

BALL CORP
Form 10-Q
October 30, 2013
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

Commission file number 1-7349

BALL CORPORATION

State of Indiana

(State or other jurisdiction of incorporation or
organization)

10 Longs Peak Drive, P.O. Box 5000

Broomfield, CO 80021-2510

(Address of registrant's principal executive office)

35-0160610

(I.R.S. Employer Identification No.)

80021-2510

(Zip Code)

Edgar Filing: BALL CORP - Form 10-Q

Registrant's telephone number, including area code: **303/469-3131**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

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

| Class | Outstanding at September 30, 2013 |
|---------------------------------|-----------------------------------|
| Common Stock, without par value | 144,633,496 shares |

Edgar Filing: BALL CORP - Form 10-Q

Table of Contents

Ball Corporation and Subsidiaries
QUARTERLY REPORT ON FORM 10-Q
For the period ended September 30, 2013

INDEX

| | Page Number |
|--|------------------------|
| <u>PART I.</u> <u>FINANCIAL INFORMATION:</u> | |
| <u>Item 1.</u> <u>Financial Statements</u> | |
| <u>Unaudited Condensed Consolidated Statements of Earnings for the Three and Nine Months Ended September 30, 2013 and 2012</u> | 1 |
| <u>Unaudited Condensed Consolidated Statements of Comprehensive Earnings for the Three and Nine Months Ended September 30, 2013 and 2012</u> | 2 |
| <u>Unaudited Condensed Consolidated Balance Sheets at September 30, 2013, and December 31, 2012</u> | 3 |
| <u>Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012</u> | 4 |
| <u>Notes to the Unaudited Condensed Consolidated Financial Statements</u> | 5 |
| <u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 36 |
| <u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 45 |
| <u>Item 4.</u> <u>Controls and Procedures</u> | 45 |
| <u>PART II.</u> <u>OTHER INFORMATION</u> | 47 |

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****BALL CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**

| (\$ in millions, except per share amounts) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | \$ 2,277.9 | \$ 2,282.5 | \$ 6,471.3 | \$ 6,621.5 |
| Costs and expenses | | | | |
| Cost of sales (excluding depreciation and amortization) | (1,846.9) | (1,866.1) | (5,289.3) | (5,444.6) |
| Depreciation and amortization | (76.6) | (74.7) | (223.6) | (210.2) |
| Selling, general and administrative | (99.0) | (86.3) | (311.2) | (284.5) |
| Business consolidation and other activities | (43.8) | (36.8) | (89.1) | (44.0) |
| | (2,066.3) | (2,063.9) | (5,913.2) | (5,983.3) |
| Earnings before interest and taxes | 211.6 | 218.6 | 558.1 | 638.2 |
| Interest expense | (45.5) | (44.2) | (138.0) | (134.2) |
| Debt refinancing costs | (1.3) | | (28.0) | (15.1) |
| Total interest expense | (46.8) | (44.2) | (166.0) | (149.3) |
| Earnings before taxes | 164.8 | 174.4 | 392.1 | 488.9 |
| Tax provision | (44.1) | (51.7) | (93.0) | (129.7) |
| Equity in results of affiliates, net of tax | 0.9 | (0.8) | 0.9 | (1.0) |
| Net earnings from continuing operations | 121.6 | 121.9 | 300.0 | 358.2 |
| Discontinued operations, net of tax | 0.3 | (2.2) | 0.4 | (2.9) |
| Net earnings | 121.9 | 119.7 | 300.4 | 355.3 |
| Less net earnings attributable to noncontrolling interests | (6.7) | (4.6) | (18.1) | (12.4) |
| Net earnings attributable to Ball Corporation | \$ 115.2 | \$ 115.1 | \$ 282.3 | \$ 342.9 |
| Amounts attributable to Ball Corporation: | | | | |
| Continuing operations | \$ 114.9 | \$ 117.3 | \$ 281.9 | \$ 345.8 |
| Discontinued operations | 0.3 | (2.2) | 0.4 | (2.9) |
| Net earnings | \$ 115.2 | \$ 115.1 | \$ 282.3 | \$ 342.9 |
| Earnings per share: | | | | |
| Basic - continuing operations | \$ 0.80 | \$ 0.76 | \$ 1.92 | \$ 2.22 |
| Basic - discontinued operations | | (0.01) | | (0.02) |
| Total basic earnings per share | \$ 0.80 | \$ 0.75 | \$ 1.92 | \$ 2.20 |

Edgar Filing: BALL CORP - Form 10-Q

| | | | | | | | | |
|-----------------------------------|----|------|----|--------|----|------|----|--------|
| Diluted - continuing operations | \$ | 0.78 | \$ | 0.74 | \$ | 1.88 | \$ | 2.18 |
| Diluted - discontinued operations | | | | (0.01) | | | | (0.02) |
| Total diluted earnings per share | \$ | 0.78 | \$ | 0.73 | \$ | 1.88 | \$ | 2.16 |

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents**BALL CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**

| (\$ in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------|------------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Net earnings | \$ 121.9 | \$ 119.7 | \$ 300.4 | \$ 355.3 |
| Other comprehensive earnings: | | | | |
| Foreign currency translation adjustment | 57.3 | 27.5 | 29.7 | (2.0) |
| Pension and other postretirement benefits (a) | 3.3 | 5.7 | 17.7 | 20.2 |
| Effective financial derivatives (b) | 3.6 | 28.6 | (22.9) | 26.0 |
| Total comprehensive earnings | 186.1 | 181.5 | 324.9 | 399.5 |
| Less comprehensive earnings attributable to noncontrolling interests | (6.6) | (4.5) | (18.3) | (12.6) |
| Comprehensive earnings attributable to Ball Corporation | \$ 179.5 | \$ 177.0 | \$ 306.6 | \$ 386.9 |

(a) Net of tax (expense) benefit of \$(4.7) million and \$(13.9) million for the three and nine months ended September 30, 2013, respectively, and \$(4.2) million and \$(12.4) million for the comparable periods in 2012, respectively.

(b) Net of tax (expense) benefit of \$(2.4) million and \$2.5 million for the three and nine months ended September 30, 2013, respectively, and \$(17.6) million and \$(15.6) million for the comparable periods in 2012, respectively.

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents**BALL CORPORATION****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

| (\$ in millions) | September 30, 2013 | December 31, 2012 |
|---|-----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 168.2 | \$ 174.1 |
| Receivables, net | 1,087.5 | 930.1 |
| Inventories, net | 980.3 | 1,044.4 |
| Other current assets | 189.4 | 190.8 |
| Total current assets | 2,425.4 | 2,339.4 |
| Non-current assets | | |
| Property, plant and equipment, net | 2,360.1 | 2,288.6 |
| Goodwill | 2,379.8 | 2,359.4 |
| Intangibles and other assets, net | 543.9 | 519.7 |
| Total assets | \$ 7,709.2 | \$ 7,507.1 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Short-term debt and current portion of long-term debt | \$ 104.5 | \$ 219.8 |
| Accounts payable | 998.8 | 946.9 |
| Accrued employee costs | 232.3 | 278.4 |
| Other current liabilities | 234.6 | 240.7 |
| Total current liabilities | 1,570.2 | 1,685.8 |
| Non-current liabilities | | |
| Long-term debt | 3,417.5 | 3,085.3 |
| Employee benefit obligations | 1,175.7 | 1,238.1 |
| Other non-current liabilities | 229.0 | 207.9 |
| Total liabilities | 6,392.4 | 6,217.1 |
| Shareholders' equity | | |
| Common stock (330,072,784 shares issued - 2013; 329,014,589 shares issued - 2012) | 1,068.3 | 1,026.3 |
| Retained earnings | 3,807.3 | 3,580.8 |
| Accumulated other comprehensive earnings (loss) | (328.1) | (352.4) |
| Treasury stock, at cost (185,439,288 shares - 2013; 179,285,288 shares - 2012) | (3,418.1) | (3,140.1) |
| Total Ball Corporation shareholders' equity | 1,129.4 | 1,114.6 |
| Noncontrolling interests | 187.4 | 175.4 |
| Total shareholders' equity | 1,316.8 | 1,290.0 |
| Total liabilities and shareholders' equity | \$ 7,709.2 | \$ 7,507.1 |

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents**BALL CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| (\$ in millions) | Nine Months Ended September 30, | |
|--|------------------------------------|----------|
| | 2013 | 2012 |
| Cash Flows from Operating Activities | | |
| Net earnings | \$ 300.4 | \$ 355.3 |
| Discontinued operations, net of tax | (0.4) | 2.9 |
| Adjustments to reconcile net earnings to cash provided by (used in) continuing operating activities: | | |
| Depreciation and amortization | 223.6 | 210.2 |
| Business consolidation and other activities | 89.1 | 44.0 |
| Deferred tax provision | 3.3 | 15.4 |
| Other, net | 4.8 | (34.1) |
| Changes in working capital components | (166.6) | (204.4) |
| Cash provided by (used in) continuing operating activities | 454.2 | 389.3 |
| Cash provided by (used in) discontinued operating activities | (2.3) | (1.0) |
| Total cash provided by (used in) operating activities | 451.9 | 388.3 |
| Cash Flows from Investing Activities | | |
| Capital expenditures | (309.6) | (206.9) |
| Business acquisitions, net of cash acquired | (14.2) | (15.3) |
| Other, net | 2.2 | 18.0 |
| Cash provided by (used in) investing activities | (321.6) | (204.2) |
| Cash Flows from Financing Activities | | |
| Long-term borrowings | 1,546.6 | 1,269.8 |
| Repayments of long-term borrowings | (1,277.5) | (982.7) |
| Net change in short-term borrowings | (55.4) | (98.8) |
| Proceeds from issuances of common stock | 24.3 | 40.8 |
| Acquisitions of treasury stock | (292.2) | (345.7) |
| Common dividends | (56.8) | (46.6) |
| Other, net | (15.6) | (6.6) |
| Cash provided by (used in) financing activities | (126.6) | (169.8) |
| Effect of exchange rate changes on cash | (9.6) | 1.1 |
| Change in cash and cash equivalents | (5.9) | 15.4 |
| Cash and cash equivalents - beginning of period | 174.1 | 165.8 |
| Cash and cash equivalents - end of period | \$ 168.2 | \$ 181.2 |

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Ball Corporation and its controlled affiliates, including its consolidated variable interest entities (collectively Ball, the company, we or our), and have been prepared by the company. Certain information and footnote disclosures, including critical and significant accounting policies normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted for this quarterly presentation.

Results of operations for the periods shown are not necessarily indicative of results for the year, particularly in view of the seasonality in the packaging segments and the irregularity of contract revenues in the aerospace and technologies segment. These unaudited condensed consolidated financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and the notes thereto included in the company's Annual Report on Form 10-K filed on February 22, 2013, pursuant to Section 13 of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2012 (annual report).

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

2. Accounting Pronouncements

Recently Adopted Accounting Standards

In July 2013, accounting guidance was issued to provide for inclusion of the Overnight Index Swap Rate (OIS, also referred to as the Fed Funds Effective Swap Rate) as a benchmark interest rate for hedge accounting purposes. Prior to this guidance, in the U.S. only interest rates on direct U.S. Treasury obligations and the London Interbank Offered Rate (LIBOR) swap rate were considered benchmark interest rates for hedge accounting purposes. The guidance was effective for Ball prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The guidance did not have a material effect on the company's consolidated financial statements.

Edgar Filing: BALL CORP - Form 10-Q

In February 2013, amendments to the existing accounting guidance were issued requiring the company to present, either on the face of the financial statements or in the notes, the effect of significant amounts reclassified in their entirety from each component of accumulated other comprehensive earnings based on the source into net earnings during the reporting period. For amounts not required to be reclassified in their entirety, the company is required to cross-reference to other disclosures that provide additional details about those reclassifications. The new guidance was effective for Ball prospectively on January 1, 2013, and the additional required disclosures are included in Note 13.

In December 2011, accounting guidance was issued requiring disclosures to help reconcile differences in the offsetting requirements under U.S. generally accepted accounting principles (U.S. GAAP) and international financial reporting standards (IFRS). The new disclosure requirements mandate that companies disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions subject to an agreement similar to a master netting arrangement. Further guidance was issued in January 2013 to clarify the intended scope of the required disclosures. The guidance was effective for Ball on January 1, 2013, and did not have a material effect on the company's unaudited condensed consolidated financial statements.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

2. Accounting Pronouncements (continued)

New Accounting Guidance

In July 2013, accounting guidance was issued to eliminate diversity in practice for the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. In general, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, unless certain exceptions exist. The guidance, which will be effective for Ball on January 1, 2014, is not expected to have a material effect on the company's consolidated financial statements.

In May 2013, the Committee of Sponsoring Organization of the Treadway Commission (COSO) issued the 2013 Internal Control - Integrated Framework (Framework). The 2013 Framework is expected to: (1) help companies design and implement internal controls in light of the changes in business and operating environments since the issuance of the original Framework, (2) broaden the application of internal controls in addressing operating and reporting objectives and (3) clarify the requirements for determining what constitutes effective internal controls. Implementation of the 2013 Framework is effective for Ball for the year ended December 31, 2014. During the transitional period, companies can continue to use the original Framework but should disclose whether the original or the 2013 Framework was utilized. Ball is continuing to use the original Framework and does not expect the implementation of the 2013 Framework to have a material effect on the company's established internal controls around financial reporting.

In March 2013, accounting guidance was issued to clarify that a company should release the cumulative translation adjustment into net earnings if the parent ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity. The guidance also affects entities that lose a controlling financial interest in an investment in a foreign entity and those that acquire a business in stages by increasing an investment in a foreign entity from one accounted for under the equity method to one accounted for as a consolidated investment. The guidance will be effective for Ball prospectively on January 1, 2014, and is not expected to have a material effect on the company's consolidated financial statements.

3. Business Segment Information

Ball's operations are organized and reviewed by management along its product lines and geographical areas and presented in the four reportable segments discussed below. On January 1, 2013, the company implemented changes to its management and internal reporting structure. As a result, the European extruded aluminum business, which was previously included in the metal beverage packaging, Europe, segment, is now included in the metal food and household products packaging segment. The segment results and disclosures for the three and nine months ended September 30, 2012, and the financial position at December 31, 2012, have been retrospectively adjusted to conform to the current year presentation.

Metal beverage packaging, Americas and Asia: Consists of the metal beverage packaging, Americas, operations in the U.S., Canada and Brazil, and the metal beverage packaging, Asia, operations in the People's Republic of China (PRC). The Americas and Asia segments have been aggregated based on similar economic and qualitative characteristics. The operations in this reporting segment manufacture and sell metal beverage containers, and also manufacture and sell non-beverage plastic containers in the PRC.

Metal beverage packaging, Europe: Consists of operations in several countries in Europe, which manufacture and sell metal beverage containers.

Metal food and household products packaging: Consists of operations in the U.S., Europe, Canada, Mexico and Argentina, which manufacture and sell steel food, aerosol, paint, general line and decorative specialty containers, as well as extruded aluminum beverage and aerosol containers and aluminum slugs.

