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SILGAN HOLDINGS INC
Form 10-Q
November 09, 2006

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission file number 000-22117

SILGAN HOLDINGS INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

06-1269834
(I.R.S. Employer
Identification No.)

4 Landmark Square
Stamford, Connecticut
(Address of Principal Executive Offices)

06901
(Zip Code)

(203)975-7110
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer Accelerated filer Non-accelerated filer

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

As of October 31, 2006, the number of shares outstanding of the Registrant's common stock, \$0.01 par value, was 37,428,891.

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SILGAN HOLDINGS INC.

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Part I. Financial Information
Item 1. Financial Statements

SILGAN HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(Unaudited, see Note 1)

	Sept. 30, 2006 ----	Sept. 30, 2005 ----	Dec. 31, 2005 ----
Assets			
Current assets			
Cash and cash equivalents	\$ 27,767	\$ 63,848	\$ 20,461
Trade accounts receivable, net	444,732	352,802	154,734
Inventories	383,561	307,836	318,102
Prepaid expenses and other current assets	20,676	22,640	27,244
	-----	-----	-----
Total current assets	876,736	747,126	520,541
Property, plant and equipment, net	874,003	763,241	758,135
Goodwill	235,476	198,096	201,231
Other intangible assets, net	100,143	14,492	15,673
Other assets, net	39,134	35,792	35,040
	-----	-----	-----
	\$2,125,492	\$1,758,747	\$1,530,620
	=====	=====	=====
Liabilities and Stockholders' Equity			
Current liabilities			
Bank revolving loans	\$ 201,146	\$ 217,700	\$ --
Current portion of long-term debt	846	1,250	846
Trade accounts payable	208,845	175,639	247,552
Accrued payroll and related costs	74,565	64,972	60,010
Accrued liabilities	64,745	65,167	11,774
	-----	-----	-----
Total current liabilities	550,147	524,728	320,182
Long-term debt	955,427	751,750	699,532
Other liabilities	277,270	201,419	237,556
Stockholders' equity			
Common stock	428	426	426
Paid-in capital	141,957	138,441	139,475
Retained earnings	279,184	199,213	209,459
Accumulated other comprehensive (loss) income	(18,812)	5,137	(13,888)
Unamortized stock compensation	--	(2,135)	(1,893)
Treasury stock	(60,109)	(60,232)	(60,229)
	-----	-----	-----
Total stockholders' equity	342,648	280,850	273,350
	-----	-----	-----

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\$2,125,492
=====

\$1,758,747
=====

\$1,530,620
=====

See accompanying notes.

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SILGAN HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the three months ended September 30, 2006 and 2005
(Dollars and shares in thousands, except per share amounts)
(Unaudited)

	2006 ----	2005 ----
Net sales	\$856,426	\$797,514
Cost of goods sold	731,168 -----	681,235 -----
Gross profit	125,258	116,279
Selling, general and administrative expenses	36,587	30,185
Rationalization charges	1,740 -----	-- -----
Income from operations	86,931	86,094
Interest and other debt expense	17,920 -----	12,618 -----
Income before income taxes	69,011	73,476
Provision for income taxes	19,323 -----	28,245 -----
Net income	\$ 49,688 =====	\$ 45,231 =====
Earnings per share:		
Basic net income per share	\$1.33 =====	\$1.22 =====
Diluted net income per share	\$1.31 =====	\$1.20 =====
Dividends per share:	\$0.12 =====	\$0.10 =====

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Weighted average number of shares:

Basic	37,411	37,172
Effect of dilutive securities	515	474
	-----	-----
Diluted	37,926	37,646
	=====	=====

See accompanying notes.

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SILGAN HOLDINGS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 For the nine months ended September 30, 2006 and 2005
 (Dollars and shares in thousands, except per share amounts)
 (Unaudited)

	2006	2005
	----	----
Net sales	\$2,023,489	\$1,908,716
Cost of goods sold	1,751,735	1,652,484
	-----	-----
Gross profit	271,754	256,232
Selling, general and administrative expenses	95,266	86,563
Rationalization charges	10,090	464
	-----	-----
Income from operations	166,398	169,205
Interest and other debt expense before loss on early extinguishment of debt	43,369	38,533
Loss on early extinguishment of debt	--	11,035
	-----	-----
Interest and other debt expense	43,369	49,568
	-----	-----
Income before income taxes	123,029	119,637
Provision for income taxes	39,796	46,060

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	-----	-----
Net income	\$ 83,233	\$ 73,577
	=====	=====
Earnings per share:		
Basic net income per share	\$2.23	\$1.99
	=====	=====
Diluted net income per share	\$2.20	\$1.96
	=====	=====
Dividends per share:		
	\$0.36	\$0.30
	=====	=====
Weighted average number of shares:		
Basic	37,346	37,059
Effect of dilutive securities	532	514
	-----	-----
Diluted	37,878	37,573
	=====	=====

See accompanying notes.

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SILGAN HOLDINGS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the nine months ended September 30, 2006 and 2005
 (Dollars in thousands)
 (Unaudited)

	2006	2005
	----	----
Cash flows provided by (used in) operating activities		
Net income	\$ 83,233	\$ 73,577
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	93,991	92,837
Rationalization charges	10,090	464
Loss on early extinguishment of debt	--	11,035
Other changes that provided (used) cash:		
Trade accounts receivable, net	(237,779)	(204,729)
Inventories	(1,335)	10,829

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Trade accounts payable	32,435	11,703
Accrued liabilities	53,648	51,159
Other, net	(7,012)	5,398
	-----	-----
Net cash provided by operating activities	27,271	52,273
	-----	-----
Cash flows provided by (used in) investing activities		
Purchase of business, net of cash acquired	(261,778)	--
Capital expenditures	(87,206)	(63,721)
Proceeds from asset sales	1,226	3,001
	-----	-----
Net cash used in investing activities	(347,758)	(60,720)
	-----	-----
Cash flows provided by (used in) financing activities		
Borrowings under revolving loans	797,273	956,275
Repayments under revolving loans	(614,724)	(738,575)
Proceeds from stock option exercises	1,629	3,305
Changes in outstanding checks - principally vendors	(98,134)	(80,180)
Proceeds from issuance of long-term debt	257,600	550,000
Repayments of long-term debt	--	(638,668)
Dividends paid on common stock	(13,508)	(11,132)
Debt issuance costs	(2,343)	(4,146)
	-----	-----
Net cash provided by financing activities	327,793	36,879
	-----	-----
Cash and cash equivalents		
Net increase	7,306	28,432
Balance at beginning of year	20,461	35,416
	-----	-----
Balance at end of period	\$ 27,767	\$ 63,848
	=====	=====
Interest paid	\$ 39,793	\$ 35,167
Income taxes paid, net of refunds	12,221	11,481

See accompanying notes.

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SILGAN HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY
For the nine months ended September 30, 2006 and 2005
(Dollars and shares in thousands)
(Unaudited)

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	Common Stock		Paid-	Retained	Accumulated
	Shares	Par	in	Earnings	Other
	Outstanding	Value	Capital		Comprehensive
	-----	-----	-----	-----	(Loss) Income
	-----	-----	-----	-----	-----
Balance at December 31, 2004	18,423	\$211	\$131,685	\$136,768	\$ 859
Comprehensive income:					
Net income	--	--	--	73,577	--
Change in fair value of derivatives, net of tax provision of \$1,438	--	--	--	--	2,423
Foreign currency translation	--	--	--	--	1,855
Comprehensive income					
Dividends declared on common stock	--	--	--	(11,132)	--
Issuance of restricted stock units	--	--	852	--	--
Amortization of stock compensation	--	--	--	--	--
Stock option exercises, including tax benefit of \$2,945	173	2	6,248	--	--
Net issuance of treasury stock for vested restricted stock units, including tax benefit of \$39	6	--	(131)	--	--
Two-for-one stock split, net of treasury shares of 2,679	18,602	213	(213)	--	--
Balance at September 30, 2005	37,204	\$426	\$138,441	\$199,213	\$ 5,137
	=====	=====	=====	=====	=====
Balance at December 31, 2005	37,266	\$426	\$139,475	\$209,459	\$ (13,888)
Comprehensive income:					
Net income	--	--	--	83,233	--
Change in fair value of derivatives, net of tax benefit of \$2,926	--	--	--	--	(4,652)
Foreign currency translation, net of tax provision of \$1,351	--	--	--	--	(272)
Comprehensive income					
Dividends declared on common stock	--	--	--	(13,508)	--
Reversal of unamortized stock compensation	--	--	(1,893)	--	--
Stock compensation expense	--	--	1,589	--	--
Stock option exercises, including tax benefit of \$1,371	133	2	2,998	--	--

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Net issuance of treasury stock for vested restricted stock units, including tax benefit of \$97	18	--	(212)	--	--
	-----	-----	-----	-----	-----
Balance at September 30, 2006	37,417	\$428	\$141,957	\$279,184	\$(18,812)
	=====	=====	=====	=====	=====

See accompanying notes.

