTED FINANCIAL DATA

The five-year selected financial data is as follows (Dollars in thousands, except per share amounts) (1):

As of and for the years ended October 31,	2008	2007	2006	2005	2004
Net sales	$ 3,776,756	$ 3,322,294	$ 2,628,475	$ 2,424,297	$ 2,209,282
Net income	$ 234,354	$ 156,368	$ 142,119	$ 104,656	$ 47,769
Total assets	$ 2,745,898	$ 2,652,711	$ 2,188,001	$ 1,883,323	$ 1,813,238
Long-term debt, including current portion of long-term debt	$ 673,171	$ 622,685	$ 481,408	$ 430,400	$ 457,415
Basic earnings per share:					
Class A Common Stock	$ 4.04	$ 2.69	$ 2.46	$ 1.82	$ 0.85
Class B Common Stock	$ 6.04	$ 4.04	$ 3.69	$ 2.73	$ 1.26
Diluted earnings per share:					
Class A Common Stock	$ 3.99	$ 2.65	$ 2.42	$ 1.78	$ 0.83
Class B Common Stock	$ 6.04	$ 4.04	$ 3.69	$ 2.73	$ 1.26
Dividends per share:					
Class A Common Stock	$ 1.32	$ 0.92	$ 0.60	$ 0.40	$ 0.30
Class B Common Stock	$ 1.97	$ 1.37	$ 0.89	$ 0.59	$ 0.44

(1) All share information presented in this table has been adjusted to reflect a 2-for-1 stock split of the Company's shares of Class A and Class B Common Stock distributed on April 11, 2007.

The results of operations include the effects of pretax restructuring charges of $43.2 million, $21.2 million, $33.2 million, $35.7 million and $54.1 million for 2008, 2007, 2006, 2005 and 2004, respectively; pretax debt extinguishment charges of $23.5 million and $2.8 million for 2007 and 2005, respectively; and large timberland gains of $41.3 million and $56.3 million for 2006 and 2005, respectively.

ITEM 7. 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 Form 10-K. The terms "Greif," "our company," "we," "us," and "our" as used in this discussion refer to Greif, Inc. and subsidiaries.

Business Segments

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

We are a leading global provider of industrial packaging products, such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial packaging products, transit protection products and polycarbonate water bottles, and services, such as blending, filling and other packaging services, logistics and warehousing. 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, paint and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical and mineral, among others. In addition, the Company provides a variety of blending, filling and other packaging services, logistics and warehousing to customers in many of these same industries in North America.

We sell our containerboard, corrugated sheets, corrugated containers 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 multiwall bag products is used to ship a wide range of industrial and consumer products, such as seed, fertilizers, chemicals, concrete, flour, sugar, feed, pet foods, popcorn, charcoal and salt, primarily for the agricultural, chemical, building products and food industries.

As of October 31, 2008, we owned approximately 268,700 acres of timber properties in the southeastern United States, which are actively managed, and approximately 27,450 acres of timber properties 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 available merchantable acreage of timber, market and weather conditions. We also sell, from time to time, timberland and special use land, which consists of surplus land, HBU land, and development land.

In 2003, we began a transformation to become a leaner, more market-focused, performance-driven company – what we call the "Greif Business System." We believe the Greif Business System has and will continue to generate productivity improvements and achieve permanent cost reductions. The Greif Business System continues to focus on opportunities such as improved labor productivity, material yield and other manufacturing efficiencies, along with further plant consolidations. In addition, as part of the Greif Business System, we have launched a strategic sourcing initiative to more effectively leverage our global spending and lay the foundation for a world-class sourcing and supply chain capability. In response to the current economic slowdown, we have accelerated the implementation of certain Greif Business System initiatives. These initiatives include continuation of active portfolio management, further administrative excellence activities, and curtailed discretionary spending.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these consolidated financial statements, in accordance with 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 Note 1 to the Notes to Consolidated Financial Statements
included in Item 8 of this Form 10-K. We believe that the consistent application of these policies enables us to provide readers of the consolidated financial statements with useful and reliable information about our results of operations and financial condition. The following are the accounting policies that we believe are most important to the portrayal of our results of operations and financial condition and require our most difficult, subjective or complex judgments.

Allowance for Accounts Receivable. We evaluate the collectability of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, we record a specific allowance for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. In addition, we recognize allowances for bad debts based on 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 (e.g., 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 change 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. We also evaluate reserves for losses under firm purchase commitments for goods or inventories.

Net Assets Held for Sale. Net assets held for sale represent land, buildings and land improvements less accumulated depreciation. We record net assets held for sale in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” at the lower of carrying value or fair value less cost to sell. Fair value is based on the estimated proceeds from the sale of the facility utilizing recent purchase offers, market comparables and/or data obtained from our commercial real estate broker. Our estimate as to fair value is regularly reviewed and subject to changes in the commercial real estate markets and our continuing evaluation as to the facility’s acceptable sale price.

Properties, Plants and Equipment. Depreciation on properties, plants and equipment is provided on the straight-line method over the estimated useful lives of our assets.

We own timber properties in the southeastern United States and in Canada. With respect to our United States timber properties, which consisted of approximately 268,700 acres at October 31, 2008, depletion expense is computed on the basis of cost and the estimated recoverable timber acquired. Our land costs are maintained by tract. Merchantable timber costs are maintained by five product classes, pine sawtimber, pine chip-n-saw, pine pulpwood, hardwood sawtimber and hardwood pulpwood, within a “depletion block,” with each depletion block based upon a geographic district or subdistrict. Currently, we have 11 depletion blocks. These same depletion blocks are used for pre-merchantable timber costs. Each year, we estimate the volume of our merchantable timber for the five product classes by each depletion block. These estimates are based on the current state in the growth cycle and not on quantities to be available in future years. Our estimates do not include costs to be incurred in the future. We then project these volumes to the end of the year. Upon acquisition of a new timberland tract, we record separate amounts for land, merchantable timber and pre-merchantable timber allocated as a percentage of the values being purchased. These acquisition volumes and costs acquired during the year are added to the totals for each product class within the appropriate depletion block(s). The total of the beginning, one-year growth and acquisition volumes are divided by the total undepleted historical cost to arrive at a depletion rate, which is then used for the current year. As timber is sold, we multiply the volumes sold by the depletion rate for the current year to arrive at the depletion cost. Our Canadian timber properties, which consisted of approximately 27,450 acres at October 31, 2008, did not have any depletion expense since they are not actively managed at this time.

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

Restructuring Reserves. Restructuring reserves are determined in accordance with appropriate accounting guidance, including SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities,” and Staff Accounting Bulletin No. 100, “Restructuring and Impairment Charges,” depending upon the facts and circumstances surrounding the situation. Restructuring reserves are further discussed in Note 5 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

Pension and Postretirement Benefits. Pension and postretirement benefit expenses and liabilities 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 contained in Notes 12 and 13 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K. The results would be different using other assumptions.

Income Taxes. Our effective tax rate is based on income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions.

In the first quarter of fiscal 2008, the Company adopted the provisions of Financial Accounting Standards Boards ("FASB") Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes.” FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” This standard provides that a tax benefit from uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement. Our effective tax rate includes the impact of reserve provisions and changes to reserves that we consider appropriate as well as related interest and penalties.

A number of years may elapse before a particular matter, for which we have established a reserve, is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe that our reserves reflect the probable outcome of known tax contingencies. Unfavorable settlement of any particular issue would require use of our cash. Favorable resolution would be recognized as a reduction to our effective tax rate in the period of resolution.

Valuation allowances are established where expected future taxable income does not support the realization of the deferred tax assets.

Environmental Cleanup Costs. We expense environmental expenditures related to existing conditions caused by past or current operations and from which no current or future benefit is discernable. Expenditures that extend the life of the related property, or mitigate or prevent future environmental contamination, are capitalized. The capitalized cost at October 31, 2008, 2007, and 2006 was immaterial.

