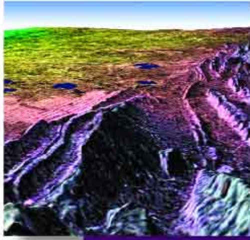
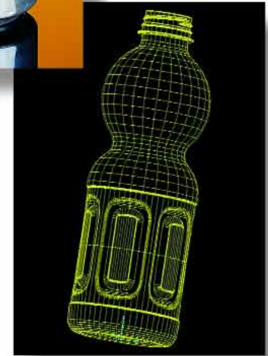
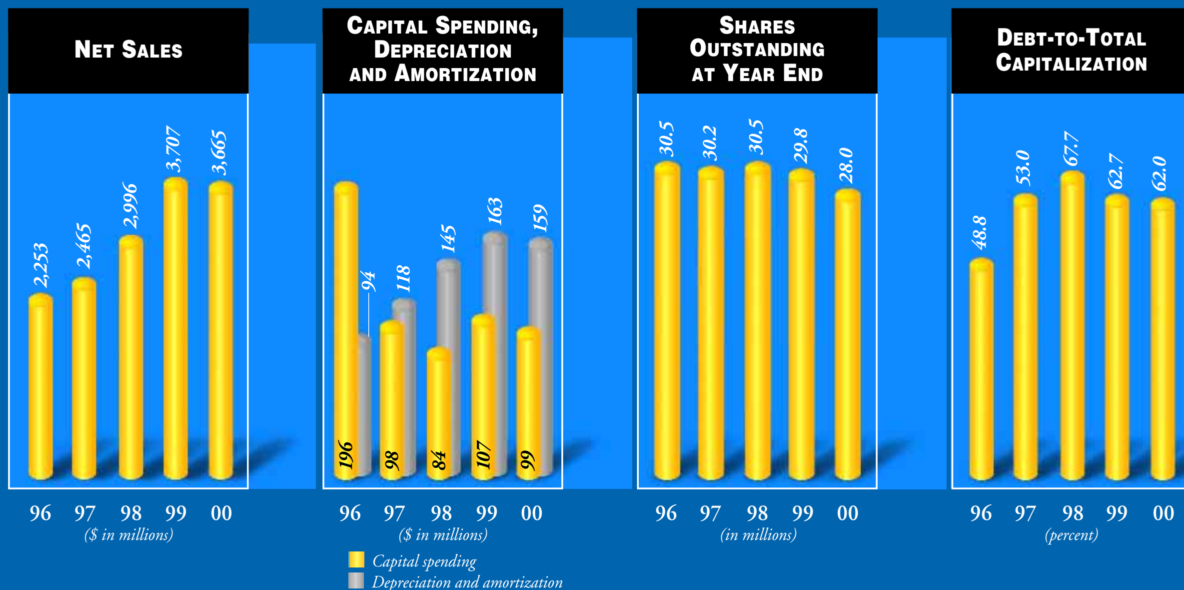
Ball Corporation 2000

A Market-Driven Company





Managing our operations with relentless attention to the basics will help us build a great business that consistently delivers superior shareholder returns.



About the Cover The cover reflects Ball Corporation's focus on its family of quality packaging products and services and the world-class capabilities of its aerospace and technologies subsidiary.

Message To Our Shareholders

Ball Corporation is a market-driven company. Providing packaging products to the beverage and food markets is 90 percent of our business. It is imperative for our success that we understand and serve those markets as no other supplier, and that customers in those markets see us as first in quality and service when it comes to metal and plastic packages for the products that will bear their brand names.

Our aerospace and technologies business, which is 10 percent of our company, also is market focused, providing unique solutions to the rapidly growing advanced imaging, communications and information analysis markets.

In both our packaging and our aerospace and technologies businesses, we are there to meet the current needs of the markets and to work with our customers to have products that meet their changing needs. This is how we create value for our shareholders, provide challenging careers for our employees, offer business for our suppliers and add to the vitality of our communities.

R. David Hoover
President and Chief Executive Officer

George A. Sissel
Chairman of the Board

Our understanding of the critical success factors for Ball is evident in our results for 2000, a year that was challenging, but one where our total return to shareholders of 19.2 percent compared favorably to major market indices.

We continued our aggressive program to improve efficiencies within our packaging manufacturing operations. We took a largely non-cash charge of $55 million to remove higher cost, less efficient manufacturing capacity. This was in addition to actions taken the prior year, as we integrated the large metal beverage container business we acquired in 1998.

Our results in 2000 were $2.14 per diluted share, including the charge and the effects of the favorable resolution of a matter regarding our employee stock ownership plan. Before these items, earnings were $3.70 per diluted share compared to $3.15 in 1999, up 17.5 percent. We reduced our debt by $59 million, compared to year end 1999, contributing to a $12 million reduction of interest expense. We also reacquired 1.8 million shares of our common stock, net of shares issued, at an average price per share of $34.45.

We accomplished the above results when our sales were comparable at $3.7 billion in both 1999 and 2000, despite facility closures, lower selling prices and lower volumes in certain products in 2000.

The actions taken during the year have positioned us even more favorably for future growth and success. We have demonstrated further our ability to consolidate businesses and to form key strategic alliances. We have built upon our record for operating excellence, a record that is a credit to our skilled and dedicated employees.

In packaging, we continue to see opportunities for growth through acquisition and strategic alliances. We seek out and evaluate such opportunities constantly and will pursue those that add value for

Message To Our Shareholders

We have a total commitment to being close to our customers and understanding their current needs and future direction. It starts with our senior management and extends throughout our organization.

the Ball shareholder and are consistent with our mission to serve our chosen markets. We will not lose our focus.

Our subsidiary, Ball Aerospace and Technologies Corp., is an excellent business inside of what is largely a packaging company. We recognize that and continue to assess ways that this business, and for that matter all of our businesses, can create maximum value for our shareholders. We are pleased the profitability and backlog of Ball Aerospace have been growing. Options for improving any business are always better when it is performing well.

A Tribute to Ed Ball

We lost one of Ball Corporation's greatest human treasures in 2000 with the death of Edmund F. Ball, chairman of the executive committee emeritus and retired chairman, president and chief executive officer. Ed was a person of great integrity, incredible warmth, sharp wit and gentle charm. The son of one of the founders of our company, Ed was 95 years old, and was vigorous and bright throughout all of his years. He was instrumental in our entry into both the beverage can business and the aerospace business. The fact that they today account for more than 70 percent of our revenues is a tribute to his extraordinary foresight. Ed touched our lives in such a positive way, and he will be missed.

Edmund F. Ball
1905 – 2000

Change in Leadership

At the January 2001 Board of Directors meeting, R. David Hoover was elected president and chief executive officer of Ball Corporation, succeeding George A. Sissel as chief executive officer. Mr. Sissel continues to serve the corporation as chairman of the board.

A Bright Future

We are excited about the future of Ball Corporation, honored by the trust our customers place in us, enthused about the opportunities before us, inspired by the ability and dedication of our employees and appreciative of the confidence of those who invest in Ball.

R. David Hoover

R. David Hoover
President and Chief Executive Officer

George A. Sissel

George A. Sissel
Chairman of the Board

FINANCIAL HIGHLIGHTS

Ball Corporation and Subsidiaries

($ in millions, except per share amounts)	**2000**	1999
Stock Performance		
Total per share return (share price appreciation plus assumed reinvested dividends)	**19.2%**	(12.7)%
Closing market price per share	**$ 46.06**	$ 39.38
Total market value of common stock	**$ 1,292**	$ 1,174
Shares outstanding at year end *(000s)*	**28,049**	29,817
Shares outstanding at year end assuming dilution *(000s)* [(1)(5)]	**30,396**	32,003
Operating Performance		
Net sales	**$ 3,665**	$ 3,707
Earnings before interest and taxes (EBIT) [(2)]	**$ 209**	$ 279
Earnings before interest, taxes, depreciation and amortization (EBITDA) [(2)(5)]	**$ 368**	$ 442
Net earnings [(2)]	**$ 68**	$ 104
Basic earnings per share [(2)]	**$ 2.26**	$ 3.36
Diluted earnings per share [(2)]	**$ 2.14**	$ 3.15
Cash dividends per share	**$ 0.60**	$ 0.60
Return on average capital employed, excluding items affecting comparability [(3)(5)]	**9.8%**	8.9%
Number of employees	**11,237**	11,860
Financial Position and Cash Flow		
Total assets	**$ 2,650**	$ 2,732
Debt to capitalization	**62.0%**	62.7%
Capital spending	**$ 99**	$ 107
Depreciation and amortization	**$ 159**	$ 163
Free cash flow [(4)(5)]	**$ 186**	$ 178

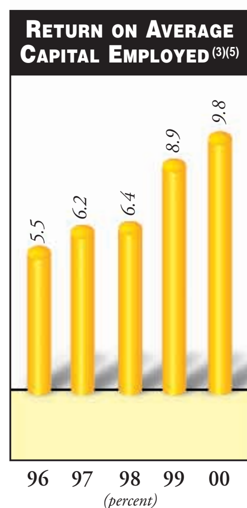
[(1)] Represents shares outstanding at year end plus common share equivalents under the Employee Stock Ownership Plan and dilutive stock options. This measure is not the same as the diluted weighted average shares outstanding used in the calculation of diluted earnings per share.

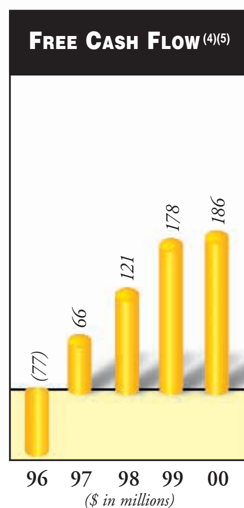
[(2)] Includes in 2000 a $76 million charge for business consolidation costs, net of other favorable items affecting comparability as explained in the accompanying consolidated financial statements. The impact of these items on 2000 net earnings was $49 million, or $1.67 per basic share and $1.56 per diluted share.

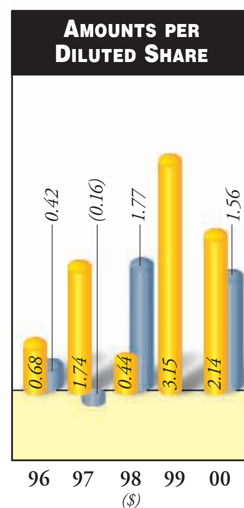
[(3)] Equals tax-effected EBIT, excluding the business consolidation costs and other items affecting comparability discussed in (2) above, divided by average capital employed. Capital employed is the sum of interest-bearing debt, minority interests and shareholders' equity.

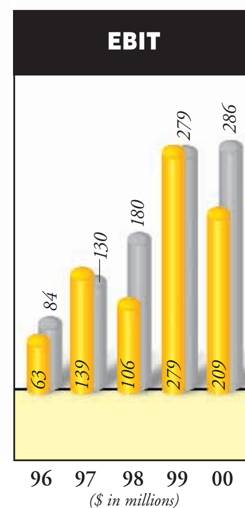
[(4)] For the definition of free cash flow, see the "Financial Condition, Liquidity and Capital Resources" section of the accompanying management's discussion and analysis.

[(5)] The company has included this information because management believes that many investors consider these measures important in evaluating operating results and assessing a company's ability to service and incur debt. Management uses these and other measures for planning purposes and for executing its strategy. These measures should not be considered in isolation or as a substitute for net earnings or cash flow data prepared in accordance with generally accepted accounting principles and may not be comparable to similarly titled measures of other companies. See the consolidated statements of earnings and cash flows of the company, including the notes thereto, included elsewhere in this annual report.









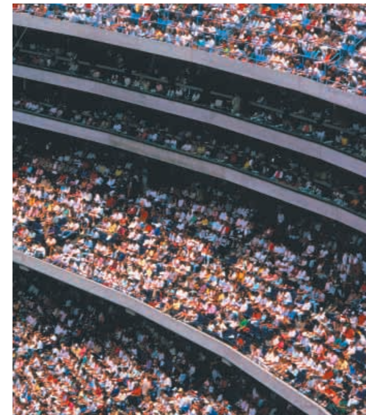
Our Markets

Few substances are as important for human existence as beverages. High-quality packaging allows people to efficiently transport, store and consume beverages from water to beer to energy drinks. In a world of more than six billion people, there is tremendous opportunity to reach new beverage markets with innovative metal and plastic packaging.

Ball Corporation manufactures recyclable aluminum cans and PET bottles, providing customers with a choice as they launch new products or expand existing products into unique venues such as sporting event stadiums or outdoor celebrations. Ball's PET beer bottle, for example, debuted in the French Quarter of New Orleans.

Ball offers innovative specialty containers targeted at growing segments of the beverage market. Our 8.4-ounce Trim/Light™ can was created and is produced largely for the energy drink market. At the same time, we continue to provide billions of high-quality, recyclable standard sizes such as the 12-ounce aluminum beverage can and the 20-ounce PET bottle.

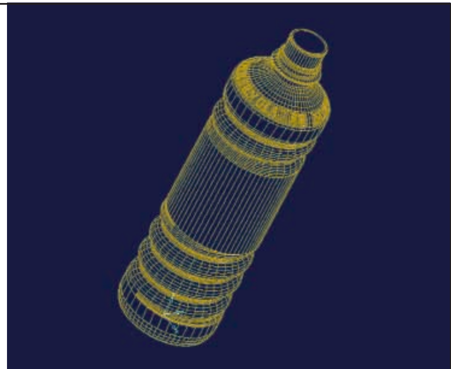
Ball supplies the beverage market with metal and PET containers in a variety of shapes and sizes.

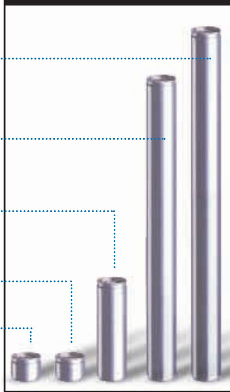


Sporting events and other popular outdoor activities offer a growing market for innovative packaging products such as Ball's plastic beer bottle.

Laser-incised ends are a unique way for companies to stand out and can be used for under-the-tab promotions.

Our rapid-to-market process uses CAD technology to create a custom-designed plastic bottle from a hand drawing in as little as five days.





Ball serves fast-growing beverage markets that include energy drinks, bottled water and others.

RAGE

If you placed end-to-end the 34 billion recyclable aluminum cans made by Ball in 2000, they would circle the Earth more than 100 times.

Our Markets

When January 1, 2000, came and went with so much fanfare and so little disruption, we all breathed a sigh of relief that the much-publicized "Y2K" calamity did not materialize. Millions of people spent the next several months enjoying canned food stockpiled when concerned consumers sought a safe, reliable means to keep food on hand "just in case."

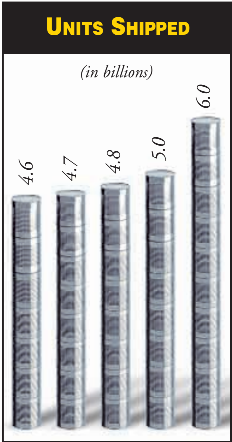
More than 1,500 food items come in cans. About 34 billion cans of food are produced each year in the United States and Canada. Canned foods are nutritious, convenient and safe. In fact, steel cans are the most tamper-resistant food packaging option available today.