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SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2006 and 2005 and for the
three and nine months then ended is unaudited)

Note 1. Significant Accounting Policies

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements of Silgan Holdings Inc., or Holdings, have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation. The results of operations for any interim period are not necessarily indicative of the results of operations for the full year.

The Condensed Consolidated Balance Sheet at December 31, 2005 has been derived from our audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

You should read the accompanying condensed consolidated financial statements in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2005.

Certain prior years' amounts have been reclassified to conform with the current year's presentation.

Goodwill. We review goodwill for impairment as of July 1 of each year and more frequently if circumstances indicate a possible impairment. We determined that goodwill was not impaired in our third quarter 2006 assessment.

Stock-Based Compensation. We currently have one stock-based compensation plan in effect, under which we have issued options and restricted stock units to our officers, other key employees and outside directors. In December 2004, the Financial Accounting Standards Board, or the FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 123(R), "Share-Based Payment." SFAS No. 123(R) requires that public companies recognize compensation expense in an amount equal to the fair value of the share-based payment. We adopted SFAS No.

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123(R) on January 1, 2006, utilizing the modified prospective transition method in which compensation expense is recognized beginning January 1, 2006, the effective date, (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," for all awards granted to employees and directors prior to the effective date of SFAS No. 123(R) that remained unvested on January 1, 2006. In addition, in accordance with SFAS No. 123(R), upon adoption of this pronouncement we reversed our unamortized stock compensation balance representing the unvested portion of restricted stock units granted prior to January 1, 2006 into paid-in capital. The financial statements for prior years have not been restated and do not include the impact of SFAS No. 123(R). The adoption of SFAS No. 123(R) did not have a material effect on our financial position, results of operations, cash flows or basic and diluted net income per share.

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SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2006 and 2005 and for the
three and nine months then ended is unaudited)

Note 1. Significant Accounting Policies (continued)

Stock-Based Compensation (continued). We have calculated the paid-in capital pool related to employee compensation in accordance with SFAS No. 123(R). SFAS No. 123(R) also requires the benefits of tax deductions in excess of recognized compensation expense to be reported as a financing cash flow activity, rather than as an operating cash flow activity as previously required. This requirement reduces net operating cash flows and increases net financing cash flows in periods after adoption. The amounts recognized for such excess tax deductions were not material to our cash flows for the nine months ending September 30, 2006 and 2005.

Prior to January 1, 2006, we applied the recognition and measurement principles of Accounting Principles Board, or APB, Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for stock awards. Accordingly, no compensation expense for employee stock options was recognized, as all options granted had an exercise price that was equal to or greater than the market value of the underlying stock on the date of the grant.

As permitted by SFAS No. 123, stock-based compensation was included as a pro forma disclosure in the notes to the financial statements. The following table shows the effect on net income and basic and diluted net income per share if we had applied the fair value recognition provisions in accordance with SFAS No. 123:

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	Three Months Ended ----- September 30, 2005 ----	Nine Months Ended ----- September 30, 2005 ----
	(Dollars in thousands, except per share da	
Net income, as reported	\$45,231	\$73,577
Add: Stock-based compensation expense included in reported net income, net of income taxes	107	250
Deduct: Total stock-based compensation expense under the fair value method for all awards, net of income taxes	(296)	(1,002)
Pro forma net income	----- \$45,042 =====	----- \$72,825 =====
Earnings per share:		
Basic net income per share - as reported	\$1.22 =====	\$1.99 =====
Basic net income per share - pro forma	1.21 =====	1.97 =====
Diluted net income per share - as reported	\$1.20 =====	\$1.96 =====
Diluted net income per share - pro forma	1.20 =====	1.94 =====

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SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2006 and 2005 and for the
three and nine months then ended is unaudited)

Note 1. Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements. In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 establishes a single authoritative definition for fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. SFAS No. 157 is effective for us on January 1, 2008. We are currently evaluating the impact SFAS No. 157 will have on our consolidated financial statements.

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In September 2006, the FASB also issued SFAS No. 158, "Employers' Accounting for Deferred Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)." SFAS No. 158 requires the recognition of the funded status of deferred benefit postretirement plans in the statement of financial position, and recognition of changes in the funded status in the year in which the changes occur through accumulated other comprehensive income. SFAS No. 158 requires prospective application, recognition and additional disclosure requirements effective for our fiscal year ending December 31, 2006. We are currently evaluating the impact SFAS No. 158 will have on our consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation, or FIN, No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109." FIN No. 48 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. FIN No. 48 is effective for us on January 1, 2007. We are currently evaluating the impact FIN No. 48 will have on our consolidated financial statements.

Note 2. White Cap Acquisition

On June 1, 2006 we acquired the Amcor White Cap closures operations in Europe and on July 1, 2006 we acquired the Amcor White Cap closures operations in Turkey, collectively "White Cap," from Amcor Limited. White Cap is a leading supplier of an extensive range of metal closures to consumer goods packaging companies in the food and beverage industries. White Cap has been combined with our previously acquired White Cap U.S. closures operations to create a global leader in vacuum closures for hot filled and retortable food and beverage products. At the respective closings, we paid an aggregate of \$261.8 million for White Cap, including acquisition fees, net of cash actually acquired of \$1.7 million. As part of the acquisition of the operations in Turkey, we also assumed \$17.0 million of indebtedness of such business. The purchase price is subject to adjustment as provided in the purchase agreement dated February 22, 2006 with Amcor Limited, or the White Cap Purchase Agreement, in respect of the amount of cash and working capital acquired and certain liabilities assumed, to the extent such amounts differ from amounts estimated for closing.

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SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2006 and 2005 and for the
three and nine months then ended is unaudited)

Note 2. White Cap Acquisition (continued)

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We expect to acquire additional Amcor White Cap closures operations located in Brazil, China, the Philippines and Venezuela upon satisfaction of certain specified conditions as provided in the White Cap Purchase Agreement. The aggregate purchase price for these Amcor White Cap closures operations and related working capital will be approximately EUR 19 million plus assumed indebtedness, subject to adjustment as provided in the White Cap Purchase Agreement.

The White Cap acquisition was accounted for using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the respective dates of acquisition, and the results of operations have been included in our condensed consolidated financial statements as of the respective dates of acquisition. The acquired White Cap operations have been combined with our pre-existing U.S. closures operations previously reported as part of our Metal Food Containers business segment to form a new Closures business segment (see Note 12).

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the respective acquisition dates in connection with the White Cap acquisition. The valuation of assets and liabilities is still in process and, therefore, the actual fair values may vary from these preliminary estimates. In addition, the initial consideration for the acquisition is subject to closing adjustments expected to be finalized in the fourth quarter of 2006. We have engaged third party experts to value certain assets and liabilities including property, plant and equipment, intangible assets and pension obligations.

Preliminary valuation of acquired net assets at the respective acquisition dates in connection with the White Cap acquisition is as follows (dollars in thousands):

Trade accounts receivable	\$ 52,219
Inventories	64,124
Property, plant and equipment	125,497
Goodwill	34,518
Other intangible assets, primarily trade name and customer relationships	89,772
Other assets	8,500
Trade accounts payable and accrued liabilities	(38,878)
Revolving debt	(16,964)
Other liabilities	(57,010)

Purchase price, net of cash acquired	\$261,778
	=====

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SILGAN HOLDINGS INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Information at September 30, 2006 and 2005 and for the
 three and nine months then ended is unaudited)

Note 2. White Cap Acquisition (continued)

The following unaudited pro forma financial information includes our historical results of operations for the periods indicated and gives pro forma effect to the White Cap acquisition as if it had been completed as of the beginning of the periods indicated. The pro forma results of operations include interest expense related to incremental borrowings used to finance the White Cap acquisition and adjustments to depreciation and amortization expense for the valuation of property, plant and equipment and intangible assets. The pro forma results of operations do not give effect to potential synergies or additional costs resulting from the integration of White Cap with our existing operations, nor do they reflect savings from the impact of headcount reductions recently completed by the White Cap operations.