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

The accounting policies of the segments are the same as those in the unaudited condensed consolidated financial statements. A discussion of the company's critical and significant accounting policies can be found in Ball's annual report. The company also has investments in companies in the U.S. and Vietnam, which are accounted for under the equity method of accounting and, accordingly, those results are not included in segment sales or earnings.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****3. Business Segment Information (continued)**

| (\$ in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-------------------|------------------------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | | | | |
| Metal beverage packaging, Americas & Asia | \$ 1,109.2 | \$ 1,169.6 | \$ 3,190.7 | \$ 3,426.9 |
| Metal beverage packaging, Europe | 488.9 | 450.8 | 1,400.5 | 1,377.0 |
| Metal food & household products packaging | 463.6 | 445.8 | 1,213.4 | 1,196.7 |
| Aerospace & technologies | 217.5 | 219.9 | 675.0 | 631.8 |
| Corporate and intercompany eliminations | (1.3) | (3.6) | (8.3) | (10.9) |
| Net sales | \$ 2,277.9 | \$ 2,282.5 | \$ 6,471.3 | \$ 6,621.5 |
| Net earnings | | | | |
| Metal beverage packaging, Americas & Asia | \$ 134.8 | \$ 142.2 | \$ 364.5 | \$ 384.5 |
| Business consolidation and other activities | (14.1) | (31.5) | (26.6) | (32.9) |
| Total metal beverage packaging, Americas & Asia | 120.7 | 110.7 | 337.9 | 351.6 |
| Metal beverage packaging, Europe | 60.5 | 54.3 | 143.2 | 152.7 |
| Business consolidation and other activities | (1.7) | (3.5) | (4.6) | (6.2) |
| Total metal beverage packaging, Europe | 58.8 | 50.8 | 138.6 | 146.5 |
| Metal food & household products packaging | 58.4 | 50.1 | 140.6 | 131.0 |
| Business consolidation and other activities | (28.9) | | (57.4) | |
| Total metal food & household products packaging | 29.5 | 50.1 | 83.2 | 131.0 |
| Aerospace & technologies | 18.0 | 22.5 | 55.0 | 62.4 |
| Business consolidation and other activities | | | (0.2) | |
| Total aerospace & technologies | 18.0 | 22.5 | 54.8 | 62.4 |
| Segment earnings before interest and taxes | 227.0 | 234.1 | 614.5 | 691.5 |
| Undistributed and corporate expenses and intercompany eliminations, net | (16.3) | (13.7) | (56.1) | (48.4) |
| Business consolidation and other activities | 0.9 | (1.8) | (0.3) | (4.9) |
| Total undistributed and corporate expenses and intercompany eliminations, net | (15.4) | (15.5) | (56.4) | (53.3) |
| Earnings before interest and taxes | 211.6 | 218.6 | 558.1 | 638.2 |
| Interest expense | (45.5) | (44.2) | (138.0) | (134.2) |
| Debt refinancing costs | (1.3) | | (28.0) | (15.1) |
| Total interest expense | (46.8) | (44.2) | (166.0) | (149.3) |
| Tax provision | (44.1) | (51.7) | (93.0) | (129.7) |

Edgar Filing: BALL CORP - Form 10-Q

| | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| Equity in results of affiliates, net of tax | 0.9 | (0.8) | 0.9 | (1.0) |
| Net earnings from continuing operations | 121.6 | 121.9 | 300.0 | 358.2 |
| Discontinued operations, net of tax | 0.3 | (2.2) | 0.4 | (2.9) |
| Net earnings | 121.9 | 119.7 | 300.4 | 355.3 |
| Less net earnings attributable to noncontrolling interests | (6.7) | (4.6) | (18.1) | (12.4) |
| Net earnings attributable to Ball Corporation | \$ 115.2 | \$ 115.1 | \$ 282.3 | \$ 342.9 |

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****3. Business Segment Information (continued)**

| (\$ in millions) | September 30, 2013 | December 31, 2012 |
|--|-----------------------|----------------------|
| Total Assets | | |
| Metal beverage packaging, Americas & Asia | \$ 3,307.6 | \$ 3,227.5 |
| Metal beverage packaging, Europe | 2,325.9 | 2,299.8 |
| Metal food & household products packaging | 1,635.3 | 1,568.9 |
| Aerospace & technologies | 346.6 | 332.8 |
| Segment assets | 7,615.4 | 7,429.0 |
| Corporate assets and intercompany eliminations | 93.8 | 78.1 |
| Total assets | \$ 7,709.2 | \$ 7,507.1 |

4. Acquisitions*Envases del Plata S.A. de C.V.*

In December 2012, the company acquired a leading producer of extruded aluminum aerosol packaging in Mexico with a single manufacturing facility in San Luis Potosí for cash of \$57.7 million, net of cash acquired, and assumed debt of \$72.7 million. The facility produces extruded aluminum aerosol containers for personal care and household products for customers in North, Central and South America and employs approximately 150 people. The acquisition is expected to provide a platform to grow the company's existing North American extruded aluminum business, providing a new end market for the company's products, including the company's ReAITM technology that enables the use of recycled material and meaningful lightweighting in the manufacture of extruded aluminum packaging. Based on the final purchase price allocation, goodwill of \$64.0 million was recorded at September 30, 2013. This acquisition is not material to the metal food and household products packaging segment.

5. Business Consolidation and Other Activities

Following is a summary of business consolidation and other activity charges included in the unaudited condensed consolidated statements of earnings:

**Three Months Ended
September 30,**

**Nine Months Ended
September 30,**

Edgar Filing: BALL CORP - Form 10-Q

| (\$ in millions) | 2013 | | 2012 | | | | | |
|---|------|--------|------|--------|----|--------|----|--------|
| Metal beverage packaging, Americas & Asia | \$ | (14.1) | \$ | (31.5) | \$ | (26.6) | \$ | (32.9) |
| Metal beverage packaging, Europe | | (1.7) | | (3.5) | | (4.6) | | (6.2) |
| Metal food & household products packaging | | (28.9) | | | | (57.4) | | |
| Aerospace & technologies | | | | | | (0.2) | | |
| Corporate and other | | 0.9 | | (1.8) | | (0.3) | | (4.9) |
| | \$ | (43.8) | \$ | (36.8) | \$ | (89.1) | \$ | (44.0) |

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

5. Business Consolidation and Other Activities (continued)

2013

Metal Beverage Packaging, Americas and Asia

During July 2013, the company signed a compensation agreement for approximately \$72 million pretax with the PRC government to vacate the Shenzhen manufacturing facility and relocate the production equipment. Proceeds from the compensation agreement will offset costs related to the closure and relocation of the Shenzhen facility and will be composed of compensation for the disposal of the land and building, the disposal and transfer of machinery and equipment, business interruption costs and severance. Any compensation received in excess of expenses or losses incurred by the company will be reflected in business consolidation and other activities. The third quarter and first nine months included charges of \$6.8 million and \$8.1 million, respectively, for closure and relocation costs. The total charges in the first nine months of \$8.1 million were composed of \$6.6 million for severance, which will be compensated in the fourth quarter; and \$1.5 million for other costs that will not be compensated under the agreement. The company also recorded charges of \$7.8 million and \$3.3 million, respectively, in the first nine months for the write-off of the land and building and the disposal and transfer of machinery and equipment, which were both fully compensated in the third quarter and recorded as income to offset the charges. During the third quarter, the company received \$28.4 million of compensation, of which \$17.3 million was deferred on the balance sheet. The remainder of the compensation is expected to be received in the fourth quarter of 2013.

The third quarter and first nine months included charges of \$1.6 million and \$8.7 million, respectively, to eliminate 12-ounce beverage can production from the company's Milwaukee, Wisconsin, facility. The charges for the nine months were composed of \$4.6 million for accelerated depreciation, \$1.6 million for severance and other employee benefits and \$2.5 million for other costs. In addition, the third quarter and first nine months of 2013 included net charges of \$5.3 million and \$8.4 million, respectively, primarily for ongoing costs related to the previously announced closures of Ball's Columbus, Ohio, and Gainesville, Florida, facilities and voluntary separation programs, as well as other insignificant charges.

The third quarter and first nine months of 2013 also included net charges of \$0.4 million and \$1.4 million, respectively, for ongoing costs related to previously closed facilities and other insignificant costs.

Metal Beverage Packaging, Europe, and Corporate

During the third quarter and first nine months, the company recorded charges of \$1.7 million and \$5.5 million, respectively, primarily for headcount reductions and implementation costs incurred in connection with the relocation of the company's European headquarters from

Germany to Switzerland.

The third quarter and first nine months of 2013 also included net income of \$0.9 million and \$0.6 million, respectively, primarily related to previously closed facilities.

Metal Food and Household Products Packaging

In the third quarter, the company recorded an accounts receivable provision of \$27.0 million as a result of the October 28, 2013, bankruptcy filing of a metal food and household products packaging segment customer. This provision represents the company's estimate of the most likely potential loss of value it expects to incur on the approximately \$46.5 million accounts receivable balance as a result of the financial condition of this customer. The company's estimate of potential loss as a result of this event may materially change in the future if the customer's facts and circumstances change.

During the first quarter, the company announced that it will close its Elgin, Illinois, food and household products packaging facility in December 2013. The third quarter and first nine months included charges of \$1.9 million and \$28.0 million, respectively, in connection with this planned closure. The total charges in the first nine months were composed of \$16.0 million for severance, pension and other employee benefits; \$4.2 million for the write down of the land and building to net realizable value; and \$7.8 million for the accelerated depreciation on assets to be abandoned and other closure costs. The Elgin facility produces steel aerosol and specialty cans, as well as flat steel sheet used by other Ball facilities. The plant's production capabilities will be supplied by other Ball food and household products packaging facilities.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

5. Business Consolidation and Other Activities (continued)

The second quarter also included a charge of \$5.9 million to migrate certain hourly employees from a multi-employer defined benefit pension plan as of January 1, 2014, to a Ball-sponsored defined benefit pension plan. Additionally, the first six months included income of \$3.5 million to accrue for the reimbursement of funds paid in 2012 for the settlement of certain Canadian defined benefit pension liabilities related to previously closed facilities.

2012

Metal Beverage Packaging, Americas and Asia

In August 2012, Ball announced plans to close its Columbus, Ohio, U.S., beverage can manufacturing facility and its Gainesville, Florida, U.S., end facility in order to consolidate the company's 12-ounce beverage can and end production capacity to meet changing market demand. In connection with the closures, the company recorded initial charges of \$31.3 million in the third quarter, of which \$20.1 million represented severance, pension and other employee benefits; \$6.6 million represented accelerated depreciation and \$4.6 million represented the obsolescence of tooling and spares.

The third quarter and first nine months of 2012 also included net charges of \$0.2 million and \$1.6 million, respectively, for ongoing costs related to previously closed facilities and other insignificant costs.

Metal Beverage Packaging, Europe, and Corporate

The third quarter and first nine months included charges of \$4.2 million and \$9.6 million, respectively, as well as \$1.3 million of additional tax expense, in connection with the relocation of the company's European headquarters from Germany to Switzerland, which was completed during the third quarter of 2012. The third quarter and first nine months of 2012 also included net charges of \$1.1 million and \$1.5 million, respectively, for ongoing costs related to previously closed facilities and other insignificant charges.

Following is a summary by segment of the activity in the restructuring reserves:

Edgar Filing: BALL CORP - Form 10-Q

| (\$ in millions) | Metal Beverage Packaging, Americas & Asia | Metal Food & Household Products Packaging | Aerospace & Technologies | Corporate and Other Costs | Total |
|----------------------------------|--|--|-----------------------------|------------------------------|---------|
| Balance at December 31, 2012 | \$ 16.4 | \$ 3.0 | \$ 1.9 | \$ 3.8 | \$ 25.1 |
| Charges to earnings | (3.3) | 18.4 | | 0.2 | 15.3 |
| Cash payments and other activity | (11.3) | (6.3) | (1.9) | (4.0) | (23.5) |
| Balance at September 30, 2013 | \$ 1.8 | \$ 15.1 | \$ | \$ | \$ 16.9 |

The carrying value of assets held for sale in connection with facility closures was \$36.8 million at September 30, 2013, and \$31.4 million at December 31, 2012.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****6. Receivables**

| (\$ in millions) | September 30, 2013 | December 31, 2012 |
|--------------------------------------|-----------------------|----------------------|
| Trade accounts receivable | \$ 1,061.2 | \$ 878.3 |
| Less allowance for doubtful accounts | (39.3) | (13.7) |
| Net trade accounts receivable | 1,021.9 | 864.6 |
| Other receivables | 65.6 | 65.5 |
| | \$ 1,087.5 | \$ 930.1 |

The allowance for doubtful accounts at September 30, 2013, includes a provision recorded in the third quarter as a result of the October 28, 2013, bankruptcy filing of a metal food and household products packaging segment customer. Additional details are available in Note 5.

The company has several regional uncommitted accounts receivable factoring programs with various financial institutions for certain receivables of the company. The programs are accounted for as true sales of the receivables, without recourse to Ball, and had combined limits of approximately \$245 million at September 30, 2013. A total of \$149.5 million and \$75.0 million were sold under these programs as of September 30, 2013, and December 31, 2012, respectively. Latapack-Ball also has a non-recourse uncommitted accounts receivable factoring program in 2013 with a limit of approximately \$24 million (55 million Brazilian real), under which there were no accounts receivable sold as of September 30, 2013.

7. Inventories

| (\$ in millions) | September 30, 2013 | December 31, 2012 |
|------------------------------------|-----------------------|----------------------|
| Raw materials and supplies | \$ 441.6 | \$ 426.7 |
| Work-in-process and finished goods | 588.1 | 664.5 |
| Less inventory reserves | (49.4) | (46.8) |
| | \$ 980.3 | \$ 1,044.4 |

8. Property, Plant and Equipment

| (\$ in millions) | September 30, 2013 | December 31, 2012 |
|------------------|-----------------------|----------------------|
|------------------|-----------------------|----------------------|

Edgar Filing: BALL CORP - Form 10-Q

| | | | | |
|--------------------------|----|-----------|----|-----------|
| Land | \$ | 79.2 | \$ | 82.6 |
| Buildings | | 963.5 | | 934.3 |
| Machinery and equipment | | 3,541.1 | | 3,407.6 |
| Construction-in-progress | | 283.2 | | 240.6 |
| | | 4,867.0 | | 4,665.1 |
| Accumulated depreciation | | (2,506.9) | | (2,376.5) |
| | \$ | 2,360.1 | \$ | 2,288.6 |

Property, plant and equipment are stated at historical or acquired cost. Depreciation expense amounted to \$66.8 million and \$194.9 million for the three and nine months ended September 30, 2013, respectively, and \$64.4 million and \$190.2 million for the comparable periods in 2012, respectively.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****9. Goodwill**

| (\$ in millions) | Metal Beverage Packaging, Americas & Asia | Metal Beverage Packaging, Europe | Metal Food & Household Products Packaging | Aerospace & Technologies | Total |
|--|---|---|--|-----------------------------|------------|
| Balance at December 31, 2012 | \$ 740.7 | \$ 993.2 | \$ 625.5 | \$ | \$ 2,359.4 |
| Business acquisitions and related opening balance sheet adjustments | | | (15.1) | 8.6 | (6.5) |
| Effects of currency exchange rates | | 23.0 | 3.9 | | 26.9 |
| Balance at September 30, 2013 | \$ 740.7 | \$ 1,016.2 | \$ 614.3 | \$ 8.6 | \$ 2,379.8 |

On January 1, 2013, the company implemented changes to its management and internal reporting structure. As a result, the European extruded aluminum reporting unit, which was previously included in the metal beverage packaging, Europe, segment, is now included in the metal food and household products packaging segment. Goodwill by segment has been retrospectively adjusted to conform to the current year presentation.

