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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 30, 2004

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 1-566

GREIF, INC.
(Exact name of registrant as specified in its charter)

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

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

Not Applicable
Former name, former address and former fiscal year, if changed since last report.

Indicated by check mark whether the registrant (1) has filed all reports required 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 ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes ☒ No ☐

The number of shares outstanding of each of the issuer's classes of common stock at the close of business on April 30, 2004 was as follows:

Class A Common Stock	10,797,605 shares
Class B Common Stock	11,661,189 shares

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(Dollars in thousands, except per share amounts)

	Three months ended April 30,		Six months ended April 30,	
	2004	2003	2004	2003
Net sales	$ 542,189	$ 470,807	$ 1,011,049	$ 905,485
Costs of products sold	452,928	388,564	852,338	747,513
Gross profit	89,261	82,243	158,711	157,972
Selling, general and administrative expenses	55,745	59,000	106,770	118,501
Restructuring charges	12,278	17,449	27,537	18,988
Gain on sale of assets	1,122	1,934	5,231	2,345
Operating profit	22,360	7,728	29,635	22,828
Interest expense, net	10,716	13,923	22,963	27,477
Other income, net	694	2,138	916	2,362
Income (loss) before income tax expense (benefit) and equity in earnings of affiliates and minority interests	12,338	(4,057)	7,588	(2,287)
Income tax expense (benefit)	3,800	(1,298)	2,337	(732)
Equity in earnings of affiliates and minority interests	(89)	(1,654)	(168)	(2,749)
Income (loss) before cumulative effect of change in accounting principle	8,449	(4,413)	5,083	(4,304)
Cumulative effect of change in accounting principle	—	—	—	4,822
Net income (loss)	$ 8,449	$ (4,413)	$ 5,083	$ 518
Basic and diluted earnings (loss) per share:				
Class A Common Stock (before cumulative effect)	$ 0.30	$ (0.16)	$ 0.18	$ (0.15)
Class A Common Stock (after cumulative effect)	$ 0.30	$ (0.16)	$ 0.18	$ 0.02
Class B Common Stock (before cumulative effect)	$ 0.45	$ (0.24)	$ 0.27	$ (0.23)
Class B Common Stock (after cumulative effect)	$ 0.45	$ (0.24)	$ 0.27	$ 0.02

See accompanying Notes to Consolidated Financial Statements

GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	April 30, 2004	October 31, 2003
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 29,592	$ 49,767
Trade accounts receivable, less allowance of $12,013 in 2004 and $11,225 in 2003	306,462	294,957
Inventories	160,407	167,157
Net assets held for sale	14,330	6,311
Deferred tax assets	8,898	10,875
Other current assets	60,393	54,390
	580,082	583,457
Long-term assets		
Goodwill, net of amortization	242,707	252,309
Other intangible assets, net of amortization	28,701	30,654
Investment in affiliates	5,395	4,421
Other long-term assets	64,262	47,995
	341,065	335,379
Properties, plants and equipment		
Timber properties, net of depletion	88,367	86,437
Land	103,183	100,615
Buildings	315,275	320,229
Machinery and equipment	822,212	831,815
Capital projects in progress	44,498	36,522
	1,373,535	1,375,618
Accumulated depreciation	(492,283)	(463,243)
	881,252	912,375
	$ 1,802,399	$ 1,831,211

See accompanying Notes to Consolidated Financial Statements

GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	April 30, 2004	October 31, 2003
	(Unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 158,906	$ 158,333
Accrued payrolls and employee benefits	34,603	43,126
Restructuring reserves	18,911	15,972
Short-term borrowings	20,200	15,605
Current portion of long-term debt	—	3,000
Other current liabilities	66,708	76,282
	299,328	312,318
Long-term liabilities		
Long-term debt	624,114	643,067
Deferred tax liability	159,778	159,825
Postretirement benefit liability	48,683	48,504
Other long-term liabilities	85,930	93,047
	918,505	944,443
Minority interest	1,532	1,886
Shareholders' equity		
Common stock, without par value	17,975	12,207
Treasury stock, at cost	(63,772)	(64,228)
Retained earnings	678,353	681,043
Accumulated other comprehensive loss:		
- foreign currency translation	(10,549)	(15,314)
- interest rate derivatives	(10,270)	(12,938)
- minimum pension liability	(28,703)	(28,206)
	583,034	572,564
	$ 1,802,399	$ 1,831,211

See accompanying Notes to Consolidated Financial Statements

GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Dollars in thousands)

For the six months ended April 30,	2004	2003
Cash flows from operating activities:		
Net income	$ 5,083	$ 518
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	52,807	43,527
Asset impairments	2,252	1,698
Deferred income taxes	3,851	5,136
Gain on disposals of properties, plants and equipment, net	(5,231)	(2,345)
Equity in earnings of affiliates, net of dividends received, and minority interests	(1,328)	161
Cumulative effect of change in accounting principle	—	(4,822)
Increase (decrease) in cash from changes in certain assets and liabilities:		
Trade accounts receivable	(8,200)	1,601
Inventories	8,153	(7,459)
Other current assets	(5,615)	12,921
Other long-term assets	(6,674)	(658)
Accounts payable	(2,167)	(2,299)
Accrued payroll and employee benefits	(8,423)	(9,797)
Restructuring reserves	2,939	6,018
Other current liabilities	(11,502)	(3,932)
Postretirement benefit liability	179	(1,520)
Other long-term liabilities	(4,607)	(9,942)
Net cash provided by operating activities	21,517	28,806
Cash flows from investing activities:		
Purchases of properties, plants and equipment	(28,096)	(22,988)
Proceeds on disposals of properties, plants and equipment	5,666	4,826
Net cash used in investing activities	(22,430)	(18,162)
Cash flows from financing activities:		
Payments on long-term debt	(21,952)	(8,220)
Proceeds from short-term borrowings	4,252	7,877
Dividends paid	(7,774)	(7,770)
Acquisitions of treasury stock	(29)	(1,031)
Exercise of stock options	6,166	—
Net cash used in financing activities	(19,337)	(9,144)
Effects of exchange rates on cash	75	(6,704)
Net decrease in cash and cash equivalents	(20,175)	(5,204)
Cash and cash equivalents at beginning of period	49,767	25,396
Cash and cash equivalents at end of period	$ 29,592	$ 20,192

See accompanying Notes to Consolidated Financial Statements

NOTE 1 — BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the consolidated balance sheets as of April 30, 2004 and October 31, 2003, the consolidated statements of operations for the three-month and six-month periods ended April 30, 2004 and 2003 and cash flows for the six-month periods ended April 30, 2004 and 2003 of Greif, Inc. and subsidiaries (the "Company"). These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for its fiscal year ended October 31, 2003 (the "2003 Form 10-K").

The Company's fiscal year begins on November 1 and ends on October 31 of the following year. Any references to the year 2004 or 2003, or to any quarter of those years, relates to the fiscal year or quarter, as the case may be, ending in that year.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual amounts could differ from those estimates.

Certain prior year amounts have been reclassified to conform to the 2004 presentation.

Stock-Based Compensation

At April 30, 2004, the Company had various stock-based compensation plans as described in Note 10 to the Notes to Consolidated Financial Statements in the 2003 Form 10-K. The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans. If compensation cost would have been determined based on fair values at the date of grant under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," pro forma net income (loss) and earnings (loss) per share would have been as follows (Dollars in thousands, except per share amounts):

	Three months ended April 30,		Six months ended April 30,	
	2004	2003	2004	2003
Net income (loss) as reported	$ 8,449	$ (4,413)	$ 5,083	$ 518
Deduct total stock option expense determined under fair value method, net of tax	767	1,022	1,456	1,974
Pro forma net income (loss)	$ 7,682	$ (5,435)	$ 3,627	$ (1,456)
Basic and diluted earnings (loss) per share:				
Class A Common Stock:				
As reported	$ 0.30	$ (0.16)	$ 0.18	$ 0.02
Pro forma	$ 0.27	$ (0.19)	$ 0.13	$ (0.05)
Class B Common Stock:				
As reported	$ 0.45	$ (0.24)	$ 0.27	$ 0.02
Pro forma	$ 0.41	$ (0.29)	$ 0.19	$ (0.08)

NOTE 2 — RECENT ACCOUNTING STANDARDS

In December 2003, the Financial Accounting Standards Board ("FASB") issued a revision to SFAS No. 132, "Employers Disclosures about Pensions and Other Postretirement Benefits." The revision relates to employers' disclosures about pension plans and other postretirement benefit plans. It does not alter the measurement or recognition provisions of the original SFAS No. 132. It requires additional disclosures regarding assets, obligations, cash flows and net periodic benefit costs of pension plans and other defined benefit postretirement plans. Excluding certain disclosure requirements, the revised Statement is effective for financial statements with fiscal years ended after December 15, 2003. Interim period disclosures are effective for interim periods beginning after December 15, 2003 and have been included in Note 14 to the Notes to Consolidated Financial Statements in this Form 10-Q.

In December 2003, the FASB issued a revision to Interpretation No. 46, "Consolidation of Variable Interest Entities." This Interpretation defines when a business enterprise must consolidate a variable interest entity. The Interpretation provisions are effective for variable interest entities commonly referred to as special-purpose entities for periods ending after March 15, 2004. The Company does not have any material unconsolidated variable interest entities as of April 30, 2004 that would require consolidation. Adoption of the subsequent provisions of the Interpretation did not have a material impact on the Company's financial position or results of operations.

NOTE 3 — INVENTORIES

Inventories are summarized as follows (Dollars in thousands):

	April 30, 2004	October 31, 2003
Finished goods	$ 53,626	$ 44,894
Raw materials and work-in-process	138,132	153,482
	191,758	198,376
Reduction to state inventories on last-in, first-out basis	(31,351)	(31,219)
	$ 160,407	$ 167,157

NOTE 4 — NET ASSETS HELD FOR SALE

Net assets held for sale represent land, buildings and land improvements less accumulated depreciation for locations that have been closed. As of April 30, 2004, there were 16 facilities held for sale. The net assets held for sale are being marketed for sale and it is the Company's intention to complete the sales within the upcoming year.

NOTE 5 — GOODWILL AND OTHER INTANGIBLE ASSETS

The Company periodically reviews goodwill and indefinite-lived intangible assets for impairment as required by SFAS No. 142, "Goodwill and Other Intangible Assets." The Company has performed the required impairment tests and has concluded that no impairment exists at this time.

Changes to the carrying amount of goodwill for the six-month period ended April 30, 2004 are as follows (Dollars in thousands):

	Industrial Packaging & Services	Paper, Packaging & Services	Total
Balance at October 31, 2003	$ 220,619	$ 31,690	$ 252,309
Goodwill acquired	8	1,697	1,705
Goodwill adjustment	(8,879)	—	(8,879)
Currency translation	(2,428)	—	(2,428)
Balance at April 30, 2004	$ 209,320	$ 33,387	$ 242,707

The goodwill acquired relates to refinements to the allocation of the investment in CorrChoice, Inc. in the Paper, Packaging & Services segment.

The goodwill adjustment was recorded to recognize the cash surrender value of reinsurance contracts that are used to fund pension payments in Europe. The adjustment, which relates to the Van Leer Industrial Packaging acquisition, was recorded in the second quarter of 2004.

All other intangible assets for the periods presented, except for $3.4 million, net, related to the Tri-Sure Trademark, are subject to amortization and are being amortized using the straight-line method over periods that range from two to 20 years. The detail of other intangible assets by class as of April 30, 2004 and October 31, 2003 are as follows (Dollars in thousands):

	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets
April 30, 2004:			
Trademarks and patents	$18,077	$ 5,359	$12,718
Non-compete agreements	9,525	6,911	2,614
Customer relationships	6,582	230	6,352
Other	10,417	3,400	7,017
Total	$44,601	$ 15,900	$28,701
October 31, 2003:			
Trademarks and patents	$18,077	$ 4,675	$13,402
Non-compete agreements	9,525	5,985	3,540
Customer relationships	6,582	47	6,535
Other	10,417	3,240	7,177
Total	$44,601	$ 13,947	$30,654

During the first six months of 2004, there were no significant acquisitions of other intangible assets. Amortization expense for the six months ended April 30, 2004 and 2003 was $2.0 million. Amortization expense for the next five years is expected to be $4.0 million in 2004, $3.6 million in 2005, $2.9 million in 2006, $2.5 million in 2007 and $2.4 million in 2008.

In accordance with the transition provisions of SFAS No. 141, “Business Combinations,” the Company recorded a $4.8 million gain as a cumulative effect of change in accounting principle for its remaining unamortized negative goodwill upon the adoption of SFAS No. 142 in the first quarter of 2003.

