UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **July 2, 2006**

Commission file number 1-7349

BALL CORPORATION

State of Indiana 35-0160610

10 Longs Peak Drive, P.O. Box 5000
Broomfield, CO 80021-2510
303/469-3131

Indicate 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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Large accelerated filer x Accelerated filer o Non-accelerated filer o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 4, 2006
Common Stock, without par value	104,204,578 shares

Ball Corporation and Subsidiaries
QUARTERLY REPORT ON FORM 10-Q
For the period ended July 2, 2006

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
Ball Corporation and Subsidiaries

($ in millions, except per share amounts)	Three Months Ended July 2, 2006	Three Months Ended July 3, 2005	Six Months Ended July 2, 2006	Six Months Ended July 3, 2005
Net sales	**$ 1,842.5**	**$ 1,552.0**	**$ 3,207.4**	**$ 2,876.1**
Costs and expenses				
Cost of sales (excluding depreciation and amortization)	1,550.0	1,300.2	2,706.3	2,396.9
Depreciation and amortization (Notes 8 and 10)	64.9	53.0	119.5	106.4
Business consolidation costs (gains) (Note 5)	(0.4)	8.8	1.7	8.8
Property insurance gain (Note 5)	(74.1)	–	(74.1)	–
Selling, general and administrative (Note 1)	73.5	58.5	143.8	121.6
	1,613.9	1,420.5	2,897.2	2,633.7
Earnings before interest and taxes	**228.6**	**131.5**	**310.2**	**242.4**
Interest expense	37.6	24.3	60.9	50.1
Earnings before taxes	191.0	107.2	249.3	192.3
Tax provision (Note 12)	(63.0)	(32.9)	(79.7)	(62.7)
Minority interests	(0.2)	(0.3)	(0.4)	(0.5)
Equity results in affiliates	4.9	5.0	8.1	8.5
Net earnings	**$ 132.7**	**$ 79.0**	**$ 177.3**	**$ 137.6**
Earnings per share (Note 15):				
Basic	$ 1.28	$ 0.72	$ 1.71	$ 1.24
Diluted	$ 1.26	$ 0.71	$ 1.69	$ 1.22
Weighted average common shares outstanding (in thousands) (Note 15):				
Basic	103,655	109,526	103,449	110,589
Diluted	105,205	111,483	105,133	112,680
Cash dividends declared and paid, per common share	$ 0.10	$ 0.10	$ 0.20	$ 0.20

See accompanying notes to unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
Ball Corporation and Subsidiaries

($ in millions)	July 2, 2006	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	$ 52.5	$ 61.0
Receivables, net (Note 6)	770.7	376.6
Inventories, net (Note 7)	830.3	670.3
Deferred taxes, prepaids and other current assets	139.0	117.9
Total current assets	1,792.5	1,225.8
Property, plant and equipment, net (Notes 5 and 8)	1,831.4	1,556.6
Goodwill (Notes 4 and 9)	1,710.0	1,258.6
Intangibles and other assets, net (Note 10)	518.9	302.4
Total Assets	**$ 5,852.8**	**$ 4,343.4**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt and current portion of long-term debt (Note 11)	$ 133.9	$ 116.4
Accounts payable	691.6	552.4
Accrued employee costs	177.2	198.4
Income taxes payable (Note 12)	127.0	127.5
Other current liabilities	210.8	181.3
Total current liabilities	1,340.5	1,176.0
Long-term debt (Note 11)	2,513.0	1,473.3
Employee benefit obligations (Note 13)	846.7	784.2
Deferred taxes and other liabilities (Note 12)	97.5	69.5
Total liabilities	4,797.7	3,503.0
Contingencies (Note 16)		
Minority interests	4.8	5.1
Shareholders' equity (Note 14)		
Common stock (159,548,711 shares issued - 2006; 158,382,813 shares issued - 2005)	685.2	633.6
Retained earnings	1,384.6	1,227.9
Accumulated other comprehensive loss	(58.0)	(100.7)
Treasury stock, at cost (54,975,417 shares - 2006; 54,182,655 shares - 2005)	(961.5)	(925.5)
Total shareholders' equity	1,050.3	835.3
Total Liabilities and Shareholders' Equity	**$ 5,852.8**	**$ 4,343.4**

See accompanying notes to unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Ball Corporation and Subsidiaries

($ in millions)	Six Months Ended July 2, 2006	Six Months Ended July 3, 2005
Cash Flows from Operating Activities		
Net earnings	$ 177.3	$ 137.6
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	119.5	106.4
Property insurance gain (Note 5)	(74.1)	–
Business consolidation costs (Note 5)	1.7	8.8
Deferred taxes	14.3	(20.6)
Other, net	(29.3)	2.4
Changes in other working capital components, excluding effects of acquisitions	(275.6)	(164.4)
Cash provided by (used in) operating activities	**(66.2)**	**70.2**
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(127.5)	(148.3)
Business acquisitions, net of cash acquired (Note 4)	(785.4)	–
Property insurance proceeds (Note 5)	32.4	–
Other, net	8.6	(9.5)
Cash used in investing activities	**(871.9)**	**(157.8)**
Cash Flows from Financing Activities		
Long-term borrowings	1,049.1	145.4
Repayments of long-term borrowings	(66.8)	(45.8)
Change in short-term borrowings	2.7	58.4
Debt issuance costs	(8.3)	–
Proceeds from issuance of common stock	19.2	20.1
Acquisitions of treasury stock	(50.7)	(188.1)
Common dividends	(20.7)	(21.8)
Other, net	4.3	(0.2)
Cash provided by (used in) financing activities	**928.8**	**(32.0)**
Effect of exchange rate changes on cash	0.8	(3.4)
Change in cash and cash equivalents	(8.5)	(123.0)
Cash and Cash Equivalents — Beginning of Year	61.0	198.7
Cash and Cash Equivalents — End of Period	**$ 52.5**	**$ 75.7**

See accompanying notes to unaudited condensed consolidated financial statements.

1. Principles of Consolidation and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Ball Corporation and its controlled affiliates (collectively Ball, the company, we or our) and have been prepared by the company without audit. Certain information and footnote disclosures, including critical and significant accounting policies, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted.

Results of operations for the periods shown are not necessarily indicative of results for the year, particularly in view of the seasonality in the packaging segments. These unaudited condensed consolidated financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and the notes thereto included in the company's Annual Report on Form 10-K pursuant to Section 13 of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2005 (annual report).

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and various assumptions believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions and conditions. However, we believe that the financial statements reflect all adjustments which are of a normal recurring nature and are necessary for a fair statement of the results for the interim period.

Subsequent to the issuance of its financial statements for the year ended December 31, 2005, the company determined that certain foreign currency exchange losses had been inadvertently deferred for the years 2003, 2004 and 2005. As a result, selling, general and administrative expenses were understated by $2.5 million, $2.3 million and $1 million in 2005, 2004 and 2003, respectively. Management has assessed the impact of these adjustments and does not believe these amounts are material, individually or in the aggregate, to any previously issued financial statements or to our expected full year results of operations for 2006. A cumulative $5.8 million pretax out-of-period adjustment was included in selling, general and administrative expenses in the first quarter of 2006.

Prior to the adoption on January 1, 2006, of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payment," expense related to stock options was calculated using the intrinsic value method under the guidelines of Accounting Principles Board (APB) Opinion No. 25, and therefore was not included in the consolidated statement of earnings. Ball's earnings as reported in the second quarter and first six months of 2005 included after-tax stock-based compensation of $0.6 million and $2.4 million, respectively, compared to $2.7 million and $5.2 million for the same periods in 2005, respectively, if the fair-value-based method had been used. On a pro forma basis, both basic and diluted earnings per share would have been $0.02 and $0.03 lower for the quarter and six months ended July 3, 2005, respectively. Details about the company's 2006 share-based compensation expense under SFAS No. 123 (revised 2004) are available in Note 14.

Certain prior-year amounts have been reclassified in order to conform to the current-year presentation.

2. New Accounting Standards

In December 2004 the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123 (revised 2004) is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." The new standard, which was effective for Ball beginning January 1, 2006, establishes accounting standards for transactions in which an entity exchanges its equity instruments for goods or services, including stock option and restricted stock grants. On March 29, 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which summarizes the views of the SEC staff regarding the interaction between SFAS No. 123 (revised 2004) and certain SEC rules and regulations and provides the SEC staff's views regarding the valuation of share-based payment arrangements for public companies. Upon the adoption of the standard, Ball has elected to use the modified prospective

2. New Accounting Standards *(continued)*

transition method and, at least initially, the Black-Scholes valuation model. The effects on the company's consolidated financial statements of adopting SFAS No. 123 (revised 2004) are discussed in Note 14.

In June 2006 the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109," which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for Ball beginning January 1, 2007, and the company is currently evaluating the impact this standard will have on its consolidated financial statements.

In March 2006 the Emerging Issues Task Force (EITF) of the FASB reached a consensus on Issue No. 06-3 for how taxes collected from customers and remitted to governmental authorities should be presented in a company's income statement (a gross presentation) or only in its balance sheet (a net presentation). The decision, which is effective for Ball's reporting after January 1, 2007, requires a company to disclose its policy for recording and reporting such taxes (gross or net) and, if on a gross basis, the amounts that are included in revenues and costs in the statement of earnings. Ball's current policy is to record taxes collected from customers as liabilities on its balance sheet and not in its statement of earnings.

3. Business Segment Information

Ball's operations are organized and reviewed by management along its product lines in five reportable segments:

Metal beverage packaging, Americas: Consists of operations in the U.S., Canada and Puerto Rico, which manufacture and sell metal containers, primarily for use in beverage packaging.

Metal food & household products packaging, Americas: Consists of operations in the U.S., Canada and Argentina, which manufacture and sell metal food cans, aerosol cans, paint cans, custom and specialty cans, as well as plastic containers used for household products.

Plastic packaging, Americas: Consists of operations in the U.S. and Canada, which manufacture and sell polyethylene terephthalate (PET) and polypropylene containers, primarily for use in beverage and food packaging.

Metal beverage packaging, Europe/Asia: Consists of operations in several countries in Europe and the People's Republic of China (PRC), which manufacture and sell metal beverage containers in Europe and Asia, as well as plastic containers in Asia.

Aerospace and technologies: Consists of the manufacture and sale of aerospace and other related products and services used primarily in the defense, civil space and commercial space industries.

Prior periods have been conformed to the current presentation of segments. The accounting policies of the segments are the same as those in the unaudited condensed consolidated financial statements. A discussion of the company's critical and significant accounting policies can be found in Ball's annual report. We also have investments in companies in the U.S., PRC and Brazil, which are accounted for under the equity method of accounting and, accordingly, those results are not included in segment sales or earnings.

3. Business Segment Information ***(continued)***

Summary of Business by Segment

($ in millions)	Three Months Ended July 2, 2006	Three Months Ended July 3, 2005	Six Months Ended July 2, 2006	Six Months Ended July 3, 2005
Net Sales				
Metal beverage packaging, Americas	$ 740.6	$ 664.5	$ 1,333.0	$ 1,208.6
Metal beverage packaging, Europe/Asia	433.8	394.3	734.7	692.3
Metal food & household products packaging, Americas	314.2	179.1	503.5	363.3
Plastic packaging, Americas	178.5	133.4	300.9	249.2
Aerospace and technologies	175.4	180.7	335.3	362.7
Net sales	**$ 1,842.5**	**$ 1,552.0**	**$ 3,207.4**	**$ 2,876.1**
Net Earnings				
Metal beverage packaging, Americas	$ 67.4	$ 67.4	$ 121.9	$ 129.2
Metal beverage packaging, Europe/Asia	68.4	58.2	97.0	88.5
Property insurance gain (Note 5)	74.1	–	74.1	–
Total metal beverage packaging, Europe/Asia	142.5	58.2	171.1	88.5
Metal food & household products packaging, Americas	12.4	2.8	16.3	15.8
Business consolidation gains (costs) (Note 5)	0.4	(8.8)	(1.7)	(8.8)
Total metal food & household products packaging, Americas	12.8	(6.0)	14.6	7.0
Plastic packaging, Americas	7.4	4.7	9.2	8.2
Aerospace and technologies	8.3	14.9	17.8	23.8
Segment earnings before interest and taxes	238.4	139.2	334.6	256.7
Corporate undistributed expenses, net	(9.8)	(7.7)	(24.4)	(14.3)
Earnings before interest and taxes	228.6	131.5	310.2	242.4
Interest expense	(37.6)	(24.3)	(60.9)	(50.1)
Tax provision	(63.0)	(32.9)	(79.7)	(62.7)
Minority interests	(0.2)	(0.3)	(0.4)	(0.5)
Equity in results of affiliates	4.9	5.0	8.1	8.5
Net earnings	**$ 132.7**	**$ 79.0**	**$ 177.3**	**$ 137.6**

($ in millions)	As of July 2, 2006	As of December 31, 2005
Total Assets		
Metal beverage packaging, Americas	$ 1,747.4	$ 1,664.4
Metal beverage packaging, Europe/Asia	2,430.0	2,122.6
Metal food & household products packaging, Americas	1,273.4	445.1
Plastic packaging, Americas	549.1	320.9
Aerospace and technologies	277.1	253.1
Segment eliminations	(644.6)	(537.5)
Segment assets	5,632.4	4,268.6
Corporate assets, net of eliminations	220.4	74.8
Total assets	$ 5,852.8	$ 4,343.4

4. Acquisitions

On March 27, 2006, Ball acquired all of the issued and outstanding shares of U.S. Can Corporation (U.S. Can) for consideration of 758,981 common shares of Ball Corporation (valued at $44.28 per share for a total of $33.6 million). A final purchase price adjustment of $13.9 million for working capital and debt levels reduced the number of shares to 444,690 shares. The remaining 314,291 shares are due to be returned to the company during the third quarter of 2006. The acquisition balance sheet was adjusted as of July 2, 2006, to reflect the purchase price adjustment; however, the outstanding shares did not reflect the purchase price share adjustment as the shares had not yet been returned to the company. In connection with the acquisition, Ball also refinanced $598.2 million of U.S. Can debt, including $26.8 million of bond redemption premiums and fees, and over the next several years expects to realize approximately $42 million for acquired net operating tax loss carryforwards. The company refinanced the U.S. Can debt at significantly lower interest rates through the issuance of a new series of Ball Corporation senior notes and an increase in Ball Corporation bank debt under the new senior credit facilities put in place in the fourth quarter of 2005 (see Note 11). This acquisition added to the company's portfolio of rigid packaging products and provides a meaningful position in a sizeable product line. As a result of this acquisition, Ball became the largest manufacturer of aerosol cans in North America and now produces aerosol cans, paint cans, plastic containers and custom and specialty cans in 10 plants in the U.S. and aerosol cans in two plants in Argentina. The newly acquired operations have annual sales of approximately $600 million and form part of Ball's metal food and household products packaging, Americas, segment. The acquisition has been accounted for as a purchase and, accordingly, its results have been included in the consolidated financial statements since March 27, 2006.