Ball Corporation provides appealing, reliable two- and three-piece cans and ends for the North American food container market. Our products are made for everything from fruits and vegetables to the growing nutriceutical product market, including meal replacement beverages and nutritional supplements.

So now that the millennium has safely come and gone, we can all continue to enjoy canned food … and we don't have to eat it in our basements.

Ball's family of food cans supplies a market that includes everything from fish to pet food to fruits and vegetables.

These Ball cans meet quality and safety requirements that are among the most stringent in the world – the high standards of the American and Canadian salmon industries.



* includes volumes from Ball Western Can Company

Ball's food can business has improved its performance steadily since 1996, driven in part by increased shipment volumes.

Nutritional supplements are among the fastest growing markets for Ball's high-quality food and beverage cans in specialty sizes.

This white internal finish, available from Ball, shows off the high quality of each can's contents.

Ball Western Can Company is a food can manufacturing alliance formed in 2000 by Ball and ConAgra Grocery Products Company. It is 50 percent owned by Ball, and Ball manages Ball Western's plant in Oakdale, California.

Our Markets

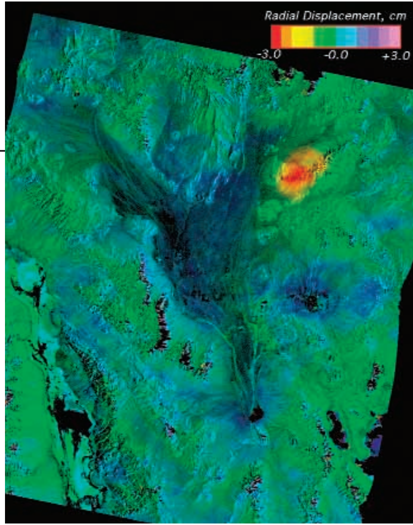
AEROSPACE & TECHNOLOGIES

Our aerospace subsidiary continues its drive to become a global leader providing advanced imaging, communications and information solutions for an intelligent world.

While continuing to serve the needs of its core government customers, Ball Aerospace & Technologies Corp. is exploring and developing commercial applications for its unique technologies.

The technologies and programs developed for government applications provide a continuous stream of new ideas and products that can be applied in emerging and growing commercial markets. These products can be as small as an airborne video camera or as large as a complete imaging satellite with all its required infrastructure.

While it contributes about 10 percent of our sales, Ball Aerospace also has played an important role in continuing our emphasis on technology in all of our operations. It is a unique and important part of Ball Corporation.



Ball Aerospace acquired a minority interest in Vexcel Corporation as part of Ball's strategy to be a leader in radar remote sensing.

The highly successful Ball Commercial Platform 2000 was selected as the bus for NASA's Ice, Cloud and Low Elevation Satellite (ICESat).

Ball designed the cryogenic telescope assembly for the Space InfraRed Telescope Facility (SIRTF), the final member of NASA's "Great Observatory" family that is scheduled for launch in 2001.

Every employee at our Williamsburg, Va., beverage can plant had a hand in earning our President's Safety Award in 2000. Cleanliness and safety are top priority at all Ball locations.

PEOPLE

Each year Ball's John W. Fisher Scholarship program awards financial scholarships to selected children of Ball employees.

Above: (L to R) Michael Weiss, aerospace, with daughter Erin, a 2000 Fisher Scholarship recipient who is majoring in environmental health at Colorado State University

Ball established its Award of Excellence program in 1980 to recognize outstanding achievements by employees, including these past recipients.

Below: (L to R) Joette Bailey-Keown, 1999 recipient, packaging; Lawry Scicluna, 1987, corporate; Cary Wasmund, 1997, Golden, Colo., plant; Lisa Pauley, 1991, aerospace; and Tuan Nguyen, 1986, packaging

Our Advantage

The business world is very different than it was even a decade ago. Employment longevity is more an ideal than a reality in today's competitive global marketplace. The average U.S. worker now changes jobs every 4.5 years.

Ball Corporation's employees are talented, smart and have been with Ball for an average of nearly 12 years. Why do people stay with Ball? We believe our emphasis on employee empowerment, our comprehensive training programs and our focus on employee ownership of the company all play a key role in matching the needs of our employees with the strategies of the company.

While Ball may be considered by some to be an "Old Economy" company, our employees know better. For example, producing metal beverage cans at speeds of 2,200 cans per minute, or developing imaging and communications solutions in our aerospace subsidiary, requires high-tech instruments and machinery that our skilled people know inside and out.

We believe we employ the best people in our industries. As a result, it's easy to find examples of employee successes at Ball. The hard part was having to leave so many examples out.

Items of Interest to Shareholders

Quarterly Stock Prices and Dividends

Quarterly prices for the company's common stock, as reported on the composite tape, and quarterly dividends in 2000 and 1999 were:

	2000 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1999 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	**$ 43.25**	**$ 37.63**	**$ 36.38**	**$ 47.94**	$ 46.94	$ 59.13	$ 52.44	$ 44.25
Low	**26.00**	**29.25**	**31.13**	**28.56**	39.25	42.25	42.56	35.38
Dividends per share	**.15**	**.15**	**.15**	**.15**	.15	.15	.15	.15

Quarterly Results and Company Information

Quarterly financial information and company news are posted on Ball's Internet website at http://www.ball.com. News and financial information also are available via fax by calling 1-800-758-5804 and entering extension number 079475 following the voice prompt. For investor relations call 303-460-3537.

Dividend Reinvestment and Voluntary Stock Purchase Plan

A dividend reinvestment and voluntary stock purchase plan for Ball Corporation shareholders permits purchase of the company's common stock without payment of a brokerage commission or service charge. Participants in this plan may have cash dividends on their shares automatically reinvested at a 5 percent discount and, if they choose, invest by making optional cash payments. Additional information on the plan is available by writing First Chicago Trust Company, a Division of Equiserve, Dividend Reinvestment Service, P.O. Box 2598, Jersey City, New Jersey 07303-2598. The toll-free number is 1-800-446-2617, and the website is http://www.equiserve.com.

You can access your Ball Corporation common stock account information on the Internet 24 hours a day, 7 days a week through First Chicago Trust Company's web site at http://gateway.equiserve.com. You will need the issue number (3101), your account number, your password and your social security number (if applicable) to gain access to your account. If you need assistance, please phone EquiServe at 1-877-843-9327.

Annual Meeting

The annual meeting of Ball Corporation shareholders will be held to tabulate the votes cast and to report the results of voting on the matters listed in the proxy statement sent to all shareholders. No other business and no presentations are planned. The meeting to report voting results will be held on Wednesday, April 25, 2001, at 9 a.m. (MST) at the company's headquarters, 10 Longs Peak Drive, Broomfield, Colorado.

Annual Report on Form 10-K

Copies of the Annual Report on Form 10-K for 2000, filed by the company with the United States Securities and Exchange Commission, may be obtained by shareholders without charge by writing to Barbara J. Miller, assistant corporate secretary, Ball Corporation, P.O. Box 5000, Broomfield, CO 80038-5000.

Transfer Agents

First Chicago Trust Company, a Division of Equiserve
P.O. Box 2500
Jersey City, New Jersey 07303-2500

American National Trust
and Investment Management Company*
110 East Main Street
Muncie, Indiana 47305

Registrars

First Chicago Trust Company, a Division of Equiserve
P.O. Box 2500
Jersey City, New Jersey 07303-2500

First Merchants Bank, N.A.*
200 East Jackson Street
Muncie, Indiana 47305

Equal Opportunity

Ball Corporation is an equal opportunity employer.

**for Employee Stock Purchase Plan*

Five-Year Review of Selected Financial Data

Ball Corporation and Subsidiaries

($ in millions, except per share amounts)	**2000**	1999	1998	1997	1996
Net sales	**$ 3,664.7**	$3,707.2	$2,995.7	$2,464.5	$2,252.7
Earnings from:					
Continuing operations	**68.2**	104.2	32.0	58.3	13.1
Discontinued operations	**–**	–	–	–	11.1
Earnings before extraordinary item and cumulative effect of accounting change	**68.2**	104.2	32.0	58.3	24.2
Early debt extinguishment costs, net of tax	**–**	–	(12.1)	–	–
Cumulative effect of accounting change, net of tax [1]	**–**	–	(3.3)	–	–
Net earnings	**68.2**	104.2	16.6	58.3	24.2
Preferred dividends, net of tax	**(2.6)**	(2.7)	(2.8)	(2.8)	(2.9)
Earnings attributable to common shareholders	**$ 65.6**	$ 101.5	$ 13.8	$ 55.5	$ 21.3
Return on average common shareholders' equity	**10.1%**	16.2%	2.3%	9.3%	3.7%
Basic earnings per share:					
Earnings from:					
Continuing operations	**$ 2.26**	$ 3.36	$ 0.96	$ 1.84	$ 0.34
Discontinued operations	**–**	–	–	–	0.36
Earnings before extraordinary item and cumulative effect of accounting change	**2.26**	3.36	0.96	1.84	0.70
Early debt extinguishment costs, net of tax	**–**	–	(0.40)	–	–
Cumulative effect of accounting change, net of tax [1]	**–**	–	(0.11)	–	–
Basic earnings per share	**$ 2.26**	$ 3.36	$ 0.45	$ 1.84	$ 0.70
Weighted average common shares outstanding *(000s)*	**29,040**	30,170	30,388	30,234	30,314
Diluted earnings per share:					
Earnings from:					
Continuing operations	**$ 2.14**	$ 3.15	$ 0.91	$ 1.74	$ 0.34
Discontinued operations	**–**	–	–	–	0.34
Earnings before extraordinary item and cumulative effect of accounting change	**2.14**	3.15	0.91	1.74	0.68
Early debt extinguishment costs, net of tax	**–**	–	(0.37)	–	–
Cumulative effect of accounting change, net of tax [1]	**–**	–	(0.10)	–	–
Diluted earnings per share	**$ 2.14**	$ 3.15	$ 0.44	$ 1.74	$ 0.68
Diluted weighted average common shares outstanding *(000s)*	**31,017**	32,450	32,592	32,311	32,335
Property, plant and equipment additions	**$ 98.7**	$ 107.0	$ 84.2	$ 97.7	$ 196.1
Depreciation and amortization	**$ 159.1**	$ 162.9	$ 145.0	$ 117.5	$ 93.5
Total assets	**$ 2,649.8**	$2,732.1	$2,854.8	$2,090.1	$1,700.8
Total interest bearing debt and capital lease obligations [3]	**$ 1,137.3**	$1,196.7	$1,356.6	$ 773.1	$ 582.9
Common shareholders' equity	**$ 639.6**	$ 655.2	$ 594.6	$ 611.3	$ 586.7
Total capitalization [3]	**$ 1,834.6**	$1,907.3	$2,003.2	$1,459.0	$1,194.3
Debt-to-total capitalization [3]	**62.0%**	62.7%	67.7%	53.0%	48.8%
Cash dividends	**$ 0.60**	$ 0.60	$ 0.60	$ 0.60	$ 0.60
Book value	**$ 22.80**	$ 21.97	$ 19.52	$ 20.23	$ 19.22
Market value	**$ 46.06**	$ 39.38	$ 45.75	$ 35.38	$ 26.25
Annual return to common shareholders [2]	**19.2%**	(12.7)%	31.4%	37.4%	(3.2)%

[1] See the notes to the consolidated financial statements.
[2] Change in stock price plus dividend yield assuming reinvestment of dividends.
[3] Includes amounts attributed to discontinued operations.

Board of Directors

Frank A. Bracken
Of counsel with the law firm of Bingham Summers Welsh & Spilman of Indianapolis *(1, 2, 5)*

Howard M. Dean
Chairman and chief executive officer of Dean Foods Company of Franklin Park, Illinois *(2, 4, 5)*

John T. Hackett
Managing general partner of CID Equity Partners of Indianapolis *(2, 4, 5)*

R. David Hoover
President and chief executive officer of Ball Corporation *(3)*

John F. Lehman
Chairman of J.F. Lehman & Company of New York City *(3, 4, 5)*

Ruel C. Mercure, Jr.
Chairman and chief executive officer of CDM Optics, Inc. of Boulder, Colorado *(1, 3)*

Jan Nicholson
President of The Grable Foundation of Pittsburgh *(1, 3)*

George A. Sissel
Chairman of the board of Ball Corporation *(2)*

William P. Stiritz
Chairman, chief executive officer and president of Agribrands International, Inc.; chairman of Ralston Purina Company, both of St. Louis *(1, 4, 5)*

Stuart A. Taylor II
Senior managing director of Bear, Stearns & Co. Inc. of Chicago *(3, 4)*

(1) Audit Committee (2) Executive Committee (3) Finance Committee (4) Human Resources Committee (5) Nominating Committee

Company Officers

John A. Hayes	Vice president, corporate planning and development
R. David Hoover	President and chief executive officer
Donald C. Lewis	Vice president and general counsel
Leon A. Midgett	Executive vice president and chief operating officer, packaging
Barbara J. Miller	Assistant corporate secretary
Scott C. Morrison	Treasurer
Elizabeth A. Overmyer	Corporate secretary
Albert R. Schlesinger	Vice president and controller
Raymond J. Seabrook	Senior vice president and chief financial officer
George A. Sissel	Chairman of the board
Harold L. Sohn	Vice president, corporate relations
David A. Westerlund	Senior vice president, administration

Director Emeritus

John W. Fisher — Chairman of the board emeritus; retired chairman, president and chief executive officer

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Our Vision

To be the premier provider to major beverage, food and aerospace and technologies customers of the products and services that we offer, while earning a return on investment which creates value for Ball shareholders.

Our Mission

To be the industry leader in helping major beverage and food customers fulfill their metal and plastic packaging needs and to be a leader in providing advanced imaging, communications and information solutions for an intelligent world through our aerospace and technologies subsidiary.

Our Strategy

- As a corporation, our strategy is to earn a return in excess of our cost of capital by aggressively managing our businesses, and through acquisitions, divestitures, strategic alliances or other means when such changes will enhance a business and benefit Ball's shareholders.
- In packaging, our strategy is to leverage our superior continuous process improvement expertise in order to manufacture, market, sell and service high-quality, value-added products that meet the needs of high-volume and/or growing customer segments of the beverage and food markets.
- In aerospace and technologies, our strategy is to generate superior results by focusing on markets where we have competitive and technological advantages and by commercializing technologies developed for governmental customers.

About Ball Corporation

Ball Corporation is a leading manufacturer and provider of metal and plastic packaging, primarily for beverages and foods, and of aerospace and other technologies and services to commercial and governmental customers. Founded in 1880, the company employs approximately 11,000 people in more than 60 locations worldwide. Ball Corporation stock is traded on the New York Stock Exchange under the ticker symbol "BLL."

Ball Corporation
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Broomfield, CO 80021
(303) 469-3131 • www.ball.com

BALL CORPORATION

2000 ANNUAL REPORT

2000 Annual Report

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

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Report of Management on Financial Statements
Report of Independent Accountants

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Consolidated Financial Statements

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Notes to Consolidated Financial Statements

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Five-Year Review of Selected Financial Data

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

Consolidated Sales and Earnings

Ball's operations are organized along its product lines and include two segments – the packaging segment and the aerospace and technologies segment.