10. Intangibles and Other Assets

| (\$ in millions) | September 30, 2013 | December 31, 2012 |
|---|-----------------------|----------------------|
| Investment in affiliates | \$ 33.6 | \$ 32.2 |
| Intangible assets (net of accumulated amortization of \$87.0 million at September 30, 2013, and \$68.1 million at December 31, 2012) | 171.5 | 162.9 |
| Capitalized software (net of accumulated amortization of \$87.7 million at September 30, 2013, and \$78.4 million at December 31, 2012) | 61.6 | 50.4 |
| Company and trust-owned life insurance | 139.9 | 114.7 |
| Deferred financing costs | 47.8 | 37.3 |
| Other | 89.5 | 122.2 |
| | \$ 543.9 | \$ 519.7 |

Total amortization expense of intangible assets amounted to \$9.8 million and \$28.7 million for the three and nine months ended September 30, 2013, respectively, and \$10.3 million and \$20.0 million for the comparable periods in 2012, respectively.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****11. Debt**

Long-term debt consisted of the following:

| (\$ in millions) | September 30, 2013 | | December 31, 2012 | |
|--|-------------------------------|------------|-------------------------------|------------|
| | In Denominated Currency | In U.S. \$ | In Denominated Currency | In U.S. \$ |
| Notes Payable | | | | |
| 7.125% Senior Notes, due September 2016 | \$ | \$ | \$ 375.0 | \$ 375.0 |
| 7.375% Senior Notes, due September 2019 | \$ 315.4 | 315.4 | \$ 325.0 | 325.0 |
| 6.75% Senior Notes, due September 2020 | \$ 500.0 | 500.0 | \$ 500.0 | 500.0 |
| 5.75% Senior Notes, due May 2021 | \$ 500.0 | 500.0 | \$ 500.0 | 500.0 |
| 5.00% Senior Notes, due March 2022 | \$ 750.0 | 750.0 | \$ 750.0 | 750.0 |
| 4.00% Senior Notes, due November 2023 | \$ 1,000.0 | 1,000.0 | \$ | |
| Senior Credit Facilities, due June 2018 (at variable rates) | | | | |
| Term A Loan, U.S. dollar denominated | \$ | | \$ 125.0 | 125.0 |
| Term B Loan, British sterling denominated | £ 37.3 | 60.2 | £ 46.5 | 75.2 |
| Term C Loan, euro denominated | 81.6 | 110.4 | 91.3 | 120.6 |
| Multi-currency revolver, euro denominated | | | 159.0 | 210.1 |
| Latapack-Ball Notes Payable (at various rates and terms) | \$ 230.7 | 230.7 | \$ 176.1 | 176.1 |
| Other (including discounts and premiums) | Various | (2.6) | Various | 32.4 |
| | | 3,464.1 | | 3,189.4 |
| Less: Current portion of long-term debt | | (46.6) | | (104.1) |
| | \$ | 3,417.5 | \$ | 3,085.3 |

In May 2013, Ball: (1) issued \$1 billion of 4.00 percent senior notes due in November 2023; (2) tendered for the redemption of its 7.125 percent senior notes originally due in September 2016 in the amount of \$375 million, at a redemption price per note of 105.322 percent of the outstanding principal amount plus accrued interest; and (3) repaid the \$125 million Term A loan, which was a component of the senior credit facilities. The redemption of the senior notes, all of which occurred in the second quarter, and the early repayment of the Term A loan resulted in charges of \$26.5 million for the tender and call premiums, as well as the write off of unamortized financing costs and issuance discounts. These charges are included as a component of interest expense in the unaudited condensed consolidated statement of earnings.

The senior credit facilities bear interest at variable rates and include the term loans described in the table above, as well as a long-term, multi-currency committed revolving credit facility that provides the company with up to the U.S. dollar equivalent of \$1 billion. In June 2013, the company amended the senior credit facilities and extended the term from December 2015 to June 2018. In connection with the amendment, the company recorded a charge of \$0.4 million for the write off of unamortized financing costs. The charge is included as a component of interest expense in the unaudited condensed consolidated statement of earnings.

Edgar Filing: BALL CORP - Form 10-Q

At September 30, 2013, taking into account outstanding letters of credit and excluding availability under the accounts receivable securitization program, approximately \$984 million was available under the company's long-term, multi-currency committed revolving credit facilities, which are available until June 2018. In addition to these facilities, the company had approximately \$658 million of short-term uncommitted credit facilities available at the end of the quarter, of which \$57.9 million was outstanding and due on demand.

The fair value of the long-term debt at September 30, 2013, and at December 31, 2012, approximated its carrying value. The fair value reflects the market rates at each period end for debt with credit ratings similar to the company's ratings. 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.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

11. Debt (continued)

On March 9, 2012, Ball issued \$750 million of 5.00 percent senior notes due in March 2022. On the same date, the company tendered for the redemption of its 6.625 percent senior notes originally due in March 2018 in the amount of \$450 million, at a redemption price per note of 102.583 percent of the outstanding principal amount plus accrued interest. The company redeemed \$392.7 million during the first quarter of 2012, and the remaining \$57.3 million was redeemed during the second quarter. The redemption of the bonds resulted in a charge of \$15.1 million for the call premium and the write off of unamortized financing costs and premiums. The charge is included as a component of interest expense in the unaudited condensed consolidated statement of earnings.

In August 2011, the company entered into an accounts receivable securitization agreement for a term of three years, as amended from time to time. The maximum the company can borrow under the amended agreement can vary between \$85 million and \$210 million depending on the seasonal accounts receivable balances in the company's North American packaging businesses. There were no accounts receivable sold under this agreement at September 30, 2013, or December 31, 2012. Borrowings under the securitization agreement, if any, are included within short-term debt and current portion of long-term debt on the balance sheet.

The senior notes and senior credit facilities are guaranteed on a full, unconditional and joint and several basis by certain of the company's wholly owned domestic subsidiaries. Certain foreign denominated tranches of the senior credit facilities are similarly guaranteed by certain of the company's wholly owned foreign subsidiaries. Note 19 contains further details, as well as required unaudited condensed consolidating financial information for the company, segregating the guarantor subsidiaries and non-guarantor subsidiaries as defined in the senior notes agreements.

The U.S. note agreements, bank credit agreement and accounts receivable securitization agreement contain certain restrictions relating to dividend payments, share repurchases, investments, financial ratios, guarantees and the incurrence of additional indebtedness. The most restrictive of the company's debt covenants require the company to maintain an interest coverage ratio (as defined in the agreements) of no less than 3.50 and a leverage ratio (as defined) of no greater than 4.00. The company was in compliance with all loan agreements and debt covenants at September 30, 2013, and December 31, 2012, and has met all debt payment obligations.

The Latapack-Ball debt facilities contain various covenants and restrictions but are non-recourse to Ball Corporation and its wholly owned subsidiaries.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****12. Employee Benefit Obligations**

| (\$ in millions) | September 30, 2013 | December 31, 2012 |
|--|-----------------------|----------------------|
| Underfunded defined benefit pension liabilities, net | \$ 762.7 | \$ 820.2 |
| Less current portion and prepaid pension assets | (23.8) | (25.0) |
| Long-term defined benefit pension liabilities | 738.9 | 795.2 |
| Retiree medical and other postemployment benefits | 175.0 | 177.0 |
| Deferred compensation plans | 239.5 | 237.8 |
| Other | 22.3 | 28.1 |
| | \$ 1,175.7 | \$ 1,238.1 |

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

| (\$ in millions) | Three Months Ended September 30, | | | | | |
|--|----------------------------------|-----------------|---------|---------|-----------------|---------|
| | U.S. | 2013 Foreign | Total | U.S. | 2012 Foreign | Total |
| Ball-sponsored plans: | | | | | | |
| Service cost | \$ 12.1 | \$ 2.5 | \$ 14.6 | \$ 11.7 | \$ 2.0 | \$ 13.7 |
| Interest cost | 13.8 | 5.9 | 19.7 | 14.2 | 7.1 | 21.3 |
| Expected return on plan assets | (19.3) | (3.4) | (22.7) | (18.6) | (4.3) | (22.9) |
| Amortization of prior service cost | | (0.1) | (0.1) | 0.2 | (0.1) | 0.1 |
| Recognized net actuarial loss | 10.7 | 1.2 | 11.9 | 8.4 | 1.8 | 10.2 |
| Curtailed loss | | | | 0.1 | | 0.1 |
| Net periodic benefit cost for Ball-sponsored plans | 17.3 | 6.1 | 23.4 | 16.0 | 6.5 | 22.5 |
| Net periodic benefit cost for multi-employer plans | 0.7 | | 0.7 | 0.6 | | 0.6 |
| Total net periodic benefit cost | \$ 18.0 | \$ 6.1 | \$ 24.1 | \$ 16.6 | \$ 6.5 | \$ 23.1 |

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****12. Employee Benefit Obligations (continued)**

| (\$ in millions) | Nine Months Ended September 30, | | | | | |
|---|---------------------------------|-----------------|----------------|----------------|-----------------|----------------|
| | U.S. | 2013 Foreign | Total | U.S. | 2012 Foreign | Total |
| Ball-sponsored plans: | | | | | | |
| Service cost | \$ 36.5 | \$ 7.5 | \$ 44.0 | \$ 35.1 | \$ 5.9 | \$ 41.0 |
| Interest cost | 41.4 | 17.8 | 59.2 | 42.4 | 21.5 | 63.9 |
| Expected return on plan assets | (58.0) | (10.2) | (68.2) | (55.5) | (12.8) | (68.3) |
| Amortization of prior service cost | | (0.3) | (0.3) | 0.7 | (0.3) | 0.4 |
| Recognized net actuarial loss | 32.0 | 3.7 | 35.7 | 25.1 | 5.3 | 30.4 |
| Curtailed loss (a) | 4.1 | | 4.1 | 0.3 | | 0.3 |
| Net periodic benefit cost for Ball-sponsored plans | 56.0 | 18.5 | 74.5 | 48.1 | 19.6 | 67.7 |
| Multi-employer plans: | | | | | | |
| Net periodic benefit cost, excluding curtailment loss | 2.0 | | 2.0 | 2.0 | | 2.0 |
| Curtailed loss (a) | 9.8 | | 9.8 | | | |
| Net periodic benefit cost for multi-employer plans | 11.8 | | 11.8 | 2.0 | | 2.0 |
| Total net periodic benefit cost | \$ 67.8 | \$ 18.5 | \$ 86.3 | \$ 50.1 | \$ 19.6 | \$ 69.7 |

(a) Curtailment losses in 2013 are related to the closure of the company's Elgin, Illinois, facility and the migration of certain of the company's Weirton, West Virginia, hourly employees from a multi-employer defined benefit pension plan to a Ball-sponsored defined benefit pension plan as of January 1, 2014. Further details are available in Note 5.

Contributions to the company's defined global benefit pension plans, not including the unfunded German plans, were \$89.7 million in the first nine months of 2013 (\$108.7 million in 2012). The total contributions to these funded plans are expected to be approximately \$95 million for the full year. This estimate may change based on changes in the Pension Protection Act, actual plan asset performance and available company cash flow, among other factors. Payments to participants in the unfunded German plans were \$16.7 million (12.7 million) in the first nine months of 2013 and are expected to be approximately \$23 million (approximately 17 million) for the full year.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****13. Shareholders Equity and Comprehensive Earnings****Accumulated Other Comprehensive Earnings (Loss)**

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

| (\$ in millions) | Foreign Currency Translation | Pension and Other Postretirement Benefits (Net of Tax) | Effective Derivatives (Net of Tax) | Accumulated Other Comprehensive Earnings (Loss) |
|---|------------------------------------|--|--|--|
| Balance at December 31, 2012 | \$ 117.5 | \$ (461.0) | \$ (8.9) | \$ (352.4) |
| Other comprehensive earnings (loss) before reclassifications | 29.7 | (3.8) | (37.0) | (11.1) |
| Amounts reclassified from Accumulated other comprehensive earnings (loss) | | 21.5 | 13.9 | 35.4 |
| Balance at September 30, 2013 | \$ 147.2 | \$ (443.3) | \$ (32.0) | \$ (328.1) |

The following table provides additional details of the amounts recognized into net earnings from accumulated other comprehensive earnings (loss):

| (\$ in millions) | Three Months Ended September 30, 2013 | Nine Months Ended September 30, 2013 |
|---|--|---|
| Gains (losses) on cash flow hedges: | | |
| Commodity contracts recorded in net sales | \$ 2.8 | \$ 5.2 |
| Commodity contracts and currency exchange contracts recorded in cost of sales | (13.2) | (23.6) |
| Interest rate contracts recorded in interest expense | (0.3) | (0.8) |
| Total before tax effect | (10.7) | (19.2) |
| Tax benefit (expense) on amounts reclassified into earnings | 2.7 | 5.3 |
| Recognized gain (loss) | \$ (8.0) | \$ (13.9) |
| Amortization of pension and other postretirement benefits (a): | | |
| Prior service income (cost) | \$ 0.1 | \$ 0.3 |
| Actuarial gains (losses) | (11.9) | (35.7) |
| Total before tax effect | (11.8) | (35.4) |
| Tax benefit (expense) on amounts reclassified into earnings | 4.7 | 13.9 |

Edgar Filing: BALL CORP - Form 10-Q

| | | | | |
|------------------------|----|-------|----|--------|
| Recognized gain (loss) | \$ | (7.1) | \$ | (21.5) |
|------------------------|----|-------|----|--------|

(a) *These components are included in the computation of net periodic benefit cost included in Note 12.*

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****13. Shareholders' Equity and Comprehensive Earnings (continued)****Share Repurchase Agreements**

In February 2012, in a privately negotiated transaction, Ball entered into an accelerated share repurchase agreement to buy \$200 million of its common shares using cash on hand and available borrowings. The company advanced the \$200 million on February 3, 2012, and received 4,584,819 shares, which represented 90 percent of the total shares as calculated using the closing price on January 31, 2012. The agreement was settled in May 2012, and the company received an additional 334,039 shares, which represented a weighted average price of \$40.66 for the contract period.

In October 2011, in a privately negotiated transaction, Ball entered into an accelerated share repurchase agreement to buy \$100 million of its common shares using cash on hand and available borrowings. The company advanced the \$100 million on November 2, 2011, and received 2,523,836 shares, which represented 90 percent of the total shares as calculated using the closing price on October 28, 2011. The agreement was settled in January 2012, and the company received an additional 361,615 shares, which represented a weighted average price of \$34.66 for the contract period.

14. Stock-Based Compensation Programs

The company has shareholder-approved stock plans under which options and stock-settled appreciation rights (SSARs) have been granted to employees at the market value of the company's stock at the date of grant. In the case of stock options, payment must be made by the employee at the time of exercise in cash or with shares of stock owned by the employee, which are valued at fair market value on the date exercised. For SSARs, the employee receives the share equivalent of the difference between the fair market value on the date exercised and the exercise price of the SSARs exercised. In general, options and SSARs are exercisable in four equal installments commencing one year from the date of grant and terminating 10 years from the date of grant. A summary of stock option and SSAR activity for the nine months ended September 30, 2013, follows:

| | Outstanding Options and SSARs | |
|--------------------|--------------------------------------|--|
| | Number of Shares | Weighted Average Exercise Price |
| Beginning of year | 9,982,104 | \$ 26.71 |
| Granted | 1,364,870 | \$ 45.93 |
| Exercised | (1,046,369) | \$ 23.14 |
| Canceled/forfeited | (48,625) | \$ 37.62 |

Edgar Filing: BALL CORP - Form 10-Q

| | | | |
|---------------------------------------|------------|----|-------|
| End of period | 10,251,980 | \$ | 29.59 |
| Vested and exercisable, end of period | 6,866,980 | \$ | 24.79 |
| Reserved for future grants (a) | 12,412,861 | | |

(a) On April 24, 2013, Ball's shareholders approved the 2013 Stock and Cash Incentive Plan, which authorized 12.5 million shares for future option, SSAR and restricted share grants. This authorization replaced all previous authorizations.

The weighted average remaining contractual term for all options and SSARs outstanding at September 30, 2013, was 6.0 years and the aggregate intrinsic value (difference in exercise price and closing price at that date) was \$158.2 million. The weighted average remaining contractual term for options and SSARs vested and exercisable at September 30, 2013, was 4.8 years and the aggregate intrinsic value was \$138.0 million.