On March 28, 2006, Ball acquired North American plastic bottle container assets from Alcan Packaging (Alcan) for $184.7 million cash, including a $4.7 million working capital adjustment determined during the second quarter in accordance with the terms of the acquisition agreement. The acquired assets included two plastic container manufacturing plants in the U.S. and one in Canada, as well as certain manufacturing equipment and other assets from other Alcan facilities. This acquisition strengthens the company's plastic container business and complements its food container business. The acquired business primarily manufactures and sells barrier polypropylene plastic bottles used in food packaging and, to a lesser extent, barrier PET plastic bottles used for beverages and food. The acquired operations have annual sales of approximately $150 million and form part of Ball's plastic packaging, Americas, segment. The acquisition has been accounted for as a purchase and, accordingly, its results have been included in the consolidated financial statements since March 28, 2006.

4. Acquisitions *(continued)*

Following is a summary of the net assets acquired using preliminary fair values. The valuation by management of certain assets, including identification and valuation of acquired fixed assets and intangible assets, and of liabilities, including development and assessment of associated costs of consolidation and integration plans, is still in process and, therefore, the actual fair values may vary from the preliminary estimates. The valuations are expected to be completed by the end of 2006. The company has engaged third party experts to value certain assets and liabilities including inventory, property, plant and equipment, intangible assets and pension and other post-retirement obligations.

($ in millions)	U.S. Can (Metal Food & Household Products Packaging, Americas)	Alcan (Plastic Packaging, Americas)	Total
Cash	$ 0.2	$ –	$ 0.2
Property, plant and equipment	176.8	80.6	257.4
Goodwill	334.6	45.0	379.6
Intangibles	80.0	27.9	107.9
Other assets, primarily inventories and receivables	180.3	40.3	220.6
Liabilities assumed (excluding refinanced debt), primarily current	(154.0)	(9.1)	(163.1)
Net assets acquired	$ 617.9	$ 184.7	$ 802.6

The following unaudited pro forma consolidated results of operations have been prepared as if the acquisitions had occurred as of January 1 in each of the periods presented. The pro forma results are not necessarily indicative of the actual results that would have occurred had the acquisitions been in effect for the periods presented, nor are they necessarily indicative of the results that may be obtained in the future.

	Three Months Ended	Six Months Ended	
($ in millions, except per share amounts)	July 3, 2005	July 2, 2006	July 3, 2005
Net sales	$ 1,751.6	$ 3,384.9	$ 3,268.8
Net earnings	84.4	178.0	151.5
Basic earnings per share	0.77	1.72	1.36
Diluted earnings per share	0.75	1.69	1.34

Pro forma adjustments primarily include the after-tax effects of: (1) increased interest expense related to incremental borrowings used to finance the acquisitions, (2) increased depreciation expense on plant and equipment based on increased fair values and (3) increased amortization expense attributable to intangible assets arising from the acquisitions. If the reduction of the original number of common shares issued to that ultimately issued as consideration in the purchase price was considered for the three months ended July 2, 2006, diluted earnings per share would have been $1.27 per share rather than the $1.26 per share reported for that period.

5. Business Consolidation Activities and Property Insurance Gain

2006

Metal Beverage Packaging, Europe/Asia

On April 1, 2006, a fire in the metal beverage can plant in Hassloch, Germany, damaged the majority of the building and machinery and equipment. The property insurance proceeds recorded for the six months ended July 2, 2006, which are based on replacement cost, were €85.4 million, of which €26 million ($32.4 million) was received in April 2006. A €27 million fixed asset write down was recorded to reflect the estimated impairment of the assets damaged as a result of the fire. As a result, a gain of €58.4 million ($74.1 million pretax, $45.2 million after tax) has been recorded in the consolidated statement of earnings to reflect the difference between the net book value of the impaired assets and the property insurance proceeds. An additional €15 million ($19 million) was recorded in cost of sales in the second quarter for insurance recoveries related to business interruption costs, as well as €9 million ($11 million) to offset clean-up costs. Additional business interruption, clean-up and property damage cost recoveries will be recognized in future applicable periods as they are reimbursed by the insurance company.

In June the company announced its intention to rebuild the Hassloch plant with two steel lines and to add an aluminum line in its Hermsdorf, Germany, plant. All three lines are expected to be operational during the second quarter of 2007.

Metal Food & Household Products Packaging, Americas

In the second quarter of 2006, earnings of $0.4 million ($0.2 million after tax) were recorded to reflect the net proceeds on the disposition of fixed assets previously written down in a 2005 business consolidation charge.

In the first quarter of 2006, a pretax charge of $2.1 million ($1.4 million after tax) was recorded to shut down a metal food can production line in an Ontario plant. The charge was comprised of $0.6 million of employee termination costs, $0.7 million for equipment removal and other decommissioning costs and $0.8 million for impairment of plant equipment and related spares and tooling. Production from the line has ceased and other related activities are expected to be completed by the end of 2006.

2005

Metal Beverage Packaging, Americas

In the third quarter of 2005, the company commenced a project to upgrade and streamline North American beverage can end manufacturing capabilities. The project is expected to be completed in 2008 and will result in productivity gains and cost reductions. A pretax charge of $19.3 million ($11.7 million after tax) was recorded in connection with this project.

5. Business Consolidation Activities and Property Insurance Gain *(continued)*

Metal Food & Household Products Packaging, Americas

A pretax charge of $8.8 million ($5.9 million after tax) was recorded in the second quarter of 2005 in connection with the closure of a three-piece food can manufacturing plant in Quebec. The pretax charge included $3.2 million for employee severance, pension and other employee benefit costs and $5.6 million for decommissioning costs and the write-down to net realizable value of fixed assets and other costs. In the fourth quarter of 2005, the charge was partially offset by a $2.2 million gain ($1.5 million after tax) to adjust the Quebec plant land and building to net realizable value. The land and building were sold in April 2006 and, other than employee costs to be paid over future periods, the activities related to the plant closure have been concluded.

Summary

The following table summarizes the year-to-date 2006 activity for liabilities related to the 2006 and 2005 business consolidation activities:

($ in millions)	Employee Costs	Other Liabilities	Total Liabilities
Balance at December 31, 2005	$ 10.0	$ 2.0	$ 12.0
Charge to earnings in first quarter 2006	0.6	0.7	1.3
Payments	(2.3)	(0.5)	(2.8)
Other	0.1	–	0.1
Balance at July 2, 2006	$ 8.4	$ 2.2	$ 10.6

There were also reserves at July 2, 2006, of $5.3 million for the write down of fixed assets and related spare parts and tooling to net realizable value. The carrying value of fixed assets remaining for sale in connection with business consolidation activities was insignificant at July 2, 2006.

6. Receivables

A receivables sales agreement provides for the ongoing, revolving sale of a designated pool of trade accounts receivable of Ball's North American packaging operations, up to $225 million. The agreement qualifies as off-balance sheet financing under the provisions of SFAS No. 140. Net funds received from the sale of the accounts receivable totaled $175.3 million at July 2, 2006, and $210 million at December 31, 2005.

7. Inventories

($ in millions)	July 2, 2006	December 31, 2005
Raw materials and supplies	$ 369.5	$ 277.4
Work in process and finished goods	460.8	392.9
	$ 830.3	$ 670.3

8. Property, Plant and Equipment

($ in millions)	July 2, 2006	December 31, 2005
Land	$ 89.6	$ 76.8
Buildings	723.9	702.3
Machinery and equipment	2,578.1	2,233.5
Construction in progress	184.4	140.8
	3,576.0	3,153.4
Accumulated depreciation	(1,744.6)	(1,596.8)
	$ 1,831.4	$ 1,556.6

Property, plant and equipment are stated at historical cost. Depreciation expense amounted to $60.7 million and $112.5 million for the three months and six months ended July 2, 2006, respectively, and $50.1 million and $100.5 million for the three months and six months ended July 3, 2005, respectively.

A fixed asset write down of €27 million ($34 million) was included in accumulated depreciation to record the estimated impairment of the assets damaged as a result of the fire at the company's Hassloch, Germany, metal beverage can plant (see Note 5). The remaining change in the net property, plant and equipment balance is the result of business acquisitions (see Note 4), capital spending and changes in foreign exchange rates, offset by depreciation.

9. Goodwill

($ in millions)	Metal Beverage Packaging, Americas	Metal Food & Household Products Packaging, Americas	Plastic Packaging, Americas	Metal Beverage Packaging, Europe/Asia	Total
Balance at December 31, 2005	$ 279.4	$ 28.2	$ 33.2	$ 917.8	$ 1,258.6
Business acquisitions (Note 4)	–	334.6	45.0	–	379.6
Foreign currency exchange rates	–	–	0.4	71.4	71.8
Balance at July 2, 2006	$ 279.4	$ 362.8	$ 78.6	$ 989.2	$ 1,710.0

In accordance with SFAS No. 142, goodwill is not amortized but instead tested annually for impairment. There has been no goodwill impairment since the adoption of SFAS No. 142 on January 1, 2002.

10. Intangibles and Other Assets

($ in millions)	July 2, 2006	December 31, 2005
Investments in affiliates	$ 69.0	$ 65.4
Prepaid pension and related intangible assets	42.9	42.3
Intangibles (net of accumulated amortization of $61.7 at July 2, 2006, and $52.6 at December 31, 2005)	148.2	43.1
Company owned life insurance	74.9	65.4
Deferred tax asset	32.3	40.7
Property insurance receivable (Note 5)	74.8	–
Other	76.8	45.5
	$ 518.9	$ 302.4

Total amortization expense of intangible assets amounted to $4.2 million and $7 million for the three months and six months ended July 2, 2006, respectively, and $2.9 million and $5.9 million for the comparable periods in 2005, respectively. The increase in intangibles is due primarily to preliminary estimates of the fair market values of customer relationships acquired in the U.S. Can and Alcan acquisitions (as discussed in Note 4).

11. Debt

Long-term debt consisted of the following:

(in millions)	July 2, 2006 In Local Currency		July 2, 2006 In U.S. $	December 31, 2005 In Local Currency		December 31, 2005 In U.S. $
Notes Payable						
6.875% Senior Notes, due December 2012 (excluding premium of $3.5 in 2006 and $3.8 in 2005)	$	550.0	$ 550.0	$	550.0	$ 550.0
6.625% Senior Notes, due March 2018 (excluding discount of $0.9 in 2006)	$	450.0	450.0		–	–
Senior Credit Facilities, due October 2011 (at variable rates)						
Term A Loan, British sterling denominated	£	85.0	157.2	£	85.0	146.2
Term B Loan, euro denominated	€	350.0	447.7	€	350.0	414.4
Term C Loan, Canadian dollar denominated	C$	149.0	133.5	C$	165.0	141.9
Term D Loan, U.S. dollar denominated	$	500.0	500.0		–	–
M ulti-currency revolver:						
U.S. dollar borrowings	$	160.0	160.0	$	60.0	60.0
Euro borrowings	€	25.0	32.0	€	50.0	59.2
British sterling borrowings	£	20.0	37.0	£	22.0	37.9
Canadian dollar borrowings		–	–	C$	14.0	12.0
European Bank for Reconstruction and Development Loans						
Floating rates due October 2009	€	17.5	22.4	€	20.0	23.7
Industrial Development Revenue Bonds						
Floating rates due through 2015	$	20.0	20.0	$	16.0	16.0
Other		Various	21.3		Various	21.6
			2,531.1			1,482.9
Less: Current portion of long-term debt			(18.1)			(9.6)
			$ 2,513.0			$ 1,473.3

On March 27, 2006, Ball expanded its senior secured credit facilities with the addition of a new $500 million Term D Loan facility due in installments through October 2011. Also on March 27, 2006, Ball issued at a price of 99.799 percent $450 million of new 6.625% senior notes (effective yield to maturity of 6.65 percent) due in March 2018. The proceeds from these financings were used to refinance existing U.S. Can debt with Ball Corporation debt at lower interest rates, acquire certain North American plastic container net assets from Alcan and reduce seasonal working capital debt.

At July 2, 2006, approximately $472 million was available under the multi-currency revolving credit facilities, which provide for up to $750 million in U.S. dollar equivalents. The company also had short-term uncommitted credit facilities of up to $301 million at July 2, 2006, of which $115.8 million was outstanding and due on demand.

11. Debt *(continued)*

The notes payable are guaranteed on a full, unconditional and joint and several basis by certain of the company's wholly owned domestic subsidiaries. The notes payable also contain certain covenants and restrictions including, among other things, limits on the incurrence of additional indebtedness and limits on the amount of restricted payments, such as dividends and share repurchases. Exhibit 20 contains unaudited condensed, consolidating financial information for the company, segregating the guarantor subsidiaries and non-guarantor subsidiaries. Separate financial statements for the guarantor subsidiaries and the non-guarantor subsidiaries are not presented because management has determined that such financial statements would not be material to investors.

The company was in compliance with all loan agreements at July 2, 2006, and has met all debt payment obligations. The U.S. note agreements, bank credit agreement and industrial development revenue bond agreements contain certain restrictions relating to dividend payments, share repurchases, investments, financial ratios, guarantees and the incurrence of additional indebtedness.

12. Income Taxes

As previously reported in the company's 2005 annual report, in connection with the Internal Revenue Service's (IRS) examination of Ball's consolidated income tax returns for the tax years 2000 through 2004, the IRS has proposed to disallow Ball's deductions of interest expense incurred on loans under a company-owned life insurance plan that has been in place for more than 20 years. Ball believes that its interest deductions will be sustained as filed and, therefore, no provision for loss has been accrued. The IRS's proposed adjustments would result in an increase in taxable income for the years 1999 through 2004 of $56.8 million and a corresponding increase in taxable income for subsequent tax year 2005 in the aggregate amount of $10.1 million with a corresponding increase in aggregate tax expense of approximately $27 million plus any related interest expense and penalties. The examination reports for the 2000 to 2003 examinations have been forwarded to the appeals division of the IRS, and no further action has taken place to change Ball's position.