Packaging Segment

The packaging segment includes metal and PET (polyethylene terephthalate) plastic containers, primarily used in beverage and food packaging. Our packaging operations are located in and serve North America (the U.S. and Canada) and Asia, primarily the People's Republic of China (PRC). Packaging segment sales were flat compared to 1999. Operating margins, excluding the business consolidation charge in 2000, were slightly improved compared to 1999 with improved production efficiencies and cost reductions being partially offset by price/cost compression. Packaging segment sales were up significantly in 1999 compared to 1998, largely the result of the incremental business from an acquisition of beverage can manufacturing assets in the second half of 1998.

North American metal beverage container sales, which represented approximately 68 percent of segment sales in 2000, decreased 3 percent in comparison to 1999. The decrease in 2000 compared to 1999 was due to lower shipments, partially offset by higher aluminum prices passed through to customers. At the end of the second quarter, we ceased production at one of our beverage can manufacturing facilities due to industry overcapacity and unattractive pricing. In addition, a manufacturing line in British Columbia ceased production near the end of 2000, for which a provision was made as part of the second quarter business consolidation charge. During the first quarter of 2000, we closed an acquired aluminum beverage can plant in Tampa and began operation of a new, high-speed production line in our other Tampa plant. The sales increase in 1999 compared to 1998 was due to the additional sales volume from the plants acquired in a 1998 beverage can manufacturing acquisition. Based on publicly available industry information, we estimate that shipments in 2000 for our metal beverage container product line were approximately 32 percent of total U.S. and Canadian shipments.

North American metal food container sales, which comprised approximately 17 percent of segment sales in 2000, increased 10 percent over 1999 and 14 percent over 1998. The increase in 2000 was the result of volume gains, including sales to our joint venture partner, ConAgra Grocery Products Company. The 1999 increase was due to stronger sales in seasonal and nonseasonal lines, with the Pacific salmon catch and the harvest in the Midwest both higher year over year. In 1999 shipments from the metal food container product line exceeded five billion units for the first time. We estimate our 2000 shipments of 5.3 billion units to be approximately 18 percent of total U.S. and Canadian metal food container shipments, based on publicly available industry information.

During the second quarter of 2000, Ball and ConAgra Grocery Products Company formed a joint venture food can manufacturing company, Ball Western Can Company. Ball receives management fees and accounts for the results of its 50 percent-owned investment under the equity method.

Sales in the plastic container product line, which comprised approximately 8 percent of segment sales in 2000, have increased steadily over the last three years. Plastic container sales in 2000 exceeded 1999 by approximately 4 percent, which exceeded 1998 by approximately 9 percent. The 2000 increase was due to the pass-through of higher resin prices, while the 1999 increase was due to higher sales volumes. The sales mix continues to be weighted heavily toward carbonated soft drink and water containers. Plastic beer containers are being tested by several of our customers and we are developing plastic containers for the single serve juice market.

International packaging sales are comprised of the sales within the PRC as well as revenues from technical services provided to Ball licensees. International packaging sales decreased approximately 2 percent in the PRC in 2000 compared to 1999, which was lower than 1998 by 5 percent. The closure of two plants in the PRC during the first quarter of 1999 contributed to the lower sales in that year. Sales and operating margins within the PRC continue to be affected negatively by a soft metal beverage container market combined with industry overcapacity.

Aerospace and Technologies Segment

The aerospace and technologies segment had lower sales in 2000 compared to 1999 as a result of the completion of some programs and delays in the start-up and funding of new programs. Despite the decrease in sales, earnings in 2000 were higher as a result of the favorable settlement regarding costs associated with the company's Employee Stock Ownership Plan as well as better than anticipated margins at the completion of certain contracts. Sales increased in 1999 in comparison to 1998 as a result of increased program activity. Earnings in 1999 were lower due in part to costs to develop antennas for wireless personal communications systems that employ Ball technology.

Sales to the U.S. government, either as a prime contractor or as a subcontractor, represented approximately 85 percent, 86 percent and 90 percent of segment sales in 2000, 1999 and 1998, respectively. Major industry trends have not changed significantly, with Department of Defense and NASA budgets remaining relatively flat. However, there is a growing worldwide market for commercial space activities. Consolidation in the industry continues, and there is strong competition for business. Backlog for the aerospace and technologies segment at December 31, 2000 and 1999, was approximately $351 million and $346 million, respectively. Year-to-year comparisons of backlog are not necessarily indicative of the trend of future operations.

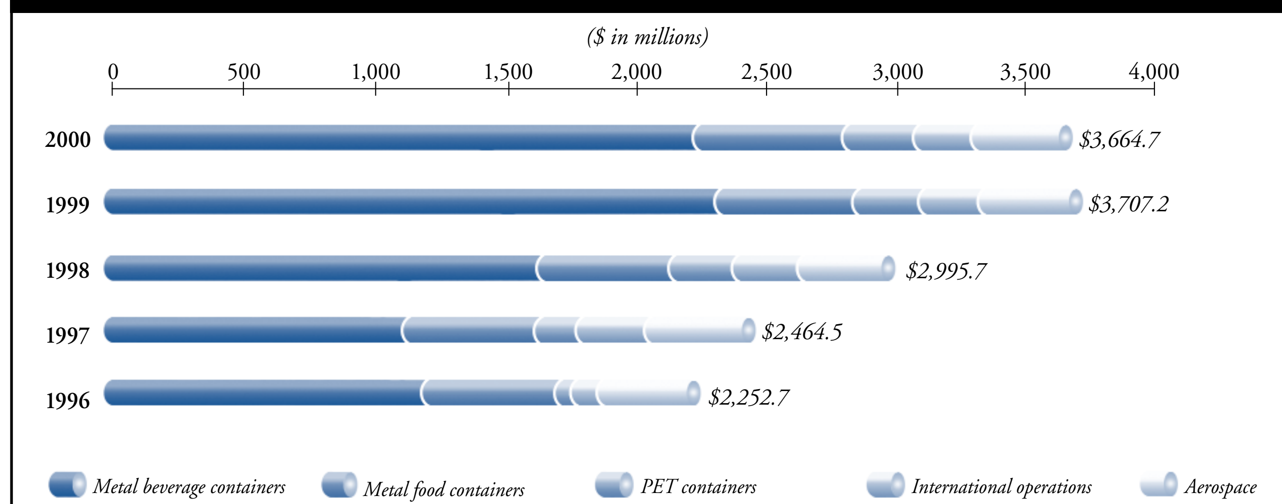
For additional information regarding the company's segments, see the summary of business segment information in Note 2 accompanying the consolidated financial statements.

Selling and Administrative Expenses

Selling and administrative expenses were $141.9 million, $140.9 million and $119.4 million for 2000, 1999 and 1998, respectively. Higher consolidated selling and administrative expenses in 1999 compared to 1998 were due partially to the additional costs associated with the plants acquired in August 1998, including salaries and interim administrative support. Also contributing to the increase were higher performance-based incentive compensation costs and, in 1999, a nonrecurring $4.7 million charge in the second quarter associated with an executive stock option grant which vested in April when the company's closing stock price reached specified levels. Excluding the $4.7 million stock option compensation charge in 1999, higher selling and administrative expenses in 2000 included increases in compensation and related costs.

Interest and Taxes

Consolidated interest expense was $95.2 million in 2000 compared to $107.6 million in 1999 and $78.6 million in 1998. The 2000 decrease is attributable to a lower level of average borrowings during the year, as well as increased capitalization of interest, largely in connection with our Tampa plant expansion, offset by higher short-term interest rates. We maintained a higher percentage of long-term debt at lower fixed rates in 2000 as a result of fixing certain previously floating rate debt through the use of derivative instruments. The increase in 1999 interest costs over 1998 was attributable to a full year of the higher debt levels associated with the August 1998 beverage can manufacturing acquisition.



Ball's consolidated effective income tax rate was 37.6 percent in 2000 compared to 37.9 percent in 1999 and 32.2 percent in 1998. The slightly lower effective income tax rate in 2000 is primarily the result of the favorable resolution during the year of certain prior years' federal and state tax matters, partially offset by nondeductible goodwill included in the second quarter charge for business consolidation costs.

The higher tax rate for 1999 compared to 1998 is related to the phase-in effects of the previously reported 1996 legislated changes in the tax treatment of the costs of company-owned life insurance, the impact of a full year of goodwill amortization related to the book and tax basis differences of acquired assets and liabilities and the favorable settlement in 1998 of various issues with taxing authorities, all of which were partially offset by the effects of foreign operations.

Minority Interests and Results of Equity Affiliates

Minority interests' share of losses was $1 million for 2000, compared to their share of income of $1.9 million in 1999 and their share of losses of $7.9 million in 1998. The losses in 2000 and 1998 reflect the minority share of the charges for plant closures in the PRC recorded in those years.

Equity in the earnings of affiliates is attributable to investments in the PRC, Thailand and Brazil. Results were losses of $3.9 million in 2000 and $0.2 million in 1999 and income of $5.6 million in 1998. Brazil losses in 2000 were the result of unfavorable currency hedging transactions, while losses in the PRC reflect the continued effects of excess capacity in the industry, coupled with higher metal costs relative to the previous year and the impact of business consolidation costs. Thailand incurred a small loss in both 2000 and 1999.

Other Items

The company recorded an $83.4 million pretax charge ($55 million after tax, minority interests and equity earnings impacts, or $1.77 per diluted share) in the second quarter for packaging business consolidation and investment exit activities. The charge includes costs associated with the permanent closure of a beverage can manufacturing facility in the U.S., the elimination of food and beverage can manufacturing capacity at two locations in Canada, the consolidation of production capacity in the PRC and the write-down to net realizable value of an investment in a Russian beverage can manufacturing joint venture. These actions, which are expected to be completed during 2001, are largely the result of improved operating efficiencies throughout our packaging business and are consistent with our strategy to keep manufacturing costs low. Additional details about the business consolidation and investment exit activities are provided in Note 3 to the consolidated financial statements.

Also during the second quarter, we favorably resolved certain state and federal tax matters related to prior years' transactions. The second quarter tax benefit was increased by $2.3 million (7 cents per diluted share).

On April 3, 2000, the Armed Services Board of Contract Appeals sustained our claim to recoverability of costs associated with our Employee Stock Ownership Plan for fiscal years beginning in 1989, and the time frame for the U.S. government to file an appeal expired in August. As a result, in the third quarter we recognized earnings of approximately $7 million ($4.3 million after tax or 14 cents per diluted share) related to this matter.

In connection with a beverage can manufacturing acquisition in 1998, the company provided $51.3 million in the opening balance sheet for the costs of integrating the acquired business, which included the closure of a headquarters facility and three plants. The employees have been terminated, and the former headquarters facility and two of the three plants have been sold. The third plant and certain equipment remain for sale. Additional details about the acquisition are provided in Note 4 to the consolidated financial statements.

Also in connection with the acquisition, we refinanced $521.9 million of our existing debt and, as a result, recorded a pretax charge for early extinguishment of the debt of $19.9 million ($12.1 million after tax or 37 cents per diluted share).

During the fourth quarter of 1998, the company announced the closure of two of its plants located in the PRC and removed from service manufacturing equipment at a third plant. The actions resulted in a $56.2 million, largely noncash, charge in 1998, primarily for the write-down to net realizable value of fixed assets, goodwill and other assets. Also in 1998 we relocated our corporate headquarters to an existing company-owned building in Broomfield, Colorado. In connection with the relocation, which has been completed, the company recorded a pretax charge in 1998 of $17.7 million, primarily for employee-related costs.

In 1998 the company also adopted SOP No. 98-5, "Reporting on the Costs of Start-Up Activities," in advance of its required 1999 implementation date. SOP No. 98-5 requires that costs of start-up activities and organizational costs, as defined, be expensed as incurred. In accordance with this statement, we recorded an after-tax charge to earnings of $3.3 million (11 cents per share), retroactive to January 1, 1998, representing the cumulative effect of this change in accounting on prior years.

Financial Condition, Liquidity and Capital Resources

Cash flows from operating activities were $176.5 million in 2000 compared to $306 million in 1999 and $387.1 million in 1998. The decrease in 2000 from 1999 was the result of higher accounts receivable and inventory balances, partially offset by higher earnings, excluding the business consolidation charge. The decrease in 1999 from 1998 was due to improved operating results and higher collections on receivables offset by higher inventories, primarily due to purchases of aluminum late in 1999 in anticipation of a price increase. Additionally, free cash flow has increased accordingly.

Free cash flow is the cash remaining from operations before working capital changes, reduced by capital spending and dividends, and is used to pay down debt, repurchase shares and finance working capital. We focus on increasing free cash flow to achieve our primary objective of maximizing shareholder value over time.

The consolidated statements of our cash flows are summarized as follows:

($ in millions)	**2000**	1999	1998
Operating cash flows	**$ 176.5**	$ 306.0	$ 387.1
Working capital changes	**130.1**	1.5	(159.5)
Capital spending	**(98.7)**	(107.0)	(84.2)
Dividends	**(21.6)**	(22.5)	(22.7)
Free cash flow	**186.3**	178.0	120.7
Business acquisitions	**–**	–	(838.4)
Debt borrowings (repayments)	**(48.0)**	(151.1)	619.3
Share repurchases, net of issuances	**(60.9)**	(35.5)	(3.4)
Working capital changes	**(130.1)**	(1.5)	159.5
Other	**42.5**	11.9	(49.2)
Net change in cash and temporary investments	**$ (10.2)**	$ 1.8	$ 8.5

Capital expenditures, excluding effects of business acquisitions and dispositions, were $98.7 million, $107 million and $84.2 million in 2000, 1999 and 1998, respectively. Higher spending in 1999 compared to 1998 was largely related to the additional plants acquired in 1998. Capital spending is expected to be approximately $100 million in 2001.

Debt at December 31, 2000, decreased $59.4 million to $1,137.3 million from $1,196.7 million at year end 1999, while cash and temporary investments were reduced slightly. Consolidated debt-to-total capitalization improved to 62 percent at December 31, 2000, from 62.7 percent at year end 1999.

Debt includes $300 million of 7.75% Senior Notes due in 2006, $250 million of 8.25% Senior Subordinated Notes due in 2008 and borrowings under a Senior Credit Facility, which bear interest at variable rates. At December 31, 2000, $559 million was available under the revolving credit facility portion of the Senior Credit Facility.

Ball Asia Pacific Holdings Limited and its consolidated subsidiaries had short-term uncommitted credit facilities of approximately $110 million at the end of the year, of which $58.5 million was outstanding at December 31, 2000.

A receivables sales agreement provides for the ongoing, revolving sale of a designated pool of trade accounts receivable of Ball's U.S. packaging operations, up to $125 million. Net funds received from the sale of the accounts receivable totaled $122.5 million at December 31, 2000 and 1999.

The company was not in default of any loan agreement at December 31, 2000, and has met all payment obligations. The U.S. note agreements, bank credit agreement, ESOP debt guarantee and industrial development revenue bond agreements contain certain restrictions relating to dividends, investments, guarantees and the incurrence of additional indebtedness.

Additional details about the company's receivables sales agreement and debt are available in Notes 5 and 9, respectively, accompanying the consolidated financial statements.

Cash dividends paid on common stock in 2000, 1999 and 1998 were 60 cents per share each year.