The company received \$5.2 million from options exercised during the three months ended September 30, 2013, and the intrinsic value associated with these exercises was \$4.6 million. During the nine months ended September 30, 2013, the company received \$14.1 million from options exercised, and the intrinsic value associated with these exercises was \$13.8 million. The tax benefit associated with the company's stock compensation programs was \$10.5 million for the first nine months of 2013 and was reported as other financing activities in the unaudited condensed consolidated statement of cash flows.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****14. Stock-Based Compensation Programs (continued)**

These options and SSARs cannot be traded in any equity market. However, based on the Black-Scholes option pricing model, options and SSARs granted in 2013 and 2012 have estimated weighted average fair values at the grant dates of \$8.69 and \$9.44 per share, respectively. 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 or SSAR 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:

| | January 2013 | January 2012 |
|---------------------------------|--------------|--------------|
| Expected dividend yield | 1.13% | 1.06% |
| Expected stock price volatility | 22.02% | 30.22% |
| Risk-free interest rate | 1.02% | 0.84% |
| Expected life of options | 5.50 years | 5.26 years |

In addition to stock options and SSARs, the company issues restricted shares and restricted stock units to officers and certain employees, which vest over various periods. Other than the performance-contingent grants discussed below, such restricted shares and restricted stock units generally vest in equal installments over five years. Compensation cost is recorded based upon the estimated fair value of the shares at the grant date.

The following is a summary of restricted stock activity for the nine months ended September 30, 2013:

| | Number of Shares/Units | Weighted Average Grant Price |
|--------------------|---------------------------|------------------------------------|
| Beginning of year | 1,763,636 | \$ 28.97 |
| Granted | 185,845 | 46.11 |
| Vested | (493,910) | 26.61 |
| Canceled/forfeited | (5,502) | 34.21 |
| End of period | 1,450,069 | 31.95 |

In January 2013, the company's board of directors granted 148,875 performance-contingent restricted stock units (RSUs) to key employees, which will vest in January 2016 depending on the company's growth in economic value added (EVA®) dollars using 2012 EVA® dollars generated as the minimum threshold. The number of RSUs that will vest can range between zero and 200 percent of each participant's assigned award opportunity. Under a previous program, in January 2012 the company's board of directors granted 223,600 performance-contingent RSUs, to key employees, which will cliff-vest if the company's return on average invested capital during a 36-month performance period is equal to or exceeds the company's cost of capital established at the beginning of the performance period. In both RSU programs, if the minimum

Edgar Filing: BALL CORP - Form 10-Q

performance goals are not met, the shares will be forfeited. Grants under the plan are being accounted for as equity awards and compensation expense is recorded based upon the most probable outcome using the closing market price of the shares at the grant date. On a quarterly basis, the company reassesses the probability of the goals being met and adjusts compensation expense as appropriate.

For the three and nine months ended September 30, 2013, the company recognized expense of \$5.6 million (\$3.5 million after tax) and \$19.0 million (\$11.6 million after tax) for share-based compensation arrangements in selling, general and administrative expenses. For the three and nine months ended September 30, 2012, the company recognized expense of \$6.6 million (\$4.0 million after tax) and \$20.2 million (\$12.3 million after tax), respectively, for such arrangements. At September 30, 2013, there were \$38.9 million of unrecognized compensation costs related to nonvested share-based compensation arrangements. This cost is expected to be recognized in earnings over a weighted average period of 2.2 years.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****15. Earnings and Dividends Per Share**

| (\$ in millions, except per share amounts; shares in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------|------------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Net earnings attributable to Ball Corporation | \$ 115.2 | \$ 115.1 | \$ 282.3 | \$ 342.9 |
| Basic weighted average common shares | 144,714 | 153,604 | 146,910 | 155,561 |
| Effect of dilutive securities | 3,181 | 3,504 | 3,212 | 3,402 |
| Weighted average shares applicable to diluted earnings per share | 147,895 | 157,108 | 150,122 | 158,963 |
| Per basic share | \$ 0.80 | \$ 0.75 | \$ 1.92 | \$ 2.20 |
| Per diluted share | \$ 0.78 | \$ 0.73 | \$ 1.88 | \$ 2.16 |

Certain outstanding options and SSARs were excluded from the diluted earnings per share calculation because they were anti-dilutive (i.e., the sum of the proceeds, including the unrecognized compensation and windfall tax benefits, exceeded the average closing stock price for the period). The options and SSARs excluded totaled 1.4 million and 1.5 million in the three and nine months ended September 30, 2013, respectively, and 1.5 million and 2.1 million in the three and nine months ended September 30, 2012, respectively.

The company declared and paid dividends of \$0.13 per share in each of the first three quarters of 2013 and \$0.10 per share in each of the first three quarters of 2012.

16. Financial Instruments and Risk Management

The company employs established risk management policies and procedures, which seek to reduce the company's commercial risk exposure to fluctuations in commodity prices, interest rates, currency exchange rates and prices of the company's common stock with regard to common share repurchases and the company's deferred compensation stock plan. However, there can be no assurance that these policies and procedures will be successful. Although the instruments utilized involve varying degrees of credit, market and interest risk, the counterparties to the agreements are expected to perform fully under the terms of the agreements. The company monitors counterparty credit risk, including lenders, on a regular basis, but Ball cannot be certain that all risks will be discerned or that its risk management policies and procedures will always be effective. Additionally, in the event of default under the company's master derivative agreements, the non-defaulting party has the option to set-off any amounts owed with regard to open derivative positions.

Commodity Price Risk

Aluminum

The company manages commodity price risk in connection with market price fluctuations of aluminum ingot through two different methods. First, the company enters into container sales contracts that include aluminum ingot-based pricing terms that generally reflect the same price fluctuations under commercial purchase contracts for aluminum sheet. The terms include fixed, floating or pass-through aluminum ingot component pricing. Second, the company uses certain derivative instruments such as options and forward contracts as economic and cash flow hedges of commodity price risk where there is not an arrangement in the sales contract to match underlying purchase volumes and pricing with sales volumes and pricing.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

16. Financial Instruments and Risk Management (continued)

The company had aluminum contracts limiting its aluminum exposure with notional amounts of approximately \$515 million at September 30, 2013. The aluminum contracts include economic derivative instruments that are undesignated and receive mark to fair value accounting treatment, as well as cash flow hedges that offset sales and purchase contracts of various terms and lengths. Cash flow hedges relate to forecasted transactions that expire within the next four years. Included in shareholders' equity at September 30, 2013, within accumulated other comprehensive earnings (loss), is a net after-tax loss of \$31.3 million associated with these contracts. A net loss of \$20.0 million is expected to be recognized in the consolidated statement of earnings during the next 12 months, substantially all of which will be offset by pricing changes in sales and purchase contracts, thus resulting in little or no earnings impact to Ball.

Steel

Most sales contracts involving our steel products either include provisions permitting the company to pass through some or all steel cost changes incurred or incorporate annually negotiated steel prices.

Interest Rate Risk

The company's objective in managing exposure to interest rate changes is to minimize the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, the company may 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 September 30, 2013, included pay-fixed interest rate swaps, which effectively convert variable rate obligations to fixed-rate instruments.

At September 30, 2013, the company had outstanding interest rate swap contracts with notional amounts of approximately \$147 million paying fixed rates expiring within the next five years. The net after-tax loss associated with these contracts included in shareholders' equity at September 30, 2013, within accumulated other comprehensive earnings (loss), is insignificant.

Currency Exchange Rate Risk

The company's objective in managing exposure to currency fluctuations is to limit the exposure of cash flows and earnings from changes associated with currency exchange rate changes through the use of various derivative contracts. In addition, at times the company manages

earnings translation volatility through the use of currency option strategies, and the change in the fair value of those options is recorded in the company's net earnings. The company's currency translation risk results from the currencies in which we transact business. The company faces currency exposures in our global operations as a result of various factors including intercompany currency denominated loans, selling our products in various currencies, purchasing raw materials in various currencies and tax exposures not denominated in the functional currency. Sales contracts are negotiated with customers to reflect cost changes and, where there is not an exchange pass-through arrangement, the company may use forward and option contracts to manage currency exposures. At September 30, 2013, the company had outstanding exchange forward contracts and option contracts with notional amounts totaling approximately \$723 million, of which approximately \$93 million used hedge accounting treatment. Approximately \$0.6 million of net after-tax loss related to these contracts is included in accumulated other comprehensive earnings at September 30, 2013, of which a net loss of \$0.9 million is expected to be recognized in the consolidated statement of earnings during the next 12 months. The contracts outstanding at September 30, 2013, expire within the next two years.

Common Stock Price Risk

The company's deferred compensation stock program is subject to variable plan accounting and, accordingly, is marked to fair value using the company's closing stock price at the end of the related reporting period. Based on current share levels in the program, each \$1 change in the company's stock price has an impact of \$1.4 million on pretax earnings. During March and September 2011, the company entered into total return swaps to reduce the company's earnings exposure to these fair value fluctuations that, after renewals, will be outstanding until March 2014 and September 2014, respectively. The swaps have a notional value of 1 million shares and 300,000 shares, respectively. As of September 30, 2013, the combined fair value of these swaps was a \$1.0 million loss. All gains and losses on the total return swaps are recorded in the consolidated statement of earnings in selling, general and administrative expenses.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****16. Financial Instruments and Risk Management (continued)****Collateral Calls**

The company's agreements with its financial counterparties require the company to post collateral in certain circumstances when the negative mark to fair value of the contracts exceeds specified levels. Additionally, the company has collateral posting arrangements with certain customers on these derivative contracts. The cash flows of the margin calls are shown within the investing section of the company's consolidated statements of cash flows. As of September 30, 2013, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was \$42.9 million and no collateral was required to be posted. As of December 31, 2012, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was \$11.0 million and no collateral was required to be posted.

Fair Value Measurements

The company has classified all applicable financial derivative assets and liabilities as Level 2 within the fair value hierarchy and presented those values in the tables below. The company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Fair Value of Derivative Instruments as of September 30, 2013

| (\$ in millions) | Derivatives Designated As Hedging Instruments | Derivatives Not Designated As Hedging Instruments | Total |
|------------------------------------|--|--|---------|
| Assets: | | | |
| Commodity contracts | \$ 3.5 | \$ 2.4 | \$ 5.9 |
| Foreign currency contracts | 0.3 | 2.0 | 2.3 |
| Total current derivative contracts | \$ 3.8 | \$ 4.4 | \$ 8.2 |
| Noncurrent commodity contracts | \$ 0.3 | \$ | 0.3 |
| Liabilities: | | | |
| Commodity contracts | \$ 13.2 | \$ 2.7 | \$ 15.9 |
| Foreign currency contracts | 1.6 | 10.5 | 12.1 |

Edgar Filing: BALL CORP - Form 10-Q

| | | | | | | |
|---------------------------------------|----|------|----|------|----|------|
| Interest rate and other contracts | | 0.8 | | 1.0 | | 1.8 |
| Total current derivative contracts | \$ | 15.6 | \$ | 14.2 | \$ | 29.8 |
| Noncurrent commodity contracts | \$ | 20.2 | \$ | 0.4 | \$ | 20.6 |
| Foreign currency contracts | | 0.2 | | | | 0.2 |
| Total noncurrent derivative contracts | \$ | 20.4 | \$ | 0.4 | \$ | 20.8 |

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****16. Financial Instruments and Risk Management (continued)****Fair Value of Derivative Instruments as of December 31, 2012**

| (\$ in millions) | Derivatives Designated As Hedging Instruments | Derivatives Not Designated As Hedging Instruments | Total |
|---------------------------------------|--|--|---------|
| Assets: | | | |
| Commodity contracts | \$ 9.2 | \$ 1.0 | \$ 10.2 |
| Foreign currency contracts | 0.1 | 2.3 | 2.4 |
| Other current contracts | | 0.6 | 0.6 |
| Total current derivative contracts | \$ 9.3 | \$ 3.9 | \$ 13.2 |
| Noncurrent commodity contracts | \$ 4.2 | \$ | 4.2 |
| Liabilities: | | | |
| Commodity contracts | \$ 9.0 | \$ 0.7 | \$ 9.7 |
| Foreign currency contracts | 2.5 | 5.2 | 7.7 |
| Interest rate and other contracts | 1.0 | | 1.0 |
| Total current derivative contracts | \$ 12.5 | \$ 5.9 | \$ 18.4 |
| Noncurrent commodity contracts | \$ 5.4 | \$ | 5.4 |
| Interest rate contracts | 0.5 | | 0.5 |
| Foreign currency contracts | 0.4 | | 0.4 |
| Total noncurrent derivative contracts | \$ 6.3 | \$ | 6.3 |

The company uses closing spot and forward market prices as published by the London Metal Exchange, the Chicago Mercantile Exchange, Reuters and Bloomberg to determine the fair value of its aluminum, currency, energy and interest rate spot and forward contracts. Option contracts are valued using a Black-Scholes model with observable market inputs for aluminum, currency and interest rates. The company values each financial instrument either internally using a single valuation technique or from a reliable observable market source. The company does not adjust the value of its financial instruments except in determining the fair value of a trade that settles in the future by discounting the value to its present value using 12-month LIBOR as the discount factor. Ball performs validations of our internally derived fair values reported for our financial instruments on a quarterly basis utilizing counterparty valuation statements. The company additionally evaluates counterparty creditworthiness and, as of September 30, 2013, has not identified any circumstances requiring that the reported values of our financial instruments be adjusted.

Net receivables related to the European scrap metal program totaling \$14.1 million at September 30, 2013, and \$16.7 million at December 31, 2012, were classified as Level 2 within the fair value hierarchy.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****16. Financial Instruments and Risk Management (continued)****Impact on Earnings from Derivative Instruments**

| (\$ in millions) | Three Months Ended September 30, | | | |
|--------------------------------|---|--|---|--|
| | 2013 | | 2012 | |
| | Cash Flow Hedge - Reclassified Amount From Other Comprehensive Earnings (Loss) - Gain (Loss) | Gain (Loss) on Derivatives Not Designated As Hedge Instruments | Cash Flow Hedge - Reclassified Amount From Other Comprehensive Earnings (Loss) - Gain (Loss) | Gain (Loss) on Derivatives Not Designated As Hedge Instruments |
| Commodity contracts (a) | \$ (10.0) | \$ (0.4) | \$ (19.2) | \$ |
| Interest rate contracts (b) | (0.3) | | (0.1) | |
| Foreign currency contracts (c) | (0.4) | 0.3 | (0.3) | (10.2) |
| Equity contracts (d) | | 0.3 | | 0.5 |
| Inflation option contracts (e) | | | | 0.2 |
| Total | \$ (10.7) | \$ 0.2 | \$ (19.6) | \$ (9.5) |

| (\$ in millions) | Nine Months Ended September 30, | | | |
|--------------------------------|---|--|---|--|
| | 2013 | | 2012 | |
| | Cash Flow Hedge - Reclassified Amount From Other Comprehensive Earnings (Loss) - Gain (Loss) | Gain (Loss) on Derivatives Not Designated As Hedge Instruments | Cash Flow Hedge - Reclassified Amount From Other Comprehensive Earnings (Loss) - Gain (Loss) | Gain (Loss) on Derivatives Not Designated As Hedge Instruments |
| Commodity contracts (a) | \$ (17.7) | \$ (1.9) | \$ (36.2) | \$ 2.2 |
| Interest rate contracts (b) | (0.8) | | (0.2) | |
| Foreign currency contracts (c) | (0.7) | 3.7 | (1.4) | (21.6) |
| Equity contracts (d) | | (1.5) | | 1.4 |
| Inflation option contracts (e) | | | | |
| Total | \$ (19.2) | \$ 0.3 | \$ (37.8) | \$ (18.0) |

(a) Gains and losses on commodity contracts are recorded in sales and cost of sales in the statements of earnings. A significant majority of these expenses were passed through to our customers, resulting in no significant impact to earnings.

(b) Gains and losses on interest contracts are recorded in interest expense in the statements of earnings.