Environmental expenses were $0.4 million, $0.2 million, and $1.6 million in 2008, 2007, and 2006, respectively. Environmental cash expenditures were $3.2 million, $1.6 million, and $1.8 million in 2008, 2007 and 2006, respectively. Our reserves for environmental liabilities at October 31, 2008 amounted to $37.2 million, which included a reserve of $21.5 million related to our blending facility in Chicago, Illinois, $9.3 million related to our Blagden facilities, $3.3 million related to our facility in Lier, Belgium and $3.1 million related to smaller facilities not individually material. Our reserves for asserted and unasserted environmental litigation, claims and/or assessments at manufacturing sites and other locations where we believe it is probable the outcome of such matters will be unfavorable to us, were $5.8 million, which included $5.3 million related to our facility in Chicago, Illinois. Reserves for large environmental exposures are principally based on environmental studies and cost estimates provided by third parties, but also take into account management estimates. Reserves for less significant environmental exposures are principally based on management estimates.

We anticipate that expenditures for remediation costs at most of the sites will be made over an extended period of time. Given the inherent uncertainties in evaluating environmental exposures, actual costs may vary from those estimated at October 31, 2008. Our exposure to adverse developments with respect to any individual site is not expected to be material. Although environmental remediation could have a material effect on results of operations if a series of adverse developments occur in a particular quarter or fiscal year, we believe that the chance of a series of adverse developments occurring in the same quarter or fiscal year is remote. Future information and developments will require us to continually reassess the expected impact of these environmental matters.

Self-Insurance. We are self-insured for certain of the claims made under our employee medical and dental insurance programs. We had recorded liabilities totaling $4.1 million and $3.1 million for estimated costs related to outstanding claims at October 31, 2008 and 2007, respectively. These costs include an estimate for expected settlements on pending claims, administrative fees and an estimate for claims incurred but not reported. These estimates are based on our assessment of outstanding claims, historical analyses and current payment trends. We record an estimate for the claims incurred but not reported using an estimated lag period based upon historical information. This lag period assumption has been consistently applied for the periods presented. If the lag period was hypothetically adjusted by a period equal to a half month, the impact on earnings would be approximately $1.0 million. However, we believe the reserves recorded are adequate based upon current facts and circumstances.

We have certain deductibles applied to various insurance policies including general liability, product, auto and workers' compensation. Deductible liabilities are insured through our captive insurance subsidiary, which had recorded liabilities totaling $20.6 million and $21.9 million for anticipated costs related to general liability, product, auto and workers' compensation at October 31, 2008 and 2007, respectively. These costs include an estimate for expected settlements on pending claims, defense costs and an estimate for claims incurred but not reported. These estimates are based on our assessment of outstanding claims, historical analysis, actuarial information and current payment trends.

Contingencies. Various lawsuits, claims and proceedings have been or may be instituted or asserted against us, including those pertaining to environmental, product liability, and safety and health matters. While the amounts claimed may be substantial, the ultimate liability cannot currently be determined because of the considerable uncertainties that exist.

All lawsuits, claims and proceedings are considered by the Company in establishing reserves for contingencies in accordance with SFAS No. 5, "Accounting for Contingencies." In accordance with the provisions of SFAS No. 5, the Company accrues for a litigation-related liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information known to the Company, the Company believes that its reserves for these litigation-related liabilities are reasonable and that the ultimate outcome of any pending matters is not likely to have a material adverse effect on the Company's financial position or results from operations.

Goodwill, Other Intangible Assets and Other Long-Lived Assets. Goodwill and indefinite-lived intangible assets are no longer amortized, but instead are periodically reviewed for impairment as required by SFAS No. 142, "Goodwill and Other Intangible Assets." The costs of acquired intangible assets determined to have definite lives are amortized on a straight-line basis over their estimated economic lives of five to 20 years. Our policy is to periodically review other intangible assets subject to amortization and other long-lived assets based upon the evaluation of such factors as the occurrence of a significant adverse event or change in the environment in which the business operates, or if the expected future undiscounted net cash flows would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related assets.

Other Items. Other items that could have a significant impact on the financial statements include the risks and uncertainties listed in Item 1A under "Risk Factors." 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.

In 2003, we began a transformation to become a leaner, more market-focused/performance-driven company, to what we call the "Greif Business System." We believe the Greif Business System has and will continue to generate productivity improvements and achieve permanent cost reductions. The Greif Business System continues to focus on opportunities such as improved labor productivity, material yield and other manufacturing efficiencies, along with further plant consolidations. In addition, as part of the Greif Business System, we have launched a strategic sourcing initiative to more effectively leverage our global spending, including a transportation management system, and lay the foundation for a world-class sourcing and supply chain capability. In response to the current economic slowdown, we have accelerated the implementation of certain Greif Business System initiatives. These initiatives include continuation of active portfolio management, further administrative excellence activities, and curtailed discretionary spending.

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

The following table sets forth the net sales and operating profit for each of our business segments for 2008, 2007 and 2006 (Dollars in millions):

For the year ended October 31,	2008	2007	2006
Net Sales			
Industrial Packaging	$ 3,061.1	$ 2,653.6	$ 1,993.0
Paper Packaging	696.9	653.7	620.3
Timber	18.8	14.9	15.1
Total net sales	$ 3,776.8	$ 3,322.2	$ 2,628.4
Operating Profit			
Operating profit, before the impact of restructuring charges and timberland disposals, net:			
Industrial Packaging	$ 315.2	$ 229.4	$ 167.5
Paper Packaging	77.4	67.7	60.0
Timber	20.6	14.4	10.6
Total operating profit before the impact of restructuring charges and timberland disposals, net	413.2	311.5	238.1
Restructuring charges:			
Industrial Packaging	34.0	16.0	24.0
Paper Packaging	9.1	5.2	9.2

Timber		0.1		-		-
Total restructuring charges		43.2		21.2		33.2
Timberland disposals, net:						
Timber		0.3		(0.7)		41.3
Operating profit						
Industrial Packaging		281.2		213.4		143.5
Paper Packaging		68.3		62.5		50.8
Timber		20.8		13.7		51.9
Total operating profit	$	370.3	$	289.6	$	246.2

Year 2008 Compared to Year 2007

Overview

Net sales increased 14 percent (10 percent excluding the impact of foreign currency translation) to $3,776.8 million in 2008 compared to $3,322.3 million in 2007. The $454.5 million increase was due to Industrial Packaging ($407.4 million), Paper Packaging ($43.2 million) and Timber ($3.9 million). Strong organic sales growth for industrial packaging products and higher selling prices, principally in response to higher raw material costs, drove the 10 percent constant-currency increase.

Operating profit was $370.3 million and $289.6 million in 2008 and 2007, respectively. Operating profit before the impact of restructuring charges and timberland disposals, net was $413.1 million for 2008 compared to $311.5 million for 2007. The $101.6 million increase was principally due to higher operating profit in Industrial Packaging ($85.7 million), Paper Packaging ($9.7 million) and Timber ($6.2 million). Operating profit, expressed as a percentage of net sales, increased to 9.8 percent for 2008 from 8.7 percent in 2007. Operating profit before restructuring charges and the impact of timberland disposals, net, expressed as a percentage of net sales, increased to 10.9 percent for 2008 from 9.4 percent in 2007.

Segment Review

Industrial Packaging

Our Industrial Packaging segment offers a comprehensive line of industrial packaging products and services, such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial packaging products, transit protection products, and polycarbonate water bottles, and services, such as blending, filling and other packaging services, logistics and warehousing. The key factors influencing profitability in the Industrial Packaging segment are:

- Selling prices, customer demand and sales volumes;
- Raw material costs, primarily steel, resin and containerboard;
- Energy and transportation costs;
- Benefits from executing the Greif Business System;
- Restructuring charges;
- Contributions from recent acquisitions;
- Divestiture of business units; and
- Impact of foreign currency translation.

In this segment, net sales increased 15 percent to $3,061.1 million in 2008 compared to $2,653.6 million in 2007 — an increase of 10 percent excluding the impact of foreign currency translation. Higher sales volumes across all regions, with particular strength in emerging markets, in addition to higher selling prices in response to higher raw material costs, continued to drive the segment's organic growth.