13. Employee Benefit Obligations

($ in millions)	July 2, 2006	December 31, 2005
Total defined benefit pension liability	$ 550.1	$ 529.9
Less current portion	(24.0)	(39.2)
Long-term defined benefit pension liability	526.1	490.7
Retiree medical and other post-employment benefits	172.9	141.1
Deferred compensation plans	134.4	130.4
Other	13.3	22.0
	$ 846.7	$ 784.2

Components of net periodic benefit cost associated with the company's defined benefit pension plans were:

	Three Months Ended					
	July 2, 2006			July 3, 2005		
($ in millions)	U.S.	Foreign	Total	U.S.	Foreign	Total
Service cost	$ 7.2	$ 2.2	$ 9.4	$ 6.1	$ 2.1	$ 8.2
Interest cost	11.0	6.9	17.9	10.1	7.0	17.1
Expected return on plan assets	(12.1)	(4.0)	(16.1)	(11.6)	(3.6)	(15.2)
Amortization of prior service cost	1.2	–	1.2	1.2	(0.1)	1.1
Recognized net actuarial loss	4.9	0.8	5.7	3.8	0.6	4.4
Curtailment loss	–	–	–	–	0.4	0.4
Subtotal	12.2	5.9	18.1	9.6	7.4	16.0
Non-company sponsored plan	0.2	–	0.2	0.2	–	0.2
Net periodic benefit cost	$ 12.4	$ 5.9	$ 18.3	$ 9.8	$ 7.4	$ 16.2

	Six Months Ended					
	July 2, 2006			July 3, 2005		
($ in millions)	U.S.	Foreign	Total	U.S.	Foreign	Total
Service cost	$ 14.3	$ 4.4	$ 18.7	$ 12.1	$ 4.3	$ 16.4
Interest cost	21.9	13.4	35.3	20.1	14.3	34.4
Expected return on plan assets	(24.1)	(7.8)	(31.9)	(23.1)	(7.3)	(30.4)
Amortization of prior service cost	2.5	(0.1)	2.4	2.4	(0.1)	2.3
Recognized net actuarial loss	9.8	1.6	11.4	7.7	1.1	8.8
Curtailment loss	–	–	–	–	0.4	0.4
Subtotal	24.4	11.5	35.9	19.2	12.7	31.9
Non-company sponsored plan	0.5	–	0.5	0.4	–	0.4
Net periodic benefit cost	$ 24.9	$ 11.5	$ 36.4	$ 19.6	$ 12.7	$ 32.3

13. Employee Benefit Obligations *(continued)*

In June 2006 the company's U.S. defined benefit plans for salaried employees were amended effective January 1, 2007, to provide more flexibility for future pension benefits by allowing portability and changing the benefit to a career average pay scheme that grows by a prescribed amount annually. The annual accounting expense under the amended plans will be lower and more predictable. As a result of the amendments, the plans were revalued by the company's third-party actuaries as of July 2, 2006, resulting in a $20 million reduction of the company's additional minimum liability, an $11.5 million increase (net of tax) in accumulated other comprehensive loss and a $0.9 million reduction in pension intangible assets. At the remeasurement date for the pension liabilities, the unfunded status was reduced by approximately $71 million.

Contributions to the company's defined benefit pension plans were $37.3 million in the first six months of 2006 ($20.1 million in the first six months of 2005). The total contributions to these funded plans are expected to be approximately $77 million for the full year. Actual contributions may vary upon revaluation of the plans' liabilities later in 2006.

14. Shareholders' Equity and Comprehensive Earnings

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss includes the cumulative effect of foreign currency translation, additional minimum pension liability and realized and unrealized gains and losses on derivative instruments receiving cash flow hedge accounting treatment.

($ in millions)	Foreign Currency Translation	Minimum Pension Liability*(a)* (net of tax)	Effective Financial Derivatives*(b)* (net of tax)	Accumulated Other Comprehensive Loss
December 31, 2005	$ 74.6	$ (169.9)	$ (5.4)	$ (100.7)
Change	30.7	11.5	0.5	42.7
July 2, 2006	$ 105.3	$ (158.4)	$ (4.9)	$ (58.0)

(a) The minimum pension liability is generally adjusted annually as of December 31. However, as a result of certain plan amendments, a revaluation adjustment was made as of July 2, 2006 (as discussed in Note 13).
(b) Refer to Item 3, "Quantitative and Qualitative Disclosures About Market Risk," for a discussion of the company's use of derivative financial instruments.

Comprehensive Earnings

	Three Months Ended		Six Months Ended	
($ in millions)	July 2, 2006	July 3, 2005	July 2, 2006	July 3, 2005
Net earnings	$ 132.7	$ 79.0	$ 177.3	$ 137.6
Foreign currency translation adjustment	21.7	(52.7)	30.7	(81.8)
Effect of derivative instruments	2.4	(8.4)	0.5	(5.7)
Minimum pension liability adjustment	11.5	–	11.5	–
Comprehensive earnings	$ 168.3	$ 17.9	$ 220.0	$ 50.1

14. Shareholders' Equity and Comprehensive Earnings *(continued)*

Stock-Based Compensation Programs

Effective January 1, 2006, Ball adopted SFAS No. 123 (revised 2004), "Share Based Payment," which is a revision of SFAS No. 123 and supersedes APB Opinion No. 25. The new standard establishes accounting standards for transactions in which an entity exchanges its equity instruments for goods or services, including stock option and restricted stock grants. The major differences for Ball are that (1) expense is now recorded in the consolidated statement of earnings for the fair value of new stock option grants and nonvested portions of grants made prior to January 1, 2006, and (2) the company's deposit share program (discussed below) is no longer a variable plan that is marked to current market value each month through earnings. Upon adoption of SFAS No. 123 (revised 2004), Ball has chosen to use the modified prospective transition method and, at least initially, the Black-Scholes valuation model.

The company has shareholder approved stock option plans under which options to purchase shares of Ball common stock have been granted to officers and employees at the market value of the stock at the date of grant. In general, options are exercisable in four equal installments commencing one year from the date of grant. The options terminate 10 years from the date of grant. A summary of stock option activity for the six months ended July 2, 2006, follows:

	Outstanding Options		Nonvested Options	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Grant Date Fair Value
Beginning of year	4,811,602	$ 21.68	965,445	$ 9.41
Granted	906,600	43.69	906,600	10.46
Vested			(507,120)	9.14
Exercised	(432,779)	15.28		
Canceled/forfeited	(36,075)	32.28	(36,075)	9.73
End of period	5,249,348	25.94	1,328,850	10.22
Vested and exercisable, end of period	3,920,498	21.25		
Reserved for future grants	6,022,626			

The options granted in April 2006 included 378,000 stock-settled stock appreciation rights which have the same terms as the stock options. The weighted average remaining contractual term for all options outstanding at July 2, 2006, was 6.5 years and the aggregate intrinsic value (difference in exercise price and closing price at that date) was $58.7 million. The weighted average remaining contractual term for options vested and exercisable at July 2, 2006, was 5.6 years and the aggregate intrinsic value was $61.9 million. The company received $2.7 million from options exercised during the three months ended July 2, 2006. The intrinsic value associated with these exercises was $3.9 million and the associated tax benefit of $1.5 million was reported as other financing activities in the consolidated statement of cash flows. During the six months ended July 2, 2006, the company received $6.6 million from options exercised. The intrinsic value associated with exercises for that period was $11.5 million and the associated tax benefit reported as other financing activities was $4.5 million.

14. Shareholders' Equity and Comprehensive Earnings *(continued)*

The company's stock options cannot be traded in any equity market. However, based on the Black-Scholes option pricing model, adapted for use in valuing compensatory stock options in accordance with SFAS No. 123 (revised 2004), options granted in April 2006 have an estimated weighted average fair value at the date of grant of $10.46 per share. The actual value an employee may realize will depend on the excess of the stock price over the exercise price on the date the option is exercised. Consequently, there is no assurance that the value realized by an employee will be at or near the value estimated. The fair values were estimated using the following weighted average assumptions:

Expected dividend yield	0.92%
Expected stock price volatility	19.70%
Risk-free interest rate	5.01%
Expected life of options	4.54 years
Forfeiture rate	14.63%

In addition to stock options, the company issues to certain employees restricted shares and restricted stock units which vest over various periods but generally in equal installments over five years. Compensation cost is recorded based upon the fair value of the shares at the grant date. The adoption of SFAS No. 123 (revised 2004) did not change the accounting for compensation cost for the company's normal restricted share program.

To encourage certain senior management employees and outside directors to invest in Ball stock, Ball adopted a deposit share program in March 2001 (subsequently amended and restated in April 2004) that matches purchased shares with restricted shares. In general, restrictions on the matching shares lapse at the end of four years from date of grant, or earlier if established share ownership guidelines are met, assuming the relevant qualifying purchased shares are not sold or transferred prior to that time. Through December 31, 2005, under the principles of APB Opinion No. 25, this plan was accounted for as a variable plan where compensation expense was recorded based upon the current market price of the company's common stock until restrictions lapsed. Upon adoption of SFAS No. 123 (revised 2004) on January 1, 2006, grants under the plan are accounted for as equity awards and compensation expense is now recorded based upon the fair value of the shares at the grant date.

For the three and six months ended July 2, 2006, the company recognized in selling, general and administrative expenses pretax expense of $4.2 million ($2.5 million after tax) and $7.3 million ($4.4 million after tax), respectively, for share-based compensation arrangements, which represented $0.02 per basic and diluted share for the second quarter of 2006 and $0.04 per basic and diluted share for the first six months. At July 2, 2006, there was $26.3 million of total unrecognized compensation costs related to nonvested share-based compensation arrangements. This cost is expected to be recognized in earnings over a weighted average period of 3 years.

15. Earnings Per Share

($ in millions, except per share amounts)	Three Months Ended July 2, 2006	Three Months Ended July 3, 2005	Six Months Ended July 2, 2006	Six Months Ended July 3, 2005
Diluted Earnings per Share:				
Net earnings	$ 132.7	$ 79.0	$ 177.3	$ 137.6
Weighted average common shares *(000s)*	103,655	109,526	103,449	110,589
Effect of dilutive stock options	1,550	1,957	1,684	2,091
Weighted average shares applicable to diluted earnings per share	105,205	111,483	105,133	112,680
Diluted earnings per share	$ 1.26	$ 0.71	$ 1.69	$ 1.22

The following outstanding options were excluded from the diluted earnings per share calculation since they were anti-dilutive (i.e., the exercise price was higher than the average closing market price of common stock for the period):

Option Price	Three Months Ended July 2, 2006	Three Months Ended July 3, 2005	Six Months Ended July 2, 2006	Six Months Ended July 3, 2005
$ 39.74	700,700	714,650	–	714,650
$ 43.69	905,000	–	905,000	–
	1,605,700	714,650	905,000	714,650

16. Contingencies

The company is subject to various risks and uncertainties in the ordinary course of business due, in part, to the competitive nature of the industries in which it participates. We do business in countries outside the U.S., have changing commodity prices for the materials used in the manufacture of our packaging products and participate in changing capital markets. Where management considers it warranted, we reduce these risks and uncertainties through the establishment of risk management policies and procedures, including, at times, the use of certain derivative financial instruments.

From time to time, the company is subject to routine litigation incident to its businesses. Additionally, the U.S. Environmental Protection Agency has designated Ball as a potentially responsible party, along with numerous other companies, for the cleanup of several hazardous waste sites. Our information at this time does not indicate that these matters will have a material adverse effect upon the liquidity, results of operations or financial condition of the company.

16. Contingencies *(continued)*

Due to political and legal uncertainties in Germany, no nationwide system for returning beverage containers was in place at the time a mandatory deposit was imposed in January 2003 and nearly all retailers stopped carrying beverages in non-refillable containers. We responded to the resulting lower demand for beverage cans with several measures including reducing capacity and converting production lines from steel to aluminum to facilitate exports from Germany to other European countries. As of May 1, 2006, all retailers are required to redeem all returned one-way containers as long as they sell such containers. Many retailers in Germany have begun the process of implementing a returnable system for one-way containers since they, along with fillers, now appear to accept the deposit. The retailers and the filling and packaging industries have formed a committee to design a nationwide recollection system and several retailers have begun to order and install reverse vending machines in order to streamline the recollection system. One-way packaging sales by German retailers have increased significantly since May 1, 2006 (albeit off a low base). We believe it will take some time to recover from the significant decrease experienced several years ago as one-way collection systems continue to be installed and consumers become educated regarding the system and the reintroduction of one-way packaging.

17. Indemnifications and Guarantees

During the normal course of business, the company or its appropriate consolidated direct or indirect subsidiaries have made certain indemnities, commitments and guarantees under which the specified entity may be required to make payments in relation to certain transactions. These indemnities, commitments and guarantees include indemnities to the customers of the subsidiaries in connection with the sales of their packaging and aerospace products and services, guarantees to suppliers of direct or indirect subsidiaries of the company guaranteeing the performance of the respective entity under a purchase agreement, indemnities for liabilities associated with the infringement of third party patents, trademarks or copyrights under various types of agreements, indemnities to various lessors in connection with facility, equipment, furniture and other personal property leases for certain claims arising from such leases, indemnities to governmental agencies in connection with the issuance of a permit or license to the company or a subsidiary, indemnities pursuant to agreements relating to certain joint ventures, indemnities in connection with the sale of plants, properties or businesses, or substantially all of the assets and specified liabilities of businesses, and indemnities to directors, officers and employees of the company to the extent permitted under the laws of the State of Indiana and the United States of America. The duration of these indemnities, commitments and guarantees varies, and in certain cases, is indefinite. In addition, the majority of these indemnities, commitments and guarantees do not provide for any limitation on the maximum potential future payments the company could be obligated to make. As such, the company is unable to reasonably estimate its potential exposure under these items.

The company has not recorded any liability for these indemnities, commitments and guarantees in the accompanying consolidated balance sheets. The company does, however, accrue for payments under promissory notes and other evidences of incurred indebtedness and for losses for any known contingent liability, including those that may arise from indemnifications, commitments and guarantees, when future payment is both reasonably determinable and probable. Finally, the company carries specific and general liability insurance policies and has obtained indemnities, commitments and guarantees from third party purchasers, sellers and other contracting parties, which the company believes would, in certain circumstances, provide recourse for any claims arising from these indemnifications, commitments and guarantees.

The company’s senior notes and senior credit facilities are guaranteed on a full, unconditional and joint and several basis by certain of the company’s wholly owned domestic subsidiaries. Foreign tranches of the senior credit facilities are similarly guaranteed by certain of the company’s wholly owned foreign subsidiaries. These guarantees are required in support of the notes and credit facilities referred to above, are co-terminous with the terms of the respective note indentures and credit agreement and would require performance upon certain events of default referred to in the respective guarantees. The maximum potential amounts which could be required to be paid under the guarantees are essentially equal to the then outstanding principal and interest under the respective notes and credit agreement, or under the applicable tranche. The company is not in default under the above notes or credit facilities.