Edgar Filing: BALL CORP - Form 10-Q

(c) *Gains and losses on foreign currency contracts to hedge the sales of products are recorded in cost of sales in the statements of earnings. Gains and losses on foreign currency hedges used for translation between segments are reflected in selling, general and administrative expenses in the statements of earnings.*

(d) *Gains and losses on equity contracts are recorded in selling, general and administrative expenses in the statements of earnings.*

(e) *Gains and losses on inflation option contracts are recorded in selling, general and administrative expenses in the statements of earnings.*

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****16. Financial Instruments and Risk Management (continued)**

The changes in accumulated other comprehensive earnings (loss) for effective derivatives were as follows:

| (\$ in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------|------------------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Amounts reclassified into earnings: | | | | |
| Commodity contracts | \$ 10.0 | \$ 19.2 | \$ 17.7 | \$ 36.2 |
| Interest rate contracts | 0.3 | 0.1 | 0.8 | 0.2 |
| Currency exchange contracts | 0.4 | 0.3 | 0.7 | 1.4 |
| Change in fair value of cash flow hedges: | | | | |
| Commodity contracts | (1.7) | 26.0 | (46.1) | 8.6 |
| Interest rate contracts | (0.5) | (0.5) | 0.4 | (1.3) |
| Currency exchange contracts | (1.4) | (1.1) | 1.9 | (3.5) |
| Foreign currency and tax impacts | (3.4) | (15.3) | 1.5 | (15.9) |
| | \$ 3.7 | \$ 28.7 | \$ (23.1) | \$ 25.7 |

17. Contingencies

Ball is subject to numerous lawsuits, claims or proceedings arising out of the ordinary course of business, including actions related to product liability; personal injury; the use and performance of company products; warranty matters; patent, trademark or other intellectual property infringement; contractual liability; the conduct of the company's business; tax reporting in domestic and foreign jurisdictions; workplace safety; and environmental and other matters. The company has also been identified as a potentially responsible party (PRP) at several waste disposal sites under U.S. federal and related state environmental statutes and regulations and may have joint and several liability for any investigation and remediation costs incurred with respect to such sites. Some of these lawsuits, claims and proceedings involve substantial amounts, including as described below, and some of the environmental proceedings involve potential monetary costs or sanctions that may be material. Ball has denied liability with respect to many of these lawsuits, claims and proceedings and is vigorously defending such lawsuits, claims and proceedings. The company carries various forms of commercial, property and casualty, and other forms of insurance; however, such insurance may not be applicable or adequate to cover the costs associated with a judgment against Ball with respect to these lawsuits, claims and proceedings. The company does not believe that these lawsuits, claims and proceedings are material individually or in the aggregate. While management believes the company has established adequate accruals for expected future liability with respect to pending lawsuits, claims and proceedings, where the nature and extent of any such liability can be reasonably estimated based upon then presently available information, there can be no assurance that the final resolution of any existing or future lawsuits, claims or proceedings will not have a material adverse effect on the liquidity, results of operations or financial condition of the company.

As previously reported, the U.S. Environmental Protection Agency (USEPA) considers the company a PRP with respect to the Lowry Landfill site located east of Denver, Colorado. In 1992, the company was served with a lawsuit filed by the City and County of Denver (Denver) and

Edgar Filing: BALL CORP - Form 10-Q

Waste Management of Colorado, Inc., seeking contributions from the company and approximately 38 other companies. The company filed its answer denying the allegations of the complaint. Subsequently in 1992, the company was served with a third-party complaint filed by S.W. Shattuck Chemical Company, Inc., seeking contribution from the company and other companies for the costs associated with cleaning up the Lowry Landfill. The company denied the allegations of the complaint.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

17. Contingencies (continued)

Also in 1992, Ball entered into a settlement and indemnification agreement with Chemical Waste Management, Inc., and Waste Management of Colorado, Inc. (collectively Waste Management) and Denver pursuant to which Waste Management and Denver dismissed their lawsuit against the company, and Waste Management agreed to defend, indemnify and hold harmless the company from claims and lawsuits brought by governmental agencies and other parties relating to actions seeking contributions or remedial costs from the company for the cleanup of the site. Waste Management, Inc., has agreed to guarantee the obligations of Waste Management. Waste Management and Denver may seek additional payments from the company if the response costs related to the site exceed \$319 million. In 2003 Waste Management, Inc., indicated that the cost of the site might exceed \$319 million in 2030, approximately three years before the projected completion of the project. The company might also be responsible for payments (based on 1992 dollars) for any additional wastes that may have been disposed of by the company at the site but which are identified after the execution of the settlement agreement. While remediating the site, contaminants were encountered, which could add an additional cleanup cost of approximately \$10 million. This additional cleanup cost could, in turn, add approximately \$1 million to total site costs for the PRP group.

At this time, there are no Lowry Landfill actions in which the company is actively involved. Based on the information available to the company at this time, we do not believe that this matter will have a material adverse effect upon the liquidity, results of operations or financial condition of the company.

18. Indemnifications and Guarantees

General Guarantees

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

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

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

18. Indemnifications and Guarantees (continued)

Debt Guarantees

The company's senior notes and senior credit facilities are guaranteed on a full, unconditional and joint and several basis by certain of the company's material domestic subsidiaries and the domestic subsidiary borrowers, and obligations of the subsidiary borrowers under the senior credit facilities are guaranteed by the company. Loans borrowed under the senior credit facilities by foreign subsidiary borrowers are also effectively guaranteed by certain of the company's foreign subsidiaries by pledges of stock of the foreign subsidiary borrowers and stock of material foreign subsidiaries. These guarantees are required in support of the notes and credit facilities referred to above, are co-terminous with the terms of the respective note indentures and credit agreements and would require performance upon certain events of default referred to in the respective guarantees. The maximum potential amounts which could be required to be paid under the domestic guarantees are essentially equal to the then outstanding principal and interest under the respective notes and credit agreements, or under the applicable tranche, and the maximum potential amounts that could be required to be paid under the foreign stock pledges by foreign subsidiaries are essentially equal to the value of the stock pledged. The company is not in default under the above notes or credit facilities. The condensed consolidating financial information for the guarantor and non-guarantor subsidiaries is presented in Note 19. Separate financial statements for the guarantor subsidiaries and the non-guarantor subsidiaries are not presented because management has determined that such financial statements are not required by the current regulations.

Accounts Receivable Securitization

Ball Capital Corp. II is a separate, wholly owned corporate entity created for the purchase of accounts receivable from certain of the company's wholly owned subsidiaries. Ball Capital Corp. II's assets will be available first to satisfy the claims of its creditors. The company has been designated as the servicer pursuant to an agreement whereby Ball Capital Corp. II may sell and assign the accounts receivable to a commercial lender or lenders. As the servicer, the company is responsible for the servicing, administration and collection of the receivables and is primarily liable for the performance of such obligations. The company, the relevant subsidiaries and Ball Capital Corp. II are not in default under the above credit arrangement.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****19. Subsidiary Guarantees of Debt**

The company's senior notes are guaranteed on a full, unconditional and joint and several basis by certain of the company's material domestic subsidiaries. Each of the guarantor subsidiaries is 100 percent owned by Ball Corporation. These guarantees are required in support of the notes, are co-terminous with the terms of the respective note indentures and would require performance upon certain events of default referred to in the respective guarantees. The maximum potential amounts that could be required to be paid under the domestic guarantees are essentially equal to the then outstanding principal and interest under the respective notes. The following is unaudited condensed, consolidating financial information for the company, segregating the guarantor subsidiaries and non-guarantor subsidiaries, as of September 30, 2013, and December 31, 2012, and for the three and nine months ended September 30, 2013 and 2012. Separate financial statements for the guarantor subsidiaries and the non-guarantor subsidiaries are not presented because management has determined that such financial statements are not required by the current regulations.

| (\$ in millions) | Unaudited Condensed Consolidating Statement of Earnings For the Three Months Ended September 30, 2013 | | | | |
|--|--|------------------------|----------------------------|-------------------------|--------------------|
| | Ball Corporation | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminating Adjustments | Consolidated Total |
| Net sales | \$ | \$ 1,392.6 | \$ 890.3 | \$ (5.0) | \$ 2,277.9 |
| Cost and expenses | | | | | |
| Cost of sales (excluding depreciation and amortization) | | (1,152.0) | (699.9) | 5.0 | (1,846.9) |
| Depreciation and amortization | (1.6) | (33.0) | (42.0) | | (76.6) |
| Selling, general and administrative | (16.7) | (42.7) | (39.6) | | (99.0) |
| Business consolidation and other activities | 0.9 | (36.2) | (8.5) | | (43.8) |
| Equity in results of subsidiaries | 137.5 | 73.7 | | (211.2) | |
| Intercompany | 46.7 | (37.7) | (9.0) | | |
| | 166.8 | (1,227.9) | (799.0) | (206.2) | (2,066.3) |
| Earnings (loss) before interest and taxes | 166.8 | 164.7 | 91.3 | (211.2) | 211.6 |
| Interest expense | (43.3) | 0.6 | (2.8) | | (45.5) |
| Debt refinancing and other | (1.3) | | | | (1.3) |
| Total interest expense | (44.6) | 0.6 | (2.8) | | (46.8) |
| Earnings (loss) before taxes | 122.2 | 165.3 | 88.5 | (211.2) | 164.8 |
| Tax provision | (7.0) | (24.6) | (12.5) | | (44.1) |
| Equity in results of affiliates, net of tax | | 0.6 | 0.3 | | 0.9 |
| Net earnings (loss) from continuing operations | 115.2 | 141.3 | 76.3 | (211.2) | 121.6 |
| Discontinued operations, net of tax | | 0.3 | | | 0.3 |
| Net earnings (loss) | 115.2 | 141.6 | 76.3 | (211.2) | 121.9 |
| Less net earnings attributable to noncontrolling interests | | | (6.7) | | (6.7) |
| Net earnings (loss) attributable to Ball Corporation | \$ 115.2 | \$ 141.6 | \$ 69.6 | \$ (211.2) | \$ 115.2 |

Edgar Filing: BALL CORP - Form 10-Q

| | | | | | | | | | | |
|---|----|-------|----|-------|----|-------|----|---------|----|-------|
| Comprehensive earnings attributable to Ball Corporation | \$ | 179.5 | \$ | 204.3 | \$ | 125.9 | \$ | (330.2) | \$ | 179.5 |
|---|----|-------|----|-------|----|-------|----|---------|----|-------|

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****19. Subsidiary Guarantees of Debt (continued)**

| (\$ in millions) | Unaudited Condensed Consolidating Statement of Earnings For the Three Months Ended September 30, 2012 | | | | | Consolidated Total |
|--|--|---------------------------|-------------------------------|----------------------------|----|-----------------------|
| | Ball Corporation | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminating Adjustments | | |
| Net sales | \$ | \$ 1,453.5 | \$ 832.6 | \$ (3.6) | \$ | 2,282.5 |
| Cost and expenses | | | | | | |
| Cost of sales (excluding depreciation and amortization) | 0.2 | (1,204.0) | (665.9) | 3.6 | | (1,866.1) |
| Depreciation and amortization | (1.5) | (35.7) | (37.5) | | | (74.7) |
| Selling, general and administrative | (13.9) | (42.5) | (29.9) | | | (86.3) |
| Business consolidation and other activities | (1.8) | (31.3) | (3.7) | | | (36.8) |
| Equity in results of subsidiaries | 114.4 | 69.9 | | (184.3) | | |
| Intercompany | 47.0 | (40.1) | (6.9) | | | |
| | 144.4 | (1,283.7) | (743.9) | (180.7) | | (2,063.9) |
| Earnings (loss) before interest and taxes | 144.4 | 169.8 | 88.7 | (184.3) | | 218.6 |
| Interest expense | (41.2) | 0.4 | (3.4) | | | (44.2) |
| Earnings (loss) before taxes | 103.2 | 170.2 | 85.3 | (184.3) | | 174.4 |
| Tax provision | 11.9 | (45.6) | (18.0) | | | (51.7) |
| Equity in results of affiliates, net of tax | | 0.4 | (1.2) | | | (0.8) |
| Net earnings (loss) from continuing operations | 115.1 | 125.0 | 66.1 | (184.3) | | 121.9 |
| Discontinued operations, net of tax | | (2.2) | | | | (2.2) |
| Net earnings (loss) | 115.1 | 122.8 | 66.1 | (184.3) | | 119.7 |
| Less net earnings attributable to noncontrolling interests | | | (4.6) | | | (4.6) |
| Net earnings (loss) attributable to Ball Corporation | \$ 115.1 | \$ 122.8 | \$ 61.5 | \$ (184.3) | \$ | 115.1 |
| Comprehensive earnings attributable to Ball Corporation | \$ 177.0 | \$ 182.8 | \$ 104.2 | \$ (287.0) | \$ | 177.0 |

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****19. Subsidiary Guarantees of Debt (continued)**

| (\$ in millions) | Unaudited Condensed Consolidating Statement of Earnings For the Nine Months Ended September 30, 2013 | | | | | Consolidated Total |
|--|---|---------------------------|-------------------------------|----------------------------|----|-----------------------|
| | Ball Corporation | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminating Adjustments | | |
| Net sales | \$ | \$ 3,957.1 | \$ 2,533.3 | \$ (19.1) | \$ | 6,471.3 |
| Cost and expenses | | | | | | |
| Cost of sales (excluding depreciation and amortization) | | (3,300.1) | (2,008.3) | 19.1 | | (5,289.3) |
| Depreciation and amortization | (5.9) | (94.8) | (122.9) | | | (223.6) |
| Selling, general and administrative | (58.9) | (135.5) | (116.8) | | | (311.2) |
| Business consolidation and other activities | (0.4) | (79.1) | (9.6) | | | (89.1) |
| Equity in results of subsidiaries | 346.6 | 185.5 | | (532.1) | | |
| Intercompany | 135.1 | (110.6) | (24.5) | | | |
| | 416.5 | (3,534.6) | (2,282.1) | (513.0) | | (5,913.2) |
| Earnings (loss) before interest and taxes | 416.5 | 422.5 | 251.2 | (532.1) | | 558.1 |
| Interest expense | (128.4) | 1.6 | (11.2) | | | (138.0) |
| Debt refinancing and other | (28.0) | | | | | (28.0) |
| Total interest expense | (156.4) | 1.6 | (11.2) | | | (166.0) |
| Earnings (loss) before taxes | 260.1 | 424.1 | 240.0 | (532.1) | | 392.1 |
| Tax provision | 22.2 | (72.8) | (42.4) | | | (93.0) |
| Equity in results of affiliates, net of tax | | 0.6 | 0.3 | | | 0.9 |
| Net earnings (loss) from continuing operations | 282.3 | 351.9 | 197.9 | (532.1) | | 300.0 |
| Discontinued operations, net of tax | | 0.4 | | | | 0.4 |
| Net earnings (loss) | 282.3 | 352.3 | 197.9 | (532.1) | | 300.4 |
| Less net earnings attributable to noncontrolling interests | | | (18.1) | | | (18.1) |
| Net earnings (loss) attributable to Ball Corporation | \$ 282.3 | \$ 352.3 | \$ 179.8 | \$ (532.1) | \$ | 282.3 |
| Comprehensive earnings attributable to Ball Corporation | \$ 306.6 | \$ 382.4 | \$ 192.5 | \$ (574.9) | \$ | 306.6 |