Gross profit margin for the Industrial Packaging segment was 18.5 percent in 2008 compared to 18.3 percent in 2007, primarily due to the continued implementation of the Greif Business System (lower labor, transportation and other manufacturing costs).

Operating profit was $281.2 million in 2008 compared to $213.4 million in 2007. Operating profit before the impact of restructuring charges increased to $315.2 million in 2008 compared to $229.4 million in 2007. The increase in operating profit was primarily due to improvement in sales volumes, higher selling prices and contributions from the Greif Business System, which were partially offset by higher input costs.

Paper Packaging

Our Paper Packaging segment sells containerboard, corrugated sheets, corrugated containers and multiwall bags in North America. The key factors influencing profitability in the Paper Packaging segment are:

- Selling prices, customer demand and sales volumes;
- Raw material costs, primarily old corrugated containers;
- Energy and transportation costs;
- Benefits from executing the Greif Business System; and
- Restructuring charges.

In this segment, net sales were $696.9 million in 2008 compared to $653.7 million in 2007. The increase in net sales was principally due to higher selling prices, including a containerboard price increase implemented in the fourth quarter of 2007 and the realization of a containerboard price increase implemented in the fourth quarter of 2008.

Gross profit margin for the Paper Packaging segment was 17.1 percent in 2008 compared to 17.4 percent in 2007. This decrease was primarily due to higher input costs, including energy and transportion, partially offset by higher selling prices from the containerboard increase implemented in the fourth quarter of 2007 and the partial realization of an increase implemented in the fourth quarter of 2008.

Operating Profit was $68.3 million and $62.5 million in 2008 and 2007, respectively. Operating profit before the impact of restructuring charges increased to $77.4 million in 2008 compared to $67.7 million in 2007. The increase was primarily due to higher selling prices from containerboard increases, partially offset by higher input costs, including increased energy costs and increased transportation costs.

Timber

As of October 31, 2008, our Timber segment consists of approximately 268,700 acres of timber properties in the southeastern United States, which are actively harvested and regenerated, and approximately 27,450 acres in Canada. The key factors influencing profitability in the Timber segment are:

- Planned level of timber sales;
- Selling prices and customer demand
- Gains (losses) on sale of timberland; and
- Sale of special use properties (surplus, HBU, and development properties).

Net sales were $18.8 million in 2008 compared to and $14.9 million in 2007. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market and weather conditions.

Operating profit was $20.8 million and $13.7 million in 2008 and 2007, respectively. Operating profit before the impact of restructuring charges and timberland disposals, net was $20.6 million in 2008 compared to $14.4 million in 2007. Included in these amounts were profits from the sale of special use properties of $16.8 million in 2008 and $9.5 million in 2007.

In order to maximize the value of our timber property, we continue to review our current portfolio and explore the development of certain of these properties in Canada and the United States. This process has led us to characterize our property as follows:

- Surplus property, meaning land that cannot be efficiently or effectively managed by us, whether due to parcel size, lack of productivity, location, access limitations or for other reasons.
- HBU property, meaning land that in its current state has a higher market value for uses other than growing and selling timber.
- Development property, meaning HBU land that, with additional investment, may have a significantly higher market value than its HBU market value.
- Timberland, meaning land that is best suited for growing and selling timber.

We report the sale of surplus and HBU property in our consolidated statements of income under “gain on disposals of properties, plants and equipment, net” and report the sale of development property under “net sales” and “cost of products sold.” All HBU and development property, together with surplus property will continue to be used by us to productively grow and sell timber until sold.

Whether timberland has a higher value for uses other than growing and selling timber is a determination based upon several variables, such as proximity to population centers, anticipated population growth in the area, the topography of the land, aesthetic considerations, including access to lakes or rivers, the condition of the surrounding land, availability of utilities, markets for timber and economic considerations both nationally and locally. Given these considerations, the characterization of land is not a static process, but requires an ongoing review and re-characterization as circumstances change.

At October 31, 2008, we estimated that there were approximately 61,600 acres in Canada and the United States of special use property, which will be available for sale in the next five to seven years.

Other Income Statement Changes

Cost of Products Sold

Cost of products sold, as a percentage of net sales, decreased to 81.7 percent in 2008 from 81.8 percent in 2007. Cost of products sold, as a percentage of net sales, primarily decreased as a result of the improvement in net sales and positive contributions from the Greif Business System. These positive factors were partially offset by higher raw material, transportation and energy costs compared to 2007.

Selling, General and Administrative (“SG&A”) Expenses

SG&A expenses were $339.2 million, or 9.0 percent of net sales, in 2008 compared to $313.4 million, or 9.4 percent of net sales, in 2007. The dollar increase in our SG&A expense was primarily due to acquisition synergies and the impact of foreign currency translation, partially offset by tighter controls over SG&A expenses.

Restructuring Charges

Restructuring charges were $43.2 million and $21.2 million in 2008 and 2007, respectively.

Restructuring charges for 2008 consisted of $20.5 million in employee separation costs, $12.3 million in asset impairments, $0.4 million in professional fees and $10.0 million in other restructuring costs, primarily consisting of facility consolidation and lease termination costs. Six company-owned plants in the Industrial Packaging segment and four company-owned plants in the Paper Packaging segment were closed. Additionally, severance costs were incurred due to the elimination of certain operating and administrative positions throughout the world. A total of 630 employees were severed during 2008.

Restructuring charges for 2007 consisted of $9.2 million in employee separation costs, $0.9 million in asset impairments, $1.0 million in professional fees, and $10.1 million in other restructuring costs, primarily consisting of facility consolidation and lease termination costs. Two company-owned plants in the Industrial Packaging segment were closed. Additionally, severance costs were incurred due to the elimination of certain operating and administrative positions throughout the world. A total of 303 employees were severed in 2007.

See Note 5 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for additional disclosures regarding our restructuring activities.

Gains on Disposal of Properties, Plants and Equipment, Net

For 2008, we recorded a gain on disposal of properties, plants and equipment, net of $59.5 million, primarily consisting of $29.9 million pre-tax net gain on divestiture of business units in Australia and our controlling interest in a Zimbabwean operation, and $15.2 million in net gains from the sale of surplus and HBU timber properties. During 2007, gain on disposals of properties, plants and equipment, net was $19.4 million, primarily consisting of $8.9 million in gains from the sale of surplus and HBU timber properties.

Interest Expense, Net

Interest expense, net, was $49.6 million and $45.5 million in 2008 and 2007, respectively. The increase was primarily due to higher outstanding debt, a larger mix of debt outside of the United States and Europe with higher interest rates, and interest received on lower cash balances.

Other Income (Expense), Net

Other expense, net was $8.8 million in 2008 compared to $9.0 million in 2007. The decrease was primarily due to the recording of $1.7 million in net expense related to losses on foreign currency transactions in 2008 compared to $2.2 million in 2007 and other infrequent non-operating items recorded in 2007.

Income Tax Expense

During 2008, the effective tax rate was 23.6 percent compared to 25.3 percent in 2007. The effective tax rate decreased due to a change in the mix of income in the United States compared to regions outside of the United States, where tax rates were lower. In future years, the effective tax rate may fluctuate based on the mix of income inside and outside the United States and other factors.

Equity in Earnings of Affiliates and Minority Interests

Equity in earnings of affiliates and minority interests was $3.9 million in 2008 compared to $1.7 million for 2007. We have majority holdings in various companies, and the minority interests of other persons in the respective net income of these companies have been recorded as an expense. These expenses were partially offset by equity in the earnings of three of our subsidiaries under the equity method, one in India and two in North America.

Net Income

Based on the foregoing, net income increased $78.0 million to $234.4 million in 2008 from $156.4 million in 2007.

Year 2007 Compared to Year 2006

Overview

Net sales increased 26 percent to $3,322.2 million in 2007 compared to $2,628.4 million in 2006. Of this increase, 14 percent was due to the acquisitions of Blagden Packaging Group’s steel drum manufacturing and closures businesses (“Blagden”) in the first quarter of 2007 and Delta Petroleum Company, Inc.’s blending and filling businesses (“Delta”) in the fourth quarter of 2006, and 4 percent was from currency translation. The $693.8 million increase in net sales was primarily due to higher sales of products in our Industrial Packaging ($665.5 million), which benefited principally from stronger sales volumes compared to 2006, and higher selling prices in Paper Packaging ($28.6 million).