NOTE 6 — INVESTMENT IN AFFILIATES

The Company has investments in Socer-Embalagens, Lda. (25%) and Balmer Lawrie-Van Leer (40%) that are accounted for under the equity method. The Company’s share of earnings for these affiliates is included in income as earned.

The summarized unaudited financial information below represents the combined results of those entities accounted for by the equity method (Dollars in thousands):

	Three months ended April 30,		Six months ended April 30,	
	2004	2003	2004	2003
Net sales	$4,259	$4,036	$8,191	$7,395
Gross profit	$ 928	$ 850	$1,806	$1,600
Net income	$ 157	$ 174	$ 296	$ 274

NOTE 7 — RESTRUCTURING CHARGES

During 2003, the Company began its transformation initiatives, initially referred to as the performance improvement plan, which are expected to enhance long-term organic sales growth and productivity and achieve permanent cost reductions. As a result, the Company incurred restructuring charges of $60.7 million in 2003 and incurred $27.5 million during the first six months of 2004. The Company anticipates incurring additional restructuring charges of approximately $17.5 million to $22.5 million during the remainder of 2004.

As part of the transformation initiatives, the Company closed four company-owned plants (three in the Industrial Packaging & Services segment and one in the Paper, Packaging & Services segment) during the six months ended April 30, 2004. All of the plants are located in North America. In addition, administrative staff reductions have continued throughout the world. As a result of the transformation initiatives, during the first six months of 2004, the Company recognized pre-tax restructuring charges of $27.5 million, consisting of $9.0 million in employee separation costs, $2.3 million in asset impairments and $16.2 million in other costs, which were primarily for consulting services in connection with the transformation initiatives. The asset impairment charges, which relate to the write-down to fair value of buildings and equipment, are based on recent buy offers, market comparables and/or data obtained from the Company's commercial real estate broker. A total of approximately 922 employees have been terminated in connection with the transformation initiatives, 315 of which were terminated during the six months ended April 30, 2004. For each of the Company's business segments, amounts incurred in the second quarter of 2004, the cumulative amounts incurred from the start of the transformation initiatives through April 30, 2004 and the total amounts expected to be incurred in connection with the transformation initiatives are as follows (Dollars in thousands):

	Amounts Incurred in the Current Period	Cumulative Amounts Incurred to Date	Total Amounts Expected to be Incurred
Industrial Packaging & Services:			
Employee separation costs	$ 1,511	$ 36,684	$ 45,084
Asset impairments	75	8,173	10,973
Other costs	7,955	24,630	31,230
	9,541	69,487	87,287
Paper, Packaging & Services:			
Employee separation costs	567	6,939	6,939
Asset impairments	—	4,262	4,262
Other costs	2,098	7,102	7,102
	2,665	18,303	18,303
Timber:			
Employee separation costs	—	147	147
Asset impairments	—	36	36
Other costs	72	307	307
	72	490	490
Total	$ 12,278	$ 88,280	$ 106,080

Following is a reconciliation of the beginning and ending restructuring reserve balances for the six-month period ended April 30, 2004 (Dollars in thousands):

	Balance at October 31, 2003	Costs Incurred and Charged to Expense	Costs Paid or Otherwise Settled	Balance at April 30, 2004
Cash charges:				
Employee separation costs	$ 13,289	$ 9,033	$ 10,619	$ 11,703
Other costs	2,482	16,252	11,526	7,208
	15,771	25,285	22,145	18,911
Non-cash charges:				
Asset impairments	201	2,252	2,453	—
Total	$ 15,972	$ 27,537	$ 24,598	$ 18,911

NOTE 8 — LONG-TERM DEBT

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

	April 30, 2004	October 31, 2003
$550 million Amended and Restated Senior Secured Credit Agreement	$ 299,565	$ 308,783
8 7/8% Senior Subordinated Notes	251,251	251,380
Trade accounts receivable credit facility	72,972	85,406
Other long-term debt	326	498
	624,114	646,067
Current portion	—	(3,000)
	$ 624,114	$ 643,067

$550 million Amended and Restated Senior Secured Credit Agreement

On August 23, 2002, the Company and certain of its non-United States subsidiaries entered into a $550 million Amended and Restated Senior Secured Credit Agreement with a syndicate of lenders. The Amended and Restated Senior Secured Credit Agreement originally provided for a $300 million term loan and a $250 million revolving multicurrency credit facility. The revolving multicurrency credit facility is available for working capital and general corporate purposes, and has been permanently reduced to $240 million. On February 11, 2004, the Company amended its term loan under the Amended and Restated Senior Secured Credit Agreement. As a result of the amendment, the term loan was increased from its balance then outstanding of $226 million to $250 million, and the applicable margin was lowered by 50 basis points while maintaining the existing maturity schedule. The incremental borrowings under the term loan were used to reduce borrowings under the revolving multicurrency credit facility. The term loan periodically reduces through its maturity date of August 23, 2009 and the revolving multicurrency credit facility matures on February 28, 2006.

8 7/8% Senior Subordinated Notes

On July 31, 2002, the Company issued Senior Subordinated Notes in the aggregate principal amount of $250 million, receiving net proceeds of approximately $248 million before expenses. At April 30, 2004, the outstanding balance of $251.3 million included gains on fair value hedges the Company has in place to hedge interest rate risk. Interest on the Senior Subordinated Notes is payable semi-annually at the annual rate of 8.875%. The Senior Subordinated Notes do not have required principal payments prior to maturity on August 1, 2012. However, the Senior Subordinated Notes are redeemable at the option of the Company beginning August 1, 2007, at the redemption prices set forth below (expressed as percentages of principal amount), plus accrued interest, if any, to the redemption date:

Year	Redemption Price
2007	104.438%
2008	102.958%
2009	101.479%
2010 and thereafter	100.000%

In addition, prior to August 1, 2007, the Company may redeem the Senior Subordinated Notes by paying a specified “make-whole” premium.

A description of the guarantors of the Senior Subordinated Notes by the Company’s United States subsidiaries is included in Note 16.

Trade Accounts Receivable Credit Facility

On October 31, 2003, the Company entered into a five-year, up to $120 million credit facility with an affiliate of a bank in connection with the securitization of certain of the Company’s U.S. trade accounts receivable. The credit facility is secured by certain of the Company’s U.S. trade accounts receivable and bears interest at a variable rate based on the London InterBank Offered Rate (“LIBOR”) plus a margin or other agreed upon rate (1.40% interest rate as of April 30, 2004). The Company also pays a commitment fee. The Company can terminate this facility at any time upon 60 days prior written notice. In connection with this transaction, the Company established Greif Receivables Funding LLC, which is included in the Company’s consolidated financial statements. This entity purchases and services the Company’s trade accounts receivable that are subject to this credit facility.

NOTE 9 — FINANCIAL INSTRUMENTS

The Company had interest rate swap agreements with an aggregate notional amount of $345 million at April 30, 2004, with various maturities through 2012. Under certain of these agreements, the Company receives interest quarterly from the counterparties equal to the LIBOR rate and pays interest at a weighted average rate of 5.6% over the life of the contracts. The Company is also party to agreements in which the Company receives interest semi-annually from the counterparty equal to a fixed rate of 8.875% and pays interest based on the LIBOR rate plus a spread. At

April 30, 2004, a net liability for the loss on interest rate swap contracts, which represented their fair values at that time, in the amount of $12.3 million ($8.5 million net of tax) was recorded.

At April 30, 2004, the Company had outstanding foreign currency forward contracts in the notional amount of $30.8 million. The fair value of these contracts at April 30, 2004 resulted in a loss of $0.1 million recorded in the consolidated statement of operations. The purpose of these contracts is to hedge short-term intercompany loan balances with foreign businesses.

While the Company may be exposed to credit losses in the event of nonperformance by the counterparties to its derivative financial instrument contracts, its counterparties are established banks and financial institutions with high credit ratings. The Company has no reason to believe that such counterparties will not be able to fully satisfy their obligations under these contracts.

The fair values of all derivative financial instruments are estimated based on current settlement prices of comparable contracts obtained from dealer quotes. The values represent the estimated amounts the Company would pay or receive to terminate the agreements at the reporting date.

NOTE 10 — CAPITAL STOCK

Class A Common Stock is entitled to cumulative dividends of 1 cent a share per year after which Class B Common Stock is entitled to non-cumulative dividends up to ½ cent per share per year. Further distribution in any year must be made in proportion of 1 cent a share for Class A Common Stock to 1 ½ cents a share for Class B Common Stock. The Class A Common Stock has no voting rights unless four quarterly cumulative dividends upon the Class A Common Stock are in arrears. The Class B Common Stock has full voting rights. There is no cumulative voting for the election of directors.

The following table summarizes the Company’s Class A and Class B common and treasury shares at the specified dates:

	Authorized Shares	Issued Shares	Outstanding Shares	Treasury Shares
April 30, 2004:				
Class A Common Stock	32,000,000	21,140,960	10,797,605	10,343,355
Class B Common Stock	17,280,000	17,280,000	11,661,189	5,618,811
October 31, 2003:				
Class A Common Stock	32,000,000	21,140,960	10,573,346	10,567,614
Class B Common Stock	17,280,000	17,280,000	11,662,003	5,617,997

NOTE 11 — DIVIDENDS PER SHARE

The following dividends per share were paid during the periods indicated:

	Three months ended April 30,		Six months ended April 30,	
	2004	2003	2004	2003
Class A Common Stock	$0.14	$0.14	$0.28	$0.28
Class B Common Stock	$0.21	$0.21	$0.41	$0.41

NOTE 12 — CALCULATION OF EARNINGS (LOSS) PER SHARE

The Company has two classes of common stock and, as such, applies the “two-class method” of computing earnings (loss) per share as prescribed in SFAS No. 128, “Earnings Per Share.” In accordance with the Statement, earnings (losses) are allocated first to Class A and Class B Common Stock to the extent that dividends are actually paid and the remainder allocated assuming all of the earnings (losses) for the period have been distributed in the form of dividends.

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

	Three months ended April 30,		Six months ended April 30,	
	2004	2003	2004	2003
Class A Common Stock:				
Basic shares	10,783,122	10,570,846	10,701,627	10,566,743
Assumed conversion of stock options	238,269	—	234,908	—
Diluted shares	11,021,391	10,570,846	10,936,535	10,566,743
Class B Common Stock:				
Basic and diluted shares	11,661,789	11,724,403	11,661,892	11,739,532

There were 20,000 stock options that were antidilutive for the three-month and six-month periods ended April 30, 2004 (18,000 and 8,000 for the three-month and six-month periods, respectively, ended April 30, 2003).

NOTE 13 — COMPREHENSIVE INCOME

Comprehensive income is comprised of net income (loss) and other charges and credits to equity that are not the result of transactions with the Company's owners. The components of comprehensive income, net of tax, are as follows (Dollars in thousands):

	Three months ended April 30,		Six months ended April 30,	
	2004	2003	2004	2003
Net income (loss)	$ 8,449	$ (4,413)	$ 5,083	$ 518
Other comprehensive income (loss):				
Foreign currency translation adjustment	6,541	7,264	4,765	5,019
Change in market value of interest rate derivatives, net of tax	2,283	(964)	2,668	(824)
Minimum pension liability adjustment, net of tax	—	(1,224)	(497)	(1,224)
Comprehensive income	$ 17,273	$ 663	$ 12,019	$ 3,489

NOTE 14 — RETIREMENT PLANS AND POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

	Three months ended April 30,		Six months ended April 30,	
	2004	2003	2004	2003
Service cost	$ 3,070	$ 2,783	$ 6,140	$ 5,567
Interest cost	6,110	5,620	12,221	11,240
Expected return on plan assets	(7,069)	(6,580)	(14,138)	(13,161)
Amortization of prior service cost, initial net asset and net actuarial gain	749	228	1,498	456
	$ 2,860	$ 2,051	$ 5,721	$ 4,102

The Company made $2.4 million in pension contributions in the first half of 2004. Based on minimum funding requirements, pension contributions for the entire 2004 fiscal year are estimated at $11.2 million.

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

	Three months ended April 30,		Six months ended April 30,	
	2004	2003	2004	2003
Service cost	$ 15	$ 34	$ 29	$ 68
Interest cost	833	884	1,666	1,767
Amortization of net prior service cost and recognized actuarial loss	(31)	(12)	(63)	(25)
	$ 817	$ 906	$ 1,632	$ 1,810

On December 8, 2003, the "Medicare Prescription Drug Improvement and Modernization Act of 2003" (the "Act") was signed into law. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least "actuarially equivalent" to Medicare Part D.

A proposed FASB Staff Position 106-b (“FSP 106-b”) was issued providing guidance on accounting for the effects of the Act for employers that sponsor postretirement health care plans providing prescription drug benefits. FSP 106-b supersedes FSP FAS 106-1, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003.”