17. Indemnifications and Guarantees *(continued)*

Ball Capital Corp. II is a separate, wholly owned corporate entity created for the purchase of receivables from certain of the company's wholly owned subsidiaries. Ball Capital Corp. II's assets will be available first to satisfy the claims of its creditors. The company has provided an undertaking to Ball Capital Corp. II in support of the sale of receivables to a commercial lender or lenders which would require performance upon certain events of default referred to in the undertaking. The maximum potential amount which could be paid is equal to the outstanding amounts due under the accounts receivable financing (see Note 6). The company, the relevant subsidiaries and Ball Capital Corp. II are not in default under the above credit arrangement.

From time to time, the company is subject to claims arising in the ordinary course of business. In the opinion of management, no such matter, individually or in the aggregate, exists which is expected to have a material adverse effect on the company's consolidated results of operations, financial position or cash flows.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and the accompanying notes. Ball Corporation and its subsidiaries are referred to collectively as "Ball" or the "company" or "we" and "our" in the following discussion and analysis.

BUSINESS OVERVIEW

Ball Corporation is one of the world's leading suppliers of metal and plastic packaging to the beverage, food and household products industries. Our packaging products are produced for a variety of end uses and are manufactured in plants around the world. We also supply aerospace and other technologies and services to governmental and commercial customers.

We sell our packaging products primarily to major beverage and food producers and producers of household use products with which we or the companies we have acquired have developed long-term customer relationships. This is evidenced by our high customer retention and our large number of long-term supply contracts. While we have diversified our customer base, we do sell a majority of our packaging products to relatively few major beverage and food companies in North America, Europe, the People's Republic of China (PRC) and Argentina, as do our equity joint ventures in Brazil, the U.S. and the PRC. We also purchase raw materials from relatively few suppliers. Because of our customer and supplier concentration, our business, financial condition and results of operations could be adversely affected by the loss of a major customer or supplier or a change in a supply agreement with a major customer or supplier, although our long-term relationships and contracts mitigate these risks.

In the rigid packaging industry, sales and earnings can be improved by reducing costs, developing new products, volume expansion and increasing pricing. In 2005 we commenced a project to upgrade and streamline our North American beverage can end manufacturing capabilities, a project that will result in productivity gains and cost reductions as its stages are completed. While the U.S. and Canadian beverage container manufacturing industry is relatively mature, the European, PRC and Brazilian beverage can markets are growing and are expected to continue to grow. We are capitalizing on this growth by continuing to reconfigure some of our European can manufacturing lines and by having constructed a new beverage can manufacturing plant in Belgrade, Serbia, in 2005. To better position the company in the European market, the capacity from the fire-damaged Hassloch, Germany, plant will be replaced with a mix of steel beverage can manufacturing capacity in the Hassloch plant and aluminum beverage can manufacturing capacity in the company's Hermsdorf, Germany, plant.

Ball's consolidated earnings are exposed to foreign exchange rate fluctuations. We attempt to mitigate this exposure through the use of derivative financial instruments, as discussed in "Quantitative and Qualitative Disclosures About Market Risk" within Item 3 of this report.

As part of our packaging strategy, we are focused on developing and marketing new and existing products that meet the needs of our beverage and food customers. These innovations include new shapes, sizes, opening features and other functional benefits of both metal and plastic packaging. This packaging development activity helps us maintain and expand our supply positions with major beverage, food and household products customers.

The primary customers for the products and services provided by our aerospace and technologies segment are U.S. government agencies or their prime contractors. It is possible that federal budget reductions and priorities, or changes in agency budgets, could limit future funding and new contract awards or delay or prolong contract performance.

We recognize sales under long-term contracts in the aerospace and technologies segment using the cost-to-cost, percentage of completion method of accounting. Our present contract mix consists of approximately two-thirds cost-plus contracts, which are billed at our costs plus an agreed upon and/or earned profit component, and approximately one-third fixed price contracts. We include time and material contracts in the fixed price category because such contracts typically provide for the sale of engineering labor at fixed hourly rates.

Throughout the period of contract performance, we regularly reevaluate and, if necessary, revise our estimates of total contract revenue, total contract cost and progress toward completion. Because of contract payment schedules, limitations on funding and other contract terms, our sales and accounts receivable for this segment include amounts that have been earned but not yet billed.

Management uses various measures to evaluate company performance. The primary financial measures we use are earnings before interest and taxes (EBIT), earnings before interest, taxes, depreciation and amortization (EBITDA), diluted earnings per share, economic value added (operating earnings, as defined by the company, less our cost of capital), operating cash flow and free cash flow (generally defined by the company as cash flow from operating activities less capital expenditures). These financial measures may be adjusted at times for items that affect comparability between periods. Nonfinancial measures in the packaging segments include production spoilage rates, quality control measures, safety statistics and production and shipment volumes. Additional measures used to evaluate performance in the aerospace and technologies segment include contract revenue realization, award and incentive fees realized, proposal win rates and backlog (including awarded, contracted and funded backlog).

We recognize that attracting and retaining quality employees is critically important to the success of Ball and, because of this, we strive to pay employees competitively and encourage their prudent ownership of the company's common stock. For most management employees, a meaningful portion of compensation is at risk as an incentive, dependent upon economic value added operating performance. For more senior positions, more compensation is at risk. Through our employee stock purchase plan and 401(k) plan, which matches employee contributions with Ball common stock, many employees, regardless of organizational level, have opportunities to participate as Ball shareholders.

RECENT DEVELOPMENTS

On March 27, 2006, Ball acquired all of the issued and outstanding shares of U.S. Can Corporation (U.S. Can) for consideration of 758,981 common shares of Ball Corporation (valued at $44.28 per share for a total of $33.6 million). In July 2006 a purchase price adjustment of $13.9 million reduced the number of shares to 444,690 shares. The remaining 314,291 shares are due to be returned to the company during the third quarter of 2006. In connection with the acquisition, Ball refinanced $598.2 million of U.S. Can debt, including $26.8 million of bond redemption premiums and fees, and over the next several years expects to realize approximately $42 million for acquired net operating tax loss carryforwards. This acquisition added to the company's portfolio of rigid packaging products and provides a meaningful position in a sizeable product line. As a result of this acquisition, Ball became the largest manufacturer of aerosol cans in North America and now manufactures aerosol cans, paint cans, plastic containers and custom and specialty cans in 10 plants in the U.S. and aerosol cans in two plants in Argentina. The newly acquired operations have annual sales of approximately $600 million. The acquired business forms part of Ball's metal food and household products packaging, Americas, segment and its results have been included since the date of acquisition.

On March 28, 2006, Ball acquired North American plastic bottle container assets from Alcan Packaging (Alcan) for $184.7 million cash, including a $4.7 million working capital adjustment determined during the second quarter in accordance with the terms of the acquisition agreement. This acquisition strengthens the company's plastic container business and complements its food container business. The acquired assets included two plastic container manufacturing plants in the U.S. and one in Canada, as well as certain manufacturing equipment and other assets from other Alcan facilities. The acquired business primarily manufactures and sells barrier polypropylene plastic bottles used in food packaging and, to a lesser extent, barrier PET plastic bottles used for beverages and food. The acquired operations have annual sales of approximately $150 million. The operations form part of Ball's plastic packaging, Americas, segment and their results have been included since the date of acquisition.

The company refinanced U.S. Can's debt at significantly lower interest rates through the issuance by Ball Corporation of $450 million of new senior notes and a $500 million increase in bank debt under the new senior credit facilities put in place in the fourth quarter of 2005. The proceeds of these financings were also used to acquire the Alcan operations and to reduce seasonal working capital debt.

In June 2006 the company's U.S. defined benefit plans for salaried employees were amended to provide more flexibility for future pension benefits by allowing portability and changing the benefit to a career average pay scheme that grows by a prescribed amount annually. The annual accounting expense under the amended plans will be lower and more predictable. The amendments, which will be effective January 1, 2007, are expected to reduce 2006 pension expense by $7 million and reduce future annual pension expense by $7 million to $8 million. The majority of the expected pension expense reductions will be included in cost of sales. At the remeasurement date for the pension liabilities, the unfunded status was reduced by approximately $71 million.

CONSOLIDATED SALES AND EARNINGS

The company has determined that it has five reportable segments organized along a combination of product lines and geographic areas: (1) metal beverage packaging, Americas, (2) metal food and household products packaging, Americas, (3) plastic packaging, Americas, (4) metal beverage packaging, Europe/Asia and (5) aerospace and technologies. We also have investments in companies in the U.S., the PRC and Brazil, which are accounted for using the equity method of accounting and, accordingly, those results are not included in segment sales or earnings.

Metal Beverage Packaging, Americas

The metal beverage packaging, Americas, segment consists of operations located in the U.S., Canada and Puerto Rico, which manufacture metal container products used primarily in beverage packaging. Sales in this segment, which represented 40 percent of consolidated net sales in the second quarter of 2006 and 42 percent in the first six months, were 11 percent higher in the second quarter of 2006 than in 2005 as a result of higher sales volumes and prices. For 2006 the increased sales over 2005 were driven by favorable weather in many parts of the U.S. and Canada, as well as the promotion of 12-ounce can packages by beer and soft drink companies. Additionally, selling prices were increased due to higher raw material costs being passed through to our customers. Sales in the first quarter of 2005 were also negatively affected by poor weather and general softness in the beer and soft drink markets.

Segment earnings of $67.4 million in the second quarter of 2006 were flat compared to the same period in 2005 while earnings of $121.9 million in the first six months of 2006 were 6 percent lower than the prior year earnings of $129.2 million for the same period. Despite higher sales, earnings growth was constrained by product mix and continued year-over-year cost growth, particularly higher energy, other direct material and freight costs. While contract price escalations have commenced for many of our customers, cost growth has continued to outpace price increases.

We continue to focus efforts on the growing custom beverage can business, which includes cans of different shapes, diameters and fill volumes, and cans with added functional attributes for new products and product line extensions. During the first quarter of 2006, we completed the conversion of a line in our Monticello, Indiana, plant from 12-ounce can manufacturing to a line capable of producing other sizes. The multi-year project begun in 2005 to streamline and upgrade our end manufacturing capabilities is progressing well but with some delays in equipment delivery and start-up.

Metal Beverage Packaging, Europe/Asia

The metal beverage packaging, Europe/Asia, segment includes metal beverage packaging products manufactured in Europe and Asia as well as plastic containers manufactured in Asia. This segment accounted for 23 percent of consolidated net sales in the second quarter and first six months of 2006. Segment sales in the second quarter and first six months of 2006 were 10 percent and 6 percent higher than in the same periods of 2005, respectively, with higher sales volumes in Europe and Asia being partially offset by the impact of weakened foreign currency exchange rates. Higher segment sales volumes were aided by favorable European weather and Germany hosting the World Cup soccer championship which commenced in June 2006.

Segment earnings of $142.5 million in the second quarter of 2006 and $171.1 million in the first six months included a $74.1 million property insurance gain related to a fire at the company's Hassloch, Germany, metal beverage can plant (further details are provided below). Segment earnings in 2005 were $58.2 million for the second quarter and $88.5 million for the first six months and included a $3.4 million expense in the first quarter for the write off of the remaining carrying value of an equity investment in the PRC. Segment earnings in 2006 were higher than in 2005 due to higher volumes, price recovery initiatives and effective manufacturing cost controls, partially offset by higher raw material, freight and energy costs, and price compression in the PRC. In addition, earnings in the first six months of 2006 were negatively affected compared to 2005 by approximately $2 million from the weakened euro against the U.S. dollar in the first quarter of 2006.

On April 1, 2006, a fire in the metal beverage can plant in Hassloch, Germany, damaged the majority of the building and machinery and equipment. The property insurance proceeds recorded in the six months ended July 2, 2006, which are based on replacement cost, were €85.4 million, of which €26 million ($32.4 million) was received in April 2006. A €27 million fixed asset write down was recorded to reflect the estimated impairment of the assets damaged as a result of the fire. As a result, a gain of €58.4 million ($74.1 million pretax, $45.2 million after tax) has been recorded in the consolidated statement of earnings to reflect the difference between the net book value of the impaired assets and the property insurance proceeds. An additional €15 million ($19 million) was recorded in cost of sales in the second quarter for insurance recoveries related to business interruption costs, as well as €9 million ($11 million) to offset clean-up costs. Additional business interruption, clean up and property damage cost recoveries will be recognized in future applicable periods as they are reimbursed by the insurance company.

In June the company announced its intention to rebuild the Hassloch plant with two steel lines and to add an aluminum line in its Hermsdorf, Germany, plant. All three lines are expected to be operational during the second quarter of 2007.

Metal Food & Household Products Packaging, Americas

The metal food and household products packaging, Americas, segment consists of operations located in the U.S., Canada and Argentina. With the acquisition of U.S. Can (discussed in the "Recent Developments" section), the segment has added to its metal food can manufacturing the production of aerosol cans, paint cans, certain plastic containers and custom and specialty cans.

Segment sales, which comprised 17 percent of consolidated net sales in the second quarter of 2006 and 16 percent in the first six months, were 75 percent and 39 percent above the same periods of 2005. The primary reason for the increase was the acquisition of U.S. Can. Also contributing to the higher sales in 2006 was the pass through of higher raw material costs.

Segment earnings were $12.8 million in the second quarter of 2006 compared to a loss of $6 million in the second quarter of 2005, and $14.6 million in the first six months of 2006 compared to $7 million in 2005. The first quarter of 2006 included a pretax charge of $2.1 million ($1.4 million after tax) for employee benefit and decommissioning costs related to the shut down of a metal food can manufacturing line in Ball's Whitby, Ontario, plant. The second quarter of 2006 included earnings of $0.4 million related to the closure of a three-piece food can manufacturing plant in Quebec in the second quarter of 2005. The second quarter 2005 pretax charge was $8.8 million ($5.9 million after tax). Higher sales volumes related to the U.S. Can acquisition helped improve segment earnings in the second quarter of 2006, despite the negative impact of continued year-over-year increases in energy and other direct material costs.

Additional details regarding business consolidation activities are available in Note 5 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report.

Plastic Packaging, Americas

The plastic packaging, Americas, segment consists of operations located in the U.S. and Canada which manufacture polyethylene terephthalate (PET) and polypropylene plastic container products used mainly in beverage and food packaging. Segment sales, which accounted for 10 percent of consolidated net sales in the second quarter of 2006 and 9 percent in the first six months, were 34 percent and 21 percent higher than in the same periods of 2005, respectively. The segment sales increase in 2006 was related to the plant and other asset acquisitions and higher PET bottle volumes, partially offset by the increased promotions of metal beverage cans by certain customers. We continue to focus PET development efforts in the custom hot-fill, beer, wine, flavored alcoholic beverage and specialty container markets and are adding specialty container production capacity to accommodate new demand. In the food and specialty area, development efforts are focused on custom markets for gamma clear and retort applications. Segment earnings of $7.4 million in the second quarter of 2006 were higher than 2005 earnings of $4.7 million, primarily as a result of the incremental sales due to the acquisition, and were partially offset by energy cost increases, the timing of resin cost increases and costs incurred for the Constar International, Inc., litigation that was favorably resolved in July 2006 (discussed within Part II, Item 2, of this report). Earnings in the second quarter of 2006 also included purchase accounting adjustments of $1.2 million which increased cost of sales due to the step up to fair market value of acquired finished goods inventory.