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****19. Subsidiary Guarantees of Debt (continued)**

| (\$ in millions) | Unaudited Condensed Consolidating Statement of Earnings For the Nine Months Ended September 30, 2012 | | | | | Consolidated Total |
|--|---|---------------------------|-------------------------------|----------------------------|----|-----------------------|
| | Ball Corporation | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminating Adjustments | | |
| Net sales | \$ | \$ 4,154.9 | \$ 2,477.5 | \$ (10.9) | \$ | 6,621.5 |
| Cost and expenses | | | | | | |
| Cost of sales (excluding depreciation and amortization) | 0.1 | (3,476.6) | (1,979.0) | 10.9 | | (5,444.6) |
| Depreciation and amortization | (4.3) | (94.4) | (111.5) | | | (210.2) |
| Selling, general and administrative | (51.3) | (140.1) | (93.1) | | | (284.5) |
| Business consolidation and other activities | (4.9) | (32.8) | (6.3) | | | (44.0) |
| Equity in results of subsidiaries | 371.5 | 193.5 | | (565.0) | | |
| Intercompany | 129.4 | (110.6) | (18.8) | | | |
| | 440.5 | (3,661.0) | (2,208.7) | (554.1) | | (5,983.3) |
| Earnings (loss) before interest and taxes | 440.5 | 493.9 | 268.8 | (565.0) | | 638.2 |
| Interest expense | (124.3) | 1.0 | (10.9) | | | (134.2) |
| Debt refinancing and other | (15.1) | | | | | (15.1) |
| Total interest expense | (139.4) | 1.0 | (10.9) | | | (149.3) |
| Earnings (loss) before taxes | 301.1 | 494.9 | 257.9 | (565.0) | | 488.9 |
| Tax provision | 41.8 | (115.6) | (55.9) | | | (129.7) |
| Equity in results of affiliates, net of tax | | 1.4 | (2.4) | | | (1.0) |
| Net earnings (loss) from continuing operations | 342.9 | 380.7 | 199.6 | (565.0) | | 358.2 |
| Discontinued operations, net of tax | | (2.9) | | | | (2.9) |
| Net earnings (loss) | 342.9 | 377.8 | 199.6 | (565.0) | | 355.3 |
| Less net earnings attributable to noncontrolling interests | | | (12.4) | | | (12.4) |
| Net earnings (loss) attributable to Ball Corporation | \$ 342.9 | \$ 377.8 | \$ 187.2 | \$ (565.0) | \$ | 342.9 |
| Comprehensive earnings attributable to Ball Corporation | \$ 386.9 | \$ 415.6 | \$ 192.3 | \$ (607.9) | \$ | 386.9 |

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****19. Subsidiary Guarantees of Debt (continued)**

| (\$ in millions) | Unaudited Condensed Consolidating Balance Sheet At September 30, 2013 | | | | |
|---|--|------------------------|----------------------------|-------------------------|--------------------|
| | Ball Corporation | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminating Adjustments | Consolidated Total |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 1.8 | \$ 0.3 | \$ 166.1 | \$ | \$ 168.2 |
| Receivables, net | 1.8 | 184.5 | 901.2 | | 1,087.5 |
| Intercompany receivables | 289.0 | 3.0 | 1.8 | (293.8) | |
| Inventories, net | (0.2) | 579.6 | 400.9 | | 980.3 |
| Other current assets | 11.4 | 98.8 | 79.2 | | 189.4 |
| Total current assets | 303.8 | 866.2 | 1,549.2 | (293.8) | 2,425.4 |
| Non-current assets | | | | | |
| Property, plant and equipment, net | 14.2 | 864.5 | 1,481.4 | | 2,360.1 |
| Investment in subsidiaries | 4,272.4 | 2,156.2 | 78.6 | (6,507.2) | |
| Goodwill | | 935.6 | 1,444.2 | | 2,379.8 |
| Intangibles and other assets, net | 200.0 | 103.4 | 240.5 | | 543.9 |
| Total assets | \$ 4,790.4 | \$ 4,925.9 | \$ 4,793.9 | \$ (6,801.0) | \$ 7,709.2 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| Current liabilities | | | | | |
| Short-term debt and current portion of long-term debt | \$ | \$ | \$ 104.5 | \$ | \$ 104.5 |
| Accounts payable | (1.2) | 570.9 | 429.1 | | 998.8 |
| Intercompany payables | | | 293.8 | (293.8) | |
| Accrued employee costs | 14.0 | 140.5 | 77.8 | | 232.3 |
| Other current liabilities | 18.2 | 95.5 | 120.9 | | 234.6 |
| Total current liabilities | 31.0 | 806.9 | 1,026.1 | (293.8) | 1,570.2 |
| Non-current liabilities | | | | | |
| Long-term debt | 3,060.6 | | 356.9 | | 3,417.5 |
| Employee benefit obligations | 301.8 | 466.8 | 407.1 | | 1,175.7 |
| Other liabilities | 267.6 | (715.9) | 677.3 | | 229.0 |
| Total liabilities | 3,661.0 | 557.8 | 2,467.4 | (293.8) | 6,392.4 |
| Common stock | | | | | |
| Preferred stock | | | 4.8 | (4.8) | |
| Retained earnings | 3,807.3 | 3,786.3 | 1,493.4 | (5,279.7) | 3,807.3 |
| Accumulated other comprehensive earnings (loss) | (328.1) | (265.3) | 14.8 | 250.5 | (328.1) |
| Treasury stock, at cost | (3,418.1) | | | | (3,418.1) |
| Total Ball Corporation shareholders equity | 1,129.4 | 4,368.1 | 2,139.1 | (6,507.2) | 1,129.4 |
| Noncontrolling interests | | | 187.4 | | 187.4 |
| Total shareholders equity | 1,129.4 | 4,368.1 | 2,326.5 | (6,507.2) | 1,316.8 |
| Total liabilities and shareholders equity | \$ 4,790.4 | \$ 4,925.9 | \$ 4,793.9 | \$ (6,801.0) | \$ 7,709.2 |

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****19. Subsidiary Guarantees of Debt (continued)**

| (\$ in millions) | Unaudited Condensed Consolidating Balance Sheet At December 31, 2012 | | | | |
|---|---|------------------------|----------------------------|-------------------------|--------------------|
| | Ball Corporation | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminating Adjustments | Consolidated Total |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 0.2 | \$ 0.3 | \$ 173.6 | \$ | \$ 174.1 |
| Receivables, net | 11.8 | 182.9 | 735.4 | | 930.1 |
| Intercompany receivables | 66.5 | 8.8 | | (75.3) | |
| Inventories, net | (0.8) | 623.7 | 421.5 | | 1,044.4 |
| Other current assets | 20.4 | 96.8 | 73.6 | | 190.8 |
| Total current assets | 98.1 | 912.5 | 1,404.1 | (75.3) | 2,339.4 |
| Non-current assets | | | | | |
| Property, plant and equipment, net | 9.3 | 854.4 | 1,424.9 | | 2,288.6 |
| Investment in subsidiaries | 3,890.8 | 1,982.3 | 78.6 | (5,951.7) | |
| Goodwill | | 927.0 | 1,432.4 | | 2,359.4 |
| Intangibles and other assets, net | 195.0 | 98.6 | 226.1 | | 519.7 |
| Total assets | \$ 4,193.2 | \$ 4,774.8 | \$ 4,566.1 | \$ (6,027.0) | \$ 7,507.1 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| Current liabilities | | | | | |
| Short-term debt and current portion of long-term debt | \$ 25.1 | \$ | \$ 194.7 | \$ | \$ 219.8 |
| Accounts payable | 12.8 | 461.4 | 472.7 | | 946.9 |
| Intercompany payables | | 0.6 | 74.7 | (75.3) | |
| Accrued employee costs | 27.0 | 173.5 | 77.9 | | 278.4 |
| Other current liabilities | 57.9 | 93.0 | 89.8 | | 240.7 |
| Total current liabilities | 122.8 | 728.5 | 909.8 | (75.3) | 1,685.8 |
| Non-current liabilities | | | | | |
| Long-term debt | 2,565.4 | | 519.9 | | 3,085.3 |
| Employee benefit obligations | 300.5 | 526.8 | 410.8 | | 1,238.1 |
| Other non-current liabilities | 89.9 | (467.9) | 585.9 | | 207.9 |
| Total liabilities | 3,078.6 | 787.4 | 2,426.4 | (75.3) | 6,217.1 |
| Common stock | | | | | |
| Common stock | 1,026.3 | 847.1 | 624.9 | (1,472.0) | 1,026.3 |
| Preferred stock | | | 4.8 | (4.8) | |
| Retained earnings | 3,580.8 | 3,435.7 | 1,332.5 | (4,768.2) | 3,580.8 |
| Accumulated other comprehensive earnings (loss) | (352.4) | (295.4) | 2.1 | 293.3 | (352.4) |
| Treasury stock, at cost | (3,140.1) | | | | (3,140.1) |
| Total Ball Corporation shareholders equity | 1,114.6 | 3,987.4 | 1,964.3 | (5,951.7) | 1,114.6 |
| Noncontrolling interests | | | 175.4 | | 175.4 |
| Total shareholders equity | 1,114.6 | 3,987.4 | 2,139.7 | (5,951.7) | 1,290.0 |
| Total liabilities and shareholders equity | \$ 4,193.2 | \$ 4,774.8 | \$ 4,566.1 | \$ (6,027.0) | \$ 7,507.1 |

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****19. Subsidiary Guarantees of Debt (continued)**

| (\$ in millions) | Unaudited Condensed Consolidating Statement of Cash Flows For the Nine Months Ended September 30, 2013 | | | |
|--|---|---------------------------|-------------------------------|-----------------------|
| | Ball Corporation | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidated Total |
| Cash provided by (used in) continuing operating activities | \$ (117.1) | \$ 419.5 | \$ 151.8 | \$ 454.2 |
| Cash provided by (used in) discontinued operating activities | 0.2 | (2.5) | | (2.3) |
| Total cash provided by (used in) operating activities | (116.9) | 417.0 | 151.8 | 451.9 |
| Cash flows from investing activities | | | | |
| Capital expenditures | (4.4) | (122.9) | (182.3) | (309.6) |
| Business acquisition, net of cash acquired | | (12.5) | (1.7) | (14.2) |
| Other, net | (6.5) | 0.6 | 8.1 | 2.2 |
| Cash provided by (used in) investing activities | (10.9) | (134.8) | (175.9) | (321.6) |
| Cash flows from financing activities | | | | |
| Long-term borrowings | 1,373.0 | | 173.6 | 1,546.6 |
| Repayments of long-term borrowings | (882.7) | | (394.8) | (1,277.5) |
| Net change in short-term borrowings | (25.0) | | (30.4) | (55.4) |
| Proceeds from issuances of common stock | 24.3 | | | 24.3 |
| Acquisitions of treasury stock | (292.2) | | | (292.2) |
| Common dividends | (56.8) | | | (56.8) |
| Intercompany | 1.4 | (282.2) | 280.8 | |
| Other, net | (9.1) | | (6.5) | (15.6) |
| Cash provided by (used in) financing activities | 132.9 | (282.2) | 22.7 | (126.6) |
| Effect of exchange rate changes on cash | (3.5) | | (6.1) | (9.6) |
| Change in cash and cash equivalents | 1.6 | | (7.5) | (5.9) |
| Cash and cash equivalents beginning of period | 0.2 | 0.3 | 173.6 | 174.1 |
| Cash and cash equivalents end of period | \$ 1.8 | \$ 0.3 | \$ 166.1 | \$ 168.2 |

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****19. Subsidiary Guarantees of Debt (continued)**

| (\$ in millions) | Unaudited Condensed Consolidating Statement of Cash Flows For the Nine Months Ended September 30, 2012 | | | |
|--|---|---------------------------|-------------------------------|-----------------------|
| | Ball Corporation | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidated Total |
| Cash provided by (used in) continuing operating activities | \$ (77.9) | \$ 314.0 | \$ 153.2 | \$ 389.3 |
| Cash provided by (used in) discontinued operating activities | (1.8) | 0.8 | | (1.0) |
| Total cash provided by (used in) operating activities | (79.7) | 314.8 | 153.2 | 388.3 |
| Cash flows from investing activities | | | | |
| Capital expenditures | (3.5) | (67.3) | (136.1) | (206.9) |
| Business acquisition, net of cash acquired | | | (15.3) | (15.3) |
| Other, net | 19.9 | 1.7 | (3.6) | 18.0 |
| Cash provided by (used in) investing activities | 16.4 | (65.6) | (155.0) | (204.2) |
| Cash flows from financing activities | | | | |
| Long-term borrowings | 1,237.5 | 0.1 | 32.2 | 1,269.8 |
| Repayments of long-term borrowings | (950.1) | (0.1) | (32.5) | (982.7) |
| Net change in short-term borrowings | 7.0 | | (105.8) | (98.8) |
| Proceeds from issuances of common stock | 40.8 | | | 40.8 |
| Acquisitions of treasury stock | (345.7) | | | (345.7) |
| Common dividends | (46.6) | | | (46.6) |
| Intercompany | 100.2 | (250.0) | 149.8 | |
| Other, net | (6.2) | | (0.4) | (6.6) |
| Cash provided by (used in) financing activities | 36.9 | (250.0) | 43.3 | (169.8) |
| Effect of exchange rate changes on cash | 4.0 | 0.5 | (3.4) | 1.1 |
| Change in cash and cash equivalents | (22.4) | (0.3) | 38.1 | 15.4 |
| Cash and cash equivalents beginning of period | 24.0 | 0.5 | 141.3 | 165.8 |
| Cash and cash equivalents end of period | \$ 1.6 | \$ 0.2 | \$ 179.4 | \$ 181.2 |

Table of Contents

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

Management's discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes included in Item 1 of this report, which include additional information about our accounting policies, practices and the transactions underlying our financial results. The preparation of our unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts in our unaudited condensed consolidated financial statements and the accompanying notes including various claims and contingencies related to lawsuits, taxes, environmental and other matters arising during the normal course of business. We apply our best judgment, our knowledge of existing facts and circumstances and our knowledge of actions that we may undertake in the future in determining the estimates that will affect our unaudited condensed consolidated financial statements. We evaluate our estimates on an ongoing basis using our historical experience, as well as other factors we believe appropriate under the circumstances, such as current economic conditions, and adjust or revise our estimates as circumstances change. As future events and their effects cannot be determined with precision, actual results may differ from these estimates. Ball Corporation and its controlled affiliates are referred to collectively as Ball Corporation, Ball, the company, we or our in the following discussion and analysis.

BUSINESS OVERVIEW

Business Overview and Industry Trends

Ball Corporation is one of the world's leading suppliers of metal packaging to the beverage, food, personal care and household products industries. Our packaging products are produced for a variety of end uses, are manufactured in facilities around the world and are competitive with other substrates, such as plastics and glass. In the rigid packaging industry, sales and earnings can be increased by reducing costs, increasing prices, developing new products, expanding volumes and making strategic acquisitions. We also provide aerospace and other technologies and services to governmental and commercial customers.

We sell our packaging products mainly to large, multinational beverage, food, personal care and household products companies with which we have developed long-term customer relationships. This is evidenced by our high customer retention and our large number of long-term supply contracts. While we have a diversified customer base, we sell a majority of our packaging products to relatively few major companies in North America, Europe, the PRC and South America, as do our equity joint ventures in the U.S. and Vietnam. The overall metal container industry is growing globally and is expected to continue to grow in the medium to long term despite the North American market seeing a continued decline. The primary customers for the products and services provided by our aerospace and technologies segment are U.S. government agencies or their prime contractors.

We purchase our raw materials from relatively few suppliers. We also have exposure to inflation, in particular the rising costs of raw materials, as well as other direct cost inputs. We mitigate our exposure to the changes in the costs of metal through the inclusion of provisions in a majority of our packaging sales contracts to pass through metal price changes, as well as through the use of derivative instruments. The pass-through provisions generally result in proportional increases or decreases in sales and costs with a greatly reduced impact, if any, on net earnings. Because of our customer and supplier concentration, our business, financial condition and results of operations could be adversely affected by the loss, insolvency or bankruptcy of a major customer or supplier or a change in a supply agreement with a major customer or supplier, although our contract provisions generally mitigate the risk of customer loss, and our long-term relationships represent a known, stable customer base.

We recognize sales under long-term contracts in the aerospace and technologies segment using percentage-of-completion under the cost-to-cost method of accounting. Throughout the period of contract performance, we regularly reevaluate and, if necessary, revise our estimates of aerospace and technologies total contract revenue, total contract cost and progress toward completion. Because of contract payment schedules, limitations on funding and other contract terms, our sales and accounts receivable for this segment include amounts that have been earned but not yet billed.