The unaudited pro forma financial information is not intended to represent or be indicative of our consolidated results of operations or financial condition that would have been reported had the White Cap acquisition been completed as of the beginning of the periods presented, nor should it be taken as indicative of our future consolidated results of operations or financial condition.

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2006 ----	Sept. 30, 2005 ----	Sept. 30, 2006 ----	Sept. 2005 ----
	(Dollars in thousands, except per share data)			
Net sales	\$856,426	\$870,773	\$2,125,793	\$2,125,793
Net income	49,688	45,137	86,995	77,000
Earnings per share:				
Basic net income per share	\$1.33	\$1.21	\$2.33	\$2.33
Diluted net income per share	1.31	1.20	2.30	2.30

Net income for the three and nine months ended September 30, 2006 includes the pre-tax negative impact of \$1.1 million and \$3.7 million, respectively, from the inventory write-up for the White Cap closures operations as a result of purchase accounting in connection with the acquisition.

Net income for the three and nine months ended September 30, 2005 includes pre-tax rationalization charges in addition to those recognized in the Condensed Consolidated Financial Statements of \$3.7 million and \$4.2 million, respectively, for severance expense recognized by White Cap prior to the acquisition.

SILGAN HOLDINGS INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Information at September 30, 2006 and 2005 and for the
 three and nine months then ended is unaudited)

Note 3. Rationalization Charges and Acquisition Reserves

As part of our plans to integrate the operations of our various acquired businesses and to rationalize certain facilities, we have established reserves for employee severance and benefits and plant exit costs. Activity in our rationalization and acquisition reserves since December 31, 2005 is summarized as follows:

	Employee Severance and Benefits -----	Retirement Benefit Curtailments -----	Plant Exit Costs -----
	(Dollars in thousands)		
Balance at December 31, 2005			

Fairfield Rationalization	\$ --	\$ --	\$ 539
2003 Acquisition Plans	9	--	46
2003 Rationalization Plans	30	--	--
2005 Rationalization Plan	177	--	--
	-----	-----	-----
Balance at December 31, 2005	216	--	585
Activity for the Nine Months Ended Sept. 30, 2006			

Fairfield Rationalization	--	--	(231)
2003 Acquisition Plan Reserves Utilized	--	--	--
2003 Rationalization Plan Reserves Utilized	(30)	--	--
2005 Rationalization Plan Reserves Utilized	(113)	--	--
2006 Rationalization Plan Reserves Established	1,852	4,566	141
2006 Rationalization Plan Reserves Utilized	(1,016)	(4,566)	(141)
	-----	-----	-----
Total Activity	693	--	(231)
Balance at September 30, 2006			

Fairfield Rationalization	--	--	308
2003 Acquisition Plans	9	--	46
2003 Rationalization Plans	--	--	--
2005 Rationalization Plan	64	--	--
2006 Rationalization Plans	836	--	--
	-----	-----	-----
Balance at September 30, 2006	\$ 909	\$ --	\$ 354
	=====	=====	=====

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2006 Rationalization Plans

In June 2006, in an effort to streamline operations and reduce costs, we approved a plan to exit our St. Paul, Minnesota metal food container manufacturing facility in the second quarter of 2007. The plan includes the termination of approximately 60 employees, the consolidation of certain operations into existing facilities and the elimination of the remaining operations and the exit of the facility. We estimate that the total costs for the rationalization of the facility will be \$13.2 million. These costs include \$4.6 million of pension and postretirement curtailment expense, \$3.0 million of employee severance and special termination benefits, \$2.6 million for plant exit costs, \$2.6 million for the acceleration of depreciation to write-down the building for sale and equipment for abandonment upon the exit of the facility and \$0.4 million for the non-cash write-down in carrying value of assets. Total charges recognized during the first nine months of 2006 were \$4.6 million for non-cash pension and postretirement curtailment expense, \$1.4 million for employee severance and special termination benefits and \$1.2 million for the non-cash write-down and accelerated depreciation of the building and equipment. Additional charges of \$1.8 million are expected in the fourth quarter of 2006, with the remaining charges expected primarily in 2007. Cash expenditures of \$4.3 million are expected primarily in 2007.

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SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2006 and 2005 and for the
three and nine months then ended is unaudited)

Note 3. Rationalization Charges and Acquisition Reserves (continued)

2006 Rationalization Plans (continued)

In February 2006, we approved and announced a plan to exit our Valencia, California plastic container manufacturing facility. The plan included the termination of approximately 90 plant employees and other related plant exit costs. This decision resulted in a charge to earnings during the first nine months of 2006 of \$0.5 million for employee severance and benefits, \$2.3 million for the non-cash write-down in carrying value of assets and \$0.1 million for plant exit costs. The plant has ceased operations and estimated remaining cash payments of \$1.4 million are expected to be paid in the fourth quarter of 2006 primarily for the buyout of the property lease.

Rationalization and acquisition reserves are included in the Condensed Consolidated Balance Sheets as follows:

Sept. 30, 2006	Sept. 30, 2005	Dec. 31, 2005
-------------------	-------------------	------------------

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	----	----	----
	(Dollars in thousands)		
Accrued liabilities	\$1,023	\$ 425	\$561
Other liabilities	240	1,050	240
	-----	-----	-----
	\$1,263	\$1,475	\$801
	=====	=====	=====

Note 4. Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive (loss) income is reported in the Condensed Consolidated Statements of Stockholders' Equity. Amounts included in accumulated other comprehensive (loss) income consisted of the following:

	Sept. 30, 2006	Sept. 30, 2005	Dec. 31, 2005
	----	----	----
	(Dollars in thousands)		
Foreign currency translation	\$ 11,287	\$ 11,492	\$ 11,559
Change in fair value of derivatives	(539)	5,348	4,113
Minimum pension liability	(29,560)	(11,703)	(29,560)
	-----	-----	-----
Accumulated other comprehensive (loss) income	\$ (18,812)	\$ 5,137	\$ (13,888)
	=====	=====	=====

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SILGAN HOLDINGS INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Information at September 30, 2006 and 2005 and for the
 three and nine months then ended is unaudited)

Note 5. Inventories

Inventories consisted of the following:

Sept. 30, 2006	Sept. 30, 2005	Dec. 31, 2005
-------------------	-------------------	------------------

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	-----	-----	-----
	(Dollars in thousands)		
Raw materials	\$ 70,649	\$ 55,962	\$ 63,923
Work-in-process	73,086	59,323	56,085
Finished goods	246,543	190,115	214,064
Spare parts and other	24,461	17,141	16,896
	-----	-----	-----
	414,739	322,541	350,968
Adjustment to value domestic inventory at cost on the LIFO method	(31,178)	(14,705)	(32,866)
	-----	-----	-----
	\$383,561	\$307,836	\$318,102
	=====	=====	=====

Note 6. Debt

Debt consisted of the following:

	Sept. 30, 2006 -----	Sept. 30, 2005 -----	Dec. 31, 2005 -----
	(Dollars in thousands)		
Bank debt			
Bank revolving loans	\$ 187,900	\$217,700	\$ --
Bank A term loans	375,000	425,000	375,000
Bank B term loans	83,750	125,000	83,750
Canadian term loans	40,491	--	38,628
Euro term loans	254,032	--	--
Other foreign bank revolving loans	13,246	--	--
	-----	-----	-----
Total bank debt	954,419	767,700	497,378
Subordinated debt			
6 3/4% Senior Subordinated Notes	200,000	200,000	200,000
Other	3,000	3,000	3,000
	-----	-----	-----
Total subordinated debt	203,000	203,000	203,000
	-----	-----	-----
Total debt	1,157,419	970,700	700,378
Less current portion	201,992	218,950	846
	-----	-----	-----
	\$ 955,427	\$751,750	\$699,532
	=====	=====	=====

At September 30, 2006, amounts expected to be repaid within one year consisted of \$187.9 million of bank revolving loans, related primarily to seasonal working capital needs, and \$0.8 million of bank term loans under our senior secured credit facility, or the Credit Agreement, and \$13.2 million of other bank revolving loans assumed in connection with the acquisition of the White Cap operations in Turkey.

SILGAN HOLDINGS INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Information at September 30, 2006 and 2005 and for the
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Note 6. Debt (continued)

On June 1, 2006, we completed a second amendment to our Credit Agreement. The second amendment, among other things, permitted us to borrow an incremental term loan of up to EUR 200.0 million for the acquisition of White Cap, while leaving the uncommitted incremental loan facility of up to \$350 million available under the Credit Agreement. On June 1, 2006, we borrowed the full EUR 200.0 million incremental term loan and used the funds to finance the purchase price for the acquisition of White Cap.