Aerospace and Technologies

Aerospace and technologies segment sales, which represented 10 percent of consolidated net sales in both the second quarter and first six months of 2006, were 3 percent lower in the second quarter of 2006 than in 2005 and 8 percent lower in the first six months. The lower sales were largely due to contracts being completed during the periods, as well as the impact of government funding reductions and program delays. Segment earnings were $8.3 million in the second quarter of 2006 compared to $14.9 million in 2005 and $17.8 million in the first six months compared to $23.8 million in 2005. The first quarter of 2005 included an expense of $3.8 million for the write down to net realizable value of an equity investment in an aerospace company. That investment was sold in October 2005. Earnings in 2006 were negatively affected by the lower sales due to program delays and increased nonrecoverable pension costs.

Contracted backlog in the aerospace and technologies segment was $761 million at both July 2, 2006, and December 31, 2005. Comparisons of backlog are not necessarily indicative of the trend of future operations.

For additional information on our segment operations, see the Summary of Business by Segment in Note 3 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report.

Selling, General and Administrative

Selling, general and administrative (SG&A) expenses were $73.5 million in the second quarter of 2006 compared to $58.5 million for the same period in 2005 and $143.8 million in the first six months of 2006 compared to $121.6 million in the first six months of 2005. Subsequent to the issuance of its financial statements for the year ended December 31, 2005, the company determined that certain foreign currency exchange losses had been inadvertently deferred for the years 2003, 2004 and 2005. Since the amounts were not material, individually or in the aggregate, to any previously issued financial statements or to our expected full year results of operations for 2006, a cumulative $5.8 million out-of-period adjustment was included in SG&A expenses in the first quarter of 2006.

In addition to the above, the increase in selling SG&A expenses in 2006 compared to 2005 is primarily the result of additional SG&A from the U.S. Can acquisition, higher expense associated with the adoption of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), normal compensation and benefit increases and higher rates associated with the company's receivables sales agreement. While the first quarter of 2005 included $7.2 million for the write down of PRC and aerospace equity investments, cost increases occurred in 2006 for items other than those mentioned above, none of which were individually significant.

Interest and Taxes

Consolidated interest expense was $37.6 million for the second quarter of 2006 compared to $24.3 million in the same period of 2005 and $60.9 million for the first six months of 2006 compared to $50.1 million for the same period in 2005. The higher expense in 2006 was primarily due to the additional borrowings used to finance the acquisitions of U.S. Can and Alcan plants.

The consolidated effective income tax rate was approximately 32 percent for the first six months of 2006 compared to 32.6 percent for the same period in 2005. While the effective rates are similar for both years, the rate in 2006 was affected by applying the 39 percent German marginal tax rate on the insurance gain, partially offset by the effect of $4 million of tax benefits recorded as a result of the settlement of certain tax matters. The 2005 tax rate was primarily affected by the fact that no benefit was provided in respect of certain equity investment write downs in the first quarter of 2005. The $3.8 million write down in 2005 of the aerospace equity investment is not tax deductible while the realization of tax deductibility of the $3.4 million PRC write down, which will be a capital loss, is not reasonably assured as the company does not have, nor does it anticipate, any capital gains to utilize the losses.

There has been no change in connection with the Internal Revenue Service's (IRS) examination of Ball's consolidated income tax returns for the tax years 2000 through 2004 that would affect Ball's position that it will sustain its deductions of interest expense incurred on loans under a company-owned life insurance plan that has been in place for more than 20 years. Therefore, no provision for loss has been accrued for the IRS's proposed disallowance. The total potential liability for the audited years 1999 through 2004 and unaudited year 2005 is approximately $27 million, excluding related penalties and interest. See Note 12 to the consolidated financial statements within Item 1 of this report for additional information.

NEW ACCOUNTING PRONOUNCEMENTS

For information regarding recent accounting pronouncements, see Note 2 to the unaudited condensed consolidated financial statements within Item 1 of this report.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows and Capital Expenditures

Cash flow used in operations was $66.2 million in the first six months of 2006 compared to $70.2 million cash flow generated in the first six months of 2005. Negatively affecting 2006 cash flow from operations were cash pension funding and higher working capital levels compared to the prior year. The changes in these working capital items reflected seasonality and timing of customer purchases.

Based on information currently available, we estimate 2006 capital spending to be approximately $300 million compared to 2005 spending of $291.7 million. The 2006 estimate includes capital spending related to the acquired plants but excludes spending for the replacement of the fire-damaged assets in Germany, which is expected to be reimbursed by insurance proceeds.

Debt Facilities and Refinancing

Interest-bearing debt increased to $2,646.9 million at July 2, 2006, compared to $1,589.7 million at December 31, 2005. This increase includes the issuance by Ball Corporation of $450 million of 6.625% senior notes due in 2018 and a $500 million increase in bank debt under Ball Corporation's new senior credit facilities put in place in the fourth quarter of 2005. The proceeds from these financings were used to refinance existing U.S. Can debt at lower interest rates, acquire certain net assets of Alcan and reduce seasonal working capital debt.

We intend to emphasize debt reduction during the remainder of 2006 and, subject to foreign currency exchange rate fluctuations, expect to end the year with debt $400 million to $450 million lower than at July 2, 2006. Our stock repurchase program, net of issuances, is expected to be in the $50 million range in 2006 compared to $358.1 million in 2005.

At July 2, 2006, approximately $472 million was available under the company's multi-currency revolving credit facilities. In addition, the company had short-term uncommitted credit facilities of $301 million at the end of the first quarter, of which $115.8 million was outstanding and due on demand.

The company has a receivables sales agreement that provides for the ongoing, revolving sale of a designated pool of trade accounts receivable of Ball's North American packaging operations, up to $225 million. The agreement qualifies as off-balance sheet financing under the provisions of SFAS No. 140. Net funds received from the sale of the accounts receivable totaled $175.3 million at July 2, 2006, and $210 million at December 31, 2005.

The company was in compliance with all loan agreements at July 2, 2006, and has met all debt payment obligations. Additional details about the company's debt and receivables sales agreement are available in Notes 11 and 6, respectively, accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report.

Other Liquidity Items

Maturities on the Term D loan facility and 6.625% senior notes due in 2018 (both issued in connection with the acquisitions in March) are expected to be $12.5 million, $50 million, $62.5 million, $150 million and $225 million for the years ended December 31, 2007, through 2011, respectively, and $450 million in 2018. The company is evaluating the effects the acquisitions will have on its purchase obligations and operating lease commitments. In certain cases, contracts assumed in the acquisitions are being renegotiated.

Contributions to the company's defined benefit plans are expected to be approximately $77 million in 2006. This estimate may change based on plan asset performance, the revaluation of the plans' liabilities later in 2006 and revised estimates of 2006 full-year cash flows.

CONTINGENCIES, INDEMNIFICATIONS AND GUARANTEES

Details about the company's contingencies, indemnifications and guarantees are available in Notes 16 and 17 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, we employ established risk management policies and procedures to reduce our exposure to fluctuations in commodity prices, interest rates, foreign currencies and prices of the company's common stock in regard to common share repurchases. Although the instruments utilized involve varying degrees of credit, market and interest risk, the counterparties to the agreements are expected to perform fully under the terms of the agreements.

We have estimated our market risk exposure using sensitivity analysis. Market risk exposure has been defined as the changes in fair value of derivative instruments, financial instruments and commodity positions. To test the sensitivity of our market risk exposure, we have estimated the changes in fair value of market risk sensitive instruments assuming a hypothetical 10 percent adverse change in market prices or rates. The results of the sensitivity analysis are summarized below.

Commodity Price Risk

We manage our North American commodity price risk in connection with market price fluctuations of aluminum primarily by entering into can and end sales contracts, which generally include aluminum-based pricing terms that consider price fluctuations under our commercial supply contracts for aluminum purchases. Such terms may include a fixed price or an upper limit to the aluminum component pricing. This matched pricing affects substantially all of our metal beverage packaging, Americas, net sales. We also, at times, use certain derivative instruments such as option and forward contracts as cash flow hedges of commodity price risk.

Most of the plastic packaging, Americas, sales contracts negotiated through the end of the second quarter include provisions to pass through resin cost changes. As a result, we believe we have minimal exposure related to changes in the cost of plastic resin. Many of our metal food and household products packaging, Americas, sales contracts negotiated through the end of the second quarter either include provisions permitting us to pass through some or all steel cost changes we incur or incorporate annually negotiated steel costs. We anticipate we will be able to pass through the majority of the steel price increases that occur in 2006.

In Europe and Asia the company manages aluminum and steel raw material commodity price risks through annual and long-term contracts for the purchase of the materials, as well as certain sales contracts, that reduce the company's exposure to fluctuations in commodity prices within the current year. These purchase and sales contracts include fixed price, floating and pass-through pricing arrangements. The company also uses forward and option contracts as cash flow hedges to minimize the company's exposure to significant price changes for those sales contracts where there is not a pass-through arrangement. Despite these efforts, the rapid and unprecedented increase in the price of aluminum in recent months is expected to cause margin compression in our metal beverage container business in the PRC during the remainder of 2006.

Outstanding derivative contracts at the end of the second quarter 2006 expire within two years. Included in shareholders' equity at July 2, 2006, within accumulated other comprehensive loss, is approximately $9.2 million of net loss associated with these contracts, of which $15.2 million of net loss is expected to be recognized in the consolidated statement of earnings during the next 12 months. Gains and/or losses on these derivative contracts will be offset by higher and/or lower costs on metal purchases.

Considering the effects of derivative instruments, the market's ability to accept price increases and the company's commodity price exposures, a hypothetical 10 percent adverse change in the company's metal prices could result in an estimated $17 million after-tax reduction of net earnings over a one-year period. Additionally, if foreign currency exchange rates were to change adversely by 10 percent, we estimate there could be a $17 million after-tax reduction of net earnings over a one-year period for foreign currency exposures on the metal. Actual results may vary based on actual changes in market prices and rates.

The company is also exposed to fluctuations in prices for energy such as natural gas and electricity. A hypothetical 10 percent increase in our energy prices could result in an estimated $8.9 million after-tax reduction of net earnings over a one-year period. Actual results may vary based on actual changes in market prices and rates.

Interest Rate Risk

Our objectives in managing exposure to interest rate changes are to limit the effect of such changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we use a variety of interest rate swaps and options to manage our mix of floating and fixed-rate debt. Interest rate instruments held by the company at July 2, 2006, included pay-fixed interest rate swaps. Pay-fixed swaps effectively convert variable rate obligations to fixed rate instruments. Swap agreements expire at various times within the next 5 years. Included in shareholders' equity at July 2, 2006, within accumulated other comprehensive loss, is approximately $3.9 million of net gain associated with these contracts, of which $0.7 million of net earnings is expected to be recognized in the consolidated statement of earnings during the next 12 months. Approximately $1.3 million of net gain related to the termination or deselection of hedges is included in the above accumulated other comprehensive loss at July 2, 2006. The amount recognized in 2006 earnings related to terminated hedges is insignificant.

Based on our interest rate exposure at July 2, 2006, assumed floating rate debt levels through the second quarter of 2007 and the effects of derivative instruments, a 100 basis point increase in interest rates could result in an estimated $7.4 million after-tax reduction of net earnings over a one-year period. Actual results may vary based on actual changes in market prices and rates and the timing of these changes.

Foreign Currency Exchange Rate Risk

Our objective in managing exposure to foreign currency fluctuations is to protect foreign cash flows and earnings associated with foreign exchange rate changes through the use of cash flow hedges. In addition, we manage foreign earnings translation volatility through the use of foreign currency options. Our foreign currency translation risk results from the European euro, British pound, Canadian dollar, Polish zloty, Chinese renminbi, Brazilian real, Argentine peso and Serbian dinar. We face currency exposures in our global operations as a result of purchasing raw materials in U.S. dollars and, to a lesser extent, in other currencies. Sales contracts are negotiated with customers to reflect cost changes and, where there is not a foreign exchange pass-through arrangement, the company uses forward and option contracts to manage foreign currency exposures. Contracts outstanding at the end of the second quarter 2006 expire within one year. At July 2, 2006, there were no amounts included in accumulated other comprehensive loss for these items.

Considering the company's derivative financial instruments outstanding at July 2, 2006, and the currency exposures, a hypothetical 10 percent reduction in foreign currency exchange rates compared to the U.S. dollar could result in an estimated $26.4 million after-tax reduction of net earnings over a one-year period. This amount includes the $17 million currency exposure discussed above in the "Commodity Price Risk" section. Actual changes in market prices or rates may differ from hypothetical changes.

Common Share Repurchases

In connection with the company's ongoing share repurchases, the company sells put options which give the purchasers of those options the right to sell shares of the company's common stock to the company on specified dates at specified prices upon the exercise of those options. Our objective in selling put options is to lower the average purchase price of acquired shares. At July 2, 2006, there were put option contracts outstanding for 150,000 shares at a price of $34.6503 per share.

Item 4. CONTROLS AND PROCEDURES

Our chief executive officer and chief financial officer participated in management's evaluation of our disclosure controls and procedures, as defined by the Securities and Exchange Commission (SEC), as of the end of the period covered by this report and concluded that our disclosure controls and procedures were effective.

During the quarter, there was no change in the company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting. In the first quarter of 2006, the company acquired certain operations of U.S. Can Corporation (U.S. Can) on March 27, 2006, and certain assets of Alcan Packaging (Alcan) on March 28, 2006. (Additional details are available in Note 4 to the consolidated financial statements within Item 1 of this report.) As a result of these acquisitions, the company has included our recently acquired U.S. Can and Alcan operations within its system of internal controls over financial reporting. Pursuant to rules promulgated under Section 404 of the Sarbanes-Oxley Act of 2002, the controls for these acquired operations are required to be evaluated and tested by the end of 2007.