The guidance in FSP 106-b applies only to the sponsor of a single-employer defined benefit postretirement health plan for which the employer has concluded that prescription drug benefits available under the plan are actuarially equivalent and thus qualify for the subsidy under the Act and the expected subsidy will offset or reduce the employer’s share of the costs of postretirement prescription drug coverage provided by the plan. FSP 106-b is effective for the first interim or annual period beginning after June 15, 2004.

The Company has determined that its plan is actuarially equivalent and has compared the Medicare Part D plan to its retiree prescription drug coverage using actuarial equivalencies and reflecting the retiree premiums and cost sharing provisions of the various plans. This analysis shows the Company’s plans provide more valuable benefits to retirees than the Medicare Part D plan. As permitted in FSP FAS 106-1, the Company has elected to defer recognition of the expected subsidy from the Medicare Act. The adjustment will not have a material impact on the Company’s financial position or results of operations.

NOTE 15 — BUSINESS SEGMENT INFORMATION

The Company operates in three business segments: Industrial Packaging & Services; Paper, Packaging & Services; and Timber.

The Company’s reportable segments are strategic business units that offer different products. The accounting policies of the reportable segments are the same as those described in the “Description of Business and Summary of Significant Accounting Policies” note (see Note 1) in the 2003 Form 10-K, except that the Company accounts for inventories on a first-in, first-out basis at the segment level compared to a last-in, first-out basis at the consolidated level for most locations in the United States.

The following segment information is presented for the periods indicated (Dollars in thousands):

	Three months ended April 30, 2004	Three months ended April 30, 2003	Six months ended April 30, 2004	Six months ended April 30, 2003
Net sales:				
Industrial Packaging & Services	$ 399,689	$ 343,387	$ 737,080	$ 646,535
Paper, Packaging & Services	138,043	120,775	263,337	245,455
Timber	4,457	6,645	10,632	13,495
Total net sales	$ 542,189	$ 470,807	$ 1,011,049	$ 905,485
Operating profit:				
Operating profit before restructuring charges and timberland gains:				
Industrial Packaging & Services	$ 27,760	$ 13,942	$ 36,611	$ 17,457
Paper, Packaging & Services	2,435	4,821	7,788	12,712
Timber	3,079	4,846	7,475	9,683
Total operating profit before restructuring charges and timberland gains	33,274	23,609	51,874	39,852
Restructuring charges:				
Industrial Packaging & Services	9,541	13,562	21,563	14,727
Paper, Packaging & Services	2,665	3,791	5,834	4,165
Timber	72	96	140	96
Total restructuring charges	12,278	17,449	27,537	18,988
Timberland gains:				
Timber	1,364	1,568	5,298	1,964
Total	$ 22,360	$ 7,728	$ 29,635	$ 22,828
Depreciation, depletion and amortization expense:				
Industrial Packaging & Services	$ 17,019	$ 16,088	$ 34,078	$ 30,942
Paper, Packaging & Services	8,486	8,707	17,311	17,554
Timber	592	354	1,418	754
Total depreciation, depletion and amortization expense	$ 26,097	$ 25,149	$ 52,807	$ 49,250

	April 30, 2004	October 31, 2003
Assets:		
Industrial Packaging & Services	$ 1,147,867	$ 1,153,939
Paper, Packaging & Services	295,739	341,305
Timber	128,636	123,582
Total segment	1,572,242	1,618,826
Corporate and other	230,157	212,385
Total assets	$ 1,802,399	$ 1,831,211

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

	Three months ended April 30,		Six months ended April 30,	
	2004	2003	2004	2003
Net sales:				
North America	$305,470	$283,980	$ 573,494	$559,037
Europe	159,001	129,407	291,947	236,728
Other	77,718	57,420	145,608	109,720
Total net sales	$542,189	$470,807	$1,011,049	$905,485

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

	April 30, 2004	October 31, 2003
Assets:		
North America	$1,194,695	$1,253,983
Europe	414,486	389,171
Other	193,218	188,057
Total assets	$1,802,399	$1,831,211

NOTE 16 — SUMMARIZED CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

The Senior Subordinated Notes, more fully described in Note 8 – Long-Term Debt, are fully guaranteed, jointly and severally, by the Company's United States subsidiaries ("Guarantor Subsidiaries"). The Company's non-United States subsidiaries are not guaranteeing the Senior Subordinated Notes ("Non-Guarantor Subsidiaries"). Presented below are summarized condensed consolidating financial statements of Greif, Inc. (the "Parent"), which includes certain of the Company's operating units, the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries and the Company on a consolidated basis.

These summarized condensed consolidating financial statements are prepared using the equity method. Separate financial statements for the Guarantor Subsidiaries are not presented based on management's determination that they do not provide additional information that is material to investors.

Condensed Consolidating Statement of Operations
Three months ended April 30, 2004

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 168,899	$ 152,821	$ 284,337	$ (63,868)	$ 542,189
Cost of products sold	144,371	132,585	239,840	(63,868)	452,928
Gross profit	24,528	20,236	44,497	—	89,261
Selling, general and administrative expenses	23,002	5,643	27,100	—	55,745
Restructuring charges	1,841	9,583	854	—	12,278
Gain on sale of assets	—	882	240	—	1,122
Operating profit (loss)	(315)	5,892	16,783	—	22,360
Interest expense, net	9,346	425	945	—	10,716
Other income (expense), net [1]	(10,153)	9,735	1,112	—	694
Income (loss) before income tax expense (benefit) and equity in earnings of affiliates and minority interests	(19,814)	15,202	16,950	—	12,338
Income tax expense (benefit)	(6,102)	4,682	5,220	—	3,800
Equity in earnings of affiliates and minority interests	22,161	—	(89)	(22,161)	(89)
Net income (loss)	$ 8,449	$ 10,520	$ 11,641	$ (22,161)	$ 8,449

Condensed Consolidating Statement of Operations
Six months ended April 30, 2004

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 322,689	$ 283,979	$ 524,091	$ (119,710)	$ 1,011,049
Cost of products sold	280,059	245,141	446,848	(119,710)	852,338
Gross profit	42,630	38,838	77,243	—	158,711
Selling, general and administrative expenses	47,961	9,443	49,366	—	106,770
Restructuring charges	5,049	18,991	3,497	—	27,537
Gain on sale of assets	—	4,901	330	—	5,231
Operating profit (loss)	(10,380)	15,305	24,710	—	29,635
Interest expense, net	19,518	1,489	1,956	—	22,963
Other income (expense), net [1]	(19,042)	14,614	5,344	—	916
Income (loss) before income tax expense (benefit) and equity in earnings of affiliates and minority interests	(48,940)	28,430	28,098	—	7,588
Income tax expense (benefit)	(15,073)	8,756	8,654	—	2,337
Equity in earnings of affiliates and minority interests	38,950	—	(168)	(38,950)	(168)
Net income (loss)	$ 5,083	$ 19,674	$ 19,276	$ (38,950)	$ 5,083

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

Condensed Consolidating Statement of Operations
Three months ended April 30, 2003

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 173,569	$ 129,209	$ 227,367	$ (59,338)	$ 470,807
Cost of products sold	149,645	107,893	190,364	(59,338)	388,564
Gross profit	23,924	21,316	37,003	—	82,243
Selling, general and administrative expenses	28,138	5,231	25,631	—	59,000
Restructuring charges	2,411	10,058	4,980	—	17,449
Gain on sale of assets	22	1,243	669	—	1,934
Operating profit (loss)	(6,603)	7,270	7,061	—	7,728
Interest expense (income), net	12,312	(24)	1,635	—	13,923
Other income (expense), net [(1)]	(10,254)	11,481	911	—	2,138
Income (loss) before income tax expense (benefit) and equity in earnings of affiliates and minority interests	(29,169)	18,775	6,337	—	(4,057)
Income tax expense (benefit)	(8,462)	5,304	1,860	—	(1,298)
Equity in earnings of affiliates and minority interests	16,294	(4,254)	(191)	(13,503)	(1,654)
Net income (loss)	$ (4,413)	$ 9,217	$ 4,286	$ (13,503)	$ (4,413)

Condensed Consolidating Statement of Operations
Six months ended April 30, 2003

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 342,195	$ 253,362	$ 422,181	$ (112,253)	$ 905,485
Cost of products sold	293,280	212,188	354,298	(112,253)	747,513
Gross profit	48,915	41,174	67,883	—	157,972
Selling, general and administrative expenses	51,227	17,665	49,609	—	118,501
Restructuring charges	3,534	10,058	5,396	—	18,988
Gain on sale of assets	34	1,693	618	—	2,345
Operating profit (loss)	(5,812)	15,144	13,496	—	22,828
Interest expense (income), net	24,789	(372)	3,060	—	27,477
Other income (expense), net [(1)]	(20,345)	22,627	80	—	2,362
Income (loss) before income tax expense (benefit) and equity in earnings of affiliates and minority interests	(50,946)	38,143	10,516	—	(2,287)
Income tax expense (benefit)	(16,303)	12,206	3,365	—	(732)
Equity in earnings of affiliates and minority interests	30,339	(7,973)	(201)	(24,914)	(2,749)
Income (loss) before cumulative effect of change in accounting principle	(4,304)	17,964	6,950	(24,914)	(4,304)
Cumulative effect of change in accounting principle	4,822	—	—	—	4,822
Net income (loss)	$ 518	$ 17,964	$ 6,950	$ (24,914)	$ 518

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

Condensed Consolidating Balance Sheet
April 30, 2004

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ —	$ 4,515	$ 25,077	$ —	$ 29,592
Trade accounts receivable	73,458	55,755	177,249	—	306,462
Inventories	13,501	43,843	103,063	—	160,407
Other current assets	38,059	8,599	36,963	—	83,621
	125,018	112,712	342,352	—	580,082
Long-term assets					
Goodwill and other intangible assets	113,438	39,626	118,344	—	271,408
Other long-term assets	933,003	523,125	30,725	(1,417,196)	69,657
	1,046,441	562,751	149,069	(1,417,196)	341,065
Properties, plants and equipment, net	231,723	373,459	276,070	—	881,252
	$1,403,182	$1,048,922	$ 767,491	$(1,417,196)	$1,802,399
LIABILITIES & SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable	$ 18,792	$ 29,660	$ 110,454	$ —	$ 158,906
Short-term borrowings	—	—	20,200	—	20,200
Other current liabilities	17,939	33,982	68,301	—	120,222
	36,731	63,642	198,955	—	299,328
Long-term liabilities					
Long-term debt	616,991	—	7,123	—	624,114
Other long-term liabilities	166,426	56,738	71,227	—	294,391
	783,417	56,738	78,350	—	918,505
Minority interest	—	—	1,532	—	1,532
Shareholders' equity	583,034	928,542	488,654	(1,417,196)	583,034
	$1,403,182	$1,048,922	$ 767,491	$(1,417,196)	$1,802,399

Condensed Consolidating Balance Sheet
October 31, 2003

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ —	$ 26,421	$ 23,346	$ —	$ 49,767
Trade accounts receivable	84,282	49,517	161,158	—	294,957
Inventories	16,896	46,696	103,565	—	167,157
Other current assets	30,938	8,348	32,290	—	71,576
	132,116	130,982	320,359	—	583,457
Long-term assets					
Goodwill and other intangible assets	113,117	38,847	130,999	—	282,963
Other long-term assets	952,972	524,372	10,651	(1,435,579)	52,416
	1,066,089	563,219	141,650	(1,435,579)	335,379
Properties, plants and equipment, net	243,007	383,205	286,163	—	912,375
	$1,441,212	$1,077,406	$ 748,172	$(1,435,579)	$1,831,211
LIABILITIES & SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable	$ 26,776	$ 39,392	$ 92,165	$ —	$ 158,333
Short-term borrowings	—	—	15,605	—	15,605
Current portion of long-term debt	3,000	—	—	—	3,000

Other current liabilities	20,353	22,146	92,881	—	135,380
	50,129	61,538	200,651	—	312,318
Long-term liabilities					
Long-term debt	637,034	—	6,033	—	643,067
Other long-term liabilities	181,485	56,645	63,246	—	301,376
	818,519	56,645	69,279	—	944,443
Minority interest	—	—	1,886	—	1,886
Shareholders' equity	572,564	959,223	476,356	(1,435,579)	572,564
	$1,441,212	$1,077,406	$ 748,172	$(1,435,579)	$1,831,211

Condensed Consolidating Statement of Cash Flows
For the six months ended April 30, 2004