Financial Instruments and Risk Management

In the ordinary course of business, we employ established risk management policies and procedures to reduce our exposure to commodity price changes, changes in interest rates, fluctuations in foreign currencies and the company's common share repurchase program.

We have estimated our market risk exposure using sensitivity analysis. Market risk exposure has been defined as the changes in fair value of a derivative instrument assuming a hypothetical 10 percent adverse change in market prices or rates. The results of the sensitivity analysis are summarized below. Actual changes in market prices or rates may differ from hypothetical changes.

Commodity Price Risk

We primarily manage our commodity price risk in connection with market price fluctuations of aluminum by entering into customer sales contracts for cans and ends, which include aluminum-based pricing terms that consider price fluctuations under our commercial supply contracts for aluminum purchases. The terms include "band" pricing where there is an upper and lower limit, a fixed price or only an upper limit to the aluminum component pricing. This matched pricing affects substantially all of our North American metal beverage packaging net sales. We also, at times, use certain derivative instruments such as option and forward contracts to hedge commodity price risk.

Considering the effects of derivative instruments, the market's ability to accept price increases and the company's North American and international commodity price exposures to aluminum, a hypothetical 10 percent adverse change in the company's North American and international aluminum prices could have an estimated $1.9 million impact on earnings over a one-year period. Considering the same factors, a hypothetical 10 percent adverse change in the prices of steel and resin could have an estimated $4.7 million impact on earnings over the same period. Actual results may vary based on actual changes in market prices and rates.

Interest Rate Risk

Our objective in managing exposure to interest rate changes is to limit the impact of interest rate 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, collars and options to manage our mix of floating and fixed-rate debt. Interest rate instruments held by the company at December 31, 2000 and 1999, included pay-floating and pay-fixed interest rate swaps, interest rate caps and swaption contracts. Pay-fixed swaps effectively convert floating rate obligations to fixed rate instruments. Pay-floating swaps effectively convert fixed-rate obligations to variable rate instruments. Swap agreements expire at various times up to five years.

The related notional amounts of interest rate swaps and options serve as the basis for computing the cash flow under these agreements but do not represent our exposure through the use of these instruments. Although these instruments involve varying degrees of credit and interest risk, the counter parties to the agreements involve financial institutions, which are expected to perform fully under the terms of the agreements.

Based on our interest rate exposure at December 31, 2000, assumed floating rate debt levels throughout 2001 and the effects of derivative instruments, a 10 percent change in interest rates could have an estimated $2.3 million impact on earnings over a one-year period. Actual results may vary based on actual changes in market prices and rates.

Exchange Rate Risk

Our objective in managing exposure to foreign currency fluctuations is to protect foreign cash flow and reduce earnings volatility associated with foreign exchange rate changes. Our primary foreign currency risk exposures result from the strengthening of the U.S. dollar against the Hong Kong dollar, Canadian dollar, Chinese renminbi, Thai baht and Brazilian real. We face currency exposures that arise from translating the results of our global operations and maintaining U.S. dollar debt and payables in foreign countries. We primarily use forward contracts to manage our foreign currency exposures and, as a result, gains and losses on these derivative positions offset, in part, the impact of currency fluctuations on the existing assets and liabilities.

Considering the company's derivative financial instruments outstanding at December 31, 2000, and the currency exposures, a hypothetical 10 percent unfavorable change in the exchange rates compared to the U.S. dollar could have an estimated $7.4 million impact on earnings over a one-year period. Actual changes in market prices or rates may differ from hypothetical changes.

Equity

In connection with the company's ongoing share repurchase program, the company sells put options which give the purchaser 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. The put option contracts allow us to determine the method of settlement, either in cash or shares. As such, the contracts are considered equity instruments and changes in the fair value are not recognized in the company's financial statements. Our objective in selling put options is to lower the average purchase price of acquired shares in connection with the share repurchase program.

In 2000 the company entered into a forward share repurchase agreement to purchase shares of the company's common stock. During the year we purchased 580,300 shares under the agreement at an average price of $34.50, and in January 2001 we purchased the 510,500 shares remaining under the agreement at an average price of $35.16.

New Accounting Pronouncement

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 138, an amendment of SFAS 133, essentially require all derivatives to be recorded on the balance sheet at fair value and establish new accounting practices for hedge instruments. In connection with the adoption of these statements, which became effective for Ball on January 1, 2001, we expect the cumulative earnings effect of this change in accounting to be insignificant.

For information regarding other recent accounting pronouncements, see Note 1 to the consolidated financial statements.

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 we participate, our operations in developing markets outside the U.S., changing commodity prices for the materials used in the manufacture of our products and changing capital markets. Where practicable, we attempt to reduce these risks and uncertainties through the establishment of risk management policies and procedures, including, at times, the use of derivative financial instruments as explained above.

From time to time, the company is subject to routine litigation incident to its business. 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.

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, the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future events could affect these estimates.

The U.S. economy and the company have experienced minor general inflation during the past several years. Management believes that evaluation of Ball's performance during the periods covered by these consolidated financial statements should be based upon historical financial statements.

Forward-Looking Statements

We have made certain forward-looking statements in this annual report. These forward-looking statements represent goals and are based on certain assumptions and estimates regarding the worldwide economy, specific industry technological innovations, industry capacity and competitive activity, interest rates, capital expenditures, pricing, currency movements, product introductions, and the development of certain domestic and international markets. Some factors that could cause our actual results or outcomes to differ materially from those discussed in the forward-looking statements include, but are not limited to, fluctuation in customer growth and demand; the weather; vegetable and fish yields; fuel and energy costs and availability; regulatory action; federal and state legislation; interest rates; labor strikes; boycotts; litigation involving antitrust, intellectual property, consumer and other issues; maintenance and capital expenditures; local economic conditions; the authorization and control over the availability of government contracts and the nature and continuation of those contracts and related services provided thereunder; the success or lack of success of satellite launches and the businesses and governments associated with the launches; the fluctuation of international currencies; the ability to obtain adequate credit resources for foreseeable financing requirements of our businesses; and the ability of the company to acquire or divest of businesses. If our assumptions and estimates are incorrect, or if we are unable to achieve our goals, then actual performance could vary materially from goals expressed or implied in forward-looking statements.

Report of Management on Financial Statements

The consolidated financial statements contained in this annual report to shareholders are the responsibility of management. These financial statements have been prepared in conformity with generally accepted accounting principles and, necessarily, include certain amounts based on management's informed judgments and estimates. Future events could affect these judgments and estimates.

In fulfilling its responsibility for the integrity of financial information, management maintains and relies upon a system of internal control which is designated to provide reasonable assurance that assets are safeguarded from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and that transactions are properly recorded to permit the preparation of reliable financial statements in all material respects. To assure the continuing effectiveness of the system of internal controls and to maintain a climate in which such controls can be effective, management establishes and communicates appropriate written policies and procedures; carefully selects, trains and develops qualified personnel; maintains an organizational structure that provides clearly defined lines of responsibility, appropriate delegation of authority and segregation of duties; and maintains a continuous program of internal audits with appropriate management follow-up. Company policies concerning use of corporate assets and conflicts of interest, which require employees to maintain the highest ethical and legal standards in their conduct of the company's business, are important elements of the internal control system.

The board of directors oversees management's administration of company reporting practices, internal controls and the preparation of the consolidated financial statements with the assistance of its audit committee, which is subject to regulation by the Securities and Exchange Commission and the New York Stock Exchange (the Exchange). The board of directors has adopted an audit committee charter that governs the work of the audit committee and meets the requirements of the Exchange.

R. David Hoover
President and Chief Executive Officer

Raymond J. Seabrook
Senior Vice President and Chief Financial Officer

Report of Independent Accountants

To the Board of Directors and Shareholders
Ball Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, of cash flows and of shareholders' equity and comprehensive earnings present fairly, in all material respects, the financial position of Ball Corporation and its subsidiaries at December 31, 2000, and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Denver Colorado
January 24, 2001

Consolidated Statements of Earnings

Ball Corporation and Subsidiaries

($ in millions, except per share amounts)	*Years ended December 31,* 2000	1999	1998
Net sales	**$ 3,664.7**	$ 3,707.2	$ 2,995.7
Costs and expenses			
Cost of sales (excluding depreciation and amortization)	**3,064.1**	3,111.0	2,537.7
Depreciation and amortization (Notes 7 and 8)	**159.1**	162.9	145.0
Business consolidation costs and other (Note 3)	**76.4**	–	73.9
Selling and administrative	**141.9**	140.9	119.4
Receivable securitization fees and product development (Note 5)	**14.1**	13.6	13.8
	3,455.6	3,428.4	2,889.8
Earnings before interest and taxes	**209.1**	278.8	105.9
Interest expense (Note 9)	**95.2**	107.6	78.6
Earnings before taxes	**113.9**	171.2	27.3
Provision for taxes (Note 11)	**(42.8)**	(64.9)	(8.8)
Minority interests	**1.0**	(1.9)	7.9
Equity in net results of affiliates	**(3.9)**	(0.2)	5.6
Earnings before extraordinary item and accounting change	**68.2**	104.2	32.0
Early debt extinguishment costs, net of tax	**–**	–	(12.1)
Cumulative effect of accounting change for start-up costs, net of tax	**–**	–	(3.3)
Net earnings	**68.2**	104.2	16.6
Preferred dividends, net of tax	**(2.6)**	(2.7)	(2.8)
Earnings attributable to common shareholders	**$ 65.6**	$ 101.5	$ 13.8
Basic earnings per share before extraordinary item and accounting change (Note 14)	**$ 2.26**	$ 3.36	$ 0.96
Early debt extinguishment costs, net of tax	**–**	–	(0.40)
Cumulative effect of accounting change for start-up costs, net of tax	**–**	–	(0.11)
Basic earnings per share	**$ 2.26**	$ 3.36	$ 0.45
Diluted earnings per share before extraordinary item and accounting change (Note 14)	**$ 2.14**	$ 3.15	$ 0.91
Early debt extinguishment costs, net of tax	**–**	–	(0.37)
Cumulative effect of accounting change for start-up costs, net of tax	**–**	–	(0.10)
Diluted earnings per share	**$ 2.14**	$ 3.15	$ 0.44

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheets

Ball Corporation and Subsidiaries

($ in millions)	December 31, 2000	1999
Assets		
Current assets		
Cash and temporary investments	$ 25.6	$ 35.8
Receivables, net (Note 5)	230.2	220.2
Inventories, net (Note 6)	627.5	565.9
Deferred taxes and prepaid expenses (Note 11)	86.0	73.9
Total current assets	969.3	895.8
Property, plant and equipment, net (Note 7)	1,003.7	1,121.2
Goodwill and other assets (Notes 4 and 8)	676.8	715.1
Total Assets	$ 2,649.8	$ 2,732.1
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt and current portion of long-term debt (Note 9)	$ 125.7	$ 104.0
Accounts payable	332.1	345.5
Accrued employee costs and other current liabilities	201.3	220.6
Total current liabilities	659.1	670.1
Long-term debt (Note 9)	1,011.6	1,092.7
Employee benefit obligations, deferred taxes and other liabilities (Notes 11 and 12)	281.8	258.7
Total liabilities	1,952.5	2,021.5
Contingencies (Note 17)		
Minority interests	14.9	19.7
Shareholders' Equity (Note 13)		
Series B ESOP Convertible Preferred Stock	53.4	56.2
Unearned compensation – ESOP	(10.6)	(20.5)
Preferred shareholder's equity	42.8	35.7
Common stock (36,773,381 shares issued – 2000; 35,849,778 shares issued – 1999)	443.9	413.0
Retained earnings	529.3	481.2
Accumulated other comprehensive loss	(29.7)	(26.7)
Treasury stock, at cost (8,724,380 shares – 2000; 6,032,651 shares – 1999)	(303.9)	(212.3)
Common shareholders' equity	639.6	655.2
Total shareholders' equity	682.4	690.9
Total Liabilities and Shareholders' Equity	$ 2,649.8	$ 2,732.1

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Ball Corporation and Subsidiaries

($ in millions)	2000	1999	1998
		Years ended December 31,	
Cash Flows from Operating Activities			
Net earnings	**$ 68.2**	$ 104.2	$ 16.6
Noncash charges to net earnings:			
Depreciation and amortization	**159.1**	162.9	145.0
Deferred taxes	**9.8**	34.3	(7.6)
Business consolidation costs, net of related equity and minority interest effects	**81.3**	–	60.9
Early debt extinguishment costs	**–**	–	19.9
Other, net	**(11.8)**	6.1	(7.2)
Working capital changes, excluding effects of acquisitions and dispositions:			
Receivables	**(9.8)**	53.5	93.9
Inventories	**(73.8)**	(49.1)	27.7
Accounts payable	**(12.5)**	(5.1)	54.7
Other, net	**(34.0)**	(0.8)	(16.8)
Net cash provided by operating activities	**176.5**	306.0	387.1
Cash Flows from Investing Activities			
Additions to property, plant and equipment	**(98.7)**	(107.0)	(84.2)
Acquisitions, net of cash acquired	**–**	–	(838.4)
Incentive loan receipts	**17.4**	7.6	–
Other, net	**28.8**	6.7	7.5
Net cash used in investing activities	**(52.5)**	(92.7)	(915.1)
Cash Flows from Financing Activities			
Long-term borrowings	**–**	23.1	1,180.4
Repayments of long-term borrowings	**(50.9)**	(161.0)	(357.8)
Change in short-term borrowings	**2.9**	(13.2)	(203.3)
Debt issuance costs	**–**	–	(28.9)
Debt prepayment costs	**–**	–	(17.5)
Common and preferred dividends	**(21.6)**	(22.5)	(22.7)
Proceeds from issuance of common stock under various employee and shareholder plans	**30.7**	36.8	31.5
Acquisitions of treasury stock	**(91.6)**	(72.3)	(34.9)
Other, net	**(3.7)**	(2.4)	(10.3)
Net cash provided by (used in) financing activities	**(134.2)**	(211.5)	536.5
Net Change in Cash and Temporary Investments	**(10.2)**	1.8	8.5
Cash and Temporary Investments – Beginning of Year	**35.8**	34.0	25.5
Cash and Temporary Investments – End of Year	**$ 25.6**	$ 35.8	$ 34.0

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Earnings

Ball Corporation and Subsidiaries

	Number of Shares (in thousands)			Years ended December 31, ($ in millions)		
	2000	1999	1998	**2000**	1999	1998
Series B ESOP Convertible Preferred Stock						
Balance, beginning of year	**1,530**	1,587	1,635	**$ 56.2**	$ 57.2	$ 59.9
Shares retired	**(76)**	(57)	(48)	**(2.8)**	(1.0)	(2.7)
Balance, end of year	**1,454**	1,530	1,587	**$ 53.4**	$ 56.2	$ 57.2
Unearned Compensation – ESOP						
Balance, beginning of year				**$ (20.5)**	$ (29.5)	$ (37.0)
Amortization				**9.9**	9.0	7.5
Balance, end of year				**$ (10.6)**	$ (20.5)	$ (29.5)
Common Stock						
Balance, beginning of year	**35,850**	34,860	33,759	**$ 413.0**	$ 368.4	$ 336.9
Shares issued for stock options and other employee and shareholder stock plans less shares exchanged	**923**	990	1,101	**30.9**	44.6	31.5
Balance, end of year	**36,773**	35,850	34,860	**$ 443.9**	$ 413.0	$ 368.4
Retained Earnings						
Balance, beginning of year				**$ 481.2**	$ 397.9	$ 402.3
Net earnings				**68.2**	104.2	16.6
Common dividends				**(17.5)**	(18.2)	(18.2)
Preferred dividends, net of tax				**(2.6)**	(2.7)	(2.8)
Balance, end of year				**$ 529.3**	$ 481.2	$ 397.9
Treasury Stock						
Balance, beginning of year	**(6,033)**	(4,405)	(3,540)	**$ (212.3)**	$ (140.0)	$ (105.1)
Shares reacquired	**(2,691)**	(1,628)	(865)	**(91.6)**	(72.3)	(34.9)
Balance, end of year	**(8,724)**	(6,033)	(4,405)	**$ (303.9)**	$ (212.3)	$ (140.0)

	Years ended December 31,					
	2000		1999		1998	
($ in millions)	**Comprehensive Earnings**	**Accumulated Other Comprehensive Loss**	Comprehensive Earnings	Accumulated Other Comprehensive Loss	Comprehensive Earnings	Accumulated Other Comprehensive Loss
Comprehensive Earnings (Loss)						
Balance, beginning of year		**$ (26.7)**		$ (31.7)		$ (22.8)
Net earnings	**$ 68.2**		$ 104.2		$ 16.6	
Foreign currency translation adjustment	**(3.2)**		4.0		(7.7)	
Minimum pension liability adjustment, net of tax	**0.2**		1.0		(1.2)	
Other comprehensive earnings (loss)	**(3.0)**	**(3.0)**	5.0	5.0	(8.9)	(8.9)
Comprehensive earnings	**$ 65.2**		$ 109.2		$ 7.7	
Balance, end of year		**$ (29.7)**		$ (26.7)		$ (31.7)

The accompanying notes are an integral part of the consolidated financial statements.

1. Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of Ball Corporation and its controlled affiliates (collectively Ball, the company, we or our). Investments in 20 percent through 50 percent-owned affiliates are accounted for by the equity method where Ball does not control, but exercises significant influence over, operating and financial affairs. Otherwise, investments are included at cost. Differences between the carrying amounts of equity investments and the company's interest in underlying net assets are amortized over periods benefited. Significant intercompany transactions are eliminated. The results of subsidiaries and equity affiliates in Asia and South America are reflected in the consolidated financial statements on a one-month lag.

Reclassifications

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

Use of Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies and reported amounts of revenues and expenses. Actual results could differ from these estimates.

Foreign Currency Translation

Assets and liabilities of foreign operations, where the local currency is the functional currency, are translated using period-end exchange rates, and revenues and expenses are translated using average exchange rates during each period. Translation gains and losses are reported in accumulated other comprehensive loss as a component of common shareholders' equity.

Revenue Recognition

Sales of products in the packaging segment are recognized upon the shipment of products. In the case of long-term contracts within the aerospace and technologies segment, sales are recognized under the cost-to-cost, percentage-of-completion method. Certain U.S. government contracts contain profit incentives based upon technical and cost performance relative to predetermined targets. Profit incentives are recorded when there is sufficient information to assess anticipated contract performance. Provision for estimated contract losses, if any, is made in the period that such losses are determined.

Temporary Investments

Temporary investments are considered cash equivalents if original maturities are three months or less.

Derivative Financial Instruments

The company uses derivative financial instruments for the purpose of hedging exposures to fluctuations in interest rates, foreign currency exchange rates, raw materials purchasing and the common share repurchase program. Accrual accounting is applied for financial instruments classified as hedges. Costs of hedging instruments are deferred as a cost adjustment, or deferred and amortized as a yield adjustment, over the term of the hedging agreement. Gains and losses on early terminations of derivative financial instruments related to debt are deferred and amortized as yield adjustments. Deferred gains and losses related to exchange rate forwards are recognized as cost adjustments of the related purchase or sale transaction. If a financial instrument no longer qualifies as an effective hedge, the instrument is recorded at fair market value.

Inventories

Inventories are stated at the lower of cost or market. The cost for certain U.S. metal beverage container inventories and substantially all inventories within the U.S. metal food container business is determined using the last-in, first-out (LIFO) method of accounting. The cost for remaining inventories is determined using the first-in, first-out (FIFO) method.

Depreciation and Amortization

Depreciation is provided using the straight-line method in amounts sufficient to amortize the cost of the properties over their estimated useful lives (buildings and improvements – 15 to 40 years; machinery and equipment – 5 to 15 years). Goodwill is amortized using the straight-line method over 40 years. The company evaluates long-lived assets, including goodwill and other intangibles, when significant economic events suggest that they may be impaired or may not be fully recoverable or the depreciation or amortization period should be reconsidered. In estimating the useful lives, consideration is given to the factors in Accounting Principles Board (APB) Opinion No. 17. As part of the valuation process, the company considers the fair value and cash flow measurement techniques described in Statement of Financial Accounting Standards (SFAS) No. 121. Undiscounted cash flows serve as a basis for determination of realizability or impairment.

Taxes on Income

Deferred income taxes reflect the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at each balance sheet date, based upon enacted income tax laws and tax rates. Income tax expense or benefit is provided based on earnings reported in the financial statements. The provision for income tax expense or benefit differs from the amounts of income taxes currently payable because certain items of income and expense included in the consolidated financial statements are recognized in different time periods by taxing authorities. Deferred tax assets and operating loss and tax credit carryforwards are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that any portion of these tax attributes will not be realized.

Employee Stock Ownership Plan

Ball records the cost of its Employee Stock Ownership Plan (ESOP) using the shares allocated transitional method under which the annual pretax cost of the ESOP, including preferred dividends, approximates program funding. Compensation and interest components of ESOP cost are included in net earnings. Preferred dividends, net of related tax benefits, are shown as a reduction from net earnings. Unearned compensation recorded within the accompanying balance sheet and related to the ESOP is reduced as the principal of the guaranteed ESOP notes is amortized.

Earnings Per Share

Basic earnings per share are computed by dividing the net earnings attributable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if the Series B ESOP Convertible Preferred Stock (ESOP Preferred) was converted into additional outstanding common shares and outstanding dilutive stock options were exercised. In the diluted computation, net earnings attributable to common shareholders are adjusted for additional ESOP contributions which would be required if the ESOP Preferred was converted to common shares. This computation excludes the tax benefit of deductible common dividends upon the assumed conversion of the ESOP Preferred.

New Accounting Pronouncements

During the fourth quarter of 1998, Ball adopted Statement of Position (SOP) No. 98-5, "Reporting on the Costs of Start-Up Activities," in advance of its required 1999 implementation date. SOP No. 98-5 requires that costs of start-up activities and organizational costs, as defined, be expensed as incurred. In accordance with this statement, we recorded an after-tax charge to earnings of approximately $3.3 million (11 cents per share), retroactive to January 1, 1998, representing the cumulative effect of this change in accounting on prior years.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 138, an amendment of SFAS 133, essentially require all derivatives to be recorded on the balance sheet at fair value and establish new accounting practices for hedge instruments. In connection with the adoption of these statements, which became effective for Ball on January 1, 2001, we expect the cumulative earnings effect of this change in accounting to be insignificant.

Financial Accounting Standards Board Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation – an Interpretation of Accounting Principles Board Opinion No. 25," clarifies certain issues related to the accounting for stock compensation and was effective for Ball as of the beginning of the third quarter of 2000. This interpretation did not have an effect on our reported results in 2000.

Staff Accounting Bulletin (SAB) No. 101, which was issued by the U.S. Securities and Exchange Commission, provides guidance on the recognition, presentation and disclosure of revenue in the financial statements and became effective for Ball in the fourth quarter of 2000. The adoption of this guidance had no effect on our results in 2000.

The Emerging Issues Task Force (EITF) reached a consensus in September on a portion of Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," which requires companies to report shipping and handling fees and costs as a component of cost of sales. The effect of this guidance resulted only in offsetting increases in net sales and cost of sales in the consolidated statement of earnings and accompanying notes. The reclassifications of $126.9 million, $123 million and $99.3 million for 2000, 1999 and 1998, respectively, were reflected in all periods shown for comparative purposes.

2. Business Segment Information

Ball's operations are organized along its product lines and include two segments – the packaging segment and the aerospace and technologies segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. See Notes 3 and 4 for information regarding transactions affecting segment results.

Packaging

The packaging segment includes the manufacture and sale of metal and PET (polyethylene terephthalate) plastic containers, primarily for use in beverage and food packaging. Our consolidated packaging operations are located in and serve North America (the U.S. and Canada) and Asia, primarily the People's Republic of China (PRC). We also have investments in packaging companies in the PRC, Brazil and Thailand, which are accounted for under the equity method, and, accordingly, those results are not included in segment earnings or assets.

Aerospace and Technologies

The aerospace and technologies segment includes civil space systems, defense systems, commercial space operations, commercial products and technologies, systems engineering services and advanced antenna and video systems.

Major Customers

Packaging segment sales to Miller Brewing Company, a customer since an August 1998 acquisition, represented approximately 15 percent of net sales in both 2000 and 1999 and less than 10 percent in 1998. Sales to PepsiCo, Inc., and affiliates represented approximately 14 percent of consolidated net sales in 2000, 13 percent of consolidated net sales in 1999 and 15 percent of consolidated net sales in 1998. Sales to the Coca-Cola Company and affiliates represented 11 percent of consolidated net sales in 2000 and 1999 and 10 percent of consolidated net sales in 1998. Sales to all bottlers of Pepsi-Cola and Coca-Cola branded beverages comprised approximately 35 percent of consolidated net sales in 2000 and 1999 and 40 percent of consolidated net sales in 1998. Sales to various U.S. government agencies by the aerospace and technologies segment, either as a prime contractor or as a subcontractor, represented approximately 9 percent of consolidated net sales in 2000 and 1999 and 11 percent of consolidated net sales in 1998.

Financial data segmented by geographic area is provided below.

Summary of Net Sales by Geographic Area

($ in millions)	U.S.	Other [1]	Consolidated
2000	**$ 3,195.9**	**$ 468.8**	**$ 3,664.7**
1999	3,237.1	470.1	3,707.2
1998	2,537.5	458.2	2,995.7

[1] Includes the company's net sales in the PRC and Canada, neither of which are significant, intercompany eliminations and other.

Summary of Long-Lived Assets[1] by Geographic Area

($ in millions)	U.S.	PRC	Other [2]	Consolidated
2000	**$1,565.5**	**$ 301.8**	**$ (186.8)**	**$ 1,680.5**
1999	1,701.6	352.0	(217.3)	1,836.3
1998	1,763.2	369.3	(163.3)	1,969.2

[1] Long-lived assets primarily consist of property, plant and equipment, goodwill and other intangible assets.

[2] Includes the company's long-lived assets in Canada, which are not significant, intercompany eliminations and other.

Summary of Business by Segment

($ in millions)	2000	1999	1998
Net Sales			
North American metal beverage	$ 2,245.5	$ 2,326.4	$ 1,660.9
North American metal food	576.4	524.1	505.2
North American plastic containers	265.7	255.4	235.2
International	214.1	218.3	231.8
Total packaging	3,301.7	3,324.2	2,633.1
Aerospace and technologies	363.0	383.0	362.6
Consolidated net sales	$ 3,664.7	$ 3,707.2	$ 2,995.7
Consolidated Earnings			
Packaging	$ 278.4	$ 276.7	$ 164.7
Business consolidation costs and other (Note 3)	(83.4)	–	(56.2)
Total packaging	195.0	276.7	108.5
Aerospace and technologies	29.0	24.9	30.4
ESOP settlement (Note 3)	7.0	–	–
Total aerospace and technologies	36.0	24.9	30.4
Segment earnings before interest and taxes	231.0	301.6	138.9
Headquarters relocation costs (Note 3)	–	–	(17.7)
Corporate undistributed expenses	(21.9)	(22.8)	(15.3)
Earnings before interest and taxes	209.1	278.8	105.9
Interest expense	(95.2)	(107.6)	(78.6)
Provision for taxes	(42.8)	(64.9)	(8.8)
Minority interests	1.0	(1.9)	7.9
Equity in net results of affiliates	(3.9)	(0.2)	5.6
Consolidated earnings before extraordinary item and accounting change	$ 68.2	$ 104.2	$ 32.0
Depreciation and Amortization			
Packaging	$ 143.9	$ 146.4	$ 125.8
Aerospace and technologies	13.0	13.5	15.0
Segment depreciation and amortization	156.9	159.9	140.8
Corporate	2.2	3.0	4.2
Consolidated depreciation and amortization	$ 159.1	$ 162.9	$ 145.0
Net Investment			
Packaging	$ 1,410.9	$ 1,319.7	$ 1,164.3
Aerospace and technologies	181.8	161.6	143.5
Segment net investment	1,592.7	1,481.3	1,307.8
Corporate net investment and eliminations	(910.3)	(790.4)	(685.5)
Consolidated net investment	$ 682.4	$ 690.9	$ 622.3
Investments in Equity Affiliates			
Packaging	$ 65.6	$ 79.0	$ 80.9
Aerospace and technologies	15.6	2.3	–
Consolidated investments in equity affiliates	$ 81.2	$ 81.3	$ 80.9
Property, Plant and Equipment Additions			
Packaging	$ 85.9	$ 95.8	$ 63.7
Aerospace and technologies	12.0	10.1	17.2
Segment property, plant and equipment additions	97.9	105.9	80.9
Corporate	0.8	1.1	3.3
Consolidated property, plant and equipment additions	$ 98.7	$ 107.0	$ 84.2

3. Business Consolidation Costs and Other

2000

The company recorded an $83.4 million pretax charge ($55 million after tax, minority interests and equity earnings impacts, or $1.77 per diluted share) in the second quarter for packaging business consolidation and investment exit activities expected to be completed during 2001. The charge includes costs associated with the permanent closure of a beverage can manufacturing facility in the U.S., the elimination of food and beverage can manufacturing capacity at two locations in Canada, the consolidation of production capacity in the PRC and the write-down to net realizable value of certain equity investments, primarily related to a beverage can manufacturing joint venture in Russia.

The $83.4 million charge included (1) $43.9 million for the write-down of fixed assets held for sale and related machinery spare parts inventory to estimated net realizable value, including estimated costs to sell; (2) $9 million for severance, supplemental unemployment and other related benefits, substantially all of which are related to the termination of 321 manufacturing and administrative employees in the U.S. and Canada; (3) $14.3 million for contractual pension and retirement obligations which have been included in the appropriate liability accounts; (4) $5.4 million for the write-down of goodwill associated with the closed PRC plant; (5) $8.2 million for the write-down of equity investments; and (6) $2.6 million for other assets and consolidation costs. Approximately $21 million of the charge will require cash payments, offset by $26 million of tax benefits. Of the $43.9 million fixed asset write-down, $34.3 million relates to Canada and the PRC. The carrying value of the remaining fixed assets held for sale at December 31, 2000, was $2.1 million. Subsequent changes to the estimated costs of business consolidations, if any, will be included in current-period earnings.