FORWARD-LOOKING STATEMENTS

The company has made or implied certain forward-looking statements in this quarterly report which are made as of the end of the time frame covered by this report. These forward-looking statements represent the company's goals, and results could vary materially from those expressed or implied. From time to time we also provide oral or written forward-looking statements in other materials we release to the public. As time passes, the relevance and accuracy of forward-looking statements may change. Some factors that could cause the company's actual results or outcomes to differ materially from those discussed in the forward-looking statements include, but are not limited to: fluctuation in customer and consumer growth and demand; loss of one or more major customers or suppliers or changes to contracts with one or more customers or suppliers; insufficient production capacity; overcapacity in foreign and domestic metal and plastic container industry production facilities and its impact on pricing and financial results; failure to achieve anticipated productivity improvements or production cost reductions, including those associated with capital expenditures such as our beverage can end project; changes in climate and weather; fruit, vegetable and fishing yields; power and natural resource costs; difficulty in obtaining supplies and energy, such as gas and electric power; availability and cost of raw materials, as well as the recent significant increases in resin, steel, aluminum and energy costs, and the ability or inability to include or pass on to customers changes in raw material costs; changes in the pricing of the company's products and services; competition in pricing and the possible decrease in, or loss of, sales resulting therefrom; insufficient or reduced cash flow; transportation costs; the number and timing of the purchases of the company's common shares; regulatory action or federal and state legislation including mandated corporate governance and financial reporting laws; the German mandatory deposit or other restrictive packaging legislation such as recycling laws; increases in interest rates, particularly on floating rate debt of the company; labor strikes; increases and trends in various employee benefits and labor costs, including pension, medical and health care costs incurred in the countries in which Ball has operations; rates of return projected and earned on assets and discount rates used to measure future obligations and expenses of the company's defined benefit retirement plans; boycotts; antitrust, intellectual property, consumer and other litigation; maintenance and capital expenditures; goodwill impairment; the effect of LIFO accounting on earnings; changes in generally accepted accounting principles or their interpretation; local economic conditions; the authorization, funding and availability of contracts for the aerospace and technologies segment and the nature and continuation of those contracts and related services provided thereunder; delays, extensions and technical uncertainties, as well as schedules of performance associated with such segment contracts; international business and market risks such as the devaluation of certain currencies; international business risks (including foreign exchange rates and activities of foreign subsidiaries) in Europe and particularly in developing countries such as the PRC, Brazil and Argentina; changes in the foreign exchange rates of the U.S. dollar against the European euro, British pound, Polish zloty, Serbian dinar, Hong Kong dollar, Canadian dollar, Chinese renminbi, Brazilian real and Argentine peso, and in the foreign exchange rate of the European euro against the British pound, Polish zloty and Serbian dinar; terrorist activity or war that disrupts the company's production or supply; regulatory action or laws including tax, environmental and workplace safety; technological developments and innovations; successful or unsuccessful acquisitions, joint ventures or divestitures and the integration activities associated therewith, including the businesses recently acquired from the shareholders of U.S. Can and from Alcan Packaging; changes to unaudited results due to statutory audits of our financial statements or management's evaluation of the company's internal controls over financial reporting; changes in the company's pension plans; and loss contingencies related to income and other tax matters, including those arising from audits performed by U.S. and foreign tax authorities. If the company is unable to achieve its goals, then the company's actual performance could vary materially from those goals expressed or implied in the forward-looking statements. The company currently does not intend to publicly update forward-looking statements except as it deems necessary in quarterly or annual earnings reports. You are advised, however, to consult any further disclosures we make on related subjects in our 10-K, 10-Q and 8-K reports to the Securities and Exchange Commission.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As previously reported, on October 6, 2005, Ball Metal Beverage Container Corp. (BMBCC), a wholly owned subsidiary of the company, was served with an amended complaint filed by Crown Packaging Technology, Inc. et al (Crown), in the U.S. District Court for the Southern District of Ohio, Western Division of Dayton, Ohio. The complaint alleges that the manufacture, sale and use of certain ends by BMBCC and its customers infringes on certain claims of Crown's U.S. patents. The complaint seeks unspecified monetary damages, fees and declaratory and injunctive relief. BMBCC has formally denied the allegations of the complaint. A trial date is set for May 7, 2007. Discovery is continuing in the case. Based on the information available to the company at the present time, the company does not believe that this matter will have a material adverse effect upon the liquidity, results of operations or financial condition of the company.

As previously reported, on November 21, 2005, Ball Plastic Container Corp. (BPCC), a wholly owned subsidiary of the company, was served with a complaint filed by Constar International Inc. (Constar) in the U.S. District Court for the Western District of Wisconsin. The complaint alleges that the manufacture and sale of plastic bottles having oxygen barrier properties infringes on certain claims of a Constar U.S. patent. Constar also sued Honeywell International, Inc., the supplier of the oxygen barrier material to BPCC. The complaint sought monetary damages, fees and declaratory and injunctive relief. BPCC formally denied the allegations of the complaint. On July 26, 2006, this case was settled by the parties. This matter is now resolved without any material adverse effect upon the liquidity, results of operations or the financial condition of the company.

Item 1A. Risk Factors

There can be no assurance that the U.S. Can and Alcan businesses, or any acquisition, will be successfully integrated into the acquiring company (see Note 4 to the consolidated financial statements within Item 1 of this report for details of the recent Ball acquisitions).

While we have what we believe to be well designed integration plans, if we cannot successfully integrate U.S. Can's and Alcan's operations with those of Ball, we may experience material negative consequences to our business, financial condition or results of operations. The integration of companies that have previously been operated separately involves a number of risks, including, but not limited to:

- demands on management related to the increase in our size after the acquisition;
- the diversion of management's attention from the management of existing operations to the integration of the acquired operations;
- difficulties in the assimilation and retention of employees;
- difficulties in the integration of departments, systems, including accounting systems, technologies, books and records and procedures, as well as in maintaining uniform standards, controls, including internal accounting controls, procedures and policies;
- expenses related to any undisclosed or potential liabilities; and
- retention of major customers and suppliers.

Prior to the acquisitions, Ball, U.S. Can and Alcan operated as separate entities. We may not be able to achieve potential synergies or maintain the levels of revenue, earnings or operating efficiency that each entity had achieved or might achieve separately. The successful integration of U.S. Can's and Alcan's operations will depend on our ability to manage those operations, realize opportunities for revenue growth presented by strengthened product offerings and, to some degree, to eliminate redundant and excess costs.

Other risk factors can be found within Item 1A of the company's annual report on Form 10-K.

Item 2. Changes in Securities

The following table summarizes the company's repurchases of its common stock during the quarter ended July 2, 2006.

Purchases of Securities				
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs *(b)*
April 3 to April 30, 2006	7,244	$ 42.41	7,244	11,165,348
May 1 to May 28, 2006	275,210	$ 38.23	275,210	10,890,138
May 29 to July 2, 2006	104,091	$ 37.03	104,091	10,786,047
Total	386,545 *(a)*	$ 37.99	386,545	

(a) Includes open market purchases and/or shares retained by the company to settle employee withholding tax liabilities.
(b) The company has an ongoing repurchase program for which shares are authorized from time to time by Ball's board of directors.

Item 3. Defaults Upon Senior Securities

There were no events required to be reported under Item 3 for the quarter ended July 2, 2006.

Item 4. S ubmission of Matters to a Vote of Security Holders

The company held the Annual Meeting of Shareholders on April 26, 2006. Matters voted upon by proxy, and the results of the votes, were as follows:

	For	Against/ Withheld	Abstained/ Broker Non-Vote
Election of directors for terms expiring in 2009:			
Howard M. Dean	87,597,630	2,709,548	–
R. David Hoover	88,512,398	1,794,780	–
Jan Nicholson	88,494,173	1,831,005	–
Appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for 2006	88,137,518	1,478,187	691,473
Action upon non-binding shareholder proposal to declassify Board of Directors	36,650,949	28,432,137	25,224,092

Item 5. Other Information

There were no events required to be reported under Item 5 for the quarter ended July 2, 2006.

Item 6. Exhibits

10	Ball Corporation Acquisition-Related, Special Incentive Plan - Combined Metal Food & Household Products Packaging Division and Plastics Packaging Division, which provides for certain cash incentive payments based upon the attainment of certain performance criteria
20	Subsidiary Guarantees of Debt
31	Certifications pursuant to Rule 13a-14(a) or Rule 15d-14(a), by R. David Hoover, Chairman of the Board, President and Chief Executive Officer of Ball Corporation and by Raymond J. Seabrook, Executive Vice President and Chief Financial Officer of Ball Corporation
32	Certifications pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, by R. David Hoover, Chairman of the Board, President and Chief Executive Officer of Ball Corporation and by Raymond J. Seabrook, Executive Vice President and Chief Financial Officer of Ball Corporation
99	Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995, as amended

SIGNATURE

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

Ball Corporation
(Registrant)

By: /s/ Raymond J. Seabrook
Raymond J. Seabrook
Executive Vice President and Chief Financial Officer

Date: August 9, 2006

EXHIBIT INDEX

Description	Exhibit
Ball Corporation Acquisition-Related, Special Incentive Plan - Combined Metal Food & Household Products Packaging Division and Plastics Packaging Division, which provides for certain cash incentive payments based upon the attainment of certain performance criteria (Form of the plan filed herewith.)	EX-10
Subsidiary Guarantees of Debt (Filed herewith.)	EX-20
Certifications pursuant to Rule 13a-14(a) or Rule 15d-14(a), by R. David Hoover, Chairman of the Board, President and Chief Executive Officer of Ball Corporation and by Raymond J. Seabrook, Executive Vice President and Chief Financial Officer of Ball Corporation (Filed herewith.)	EX-31
Certifications pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, by R. David Hoover, Chairman of the Board, President and Chief Executive Officer of Ball Corporation and by Raymond J. Seabrook, Executive Vice President and Chief Financial Officer of Ball Corporation (Furnished herewith.)	EX-32
Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995, as amended (Filed herewith.)	EX-99

Memorandum

May 2, 2006

TO:

FROM: R. David Hoover

SUBJECT: Acquisition-Related, Special Incentive Plan - Combined Metal Food & Household Products Packaging Division and Plastics Packaging Division

I am pleased to advise you that you have been selected to participate in the Acquisition-Related, Special Incentive Plan (“Plan”). This program is available only to selected executives and senior managers who are in a position to impact significantly the successful integration of U.S. Can and Alcan Plastics into our business or to enhance and sustain the success of our other business units while the integration efforts proceed.

The terms of the Plan are as follows:

1. (a) Payment Contingent. Except as provided otherwise by paragraph 4 below, this Plan will pay you an amount of money determined in accordance with the provisions of paragraph 2 below, if (and only if) (i) the combination of the Company’s Metal Food & Household Products Packaging Division and Plastics Packaging Division (“Combined Divisions”) exceeds the Threshold EBIT Goal or the Threshold Cash Flow Goal for a Performance Period (as such terms are defined in paragraphs 1(b) and 1(c) below), and (ii) you are continuously employed full time by the Company from the effective date of this Plan, January 1, 2006, until the close of such Performance Period in your current position or another position eligible for inclusion in this Plan. If the Combined Divisions exceeds the Threshold EBIT Goal and the Threshold Cash Flow Goal for none of the Performance Periods, or if you are not continuously employed full time by the Company as provided above from January 1, 2006, until the close of a Performance Period for which the Combined Divisions exceeds the Threshold EBIT Goal or the Threshold Cash Flow Goal, you will not be paid any amount of money pursuant to this Plan, unless paragraph 4 below expressly provides otherwise.

(b) Performance Periods Defined.

(i) The term “Performance Period” means the Twelve-Month Performance Period, the Twenty-Four Month Performance Period, or the Thirty-Six Month Performance Period as hereafter defined;

(ii) The term “Twelve-Month Performance Period” means the period that begins on January 1, 2006, and that ends on December 31, 2006;

(iii) The term “Twenty-Four Month Performance Period” means the period that begins on January 1, 2006, and that ends on December 31, 2007; and

(iv) The term “Thirty-Six Month Performance Period” means the period that begins on January 1, 2006, and that ends on December 31, 2008.

(c) Cumulative EBIT and Cash Flow Defined.

(i) “Cumulative EBIT” means, with respect to any Performance Period, the cumulative earnings before interest and taxes of the Combined Divisions for such Performance Period (including, without limitation, expenses for this Plan and any other similar or dissimilar compensation arrangement). Such amount will exclude all interest and provisions for taxes based on income and without giving effect to any extraordinary gains or losses, or gains or losses from sales of assets other than inventory sold in the ordinary course of business, all as determined in accordance with generally accepted accounting principles and as included in the audited financial statements of the Company and its consolidated subsidiaries for such Performance Period; and

(ii) “Cumulative Cash Flow” means, with respect to any Performance Period, Cumulative EBIT for such Performance Period as defined in paragraph 1(c)(i) above with the following additions and deductions: (a) add an amount equal to the cumulative charges for depreciation and amortization of the Combined Divisions for such Performance Period, (b) add an amount equal to the cumulative decreases in working capital of the Combined Divisions in such Performance Period, (c) deduct an amount equal to the cumulative capital expenditures (including cash rationalization costs, net of any cash tax benefits) of the Combined Divisions for such Performance Period, and (d) deduct an amount equal to the cumulative increases in working capital of the Combined Divisions in such Performance Period, all as determined in accordance with generally accepted accounting principles and as included in the audited financial statements of the Company and its consolidated subsidiaries for such Performance Period.

(iii) For purposes of (i) and (ii) above, Cumulative EBIT and Cumulative Cash Flow shall be based on the results of the Combined Divisions measured from January 1, 2006, to the end of the Performance Period. These results include only the results as consolidated into Ball Corporation for Financial Reporting, which generally would include approximately 9 months of Aerosol & Specialty Packaging and Alcan Plastics performance, and 12 months of the legacy Ball Metal Food Packaging and Ball Plastics performance during 2006. Additionally (ii)(b) and (ii)(d) above, any increase or decrease in working capital shall be also measured from January 1, 2006, to the end of the Performance Period as described above. The Ball Corporation Chief Financial Officer shall make all determinations related to the final EBIT and Cash Flow calculations under this Plan.

2. Special Incentive Plan Award Opportunity and Performance Goals

(a) For the Thirty-Six Month Performance Period your award opportunity (“Special Incentive Factor”) is 60 percent of your average annual base salary earned in calendar years 2006, 2007 and 2008. Actual awards (including interim awards) under this Plan may range from zero to 150 percent of your Special Incentive Factor and are based on achievement of performance goals for the combination of the Combined Divisions as outlined below:

Cumulative Performance Goals
($ millions)

Performance Measure	12-Month Performance Period Ending December 31, 2006 Threshold	Target	Maximum	24-Month Performance Period Ending December 31, 2007 Threshold	Target	Maximum	36-Month Performance Period Ending December 31, 2008 Threshold	Target	Maximum
	Confidential Information[1]			**Confidential Information**			**Confidential Information**		
Cumulative EBIT	*****	*****	*****	*****	*****	*****	*****	*****	*****
Cumulative Cash Flow	*****	*****	*****	*****	*****	*****	*****	*****	*****

The cumulative Performance Goals are based on the Combined Divisions measured from January 1, 2006, to the end of the Performance Period, which would include approximately 9 months of Aerosol & Specialty Packaging and Alcan Bottles projected performance and 12 months of the legacy Ball Metal Food Packaging and Ball Plastics projected performance during 2006.