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$ 30,450	$ (14,719)	$ 5,786	$ —	$ 21,517
Cash flows from investing activities:					
Purchases of properties, plants and equipment	(6,861)	(12,853)	(8,382)	—	(28,096)
Proceeds on disposals of properties, plants and equipment	—	5,666	—	—	5,666
Net cash used in investing activities	(6,861)	(7,187)	(8,382)	—	(22,430)
Cash flows from financing activities:					
Payments on long-term debt	(21,952)	—	—	—	(21,952)
Proceeds from short-term borrowings	—	—	4,252	—	4,252
Other, net	(1,637)	—	—	—	(1,637)
Net cash (used in) provided by financing activities	(23,589)	—	4,252	—	(19,337)
Effects of exchange rates on cash	—	—	75	—	75
Net increase (decrease) in cash and cash equivalents	—	(21,906)	1,731	—	(20,175)
Cash and cash equivalents at beginning of period	—	26,421	23,346	—	49,767
Cash and cash equivalents at end of period	$ —	$ 4,515	$ 25,077	$ —	$ 29,592

Condensed Consolidating Statement of Cash Flows
For the six months ended April 30, 2003

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$ 24,526	$ 5,694	$ (1,414)	$ —	$ 28,806
Cash flows from investing activities:					
Purchase of properties, plants and equipment	(4,146)	(8,383)	(10,459)	—	(22,988)
Proceeds on disposals of properties, plants and equipment	2,109	2,717	—	—	4,826
Net cash used in investing activities	(2,037)	(5,666)	(10,459)	—	(18,162)
Cash flows from financing activities:					
Payments on (proceeds from) long-term debt	(15,014)	—	6,794	—	(8,220)
Proceeds from short-term borrowings	—	—	7,877	—	7,877
Dividends paid	(7,770)	—	—	—	(7,770)
Other, net	(1,031)	—	—	—	(1,031)
Net cash (used in) provided by financing activities	(23,815)	—	14,671	—	(9,144)
Effects of exchange rates on cash	—	—	(6,704)	—	(6,704)
Net increase (decrease) in cash and cash equivalents	(1,326)	28	(3,906)	—	(5,204)
Cash and cash equivalents at beginning of period	1,326	2,218	21,852	—	25,396
Cash and cash equivalents at end of period	$ —	$ 2,246	$ 17,946	$ —	$ 20,192

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The terms “Greif,” “our company,” “we,” “us” and “our” as used in this discussion refer to Greif, Inc. and its subsidiaries. Our fiscal year begins on November 1 and ends on October 31 of the following year. Any references in this Form 10-Q to the years 2004 or 2003, or to any quarter of those years, relates to the fiscal year or quarter, as the case may be, ending in that year.

OVERVIEW

We operate in three business segments: Industrial Packaging & Services; Paper, Packaging & Services; 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 shipping containers and polycarbonate water bottles. We seek to provide complete packaging solutions to our customers by offering a comprehensive range of products and services on a global basis. We sell our products to customers in industries such as chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical and mineral, among others.

We sell our containerboard, corrugated sheets and other corrugated products and multiwall bags to customers in North America. Our corrugated container products are used to ship such diverse products as home appliances, small machinery, grocery products, building products, automotive components, books and furniture, as well as numerous other applications. Our full line of industrial and consumer multiwall bag products is used to ship a wide range of industrial and consumer products, such as fertilizers, chemicals, concrete, flour, sugar, feed, seed, pet foods, popcorn, charcoal and salt. Our products are primarily sold to the agricultural, automotive, chemical, building products, food and packaging industries.

As of April 30, 2004, we owned approximately 278,000 acres of timberland in the southeastern United States and approximately 40,000 acres of timberland in Canada. Our timber management in the United States is focused on the active harvesting and regeneration of our timber properties to achieve sustainable long-term yields on our timberland. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market and weather conditions. Our Canadian timberland is not actively managed at this time.

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 GAAP requires 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 in our 2003 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 operating results and financial condition. The following are the accounting policies that we believe are most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective or complex judgments.

- Allowance for Accounts Receivable — We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, we record a specific allowance for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. In addition, we recognize allowances for bad debts based on length of time receivables are past due with allowance percentages, based on our historical experiences, applied on a graduated scale relative to the age of the receivable amounts. If circumstances change (i.e., higher than expected bad debt experience or an unexpected material adverse change in a major customer's ability to meet its financial obligations to us), our estimates of the recoverability of amounts due to us could be reduced by a material amount.
- Inventory Reserves — Reserves for slow moving and obsolete inventories are provided based on historical experience and product demand. We continuously evaluate the adequacy of these reserves and make adjustments to these reserves as required.
- Net Assets Held for Sale — Net assets held for sale represent land, buildings and land improvements less accumulated depreciation for locations that have been closed. 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 buy offers, market comparables and/or data obtained from our commercial real estate broker. Our estimate as to fair value is regularly reviewed and subject to changes in the commercial real estate markets and our continuing evaluation as to the facility's acceptable sale price.
- Properties, Plants and Equipment — Depreciation on properties, plants and equipment is provided on the straight-line method over the estimated useful lives of our assets.

  We own timber properties in the southeastern United States and in Canada. With respect to our United States timber properties, which are being actively managed, 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 twelve 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.

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 Charges — Restructuring charges 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 charges recorded in connection with existing and acquired companies are further discussed in Note 7 to the Notes to Consolidated Financial Statements included in this Form 10-Q.
- Pension and Postretirement Benefits — Pension and postretirement benefit expenses are determined by our actuaries using assumptions about the discount rate, expected return on plan assets, rate of compensation increase and health care cost trend rates. Further discussion of our pension and postretirement benefit plans and related assumptions is included in Note 14 to the Notes to Consolidated Financial Statements in this Form 10-Q and Notes 12 and 13 to the Notes to Consolidated Financial Statements included in our 2003 Form 10-K. The actual results would be different using other assumptions.
- Income Taxes — Our effective tax rate, taxes payable and the tax bases of our assets and liabilities reflect current tax rates in our domestic and foreign tax jurisdictions and our best estimate of the ultimate outcome of ongoing and potential future tax audits. Valuation allowances are established where expected future taxable income does not support the realization of the deferred tax assets.
- Environmental Cleanup Costs — We expense environmental expenditures related to existing conditions caused by past or current operations and from which no current or future benefit is discernable. Expenditures that extend the life of the related property, or mitigate or prevent future environmental contamination, are capitalized.

Our reserves for environmental liabilities at April 30, 2004 amounted to $9.0 million, which included a reserve of $4.9 million related to our facility in Lier, Belgium and $4.1 million for asserted and unasserted environmental litigation, claims and/or assessments at several manufacturing sites or other locations where we believe the outcome of such matters will be unfavorable to us. The environmental exposures for those sites included in the $4.1 million reserve were not individually significant. The reserve for the Lier, Belgium site is based on environmental studies that have been conducted at this location. The Lier, Belgium site is being monitored by the Public Flemish Waste Company ("PFWC"), which is the Belgian body for waste control. The PFWC must approve all remediation efforts that are undertaken by us at this site.

We anticipate that expenditures in future periods for remediation costs at identified sites will be over an extended period of time. Given the inherent uncertainties in evaluating environmental exposures, actual costs may vary from those estimated at April 30, 2004. 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 such 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.

- Contingencies — Various lawsuits, claims and proceedings have been or may be instituted or asserted against us, including those pertaining to environmental, product liability, safety and health matters. We are continually consulting legal counsel and evaluating requirements to reserve for contingencies in accordance with SFAS No. 5, "Accounting for Contingencies." While the amounts claimed may be substantial, the ultimate liability cannot currently be determined because of the considerable uncertainties that exist. Based on the facts currently available, we believe the disposition of matters that are pending will not have a material effect on the consolidated financial statements.
- Goodwill, Other Intangible Assets and Other Long-Lived Assets —Goodwill and indefinite-lived intangible assets 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 two 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 net cash flows (undiscounted and without interest) would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related assets.

Other items that could have a significant impact on the consolidated financial statements include the risks and uncertainties listed in this Form 10-Q under the "Forward-Looking Statements; Certain Factors Affecting Future Results" below. Actual results could differ materially using different estimates and assumptions or if conditions are significantly different in the future.

RESULTS OF OPERATIONS

The following comparative information is presented for the three-month and six-month periods ended April 30, 2004 and 2003. Historically, revenues or earnings may or may not be representative of future operating results due to various economic and other factors.

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

Second Quarter Results

Overview

Net sales rose 15% to $542.2 million for the second quarter of 2004 from $470.8 million during the same quarter last year. On a consolidated basis, net sales increased approximately 9% after excluding the impact of foreign currency translation. Higher selling prices and volumes in the Industrial Packaging & Services and higher volumes in the Paper, Packaging & Services segments contributed to this increase.

GAAP operating profit was $22.4 million for the second quarter of 2004 compared with GAAP operating profit of $7.7 million for the same period last year.

Operating profit before restructuring charges and timberland gains increased 41% to $33.3 million for the second quarter of 2004 compared with $23.6 million for the same period last year. There were $12.3 million and $17.4 million of restructuring charges and $1.4 million and $1.6 million of timberland gains during the second quarter of 2004 and 2003, respectively.

The following table sets forth the net sales and operating profit for each of our business segments (Dollars in thousands):

For the three months ended April 30,	2004	2003
Net sales:		
Industrial Packaging & Services	$399,689	$343,387
Paper, Packaging & Services	138,043	120,775
Timber	4,457	6,645
Total net sales	$542,189	$470,807
Operating profit:		
Operating profit, before restructuring charges and timberland gains:		
Industrial Packaging & Services	$ 27,760	$ 13,942
Paper, Packaging & Services	2,435	4,821
Timber	3,079	4,846
Total operating profit before restructuring charges and timberland gains	33,274	23,609
Restructuring charges:		
Industrial Packaging & Services	9,541	13,562
Paper, Packaging & Services	2,665	3,791
Timber	72	96
Total restructuring charges	12,278	17,449
Timberland gains:		
Timber	1,364	1,568
Total operating profit	$ 22,360	$ 7,728

Segment Review

Industrial Packaging & Services

Net sales rose 16% to $399.7 million for the second quarter of 2004 from $343.4 million for the same period last year. Net sales increased 8% after excluding the impact of foreign currency translation. Selling prices rose in response to higher raw material costs, especially steel, and contributed to the increase in net sales for the second quarter of 2004. Additionally, sales volumes were higher for steel and plastic drums.

GAAP operating profit was $18.2 million for the second quarter of 2004 compared with $0.4 million for the second quarter of 2003.

Operating profit before restructuring charges rose to $27.8 million for the second quarter of 2004 from $13.9 million a year ago. Restructuring charges were $9.5 million for the second quarter of 2004 compared with $13.6 million a year ago. The Industrial Packaging & Services segment’s gross profit margin benefited from labor and other manufacturing efficiencies, partially offset by higher raw material costs, as a percentage of net sales. Selling, general and administrative (“SG&A”) expenses for this segment reflect a portion of the savings resulting from the transformation initiatives.

Paper, Packaging & Services

Net sales rose 14% to $138.0 million for the second quarter of 2004 from $120.8 million for the same period last year. Improved volumes for most of this segment’s products were partially offset by lower average selling prices in the containerboard operations.

GAAP operating loss was $0.2 million for the second quarter of 2004 compared with GAAP operating profit of $1.0 million for the second quarter of 2003.

Operating profit before restructuring charges was $2.4 million for the second quarter of 2004 compared with $4.8 million the prior year. Restructuring charges were $2.7 million for the second quarter of 2004 versus $3.8 million a year ago. The decrease in operating profit before restructuring charges was primarily due to a decline in gross profit margin resulting from reduced pricing levels and higher raw material costs, particularly for old corrugated containers, in the containerboard operations. In absolute dollars and as a percentage of net sales, labor and energy costs were higher on a quarter-over-quarter comparison. Lower SG&A expenses in the second quarter of 2004 compared with the same quarter last year partially offset this reduction.

Timber

Timber net sales were $4.5 million for the second quarter of 2004 compared with $6.6 million for the same period last year. These net sales were consistent with planned levels for both periods.

GAAP operating profit was $4.4 million for the second quarter of 2004 compared with $6.3 million for the second quarter of 2003.

As a result of the lower sales volume, operating profit before restructuring charges and timberland gains was $3.1 million for the second quarter of 2004 compared to $4.8 million a year ago. Restructuring charges were $0.1 million for the second quarter of 2004 and 2003. Timberland gains were $1.4 million for the second quarter of 2004 and $1.6 million for the same period last year.

Other Income Statement Changes

Cost of Products Sold

The cost of products sold, as a percentage of net sales, increased to 83.5% for the second quarter of 2004 from 82.5% for the second quarter of 2003. The principal factors impacting the 1.0 point increase were higher raw material costs, particularly steel and old corrugated containers, lower planned timber sales and higher energy costs. Reductions in labor and other manufacturing costs partially offset these impacts.

Selling, General and Administrative Expenses

SG&A expenses declined to $55.7 million, or 10.3% of net sales, for the second quarter of 2004 from $59.0 million, or 12.5% of net sales, for the same period a year ago. The decline in SG&A expenses was primarily attributable to realization of additional savings from our transformation initiatives. The dollar reduction in SG&A expenses was partially offset by the impact of foreign currency translation (approximately $3 million).