The EUR 200.0 million incremental term loan matures on June 30, 2012 and is payable in installments as follows (amounts in thousands):

Incremental Term Loan Scheduled Repayment Date -----	Amount -----
December 31, 2008	EUR 20,000
December 31, 2009	30,000
December 31, 2010	30,000
December 31, 2011	40,000
June 30, 2012	80,000

Interest on the EUR 200.0 million incremental term loan will accrue at the Euro Rate, as defined in the Credit Agreement, plus the applicable margin for A term loans maintained as Eurodollar Loans under the Credit Agreement. At September 30, 2006, the interest rate on this incremental term loan was 4.38 percent.

The incremental term loan is (i) secured by all of the collateral pledged under the Credit Agreement and (ii) guaranteed by the guarantors under the Credit Agreement, in each case to the same extent that A term loans and B term loans under the Credit Agreement are secured and guaranteed.

At September 30, 2006, the aggregate notional principal amount of outstanding U.S. dollar interest rate swap agreements was \$200 million, with \$100 million maturing in each of 2007 and 2008.

In June 2006, we entered into five Eurodollar interest rate swap agreements totaling EUR 180.0 million to fix interest at rates ranging from 3.49 percent to 4.06 percent. These interest rate swap agreements mature as follows: EUR 20.0 million in 2007, EUR 25.0 million in 2008, EUR 30.0 million in 2011, and EUR 105.0 million in 2014. These interest rate swap agreements are accounted for as cash flow hedges and are with a financial institution which is expected to fully perform under the terms thereof.

Taking into account the current interest rate applicable for the EUR 200.0

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million incremental term loan under the Credit Agreement and the weighted average cost differential between current Euribor rates and the fixed rates on the Eurodollar interest rate swap agreements, the effective interest rate on the EUR 200.0 million incremental term loan at September 30, 2006 was 5.04 percent.

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SILGAN HOLDINGS INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Information at September 30, 2006 and 2005 and for the
 three and nine months then ended is unaudited)

Note 7. Retirement Benefits

The components of the net periodic pension benefits costs are as follows:

	Three Months Ended		Nine Mo
	Sept. 30, 2006 ----	Sept. 30, 2005 ----	Sept. 30 2006 ----
		(Dollars in thousands)	
Service cost	\$ 3,688	\$ 2,843	\$ 10,426
Interest cost	6,008	5,123	16,876
Expected return on plan assets	(6,849)	(6,542)	(20,615)
Amortization of prior service cost	636	790	2,205
Amortization of actuarial losses	769	372	2,315
Curtailment expense	--	--	3,708
Termination benefits	26	--	575
	-----	-----	-----
Net periodic benefit cost	\$ 4,278 =====	\$ 2,586 =====	\$ 15,490 =====

The components of the net periodic other postretirement benefits costs are as follows:

	Three Months Ended		Nine Mo
	Sept. 30, 2006 ----	Sept. 30, 2005 ----	Sept. 30, 2006 ----
		(Dollars in thousands)	

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Service cost	\$ 183	\$ 252	\$ 793
Interest cost	974	1,074	2,786
Amortization of prior service cost	(210)	1	(1,323)
Amortization of actuarial losses	79	41	498
Net curtailment gain	(2,237)	--	(1,052)
	-----	-----	-----
Net periodic benefit cost	\$(1,211)	\$1,368	\$ 1,702
	=====	=====	=====

In September 2006, we recognized income of \$1.9 million for the curtailment of postretirement benefits in one of our closures manufacturing facilities.

In June 2006, we approved a plan to exit our St. Paul, Minnesota metal food container manufacturing facility. As a result of this plan, we recognized curtailment expense for our pension and postretirement benefits of \$3.7 million and \$1.2 million, respectively, and incurred additional costs of \$0.6 million for special termination pension benefits. In September 2006, we reduced the postretirement benefits curtailment expense by \$0.3 million to reflect the most current estimate. See Note 3 for further information.

As previously disclosed in our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2005, based on current tax law, there are no minimum required contributions to our pension plans in 2006. However, this is subject to change based on current tax proposals before Congress, as well as in the event that asset performance is significantly below the assumed long-term rate of return on plan assets. During the first nine months of 2006, we made no contributions to fund our pension plans.

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SILGAN HOLDINGS INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Information at September 30, 2006 and 2005 and for the
 three and nine months then ended is unaudited)

Note 8. Income Taxes

In the third quarter of 2006, we recognized a cumulative income tax benefit of \$6.9 million primarily related to the completion of tax initiatives for research and development credits. The estimated impact of ongoing research and development credits to our effective tax rate is not expected to be material.

Note 9. Dividends

In March, June and September of 2006, we paid a quarterly cash dividend on our common stock of \$0.12 per share, as approved by our Board of Directors. The aggregate cash payments for these dividends totaled \$13.5 million.

On November 2, 2006, our Board of Directors declared a quarterly cash dividend on our common stock of \$0.12 per share, payable on December 15, 2006 to holders

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of record of our common stock on December 1, 2006. The cash payment for this dividend is expected to be approximately \$4.5 million.

Note 10. Treasury Stock

During the nine months ended September 30, 2006, we issued 23,328 treasury shares at an average cost of \$13.25 per share for restricted stock units that vested during the period. In accordance with the Silgan Holdings Inc. 2004 Stock Incentive Plan, we repurchased 5,162 shares of our common stock at an average cost of \$36.63 to satisfy employee withholding tax requirements resulting from certain restricted stock units becoming vested. We account for the treasury shares using the first-in, first-out (FIFO) cost method. As of September 30, 2006, 5,338,917 shares were held in treasury.

Note 11. Stock-Based Compensation

In May 2004, we adopted the Silgan Holdings Inc. 2004 Stock Incentive Plan, or the Plan, which provides for awards of stock options, stock appreciation rights, restricted stock, restricted stock units and performance awards to our officers, other key employees and outside directors. The Plan replaces our previous stock option plans, and all shares of our common stock reserved for issuance under those plans are no longer available for issuance except with respect to stock options granted thereunder prior to adoption of the Plan.

Shares of our common stock issued under the Plan shall be authorized but unissued shares or treasury shares. The maximum aggregate number of shares of our common stock that may be issued in connection with stock options, stock appreciation rights, restricted stock, restricted stock units and performance awards under the Plan shall not exceed 1,800,000 shares. Each award of stock options or stock appreciation rights under the Plan will reduce the number of shares of our common stock available for future issuance under the Plan by the number of shares of our common stock subject to the award. Each award of restricted stock or restricted stock units under the Plan, in contrast, will reduce the number of shares of our common stock available for future issuance under the Plan by two shares for every one restricted share or restricted stock unit awarded. As of September 30, 2006, 1,132,788 shares were available for issuance under the Plan.

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SILGAN HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Information at September 30, 2006 and 2005 and for the
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Note 11. Stock-Based Compensation (continued)

We adopted SFAS No. 123(R) effective January 1, 2006. This pronouncement requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The cost is recognized over the period during which an employee is required to provide service in exchange for the award, usually the vesting

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period. Prior to the adoption of SFAS No. 123(R), this accounting treatment was optional with pro forma disclosures required. Stock-based compensation expense recognized under SFAS No. 123(R) for the three and nine months ended September 30, 2006 increased selling, general and administrative expenses by \$0.6 million and \$1.6 million, respectively.

Stock Options

We adopted SFAS No. 123(R) using the modified prospective transition method, which does not result in the restatement of previously issued financial statements. SFAS No. 123(R) is effective for all stock options we grant beginning January 1, 2006. For those stock option awards granted prior to January 1, 2006 for which the vesting period is not complete, we account for such awards on a prospective basis, with expense being recognized in our statement of income beginning in the first quarter of 2006 using the grant date fair values previously calculated for our pro forma disclosures. We will recognize the related compensation expense not previously recognized in the pro forma disclosures over the remaining vesting period. Our options typically vest in equal annual installments over the service period and the fair value at the grant date is being amortized ratably over the respective vesting period.

The fair value of options is determined at the grant date using a Black-Scholes option pricing model, which requires us to make assumptions regarding the risk-free interest rate, the dividend yield on our common stock, the market price volatility of our common stock and the expected life of the options, reduced for estimated forfeitures, as required by SFAS No. 123(R).