Table of Contents

Corporate Strategy

Our Drive for 10 vision encompasses five strategic levers that are key to growing our business and achieving long-term success. During 2012 and 2013, we made progress on each of our Drive for 10 levers as described in the following:

- maximizing value in our existing businesses through reducing standard beverage container and end capacity in North America; redeployment of surplus equipment to other global locations; closure of certain metal beverage and metal food and aerosol packaging facilities; relocating our European headquarters to Zurich, Switzerland, to gain business, customer and supplier efficiencies; and cost-out initiatives across our businesses;
- expanding further into new products and capabilities through expansion into extruded aluminum aerosol manufacturing with our Mexican acquisition in December 2012;
- aligning ourselves with the right customers and markets by investing capital to meet double-digit volume growth for specialty beverage containers throughout the global network;
- broadening our geographic reach with the construction and start up of three beverage container manufacturing facilities in China, Brazil and Vietnam, as well as the award of a South Korean environmental instrument in our aerospace business; and
- leveraging our technological expertise in packaging innovation and aerospace technologies to maintain our competitive advantage today and in the future.

These ongoing business developments help us stay close to our customers while expanding and/or sustaining our industry positions with major beverage, food, personal care, household products and aerospace customers.

RESULTS OF CONSOLIDATED OPERATIONS

Consolidated Sales and Earnings

**Three Months Ended
September 30,**

**Nine Months Ended
September 30,**

Edgar Filing: BALL CORP - Form 10-Q

| (\$ in millions) | 2013 | | 2012 | |
|--|------|---------|------|---------|
| Net sales | \$ | 2,277.9 | \$ | 2,282.5 |
| Net earnings attributable to Ball Corporation | | 115.2 | | 115.1 |
| Net earnings attributable to Ball Corporation as a % of consolidated net sales | | 5.1% | | 5.0% |

Sales in the third quarter were flat compared to the same period in 2012 with continued lower demand for standard 12-ounce aluminum beverage containers in the U.S. being offset by a strong seasonal fruit and vegetable pack in North America, specialty can growth in the Americas and higher sales volumes in Europe, Brazil and the PRC. Sales in the first nine months of 2013 decreased compared to 2012 due to lower metal beverage container sales volumes in North America. In addition to the business segment performance analyzed below, net earnings attributable to Ball Corporation decreased due to higher business consolidation and other activities and higher debt refinancing costs in 2013, partially offset by a lower tax rate in 2013. These items are detailed in the Management Performance Measures section below.

Cost of Sales (Excluding Depreciation and Amortization)

Cost of sales, excluding depreciation and amortization, was \$1,846.9 million and \$5,289.3 million in the third quarter and first nine months of 2013, respectively, compared to \$1,866.1 million and \$5,444.6 million for the same periods in 2012. These amounts represented 81.1 percent and 81.7 percent of consolidated net sales for the third quarter and first nine months of 2013, respectively, and 81.8 percent and 82.2 percent for the same periods in 2012.

Table of Contents

Depreciation and Amortization

Depreciation and amortization expense was \$76.6 million and \$223.6 million in the third quarter and first nine months of 2013, respectively, compared to \$74.7 million and \$210.2 million for the same periods in 2012. These amounts represented 3.4 percent and 3.5 percent of consolidated net sales for the third quarter and first nine months of 2013, respectively, compared to 3.3 percent and 3.2 percent for the same periods in 2012.

Selling, General and Administrative

Selling, general and administrative (SG&A) expenses were \$99.0 million and \$311.2 million in the third quarter and first nine months of 2013, respectively, compared to \$86.3 million and \$284.5 million for the same periods in 2012. These amounts represented 4.3 percent and 4.8 percent of consolidated net sales for the third quarter and first nine months of 2013, respectively, and 3.8 percent and 4.3 percent for the same periods in 2012. The increased SG&A expense was primarily due to higher employee costs and other higher costs that were individually insignificant.

Interest and Taxes

Consolidated interest expense was \$46.8 million and \$166.0 million in the third quarter and first nine months of 2013, respectively, compared to \$44.2 million and \$149.3 million for the same periods in 2012. Interest expense in the first nine months of 2013 included \$28.0 million for the tender and call premiums, as well as the write off of unamortized financing costs and issuance discounts related to the tender of our 7.125 percent senior notes due September 2016, the repayment of the Term A Loan and the amendment and extension of the senior credit facilities. Interest expense in the first quarter of 2012 included \$15.1 million for the call premium and the write off of unamortized financing costs and issuance discounts related to the tender of our 6.625 percent senior notes due March 2018. Excluding the debt refinancing costs in each period, interest expense as a percentage of average monthly borrowings was 5.2 percent and 5.1 percent in the third quarter and first nine months of 2013 compared to 5.5 percent and 5.4 percent for the same periods in 2012. Lower average borrowing rates in 2013 were offset by higher average debt levels and the timing difference of the issuance of \$1 billion senior notes due in 2023 versus the tender and call of the 2016 senior notes.

The effective income tax rate for earnings from continuing operations was 23.7 percent for the first nine months of 2013 compared to 26.5 percent for the first nine months of 2012. The lower tax rate in 2013 was primarily the result of the retroactive extension of the U.S. research and development credit, a lower projected foreign tax rate and lower U.S. taxes on foreign earnings, partially offset by the 2012 releases of uncertain tax positions which exceeded those occurring in 2013. The full-year 2013 effective income tax rate on continuing operations is expected to be approximately 28 percent.

Table of Contents**RESULTS OF BUSINESS SEGMENTS**

Ball's operations are organized and reviewed by management along its product lines and geographical areas and presented in the four reportable segments discussed below. On January 1, 2013, the company implemented changes to its management and internal reporting structure. As a result, the European extruded aluminum business, which was previously included in the metal beverage packaging, Europe, segment, is now included in the metal food and household products packaging segment. The segment results and disclosures for the three and nine months ended September 30, 2012, and the financial position at December 31, 2012, have been retrospectively adjusted to conform to the current year presentation.

Metal Beverage Packaging, Americas and Asia

| (\$ in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | \$ 1,109.2 | \$ 1,169.6 | \$ 3,190.7 | \$ 3,426.9 |
| Segment earnings | \$ 134.8 | \$ 142.2 | \$ 364.5 | \$ 384.5 |
| Business consolidation and other activities (a) | (14.1) | (31.5) | (26.6) | (32.9) |
| Total segment earnings | \$ 120.7 | \$ 110.7 | \$ 337.9 | \$ 351.6 |
| Segment earnings before business consolidation costs as a % of segment net sales | 12.2% | 12.2% | 11.4% | 11.2% |

(a) Further details of these items are included in Note 5 to the unaudited condensed consolidated financial statements within Item 1 of this report.

The metal beverage packaging, Americas and Asia, segment consists of operations located in the U.S., Canada, Brazil and the PRC, which manufacture aluminum containers used in beverage packaging, as well as non-beverage plastic containers manufactured and sold in the PRC.

Segment sales in the third quarter and first nine months of 2013 were \$60.4 million and \$236.2 million lower compared to the same periods in 2012, respectively. The decreases in the third quarter and first nine months were due to lower sales volumes of \$59 million and \$219 million, respectively, principally related to lower standard 12-ounce container sales volumes in North America.

Segment earnings in the third quarter and first nine months of 2013 were \$7.4 million and \$20.0 million lower compared to the same periods in 2012, respectively. The decrease in third quarter earnings was mainly due to unfavorable net pricing in the PRC and lower sales volumes of \$20 million, largely from lower standard 12-ounce container sales volumes in North America, partially offset by improved manufacturing and other performance of \$20 million and favorable product mix. The decrease in earnings in the first nine months was due to unfavorable net pricing in the PRC and lower sales volumes of \$83 million, largely from standard 12-ounce container sales volumes in North America, partially offset by improved manufacturing and other performance of \$71 million.

Table of Contents*Metal Beverage Packaging, Europe*

| (\$ in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | \$ 488.9 | \$ 450.8 | \$ 1,400.5 | \$ 1,377.0 |
| Segment earnings | \$ 60.5 | \$ 54.3 | \$ 143.2 | \$ 152.7 |
| Business consolidation and other activities (a) | (1.7) | (3.5) | (4.6) | (6.2) |
| Total segment earnings | \$ 58.8 | \$ 50.8 | \$ 138.6 | \$ 146.5 |
| Segment earnings before business consolidation costs as a % of segment net sales | 12.4% | 12.0% | 10.2% | 11.1% |

(a) Further details of these items are included in Note 5 to the unaudited condensed consolidated financial statements within Item 1 of this report.

The metal beverage packaging, Europe, segment includes the manufacture and sale of metal beverage containers in facilities located throughout Europe.

Segment sales in the third quarter and first nine months of 2013 were \$38.1 million and \$23.5 million higher compared to the same periods in 2012. The higher sales in the third quarter were due to higher sales volumes of \$29 million and favorable currency exchange effects of \$20 million, partially offset by a higher proportion of standard product sales. The higher sales in the first nine months were due to favorable currency exchange effects of \$25 million and higher sales volumes of \$18 million, partially offset by a higher proportion of standard product sales of \$21 million.

Segment earnings in the third quarter and first nine months of 2013 were \$6.2 million higher and \$9.5 million lower, respectively, compared to the same periods in 2012. The higher earnings in the third quarter were primarily due to higher sales volumes and lower input costs, offset by a higher proportion of standard product sales. The lower earnings in the first nine months were primarily due to a higher proportion of standard product sales of \$21 million, higher labor costs and price/cost compression, partially offset by higher sales volumes.

Metal Food and Household Products Packaging

| (\$ in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------|-------------------------------------|----------|------------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | \$ 463.6 | \$ 445.8 | \$ 1,213.4 | \$ 1,196.7 |

Edgar Filing: BALL CORP - Form 10-Q

| | | | | | | | | |
|--|----|--------|----|-------|----|--------|----|-------|
| Segment earnings | \$ | 58.4 | \$ | 50.1 | \$ | 140.6 | \$ | 131.0 |
| Business consolidation and other activities (a) | | (28.9) | | | | (57.4) | | |
| Total segment earnings | \$ | 29.5 | \$ | 50.1 | \$ | 83.2 | \$ | 131.0 |
| Segment earnings before business consolidation costs as a % of segment net sales | | 12.6% | | 11.2% | | 11.6% | | 10.9% |

(a) Further details of these items are included in Note 5 to the unaudited condensed consolidated financial statements within Item 1 of this report.

The metal food and household products packaging segment consists of operations located in the U.S., Europe, Canada, Mexico and Argentina that manufacture and sell metal food, aerosol, paint, general line and extruded aluminum containers, as well as decorative specialty containers and aluminum slugs. In December 2012, we acquired a leading producer of extruded aluminum aerosol packaging in Mexico with one manufacturing facility.

Table of Contents

Segment sales in the third quarter and first nine months of 2013 were \$17.8 million and \$16.7 million higher, respectively, compared to the same periods in 2012. Higher sales in the third quarter were due largely to sales from the Mexico acquisition and higher sales volumes from a strong seasonal fruit and vegetable pack. Higher sales in the first nine months were due to higher sales from the Mexico acquisition.

Segment earnings in the third quarter and first nine months of 2013 were \$8.3 million and \$9.6 million higher, respectively, compared to the same periods in 2012. Higher earnings in the third quarter were due to improved manufacturing performance and higher sales volumes. Higher earnings in the first nine months were due to improved manufacturing performance, offset by higher cost inventory carried into 2013.

Aerospace and Technologies

| (\$ in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------|------------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | \$ 217.5 | \$ 219.9 | \$ 675.0 | \$ 631.8 |
| Segment earnings | \$ 18.0 | \$ 22.5 | \$ 55.0 | \$ 62.4 |
| Business consolidation and other activities (a) | | | (0.2) | |
| Total segment earnings | \$ 18.0 | \$ 22.5 | \$ 54.8 | \$ 62.4 |
| Segment earnings before business consolidation costs as a % of segment net sales | 8.3% | 10.2% | 8.1% | 9.9% |

(a) Further details of these items are included in Note 5 to the unaudited condensed consolidated financial statements within Item 1 of this report.

The aerospace and technologies segment consists of the manufacture and sale of aerospace and other related products and services provided for the defense, civil space and commercial space industries.

Segment sales in the third quarter and first nine months of 2013 were \$2.4 million lower and \$43.2 million higher, respectively, compared to the same periods in 2012. Sales in the first nine months increased due to higher sales from U.S. national defense contracts. Earnings were \$4.5 million and \$7.4 million lower, respectively, due to higher amounts of net favorable contract adjustments in 2012.

The aerospace and technologies sales contract mix in the first nine months of 2013 consisted of 63 percent cost-type contracts, which are billed at our costs plus an agreed upon and/or earned profit component, and 35 percent fixed-price contracts. The remaining 2 percent represented time and material contracts, which typically provide for the sale of labor at fixed hourly rates. Contracted backlog was \$942 million at September 30, 2013, compared to \$1.0 billion at December 31, 2012. The backlog at September 30, 2013, consisted of 48 percent fixed price contracts. Comparisons of backlog are not necessarily indicative of the trend of future operations due to the nature of varying delivery and milestone schedules on contracts and funding of programs.

Additional Segment Information

For additional information regarding our segments, see the business segment information in Note 3 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report. The charges recorded for business consolidation and other activities were based on estimates by management and were developed from information available at the time the amounts were recognized. If actual outcomes vary from the estimates, the differences will be reflected in current period earnings in the statement of earnings and identified as business consolidation gains and losses. Additional details about our business consolidation and other activities, as well as the associated costs, are provided in Note 5 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report.

Table of Contents**NEW ACCOUNTING PRONOUNCEMENTS**

For information regarding recent accounting pronouncements, see Note 2 to the unaudited condensed consolidated financial statements within Item 1 of this report on Form 10-Q.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash provided by operating activities and external committed borrowings. We believe that cash flows from operations and cash provided by short-term and committed revolver borrowings, when necessary, will be sufficient to meet our ongoing operating requirements, scheduled principal and interest payments on debt, dividend payments and anticipated capital expenditures. The following summarizes our cash flows:

| (\$ in millions) | Nine Months Ended September 30, | |
|---|---------------------------------|----------|
| | 2013 | 2012 |
| Cash flows provided by (used in) operating activities | \$ 451.9 | \$ 388.3 |
| Cash flows provided by (used in) investing activities | (321.6) | (204.2) |
| Cash flows provided by (used in) financing activities | (126.6) | (169.8) |

Cash flows from operations in the first nine months of 2013 were higher than in the first nine months of 2012 due to favorable working capital changes. The favorable working capital changes were primarily related to lower days sales outstanding and higher days payable outstanding, partially offset by higher inventory days on hand. Days sales outstanding (annualized) decreased from 48 days to 45 days, days payable outstanding (annualized) increased from 44 days to 50 days and inventory days on hand (annualized) increased from 48 days to 49 days.

We have several regional uncommitted accounts receivable factoring programs with various financial institutions for certain receivables of the company. The programs are accounted for as true sales of the receivables, without recourse to us, and had combined limits of approximately \$245 million at September 30, 2013. A total of \$149.5 million and \$75.0 million were sold under these programs as of September 30, 2013, and December 31, 2012, respectively. Latapack-Ball also has a non-recourse uncommitted accounts receivable factoring program in 2013 with a limit of approximately \$24 million (55 million Brazilian real), under which there were no accounts receivable sold as of September 30, 2013.

Contributions to our defined benefit plans, not including the unfunded German plans, are expected to be approximately \$95 million in 2013, of which \$89.7 million was contributed as of September 30, 2013. This estimate may change based on changes in the Pension Protection Act, actual plan asset performance and available company cash flow, among other factors. Payments to participants in the unfunded German plans are expected to be approximately \$23 million for the full year.

We expect 2013 capital expenditures for property, plant and equipment to be in the range of \$400 million, and approximately \$125 million was contractually committed as of September 30, 2013. Capital expenditures are expected to be funded by cash flows from operations.

During July 2013, we signed a compensation agreement with the PRC government to vacate the Shenzhen manufacturing facility and relocate the production equipment. Proceeds from the compensation agreement are expected to be approximately \$72 million pretax and will offset the costs related to the closure and relocation of the Shenzhen facility. Any compensation received in excess of expenses or losses incurred will be reflected in business consolidation and other activities. We received a total of \$28.4 million during the third quarter, and the remainder of the compensation is expected to be received in the fourth quarter of 2013.