Restructuring Charges

As part of the transformation initiatives, initially referred to as the performance improvement plan, we closed one company-owned plant in the Industrial Packaging & Services segment during the second quarter of 2004. The plant is located in North America. As a result of the transformation initiatives, during the second quarter of 2004, we recognized restructuring charges of $12.3 million, consisting of $2.1 million in employee separation costs, $0.1 million in asset impairments and $10.1 million in other costs, which were primarily for consulting services in connection with the transformation initiatives. See Note 7 to the Notes to Consolidated Financial Statements in this Form 10-Q for additional disclosures regarding our restructuring activities.

For further information, see the "Transformation Initiatives" section below.

Gain on Sale of Assets

Gain on sale of assets decreased to $1.1 million in the second quarter of 2004 as compared to $1.9 million in the second quarter of 2003, including $0.2 million less from the sale of timber properties.

Interest Expense, Net

Interest expense, net declined to $10.7 million for the second quarter of 2004 from $13.9 million for the same period last year. This reduction was primarily due to lower average interest rates on our debt. A $25 million reduction in average debt outstanding during the second quarter of 2004 compared to the second quarter of 2003 also contributed to this decrease.

Other Income, Net

Other income, net was $0.7 million in the second quarter of 2004 versus $2.1 million in the second quarter of 2003.

Income Tax Expense (Benefit)

The effective tax rate was 30.8% and 32.0% in the second quarter of 2004 and 2003, respectively, resulting in an income tax expense of $3.8 million for the second quarter of 2004 and an income tax benefit of $1.3 million for the second quarter of 2003. The lower effective tax rate resulted from a change in the mix of income outside the United States.

Equity in Earnings of Affiliates and Minority Interests

Equity in earnings of affiliates and minority interests was a charge of $0.1 million for the second quarter of 2004 as compared to a charge of $1.7 million in the same period of 2003. During the second quarter of 2003, we deducted 37% of CorrChoice's net income related to its minority shareholders. Effective September 30, 2003, our ownership increased to 100% resulting from CorrChoice's redemption of its minority shareholders’ outstanding shares. Therefore, no such deduction was made in the second quarter of 2004.

Net Income (Loss)

Based on the foregoing, we recorded net income of $8.4 million for the second quarter of 2004 compared to net loss of $4.4 million in the same period last year.

Year-to-Date Results

Overview

Net sales rose 12% to $1,011.0 million for the first half of 2004 from $905.5 million during the same period last year. On a consolidated basis, net sales increased approximately 5% after excluding the impact of foreign currency translation. Higher sales in both the Industrial Packaging & Services and Paper, Packaging & Services segments contributed to this increase.

The GAAP operating profit was $29.6 million for the first half of 2004 compared with $22.8 million a year ago. Our operating profit for the first half of 2004 was negatively impacted by a higher level of restructuring charges and positively impacted by a higher level of timberland gains versus the first half of 2003.

Operating profit, before restructuring charges of $27.5 million and timberland gains of $5.3 million, increased 30% to $51.9 million for the first half of 2004 compared with operating profit, before restructuring charges of $19.0 million and timberland gains of $2.0 million, of $39.9 million for the same period last year.

The following table sets forth the net sales and operating profit for each of our business segments (Dollars in thousands):

For the six months ended April 30,	2004	2003
Net sales:		
Industrial Packaging & Services	$ 737,080	$646,535
Paper, Packaging & Services	263,337	245,455
Timber	10,632	13,495
Total net sales	$1,011,049	$905,485
Operating profit:		
Operating profit, before restructuring charges and timberland gains:		
Industrial Packaging & Services	$ 36,611	$ 17,457
Paper, Packaging & Services	7,788	12,712
Timber	7,475	9,683
Total operating profit before restructuring charges and timberland gains	51,874	39,852
Restructuring charges:		
Industrial Packaging & Services	21,563	14,727
Paper, Packaging & Services	5,834	4,165
Timber	140	96
Total restructuring charges	27,537	18,988
Timberland gains:		
Timber	5,298	1,964
Total operating profit	$ 29,635	$ 22,828

Segment Review

Industrial Packaging & Services

Net sales rose 14% to $737.1 million for the first half of 2004 from $646.5 million for the same period last year. After excluding the impact of foreign currency translation, net sales for this segment increased 5%. Increased selling prices for this segment’s products in response to higher raw material costs, especially steel, contributed to the increase in net sales. Additionally, sales volumes were higher for steel and fibre drums.

The GAAP operating profit was $15.0 million for the first half of 2004 compared with $2.7 million for the first half of 2003. This segment’s first half of 2004 results were negatively impacted by a higher level of restructuring charges versus the same period last year.

Operating profit, before restructuring charges of $21.6 million, rose to $36.6 million for the first half of 2004 from operating profit, before restructuring charges of $14.7 million, of $17.5 million a year ago. The Industrial Packaging & Services segment’s gross profit margin benefited from labor and other manufacturing efficiencies, partially offset by higher raw material costs, as a percentage of net sales. SG&A expenses for this segment reflect a portion of the savings resulting from the transformation initiatives.

Paper, Packaging & Services

Net sales rose 7% to $263.3 million for the first half of 2004 from $245.5 million for the same period last year. Improved volumes for most of this segment's products were partially offset by lower average sales prices in the containerboard operations.

The GAAP operating profit was $2.0 million for the first half of 2004 compared with $8.5 million for the first half of 2003.

Operating profit, before restructuring charges of $5.8 million, was $7.8 million for the first half of 2004 compared with operating profit, before restructuring charges of $4.2 million, of $12.7 million a year ago. This decrease was primarily due to a decline in gross profit margin resulting from reduced pricing levels and higher raw material costs, particularly for old corrugated containers, and energy costs in the containerboard operations. Lower SG&A expenses in the first half of 2004 compared with the same period last year partially offset this reduction.

Timber

Timber sales were $10.6 million for the first half of 2004 compared with $13.5 million for the same period last year. These sales were consistent with budgeted levels for both periods.

The GAAP operating profit was $12.6 million for the first half of 2004 compared with $11.6 million for the first half of 2003. This segment's first half of 2004 results were positively impacted by a higher level of timberland gains versus the same period last year.

As a result of the lower sales volume, operating profit, before restructuring charges of $0.1 million and timberland gains of $5.3 million, was $7.5 million for the first half of 2004, compared to operating profit, before restructuring charges of $0.1 million and timberland gains of $2.0 million, of $9.7 million a year ago.

Other Income Statement Changes

Cost of Products Sold

The cost of products sold, as a percentage of net sales, increased to 84.3% for the first half of 2004 from 82.6% for the first half of 2003. The principal factors impacting the 1.7 point increase were higher raw material costs, particularly steel and old corrugated containers, lower planned timber sales and higher energy costs. Improved efficiencies in labor and other manufacturing costs partially offset these impacts.

Selling, General and Administrative Expenses

SG&A expenses declined to $106.8 million, or 10.6% of net sales, for the first half of 2004 from $118.5 million, or 13.1% of net sales, for the same period a year ago. The decline in SG&A expenses was primarily attributable to realization of additional savings from our transformation initiatives. The dollar reduction in SG&A expenses was partially offset by the impact of foreign currency translation (approximately $6 million).

Restructuring Charges

As part of the transformation initiatives, initially referred to as the performance improvement plan, we closed four company-owned plants (three in the Industrial Packaging & Services segment and one in the Paper, Packaging & Services segment) during the first half of 2004. These plants are located in North America. In addition, administrative staff reductions continue to be made throughout the world. As a result of the transformation initiatives, during the first half of 2004, we recognized restructuring charges of $27.5 million, consisting of $9.0 million in employee separation costs, $2.3 million in asset impairments and $16.2 million in other costs, which were primarily for consulting services in connection with the transformation initiatives. See Note 7 to the Notes to Consolidated Financial Statements in this Form 10-Q for additional disclosures regarding our restructuring activities.

For further information, see the “Transformation Initiatives” section below.

Gain on Sale of Assets

Gain on sale of assets increased to $5.2 million in the first half of 2004 as compared to $2.3 million in the first half of 2003, including $3.3 million more from the sale of timber properties.

Interest Expense, Net

Interest expense, net declined to $23.0 million for the first half of 2004 from $27.5 million for the same period last year. This reduction was primarily due to lower average interest rates on our debt. An $8 million reduction in average debt outstanding during the first half of 2004 compared to the first half of 2003 also contributed to this decrease.

Other Income, Net

Other income, net was $0.9 million in the first half of 2004 versus $2.4 million in the first half of 2003.

Income Tax Expense (Benefit)

The effective tax rate was 30.8% and 32.0% in the first half of 2004 and 2003, respectively, resulting in an income tax expense of $2.3 million for the first half of 2004 and an income tax benefit of $0.7 million for the first half of 2003. The lower effective tax rate resulted from a change in the mix of income outside the United States.

Equity in Earnings of Affiliates and Minority Interests

Equity in earnings of affiliates and minority interests was a charge of $0.2 million for the first half of 2004 as compared to a charge of $2.7 million in the same period of 2003. During the first half of 2003, we deducted 37% of CorrChoice’s net income related to its minority shareholders. Effective September 30, 2003, our ownership increased to 100% resulting from CorrChoice's redemption of its minority shareholders' outstanding shares. Therefore, no such deduction was made in the first half of 2004.

Cumulative Effect of Change in Accounting Principle

During the first quarter of 2003, we recorded a $4.8 million gain as a cumulative effect of change in accounting principle resulting from the adjustment of our unamortized negative goodwill in accordance with the transition provisions of SFAS No. 141, "Business Combinations," upon the adoption of SFAS No. 142.

Net Income

Based on the foregoing, we recorded net income of $5.1 million for the first half of 2004 compared to net income of $0.5 million in the same period last year.

Transformation Initiatives (Performance Improvement Plan)

As previously announced, our transformation initiatives are expected to enhance long-term organic sales growth and productivity and achieve permanent cost reductions. Our focus during fiscal 2003 had been primarily SG&A optimization, which is expected to result in annual cost savings of $60 million realized in fiscal 2004. The focus during fiscal 2004 is to become an even leaner, more market-focused/performance-driven company. This next and final phase of the transformation is expected to deliver additional annualized benefits of approximately $50 million, with about $15 million of those savings to be realized in fiscal 2004 and the remainder in fiscal 2005. The opportunities identified include, but are not limited to, improved labor productivity, material yield and other manufacturing efficiencies, coupled with further network consolidation. The related one-time costs for this phase will be approximately $45 million to $50 million, which will be incurred in fiscal 2004. In addition, we 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.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are operating cash flows, the proceeds from our Senior Subordinated Notes and trade accounts receivable credit facility, and borrowings under our Amended and Restated Senior Secured Credit Agreement, discussed below. We have used these sources to fund our working capital needs, capital expenditures, cash dividends, common stock repurchases and acquisitions. We anticipate continuing to fund these items in a like manner. We currently expect that operating cash flows, the proceeds from our Senior Subordinated Notes and trade accounts receivable credit facility, and borrowings under our Amended and Restated Senior Secured Credit Agreement will be sufficient to fund our working capital, capital expenditures, debt repayment and other liquidity needs for the foreseeable future.

Capital Expenditures

During the first half of 2004, we invested $28.1 million in capital expenditures, which included $4.6 million for the purchase of timber properties.

We expect capital expenditures to be approximately $75 million to $80 million in 2004, which would be $20 million to $25 million below our anticipated depreciation expense.

Balance Sheet Changes

The increase in accounts receivable was primarily due to higher sales in the second quarter of 2004 as compared with the fourth quarter of 2003.

Net assets held for sale has increased due to our transformation initiatives. We now have 16 properties classified as held for sale versus eight properties at October 31, 2003.

Goodwill has decreased as a result of an adjustment to recognize the cash surrender value of reinsurance contracts that are used to fund pension payments in Europe. The adjustment, which relates to the Van Leer Industrial Packaging acquisition, was recorded in the second quarter of 2004.

Other long-term assets increased mostly as a result of the cash surrender value of reinsurance contracts as discussed above.

Accrued payroll and employee benefits were lower primarily due to the timing of the annual bonus payments, which were fully accrued at October 31, 2003.

Long-term debt has decreased due to payments made during the first half of 2004. We expect to continue repaying debt throughout the second half of 2004 from cash generated by our operating activities.