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SILGAN HOLDINGS INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Information at September 30, 2006 and 2005 and for the
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Note 11. Stock-Based Compensation (continued)

Stock Options (continued)

The table below summarizes stock option activity pursuant to our equity compensation plans for the nine months ended September 30, 2006:

Options	Weighted Average Exercise Price	Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
-----	-----	----	-----
Options outstanding at			

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December 31, 2005	1,169,320	\$13.51		
Granted	--	--		
Exercised	--	--		
Canceled	(3,000)	16.54		

Options outstanding at March 31, 2006	1,166,320	13.50	4.9 years	\$31,102
Granted	--	--		
Exercised	(123,624)	12.40		3,243
Canceled	--	--		

Options outstanding at June 30, 2006	1,042,696	13.63	4.9 years	24,375
Granted	--	--		
Exercised	(9,400)	10.08		229
Canceled	(2,480)	17.42		

Options outstanding at September 30, 2006	1,030,816	13.66	4.7 years	24,640
	=====			
Exercisable at September 30, 2006	746,120	\$12.58	4.5 years	\$18,641

As of September 30, 2006, there was approximately \$0.5 million of total unrecognized compensation expense from stock options. This cost is expected to be recognized over a weighted average period of one year.

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SILGAN HOLDINGS INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Information at September 30, 2006 and 2005 and for the
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Note 11. Stock-Based Compensation (continued)

Restricted Stock Units

Restricted stock units issued are generally accounted for as fixed grants and, accordingly, the fair value at the grant date is being amortized ratably over the respective vesting period. The maximum contractual vesting period for restricted stock units outstanding at September 30, 2006 is five years. Unvested restricted stock units may not be disposed of or transferred during the vesting period. Restricted stock units granted in 2006 carry with them the right to receive dividend equivalents upon vesting, subject to forfeiture.

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During the first nine months of 2006, we granted 100,800 restricted stock units to certain of our officers and key employees. These restricted stock units vest ratably over a five-year period from the date of grant. The fair value of these units at the date of grant was \$3.9 million. In June 2006, we granted 7,878 restricted stock units to non-employee members of our Board of Directors, which vest in full one year from the date of grant. The fair value of these units at the date of grant was \$0.3 million.

In addition, in the first quarter of 2006, our Compensation Committee approved the issuance of 100,000 restricted stock units to one officer that are subject to forfeiture unless certain performance criteria for the year ended December 31, 2006 is achieved. These restricted stock units vest at the conclusion of the five-year period from the approval date. The fair value of these units at the approval date was \$3.9 million which is being amortized ratably over the five-year vesting period and will be adjusted quarterly until such time as the grant date is established upon the attainment of the performance criteria or it becomes probable that the restricted stock units will be forfeited.

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SILGAN HOLDINGS INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Information at September 30, 2006 and 2005 and for the
 three and nine months then ended is unaudited)

Note 11. Stock-Based Compensation (continued)

Restricted Stock Units (continued)

The following is a summary of restricted stock unit activity for the nine months ended September 30, 2006:

	Restricted Stock Units -----	Weighted Average Grant Date Fair Value -----
Restricted stock units outstanding at December 31, 2005	88,628	\$26.11
Granted	166,800	39.38
Released	(3,200)	31.65
Canceled	--	--

Restricted stock units outstanding at March 31, 2006	252,228	34.82
Granted	7,878	38.34
Released	(7,128)	28.06
Canceled	--	--

Restricted stock units outstanding at June 30, 2006	252,978	35.12

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Granted	34,000	36.55
Released	(13,000)	23.94
Canceled	--	--

Restricted stock units outstanding at September 30, 2006	273,978	35.82
	=====	

The fair value of restricted stock units released during the three and nine months ended September 30, 2006 was \$0.5 million and \$0.8 million, respectively.

At September 30, 2006, the aggregate intrinsic value of total restricted stock units expected to vest was \$8.2 million.

As of September 30, 2006, there was approximately \$6.7 million of total unrecognized compensation expense from restricted stock units. This cost is expected to be recognized over a weighted average period of 3.1 years.

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SILGAN HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Note 12. Business Segment Information

As a result of the acquisition of White Cap and changes to the management reporting structure, we are now reporting three operating segments which include metal food containers, plastic containers and closures. The current and prior year results for the metal food containers business segment have been restated to reflect the closures business as a separate segment.

The following represents restated prior year quarterly business segment information for metal food containers and closures for each of the three months ended:

	March 31, 2005 ----	June 30, 2005 ----	September 30, 2005 ----	Dec
		(Dollars in thousands)		
Metal Food Containers:				
Net sales	\$310,096	\$349,342	\$573,785	\$
Depreciation and amortization	17,074	17,147	17,097	
Segment income from operations	22,564	30,035	70,691	
Closures:				
Net sales	\$ 64,026	\$ 73,128	\$ 77,344	\$

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Depreciation and amortization	2,375	2,464	2,532
Segment income from operations	4,672	8,884	10,469

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SILGAN HOLDINGS INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Information at September 30, 2006 and 2005 and for the
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Note 12. Business Segment Information (continued)

Reportable business segment information for the three and nine months ended September 30 is as follows:

	Metal Food Containers(1) (2)	Plastic Containers(3)	Closures(1)
	-----	-----	-----
	(Dollars in thousands)		
Three Months Ended September 30, 2006			

Net sales	\$ 557,898	\$144,051	\$154,477
Depreciation and amortization(4)	14,845	10,023	6,309
Segment income from operations	63,488	7,156	19,917
Three Months Ended September 30, 2005			

Net sales	\$ 573,785	\$146,385	\$ 77,344
Depreciation and amortization(4)	17,097	11,313	2,532
Segment income from operations	70,691	7,433	10,469
Nine Months Ended September 30, 2006			

Net sales	\$1,242,657	\$452,268	\$328,564
Depreciation and amortization(4)	48,247	31,709	12,619
Segment income from operations	100,592	32,752	41,148
Nine Months Ended September 30, 2005			

Net sales	\$1,233,223	\$460,995	\$214,498
Depreciation and amortization(4)	51,318	32,081	7,371
Segment income from operations	123,290	29,465	24,025

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- (1) Results have been restated to present the new Closures business segment which consists of the pre-existing U.S. closures operations and the newly acquired international closures operations.
- (2) Segment income from operations includes rationalization charges of \$1.4 million and \$7.2 million for the three and nine months ended September 30, 2006.
- (3) Segment income from operations includes rationalization charges of \$0.3 million for the three months ended September 30, 2006 and \$2.9 million and \$0.5 million for the nine months ended September 30, 2006 and 2005, respectively.
- (4) Depreciation and amortization excludes amortization of debt issuance costs of \$0.4 million and \$0.2 million for the three months ended September 30, 2006 and 2005, respectively, and \$0.9 million and \$2.0 million for the nine months ended September 30, 2006 and 2005, respectively.

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SILGAN HOLDINGS INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Information at September 30, 2006 and 2005 and for the
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Note 12. Business Segment Information (continued)

Total segment income from operations is reconciled to income before income taxes as follows:

	Three Months Ended		Nine Months En	
	Sept. 30, 2006 ----	Sept. 30, 2005 ----	Sept. 30, 2006 ----	S
	(Dollars in thousands)			
Total segment income from operations	\$86,931	\$86,094	\$166,398	\$
Interest and other debt expense	17,920	12,618	43,369	
	-----	-----	-----	
Income before income taxes	\$69,011	\$73,476	\$123,029	\$
	=====	=====	=====	=

Note 13. Subsequent Event

In October 2006, we approved and announced to employees a plan to exit our Stockton, California metal food container manufacturing facility at the end of the second quarter of 2007. The plan includes the termination or relocation of approximately 110 plant employees and other related plant exit costs. We currently estimate rationalization charges of approximately \$4.6 million for employee severance and benefits, \$1.5 million for plant exit costs and \$0.6 million for the non-cash write-down in carrying value of assets. Cash payments totaling \$6.1 million are expected primarily in 2007.

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Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report on Form 10-Q which are not historical facts are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and Securities Exchange Act of 1934. Such forward-looking statements are made based upon management's expectations and beliefs concerning future events impacting us and therefore involve a number of uncertainties and risks, including, but not limited to, those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and our other filings with the Securities and Exchange Commission. As a result, the actual results of our operations or our financial condition could differ materially from those expressed or implied in these forward-looking statements.

General

We are a leading North American manufacturer of metal and plastic consumer goods packaging products. We produce steel and aluminum containers for human and pet food; metal, composite and plastic vacuum closures for food and beverage products; and custom designed plastic containers, tubes and closures for personal care, health care, pharmaceutical, household and industrial chemical, food, pet care, agricultural chemical, automotive and marine chemical products. We are the largest manufacturer of metal food containers in North America, a leading manufacturer of plastic containers in North America for a variety of markets, including the personal care, health care, household and industrial chemical and pet care markets, and a leading manufacturer of metal, composite and plastic vacuum closures in North America and Europe for food and beverage products.

