

BALL CORP
Form 10-Q
August 11, 2014
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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 June 30, 2014

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)

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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
Non-accelerated filer

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 July 31, 2014
Common Stock, without par value	138,438,354 shares

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Ball Corporation and Subsidiaries
QUARTERLY REPORT ON FORM 10-Q
For the period ended June 30, 2014

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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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	\$ 2,291.9	\$ 2,202.4	\$ 4,298.7	\$ 4,193.4
Costs and expenses				
Cost of sales (excluding depreciation and amortization)	(1,846.4)	(1,798.9)	(3,459.3)	(3,442.4)
Depreciation and amortization	(69.6)	(74.5)	(138.4)	(147.0)
Selling, general and administrative	(111.4)	(102.9)	(219.1)	(212.2)
Business consolidation and other activities	(8.6)	(22.6)	(8.6)	(45.3)
	(2,036.0)	(1,998.9)	(3,825.4)	(3,846.9)
Earnings before interest and taxes	255.9	203.5	473.3	346.5
Interest expense	(40.6)	(47.7)	(80.8)	(92.5)
Debt refinancing costs		(26.7)	(33.1)	(26.7)
Total interest expense	(40.6)	(74.4)	(113.9)	(119.2)
Earnings before taxes	215.3	129.1	359.4	227.3
Tax provision	(60.2)	(30.8)	(99.8)	(48.9)
Equity in results of affiliates, net of tax	1.2	0.8	1.6	
Net earnings from continuing operations	156.3	99.1	261.2	178.4
Discontinued operations, net of tax				0.1
Net earnings	156.3	99.1	261.2	178.5
Less net earnings attributable to noncontrolling interests	(3.2)	(4.0)	(14.6)	(11.4)
Net earnings attributable to Ball Corporation	\$ 153.1	\$ 95.1	\$ 246.6	\$ 167.1
Amounts attributable to Ball Corporation:				
Continuing operations	\$ 153.1	\$ 95.1	\$ 246.6	\$ 167.0
Discontinued operations				0.1
Net earnings	\$ 153.1	\$ 95.1	\$ 246.6	\$ 167.1
Earnings per share:				
Basic - continuing operations	\$ 1.10	\$ 0.65	\$ 1.77	\$ 1.13
Basic - discontinued operations				
Total basic earnings per share	\$ 1.10	\$ 0.65	\$ 1.77	\$ 1.13

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Diluted - continuing operations	\$	1.07	\$	0.63	\$	1.72	\$	1.10
Diluted - discontinued operations								
Total diluted earnings per share	\$	1.07	\$	0.63	\$	1.72	\$	1.10

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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net earnings	\$ 156.3	\$ 99.1	\$ 261.2	\$ 178.5
Other comprehensive earnings:				
Foreign currency translation adjustment	(7.1)	17.5	(30.6)	(27.6)
Pension and other postretirement benefits (a)	5.8	6.1	10.9	14.0
Effective financial derivatives (b)	13.9	(16.9)	16.5	(26.5)
Total comprehensive earnings	168.9	105.8	258.0	138.4
Less comprehensive earnings attributable to noncontrolling interests	(3.2)	(4.3)	(14.6)	(11.7)
Comprehensive earnings attributable to Ball Corporation	\$ 165.7	\$ 101.5	\$ 243.4	\$ 126.7

(a) Net of tax (expense) benefit of \$(3.1) million and \$(6.2) million for the three and six months ended June 30, 2014, respectively, and \$(4.6) million and \$(9.2) million for the comparable periods in 2013, respectively.

(b) Net of tax (expense) benefit of \$(2.4) million and \$(3.7) million for the three and six months ended June 30, 2014, respectively, and \$3.3 million and \$4.9 million for the comparable periods in 2013, respectively.