Share Repurchases

Our share repurchases, net of issuances, totaled \$267.9 million in the first nine months of 2013 compared to \$304.9 million in the first nine months of 2012. The repurchases were completed using cash on hand and available borrowings and included accelerated share repurchase agreements and other purchases under our ongoing share repurchase program. Additional details about our share repurchase activities are provided in Note 13 to the unaudited condensed consolidated financial statements within Item 1 of this report on Form 10-Q.

Table of Contents

Debt Facilities and Refinancing

Given our cash flow projections and unused credit facilities that are available until June 2018, our liquidity is expected to meet our ongoing cash and debt service requirements. Interest-bearing debt was \$3.5 billion at September 30, 2013, compared to \$3.3 billion at December 31, 2012.

In May 2013, we (1) issued \$1 billion of 4.00 percent senior notes due in November 2023; (2) tendered for the redemption of our 7.125 percent senior notes originally due in September 2016 in the amount of \$375 million, at a redemption price per note of 105.322 percent of the outstanding principal amount plus accrued interest; and (3) repaid the \$125 million Term A loan, which was a component of the senior credit facilities. The redemption of the senior notes, all of which occurred in the second quarter, and the early repayment of the Term A loan resulted in charges of \$26.5 million for the tender and call premiums, as well as the write off of unamortized financing costs and issuance discounts. These charges are included as a component of interest expense in the unaudited condensed consolidated statement of earnings.

In June 2013, we amended the senior credit facilities and extended the term from December 2015 to June 2018. In connection with the amendment, we recorded a charge of \$0.4 million for the write off of unamortized financing costs. The charge is included as a component of interest expense in the unaudited condensed consolidated statement of earnings.

At September 30, 2013, taking into account outstanding letters of credit and excluding availability under the accounts receivable securitization program, approximately \$984 million was available under our long-term, multi-currency committed revolving credit facilities. In addition to these facilities, we had approximately \$658 million of short-term uncommitted credit facilities available at September 30, 2013, of which \$57.9 million was outstanding and due on demand.

In August 2011, we entered into an accounts receivable securitization agreement for a term of three years, as amended from time to time. The maximum we can borrow under the amended agreement can vary between \$85 million and \$210 million depending on the seasonal accounts receivable balances in our North American packaging businesses. There were no accounts receivable sold under this agreement at September 30, 2013, or December 31, 2012. Borrowings under the securitization agreement, if any, are included within the short-term debt and current portion of long-term debt line on the balance sheet.

On March 9, 2012, we issued \$750 million of 5.00 percent senior notes due in March 2022. On the same date, we tendered for the redemption of our 6.625 percent senior notes originally due in March 2018 in the amount of \$450 million, at a redemption price per note of 102.583 percent of the outstanding principal amount plus accrued interest. The company redeemed \$392.7 million during the first quarter of 2012, and the remaining \$57.3 million was redeemed during the second quarter. The redemption of the bonds resulted in a charge of \$15.1 million for the call premium and the write off of unamortized financing costs and premiums. The charge is included as a component of interest expense in the unaudited condensed consolidated statement of earnings.

The U.S. note agreements, bank credit agreement and accounts receivable securitization agreement contain certain restrictions relating to dividends, investments, financial ratios, guarantees and the incurrence of additional indebtedness. Our bank credit agreement debt covenants require us to maintain an interest coverage ratio (as defined in the credit agreement) of no less than 3.50 and a leverage ratio (as defined) of no greater than 4.00. We were in compliance with all loan agreements and debt covenants at September 30, 2013, and December 31, 2012, and have met all debt payment obligations. Additional details about our debt and receivables sales agreements are available in Note 11 accompanying the

unaudited condensed consolidated financial statements within Item 1 of this report.

Table of Contents*Management Performance Measures*

Management internally uses various measures to evaluate company performance such as return on average invested capital (net operating earnings after tax over the relevant performance period divided by average invested capital over the same period); economic value added (EVA®) dollars (net operating earnings after tax less a capital charge on average invested capital employed); earnings before interest and taxes (EBIT); earnings before interest, taxes, depreciation and amortization (EBITDA); diluted earnings per share; cash flow from operating activities and free cash flow (generally defined by the company as cash flow from operating activities less capital expenditures). These financial measures may be adjusted at times for items that affect comparability between periods such as business consolidation costs and gains or losses on acquisitions and dispositions. Nonfinancial measures in the packaging businesses include production efficiency and spoilage rates; quality control figures; environmental, health and safety statistics; production and sales volumes; asset utilization rates; and measures of sustainability. Additional measures used to evaluate financial performance in the aerospace and technologies segment include contract revenue realization, award and incentive fees realized, proposal win rates and backlog (including awarded, contracted and funded backlog).

The following financial measurements are on a non-U.S. GAAP basis and should be considered in connection with the consolidated financial statements within Item 1 of this report. Non-U.S. GAAP measures should not be considered in isolation and should not be considered superior to, or a substitute for, financial measures calculated in accordance with U.S. GAAP. A presentation of earnings in accordance with U.S. GAAP is available in Item 1 of this report.

Based on the above definitions, our calculation of comparable EBIT is summarized below:

| (\$ in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Earnings before taxes, as reported | \$ 164.8 | \$ 174.4 | \$ 392.1 | \$ 488.9 |
| Interest expense | 46.8 | 44.2 | 166.0 | 149.3 |
| Earnings before interest and taxes (EBIT) | 211.6 | 218.6 | 558.1 | 638.2 |
| Business consolidation and other activities | 43.8 | 36.8 | 89.1 | 44.0 |
| Comparable EBIT | \$ 255.4 | \$ 255.4 | \$ 647.2 | \$ 682.2 |

Our calculations of comparable EBITDA, the comparable EBIT to interest coverage ratio and the net debt to comparable EBITDA ratio for the 12 months ended September 30, 2013, are summarized below:

(\$ in millions, except ratios)

| | |
|---|------------|
| Earnings before taxes, as reported | \$ 498.8 |
| Add interest expense | 211.6 |
| Earnings before interest and taxes (EBIT) | 710.4 |
| Add business consolidation and other activities | 147.9 |
| Comparable EBIT | 858.3 |
| Add depreciation and amortization | 296.3 |
| Comparable EBITDA | \$ 1,154.6 |

Edgar Filing: BALL CORP - Form 10-Q

| | | |
|----------------------------------|----|---------|
| Interest expense | \$ | (183.6) |
| Total debt at September 30, 2013 | \$ | 3,522.0 |
| Less cash and cash equivalents | | (168.2) |
| Net debt | \$ | 3,353.8 |
| Comparable EBIT/Interest Expense | | 4.7x |
| Net debt/Comparable EBITDA | | 2.9x |

Table of Contents

Our calculation of comparable net earnings is summarized below:

| (\$ in millions, except per share amounts) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------|------------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Net earnings attributable to Ball Corporation, as reported | \$ 115.2 | \$ 115.1 | \$ 282.3 | \$ 342.9 |
| Discontinued operations, net of tax | (0.3) | 2.2 | (0.4) | 2.9 |
| Business consolidation and other activities, net of tax | 31.5 | 24.2 | 63.8 | 29.1 |
| Debt refinancing costs, net of tax | 0.8 | | 17.1 | 9.2 |
| Comparable net earnings | \$ 147.2 | \$ 141.5 | \$ 362.8 | \$ 384.1 |
| Per diluted share, as reported | \$ 0.78 | \$ 0.73 | \$ 1.88 | \$ 2.16 |
| Per diluted share, as adjusted | \$ 1.00 | \$ 0.90 | \$ 2.42 | \$ 2.42 |

CONTINGENCIES, INDEMNIFICATIONS AND GUARANTEES

Details about the company's contingencies, indemnifications and guarantees are available in Notes 18 and 19 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, the company employs established risk management policies and procedures, which seek to reduce our exposure to fluctuations in commodity prices, interest rates, exchange currencies and prices of the company's common stock in regard to common share repurchases, although there can be no assurance that these policies and procedures will be successful. The company mitigates its exposure by spreading the risk among various counterparties, thus limiting exposure with any one party. The company also monitors the credit ratings of its suppliers, customers, lenders and counterparties on a regular basis. Further details are available in Item 7A within Ball's 2012 annual report filed on February 22, 2013, and in Note 16 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report.

Item 4. CONTROLS AND PROCEDURES

Our chief executive officer and chief financial officer participated in management's evaluation of our disclosure controls and procedures, as defined by the Securities and Exchange Commission (SEC), as of the end of the period covered by this report and concluded that our controls and procedures were effective. There were no material changes to internal controls during the company's first nine months of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

FORWARD-LOOKING STATEMENTS

The company has made or implied certain forward-looking statements in this report which are made as of the end of the time frame covered by this report. These forward-looking statements represent the company's goals, and results could vary materially from those expressed or implied. From time to time we also provide oral or written forward-looking statements in other materials we release to the public. As time passes, the relevance and accuracy of forward-looking statements may change. Some factors that could cause the company's actual results or outcomes to differ materially from those discussed in the forward-looking statements include, but are not limited to: fluctuation in customer and consumer growth, demand and preferences; loss of one or more major customers or changes to contracts with one or more customers; insufficient production capacity; changes in senior management; the ongoing European recession and its effects on liquidity, credit risk, asset values and the economy; overcapacity in foreign and domestic metal container industry production facilities and its impact on pricing; failure to achieve anticipated productivity improvements or cost reductions, including those associated with capital expenditures; changes in climate and weather; fruit, vegetable and fishing yields; power and natural resource costs; difficulty in obtaining supplies and energy, such as gas, electric power and diesel fuel; availability and cost of raw materials, as well as the increases in steel, aluminum and energy costs, and the ability or inability to include or pass on to customers changes in raw material costs; changes in the pricing of the company's products and services; competition in pricing and the possible decrease in, or loss of, sales resulting therefrom; insufficient or reduced cash flow; the number and timing of the purchases of the company's common shares; the effects of restrictive legislation, including with respect to packaging, such as recycling laws; interest rates affecting our debt; labor strikes; increases and trends in various employee benefits and labor costs, including pension, medical and health care costs; rates of return projected and earned on assets and discount rates used to measure future obligations and expenses of the company's defined benefit retirement plans; antitrust, intellectual property, consumer and other litigation; maintenance and capital expenditures; goodwill impairment; changes in generally accepted accounting principles or their interpretation; the authorization, funding, availability and returns of contracts for the aerospace and technologies segment and the nature and continuation of those contracts and related services provided thereunder; delays, extensions and technical uncertainties, as well as schedules of performance associated with such segment contracts; political and economic instability, including periodic sell-off on global equity markets, sanctions and the devaluation or revaluation of certain currencies; business risks with respect to changes in currency exchange rates; terrorist activity or war that disrupts the company's production or supply; regulatory action or laws affecting the company or its customers or suppliers, or any of their respective products, including tax, environmental, health and workplace safety, including in respect of climate change, or chemicals or substances used in raw materials or in the manufacturing process, particularly publicity concerning Bisphenol-A, or BPA, a chemical used in the manufacture of epoxy coatings applied to many types of containers (including certain of those produced by the company); technological developments and innovations; successful or unsuccessful acquisitions, joint ventures or divestitures and the integration activities associated therewith; changes to unaudited results due to statutory audits of our financial statements or management's evaluation of the company's internal control over financial reporting; ongoing uncertainties surrounding sovereign debt of various European countries, as well as ratings agency downgrades of various governments' debt; ongoing uncertainties and other effects surrounding the U.S. government budget, funding, cutbacks and debt limit, as well as the recent government shutdown and any potential future shutdowns; and loss contingencies related to income and other tax matters, including those arising from audits performed by national and local tax authorities. If the company is unable to achieve its goals, then the company's actual performance could vary materially from those goals expressed or implied in the forward-looking statements. The company currently does not intend to publicly update forward-looking statements except as it deems necessary in quarterly or annual earnings reports. You are advised, however, to consult any further disclosures we make on related subjects in our Forms 10-K, 10-Q and 8-K reports to the SEC.

Table of Contents**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

There were no events required to be reported under Item 1 for the quarter ended September 30, 2013, except as discussed in Note 17 to the unaudited condensed consolidated financial statements within Part I, Item 1 within this report.

Item 1A. Risk Factors

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

Item 2. Changes in Securities

The following table summarizes the company's repurchases of its common stock during the quarter ended September 30, 2013.

| (\$ in millions) | Total Number of Shares Purchased (a) | Average Price Paid per Share | Purchases of Securities | |
|-----------------------------------|--------------------------------------|------------------------------|--|--|
| | | | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a) | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (b) |
| July 1 to July 31, 2013 | 998,528 | \$ 43.93 | 998,528 | 10,890,043 |
| August 1 to August 31, 2013 | 685,063 | 45.13 | 685,063 | 10,204,980 |
| September 1 to September 30, 2013 | 33,789 | 44.26 | 33,789 | 10,171,191 |
| Total | 1,717,380 | 44.41 | 1,717,380 | |

(a) Includes open market purchases (on a trade-date basis), share repurchase agreements and/or shares retained by the company to settle employee withholding tax liabilities.

(b) The company has an ongoing repurchase program for which shares are authorized from time to time by Ball's board of directors. On January 25, 2012, the Board authorized the repurchase by the company of up to a total of 30 million shares. This repurchase authorization also replaced all previous authorizations.

Item 3. Defaults Upon Senior Securities

There were no events required to be reported under Item 3 for the quarter ended September 30, 2013.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

There were no events required to be reported under Item 5 for the quarter ended September 30, 2013.

Table of Contents

Item 6. Exhibits

- 31.1 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) by John A. Hayes, Chairman, President and Chief Executive Officer of Ball Corporation.
- 31.2 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) by Scott C. Morrison, Senior Vice President and Chief Financial Officer of Ball Corporation.
- 32.1 Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code by John A. Hayes, Chairman, President and Chief Executive Officer of Ball Corporation.
- 32.2 Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code by Scott C. Morrison, Senior Vice President and Chief Financial Officer of Ball Corporation.
- 99 Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995, as amended.
- 101 The following materials from the company's quarterly report on Form 10-Q for the quarter ended September 30, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Unaudited Condensed Consolidated Statement of Earnings, (ii) the Unaudited Statement of Comprehensive Earnings, (iii) the Unaudited Condensed Consolidated Balance Sheet, (iv) the Unaudited Condensed Consolidated Statement of Cash Flows, and (v) Notes to the Unaudited Condensed Consolidated Financial Statements.

Table of Contents

SIGNATURE

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

Ball Corporation
(Registrant)

By: /s/ Scott C. Morrison
Scott C. Morrison
Senior Vice President and Chief Financial Officer

Date: October 30, 2013

Edgar Filing: BALL CORP - Form 10-Q

Table of Contents

Ball Corporation and Subsidiaries

QUARTERLY REPORT ON FORM 10-Q

September 30, 2013

EXHIBIT INDEX

| Description | Exhibit |
|--|----------------|
| Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) by John A. Hayes, Chairman, President and Chief Executive Officer of Ball Corporation (Filed herewith.) | EX-31.1 |
| Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) by Scott C. Morrison, Senior Vice President and Chief Financial Officer of Ball Corporation (Filed herewith.) | EX-31.2 |
| Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code by John A. Hayes, Chairman, President and Chief Executive Officer of Ball Corporation (Furnished herewith.) | EX-32.1 |
| Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code by Scott C. Morrison, Senior Vice President and Chief Financial Officer of Ball Corporation (Furnished herewith.) | EX-32.2 |
| Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995, as amended (Filed herewith.) | EX-99 |
| The following materials from the company's quarterly report on Form 10-Q for the quarter ended September 30, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Unaudited Condensed Consolidated Statement of Earnings, (ii) the Unaudited Statement of Comprehensive Earnings, (iii) the Unaudited Condensed Consolidated Balance Sheet, (iv) the Unaudited Condensed Consolidated Statement of Cash Flows, and (v) Notes to the Unaudited Condensed Consolidated Financial Statements (Furnished herewith.) | EX-101 |