The following table summarizes the activity related to the plant closing costs recorded during 2000:

($ in millions)	Fixed Assets/ Spare Parts	Employee Costs	Pension and Other Postretirement Benefits	Equity Investments	Other Assets/Costs	Total
Charge to earnings in second quarter 2000	$ 43.9	$ 9.0	$ 14.3	$ 8.2	$ 8.0	$ 83.4
Payments	–	(4.1)	–	–	(0.9)	(5.0)
Transfers and adjustments to liabilities	–	–	(14.3)	–	–	(14.3)
Transfers and adjustments to assets to reflect estimated realizable values	(43.9)	–	–	(8.2)	(6.8)	(58.9)
Balance at December 31, 2000	$ –	$ 4.9	$ –	$ –	$ 0.3	$ 5.2

On April 3, 2000, the Armed Services Board of Contract Appeals sustained the company's claim to recoverability of costs associated with Ball's ESOP for fiscal years beginning in 1989, and the time frame for the U.S. government to file an appeal expired in August 2000. As a result, in the third quarter we recognized earnings of approximately $7 million ($4.3 million after tax or 14 cents per diluted share) related to this matter.

Also during the second quarter, the company resolved favorably state and federal tax matters related to prior years that reduced the overall tax provision by $2.3 million (7 cents per diluted share).

1998

In 1998 we relocated our corporate headquarters to an existing company-owned building in Broomfield, Colorado. In connection with the relocation, which has been completed, the company recorded a pretax charge of $17.7 million, primarily for employee-related costs.

During the last quarter of 1998, we announced the closure of two of our plants located in the PRC and removed from service manufacturing equipment at a third plant. The actions resulted in a $56.2 million, largely noncash, charge in 1998, primarily for the write down to net realizable value of fixed assets, goodwill and other assets. The carrying value of the remaining fixed assets held for sale at December 31, 2000, was $3.5 million.

4. Acquisition

Metal Beverage

On August 10, 1998, Ball acquired substantially all the assets and assumed certain liabilities of the North American beverage can manufacturing business of Reynolds Metals Company for approximately $745.4 million, before a refundable incentive loan of $39 million, a working capital adjustment of an additional $40.1 million and transaction costs. The assets acquired consisted largely of 16 plants in 12 states and Puerto Rico. The acquisition has been accounted for as a purchase, with its results included in our consolidated financial statements effective with the acquisition.

In connection with the acquisition, the company provided $51.3 million in the opening balance sheet for the costs of integrating the acquired business, which included the closure of a headquarters facility and three plants. Included within the $51.3 million was $22.8 million in pension and other post-retirement benefits liabilities, $23.3 million for severance, supplemental unemployment, medical, relocation and other related termination benefits and $5.2 for other plant closure costs. The former headquarters facility and two of the three plants have been sold. The third plant and certain equipment remain for sale. Employees of the closed facilities, primarily comprised of manufacturing and support personnel, have been terminated with certain benefits continuing in accordance with contractual provisions. The carrying value of the fixed assets remaining for sale at December 31, 2000, was approximately $10.4 million. Subsequent increases in actual costs, if any, will be included in current period earnings, and decreases, if any, will result in a reduction of goodwill.

The following table summarizes the year-to-date activity related to the remaining integration costs associated with the acquisition:

($ in millions)	Employee Severance	Other Exit Costs	Total
Balance at December 31, 1999	$ 12.8	$ 2.2	$ 15.0
Reclassification of prior-period payments	–	1.6	1.6
Payments made	(4.7)	(2.9)	(7.6)
Balance at December 31, 2000	$ 8.1	$ 0.9	$ 9.0

5. Accounts Receivable

Accounts receivable are net of an allowance for doubtful accounts of $15.1 million and $8.8 million at December 31, 2000 and 1999, respectively.

Trade Accounts Receivable Securitization Agreement

A securitization agreement provides for the ongoing, revolving sale of a designated pool of U.S. packaging trade accounts receivable, up to $125 million. Net funds received from the sale of the accounts receivable totaled $122.5 million at both December 31, 2000 and 1999. Fees incurred in connection with the sale of accounts receivable totaled $8.4 million in 2000, $7 million in 1999 and $4 million in 1998.

Accounts Receivable in Connection with Long-Term Contracts

Net accounts receivable under long-term contracts, due primarily from agencies of the U.S. government, were $100.1 million and $83.8 million at December 31, 2000 and 1999, respectively, and include unbilled amounts representing revenue earned but contractually not yet billable of $47.2 million and $40.5 million, respectively. The average length of the long-term contracts is approximately three years and the average length remaining on those contracts at December 31, 2000, was approximately 13 months. Approximately $7.4 million of unbilled receivables at December 31, 2000, is expected to be collected after one year and is related to fees and cost withholds that will be paid largely upon completion of milestones or other contract terms, as well as final overhead rate settlements.

6. Inventories

	December 31,	
($ in millions)	**2000**	1999
Raw materials and supplies	**$ 214.9**	$ 238.0
Work in process and finished goods	**412.6**	327.9
	$ 627.5	$ 565.9

Approximately 41 percent and 42 percent of total inventories at December 31, 2000 and 1999, respectively, were valued using the LIFO method of accounting. Inventories at December 31, 2000 and 1999 would have been $5.7 million higher and $4.1 million lower, respectively, than the reported amounts if the FIFO method of accounting, which approximates replacement cost, had been used for those inventories.

7. Property, Plant and Equipment

($ in millions)	December 31, 2000	1999
Land	$ 52.1	$ 61.6
Buildings	438.9	433.6
Machinery and equipment	1,410.2	1,439.4
	1,901.2	1,934.6
Accumulated depreciation	(897.5)	(813.4)
	$ 1,003.7	$ 1,121.2

Depreciation expense amounted to $142.2 million, $143.8 million and $130.8 million for the years ended December 31, 2000, 1999 and 1998, respectively.

8. Goodwill and Other Assets

($ in millions)	December 31, 2000	1999
Goodwill (net of accumulated amortization of $54.5 and $41.9 at December 31, 2000 and 1999, respectively)	$ 436.8	$ 482.9
Investments in affiliates	81.2	81.3
Prepaid pension	67.1	60.5
Other	91.7	90.4
	$ 676.8	$ 715.1

Total amortization expense, including goodwill amortization, amounted to $16.9 million, $19.1 million and $14.2 million for the years ended December 31, 2000, 1999 and 1998, respectively, of which $12.6 million, $13.4 million and $7.4 million related to the amortization of goodwill.

9. Debt and Interest Costs

Short-term debt consisted of non-recourse Asian bank facilities of which $58.5 million and $57.2 million were outstanding under these facilities at December 31, 2000 and 1999, respectively. The weighted average rate of the outstanding facilities was 6.5 percent at December 31, 2000, and 6.8 percent at December 31, 1999.

Long-term debt at December 31 consisted of the following:

($ in millions)	December 31, 2000	1999
Notes Payable		
7.75% Senior Notes due August 2006	$ 300.0	$ 300.0
8.25% Senior Subordinated Notes due August 2008	250.0	250.0
Senior Credit Facility:		
Term Loan A due August 2004 (2000 – 7.5%; 1999 – 7%)	295.0	330.0
Term Loan B due March 2006 (2000 – 8.5%; 1999 – 8%;)	196.0	198.0
Industrial Development Revenue Bonds		
Floating rates due through 2011 (2000 – 5%; 1999 – 5.35%)	27.1	27.1
ESOP Debt Guarantee		
9.60% installment note due through 2001	10.7	20.5
Other	–	13.9
	1,078.8	1,139.5
Less: Current portion of long-term debt	67.2	46.8
	$ 1,011.6	$ 1,092.7

In connection with an acquisition in 1998, the company refinanced approximately $521.9 million of its existing debt and, as a result, recorded an after-tax extraordinary charge for the early extinguishment of debt of approximately $12.1 million (37 cents per diluted share).

The acquisition and related costs were financed with a placement of $300 million in 7.75% Senior Notes due in 2006, $250 million in 8.25% Senior Subordinated Notes due in 2008 and $808.2 million from a Senior Credit Facility. The Senior Credit Facility bears interest at variable rates and is comprised of the following: (1) Term Loan A due in installments through August 2004, (2) Term Loan B due in installments through March 2006; (3) a revolving credit facility which provides us with up to $585 million, comprised of a $135 million, 364-day annually renewable facility and a $450 million long-term committed facility expiring in August 2004; and (4) a $50 million long-term committed Canadian facility expiring in November 2002. At December 31, 2000, $559 million was available under the revolving credit facilities.

The Senior Notes, Senior Subordinated Notes and Senior Credit Facility agreements are guaranteed on a full, unconditional and joint and several basis by certain of the company's domestic wholly owned subsidiaries. All amounts outstanding under the Senior Credit Facility are secured by (1) a pledge of 100 percent of the stock owned by the company in its direct and indirect majority-owned domestic subsidiaries and (2) a pledge of the company's stock, owned directly or indirectly, of certain foreign subsidiaries, which equals 65 percent of the stock of each such foreign subsidiary. 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. Condensed, consolidating financial information for the company, segregating the guarantor subsidiaries and non-guarantor subsidiaries, will be provided in an exhibit to our Form 10-K for the year ended December 31, 2000.

Ball's Asian subsidiary and its consolidated affiliates had short-term uncommitted credit facilities of approximately $110 million, of which $58.5 million was outstanding at December 31, 2000.

Maturities of all fixed long-term debt obligations outstanding at December 31, 2000, are $67.2 million, $67 million, $87 million, $100.1 million and $10 million for the years ending December 31, 2001 through 2005, respectively, and $747.5 million thereafter.

Ball issues letters of credit in the ordinary course of business to secure liabilities recorded in connection with the company's deferred compensation program, industrial development revenue bonds and insurance arrangements, of which $75.8 million were outstanding at December 31, 2000. Ball also has provided a completion guarantee representing 50 percent of the $37.3 million of debt issued by our Brazilian joint venture to fund the construction of facilities. ESOP debt represents borrowings by the trust for the Ball-sponsored ESOP which have been irrevocably guaranteed by the company.

The company was not in default of any loan agreement at December 31, 2000, and has met all payment obligations. The U.S. note agreements, bank credit agreement, ESOP debt guarantee and industrial development revenue bond agreements contain certain restrictions relating to dividends, share repurchases, investments, guarantees and the incurrence of additional indebtedness.

A summary of total interest cost paid and accrued follows:

($ in millions)	**2000**	1999	1998
Interest costs	**$ 98.5**	$ 109.6	$ 80.9
Amounts capitalized.	**(3.3)**	(2.0)	(2.3)
Interest expense. . . .	**$ 95.2**	$ 107.6	$ 78.6
Interest paid during the year . . .	**$ 96.8**	$ 111.2	$ 63.3

10. Leases

The company leases warehousing and manufacturing space and certain manufacturing equipment, primarily within the packaging segment, and office space, primarily within the aerospace and technologies segment. Under certain of these lease arrangements, we have the option to purchase the leased facilities and equipment for a total purchase price at the end of the lease term of approximately $96.3 million. If we elect not to purchase the facilities and equipment and do not enter into a new lease arrangement, Ball has guaranteed the lessors a minimum residual value of approximately $77.2 million and may incur other incremental costs to discontinue or relocate the business activities associated with these leased assets. These agreements contain certain restrictions relating to dividends, investments and borrowings. Total noncancellable operating leases in effect at December 31, 2000, require rental payments of $46.6 million, $43.9 million, $38.7 million, $35.4 million and $33.2 million for the years 2001 through 2005, respectively, and $32.8 million combined for all years thereafter. Lease expense for all operating leases was $63.4 million, $44.8 million and $38.5 million in 2000, 1999 and 1998, respectively.

11. Taxes on Income

The amounts of earnings (losses) before income taxes by national jurisdiction follow:

($ in millions)	**2000**	1999	1998
U.S	**$ 144.0**	$ 161.5	$ 89.6
Foreign	**(30.1)**	9.7	(62.3)
	$ 113.9	$ 171.2	$ 27.3

The provision for income tax expense (benefit) was as follows:

($ in millions)	**2000**	1999	1998
Current			
U.S.	**$ 28.5**	$ 23.5	$ 7.6
State and local	**0.9**	2.2	2.8
Foreign	**3.6**	4.9	6.0
Total current	**33.0**	30.6	16.4
Deferred			
U.S.	**12.8**	28.7	(8.1)
State and local	**2.5**	4.6	(1.6)
Foreign	**(5.5)**	1.0	2.1
Total deferred	**9.8**	34.3	(7.6)
Provision for income taxes	**$ 42.8**	$ 64.9	$ 8.8

The provision for income taxes recorded within the consolidated statement of earnings differs from the amount of income tax expense determined by applying the U.S. statutory federal income tax rate to pretax earnings as a result of the following:

($ in millions)	**2000**	1999	1998
Statutory U.S. federal income tax	**$ 39.8**	$ 59.9	$ 9.6
Increase (decrease) due to:			
Company-owned life insurance	**(3.1)**	(2.1)	(5.2)
Research and development tax credits	**(3.1)**	(3.0)	(2.9)
Foreign operations and royalty income	**4.5**	2.9	9.4
State and local taxes, net	**1.9**	4.4	0.8
Other, net	**2.8**	2.8	(2.9)
Provision for taxes	**$ 42.8**	$ 64.9	$ 8.8
Effective tax rate expressed as a percentage of pretax earnings	**37.6%**	37.9%	32.2%

At December 31, 2000, the company had capital loss carryforwards, expiring in 2004, of $67.5 million with a related tax benefit of $26.4 million. That benefit has been fully offset by a valuation allowance. Additionally, alternative minimum tax credits of $22.1 million, which may be carried forward indefinitely, are available.

Provision has not been made for additional U.S. or foreign taxes on undistributed earnings of controlled foreign corporations where such earnings will continue to be reinvested. It is not practicable to estimate the additional taxes, including applicable foreign withholding taxes, that might become payable upon the eventual remittance of the foreign earnings for which no provision has been made.

Net income tax payments were $28.8 million, $29.6 million and $20.5 million for 2000, 1999 and 1998, respectively.

The significant components of deferred tax assets and liabilities at December 31 were:

($ in millions)	**2000**	1999
Deferred tax assets:		
Deferred compensation	**$ (35.2)**	$ (28.3)
Accrued employee benefits	**(63.3)**	(62.2)
Plant closure costs	**(38.4)**	(31.6)
Other	**(43.6)**	(48.0)
Total deferred tax assets	**(180.5)**	(170.1)
Deferred tax liabilities:		
Depreciation	**139.5**	121.6
Other	**36.6**	36.2
Total deferred tax liabilities	**176.1**	157.8
Net deferred tax asset	**$ (4.4)**	$ (12.3)

12. Pension and Other Postretirement and Postemployment Benefits

The company's noncontributory pension plans cover substantially all U.S. and Canadian employees meeting certain eligibility requirements. The defined benefit plans for salaried employees provide pension benefits based on employee compensation and years of service. In addition, the plan covering salaried employees in Canada includes a defined contribution feature. Plans for hourly employees provide benefits based on fixed rates for each year of service. Our policy is to fund the plans on a current basis to the extent deductible under existing tax laws and regulations and in amounts sufficient to satisfy statutory funding requirements. Plan assets consist primarily of common stocks and fixed income securities.