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(\$ in millions)	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 155.3	\$ 416.0
Receivables, net	1,073.5	859.4
Inventories, net	1,028.2	1,028.3
Deferred taxes and other current assets	162.8	167.2
Total current assets	2,419.8	2,470.9
Non-current assets		
Property, plant and equipment, net	2,383.3	2,372.3
Goodwill	2,385.1	2,399.7
Intangibles and other assets, net	583.2	577.5
Total assets	\$ 7,771.4	\$ 7,820.4
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt and current portion of long-term debt	\$ 408.0	\$ 422.6
Accounts payable	1,116.0	998.8
Accrued employee costs	216.6	241.3
Other current liabilities	233.0	264.7
Total current liabilities	1,973.6	1,927.4
Non-current liabilities		
Long-term debt	3,129.2	3,182.5
Employee benefit obligations	1,009.3	1,033.0
Deferred taxes and other liabilities	252.7	261.5
Total liabilities	6,364.8	6,404.4
Shareholders' equity		
Common stock (331,078,470 shares issued - 2014; 330,240,265 shares issued - 2013)	1,105.7	1,078.4
Retained earnings	4,158.3	3,947.7
Accumulated other comprehensive earnings (loss)	(253.1)	(249.9)
Treasury stock, at cost (192,685,725 shares - 2014; 188,122,102 shares - 2013)	(3,804.0)	(3,551.6)
Total Ball Corporation shareholders' equity	1,206.9	1,224.6
Noncontrolling interests	199.7	191.4
Total shareholders' equity	1,406.6	1,416.0
Total liabilities and shareholders' equity	\$ 7,771.4	\$ 7,820.4

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(\$ in millions)	Six Months Ended June 30,	
	2014	2013
Cash Flows from Operating Activities		
Net earnings	\$ 261.2	\$ 178.5
Discontinued operations, net of tax		(0.1)
Adjustments to reconcile net earnings to cash provided by (used in) continuing operating activities:		
Depreciation and amortization	138.4	147.0
Business consolidation and other activities	8.6	45.3
Deferred tax provision	6.5	7.9
Other, net	3.4	(39.4)
Changes in working capital components	(208.1)	(423.7)
Cash provided by (used in) continuing operating activities	210.0	(84.5)
Cash provided by (used in) discontinued operating activities		(2.1)
Total cash provided by (used in) operating activities	210.0	(86.6)
Cash Flows from Investing Activities		
Capital expenditures	(135.3)	(201.1)
Business acquisitions, net of cash acquired		(12.6)
Other, net	11.2	(4.5)
Cash provided by (used in) investing activities	(124.1)	(218.2)
Cash Flows from Financing Activities		
Long-term borrowings	396.9	1,547.0
Repayments of long-term borrowings	(761.8)	(1,215.7)
Net change in short-term borrowings	292.7	231.1
Proceeds from issuances of common stock	18.6	13.6
Acquisitions of treasury stock	(257.1)	(215.9)
Common dividends	(36.8)	(38.0)
Other, net	3.5	(16.5)
Cash provided by (used in) financing activities	(344.0)	305.6
Effect of exchange rate changes on cash	(2.6)	(5.4)
Change in cash and cash equivalents	(260.7)	(4.6)
Cash and cash equivalents - beginning of period	416.0	174.1
Cash and cash equivalents - end of period	\$ 155.3	\$ 169.5

See accompanying notes to the unaudited condensed consolidated financial statements.

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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 24, 2014, pursuant to Section 13 of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2013 (annual report).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires Ball's 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. Ball's management evaluates these estimates on an ongoing basis and adjusts or revises the estimates as circumstances change. As future events and their impacts cannot be determined with precision, actual results may differ from these estimates. In the opinion of management, the financial statements reflect all adjustments necessary to fairly state the results of the periods presented.

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

Revision of Prior Period Financial Statements Related to Deferred Taxes

During the second quarter of 2014, Ball identified errors in the determination of certain deferred tax amounts, originating in 2007 and prior, primarily related to fixed assets, Canadian entity valuation allowances and pension, other postretirement benefits and restructuring balances in a Canadian entity. The correction of these items impacted the consolidated balance sheets and statements of comprehensive earnings for the years ended December 31, 2013, 2012 and 2011 as presented in the company's annual report and the unaudited condensed financial statements for each prior quarterly interim period. Additionally, as a result of these corrections, the 2012 consolidated statement of earnings should have included a tax provision related to the settlement of certain pension plans of the Canadian entity. The company assessed the applicable guidance issued by the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB) and concluded that these misstatements were not material to Ball's consolidated financial statements for the aforementioned prior periods; however, the company did conclude that correcting these prior misstatements would be material to the second quarter and full year 2014 consolidated statements of earnings. As a result of this analysis, the 2013 unaudited condensed consolidated financial statements included in this Form 10-Q have been