Our objective is to increase shareholder value by efficiently deploying capital and management resources to grow our business, reduce operating costs, build sustainable competitive positions, or franchises, and to complete acquisitions that generate attractive cash returns. We have grown our net sales and income from operations over the years, largely through acquisitions but also through internal growth, and we continue to evaluate acquisition opportunities in the consumer goods packaging market. However, in the absence of such acquisition opportunities, we expect to use our cash flow for other permitted purposes, such as to repay debt, repurchase shares of our common stock or pay dividends to our stockholders.

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On June 1, 2006 we acquired the Amcor White Cap operations in Europe and on July 1, 2006 we acquired the Amcor White Cap operations in Turkey, collectively "White Cap," for an aggregate purchase price of \$261.8 million, including acquisition fees, net of cash actually acquired of \$1.7 million, plus assumed indebtedness of \$17.0 million. The purchase price is subject to adjustment as provided in the White Cap Purchase Agreement in respect of the amount of cash and working capital acquired and certain liabilities assumed, to the extent such amounts differ from amounts estimated for closing. White Cap is a leading supplier of an extensive range of metal closures to consumer goods packaging companies in the food and beverage industries. White Cap has been combined with our pre-existing U.S. closures operations to create a global leader in vacuum closures for hot filled and retortable food and beverage products.

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As a result of the acquisition of White Cap and changes to the management reporting structure, we are now reporting three operating segments which include metal food containers, plastic containers and closures. Financial information for the metal food container business has been restated to reflect the closures business as a separate segment. You should also read Note 12 to our Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2006 included elsewhere in this Quarterly Report.

We expect to acquire additional Amcor White Cap closures operations located in Brazil, China, the Philippines and Venezuela upon satisfaction of certain specified conditions as provided in the White Cap Purchase Agreement. The aggregate purchase price for these Amcor White Cap closures operations and related working capital will be approximately EUR 19 million plus assumed indebtedness, subject to adjustment as provided in the White Cap Purchase Agreement.

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RESULTS OF OPERATIONS

The following table sets forth certain unaudited income statement data expressed as a percentage of net sales for the periods presented:

	Three Months Ended	
	Sept. 30, 2006	Sept. 30, 2005
	----	----
Net sales		
Metal food containers (1).....	65.1%	71.9%
Plastic containers.....	16.8	18.4
Closures (1).....	18.1	9.7

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Consolidated.....	100.0	100.0
Cost of goods sold.....	85.4	85.4
Gross profit.....	14.6	14.6
Selling, general and administrative expenses.....	4.2	3.8
Rationalization charges	0.2	--
Income from operations.....	10.2	10.8
Interest and other debt expense.....	2.1	1.6
Income before income taxes	8.1	9.2
Provision for income taxes.....	2.3	3.5
Net income.....	5.8%	5.7%

Summary unaudited results of operations for the three and nine months ended September 30, 2006 and 2005 are provided below.

	Three Months Ended	
	Sept. 30, 2006	Sept. 30, 2005
	----	----
		(Dollars in mil
Net sales		
Metal food containers (1)	\$557.9	\$573.8
Plastic containers	144.0	146.4
Closures (1)	154.5	77.3
	-----	-----
Consolidated	\$856.4	\$797.5
	=====	=====
Income from operations		
Metal food containers (1) (2)	\$ 63.5	\$ 70.7
Plastic containers (3)	7.2	7.4
Closures (1)	19.9	10.5
Corporate	(3.7)	(2.5)
	-----	-----
Consolidated	\$ 86.9	\$ 86.1
	=====	=====

- (1) Results have been restated to present the new Closures business segment which consists of the pre-existing U.S. closures operations and the newly acquired international closures operations.
- (2) Includes rationalization charges of \$1.4 million and \$7.2 million for the three and nine months ended September 30, 2006.
- (3) Includes rationalization charges of \$0.3 million for the three months ended September 30, 2006 and \$2.9 million and \$0.5 million for the nine months ended September 30, 2006 and 2005, respectively.

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Three Months Ended September 30, 2006 Compared with Three Months Ended September 30, 2005

Overview. Consolidated net sales were \$856.4 million in the third quarter of 2006, representing a 7.4 percent increase as compared to the third quarter of 2005 due primarily to the acquisition of the international closures operations and the pass through of higher raw material costs in all of our businesses, partially offset by volume declines in the metal food and the plastic container businesses. Income from operations for the third quarter of 2006 of \$86.9 million increased by \$0.8 million, or 1.0 percent, as compared to the same period in 2005 due to the international closures acquisition, offset by rationalization charges, lower volumes in both the metal food and plastic container businesses, inflation in manufacturing costs and professional fees related to the implementation of certain tax initiatives. Net income for the third quarter of 2006 was \$49.7 million, or \$1.31 per diluted share, as compared to \$45.2 million, or \$1.20 per diluted share, for the same period in 2005. Net income for the third quarter of 2006 includes a full three months of operations of the newly acquired international closures operations and a benefit of \$0.15 per diluted share attributable to tax initiatives implemented in the third quarter, net of fees, reduced by rationalization charges of \$0.03 per diluted share, net of tax.

Net Sales. The \$58.9 million increase in consolidated net sales in the third quarter of 2006 as compared to the third quarter of 2005 was the result of an increase in sales in our closures business, partially offset by a decrease in sales in our metal food and plastic container businesses.

Net sales for the metal food container business in the third quarter of 2006 decreased \$15.9 million, or 2.8 percent as compared to net sales for the same period in 2005. This decrease was principally due to a decrease in volumes, partially offset by higher average selling prices due to the pass through of higher raw material and other inflationary costs. The volume shortfall was primarily due to poor growing conditions in California, reducing yields for certain fruits and vegetables and delaying the timing of packing these products. Volume for the fourth quarter of 2006 is expected to include some of these can units delayed from the third quarter.

Net sales for the plastic container business in the third quarter of 2006 decreased \$2.4 million, or 1.6 percent, as compared to the same period in 2005. This decrease was primarily the result of a decline in unit volumes as compared with the third quarter of 2005.

Net sales for the closures business increased \$77.2 million in the third quarter of 2006 as compared to the same period in 2005. This increase was primarily a result of the international closures acquisition.

Gross Profit. Gross profit margin remained constant at 14.6 percent in the third quarter of 2006 as compared to the same period in 2005.

Selling, General and Administrative Expenses. Selling, general and administrative expenses as a percentage of consolidated net sales increased to 4.2 percent for the third quarter of 2006 as compared to 3.8 percent for the same period in 2005. This increase was due primarily to the inclusion of the international closures operations which incurs such expenses at a higher percentage of its sales as well as the incurrence of additional professional fees for the implementation of certain tax initiatives in the third quarter of

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2006.

Income from Operations. Income from operations for the third quarter of 2006 increased by \$0.8 million as compared to the third quarter of 2005, while operating margin decreased to 10.2 percent from 10.8 percent over the same periods.

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Income from operations of the metal food container business for the third quarter of 2006 decreased \$7.2 million, or 10.2 percent, as compared to the same period in 2005, and operating margin decreased to 11.4 percent from 12.3 percent over the same periods. These decreases resulted primarily from lower unit volumes, incremental rationalization charges of \$1.4 million during the quarter related to the closing of our St. Paul, Minnesota manufacturing facility and inflation in certain manufacturing costs.

Income from operations of the plastic container business for the third quarter of 2006 decreased \$0.2 million as compared to the same period in 2005, and operating margin decreased to 5.0 percent as compared to 5.1 percent over the same periods. Income from operations and operating margin were essentially flat over the periods, despite lower unit volumes, incremental rationalization charges of \$0.3 million during the quarter related to the closing of our Valencia, California facility and inflation in certain manufacturing costs, as a result of the benefits of continued productivity improvements and cost reduction initiatives.

Income from operations of the closures business for the third quarter of 2006 increased \$9.4 million to \$19.9 million, as compared to \$10.5 million in the same quarter last year. This increase was primarily a result of the effect of a full quarter from the operations of the international closures acquisition and continued cost reductions in the domestic operations. Operating margin for the third quarter of 2006 decreased to 12.9 percent from 13.6 percent in the prior year period due primarily to the inclusion of the international operations, which generally incur selling, general and administrative expense at a higher percentage of sales as compared to the domestic operations.

Interest and Other Debt Expense. Interest and other debt expense for the third quarter of 2006 increased \$5.3 million to \$17.9 million as compared to the same period in 2005. This increase was due to higher outstanding borrowings as a result of our international closures acquisition and the effect of higher market interest rates.