The company sponsors defined benefit and defined contribution postretirement health care and life insurance plans for substantially all U.S. and Canadian employees. Employees may also qualify for long-term disability, medical and life insurance continuation and other postemployment benefits upon

termination of active employment prior to retirement. All of the Ball-sponsored plans are unfunded and, with the exception of life insurance benefits, are self-insured.

In Canada, the company provides supplemental medical and other benefits in conjunction with Canadian provincial health care plans. Most U.S. salaried employees who retired prior to 1993 are covered by noncontributory defined benefit medical plans with capped lifetime benefits. Ball provides a fixed subsidy toward each retiree's future purchase of medical insurance for U.S. salaried and substantially all nonunion hourly employees retiring after January 1, 1993. Life insurance benefits are noncontributory. Ball has no commitments to increase benefits provided by any of the postretirement benefit plans.

An analysis of the change in benefit accruals for 2000 and 1999 follows:

	Pension Benefits		Other Postretirement Benefits	
($ in millions)	**2000**	1999	**2000**	1999
Change in benefit obligation:				
Benefit obligation at beginning of year	**$ 418.3**	$ 422.1	**$ 97.3**	$ 91.7
Service cost	**12.4**	14.2	**1.9**	1.7
Interest cost	**32.0**	29.1	**7.6**	6.5
Benefits paid	**(18.7)**	(13.1)	**(3.9)**	(4.1)
Net actuarial gain	**(1.8)**	(46.0)	**(6.1)**	(5.6)
Special termination	**11.4**	–	**1.7**	–
Business acquisition	**–**	2.6	**–**	2.4
Other, net	**2.1**	9.4	**(0.4)**	4.7
Benefit obligation at end of year	**455.7**	418.3	**98.1**	97.3
Change in plan assets:				
Fair value of assets at beginning of year	**435.4**	419.2	**–**	–
Actual return on plan assets	**30.8**	12.9	**–**	–
Employer contributions	**21.9**	25.1	**3.8**	4.0
Benefits paid	**(18.7)**	(25.7)	**(3.9)**	(4.1)
Other, net	**(2.1)**	3.8	**0.1**	0.1
Fair value of assets at end of year	**467.3**	435.3	**–**	–
Funded status	**11.6**	17.0	**(98.1)**	(97.3)
Unrecognized net actuarial loss (gain)	**16.5**	8.1	**(11.9)**	(7.8)
Unrecognized prior service cost	**14.9**	12.7	**4.0**	4.3
Unrecognized transition asset	**(0.6)**	(3.7)	**–**	–
Prepaid (accrued) benefit cost	**$ 42.4**	$ 34.1	**$ (106.0)**	$ (100.8)

Amounts recognized in the balance sheet consist of:

	Pension Benefits		Other Postretirement Benefits	
($ in millions)	**2000**	1999	**2000**	1999
Prepaid benefit cost	**$ 56.2**	$ 55.2	**$ –**	$ –
Accrued benefit liability	**(30.0)**	(33.7)	**(106.0)**	(100.8)
Intangible asset	**12.9**	9.3	**–**	–
Accumulated other comprehensive earnings	**3.3**	3.3	**–**	–
Net amount recognized	**$ 42.4**	$ 34.1	**$ (106.0)**	$ (100.8)

Components of net periodic benefit cost were:

($ in millions)	Pension Benefits 2000	Pension Benefits 1999	Pension Benefits 1998	Other Postretirement Benefits 2000	Other Postretirement Benefits 1999	Other Postretirement Benefits 1998
Service cost	**$ 12.4**	$ 14.2	$ 10.5	**$ 1.9**	$ 1.7	$ 1.0
Interest cost	**32.0**	29.1	26.1	**7.6**	6.5	4.9
Expected return on plan assets	**(42.3)**	(37.6)	(35.5)	**–**	–	–
Amortization of prior service cost	**1.4**	1.1	1.1	**0.3**	–	–
Amortization of transition asset	**(3.1)**	(3.2)	(3.2)	**–**	–	–
Curtailment loss	**7.9**	0.5	–	**–**	–	–
Recognized net actuarial loss (gain)	**0.7**	1.7	1.3	**(0.7)**	(0.3)	(0.3)
Net periodic benefit cost	**9.0**	5.8	0.3	**9.1**	7.9	5.6
Expense of defined contribution plans	**0.7**	0.7	0.6	**–**	–	–
Net periodic benefit cost	**$ 9.7**	$ 6.5	$ 0.9	**$ 9.1**	$ 7.9	$ 5.6

Weighted average assumptions at the measurement date were:

	Pension Benefits 2000	Pension Benefits 1999	Pension Benefits 1998	Other Postretirement Benefits 2000	Other Postretirement Benefits 1999	Other Postretirement Benefits 1998
Discount rate	**7.84%**	7.84%	7.00%	**7.85%**	7.82%	7.00%
Rate of compensation increase	**3.30%**	3.33%	3.33%	**N/A**	N/A	N/A
Expected long-term rates of return on assets	**9.81%**	9.82%	10.79%	**N/A**	N/A	N/A

The expected long-term rates of return on assets are calculated by applying the expected rate of return to a market related value of plan assets at the beginning of the year, adjusted for the weighted average expected contributions and benefit payments. The market related value of plan assets used to calculate expected return was $433.9 million at September 30, 2000, $382.8 million at December 31, 1999, and $329.5 million at December 31, 1998. The measurement date for determining the market related value of plan assets was changed during 2000 from December 31 to September 30 in order to utilize more timely and accurate data. This change had an insignificant impact on the 2000 financial statements.

For pension plans, accumulated gains and losses in excess of a 10 percent corridor, the prior service cost and the transition asset are being amortized on a straight-line basis from the date recognized over the average remaining service period of active participants. For other postretirement benefits, the 10 percent corridor is not used for accumulated actuarial gains and losses, and they are amortized over 10 years.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $143 million, $141.9 million and $112.4 million, respectively, as of December 31, 2000.

For the U.S. plans at December 31, 2000, a 5.5 percent health care cost trend rate was used for pre-65 and post-65 benefits, and trend rates were assumed to remain level for 2001 and subsequent years. For the Canadian plans, a 7 percent health care cost trend rate was used, which was assumed to decrease to 4.5 percent by 2006 and remain at that level in subsequent years.

Health care cost trend rates can have an effect on the amounts reported for the health care plan. A one-percentage point change in assumed health care cost trend rates would increase or decrease the total of service and interest cost by approximately $0.3 million and the postretirement benefit obligation by approximately $3.2 million.

The additional minimum pension liability, less related intangible asset, was recognized net of tax benefits as a component of shareholders' equity within accumulated other comprehensive loss.

Other Benefit Plans

Substantially all employees within the company's aerospace and technologies segment who participate in Ball's 401(k) salary conversion plan receive a performance-based matching cash contribution of up to 4 percent of base salary. The company recorded $1.9 million, zero and $1.6 million in 2000, 1999 and 1998, respectively, as compensation related to this match.

In addition, substantially all U.S. salaried employees and certain U.S. nonunion hourly employees who participate in Ball's 401(k) salary conversion plan automatically participate in the company's ESOP through an employer matching contribution. Cash contributions to the ESOP trust, including preferred dividends, are used to service the ESOP debt and were $11.5 million in 2000, $11.6 million in 1999 and $10.7 million in 1998. Interest paid by the ESOP trust for its borrowings was $1.7 million, $2.6 million and $3.3 million for 2000, 1999 and 1998, respectively.

13. Shareholders' Equity

At December 31, 2000, the company had 120 million shares of common stock and 15 million shares of preferred stock authorized, both without par value. Preferred stock includes 600,000 authorized but unissued shares designated as Series A Junior Participating Preferred Stock and 2,100,000 authorized shares designated as Series B ESOP Convertible Preferred Stock.

The ESOP Preferred has a stated value and liquidation preference of $36.75 per share and cumulative annual dividends of $2.76 per share. The ESOP Preferred shares are entitled to 1.3 votes per share and are voted with common shares as a single class upon matters submitted to a vote of Ball's shareholders. Each ESOP Preferred share has a guaranteed value of $36.75 and is convertible into 1.1552 shares of Ball Corporation common stock.

Under the company's successor Shareholder Rights Plan, one Preferred Stock Purchase Right (Right) is attached to each outstanding share of Ball Corporation common stock. Subject to adjustment, each Right entitles the registered holder to purchase from the company one one-thousandth of a share of Series A Junior Participating Preferred Stock of the company at an exercise price of $130 per Right. If a person or group acquires 15 percent or more of the company's outstanding common stock (or upon occurrence of certain other events), the Rights (other than those held by the acquiring person) become exercisable and generally entitle the holder to purchase shares of Ball Corporation common stock at a 50 percent discount. The Rights, which expire in 2006, are redeemable by the company at a redemption price of one cent per Right and trade with the common stock. Exercise of such Rights would cause substantial dilution to a person or group attempting to acquire control of the company without the approval of Ball's board of directors. The Rights would not interfere with any merger or other business combinations approved by the board of directors.

Common shares were reserved at December 31, 2000, for future issuance under the employee stock purchase, stock option, dividend reinvestment and restricted stock plans, as well as to meet conversion requirements of the ESOP Preferred.

In connection with the employee stock purchase plan, the company contributes 20 percent of up to $500 of each participating employee's monthly payroll deduction toward the purchase of Ball Corporation common stock. Company contributions for this plan were approximately $1.9 million in 2000, $1.8 million in 1999 and $1.6 million in 1998.

Accumulated Other Comprehensive Loss

The activity related to accumulated other comprehensive loss was as follows:

($ in millions)	Foreign Currency Translation	Minimum Pension Liability (net of tax)	Accumulated Other Comprehensive Loss
December 31, 1997	$ (20.9)	$ (1.9)	$ (22.8)
1998 change	(7.7)	(1.2)	(8.9)
December 31, 1998	(28.6)	(3.1)	(31.7)
1999 change	4.0	1.0	5.0
December 31, 1999	(24.6)	(2.1)	(26.7)
2000 change	(3.2)	0.2	(3.0)
December 31, 2000	$ (27.8)	$ (1.9)	$ (29.7)

The minimum pension liability component of other comprehensive earnings (loss) is presented net of related tax expense (benefit) of $1.4 million, $0.7 million and $(0.4) million for the years ended December 31, 2000, 1999 and 1998, respectively. No tax benefit has been provided on the foreign currency translation loss component for any period, as the undistributed earnings of the company's foreign investments will continue to be reinvested.

Stock Options and Restricted Shares

The company has several stock option plans under which options to purchase shares of common stock have been granted to officers and key employees at the market value of the stock at the date of grant. Payment must be made at the time of exercise in cash or with shares of stock owned by the option holder, which are valued at fair market value on the date exercised. Options terminate 10 years from date of grant. Tier A options are exercisable in four equal installments commencing one year from date of grant, with the exception of certain Tier A options granted in 1998, which become exercisable after the company's common stock price reaches specified prices for 10 consecutive days, or at the end of five years, whichever comes first.

Tier B options vested at the date of grant, and were exercisable after the company's common stock price closed at or above a target price of $50 per share for 10 consecutive days, which occurred in April 1999. Approximately $4.7 million was recorded as compensation expense in the second quarter of 1999 in connection with the Tier B options becoming exercisable, and common stock was increased accordingly. The target stock price was adjusted based on a compounded annual growth rate of 7.5 percent for individuals retiring prior to the options becoming exercisable.

The company also granted 130,000 shares of restricted stock to certain management employees during 1998 at a price of $35 per share. Restrictions on these shares lapse in tranches based on the company achieving certain standards of performance or at the end of seven years, whichever comes first.

A summary of stock option activity for the years ended December 31 follows:

	2000		1999		1998	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,926,795	$ 34.657	2,163,396	$ 30.884	1,754,298	$ 27.223
Tier A options exercised	(92,292)	26.705	(394,283)	29.626	(332,594)	26.981
Tier B options exercised	–	–	(55,500)	24.375	(38,000)	24.375
Tier A options granted	380,375	33.063	301,100	53.861	822,300	36.738
Tier A options canceled	(60,623)	39.012	(87,918)	36.633	(42,608)	29.378
Outstanding at end of year	2,154,255	34.594	1,926,795	34.657	2,163,396	30.884
Exercisable at end of year	1,258,490	31.727	1,087,045	29.955	743,671	28.555
Reserved for future grants	1,783,489		2,128,130		2,360,056	

Additional information regarding options outstanding at December 31, 2000, follows:

	Exercise Price Range			
	$24.375 - $26.625	$28.250 - $35.000	$35.625 - $55.125	Total
Number of options outstanding	641,388	726,433	786,434	2,154,255
Weighted average exercise price	$ 25.368	$ 33.400	$ 43.221	$ 34.594
Weighted average remaining contractual life	6.4 years	8.7 years	8.2 years	7.9 years
Number of shares exercisable	584,763	278,783	394,944	1,258,490
Weighted average exercise price	$ 25.250	$ 33.439	$ 40.106	$ 31.727

These 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, Tier A options granted in 2000, 1999 and 1998 have estimated weighted average fair values at the date of grant of $12.16 per share, $17.32 per share and $10.73 per share, respectively. Under the same methodology, Tier B options granted during 1997 have an estimated weighted average fair value at the date of grant of $8.54 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:

	2000 Grants	1999 Grants	1998 Grants
Expected dividend yield	**1.30%**	1.52%	1.31%
Expected stock price volatility	**32.43%**	29.80%	25.34%
Risk-free interest rate	**6.36%**	5.34%	5.21%
Expected life of options	**5.5 years**	5.5 years	5.3 years

Ball accounts for its stock-based employee compensation programs using the intrinsic value method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." If we had elected to recognize compensation based upon the calculated fair value of the options granted after 1994, pro forma net earnings and earnings per share would have been:

($ in millions, except per share amounts)	*Years ended December 31,* **2000**	1999	1998
As reported:			
Net earnings	**$ 68.2**	$ 104.2	$ 16.6
Basic earnings per share	**2.26**	3.36	0.45
Diluted earnings per share	**2.14**	3.15	0.44
Pro forma results:			
Net earnings	**$ 65.6**	$ 100.6	$ 14.3
Basic earnings per share	**2.17**	3.24	0.38
Diluted earnings per share	**2.06**	3.04	0.37

14. Earnings per Share

The following table provides additional information on the computation of earnings per share amounts.