Operating profit was $289.6 million in 2007 compared to $246.2 million in 2006. Operating profit before the impact of restructuring charges and timberland disposals, net was $311.5 million for 2007 compared to $238.1 million for 2006. The $73.4 million increase compared to the prior year was principally due to higher operating profit in all three of the Company's business segments, which include Industrial Packaging ($62.0 million), Paper Packaging ($7.7 million) and Timber ($3.7 million). Operating profit before restructuring charges and the impact of timberland disposals, net, expressed as a percentage of net sales, increased to 9.4 percent for 2007 from 9.1 percent in 2006.

Segment Review

Industrial Packaging

The Industrial Packaging segment offers a comprehensive line of industrial packaging products, such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial packaging products, transit protection products and polycarbonate water bottles, and services, such as blending, filling and packaging services, logistics and warehousing. The key factors influencing profitability in the Industrial Packaging segment are:

- Selling prices and sales volumes;
- Raw material costs, primarily steel, resin and containerboard;
- Energy and transportation costs;
- Benefits from executing the Greif Business System;
- Restructuring charges;
- Contributions from recent acquisitions; and
- Impact of currency translation.

In this segment, net sales increased 34 percent to $2,653.6 million in 2007 from $1,993.0 million in 2006 – an increase of 10 percent excluding the impact of the Blagden and Delta acquisitions (19 percent) and currency translation (5 percent). This segment's organic growth was driven by higher sales volumes in most regions, with particular strength in Europe and the emerging markets.

Gross profit margin for the Industrial Packaging segment was 18.3 percent in 2007 compared to 18.5 percent in 2006. This decrease was primarily due to portfolio mix and increases in raw material costs that were partially offset by improvements in labor, transportation and other manufacturing costs which benefited from the continued execution of the Greif Business System.

Operating profit was $213.4 million in 2007 compared to $143.5 million in 2006. Operating profit before the impact of restructuring charges increased 38 percent to $229.4 million in 2007 from $167.5 million in 2006 primarily due to the improvement in net sales and the execution of the Greif Business System. Restructuring charges were $16.0 million in 2007 compared to $24.0 million in 2006.

Paper Packaging

The Paper Packaging segment sells containerboard, corrugated sheets and other corrugated products and multiwall bags in North America. The key factors influencing profitability in the Paper Packaging segment are:

- Selling prices and sales volumes;
- Raw material costs, primarily old corrugated containers;
- Energy and transportation costs;
- Benefits from executing the Greif Business System; and
- Restructuring charges.

In this segment, net sales were $653.7 million in 2007 compared to $620.3 million in 2006. The increase in net sales was principally due to higher containerboard selling prices implemented in 2006 and slightly improved volumes.

Gross profit margin for the Paper Packaging segment was 17.8 percent in 2007 compared to 17.5 percent in 2006. Higher raw material costs, especially old corrugated containers, were partially offset by contributions from further execution of the Greif Business System. The previously announced $40 per ton containerboard price increase has been fully implemented.

Operating profit was $62.5 million in 2007 compared to $50.8 million in 2006. Operating profit before the impact of restructuring charges increased 12 percent to $67.7 million in 2007 compared to $60.0 million in 2006 primarily due to higher net sales. Restructuring charges were $5.2 million in 2007 compared to $9.2 million in 2006.

Timber

As of October 31, 2007, the Timber segment consisted of approximately 269,950 acres of timber properties in the southeastern United States, which are actively harvested and regenerated, and approximately 36,650 acres in Canada. The key factors influencing profitability in the Timber segment are:

- Planned level of timber sales;
- Sale of special use properties (surplus, HBU, and development properties); and
- Timberland disposals, net.

Net sales were $14.9 million in 2007, consistent with plan, compared to $15.1 million in 2006. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market and weather conditions. The 2007 timber sales were in line with our expectations.

Operating profit was $13.7 million in 2007 compared to $51.9 million, including $41.3 million from timberland disposals, net, in 2006. Operating profit before the impact of restructuring charges and timberland disposals, net was $14.4 million in 2007 compared to $10.6 million in 2006. Profit from the sale of special use property more than doubled to $9.5 million in 2007 from $4.6 million the prior year. Timberland disposals, net decreased by $42.0 million in 2007 compared to 2006 as the final phases of the $90 million sale of 56,000 acres of timberland, timber and associated assets were completed in 2006. These gains were the result of sales of timberland and are volatile from period to period. Restructuring charges were insignificant in both years.

At October 31, 2007, we estimated that there were approximately 76,000 acres in Canada and the United States of special use property, which will be available for sale in the next five to seven years.

Other Income Statement Changes

Cost of Products Sold

Cost of products sold, as a percentage of net sales, is the same at 81.8 percent for 2007 and 2006. The flat cost of products sold is due to lower labor, transportation and other manufacturing cost resulting from the Greif Business System, which was offset by the change in portfolio mix and increase in raw material costs.

Selling, General and Administrative (“SG&A”) Expenses

SG&A expenses were $313.4 million, or 9.4 percent of net sales, in 2007 compared to $259.1 million, or 9.9 percent of net sales, in 2006. The year over year dollar increase in SG&A was primarily due to the Blagden and Delta acquisitions and performance-based incentive accruals, which were partially offset by tight control over SG&A expenses and the positive impact from prior acquisition integration activities.

Restructuring Charges

Restructuring charges were $21.2 million and $33.2 million in 2007 and 2006, respectively.

Restructuring charges for 2007 consisted of $9.2 million in employee separation costs, $0.9 million in asset impairments, $1.0 million in professional fees, and $10.1 million in other restructuring costs, primarily consisting of facility consolidation and lease termination costs. Two company-owned plants in the Industrial Packaging segment were closed. Additionally, severance costs were incurred due to the elimination of certain operating and administrative positions throughout the world. A total of 303 employees were severed in 2007.

Restructuring charges for 2006 consisted of $16.8 million in employee separation costs, $8.3 million in asset impairments, $2.0 million in professional fees and $6.1 million in other restructuring costs, primarily consisting of facility consolidation and lease terminations costs. Four company-owned plants were closed. Three plants in the Paper Packaging segment and one in the Industrial Packaging segment were closed. The Industrial Packaging segment reduced the number of plants in the United Kingdom from five to three; merged operations of businesses purchased in October 2005 into existing North American plants; and consolidated one plant in France. In addition, severance costs were incurred due to the elimination of certain operating and administrative positions throughout the world. A total of 281 employees were severed in 2006.

See Note 5 to the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for additional disclosures regarding our restructuring activities.

Gains on Disposal of Properties, Plants and Equipment, Net

The gain on disposal of properties, plants and equipment, net increased by $1.4 million to $19.4 million in 2007 compared to $18.0 million in 2006. The majority of the 2007 gains related to the sale of a small Canadian Industrial Packaging operation and the sale of surplus properties.

Interest Expense, Net

Interest expense, net was $45.5 million and $36.0 million in 2007 and 2006, respectively. The increase was attributable to higher average debt outstanding due to our Blagden and Delta acquisitions, which was partially offset by lower interest expense for our 6 3/4 percent Senior Notes issued in the second quarter of 2007. Those Senior Notes replaced our 8 7/8 percent Senior Subordinated Notes tendered in 2007.

Debt Extinguishment Charge

On February 9, 2007, we completed a tender offer for our 8 7/8 percent Senior Subordinated Notes. In the tender offer, we purchased $245.6 million aggregate principal amount of the outstanding $248.0 million Senior Subordinated Notes. As a result of this transaction, a debt extinguishment charge of $23.5 million ($14.5 million in cash and $9.0 million in non-cash items, such as write-off of unamortized capitalized debt issue costs) was recorded. The remaining Senior Subordinated Notes were redeemed by us during the fourth quarter of 2007. There was no debt extinguishment charge in 2006.