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revised to reflect the proper determination of these deferred tax positions and all related impacts. In addition, the 2013 and 2012 consolidated financial statements will be revised in the company's 2014 Form 10-K filing. Following is a summary of the financial statement line items impacted by this revision for all periods and statements included in the company's annual report and first quarter 2014 Form 10-Q:

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****1. Basis of Presentation (continued)****Revised Consolidated Statement of Earnings Amounts**

(\$ in millions, except per share amounts)	Year Ended December 31, 2012		
	As previously reported	Adjustments	As revised
Tax provision	\$ (165.0)	\$ (7.2)	\$ (172.2)
Net earnings	426.5	(7.2)	419.3
Net earnings from continuing operations attributable to Ball	406.3	(7.2)	399.1
Basic earnings per share - continuing operations	\$ 2.63	\$ (0.05)	\$ 2.58
Diluted earnings per share - continuing operations	2.57	(0.05)	2.52

Revised Consolidated Statements of Comprehensive Earnings Amounts

(\$ in millions)	Year Ended December 31, 2013			Year Ended December 31, 2012			Year Ended December 31, 2011		
	As previously reported	Adjustments	As revised	As previously reported	Adjustments	As revised	As previously reported	Adjustments	As revised
Net earnings	\$ 435.0	\$	\$ 435.0	\$ 426.5	\$ (7.2)	\$ 419.3	\$ 466.3	\$	\$ 466.3
Pension and other postretirement benefits	79.2	0.5	79.7	(79.5)	7.2	(72.3)	(93.7)	0.2	(93.5)

Revised Consolidated Balance Sheets Amounts

(\$ in millions)	December 31, 2013			December 31, 2012		
	As previously reported	Adjustments	As revised	As previously reported	Adjustments	As revised
Deferred taxes and other current assets (a)	\$ 162.0	\$ 5.2	\$ 167.2	\$ 190.8	\$ 5.2	\$ 196.0
Goodwill	2,404.3	(4.6)	2,399.7	2,359.4	(4.6)	2,354.8
Intangibles and other assets, net	577.5		577.5	531.6	13.0	544.6
Total assets	7,819.8	0.6	7,820.4	7,507.1	13.6	7,520.7
Deferred taxes and other liabilities (b)	285.6	(24.1)	261.5	207.9	(10.6)	197.3
Total liabilities	6,428.5	(24.1)	6,404.4	6,217.1	(10.6)	6,206.5

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Retained earnings	3,913.8	33.9	3,947.7	3,580.8	33.9	3,614.7
Accumulated other comprehensive earnings (loss)	(240.7)	(9.2)	(249.9)	(352.4)	(9.7)	(362.1)
Total shareholders' equity	1,391.3	24.7	1,416.0	1,290.0	24.2	1,314.2

Deferred taxes and other current assets (a)	\$ 166.2	\$ 5.2	\$ 171.4
Goodwill	2,398.8	(4.6)	2,394.2
Intangibles and other assets, net	581.2		581.2
Total assets	7,744.5	0.6	7,745.1
Deferred taxes and other liabilities (b)	292.3	(24.1)	268.2
Total liabilities	6,462.4	(24.1)	6,438.3
Retained earnings	3,989.2	33.9	4,023.1
Accumulated other comprehensive earnings (loss)	(256.5)	(9.2)	(265.7)
Total shareholders' equity	1,282.1	24.7	1,306.8

(a) Financial statement line item was referred to as *Other current assets* in the company's first quarter 2014 Form 10-Q filing.

(b) Financial statement line item was referred to as *Other non-current liabilities* in the company's first quarter 2014 Form 10-Q filing.

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Notes to the Unaudited Condensed Consolidated Financial Statements

2. Accounting Pronouncements

Recently Adopted Accounting Standards

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 was effective for Ball on January 1, 2014, and did not have a material effect on the company's unaudited condensed consolidated financial statements.

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 was effective for Ball prospectively on January 1, 2014, and did not have a material effect on the company's unaudited condensed consolidated financial statements.

New Accounting Guidance

In May 2014, the FASB and International Accounting Standards Board jointly issued new revenue recognition guidance which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The new guidance contains a more robust framework for addressing revenue issues and is intended to remove inconsistencies in existing guidance and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The guidance will supersede the majority of current revenue recognition guidance, including industry-specific guidance. The guidance will be effective for Ball on January 1, 2017, and early adoption is not permitted for the company. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. The company is currently assessing the impact that the adoption of this standard will have on its consolidated financial statements.