Provision for Income Taxes. The effective tax rate for the third quarter of 2006 was 28.0 percent as compared to 38.4 percent in the same period in 2005. The 2006 effective tax rate was impacted by the cumulative income tax benefit of \$6.9 million, primarily related to the completion in the third quarter of 2006 of tax initiatives for research and development credits.

Nine Months Ended September 30, 2006 Compared with Nine Months Ended September 30, 2005

Overview. Consolidated net sales were \$2.02 billion in the first nine months of 2006, representing a 6.0 percent increase as compared to the first nine months of 2005 principally due to the acquisition of the international closures

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operations, strong volumes in the domestic closures operations and higher average selling prices in both the metal food and plastic container businesses primarily as a result of the pass through of higher raw material costs, partially offset by lower volumes in the metal food and plastic container businesses. Income from operations for the first nine months of 2006 decreased by \$2.8 million, or 1.7 percent, as compared to the same period in 2005. The decrease in income from operations was primarily due to rationalization charges of \$10.1 million and lower unit volumes in the metal food and plastic container businesses, largely offset by the inclusion of the results of the international closures operations, strong operating results in the domestic closures operations and continued benefits from rationalization and integration activities at our manufacturing facilities. Net income for the first nine months of 2006 was \$83.2 million, or \$2.20 per diluted share, as compared to \$73.6 million, or \$1.96 per diluted share, for the same period in 2005. Net income for 2006 included four months of operations of the acquired international closures business and a tax benefit net of fees of \$0.15 per diluted share, reduced by rationalization charges of \$0.18 per diluted share, net of tax. Net income for 2005 included a non-cash, pre-tax charge of \$11.0 million for the loss on early extinguishment of debt as a result of the refinancing of our senior secured credit facility.

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Net Sales. The \$114.8 million increase in consolidated net sales in the first nine months of 2006 as compared to the first nine months of 2005 was the result of an increase in sales in our closures and metal food container businesses, partially offset by a decrease in sales in our plastic container business.

Net sales for the metal food container business increased \$9.5 million, or 0.8 percent, in the first nine months of 2006 as compared to the same period in 2005. This increase was primarily attributable to higher average selling prices due to the pass through of higher raw material and other inflationary costs, partially offset by volume declines. These volume declines were partially a result of delays in the packing of seasonal fruit and vegetable products from the third quarter of 2006, a portion of which is expected to be canned and packed in the fourth quarter of 2006.

Net sales for the plastic container business in the first nine months of 2006 decreased \$8.7 million, or 1.9 percent, as compared to the same period in 2005. This decrease was primarily the result of lower volumes due to soft demand in the personal care market, which we believe was heavily impacted by the backup in the supply chain as retailers implemented inventory reduction programs. This decline was partially offset by higher average selling prices due to the pass through of higher resin costs.

Net sales for the closures business in the first nine months of 2006 increased \$114.0 million, or 53.1 percent, as compared to the same period in 2005. This increase was attributable to the acquisition of the international closures operations and higher unit volumes in the domestic operations.

Gross Profit. Gross profit margin remained flat at 13.4 percent in the first nine months of 2006 as compared to the same period in 2005.

Selling, General and Administrative Expenses. Selling, general and administrative expenses as a percentage of consolidated net sales increased 0.2 percentage points to 4.7 percent for the first nine months of 2006 as compared to 4.5 percent for the same period in 2005, due primarily to the inclusion of the international closures operations which incurs such expenses at a higher

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percentage of its sales.

Income from Operations. Income from operations for the first nine months of 2006 decreased by \$2.8 million as compared to the first nine months of 2005, and operating margin decreased to 8.2 percent from 8.9 percent over the same periods. These decreases resulted primarily from the inclusion of rationalization charges totaling \$10.1 million in the first nine months of 2006 and volume declines in both the metal food and plastic container businesses. Results for the first nine months of 2005 included rationalization charges of \$0.5 million.

Income from operations of the metal food container business for the first nine months of 2006 decreased \$22.7 million, or 18.4 percent, as compared to the same period in 2005, and operating margin decreased to 8.1 percent from 10.0 percent over the same periods. These decreases were principally due to the inclusion of the rationalization charge of \$7.2 million recorded in the first nine months of 2006 for the exiting of the St. Paul, Minnesota manufacturing facility, a decline in unit volumes as a result of poor growing conditions in California and inflation in certain manufacturing costs.

Income from operations of the plastic container business for the first nine months of 2006 increased \$3.3 million, or 11.2 percent, as compared to the same period in 2005, and operating margin increased to 7.3 percent from 6.4 percent over the same periods. Income from operations and operating margin benefited from the lag effect of the recovery of fourth quarter 2005 resin price increases in the first quarter of 2006 as resin prices declined during that quarter and from benefits from productivity improvements and headcount reductions. These improvements were partially offset by lower sales volumes, inflation in certain manufacturing costs and the inclusion of \$2.9 million of rationalization charges recorded in the first nine months of 2006 for the shut down of the Valencia, California manufacturing facility.

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Income from operations of the closures business for the first nine months of 2006 increased \$17.1 million, or 71.3 percent, as compared to the same period in 2005, and operating margin increased to 12.5 percent from 11.2 percent over the same periods. These increases were primarily due to the acquisition of the international closures operations and an increase in volumes and continued benefits from rationalization and integration benefits in our manufacturing facilities in the domestic closures operations.

Interest and Other Debt Expense. Interest and other debt expense for the first nine months of 2006 decreased \$6.2 million to \$43.4 million as compared to the same period in 2005. This decrease resulted primarily from the inclusion in 2005 of \$11.0 million for the loss on early extinguishment of debt in connection with the refinancing of our senior secured credit facility in June 2005. Interest and other debt expense for the first nine months of 2006 was impacted by higher outstanding borrowings due to the acquisition of the international closures operations and the effects of higher market interest rates.

Provision for Income Taxes. The effective tax rate for the first nine months of 2006 was 32.4 percent as compared to 38.5 percent in the same period in 2005. The 2006 effective tax rate was impacted by the cumulative income tax benefit of \$6.9 million, primarily related to the completion in the third quarter of 2006 of tax initiatives for research and development credits.

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CAPITAL RESOURCES AND LIQUIDITY

Our principal sources of liquidity have been cash from operations and borrowings under our debt instruments, including our Credit Agreement. Our liquidity requirements arise primarily from our obligations under the indebtedness incurred in connection with our acquisitions and the refinancing of that indebtedness, capital investment in new and existing equipment and the funding of our seasonal working capital needs.

On June 1, 2006, we completed a second amendment to our Credit Agreement. The second amendment, among other things, permitted us to borrow an incremental term loan of up to EUR 200.0 million for the acquisition of White Cap, while leaving the uncommitted incremental loan facility of up to \$350 million available under the Credit Agreement. On June 1, 2006, we borrowed the full EUR 200.0 million incremental term loan and used the funds to finance the purchase price for the acquisition of White Cap.

Interest on the EUR 200.0 million incremental term loan will accrue at the Euro Rate, as defined in our Credit Agreement, plus the applicable margin for A term loans maintained as Eurodollar Loans under the Credit Agreement. The incremental term loan is (i) secured by all of the collateral pledged under the Credit Agreement and (ii) guaranteed by the guarantors under the Credit Agreement, in each case to the same extent that A term loans and B term loans under the Credit Agreement are secured and guaranteed. You should read Note 6 to our Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2006 included elsewhere in this Quarterly Report.

For the nine months ended September 30, 2006, we used cash from operations of \$27.3 million, net borrowings of revolving loans of \$182.5 million, borrowings of long-term debt of \$257.6 million and proceeds from stock option exercises of \$1.6 million to fund our acquisition of White Cap for \$261.8 million, net of cash acquired, net capital expenditures of \$86.0 million, decreases in outstanding checks of \$98.1 million, debt issuance costs of \$2.3 million incurred in connection with the second amendment to the Credit Agreement and dividends paid on our common stock of \$13.5 million and to increase cash balances by \$7.3 million.

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For the nine months ended September 30, 2005, we used cash from operations of \$52.3 million, proceeds of \$550.0 million from the refinancing of our senior secured credit facility, net borrowings of revolving loans of \$217.7 million and proceeds from stock option exercises of \$3.3 million to fund the repayment of term loans of \$638.7 million, net capital expenditures of \$60.7 million, decreases in outstanding checks of \$80.2 million, dividends paid on our common stock of \$11.1 million and debt issuance costs of \$4.2 million and to increase cash balances by \$28.4 million.