Other Income (Expense), Net

Other expense, net was $8.9 million in 2007 compared to $2.3 million in 2006. The increase was primarily due to the increase in Non-United States trade receivable program fees of $2.5 million, and recording of $2.2 million in expense, for currency transactions and remeasurement gains (losses) related to hyperinflationary accounting in 2007 compared to income of $1.6 million in 2006.

Income Tax Expense

During 2007, the effective tax rate was 25.3 percent compared to 30.7 percent in 2006. The effective tax rate decreased due to the mix of income in regions outside of the United States versus inside the United States increasing where tax rates were lower.

Equity in Earnings of Affiliates and Minority Interests

Equity in earnings of affiliates and minority interests was $1.7 million for 2007 compared to $1.9 million for 2006. We have majority holdings in various companies, and the minority interests of other persons in the respective net income of these companies have been recorded as an expense. These expenses were partially offset by equity in the earnings of Balmer Lawrie-Van Leer Ltd, a minority interest joint venture in India.

Net Income

Based on the foregoing, net income increased $14.3 million to $156.4 million in 2007 from $142.1 million in 2006.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are operating cash flows, the proceeds from our trade accounts receivable credit facility, proceeds from the sale of our non-United States accounts receivable and borrowings under our Credit Agreement and Senior Notes, further 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 trade accounts receivable credit facility, proceeds from the sale of our non-United States accounts receivable and borrowings under our Credit Agreement and Senior Notes will be sufficient to fund our currently anticipated working capital, capital expenditures, debt repayment, potential acquisitions of businesses and other liquidity needs for the foreseeable future.

Capital Expenditures and Business Acquisitions

During 2008, 2007 and 2006, we invested $143.1 million (excluding $2.5 million for timberland properties), $112.6 million (excluding $2.3 million for timberland properties), and $75.6 million (excluding $62.1 million for timberland properties), in capital expenditures, respectively. We anticipate future capital expenditures, excluding the potential purchase of timberland property, of approximately $85 million through October 31, 2009. These expenditures will be primarily to replace and improve equipment.

During 2008, we acquired four small industrial packaging companies and one paper packaging company and made a contingent purchase price payment related to an acquisition from October 2005 for an aggregate purchase price of $90.3 million. These five acquisitions, one in South America (70 percent interest), one in the Middle East (51 percent interest), one in Asia, and two in North America, complemented our current businesses. During 2008, we sold our Australian drum operations, sold our 51 percent interest in a Zimbabwean operation, sold three North American paper packaging operations and sold a North American industrial packaging operation. The proceeds from these divestitures were $36.5 million resulting in a net gain of $31.6 million. The 2007 sales and net income from these operations were not material to our overall operations. See Note 2 to the Consolidated Financial Statements included in Item 8 of this Form 10-K for additional disclosures regarding our acquisitions.

Balance Sheet Changes

The $46.1 million decrease in cash and cash equivalents was primarily due to the cost of 2008 North and South America, Asia, and the Middle East acquisitions, capital expenditures, debt repayments, higher priced inventories and dividends paid, partially offset by cash flows from operations.

The $53.2 million increase in trade accounts receivable was primarily due to the 2008 North and South America, Asia, and the Middle East acquisitions and overall higher selling prices.

The $61.0 million increase in inventories was primarily due to higher priced inventories and lower demand in the fourth quarter of 2008, coupled with the 2008 North and South America, Asia, and the Middle East acquisitions.

The $9.8 million increase in net assets held for sale was related to various industrial packaging and paper packaging facility closures.

Long-term notes receivable decreased $32.9 million due to the early collection of a note receivable.

The increase in other long-term assets of $25.5 million was primarily due to the 2008 North and South America, Asia, and the Middle East acquisitions.

Accounts payable decreased $26.4 million due to economic factors, timing of payments and foreign currency translation.

Short-term borrowings increased $28.4 million primarily due to continued expansion and working capital needs at our Chinese subsidiaries, as well as debt acquired for the South American acquisition.

Long-term debt increased by $50.5 million primarily due to financing the 2008 North and South America, Asia, and the Middle East acquisitions.

Borrowing Arrangements

Credit Agreement

We and certain of our international subsidiaries, as borrowers, and a syndicate of financial institutions are parties to a Credit Agreement (the “Credit Agreement”) that provides us with a $450.0 million revolving multicurrency credit facility due 2010. The revolving multicurrency credit facility is available for acquisitions, ongoing working capital and general corporate purposes. Interest is based on a euro currency rate or an alternative base rate that resets periodically plus a calculated margin amount. As of October 31, 2008, $247.6 million was outstanding under the Credit Agreement.

The terms of the Credit Agreement limit our ability to make “restricted payments,” which include dividends and purchases, redemptions and acquisitions of our equity interests. The repayment of this facility is secured by a pledge of the capital stock of substantially all of our United States subsidiaries and, in part, by the capital stock of our international borrowers.

The Credit Agreement contains certain covenants, which include financial covenants that require us to maintain a certain leverage ratio and a minimum coverage of interest expense. The leverage ratio generally requires that at the end of any quarter we will not permit the ratio of (a) our total consolidated indebtedness less cash and cash equivalents to (b) our consolidated net income plus depreciation, depletion and amortization, interest expense (including capitalized interest), income taxes, and minus certain extraordinary gains and non-recurring gains (or plus certain extraordinary losses and non-recurring losses) for the preceding twelve months (“EBITDA”) to be greater than 3.5 to 1. The interest coverage ratio generally requires that at the end of any quarter we will not permit the ratio of (a) our EBITDA to (b) our interest expense (including capitalized interest) for the preceding twelve months to be less than 3 to 1. On October 31, 2008, we were in compliance with these covenants.

Senior Notes
We have issued $300.0 million of our 6 3/4 percent Senior Notes due February 1, 2017. Proceeds from the issuance of the Senior Notes were principally used to fund the purchase of our previously outstanding senior subordinated notes and for general corporate purposes. The Senior Notes are general unsecured obligations of Greif, provide for semi-annual payments of interest at a fixed rate of 6 3/4 percent, and do not require any principal payments prior to maturity on February 1, 2017. The fair value of the Senior Notes was $246.0 million at October 31, 2008, based upon quoted market prices. The Senior Notes are not guaranteed by any of our subsidiaries and thereby are effectively subordinated to all of our subsidiaries' existing and future indebtedness. The Indenture pursuant to which the Senior Notes were issued contains covenants which, among other things, limit our ability to create liens on our assets to secure debt and to enter into sale and leaseback transactions. These covenants are subject to a number of limitations and exceptions as set forth in the Indenture. At October 31, 2008, we were in compliance with these covenants.

United States Trade Accounts Receivable Credit Facility

On December 8, 2008, we entered into a $135.0 million receivables financing facility (the "New Receivables Facility") with Bank of America, National Association and its affiliate (the "Purchasers"). The New Receivables Facility replaced our prior $120.0 million receivables financing facility (the "Prior Receivables Facility") with Fortis Bank S.A./N.V and an affiliate. The maturity date of the New Receivables Facility is December 8, 2013, subject to earlier termination by the Purchasers of their purchase commitment on December 7, 2009. In addition, we can terminate the New Receivables Facility at any time upon five days prior written notice. The New Receivables Facility is secured by certain of our United States trade receivables and bears interest at a variable rate based on the commercial paper rate, or alternatively, the London InterBank Offered Rate, plus a margin. Interest is payable on a monthly basis and the principal balance is payable upon termination of the New Receivables Facility. The New Receivables Facility requires us to maintain a certain leverage ratio and a minimum coverage of interest expense. A significant portion of the initial proceeds from the New Receivables Facility was used to pay the obligations under the Prior Receivables Facility, and the proceeds will be used to pay fees, costs and expenses incurred in connection with the New Receivables Facility and for working capital and general corporate purposes.

There was a total of $120.0 million and $116.0 million outstanding under the Prior Receivables Facility as of October 31, 2008 and 2007, respectively.