Depending upon actual cumulative performance for each of the Performance Periods above, interim awards may be made at the end of each Performance Period as follows:

[1] Portions of the exhibit have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. The omissions have been indicated by asterisks ("***") and the omitted text has been filed separately with the Securities and Exchange Commission.**

Percentage of Special Incentive Factor Awarded Based on
Actual Cumulative Performance During Performance Periods

Percent of Special Incentive Factor Awarded	12-Month Performance Period Ending December 31, 2006 Threshold	Target	Maximum	24-Month Performance Period Ending December 31, 2007 Threshold	Target	Maximum	36-Month Performance Period Ending December 31, 2008 Threshold	Target	Maximum
	Confidential Information[3]			**Confidential Information[3]**			**Confidential Information[3]**		
Based upon Cumulative EBIT	*****[3]	*****[3]	*****[1]	*****	*****[2]	*****[1]	*****	*****[2]	*****[2]
Based upon Cumulative Cash Flow	*****	*****	*****[1]	*****	*****[2]	*****[1]	*****	*****[2]	*****[2]

1 Payments at the end of the 12-Month and 24-Month Performance Periods will be limited to no more than target payments. Amounts which are payable for performance in excess of target performance are calculated and payable only on the basis of cumulative performance over the 36-Month Performance Period.

2 Minus awards, if any, previously made under this Special Incentive Plan.

3 Portions of the exhibit have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. The omissions have been indicated by ("*****") and the omitted text has been filed separately with the Securities and Exchange Commission.

For each Performance Period, if actual performance under each measure is greater than Threshold Performance, but is less than Target Performance, awards shall be calculated pursuant to the table above, determined on a straight line interpolation between Threshold Performance and Target Performance levels. For the Thirty-Six Month Performance Period only, if actual performance under each measure is greater than Target Performance, but is less than Maximum Performance, awards shall be calculated pursuant to the table above, determined on a straight line interpolation between Target Performance and Maximum Performance levels.

Payment of amounts earned under this Plan with respect to any Performance Period shall take place on or before March 15 of the calendar year next following the close of such Performance Period.

3. Payment Contingent on Continued Service with the Company. Except to the extent otherwise expressly provided by paragraph 4, in order to be eligible to receive an award under this Plan, you must be employed full time by the Company from the date you begin participating in the Plan, until the close of the Performance Period in respect of which the payment is to be made. If your full-time employment by the Company terminates for any reason before the close of the Performance Period in respect of which a payment is to be made pursuant to any of the preceding paragraph, then, except to the extent otherwise expressly provided by paragraph 4 below, upon such termination of employment you shall relinquish any right to be paid any money that would otherwise thereafter be paid to you pursuant to this Plan in respect of such Performance Period.

4. Exception for Certain Terms of Service during Performance Period. If, before the close of the Thirty-Six Month Performance Period, you cease to be continuously employed full time by the Company by reason of early or normal retirement, as defined in the Company's Pension Plan for Salaried Employees, or other Company-sponsored pension plan, or for any other reason (including, but not limited to, by reason of your being transferred to a position not eligible for inclusion in this Plan) except (a) cause, or (b) your voluntary termination of employment, then, the Company will pay you (or your Beneficiary, in the case of your death) the amount of money which would have been paid to you pursuant to paragraph 2 if your full-time employment and participation in the Plan had continued until the close of the Thirty-Six Month Performance Period, multiplied by a fraction the numerator of which shall be the number of full months of continuous full-time employment that you actually served during the Thirty-Six Month Performance Period, and the denominator of which shall be Thirty-Six months. Any money payable pursuant to the preceding sentence shall be paid at the same time, on the same terms, and subject to the same conditions that would have applied if your full-time employment and participation in the Plan had continued until the close of the Thirty-Six Month Performance Period.

5. Withholding. All amounts of money that are payable pursuant to this Plan shall be subject to the withholding of such amounts as the Company may, in its sole discretion, determine are required to be withheld or collected under the laws or regulations of any governmental authority, whether federal, state, or local and whether domestic or foreign.

6. Administration, Interpretation, and Construction. The terms and conditions of the Plan shall be administered, interpreted, and construed by the Human Resources Committee of the Board of Directors of the Company ("Human Resources Committee"), whose decisions shall be final, binding, and conclusive. Without limiting the generality of the foregoing, any determination as to whether or not your employment has been terminated for cause, or has

been terminated voluntarily by you, or whether you have transferred to a position not eligible for participation, shall be made in the good faith but otherwise absolute discretion of the Human Resources Committee.

7. No Employment Rights. No provision of the Plan shall confer upon you any right to continue in the employ of the Company or any subsidiary of the Company, or shall in any way affect the right and power of the Company or any subsidiary of the Company to terminate your employment at any time for any reason or no reason, or shall impose upon the Company or any subsidiary of the Company, any liability not expressly provided for in the Plan if your employment is so terminated.

8. Rights Not Transferable. No rights under this Plan, contingent or otherwise, shall be assignable or transferable other than to a "Beneficiary" (as hereafter defined) upon your death, either voluntarily, or, to the full extent permitted by law, involuntarily, by way of encumbrance, pledge, attachment, levy, or charge of any nature. Any attempt to transfer, assign, encumber, pledge, attach, levy upon, or charge any rights under the Plan, other than to a Beneficiary in the event of your death, shall be null, void, and of no force or effect and, in the event of any such attempt, the Human Resources Committee may terminate your participation in the Plan. For this purpose, a "Beneficiary" shall mean a person or entity (including a trust or estate), designated in writing by you on the attached form or similar document to whom amounts that would have otherwise been made to you shall pass in the event of your death. If no such person or entity has been so designated, or if no person or entity so designated is alive or in existence at the time any amount becomes payable pursuant to this Plan, your "Beneficiary" shall mean the legal representative of your estate.

9. Successors and Mergers, Consolidation or Change in Control. The terms and conditions of this Plan shall enure to the benefit of and bind you and the Company, its successors assignees and personal representatives. If a change in control should occur then the rights and obligations created hereunder shall be the rights and obligations of the acquirer or successor corporation.

10. Employment or Failure Eligibility to Participate Not Guaranteed. Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving you any right to be retained in the employ of the Company. Designation as a Participant may be revoked at any time.

Finally, this Plan provides you the opportunity to earn special incentive compensation on the terms and conditions set forth above. I am very pleased that you have been chosen to participate in this Special Incentive Plan and am confident that you will have a significant impact on our Company's success.

Subsidiary Guarantees of Debt

The company's Senior Notes, Senior Subordinated Notes and senior credit facilities are guaranteed on a full, unconditional and joint and several basis by certain of the company's wholly owned domestic subsidiaries. The following is unaudited condensed, consolidating financial information for the company, segregating the guarantor subsidiaries and non-guarantor subsidiaries, as of July 2, 2006, and December 31, 2005, and for the three and six-month periods ended July 2, 2006, and July 3, 2005. Separate financial statements for the guarantor subsidiaries and the non-guarantor subsidiaries are not presented because management has determined that such financial statements would not be material to investors.

($ in millions)	CONSOLIDATED BALANCE SHEET July 2, 2006 Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
ASSETS					
Current assets					
Cash and cash equivalents	$ 6.4	$ 1.8	$ 44.3	$ –	$ 52.5
Receivables, net	(0.6)	257.4	513.9	–	770.7
Inventories, net	–	565.3	265.0	–	830.3
Deferred taxes, prepaids and other current assets	532.5	42.5	50.5	(486.5)	139.0
Total current assets	538.3	867.0	873.7	(486.5)	1,792.5
Property, plant and equipment, at cost	44.5	2,410.7	1,120.8	–	3,576.0
Accumulated depreciation	(17.7)	(1,300.6)	(426.3)	–	(1,744.6)
	26.8	1,110.1	694.5	–	1,831.4
Investments in subsidiaries	2,226.9	486.3	88.4	(2,801.6)	–
Investments in affiliates	1.4	20.9	46.7	–	69.0
Goodwill	–	722.0	988.0	–	1,710.0
Intangibles and other assets, net	110.9	178.3	160.7	–	449.9
Total Assets	$ 2,904.3	$ 3,384.6	$ 2,852.0	$ (3,288.1)	$ 5,852.8
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt and current portion of long-term debt	$ 10.0	$ 11.4	$ 112.5	$ –	$ 133.9
Accounts payable	74.7	348.9	268.0	–	691.6
Accrued employee costs	13.3	137.7	26.2	–	177.2
Income taxes payable	–	502.6	111.0	(486.6)	127.0
Other current liabilities	26.1	122.1	62.6	–	210.8
Total current liabilities	124.1	1,122.7	580.3	(486.6)	1,340.5
Long-term debt	1,656.3	15.1	841.6	–	2,513.0
Intercompany borrowings	(206.5)	695.1	210.3	(698.9)	–
Employee benefit obligations	160.1	261.4	425.2	–	846.7
Deferred taxes and other liabilities	120.0	(99.4)	76.9	–	97.5
Total liabilities	1,854.0	1,994.9	2,134.3	(1,185.5)	4,797.7
Contingencies					
Minority interests	–	–	4.8	–	4.8
Shareholders' equity:					
Convertible preferred stock	–	–	179.6	(179.6)	–
Preferred shareholders' equity	–	–	179.6	(179.6)	–
Common stock	685.2	838.2	495.5	(1,333.7)	685.2
Retained earnings (deficit)	1,384.6	737.8	(14.6)	(723.2)	1,384.6
Accumulated other comprehensive earnings (loss)	(58.0)	(186.3)	52.4	133.9	(58.0)
Treasury stock, at cost	(961.5)	–	–	–	(961.5)
Common shareholders' equity	1,050.3	1,389.7	533.3	(1,923.0)	1,050.3
Total shareholders' equity	1,050.3	1,389.7	712.9	(2,102.6)	1,050.3
Total Liabilities and Shareholders' Equity	$ 2,904.3	$ 3,384.6	$ 2,852.0	$ (3,288.1)	$ 5,852.8

($ in millions)	CONSOLIDATED BALANCE SHEET December 31, 2005 Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
ASSETS					
Current assets					
Cash and cash equivalents	$ 8.0	$ 1.7	$ 51.3	$ –	$ 61.0
Receivables, net	0.8	166.0	209.8	–	376.6
Inventories, net	–	439.4	230.9	–	670.3
Deferred taxes and prepaid expenses	340.0	193.0	55.6	(470.7)	117.9
Total current assets	348.8	800.1	547.6	(470.7)	1,225.8
Property, plant and equipment, at cost	45.7	2,081.9	1,025.8	–	3,153.4
Accumulated depreciation	(17.0)	(1,237.0)	(342.8)	–	(1,596.8)
	28.7	844.9	683.0	–	1,556.6
Investment in subsidiaries	1,988.6	453.8	88.4	(2,530.8)	–
Investment in affiliates	1.4	17.0	47.0	–	65.4
Goodwill, net	–	340.8	917.8	–	1,258.6
Intangibles and other assets	118.3	62.3	56.4	–	237.0
	$ 2,485.8	$ 2,518.9	$ 2,340.2	$ (3,001.5)	$ 4,343.4
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt and current portion of long-term debt	$ 29.1	$ 3.3	$ 84.0	$ –	$ 116.4
Accounts payable	59.5	305.3	187.6	–	552.4
Accrued employee costs	15.8	154.7	27.9	–	198.4
Income taxes payable	–	507.1	91.1	(470.7)	127.5
Other current liabilities	18.9	111.4	51.0	–	181.3
Total current liabilities	123.3	1,081.8	441.6	(470.7)	1,176.0
Long-term debt	600.2	20.8	852.3	–	1,473.3
Intercompany borrowings	792.9	(110.0)	16.0	(698.9)	–
Employee benefit obligations	164.7	218.6	400.9	–	784.2
Deferred taxes and other liabilities	(30.6)	45.1	55.0	–	69.5
Total liabilities	1,650.5	1,256.3	1,765.8	(1,169.6)	3,503.0
Minority interests	–	–	5.1	–	5.1
Shareholders' equity					
Convertible preferred stock	–	–	179.6	(179.6)	–
Preferred shareholders' equity	–	–	179.6	(179.6)	–
Common stock	633.6	804.5	487.0	(1,291.5)	633.6
Retained earnings	1,227.9	649.8	(119.1)	(530.7)	1,227.9
Accumulated other comprehensive earnings (loss)	(100.7)	(191.7)	21.8	169.9	(100.7)
Treasury stock, at cost	(925.5)	–	–	–	(925.5)
Common shareholders' equity	835.3	1,262.6	389.7	(1,652.3)	835.3
Total shareholders' equity	835.3	1,262.6	569.3	(1,831.9)	835.3
	$ 2,485.8	$ 2,518.9	$ 2,340.2	$ (3,001.5)	$ 4,343.4

($ in millions)	CONSOLIDATED STATEMENT OF EARNINGS For the Three Months Ended July 2, 2006 Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
Net sales	$ –	$ 1,392.2	$ 506.1	$ (55.8)	$ 1,842.5
Costs and expenses					
Cost of sales (excluding depreciation and amortization)	–	1,213.5	392.3	(55.8)	1,550.0
Depreciation and amortization	0.8	42.7	21.4	–	64.9
Business consolidation costs	–	–	(0.4)	–	(0.4)
Property insurance gain	–	–	(74.1)	–	(74.1)
Selling, general and administrative	22.7	33.4	17.4	–	73.5
Interest expense	7.4	17.8	12.4	–	37.6
Equity in results of subsidiaries	(142.4)	–	–	142.4	–
Corporate allocations	(17.5)	15.3	2.2	–	–
	(129.0)	1,322.7	371.2	86.6	1,651.5
Earnings (loss) before taxes	129.0	69.5	134.9	(142.4)	191.0
Tax provision	3.7	(21.7)	(45.0)	–	(63.0)
Minority interests	–	–	(0.2)	–	(0.2)
Equity in results of affiliates	–	1.7	3.2	–	4.9
Net earnings (loss)	$ 132.7	$ 49.5	$ 92.9	$ (142.4)	$ 132.7