	Years ended December 31,		
($ in millions, except per share amounts)	**2000**	1999	1998
Basic earnings per Share			
Earnings before extraordinary item and accounting change	**$ 68.2**	$ 104.2	$ 32.0
Early debt extinguishment costs, net of tax	**–**	–	(12.1)
Cumulative effect of accounting change for start-up costs, net of tax	**–**	–	(3.3)
Net earnings	**68.2**	104.2	16.6
Preferred dividends, net of tax	**(2.6)**	(2.7)	(2.8)
Earnings attributable to common shareholders	**$ 65.6**	$ 101.5	$ 13.8
Weighted average common shares (000s)	**29,040**	30,170	30,388
Basic earnings per share:			
Earnings before extraordinary item and accounting change	**$ 2.26**	$ 3.36	$ 0.96
Early debt extinguishment costs, net of tax	**–**	–	(0.40)
Cumulative effect of accounting change, net of tax	**–**	–	(0.11)
Basic earnings per share	**$ 2.26**	$ 3.36	$ 0.45
Diluted Earnings per Share			
Earnings before extraordinary item and accounting change	**$ 68.2**	$ 104.2	$ 32.0
Early debt extinguishment costs, net of tax	**–**	–	(12.1)
Cumulative effect of accounting change for start-up costs, net of tax	**–**	–	(3.3)
Net earnings	**68.2**	104.2	16.6
Adjustments for deemed ESOP cash contribution in lieu of the ESOP Preferred dividend	**(2.0)**	(2.0)	(2.1)
Adjusted earnings attributable to common shareholders	**$ 66.2**	$ 102.2	$ 14.5
Weighted average common shares (000s)	**29,040**	30,170	30,388
Effect of dilutive securities:			
Dilutive effect of stock options	**256**	476	338
Common shares issuable upon conversion of the ESOP Preferred stock	**1,721**	1,804	1,866
Weighted average shares applicable to diluted earnings per share	**31,017**	32,450	32,592
Diluted earnings per share:			
Earnings before extraordinary item and accounting change	**$ 2.14**	$ 3.15	$ 0.91
Early debt extinguishment costs, net of tax	**–**	–	(0.37)
Cumulative effect of accounting change, net of tax	**–**	–	(0.10)
Diluted earnings per share	**$ 2.14**	$ 3.15	$ 0.44

The following options have been excluded for the respective years from the computation of the diluted earnings per share calculation since they were anti-dilutive (i.e., the exercise price exceeded the average common stock price for the year):

Exercise Price	Expiration	2000	1999	1998
$ 35.000	2008	**245,000**	–	–
35.625	2005	**128,850**	–	–
35.938	2008	**280,550**	–	–
44.313	2008	**98,750**	–	120,000
55.125	2009	**242,338**	259,650	–
Various	Various	**35,946**	–	4,000
Total		**1,031,434**	259,650	124,000

15. Financial and Derivative Instruments and Risk Management

The company is subject to various risks and uncertainties due to our operations and business activities, changing commodity prices and changing capital markets.

Policies and Procedures

In the ordinary course of business, the company employs established risk management policies and procedures to reduce exposure to commodity price changes, changes in interest rates, fluctuations in foreign currencies and the company's common share repurchase program. Our objective in managing our exposure to commodity price changes is to limit the impact of raw material price changes on earnings and cash flow through arrangements with customers and suppliers, and, at times, through the use of certain derivative instruments such as options and forward contracts designated as hedges. Our objective in managing our exposure to interest rate changes is to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we primarily uses interest rate swaps, collars and options to manage our mix of floating and fixed-rate debt. Our objective in managing our exposure to foreign currency fluctuations is to protect foreign cash flow and reduce earnings volatility associated with foreign exchange rate changes.

Unrealized losses on foreign exchange forward contracts are recorded in the balance sheet as other current liabilities. Realized gains/losses from hedges are classified in the income statement consistent with accounting treatment of the item being hedged. The company accrues the differential for interest rate swaps to be paid or received under these agreements as adjustments to interest expense over the lives of the swaps. Gains and losses upon the early termination of swap agreements are deferred in long-term liabilities and amortized as an adjustment to interest expense over the remaining term of the agreement.

Commodity Price Risk

The company primarily manages the commodity price risk in connection with market price fluctuations of aluminum by entering into customer sales contracts for cans and ends, which include aluminum-based pricing terms which consider price fluctuations under our commercial supply contracts for aluminum purchases. The terms include "band" pricing where there is an upper and lower limit, a fixed price or only an upper limit to the aluminum component pricing. This matched pricing affects substantially all of our North American metal beverage packaging net sales. The company also, at times, uses certain derivative instruments such as option and forward contracts to hedge commodity price risk. At December 31, 2000, the company had aluminum forward contracts with notional amounts of $124 million hedging its aluminum purchase contracts. These forward contract agreements expire in less than one year. The fair value of these contracts at December 31, 2000, was $(2.4) million. The company's equity joint ventures also had aluminum forward contracts with notional amounts of $20 million hedging aluminum purchase contracts. These forward contract agreements expire at various times up to two years. The fair value of these contracts at December 31, 2000, was $0.2 million. At December 31, 1999, the company had aluminum forward contracts with notional amounts of $163 million hedging the aluminum in the fixed price sales contracts. The fair value of these contracts at December 31, 1999, was $2.1 million.

Interest Rate Risk

Interest rate instruments held by the company at December 31, 2000 and 1999, included pay-floating and pay-fixed interest rate swaps, interest rate caps and swaption contracts. Pay-fixed swaps effectively convert floating rate obligations to fixed rate instruments. Pay-floating swaps effectively convert fixed-rate obligations to variable rate instruments. Swap agreements expire at various times up to five years.

Interest rate swap agreements outstanding at December 31, 2000, had notional amounts of $10 million at a floating rate and $154 million at a fixed rate, or a net fixed position of $144 million. The company also entered into an interest rate cap agreement in 2000 with a notional amount of $10 million. At December 31, 1999, the agreements had notional amounts of $10 million at a floating rate and $475 million at a fixed rate, or a net fixed position of $465 million.

The related notional amounts of interest rate swaps and options serve as the basis for computing the cash flow under these agreements but do not represent the company's exposure through its use of these instruments. Although these instruments involve varying degrees of credit and interest risk, the counter parties to the agreements involve financial institutions, which are expected to perform fully under the terms of the agreements.

The fair value of all non-derivative financial instruments approximates their carrying amounts with the exception of long-term debt. Rates currently available to the company for loans with similar terms and maturities are used to estimate the fair value of long-term debt based on discounted cash flows. The fair value of derivatives generally reflects the estimated amounts that we would pay or receive upon termination of the contracts at December 31, 2000 and 1999, taking into account any unrealized gains and losses on open contracts.

	2000		1999	
($ in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 1,078.8	$ 1,059.4	$ 1,139.5	$ 1,124.6
Unrealized net gain on derivative contracts relating to debt	–	1.3	–	8.0

Exchange Rate Risk

The company's foreign currency risk exposure results from fluctuating currency exchange rates, primarily the strengthening of the U.S. dollar against the Hong Kong dollar, Canadian dollar, Chinese renminbi, Thai baht and Brazilian real. The company faces currency exposure that arises from translating the results of its global operations and maintaining U.S. dollar debt and payables in foreign countries. The company primarily uses forward contracts to manage its foreign currency exposures and, as a result, gains and losses on these derivative positions offset, in part, the impact of currency fluctuations on the existing assets and liabilities. At December 31, 2000, the notional amounts of the company's foreign exchange risk management contracts, net of notional amounts of contracts with counterparties against which the company has the legal right of offset, were $7.7 million for the Brazilian real, $1.3 million for the Euro and $0.5 million for the Thai baht. The fair value of these contracts at December 31, 2000, was $0.2 million.

Equity

In connection with the company's ongoing share repurchase program, we sell put options which give the purchaser 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. The put option contracts allow the company to determine the method of settlement, either in cash or shares. As such, the contracts are considered equity instruments and changes in the fair value are not recognized in our financial statements. The company's objective in selling put options is to lower the average purchase price of acquired shares in connection with the share repurchase program. During 1999 we received $1.3 million in premiums for option contracts and in 2000 we paid $1.2 million to settle in cash those contracts that either matured with no value or were not purchased. As of December 31, 2000, there was one put option contract outstanding for 50,000 shares with a strike price of $45.06. The premiums received are shown as a reduction in treasury stock.

Also in connection with the ongoing share repurchase program, the company entered into a forward share repurchase agreement in 2000 to purchase shares of the company's common stock. During 2000 we purchased 580,300 shares under the agreement at an average price of $34.50. In January 2001 we purchased the 510,500 shares remaining under the agreement at an average price of $35.16.

New Accounting Pronouncement

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 138, an amendment of SFAS 133, essentially require all derivatives to be recorded on the balance sheet at fair value and establish new accounting practices for hedge instruments. In connection with the adoption of these statements, which became effective for Ball on January 1, 2001, we expect the cumulative earnings effect of this change in accounting to be insignificant.

16. Research and Development

Research and development costs are expensed as incurred in connection with the company's internal programs for the development of products and processes. Costs incurred in connection with these programs, a portion of which is included in cost of sales, amounted to $14.4 million, $14 million and $23.7 million for the years 2000, 1999 and 1998, respectively.

17. 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 we participate, our operations in developing markets outside the U.S., changing commodity prices for the materials used in the manufacture of our products and changing capital markets. Where practicable, we attempt to 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 business. 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.

18. Quarterly Results of Operations (Unaudited)

The company's fiscal quarters end on the Sunday nearest the calendar quarter end. The fiscal years end on December 31.

2000 Quarterly Information

The company recorded an $83.4 million pretax charge ($55 million after tax, minority interests and equity earnings impacts) in the second quarter for packaging business consolidation and investment exit activities. Additional details about the charge and related activities are provided in Note 3.

1999 Quarterly Information

Fluctuations in sales and earnings for the quarters in 1999 reflected the normal seasonality of the business as well as the number of days in each fiscal quarter.

($ in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2000					
Net sales[1]	**$ 846.0**	**$ 995.0**	**$ 996.0**	**$ 827.7**	**$3,664.7**
Gross profit[2]	**102.6**	**127.0**	**134.1**	**103.1**	**466.8**
Net earnings	**20.0**	**(15.4)**	**44.5**	**19.1**	**68.2**
Preferred dividends, net of tax	**(0.6)**	**(0.7)**	**(0.6)**	**(0.7)**	**(2.6)**
Earnings (loss) attributable to common shareholders	**$ 19.4**	**$ (16.1)**	**$ 43.9**	**$ 18.4**	**$ 65.6**
Basic earnings (loss) per share	**$ 0.65**	**$ (0.55)**	**$ 1.52**	**$ 0.65**	**$ 2.26**
Diluted earnings (loss) per share	**$ 0.62**	**$ (0.55)**	**$ 1.43**	**$ 0.62**	**$ 2.14**
1999					
Net sales[1]	$ 848.7	$1,011.3	$1,026.5	$ 820.7	$3,707.2
Gross profit[2]	94.2	126.7	133.0	104.9	458.8
Net earnings	15.7	32.0	37.0	19.5	104.2
Preferred dividends, net of tax	(0.7)	(0.7)	(0.6)	(0.7)	(2.7)
Earnings attributable to common shareholders	$ 15.0	$ 31.3	$ 36.4	$ 18.8	$ 101.5
Basic earnings per share	$ 0.50	$ 1.03	$ 1.21	$ 0.63	$ 3.36
Diluted earnings per share	$ 0.47	$ 0.96	$ 1.13	$ 0.59	$ 3.15

[1] *EITF No. 00-10, which requires that shipping and handling fees be reported as a component of cost of sales, was adopted in the fourth quarter of 2000. The effect of this guidance resulted in offsetting increases in sales and cost of sales for both years. See Note 1 for more details.*

[2] *Gross profit is shown after depreciation and amortization of $133.8 million and $137.4 million for the years ended December 31, 2000 and 1999, respectively.*

Earnings per share calculations for each quarter are based on the weighted average shares outstanding for that period. As a result, the sum of the quarterly amounts may not equal the annual earnings per share amount. The diluted loss per share in the second quarter of 2000 is the same as the net loss per basic share because the assumed exercise of stock options and conversion of the ESOP Preferred stock would have been antidilutive.

Five-Year Review of Selected Financial Data

Ball Corporation and Subsidiaries

($ in millions, except per share amounts)	**2000**	1999	1998	1997	1996
Net sales	**$ 3,664.7**	$ 3,707.2	$ 2,995.7	$ 2,464.5	$ 2,252.7
Earnings from:					
Continuing operations	**68.2**	104.2	32.0	58.3	13.1
Discontinued operations	**–**	–	–	–	11.1
Earnings before extraordinary item and cumulative effect of accounting change	**68.2**	104.2	32.0	58.3	24.2
Early debt extinguishment costs, net of tax	**–**	–	(12.1)	–	–
Cumulative effect of accounting change, net of tax [1]	**–**	–	(3.3)	–	–
Net earnings	**68.2**	104.2	16.6	58.3	24.2
Preferred dividends, net of tax	**(2.6)**	(2.7)	(2.8)	(2.8)	(2.9)
Earnings attributable to common shareholders	**$ 65.6**	$ 101.5	$ 13.8	$ 55.5	$ 21.3
Return on average common shareholders' equity	**10.1%**	16.2%	2.3%	9.3%	3.7%
Basic earnings per share:					
Earnings from:					
Continuing operations	**$ 2.26**	$ 3.36	$ 0.96	$ 1.84	$ 0.34
Discontinued operations	**–**	–	–	–	0.36
Earnings before extraordinary item and cumulative effect of accounting change	**2.26**	3.36	0.96	1.84	0.70
Early debt extinguishment costs, net of tax	**–**	–	(0.40)	–	–
Cumulative effect of accounting change, net of tax [1]	**–**	–	(0.11)	–	–
Basic earnings per share	**$ 2.26**	$ 3.36	$ 0.45	$ 1.84	$ 0.70
Weighted average common shares outstanding *(000s)*	**29,040**	30,170	30,388	30,234	30,314
Diluted earnings per share:					
Earnings from:					
Continuing operations	**$ 2.14**	$ 3.15	$ 0.91	$ 1.74	$ 0.34
Discontinued operations	**–**	–	–	–	0.34
Earnings before extraordinary item and cumulative effect of accounting change	**2.14**	3.15	0.91	1.74	0.68
Early debt extinguishment costs, net of tax	**–**	–	(0.37)	–	–
Cumulative effect of accounting change, net of tax [1]	**–**	–	(0.10)	–	–
Diluted earnings per share	**$ 2.14**	$ 3.15	$ 0.44	$ 1.74	$ 0.68
Diluted weighted average common shares outstanding *(000s)*	**31,017**	32,450	32,592	32,311	32,335
Property, plant and equipment additions	**$ 98.7**	$ 107.0	$ 84.2	$ 97.7	$ 196.1
Depreciation and amortization	**$ 159.1**	$ 162.9	$ 145.0	$ 117.5	$ 93.5
Total assets	**$ 2,649.8**	$ 2,732.1	$ 2,854.8	$ 2,090.1	$ 1,700.8
Total interest bearing debt and capital lease obligations [3]	**$ 1,137.3**	$ 1,196.7	$ 1,356.6	$ 773.1	$ 582.9
Common shareholders' equity	**$ 639.6**	$ 655.2	$ 594.6	$ 611.3	$ 586.7
Total capitalization [3]	**$ 1,834.6**	$ 1,907.3	$ 2,003.2	$ 1,459.0	$ 1,194.3
Debt-to-total capitalization [3]	**62.0%**	62.7%	67.7%	53.0%	48.8%
Cash dividends	**$ 0.60**	$ 0.60	$ 0.60	$ 0.60	$ 0.60
Book value	**$ 22.80**	$ 21.97	$ 19.52	$ 20.23	$ 19.22
Market value	**$ 46.06**	$ 39.38	$ 45.75	$ 35.38	$ 26.25
Annual return to common shareholders [2]	**19.2%**	(12.7)%	31.4%	37.4%	(3.2)%

[1] See the notes to the consolidated financial statements.
[2] Change in stock price plus dividend yield assuming reinvestment of dividends.
[3] Includes amounts attributed to discontinued operations.

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