Other

In addition to the amounts borrowed against the Credit Agreement and proceeds from the Senior Notes and the United States trade accounts receivable credit facility, we had outstanding debt of $49.9 million, comprised of $5.6 million in long-term debt and $44.3 million in short-term borrowings, at October 31, 2008 and outstanding debt of $49.4 million, comprised of $33.5 million in long-term debt and $15.9 million in short-term borrowings, at October 31, 2007.

Sale of Non-United States Accounts Receivables
Certain of our international subsidiaries have entered into discounted receivables purchase agreements and factoring agreements (the "RPAs") pursuant to which trade receivables generated from certain countries other than the United States and which meet certain eligibility requirements are sold to certain international banks or their affiliates. The structure of these transactions provide for a legal true sale, on a revolving basis, of the receivables transferred from our various subsidiaries to the respective banks. The banks fund an initial purchase price of a certain percentage of eligible receivables based on a formula with the initial purchase price approximating 75 percent to 90 percent of eligible receivables. The remaining deferred purchase price is settled upon collection of the receivables. At the balance sheet reporting dates, we remove from accounts receivable the amount of proceeds received from the initial purchase price since they meet the applicable criteria of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," and continue to recognize the deferred purchase price in our accounts

receivable. The receivables are sold on a non-recourse basis with the total funds in the servicing collection accounts pledged to the respective banks between the settlement dates. The maximum amount of aggregate receivables that may be sold under our various RPAs was $156.1 million at October 31, 2008. At October 31, 2008, total accounts receivable of $147.6 were sold under the various RPAs.

At the time the receivables are initially sold, the difference between the carrying amount and the fair value of the assets sold are included as a loss on sale and classified as “other expense” in the consolidated statements of income. Expenses associated with the various RPAs totaled $8.1 million for the year ended October 31, 2008. Additionally, we perform collections and administrative functions on the receivables sold similar to the procedures we use for collecting all of our receivables. The servicing liability for these receivables is not material to the consolidated financial statements. See Note 3 to the Consolidated Financial Statements included in Item 8 of this Form 10-K for additional disclosures regarding these various RPAs.

Significant Nonstrategic Timberland Transactions and Consolidation of Variable Interest Entities

In connection with one of our 2005 timberland transactions with Plum Creek Timberlands, L.P. (“Plum Creek”), Soterra LLC (one of our wholly owned subsidiaries) received cash and a $50.9 million purchase note payable by an indirect subsidiary of Plum Creek (the “Purchase Note”). Soterra LLC contributed the Purchase Note to STA Timber LLC (“STA Timber”), one of our indirect wholly owned subsidiaries. The Purchase Note is secured by a Deed of Guarantee issued by Bank of America, N.A., London Branch, in an amount not to exceed $52.3 million (the “Deed of Guarantee”). STA Timber has issued in a private placement 5.20 percent Senior Secured Notes due August 5, 2020 (the “Monetization Notes”) in the principal amount of $43.3 million. The Monetization Notes are secured by a pledge of the Purchase Note and the Deed of Guarantee. Greif and its other subsidiaries have not extended any form of guaranty of the principal or interest on the Monetization Notes. Accordingly, Greif and its other subsidiaries will not become directly or contingently liable for the payment of the Monetization Notes at any time.

Contractual Obligations

As of October 31, 2008, 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	$ 863.6	$ 35.0	$ 420.0	$ 41.0	$ 367.6
Short-term borrowing	62.0	62.0	-	-	-
Capital lease obligations	0.6	0.3	0.3	-	-
Operating leases	133.8	22.2	33.1	22.8	55.7
Liabilities held by special purpose entities	69.5	2.2	4.5	4.5	58.3
Total	$ 1,129.5	$ 121.7	$ 457.9	$ 68.3	$ 481.6

Our unrecognized tax benefits under FIN 48 have been excluded from the contractual obligations table because of the inherent uncertainty and the inability to reasonably estimate the timing of cash outflows.

Stock Repurchase Program and Other Share Acquisitions

Our Board of Directors has authorized us to purchase up to four million shares of Class A Common Stock or Class B Common Stock or any combination of the foregoing. During 2008, we repurchased no shares of Class A Common Stock, and we repurchased 381,400 shares of Class B Common Stock (see Item 5 to this Form 10-K for these repurchases). As of October 31, 2008, we had repurchased 2,733,272 shares, including 1,416,752 shares of Class A Common Stock and 1,316,520 shares of Class B Common Stock, under this program. The total cost of the shares repurchased from November 1, 2006 through October 31, 2008 was $32.9 million.

On February 26, 2007, the Company’s shareholders approved an amendment to the Company’s certificate of incorporation increasing the number of the Company’s authorized shares to 128,000,000 shares of Class A Common Stock and 69,120,000 shares of Class B Common Stock. Subsequent to this approval, the Company’s Board of Directors authorized a 2-for-1 stock split of the Company’s shares of Class A Common Stock and Class B Common Stock. The split was payable on April 11, 2007 to shareholders of record on March 19, 2007. The stock split means that each holder of Class A Common Stock as of the close of business on March 19, 2007 received on April 11, 2007 one additional share of Class A Common Stock for every share they held of Class A Common Stock and each holder of Class B Common Stock as of the close of business on March 19, 2007 received on April 11, 2007 one additional share of Class B Common Stock for every share they held of Class B Common Stock. The day on which such shares began trading on the New York Stock Exchange reflecting the stock split was April 12, 2007.

Effects of Inflation

The effects of inflation did not have a material impact on our operations during 2008, 2007 or 2006.

Recent Accounting Standards

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. This Statement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, "Effective Date of FASB Statement No. 157." This Staff position delays the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, (2010 for us) and interim periods within those fiscal years for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. We have evaluated the portions of the Statement that are effective for fiscal 2009 and do not expect the adoption of this Statement to have a material impact on our consolidated financial statements. We are in the process of determining the impact of adopting the remaining portions of the Statement, which will be effective in fiscal 2010.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. Subsequent changes in fair value of these financial assets and liabilities would be recognized in earnings when they occur. SFAS No. 159 further establishes certain additional disclosure requirements. SFAS No. 159 is effective for our consolidated financial statements for the fiscal year beginning on November 1, 2008 (2009 for us), with earlier adoption permitted. The adoption of SFAS No. 159 is not expected to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," and SFAS No. 160, "Accounting and Reporting of Noncontrolling interest in Consolidated Financial Statements, an amendment of ARB No. 51." These new standards will significantly change the financial accounting and reporting of business combination transactions and noncontrolling (or minority) interests in consolidated financial statements. We will be required to adopt SFAS Nos. 141(R) and 160 on November 1, 2009 (2010 for us). We are currently evaluating the impact, if any, that the adoption of SFAS Nos. 141(R) and 160 will have on our consolidated financial statements.

In March 2008, the FASB issued SFAS No.161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133." The objective of SFAS No. 161 is to enhance the current disclosure framework in Statement 133 and improve the transparency of financial reporting for derivative instruments and hedging activities. SFAS No. 161 requires entities to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for our financial statements for the fiscal year beginning November 1, 2010 (2011 for us). We are currently evaluating the impact, if any, that the adoption of SFAS No. 161 will have on its consolidated financial statements.

ITEM 7A. 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 Credit Agreement, proceeds from our Senior Notes and trade accounts receivable credit facility, and interest rate swap agreements. 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.

We had interest rate swap agreements with an aggregate notional amount of $100.0 million and $230.0 million at October 31, 2008 and 2007, respectively, with various maturities through 2010. The interest rate swap agreements are used to fix a portion of the interest on our variable rate debt. Under certain of these agreements, we receive interest monthly or quarterly from the counterparties equal to London InterBank Offered Rate (“LIBOR”) and pay interest at a fixed rate over the life of the contracts. A liability for the loss on interest rate swap contracts, which represented their fair values, in the amount of $2.8 million and $1.5 million was recorded at October 31, 2008 and 2007, respectively.