($ in millions)	CONSOLIDATED STATEMENT OF EARNINGS For the Three Months Ended July 3, 2005 Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
Net sales	$ –	$ 1,157.9	$ 451.7	$ (57.6)	$ 1,552.0
Costs and expenses					
Cost of sales (excluding depreciation and amortization)	–	1,007.5	350.3	(57.6)	1,300.2
Depreciation and amortization	0.8	32.5	19.7	–	53.0
Business consolidation costs	–	–	8.8	–	8.8
Selling, general and administrative	7.8	33.3	17.4	–	58.5
Interest expense	6.3	10.0	8.0	–	24.3
Equity in results of subsidiaries	(78.5)	–	–	78.5	–
Corporate allocations	(16.6)	14.8	1.8	–	–
	(80.2)	1,098.1	406.0	20.9	1,444.8
Earnings (loss) before taxes	80.2	59.8	45.7	(78.5)	107.2
Tax provision	(1.2)	(19.8)	(11.9)	–	(32.9)
Minority interests	–	–	(0.3)	–	(0.3)
Equity in results of affiliates	–	1.1	3.9	–	5.0
Net earnings (loss)	$ 79.0	$ 41.1	$ 37.4	$ (78.5)	$ 79.0

($ in millions)	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
	CONSOLIDATED STATEMENT OF EARNINGS				
	For the Six Months Ended July 2, 2006				
Net sales	$ –	$ 2,455.6	$ 845.4	$ (93.6)	$ 3,207.4
Costs and expenses					
Cost of sales (excluding depreciation and amortization)	–	2,139.1	660.8	(93.6)	2,706.3
Depreciation and amortization	1.6	75.9	42.0	–	119.5
Business consolidation costs	–	–	1.7	–	1.7
Property insurance gain	–	–	(74.1)	–	(74.1)
Selling, general and administrative	42.1	61.4	40.3	–	143.8
Interest expense	15.2	22.1	23.6	–	60.9
Equity in results of subsidiaries	(192.5)	–	–	192.5	–
Corporate allocations	(35.5)	30.0	5.5	–	–
	(169.1)	2,328.5	699.8	98.9	2,958.1
Earnings (loss) before taxes	169.1	127.1	145.6	(192.5)	249.3
Tax provision	8.2	(41.1)	(46.8)	–	(79.7)
Minority interests	–	–	(0.4)	–	(0.4)
Equity in results of affiliates	–	2.4	5.7	–	8.1
Net earnings (loss)	$ 177.3	$ 88.4	$ 104.1	$ (192.5)	$ 177.3

($ in millions)	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
	CONSOLIDATED STATEMENT OF EARNINGS				
	For the Six Months Ended July 3, 2005				
Net sales	$ –	$ 2,183.9	$ 804.3	$ (112.1)	$ 2,876.1
Costs and expenses					
Cost of sales (excluding depreciation and amortization)	–	1,881.1	627.9	(112.1)	2,396.9
Depreciation and amortization	1.5	65.0	39.9	–	106.4
Business consolidation costs	–	–	8.8	–	8.8
Selling, general and administrative	11.8	72.6	37.2	–	121.6
Interest expense	12.3	20.3	17.5	–	50.1
Equity in results of subsidiaries	(134.1)	–	–	134.1	–
Corporate allocations	(32.8)	29.3	3.5	–	–
	(141.3)	2,068.3	734.8	22.0	2,683.8
Earnings (loss) before taxes	141.3	115.6	69.5	(134.1)	192.3
Tax provision	(3.7)	(40.1)	(18.9)	–	(62.7)
Minority interests	–	–	(0.5)	–	(0.5)
Equity in results of affiliates	–	1.4	7.1	–	8.5
Net earnings (loss)	$ 137.6	$ 76.9	$ 57.2	$ (134.1)	$ 137.6

CONSOLIDATED STATEMENT OF CASH FLOWS

($ in millions)	For the Six Months Ended July 2, 2006				
	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
Cash flows from operating activities					
Net earnings (loss)	$ 177.3	$ 88.4	$ 104.1	$ (192.5)	$ 177.3
Adjustments to reconcile net earnings to net cash provided by operating activities:					
Depreciation and amortization	1.6	75.9	42.0	–	119.5
Property insurance gain	–	–	(74.1)	–	(74.1)
Business consolidation costs	–	–	1.7	–	1.7
Deferred taxes	(1.8)	1.5	14.6	–	14.3
Equity in results of subsidiaries	(192.5)	–	–	192.5	–
Other, net	10.4	(20.3)	(19.4)	–	(29.3)
Changes in working capital components, excluding effects of acquisitions	(14.1)	(64.4)	(197.1)	–	(275.6)
Net cash provided by (used in) operating activities	(19.1)	81.1	(128.2)	–	(66.2)
Cash flows from investing activities					
Additions to property, plant and equipment	(0.8)	(104.2)	(22.5)	–	(127.5)
Business acquisitions, net of cash acquired	–	(718.0)	(67.4)	–	(785.4)
Property insurance proceeds	–	–	32.4	–	32.4
Investments in and advances to affiliates, net of dividends	(958.9)	745.3	213.6	–	–
Other, net	(4.6)	6.1	7.1	–	8.6
Net cash provided by (used in) investing activities	(964.3)	(70.8)	163.2	–	(871.9)
Cash flows from financing activities					
Long-term borrowings	1,049.1	–	–	–	1,049.1
Repayments of long-term borrowings	–	(2.3)	(64.5)	–	(66.8)
Change in short-term borrowings	(19.0)	–	21.7	–	2.7
Proceeds from issuance of common stock	19.2	–	–	–	19.2
Acquisitions of treasury stock	(50.7)	–	–	–	(50.7)
Common dividends	(20.7)	–	–	–	(20.7)
Other, net	3.9	(7.9)	–	–	(4.0)
Net cash provided by (used in) financing activities	981.8	(10.2)	(42.8)	–	928.8
Effect of exchange rate changes on cash	–	–	0.8	–	0.8
Net change in cash and cash equivalents	(1.6)	0.1	(7.0)	–	(8.5)
Cash and cash equivalents — Beginning of period	8.0	1.7	51.3	–	61.0
Cash and cash equivalents — End of period	$ 6.4	$ 1.8	$ 44.3	$ –	$ 52.5

($ in millions)	CONSOLIDATED STATEMENT OF CASH FLOWS For the Six Months Ended July 3, 2005 Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
Cash flows from operating activities					
Net earnings (loss)	$ 137.6	$ 76.9	$ 57.2	$ (134.1)	$ 137.6
Adjustments to reconcile net earnings to net cash provided by operating activities:					
Depreciation and amortization	1.5	65.0	39.9	–	106.4
Business consolidation costs	–	–	8.8	–	8.8
Deferred taxes	(0.2)	(11.1)	(9.3)	–	(20.6)
Equity in results of subsidiaries	(134.1)	–	–	134.1	–
Other, net	7.6	(3.0)	(2.2)	–	2.4
Changes in other working capital components	(10.7)	(27.8)	(125.9)	–	(164.4)
Net cash provided by (used in) operating activities	1.7	100.0	(31.5)	–	70.2
Cash flows from investing activities					
Additions to property, plant and equipment	(2.5)	(78.8)	(67.0)	–	(148.3)
Investments in and advances to affiliates, net of dividends	(72.1)	(20.9)	93.0	–	–
Other, net	(11.9)	2.2	0.2	–	(9.5)
Net cash provided by (used in) investing activities	(86.5)	(97.5)	26.2	–	(157.8)
Cash flows from financing activities					
Long-term borrowings	145.0	0.4	–	–	145.4
Repayments of long-term borrowings	(12.0)	(2.6)	(31.2)	–	(45.8)
Change in short-term borrowings	35.0	–	23.4	–	58.4
Proceeds from issuance of common stock	20.1	–	–	–	20.1
Acquisitions of treasury stock	(188.1)	–	–	–	(188.1)
Common dividends	(21.8)	–	–	–	(21.8)
Other, net	(0.2)	–	–	–	(0.2)
Net cash used in financing activities	(22.0)	(2.2)	(7.8)	–	(32.0)
Effect of exchange rate changes on cash	–	–	(3.4)	–	(3.4)
Net change in cash and cash equivalents	(106.8)	0.3	(16.5)	–	(123.0)
Cash and cash equivalents — Beginning of period	113.8	0.6	84.3	–	198.7
Cash and cash equivalents — End of period	$ 7.0	$ 0.9	$ 67.8	$ –	$ 75.7

Certification

I, R. David Hoover, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ball Corporation;

2. Based on my knowledge, this 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 officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) 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

   d) 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 officer(s) 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 the 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: August 9, 2006

/s/ R. David Hoover
R. David Hoover
Chairman, President and Chief Executive Officer

Certification

I, Raymond J. Seabrook, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ball Corporation;

2. Based on my knowledge, this 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 officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) 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

   d) 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 officer(s) 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 the 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: August 9, 2006

/s/ Raymond J. Seabrook
Raymond J. Seabrook
Executive Vice President and Chief Financial Officer

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350
and Rule 13a-14(b) or Rule 15d-14(b)

My name is R. David Hoover and I am the Chairman of the Board, President and Chief Executive Officer of Ball Corporation (the "Company").

I hereby certify pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 that to the best of my knowledge and belief:

(1) the Quarterly Report on Form 10-Q for the quarter ended July 2, 2006, filed with the U.S. Securities and Exchange Commission on August 9, 2006 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of Ball Corporation as of, and for, the periods presented in the Report.

/s/ R. David Hoover
R. David Hoover
Chairman of the Board, President and Chief Executive Officer
Ball Corporation

Date: August 9, 2006

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350
and Rule 13a-14(b) or Rule 15d-14(b)

My name is Raymond J. Seabrook and I am the Executive Vice President and Chief Financial Officer of Ball Corporation (the “Company”).

I hereby certify pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 that to the best of my knowledge and belief:

(1) the Quarterly Report on Form 10-Q for the quarter ended July 2, 2006, filed with the U.S. Securities and Exchange Commission on August 9, 2006 (“Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of Ball Corporation as of, and for, the periods presented in the Report.

/s/ Raymond J. Seabrook
Raymond J. Seabrook
Executive Vice President and Chief Financial Officer
Ball Corporation

Date: August 9, 2006

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the Reform Act), Ball is hereby filing cautionary statements identifying important factors that could cause Ball's actual results to differ materially from those projected in forward-looking statements of Ball. Forward-looking statements may be made in several different contexts; for example, in the quarterly and annual earnings news releases, the quarterly earnings conference calls hosted by the company, public presentations at investor and credit conferences, the company's Annual Report and in annual and periodic communications with investors. The Form 10-Q may contain forward-looking statements. As time passes, the relevance and accuracy of forward-looking statements may change. The company currently does not intend to update any particular forward-looking statement except as it deems necessary at quarterly or annual release of earnings. You are advised, however, to consult any further disclosures Ball makes on related subjects in our 10-K, 10-Q and 8-K reports to the Securities and Exchange Commission. The Reform Act defines forward-looking statements as statements that express or imply an expectation or belief and contain a projection, plan or assumption with regard to, among other things, future revenues, income, earnings per share, cash flow or capital structure. Such statements of future events or performance involve estimates, assumptions and uncertainties, and are qualified in their entirety by reference to, and are accompanied by, the following important factors that could cause Ball's actual results to differ materially from those contained in forward-looking statements made by or on behalf of Ball.

Some important factors that could cause Ball's actual results or outcomes to differ materially from those expressed or implied and discussed in forward-looking statements include, but are not limited to:

- Fluctuation in customer and consumer growth and demand, particularly during the months when the demand for metal beverage beer and soft drink cans is heaviest; loss of one or more major customers or suppliers or changes to contracts with one or more customers or suppliers; manufacturing overcapacity or under capacity; failure to achieve anticipated productivity improvements or production cost reductions including those associated with capital expenditures such as our beverage can end project; changes in climate and weather; fruit, vegetable and fishing yields; interest rates affecting our debt; labor strikes and work stoppages; boycotts; antitrust, intellectual property, consumer and other litigation; level of maintenance and capital expenditures; capital availability; economic conditions; and acts of war, terrorism or catastrophic events.

- Competition in pricing and the possible decrease in, or loss of, sales resulting therefrom.

- The timing and extent of regulation or deregulation; competition in each line of business; product development and introductions; and technology changes.

- Ball's ability or inability to have available sufficient production capacity in a timely manner.

- Overcapacity in foreign and domestic metal and plastic container industry production facilities and its impact on pricing and financial results.

- Regulatory action or federal, state, local or foreign laws, including restrictive packaging legislation such as recycling laws or the German mandatory deposit legislation, and tax, environmental and workplace safety laws and regulations.

- Regulatory action or laws including those related to corporate governance and financial reporting, regulations and standards, including changes in generally accepted accounting principles or their interpretation.

- Loss contingencies related to income and other tax matters, including those arising from audits performed by U.S. and foreign tax authorities.

- The availability and cost of raw materials, supplies, power and natural resources needed for the production of metal and plastic containers as well as aerospace products.

- Increases and trends in various employee benefits and labor costs, including pension, medical and health care costs incurred in the countries in which Ball has operations; rates of return projected and earned on assets and discount rates used to measure future obligations and expenses of the company’s defined retirement plans; and changes in the company’s pension plans.

- The ability or inability to pass on to customers changes in raw material cost, particularly resin, steel and aluminum.

- International business and market risks (including foreign exchange rates, tax rates and activities of foreign subsidiaries), particularly in Europe, and in countries such as China, Brazil and Argentina; political and economic instability in foreign markets; restrictive trade practices of the United States or foreign governments; the imposition of duties, taxes or other government charges by the United States or foreign governments; exchange controls.

- Changes in the foreign exchange rate of the United States dollar against the European euro, British pound, Polish zloty, Serbian dinar, Hong Kong dollar, Canadian dollar, Chinese renminbi, Brazilian real and Argentine peso, and in the foreign exchange rate of the euro against the British pound, Polish zloty and Serbian dinar.

- Undertaking successful and unsuccessful acquisitions, joint ventures and divestitures and the integration activities associated with acquisitions and joint ventures, including the businesses recently acquired from the shareholders of U.S. Can Corporation and from Alcan Packaging.

- The ability or inability to achieve technological and product extensions or new technological and product advances in the company’s businesses.

- Delays, extensions and technical uncertainties, as well as schedules of performance associated with contracts for aerospace products and services, and the success or lack of success of satellite launches and the businesses and governments associated with aerospace products, services and launches.

- The authorization, funding and availability and returns of government contracts and the nature and continuation of those contracts and related services provided thereunder, as well as the delay, cancellation or termination of contracts for the United States government, other customers or other government contractors.

- Actual versus estimated business consolidation and investment exit costs and the estimated net realizable values of assets associated with such activities; and goodwill impairment.

- Changes to unaudited results due to statutory audits of our financial statements or management’s evaluation of the company’s internal controls over financial reporting.