Borrowing Arrangements

$550 million Amended and Restated Senior Secured Credit Agreement

On August 23, 2002, we and certain of our non-United States subsidiaries entered into a $550 million Amended and Restated Senior Secured Credit Agreement with a syndicate of lenders. The Amended and Restated Senior Secured Credit Agreement originally provided for a $300 million term loan and a $250 million revolving multicurrency credit facility. The revolving multicurrency credit facility is available for working capital and general corporate purposes, and has been permanently reduced to $240 million. On February 11, 2004, we amended our term loan under the Amended and Restated Senior Secured Credit Agreement. As a result of the amendment, the term loan was increased from its balance then outstanding of $226 million to $250 million, and the applicable margin was lowered by 50 basis points while maintaining the existing maturity schedule. The incremental borrowings under the term loan were used to reduce borrowings under the revolving multicurrency credit facility. Interest is based on either a London InterBank Offered Rate (“LIBOR”) or an alternative base rate that resets periodically plus a calculated margin amount. As of April 30, 2004, there was a total of $300 million outstanding under the Amended and Restated Senior Secured Credit Agreement.

The Amended and Restated Senior Secured Credit Agreement contains certain covenants, which include financial covenants that require us to maintain a certain leverage ratio, a minimum coverage of interest expense and fixed charges, and a minimum net worth. At April 30, 2004, we were in compliance with these covenants. The terms of the Amended and Restated Senior Secured Credit Agreement also limit our ability to make “restricted payments,” which include dividends and purchases, redemptions and acquisitions of equity interests. The repayment of this facility is secured by a first lien on substantially all of the personal property and certain of the real property of Greif and its United States subsidiaries and, in part, by the capital stock of the non-United States borrowers and any intercompany notes payable to them.

8 7/8% Senior Subordinated Notes

On July 31, 2002, we issued Senior Subordinated Notes in the aggregate principal amount of $250 million, receiving net proceeds of approximately $248 million before expenses. Interest on the Senior Subordinated Notes is payable semi-annually at the annual rate of 8.875%. The Senior Subordinated Notes do not have required principal payments prior to maturity on August 1, 2012. As of April 30, 2004, there was a total of $251.3 million outstanding under the Senior Subordinated Notes. The increase in the balance as compared to the proceeds originally received was primarily due to the recording of gains on fair value hedges we have in place to hedge interest rate risk.

The Indenture pursuant to which the Senior Subordinated Notes were issued contains certain covenants. At April 30, 2004, we were in compliance with these covenants. The terms of the Senior Subordinated Notes also limit our ability to make “restricted payments,” which include dividends and purchases, redemptions and acquisitions of equity interests.

Trade Accounts Receivable Credit Facility

On October 31, 2003, we entered into a five-year, up to $120 million credit facility with an affiliate of a bank in connection with the securitization of certain of our U.S. trade accounts receivable. The facility is secured by certain of our U.S. trade accounts receivable and bears interest at a variable rate based on LIBOR plus a margin or other agreed upon rate. We also pay a commitment fee. We can terminate the facility at any time upon 60 days prior written notice. In connection with this transaction, we established Greif Receivables Funding LLC, which is included in our consolidated financial statements. This entity purchases and services our trade accounts receivable that are subject to this credit facility. As of April 30, 2004, there was a total of $73.0 million outstanding under the trade accounts receivable credit facility.

The trade accounts receivable credit facility provides that in the event we breach any of our financial covenants under the Amended and Restated Senior Secured Credit Agreement, and the majority of the lenders thereunder consent to a waiver thereof, but the provider of the trade accounts receivable credit facility does not consent to any such waiver, then we must within 90 days of providing notice of the breach pay all amounts outstanding under the trade accounts receivable credit facility.

Contractual Obligations

As of April 30, 2004, 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	$ 624	$ —	$ 37	$ 73	$ 514
Short-term borrowings	20	20	—	—	—
Non-cancelable operating leases	57	8	23	13	13
Total contractual cash obligations	$ 701	$ 28	$ 60	$ 86	$ 527

Stock Repurchase Program

In February 1999, our Board of Directors authorized a one million-share stock repurchase program. During the first half of 2004, we repurchased 814 shares of Class B Common Stock. As of April 30, 2004, we had repurchased 713,680 shares, including 435,476 shares of Class A Common Stock and 278,204 shares of Class B Common Stock. The total cost of the shares repurchased during 1999 through April 30, 2004 was $20.5 million.

Recent Accounting Standards

In December 2003, the Financial Accounting Standards Board (“FASB”) issued a revision to SFAS No. 132, “Employers Disclosures about Pensions and Other Postretirement Benefits.” The revision relates to employers’ disclosures about pension plans and other postretirement benefit plans. It does not alter the measurement or recognition provisions of the original SFAS No. 132. It requires additional disclosures regarding assets, obligations, cash flows and net periodic benefit costs of pension plans and other defined benefit postretirement plans. Excluding certain disclosure requirements, the revised Statement is effective for financial statements with fiscal years ended after December 15, 2003. Interim period disclosures are effective for interim periods beginning after December 15, 2003 and have been included in Note 14 to the Notes to Consolidated Financial Statements in this Form 10-Q.

In December 2003, the FASB issued a revision to Interpretation No. 46, “Consolidation of Variable Interest Entities.” This Interpretation defines when a business enterprise must consolidate a variable interest entity. The Interpretation provisions are effective for variable interest entities commonly referred to as special-purpose entities for periods ending after March 15, 2004. We do not have any material unconsolidated variable interest entities as of April 30, 2004 that would require consolidation. Adoption of the subsequent provisions of the Interpretation did not have a material impact on our financial position or results of operations.

Forward-Looking Statements; Certain Factors Affecting Future Results

All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs, goals and plans and objectives of management for future operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “believe” or “continue” or the negative thereof or variations thereon or similar terminology. All forward-looking statements made in this Form 10-Q are based on information presently available to our management. Although we believe that the expectations reflected in forward-looking statements have a reasonable basis, we can give no assurance that these expectations will prove to be correct. Forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed in or implied by the statements. Such risks and uncertainties that could cause a difference include, but are not limited to: general economic and business conditions, including a prolonged or substantial economic downturn; changing trends and demands in the industries in which we compete, including industry over-capacity; industry competition; the continuing consolidation of our customer base for industrial packaging, containerboard and corrugated products; political instability in those foreign countries where we manufacture and sell our products; foreign currency fluctuations and devaluations; availability and costs of raw materials for the manufacture of our products, particularly steel and resin, and price fluctuations in energy costs; costs associated with litigation or claims against us pertaining to environmental, safety and health, product liability and other matters; work stoppages and other labor relations matters; property loss resulting from wars, acts of terrorism, or natural disasters; the frequency and volume of sales of our timber and timberland; and the deviation of actual results from the estimates and/or assumptions used by us in the application of our significant accounting policies. These and other risks and uncertainties that could materially affect our consolidated financial results are further discussed in our filings with the Securities and Exchange Commission, including our Form 10-K for the year ended October 31, 2003. We assume no obligation to update any forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There has not been a significant change in the quantitative and qualitative disclosures about the Company’s market risk from the disclosures contained in the 2003 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of the Chief Executive Officer and Chief Financial Officer, the Company’s management conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures, as such term is defined under Rule 15d–15(e) promulgated under the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company’s disclosure controls and procedures were effective in timely making known to them material information required to be included in the Company’s periodic filings with the Securities and Exchange Commission.

There has been no change in the Company's internal controls over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

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 of Shares that May Yet Be Purchased under the Plans or Programs[1]
02/01/04 thru 02/29/04	—	—	—	287,020
03/01/04 thru 03/31/04	—	—	—	287,020
04/01/04 thru 04/30/04	750	$ 36.00	750	286,320
Total	750	$ 36.00	750	286,320

(1) In February 1999, the Company's Board of Directors authorized a stock repurchase program which permits the Company to purchase up to 1.0 million shares of the Company's Class A Common Stock or Class B Common Stock, or any combination thereof. The maximum number of shares that may yet be purchased is 286,320, which may be any combination of Class A Common Stock or Class B Common Stock.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a.) Exhibits

Exhibit No.	Description of Exhibit
3.E	Amendments to Amended and Restated By-Laws of Greif Bros. Corporation
10.O	Amendment No. 1 to the Amended and Restated Senior Secured Credit Agreement
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a - 14(a) of the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a - 14(a) of the Securities Exchange Act of 1934
32.1	Certification of Chief Executive Officer required by Rule 13a - 14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code
32.2	Certification of Chief Financial Officer required by Rule 13a - 14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code

(b.) Reports on Form 8-K.

No events occurred requiring a Form 8-K to be filed during the second quarter of 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

	Greif, Inc. (Registrant)
Date: June 7, 2004	/s/ Donald S. Huml
	Donald S. Huml, Chief Financial Officer (Duly Authorized Signatory)

GREIF, INC.

Form 10-Q
For Quarterly Period Ended April 30, 2004

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
3.E	Amendments to Amended and Restated By-Laws of Greif Bros. Corporation
10.O	Amendment No. 1 to the Amended and Restated Senior Secured Credit Agreement
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a - 14(a) of the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a - 14(a) of the Securities Exchange Act of 1934
32.1	Certification of Chief Executive Officer required by Rule 13a - 14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code
32.2	Certification of Chief Financial Officer required by Rule 13a - 14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code

EXHIBIT 3.E

AMENDMENTS TO AMENDED AND RESTATED BY-LAWS OF GREIF BROS. CORPORATION

(a) Article II, Section 1 shall be deleted and the following shall be inserted in lieu thereof:

“Section 1. Number of Directors. Until changed in accordance with the provisions of Article IX, below, the number of Directors of the Corporation shall be eight (8).”

(b) Article II, Section 5 shall be deleted and the following shall be inserted in lieu thereof:

“Section 5. Vacancies. Vacancies in the Board of Directors, including any vacancy resulting from newly created directorships, may be filled by a majority vote of the remaining Directors until an election to fill such vacancies or newly created directorships as the case may be, is had. Stockholders entitled to elect Directors shall have the right to fill any vacancy on the Board (whether the same has been temporarily filled by the remaining Directors or not) at any meeting of the stockholders called for that purpose, and any Directors elected at any such meeting of stockholders shall serve until the next annual election of Directors and until their successors are elected and qualified.”

(c) Article II shall be amended by inserting the following provision as Section 9:

“Section 9. Nominations for Directors. At any meeting of stockholders held for the election of one or more Directors, a person may be nominated for election as a Director of the Company only in accordance with the procedures set forth in the Charter of the Company’s Nominating and Corporate Governance Committee.”

Exhibit 10.O

AMENDMENT NO. 1
TO
CREDIT AGREEMENT

This AMENDMENT NO. 1 to CREDIT AGREEMENT, dated as of February 11, 2004 (this *"Amendment")*, is entered into among GREIF, INC., a Delaware corporation (formerly known as Greif Bros. Corporation) (the *"U.S. Borrower")*, each other Loan Party (as defined in the Credit Agreement referred to below) and CITICORP NORTH AMERICA, INC. *("CNAI")*, a Delaware corporation, in its capacity as administrative agent for the Lenders and as agent for the Secured Parties (in such capacity, the *"Administrative Agent")*, and amends that certain Amended and Restated Senior Secured Credit Agreement, the *"Credit Agreement")* dated as of August 23, 2002 entered into among the U.S. Borrower, Greif Spain Holdings, S.L., Greif Bros. Canada, Inc., Van Leer (UK) Ltd., Koninklijke Emballage Industrie Van Leer B.V. and Van Leer Australia Pty. Ltd., as foreign borrowers (the *"Foreign Borrowers"* and collectively with the U.S. Borrower, the *"Borrowers")*, Citigroup Global Markets Inc. (formerly known as Salomon Smith Barney Inc.) *("CGMI")*, and Deutsche Bank Securities Inc. *("Deutsche Bank")* as joint arrangers (together, the *"Arrangers")*, Deutsche Bank Trust Company Americas and Keybank National Association as co-syndication agents, the Administrative Agent and Sun Trust Bank as Documentation Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

W I T N E S S E T H:

WHEREAS, the U.S. Borrower desires to amend the Term Loans as set forth herein and to amend certain other provisions of the Credit Agreement as described herein;

WHEREAS, the U.S. Borrower has requested that the Lenders amend the Credit Agreement to effect the changes referred to above; and

WHEREAS, the Lenders that have executed a Lender Consent in the form of Exhibit A to this Amendment, have agreed, subject to the terms and conditions hereinafter set forth, to amend the Credit Agreement in certain respects as set forth below;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby agree as follows:

Section 1. Amendments to the Credit Agreement

The Credit Agreement is, effective as of the Amendment No. 1 Effective Date and subject to the satisfaction (or waiver) of the conditions set forth in Section 2, and/or Section 3 hereof, hereby amended as follows:

(a) ***Amendments to Article I (Definitions, Interpretation and Accounting Terms)***

(i) The following definitions are hereby inserted in Section 1.1 of the Credit Agreement in the appropriate place to preserve the alphabetical order of the definitions in such section (and, if applicable, the following definitions shall replace, in their entirety, existing definitions for the corresponding terms in such section):

(1) "Amendment No. 1 means Amendment No. 1, dated as of February 11, 2004, to this Agreement, among the U.S. Borrower, the other Loan Parties, the Administrative Agent and the Lenders party thereto."