The tables below provide information about our derivative financial instruments and other financial instruments that are sensitive to changes in interest rates. For the Credit Agreement, Senior Notes and trade accounts receivable credit facility, the tables present scheduled amortizations of principal and the weighted average interest rate by contractual maturity dates at October 31, 2008 and 2007. For interest rate swaps, the tables present annual amortizations of notional amounts and weighted average interest rates by contractual maturity dates. Under the cash flow swap agreements, we receive interest either monthly or quarterly from the counterparties and pay interest either monthly or quarterly to the counterparties.

The fair values of the Credit Agreement, Senior Notes and trade accounts receivable credit facility are based on rates available to us for debt of the same remaining maturity at October 31, 2008 and 2007. The fair value of the interest rate swap agreements has been determined based upon the market settlement prices of comparable contracts at October 31, 2008 and 2007.

FINANCIAL INSTRUMENTS
As of October 31, 2008
(Dollars in millions)

	Expected Maturity Date						
	2009	2010	2011	2012	After 2012	Total	Fair Value
Credit Agreement:							
Scheduled amortizations	$ —	$ 248	$ —	$ —	$ —	$ 248	$ 248
Average interest rate(1)	3.98%	3.98%	—	—	—	3.98%	
Senior Notes:							
Scheduled amortizations	$ —	$ —	$ —	$ —	$ 300	$ 300	$ 246
Average interest rate	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	
Trade accounts receivable credit facility:							
Scheduled amortizations	$ —	$ 120	$ —	$ —	$ —	$ 120	$ 120
Average interest rate(1)	4.24%	4.24%	—	—	—	4.24%	
Interest rate swaps:							
Scheduled amortizations	$ 50	$ 50	$ —	$ —	$	$ 100	$ (2.7)
Average pay rate(2)	4.93%	4.93%	—	—	—	4.93%	
Average receive rate(3)	3.11%	3.11%	—	—	—	3.11%	

(1) Variable rate specified is based on LIBOR or an alternative base rate plus a calculated margin at October 31, 2008. The rates presented are not intended to project our expectations for the future.
(2) The average pay rate is based upon the fixed rates we were scheduled to pay at October 31, 2008. The rates presented are not intended to project our expectations for the future.

(3) The average receive rate is based upon the LIBOR we were scheduled to receive at October 31, 2008. The rates presented are not intended to project our expectations for the future.

FINANCIAL INSTRUMENTS
As of October 31, 2007
(Dollars in millions)

	Expected Maturity Date							
	2008	2009	2010	2011	2012	After 2012	Total	Fair Value
Credit Agreement:								
Scheduled amortizations	$ —	$ —	$ 173	$ —	$ —	$ —	$ 173	$ 173
Average interest rate(1)	5.50%	5.50%	5.50%	—	—	—	5.50%	
Senior Notes:								
Scheduled amortizations	$ —	$ —	$ —	$ —	$ —	$ 300	$ 300	$ 298
Average interest rate	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	
Trade accounts receivable credit facility:								
Scheduled amortizations	$ —	$ —	$ 116	$ —	$ —	$ —	$ 116	$ 116
Average interest rate(1)	5.37%	5.37%	5.37%	—	—	—	5.37%	
Interest rate swaps:								
Scheduled amortizations	$ 130	$ 50	$ 50	$ —	$ —	$	$ 230	$ (2)
Average pay rate(2)	5.28%	5.28%	5.28%	—	—	—	5.28%	
Average receive rate(3)	5.04%	5.04%	5.04%	—	—	—	5.04%	

(1) Variable rate specified is based on LIBOR or an alternative base rate plus a calculated margin at October 31, 2007. The rates presented are not intended to project our expectations for the future.
(2) The average pay rate is based upon the fixed rates we were scheduled to pay at October 31, 2007. The rates presented are not intended to project our expectations for the future.
(3) The average receive rate is based upon the LIBOR we were scheduled to receive at October 31, 2007. The rates presented are not intended to project our expectations for the future.

The fair market value of the interest rate swaps at October 31, 2008 was a net liability of $2.8 million. Based on a sensitivity analysis performed by the counterparties at October 31, 2008, a 100 basis point decrease in interest rates would increase the fair value of the swap agreements by $0.9 million to a net liability of $3.7 million. Conversely, a 100 basis point increase in interest rates would decrease the fair value of the swap agreements by $1.0 million to a net liability of $1.8 million.

Currency Risk

As a result of our international operations, our operating results are subject to fluctuations in 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.

Prior to August 1, 2007, we had cross-currency interest rate swaps to hedge a portion of our net investment in our European subsidiaries. Under these agreements, we received interest semi-annually from the counterparties equal to a fixed rate of 8.875 percent on $248.0 million and paid interest at a fixed rate of approximately 6.80 percent on €206.7 million. These swaps matured on August 1, 2007 and we paid €206.7 million ($281.9 million) to the counterparties and received $248.0 million from the counterparties.

On August 1, 2007, we entered into new cross-currency interest rate swaps to hedge our net investment in our European subsidiaries. Under these new agreements, we receive interest semi-annually from the counterparties equal to a fixed rate of 6.75 percent on $300.0 million and pay interest at a fixed rate of 6.25 percent on €219.9 million. Upon maturity of these swaps on August 1, 2009, August 1, 2010 and August 1, 2012, we will be required to pay €73.3 million to the counterparties and receive $100.0 million from the counterparties on each of these dates. An asset for the gain on these agreements of $24.5 million, representing their fair values, was recorded at October 31, 2008. A liability for the loss on these agreements of $17.4 million, which represents their fair values, was recorded at October 31, 2007.

At October 31, 2008, we had outstanding currency forward contracts in the notional amount of $174.0 million ($82.5 million at October 31, 2007). The purpose of these contracts is to hedge our exposure to currency translation, currency transactions and short-term intercompany loan balances with our international businesses. The fair value of these contracts resulted in a loss of $1.5 million recorded in other comprehensive income at October 31, 2008 and an insignificant loss recorded in the consolidated statements of income for 2008.

A sensitivity analysis to changes in the foreign currencies hedged indicates that if the U.S. dollar strengthened by 10 percent, the fair value of these instruments would increase by $29.5 million to a net gain of $52.5 million, which would include a $51.7 million in other comprehensive income on the balance sheet. Conversely, if the U.S. dollar weakened by 10 percent, the fair value of these instruments would decrease by $29.3 million to a net loss of $6.3 million, which would include a $5.4 million in other comprehensive loss to the balance sheet.

Commodity Price Risk

We purchase commodities such as steel, resin, containerboard, pulpwood, old corrugated containers and energy. We do not currently engage in material hedging of commodities, other than small hedges in natural gas and old corrugated containers, because there has historically been a high correlation between the commodity cost and the ultimate selling price of our products. The fair value of our commodity hedging contracts resulted in a $6.6 million loss recorded in other comprehensive income at October 31, 2008. A sensitivity analysis to changes in natural gas and old corrugated containers prices indicates that if natural gas prices decreased by 10 percent, the fair value of these instruments would decrease by $1.5 million to a net loss of $8.1 million. Conversely, if the natural gas and old corrugated prices increased by 10 percent, the fair value of these instruments would increase by $1.7 million to a net loss of $5.0 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share amounts)

For the years ended October 31,	2008	2007	2006
Net sales	$ 3,776,756	$ 3,322,294	$ 2,628,475
Costs of products sold	3,083,985	2,716,892	2,149,271
Gross profit	692,771	605,402	479,204
Selling, general and administrative expenses	339,157	313,377	259,122
Restructuring charges	43,202	21,229	33,238
Timberland disposals, net	340	(648)	41,302
Gain on disposal of properties, plants and equipment, net	59,534	19,434	18,017
Operating profit	370,286	289,582	246,163
Interest expense, net	49,628	45,512	35,993
Debt extinguishment charge	-	23,479	-
Other income (expense), net	(8,751)	(8,956)	(2,299)
Income before income tax expense and equity in earnings of affiliates and minority interests	311,907	211,635	207,871
Income tax expense	73,610	53,544	63,816
Equity in earnings of affiliates and minority interests	(3,943)	(1,723)	(1,936)
Net income	$ 234,354	$ 156,368	$ 142,119
Basic earnings per share:			
Class A Common Stock	$ 4.04	$ 2.69	$ 2.46
Class B Common Stock	$ 6.04	$ 4.04	$ 3.69
Diluted earnings per share:			
Class A Common Stock	$ 3.99	$ 2.65	$ 2.42
Class B Common Stock	$ 6.04	$ 4.04	$ 3.69

See accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

As of October 31,	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 77,627	$ 123,699
Trade accounts receivable, less allowance of $13,532 and $12,539 in 2007	392,537	339,328
Inventories	303,994	242,994
Deferred tax assets	33,206	27,917
Net assets held for sale	21,321	11,564
Prepaid expenses and other current assets	93,965	96,283
	922,650	841,785
Long-term assets		
Goodwill	512,973	493,252
Other intangible assets, net of amortization	104,424	96,256
Assets held by special purpose entities (Note 6)	50,891	50,891
Long-term notes receivable	3,548	36,434
Other long-term assets	85,015	59,547
	756,851	736,380
Properties, plants and equipment		
Timber properties, net of depletion	199,701	197,235
Land	119,679	126,018
Buildings	343,702	356,878
Machinery and equipment	1,046,347	1,032,677
Capital projects in progress	91,549	90,659
	1,800,978	1,803,467
Accumulated depreciation	(734,581)	(728,921)
	1,066,397	1,074,546
	$ 2,745,898	$ 2,652,711

See accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

As of October 31,	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 384,648	$ 411,095
Accrued payroll and employee benefits	91,498	84,977
Restructuring reserves	15,147	15,776
Short-term borrowings	44,281	15,848
Other current liabilities	136,227	121,214
	671,801	648,910
Long-term liabilities		
Long-term debt	673,171	622,685
Deferred tax liabilities	183,021	159,494
Pension liabilities	14,456	19,892
Postretirement benefit liabilities	25,138	32,983
Liabilities held by special purpose entities (Note 6)	43,250	43,250
Other long-term liabilities	75,521	119,180
	1,014,557	997,484
Minority Interest	3,729	6,405
Shareholders' equity		
Common stock, without par value	86,446	75,156
Treasury stock, at cost	(112,931)	(92,028)
Retained earnings	1,155,116	1,004,300
Accumulated other comprehensive income (loss):		
- foreign currency translation	(39,693)	43,260
- interest rate derivatives	(1,802)	(997)
- energy and other derivatives	(4,299)	226
- minimum pension liabilities	(27,026)	(30,005)
	1,055,811	999,912
	2,745,898	2,652,711

See accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

For the years ended October 31,	2008	2007	2006
Cash flows from operating activities:			
Net income	$ 234,354	$ 156,368	$ 142,119
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	106,378	102,295	90,488
Asset impairments	12,325	1,108	8,326
Deferred income taxes	18,238	(31,644)	12,302
Gain on disposals of properties, plants and equipment, net	(59,534)	(19,434)	(18,017)
Loss (gain) on timberland disposals, net	(340)	648	(41,302)
Equity in earnings of affiliates, net of dividends received, and minority interests	3,943	1,723	1,936
Gain on insurance settlement	-	-	(1,542)
Loss on extinguishment of debt	-	23,479	-
Trade accounts receivable	(65,877)	42,876	(28,782)
Inventories	(77,263)	24,120	(6,506)
Prepaid expenses and other current assets	(3,467)	(11,403)	(13,977)
Other long-term assets	13,240	(49,861)	(7,158)
Accounts payable	39,827	29,051	40,171
Accrued payroll and employee benefits	6,584	13,475	20,942
Restructuring reserves	(629)	5,772	(1,801)
Other current liabilities	16,310	55,194	(1,027)
Pension and postretirement benefit liability	(13,281)	(12,136)	(11,275)
Other long-term liabilities	(43,659)	41,692	10,591
Other	(47,313)	18,678	33,620
Net cash provided by operating activities	139,836	392,001	229,108
Cash flows from investing activities:			
Acquisitions of companies, net of cash acquired	(99,962)	(346,629)	(107,775)
Purchases of properties, plants and equipment	(143,077)	(112,600)	(75,630)
Purchases of timber properties	(2,500)	(2,300)	(62,110)
Receipt (issuance) of notes receivable	33,178	(32,248)	-
Proceeds from the sale of property, plants, equipment and other assets	60,333	22,218	70,408
Purchases of land rights and other	(9,289)	(3,765)	-
Proceeds from insurance settlement for properties, plants and equipment	-	-	2,562
Net cash used in investing activities	(161,317)	(475,324)	(172,545)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	2,293,751	2,040,111	1,020,340
Payments on long-term debt	(2,243,482)	(1,918,807)	(978,786)
Proceeds from (payments of) short-term borrowings	23,020	(14,486)	10,839
Acquisitions of treasury stock and other	(21,483)	(11,409)	(6,252)
Exercise of stock options	4,540	19,415	4,541

Dividends paid	(76,524)	(53,335)	(34,521)
Payments for premium for debt extinguishment	-	(14,303)	-
Debt issuance costs	-	(2,839)	-
Settlement of derivatives	-	(33,935)	-
Net cash (used in) provided by financing activities	(20,178)	10,412	16,161
Effects of exchange rates on cash	(4,413)	9,509	(8,034)
Net increase (decrease) in cash and cash equivalents	(46,072)	(63,402)	64,690
Cash and cash equivalents at beginning of year	123,699	187,101	122,411
Cash and cash equivalents at end of year	$ 77,627	$ 123,699	$ 187,101

See accompanying Notes to Consolidated Financial Statements.

GREIF, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Shares	Amount	Shares	Amount	Retained Earnings	Other Comprehensive Income (Loss)	Shareholders' Equity
As of October 31, 2005	46,142	$ 49,251	30,700	$ (75,956)	$ 793,669	$ (36,076)	$ 730,888
Net income					142,119		142,119
Other comprehensive income (loss):							
- foreign currency translation						(7,592)	(7,592)
- interest rate derivative, net of income tax expense of $37						877	877
- minimum pension liability adjustment, net of income tax expense of $6,117						11,358	11,358
- energy derivatives, net of income tax benefit of $509						(945)	(945)
Comprehensive income							145,817
Dividends paid							
Class A - $0.60					(13,887)		(13,887)
Class B - $0.89					(20,634)		(20,634)
Treasury shares acquired	(196)		196	(6,252)			(6,252)
Stock options exercised	326	4,948	(326)	523			5,471
Tax benefit of stock options		1,765					1,765
Long-term incentive shares issued	16	471	(16)	23			494
Directors shares issued	12	330	(12)	19			349
As of October 31, 2006	46,300	$ 56,765	30,542	$ (81,643)	$ 901,267	$ (32,378)	$ 844,011
Net income					156,368		156,368

Other comprehensive income (loss):							
- foreign currency translation						41,735	41,735
- interest rate derivative, net of income tax expense of $466						864	864
- minimum pension liability adjustment, net of income tax expense of $7,232						17,360	17,360
- energy derivatives, net of income tax expense of $361						1,171	1,171
Comprehensive income							217,498
- Adjustment to initially apply SFAS No. 158, net of income tax benefit of $7,769						(16,268)	(16,268)
Dividends paid							
Class A - $0.92					(21,716)		(21,716)
Class B - $1.37					(31,619)		(31,619)
Treasury shares acquired	(204)		204	(11,409)			(11,409)
Stock options exercised	559	7,732	(559)	949			8,681
Tax benefit of stock options		8,076					8,076
Long-term incentive shares issued	38	2,104	(38)	64			2,168
Directors shares issued	6	479	(6)	11			490
As of October 31, 2007	46,699	$ 75,156	30,143	$ (92,028)	$ 1,004,300	$ 12,484	$ 999,912
Net income					234,354		234,354
Other comprehensive income (loss):							
- foreign currency translation						(82,953)	(82,953)
- interest rate derivative, net of income tax benefit of $433						(805)	(805)
- minimum pension liability adjustment,						2,979	2,979

net of income tax expense of $920		
- energy derivatives, net of income tax benefit of $1,954	(3,629)	(3,629)
- commodity hedge, net of income tax benefit of $482	(896)	(896)
Comprehensive income		