Because we sell metal containers used in fruit and vegetable pack processing, we have seasonal sales. As is common in the industry, we must utilize working capital to build inventory and then carry accounts receivable for some customers beyond the end of the packing season. Due to our seasonal requirements, we incur short-term indebtedness to finance our working capital requirements. During the third quarter of 2006, we utilized approximately \$276.5 million of revolving loans under the Credit Agreement for our peak seasonal working capital requirements.

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At September 30, 2006, we had \$187.9 million of revolving loans outstanding under the Credit Agreement. After taking into account outstanding letters of credit, the available portion of the revolving loan facility under the Credit Agreement at September 30, 2006 was \$221.7 million. We may use the available portion of our revolving loan facility, after taking into account our seasonal needs and outstanding letters of credit, for acquisitions or other permitted purposes. In addition, we intend to finance our acquisition of the remaining Amcor White Cap closures operations with cash generated by the business or through revolving loan borrowings under our Credit Agreement.

During the first nine months of 2006, we paid aggregate cash dividends on our common stock totaling \$13.5 million. On November 2, 2006, our Board of Directors declared a quarterly cash dividend on our common stock of \$0.12 per share, payable on December 15, 2006 to holders of record of our common stock on December 1, 2006. The cash payment for this dividend is expected to be approximately \$4.5 million.

We believe that cash generated from operations and funds from borrowings available under the Credit Agreement will be sufficient to meet our expected operating needs, planned capital expenditures estimated at \$130 million for 2006, debt service, tax obligations, share repurchases required under our 2004 Stock Incentive Plan and common stock dividends for the foreseeable future. We continue to evaluate acquisition opportunities in the consumer goods packaging market and may incur additional indebtedness, including indebtedness under the Credit Agreement, to finance any such acquisition. However, in the absence of such acquisition opportunities, we expect to use our cash flow in 2006 to repay debt, and in such case we estimate that our debt at year-end 2006 would be approximately \$900 million.

We are in compliance with all financial and operating covenants contained in our financing agreements and believe that we will continue to be in compliance during 2006 with all of these covenants.

Rationalization Charges and Acquisition Reserves

In October 2006, we approved and announced to employees a plan to exit our Stockton, California metal food container manufacturing facility at the end of the second quarter of 2007. The plan includes the termination or relocation of approximately 110 plant employees and other related plant exit costs. We currently estimate rationalization charges of approximately \$4.6 million for employee severance and benefits, \$1.5 million for plant exit costs and \$0.6 million for the non-cash write-down in carrying value of assets. Cash payments totaling \$6.1 million are expected primarily in 2007.

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In June 2006, in an effort to streamline operations and reduce costs, we approved a plan to exit our St. Paul, Minnesota metal food container manufacturing facility in the second quarter of 2007. The plan includes the termination of approximately 60 employees, the consolidation of certain operations into existing facilities and the elimination of the remaining operations and the exit of the facility. We estimate that the total costs for the rationalization of the facility will be \$13.2 million. These costs include \$4.6 million of pension and postretirement curtailment expense, \$3.0 million of employee severance and special termination benefits, \$2.6 million for plant exit

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costs, \$2.6 million for the acceleration of depreciation to write-down the building for sale and equipment for abandonment upon the exit of the facility and \$0.4 million for the non-cash write-down in carrying value of assets. Total charges recognized during the first nine months of 2006 were \$4.6 million for non-cash pension and postretirement curtailment expense, \$1.4 million for employee severance and special termination benefits and \$1.2 million for the non-cash write-down and accelerated depreciation of the building and equipment. Additional charges of \$1.8 million are expected in the fourth quarter of 2006, with the remaining charges expected primarily in 2007. Cash expenditures of \$4.3 million are expected primarily in 2007.

In February 2006, we approved and announced a plan to exit our Valencia, California plastic container manufacturing facility. The plan included the termination of approximately 90 plant employees and other related plant exit costs. This decision resulted in a charge to earnings during the first nine months of 2006 of \$0.5 million for employee severance and benefits, \$2.3 million for the non-cash write-down in carrying value of assets and \$0.1 million for plant exit costs. The plant has ceased operations and estimated remaining cash payments of \$1.4 million are expected to be paid in the fourth quarter of 2006 primarily for the buyout of the property lease.

Under our rationalization and acquisition plans, we made cash payments of \$1.5 million and \$0.6 million for the nine months ended September 30, 2006 and 2005, respectively. Total future cash spending of \$12.2 million is expected for our outstanding rationalization plans, including our recent Stockton, California plan, and 2003 acquisition plan.

You should also read Note 3 to our Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2006 included elsewhere in this Quarterly Report.

We continually evaluate cost reduction opportunities in our business, including rationalizations of our existing facilities through plant closings and downsizings. We use a disciplined approach to identify opportunities that generate attractive cash returns.

RECENT ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2006, we adopted SFAS No. 123(R), "Share-Based Payment," utilizing the modified prospective transition method, which does not result in the restatement of previously issued financial statements. Therefore, for the first nine months of 2006, we recognized compensation expense based on the requirements of SFAS No. 123(R) for all share-based payments granted after January 1, 2006 and for all awards granted to employees prior to the effective date that were unvested on January 1, 2006. The adoption of SFAS No. 123(R)'s fair value method did not have a significant impact on our results of operations, financial position, cash flows or basic and diluted net income per share. You should also read Note 11 to our Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2006 included elsewhere in this Quarterly Report.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 establishes a single authoritative definition for fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. SFAS No. 157 is effective for us on January 1, 2008. We

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are currently evaluating the impact SFAS No. 157 will have on our consolidated financial statements.

In September 2006, the FASB also issued SFAS No. 158, "Employers' Accounting for Deferred Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)." SFAS No. 158 requires the recognition of the funded status of deferred benefit postretirement plans in the statement of financial position, and recognition of changes in the funded status in the year in which the changes occur through accumulated other comprehensive income. SFAS No. 158 requires prospective application, recognition and additional disclosure requirements effective for our fiscal year ending December 31, 2006. We are currently evaluating the impact SFAS No. 158 will have on our consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109." FIN No. 48 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. FIN No. 48 is effective for us on January 1, 2007. We are currently evaluating the impact FIN No. 48 will have on our consolidated financial statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to our operations result primarily from changes in interest rates and, especially since our acquisition of the White Cap closures operations, from foreign currency exchange rates. In the normal course of business, we also have limited risk related to commodity price changes for items such as natural gas. In an effort to minimize our foreign currency risk in Europe, we have financed the acquisition of White Cap with debt under our Credit Agreement denominated in Euros. In addition, we have implemented certain internal hedging strategies to minimize our foreign currency risk related to debt in foreign operations denominated in currencies other than the Euro.

We employ established policies and procedures to manage our exposure to these risks. Interest rate, foreign currency and commodity pricing transactions are used only to the extent considered necessary to meet our objectives. We do not utilize derivative financial instruments for trading or other speculative purposes.

Information regarding our interest rate risk, foreign currency exchange rate risk and commodity pricing risk has been disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005. Since such filing, other than transactions related to our acquisition of White Cap as described above and as discussed in Notes 2 and 6 to our Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2006 included elsewhere in this Quarterly Report, there has not been a material change to our interest rate risk, foreign currency exchange rate risk or commodity pricing risk or to our policies and procedures to manage our exposure to these risks.

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Item 4. CONTROLS AND PROCEDURES

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934). Based upon that evaluation, as of the end of the period covered by this Quarterly Report our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be disclosed in this Quarterly Report has been made known to them in a timely fashion.

There were no changes in our internal controls over financial reporting during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, these internal controls. During the second and third quarter of 2006, we acquired White Cap. You should read Note 2 to our Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2006 included elsewhere in this Quarterly Report for further details on the White Cap acquisition. We are currently in the process of integrating the internal controls and procedures of White Cap into our internal controls over financial reporting. As provided under the Sarbanes-Oxley Act of 2002 and the applicable rules and regulations of the Securities and Exchange Commission, we will include the internal controls and procedures of White Cap in our annual assessment of the effectiveness of our internal control over financial reporting for our 2007 fiscal year.

Part II. Other Information

Item 6. Exhibits

Exhibit Number	Description
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12	Ratio of Earnings to Fixed Charges for the three and nine months ended September 30, 2006 and 2005.
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1	Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act.
32.2	Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.

SIGNATURES

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

SILGAN HOLDINGS INC.

Dated: November 9, 2006

/s/Robert B. Lewis

Robert B. Lewis
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

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32.2 Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.

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