(2) "Amendment No. 1 Effective Date has the meaning set forth in Section 2 of Amendment No. 1."

(3) "Applicable Margin means as follows:

(a) with respect to Term Loans, (i) during the period commencing on the Amendment No. 1 Effective Date and ending 1 Business Day after receipt by the Administrative Agent of the Financial Statements required to be delivered pursuant to Section 7.1(a) or (b), as applicable, for the first Fiscal Quarter ending after the Amendment No 1. Effective Date, with respect to Term Loans maintained as ABR Loans, a rate equal to 0.75% per annum and, with respect to Term Loans maintained as Eurocurrency Rate Loans, a rate equal to 1.75% per annum and (ii) thereafter, as of any date of determination, a per annum rate equal to the rate set forth below opposite the applicable type of Loan and the then applicable Total Leverage Ratio (determined on the last day of the most recent Fiscal Quarter for which Financial Statements have been delivered pursuant to Section 7.1 (a) or (b)) set forth below:

TOTAL LEVERAGE RATIO	TERM LOANS MAINTAINED AS ABR LOANS	TERM LOANS MAINTAINED AS EUROCURRENCY LOANS
Equal to or greater than or 3.0 to 1	1.00%	2.00%
Less than 3.0 to 1 and equal to or greater than 2.0 to 1	0.75%	1.75%
Less than 2.0 to 1	0.50%	1.50%

(b) with respect to Revolving Loans and Swing Line Loans (i) during the period commencing on the Effective Date and ending 1 Business Day after the receipt by the Administrative Agent of the Financial Statements required to be delivered pursuant to Section 7.1 (a) or (b), as applicable, for the first Fiscal Quarter ending after the Effective Date, with respect to the Revolving Loans maintained as ABR Loans, or made in Canadian Dollars at the Overnight Rate or Swing Line Loans made in U.S. Dollars, or Canadian Dollars, a rate equal to 1.25% per annum and with respect to the Revolving Loans maintained as Eurocurrency Loans, BA Rate Loans or Swing Line Loans denominated in Australian Dollars, Euros or GPB, a rate equal to 2.25% per annum, and (ii) thereafter, as of any date of determination, a per annum rate equal to the rate set forth below opposite the applicable type of Loan and the applicable Total Leverage Ratio (determined on the last day of the most recent Fiscal Quarter for which Financial Statements have been delivered pursuant to Section 7.1 (a) or (b)) set forth below:

TOTAL LEVERAGE RATIO	ABR LOANS/REVOLVING LOANS AT THE OVERNIGHT RATE IN C$ OR A$/SWING LINE LOANS IN US$ OR C$	EUROCURRENCY RATE LOANS/BA RATE LOANS/REVOLVING LOANS AT THE OVERNIGHT RATE IN A$, EUROS OR GBP/SWING LINE LOANS IN EUROS OR GBP
Greater than or equal to 3.5 to 1	1.50%	2.50%
Less than 3.5 to 1 and equal to or greater than 3.0 to 1	1.25%	2.25%
Less than 3.0 to 1 and equal to or greater than 2.5 to 1	1.00%	2.00%
Less than 2.5 to 1 and equal to or greater than 2.0 to 1	0.75%	1.75%
Less than 2.0 to 1	0.50%	1.50%

Changes in the Applicable Margin resulting from a change in the Total Leverage Ratio shall become effective as to all Loans 1 Business Day after delivery by the U.S. Borrower to the Administrative Agent of new Financial Statements pursuant to Section 7.1 (a) or (b), as applicable. Notwithstanding anything to the contrary set forth in this Agreement (including the then effective Leverage Ratio), if the U.S. Borrower shall fail to deliver such Financial Statements within any of the time periods specified in Section 7.1 (a) or (b), the Applicable Margin from and including the 50th day after the end of such Fiscal Quarter or the 91st day after the end of such Fiscal Year, as the case may be, to but not including the date the U.S. Borrower delivers to the Administrative Agent such Financial Statements shall conclusively equal the highest possible Applicable Margin provided for by this definition."

(4) "Term Facility means, the term loan facility in an aggregate principal amount of up to $250,000,000."

(5) "Term Loan Facility" means Term Facility.

(ii) The following definitions contained in Section 1.1 of the Credit agreement are hereby amended as follows:

(1) clause a in the definition of "EBITDA" in Section 1.1 of the Credit Agreement is hereby amended by deleting subclause (iv) thereto in its entirety and replacing it with the following:

"(iv) any other non-cash items of income or expense (other than any non-cash item of expense requiring an accrual or reserve for future cash expense) and any items that constitute restructuring charges provided that such items that constitute restructuring charges are so reported in the financial statements forming a part of the regular, periodic or special reports that any Company may make to, or file with, the SEC or similar foreign authority or securities exchange."

(2) the definition of "Fixed Charges" is hereby amended by adding, after the phrase "by Section 2.9" in the fifth line thereof, the following:

"and excluding any termination of a Permitted Receivables Transaction"

(3) The definition of "Fixed Charges" is hereby further amended by deleting that portion of such definition, beginning, in the ninth line thereof with the words "in any such case other than" and ending at the end thereof and replacing such portion with the following:

"in any such case other than to the extent made from (i) any capital contribution to the U.S. Borrower by its shareholders, (ii) any proceeds from the issuance or sale of Equity Interests of the U.S. Borrower, (iii) any incurrence of Indebtedness by any Company (other than the Loans or any Permitted Receivables Transaction), (iv) any proceeds from any Asset Sale by any Company or (v) any insurance proceeds received by the Companies; provided, however, that, in each case, any such proceeds which constitute Net Cash Proceeds required to be used by the Loan Parties to prepay the Loans pursuant to Section 2.9 shall be excluded)."

(b) ***Amendments to Article II***

(i) Section 2.1(b) of the Credit Agreement is hereby amended by deleting the period at the end thereof and replacing it with the following:

";provided, however, that amounts of Term Loans repaid may be reborrowed by the U.S. Borrower hereunder solely (a) on the Amendment No. 1 Effective Date and (b) in an amount equal to (x) $250,000,000 minus (y) the outstanding principal amount of the Term Loans outstanding on the Amendment No. 1 Effective Date."

(ii) Section 2.11 of the Credit Agreement is hereby amended by deleting clause a of such Section in its entirety and replacing it with the following:

"(a) U.S. Borrower shall repay the Term Loans on the Business Day immediately prior to the payment dates set forth below in the amounts of the aggregate outstanding principal amount thereof on the Effective Date set forth below:

Payment Date	Amortization Payment
April 30, 2004	$ 6,250,000
July 31, 2004	$ 6,250,000
October 31, 2004	$ 6,250,000
January 31, 2005	$ 6,250,000
April 30, 2005	$ 6,250,000
July 31, 2005	$ 6,250,000
October 31, 2005	$ 6,250,000
January 31, 2006	$ 6,250,000
April 30, 2006	$ 6,250,000

Payment Date	Amortization Payment
July 31, 2006	$ 6,250,000
October 31, 2006	$ 6,250,000
January 31, 2007	$ 6,250,000
April 30, 2007	$ 6,250,000
July 31, 2007	$ 6,250,000
October 31, 2007	$ 6,250,000
January 31, 2008	$ 6,250,000
April 30, 2008	$ 6,250,000
July 31, 2008	$ 6,250,000
October 31, 2008	$ 6,250,000
January 31, 2009	$ 6,250,000
April 30, 2009	$ 6,250,000

provided, however that the U.S. Borrower shall repay the entire unpaid principal amount of the Term Loans on the date of the Term Loan Maturity."

(iii) Section 2.13(b) of the Credit Agreement is amended by adding, to the end thereof the following:

"For purposes of calculating this Commitment Fee, outstanding Swing Line Loans shall reduce only the Swing Line Lender's unused Revolving Commitment and each Lender's Pro Rata Share of L/C Obligations shall reduce such Lender's unused Revolving Commitment."

(c) ***Amendments to Article VIII (Negative Covenants)***

(i) Section 8.20 of the Credit Agreement is hereby amended by deleting, in line five thereof, after the words "accounts receivable, except" the remainder of such Section and replacing it with the following:

"(i) as permitted by Subsections 8.2(v) and 8.2 (xiii), (ii) to any Domestic Loan Party (other than Soterra LLC) and (iii) by Foreign Subsidiaries in the ordinary course and (I) consistent with past practice as of the Effective Date or consistent with the customary practices of the applicable country and (II) permitted by subsection 8.2(v) and (xiii).

(d) ***Amendments to Article IX (Events of Default)***

(i) Section 9.6(a) of the Credit Agreement is hereby amended by deleting clause (v) thereof in its entirety and replacing it with the following:

"Fifth, to pay or prepay principal amounts on the Loans and L/C Borrowings, to pay Obligations in respect of Permitted Secured Guarantees and to Cash Collateralize outstanding Letters of Credit in the manner described in Section 9.2, ratably to the aggregate principal amount of such Loans, L/C Borrowings, Permitted Secured Guarantees and L/C Obligations."

(e) ***Amendments to Schedules to the Credit Agreement***

(i) Schedule 2.1 is hereby amended and restated in its entirety and replaced with a new Schedule 2.1 with the contents thereof being as set forth on Schedule 2.1 hereto.

(ii) Schedule 2.18 is hereby amended and restated in its entirety and replaced with a new Schedule 2.18 with the contents thereof being as set forth in Schedule 2.18 hereto.

Section 2. Conditions Precedent to the Effectiveness of this Amendment

This Amendment (other than the Unanimous Consent Amendments (as defined herein)) shall become effective as of the date first written above when, and only when, each of the following conditions precedent shall have been satisfied (the *"Amendment No. 1 Effective Date")* or waived by the Administrative Agent:

(a) ***Certain Documents.*** The Administrative Agent shall have received each of the following, each dated the Amendment No. 1 Effective Date (unless otherwise agreed by the Administrative Agent), in form and substance satisfactory to the Administrative Agent and in sufficient copies for each Lender:

(i) this Amendment, duly executed by the U.S. Borrower, each other Loan Party and the Administrative Agent;

(ii) the Acknowledgment and Consent, in the form attached hereto as Exhibit A (each a *"Lender Consent"),* executed by the Required Lenders;

(iii) a favorable opinion of Baker & Hostetler LLP, U.S. counsel to the Loan Parties, addressed to the Administrative Agent and the Lenders as to the enforceability of this Amendment and the enforceability of the Credit Agreement, the Guarantees, the Security Documents and the other Credit Documents after giving effect to this Amendment, and addressing such other matters as the Administrative Agent and any Lender through the Administrative Agent may reasonably request including, without limitation, no conflicts with the organizational documents of each Loan Party, Requirements of Law or material agreements, *provided*, *however* that, to the extent the opinion delivered by Baker & Hostetler LLP pursuant to this Section 2(a)(iii) shall cover only those Loan Parties that were Loan Parties as of the Closing Date, the U.S. Borrower and each Loan Party hereby covenant to caused to be delivered, no later than March 15, 2004, a supplemental opinion of Baker & Hostetler LLP meeting all of the requirements hereof with respect to each Loan Party that became a Loan Party thereafter;

(iv) a certificate of the Secretary or an Assistant Secretary of the U.S. Borrower certifying the names and true signatures of each officer of the U.S. Borrower who has been authorized to execute and deliver this Amendment and any Credit Document or other document required hereunder to be executed and delivered by or on behalf of the U.S. Borrower;

(v) (A) a copy of the certificate of incorporation of the U.S. Borrower, certified as of a recent date by the Secretary of State of Delaware, together with a certificate of such official attesting to the good standing of the U.S. Borrower and (B) a certificate of the Secretary or an Assistant Secretary of the U.S. Borrower certifying (1) the by-laws (or equivalent organizational documents) of the U.S. Borrower as in effect on the date of such certification, (2) the resolutions of the U.S. Borrower's Board of Directors (or equivalent governing body) approving and authorizing the execution, delivery and performance of this Amendment and the other Credit Documents executed in connection therewith to which the U.S. Borrower is a party and (D) that there have been no changes in the certificate of incorporation (or equivalent organizational documents) of the U.S. Borrower from the certificate of incorporation (or equivalent organizational documents) delivered pursuant to Clause (A) above;

(vi) a certificate of a Responsible Officer of the U.S. Borrower certifying (A) that each Loan Party (other than the U.S. Borrower) who has been authorized to execute and deliver this Amendment or any other Credit Document is authorized to execute this Amendment and each other Credit Document executed in connection herewith, (B) that, other than as described in such certificate, there have been no changes to the certificate of incorporation or by-laws (or, in each case, equivalent organizational documents) from the certificate of incorporation or by-laws (or, in each case, equivalent organizational documents) delivered pursuant to the Credit Agreement on the Effective Date for each Loan Party (other than the U.S. Borrower) and (C) that the resolutions of each such Loan Party's Board of Directors (or equivalent governing body) delivered pursuant to the Credit Agreement on the Effective Date approving and authorizing the execution, delivery and performance of the Credit Agreement or the other Credit Documents to which it is a party remain in full force and effect and have not been amended, supplemented or modified in any way and authorize the execution of this Amendment and the Credit Documents executed in accordance herewith;

(vii) a certificate of a Responsible Officer of the U.S. Borrower to the effect that each of the conditions set forth in clauses (c), (d) and (e) below has been satisfied; and

(viii) such additional documentation as the Lenders party to the Lenders' Consent or the Administrative Agent may reasonably require;

(b) ***Corporate and Other Proceedings.*** All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Amendment shall be satisfactory in all respects to the Administrative Agent and each Lender;

(c) ***Representations and Warranties.*** Each of the representations and warranties contained in Article VI of the Credit Agreement and the other Credit Documents are true and correct in all material respects on and as of the date hereof and the Amendment No. 1 Effective Date, in each case as if made on and as of such date and except to the extent that such representations and warranties specifically relate to a specific date, in which case such representations and warranties shall be true and correct in all material respects as of such specific date; *provided*, *however,* that references therein to the *"Credit Agreement"* shall be deemed to refer to the Credit Agreement as amended by this Amendment and after giving effect to the consents and waivers set forth herein;

(d) ***No Default or Event of Default.*** After giving effect to this Amendment, no Unmatured Event Default or Event of Default (except for those that may have been waived) shall have occurred and be continuing, either on the date hereof or on the Amendment No. 1 Effective Date;

(e) ***No Litigation.*** No litigation shall have been commenced against any Loan Party or any of its Subsidiaries, either on the date hereof or the Amendment No. 1 Effective Date, seeking to restraint or enjoin (whether temporarily, preliminarily or permanently) the performance of any action by any Loan Party required or contemplated by this Amendment or the Credit Agreement or any Credit Document, in either case as amended hereby; and

(f) ***Fees and Expenses Paid.*** The U.S. Borrower shall have paid all Obligations due, after giving effect to this Amendment, on or before the Amendment No. 1 Effective Date including, without limitation, the fees set forth in Section 6 hereof and all reasonable costs and expenses of the Administrative Agent in connection with the preparation, reproduction, execution and delivery of this Amendment and all other Credit Documents entered into in connection herewith (including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent with respect thereto and all other Credit Documents) and all other reasonable costs, expenses and fees due under any Credit Document.

Section 3. Additional Conditions Precedent to Certain Sections of this Amendment

Sections l(b)(iii) and l(d) of this Amendment (collectively, the *"Unanimous Consent Amendments")* shall become effective as of the date first written above when, and only when, each of the following conditions precedent should have been satisfied or waived by the Administrative Agent:

(a) all of the Conditions Precedent contained in Section 2 of this Amendment shall have been satisfied; and

(b) A Lender Consent, duly executed by each Revolving Lender, shall have been delivered to the Administrative Agent.

Section 4. Representations and Warranties

On and as of the date hereof and as of the Amendment No. 1 Effective Date, after giving effect to this Amendment, the U.S. Borrower hereby represents and warrants to the Administrative Agent and each Lender as follows:

(a) this Amendment has been duly authorized, executed and delivered by the Borrower and each other Loan Party, as applicable, and constitutes the legal, valid and binding obligations of the U.S. Borrower and each other Loan Party, as applicable, enforceable against the U.S. Borrower and each other Loan Party, as applicable, in accordance with their terms and the Credit Agreement as amended by this Amendment and constitutes the legal, valid and binding obligation of the U.S. Borrower and each other Loan Party, enforceable against the U.S. Borrower and each other Loan Party in accordance with its terms;

(b) each of the representations and warranties contained in Article VI of the Credit Agreement and the other Credit Documents are true and correct in all material respects on and as of the date hereof and the Amendment No. 1 Effective Date, in each case as if made on and as of such date and except to the extent that such representations and warranties specifically relate to a specific date, in which case such representations and warranties shall be true and correct in all material respects as of such specific date; *provided, however,* that references therein to the "*Credit Agreement*" shall be deemed to refer to the Credit Agreement as amended hereby and after giving effect to the consents and waivers set forth herein;

(c) no Unmatured Event of Default or Event of Default has occurred and is continuing (except for those that are waived); and

(d) no litigation has been commenced against any Loan Party or any of its Subsidiaries seeking to restraint or enjoin (whether temporarily, preliminarily or permanently) the performance of any action by any Loan Party required or contemplated by this Amendment, the Credit Agreement or any Loan Document, in each case as amended hereby (if applicable).

Section 5. Waiver of Prepayment Notice

Upon the Amendment No. 1 Effective Date, the requirement for notice under Section 2.9(h) of the Credit Agreement for optional prepayments of the Term Loans shall be deemed waived.

Section 6. Fees and Expenses

(a) The U.S. Borrower and each other Loan Party agrees to pay on demand, in accordance with the terms of Section 11.4 of the Credit Agreement, all reasonable costs and expenses of the Administrative Agent and the Arrangers in connection with the preparation, reproduction, execution and delivery of this Amendment and all other Credit Documents entered into in connection herewith (including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent and the Arrangers with respect thereto and all other Credit Documents).

Section 7. Reference to the Effect on the Credit Documents

(a) As of the Amendment No. 1 Effective Date, each reference in the Credit Agreement to "*this Agreement,*" "*hereunder*," "*hereof*," "*herein,*" or words of like import, and each reference in the other Credit Documents or Transaction Documents to the Credit Agreement (including, without limitation, by means of words like "*thereunder*", "*thereof*" and words of like import), shall mean and be a reference to the Credit Agreement as amended hereby, and this Amendment and the Credit Agreement shall be read together and construed as a single instrument. Each of the table of contents and lists of Exhibits and Schedules of the Credit Agreement shall be amended to reflect the changes made in this Amendment as of the Amendment No. 1 Effective Date.

(b) Except as expressly amended hereby or specifically waived above, all of the terms and provisions of the Credit Agreement and all other Credit Documents are and shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders (including, but not limited to, the L/C Lenders), Arrangers or the Administrative Agent under any of the Credit Documents, nor constitute a waiver or amendment of any other provision of any of the Credit Documents or for any purpose except as expressly set forth herein.

(d) This Amendment is a Credit Document.

(e) This Amendment does not constitute and shall not be construed to evidence a novation of or a payment and readvance of the Term Loans outstanding under the Credit Agreement, it being the intention of the Borrowers, and by their signature or consent hereto, the Agent and Lenders, that this Agreement provide for the terms and conditions of, upon the effectiveness of this Amendment, the same Indebtedness as was then outstanding under the Credit Agreement.

Section 8. Reaffirmation of Guarantee and Security Documents. Each Domestic Guarantor, by its signature hereto, hereby (a) agrees that, notwithstanding the effectiveness of this Amendment, the Domestic Guarantee and Security Agreement and each of the other Security Documents executed and delivered by such Domestic Guarantor in connection with the pledge and/or grant of a security interest in its assets as Collateral to secure its obligations continue to be in full force and effect and (b) affirms, confirms and ratifies its Guarantee of the Obligations and the pledge of and/or grant of a security interest in its assets as Collateral to secure such Obligations, all as provided in the Domestic Guarantee and Security Agreement and the other Security Documents as originally executed, and acknowledges and agrees that such Guarantee, pledge and./or grant continue in full force and effect in respect of, and to secure, the Obligations under the Credit Agreement as amended by this Amendment.

Section 9. Execution in Counterparts

This Amendment may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are attached to the same document. Delivery of an executed counterpart by telecopy shall be effective as delivery of a manually executed counterpart of this Amendment.

Section 10. Governing Law

This Amendment shall be governed by and construed in accordance with the law of the State of New York.

Section 11. Section Titles

The section titles contained in this Amendment are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto, except when used to reference a section. Any reference to the number of a clause, sub-clause or subsection of any Credit Document immediately followed by a reference in parenthesis to the title of the section of such Credit Document containing such clause, sub-clause or subsection is a reference to such clause, sub-clause or subsection and not to the entire section; *provided, however,* that, in case of direct conflict between the reference to the title and the reference to the number of such section, the reference to the title shall govern absent manifest error. If any reference to the number of a section (but not to any clause, sub-clause or subsection thereof) of any Credit Document is followed immediately by a reference in parenthesis to the title of a section of any Credit Document, the title reference shall govern in case of direct conflict absent manifest error.

Section 12. Notices

All communications and notices hereunder shall be given as provided in the Credit Agreement.

Section 13. Severability

The fact that any term or provision of this Agreement is held invalid, illegal or unenforceable as to any person in any situation in any jurisdiction shall not affect the validity, enforceability or legality of the remaining terms or provisions hereof or the validity, enforceability or legality of such offending term or provision in any other situation or jurisdiction or as applied to any person.

Section 14. Successors

The terms of this Amendment shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

Section 15. Waiver of Jury Trial

EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AMENDMENT OR ANY OTHER CREDIT DOCUMENT.

[SIGNATURE PAGES FOLLOW]

In Witness Whereof, the parties hereto have caused this Amendment to be executed by their respective officers and general partners thereunto duly authorized, as of the date first written above.

Greif, Inc., formerly known as Greif Bros. Corporation,
as U.S. Borrower

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

Greif Bros. Canada Inc.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

Greif International Holding B.V., formerly known as Koninklijke Emballage Industrie Van Leer BV a/k/a Royal Packaging Industries Van Leer BV,
as Loan Party

By: /s/ A. Kooyman
Name: A. Kooyman
Title: Director

Greif Australia Pty. Ltd., formerly known as Van Leer Australia Pty. Ltd.,
as Loan Party

By: /s/ Michael W. Hunt
Name: Michael W. Hunt
Title: Managing Director

Greif Spain Holdings, S.L.,
as Loan Party

By: /s/ Robert A. Young
Name: Robert A. Young
Title: Managing Director

GREIF UK LTD., FORMERLY KNOWN AS VAN LEER (UK) LTD.,
as Loan Party

By: /s/ David Tillotson
Name: David Tillotson
Title: Director

AMERICAN FLANGE & MANUFACTURING CO., INC.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

BARZON CORPORATION,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

GREAT LAKES CORRUGATED CORP.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

GREIF BROS. CORP. OF OHIO, INC.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

GREIF BROS. SERVICE CORP.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

SIRCO SYSTEMS, LLC,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

TAINER TRANSPORT, INC.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

TREND-PAK, INC.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

GREIF CONTAINERS, INC.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

SOTERRA LLC,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

GREIF U.S. HOLDINGS, INC.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

CORRCHOICE, INC.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

OHIO PACKAGING CORPORATION,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

MICHIGAN PACKAGING CO.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

RDJ HOLDINGS INC.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

COMBINED CONTAINERBOARD, INC.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

MULTICORR CORP.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

OPC LEASING, INC.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

RECORR REALTY CORP.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

GREIF NEVADA HOLDINGS, INC.,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

HERITAGE PACKAGING CORPORATION,
as Loan Party

By: /s/ Robert S. Zimmerman
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

CITICORP NORTH AMERICA, INC.,
as Administrative Agent And Lender

By: /s/ Suzanne Crymes
Name: Suzanne Crymes
Title: Vice President

EXHIBIT 31.1

CERTIFICATION

I, Michael J. Gasser, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greif, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 7, 2004

/s/ Michael J. Gasser

Michael J. Gasser, Chairman
and Chief Executive Officer
(Principal executive officer)

EXHIBIT 31.2

CERTIFICATION

I, Donald S. Huml, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greif, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 7, 2004

/s/ Donald S. Huml

Donald S. Huml, Chief Financial Officer (Principal financial officer)

**Certification Required by Rule 13a – 14(b) of the Securities Exchange Act of 1934
and Section 1350 of Chapter 63 of Title 18 of the United States Code**

In connection with the Quarterly Report of Greif, Inc. (the “Company”) on Form 10-Q for the quarterly period ended April 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael J. Gasser, the chief executive officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 7, 2004	/s/ Michael J. Gasser
	Michael J. Gasser, Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Greif, Inc. and will be retained by Greif, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification Required by Rule 13a – 14(b) of the Securities Exchange Act of 1934
and Section 1350 of Chapter 63 of Title 18 of the United States Code

In connection with the Quarterly Report of Greif, Inc. (the "Company") on Form 10-Q for the quarterly period ended April 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald S. Huml, the chief financial officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 7, 2004

/s/ Donald S. Huml

Donald S. Huml, Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Greif, Inc. and will be retained by Greif, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.