In April 2014, accounting guidance was issued to change the criteria for reporting discontinued operations. Under the new guidance, only disposals of components of an entity that represent strategic shifts that have, or will have, a major effect on an entity's operations should be reported as discontinued operations in the financial statements. The new guidance also requires expanded disclosures for discontinued operations, as well as disclosures about the financial effects of significant disposals that do not qualify for discontinued operations. The guidance will be effective for Ball on January 1, 2015, and is not expected to have a material effect on the company's consolidated financial statements.

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Notes to the Unaudited Condensed 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.

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.

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)****Summary of Business by Segment**

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales				
Metal beverage packaging, Americas & Asia	\$ 1,130.1	\$ 1,086.3	\$ 2,127.7	\$ 2,081.5
Metal beverage packaging, Europe	558.4	508.7	1,008.6	911.6
Metal food & household products packaging	367.7	382.6	708.8	749.8
Aerospace & technologies	241.1	226.1	461.8	457.5
Corporate and intercompany eliminations	(5.4)	(1.3)	(8.2)	(7.0)
Net sales	2,291.9	2,202.4	4,298.7	4,193.4
Net earnings				
Metal beverage packaging, Americas & Asia	\$ 142.0	\$ 125.7	\$ 266.9	\$ 229.7
Business consolidation and other activities	(3.0)	(11.0)	1.8	(12.5)
Total metal beverage packaging Americas & Asia	139.0	114.7	268.7	217.2
Metal beverage packaging, Europe	73.7	51.8	129.2	82.7
Business consolidation and other activities	(1.1)	(1.2)	(2.3)	(2.9)
Total metal beverage packaging, Europe	72.6	50.6	126.9	79.8
Metal food & household products packaging	39.8	47.5	76.1	82.2
Business consolidation and other activities	(4.0)	(9.7)	(7.1)	(28.5)
Total metal food & household products packaging	35.8	37.8	69.0	53.7
Aerospace & technologies	24.8	19.1	48.9	37.0
Business consolidation and other activities	(0.2)	(0.2)	(0.2)	(0.2)
Total aerospace & technologies	24.8	18.9	48.9	36.8
Segment earnings before interest and taxes	272.2	222.0	513.5	387.5
Undistributed and corporate expenses and intercompany eliminations, net	(15.8)	(18.0)	(39.2)	(39.8)
Business consolidation and other activities	(0.5)	(0.5)	(1.0)	(1.2)
Total undistributed and corporate expenses and intercompany eliminations, net	(16.3)	(18.5)	(40.2)	(41.0)
Earnings before interest and taxes	255.9	203.5	473.3	346.5
Interest expense	(40.6)	(47.7)	(80.8)	(92.5)

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Debt refinancing costs		(26.7)		(33.1)		(26.7)
Total interest expense	(40.6)		(74.4)		(113.9)	(119.2)
Tax provision	(60.2)		(30.8)		(99.8)	(48.9)
Equity in results of affiliates, net of tax	1.2		0.8		1.6	
Net earnings from continuing operations	156.3		99.1		261.2	178.4
Discontinued operations, net of tax						0.1
Net earnings	156.3		99.1		261.2	178.5
Less net earnings attributable to noncontrolling interests	(3.2)		(4.0)		(14.6)	(11.4)
Net earnings attributable to Ball Corporation	\$ 153.1	\$	95.1	\$	246.6	\$ 167.1

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

(\$ in millions)	June 30, 2014	December 31, 2013
Total Assets		
Metal beverage packaging, Americas & Asia	\$ 3,319.2	\$ 3,425.2
Metal beverage packaging, Europe	2,551.6	2,380.1
Metal food & household products packaging (a)	1,634.1	1,556.3
Aerospace & technologies	376.1	346.1
Segment assets (a)	7,881.0	7,707.7
Corporate assets, net of eliminations (a)	(109.6)	112.7
Total assets (a)	\$ 7,771.4	\$ 7,820.4

(a) 2013 amounts have been revised; further details are included in the Revision of Prior Period Financial Statements Related to Deferred Taxes section of Note 1.

4. 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:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Metal beverage packaging, Americas & Asia	\$ (3.0)	\$ (11.0)	\$ 1.8	\$ (12.5)
Metal beverage packaging, Europe	(1.1)	(1.2)	(2.3)	(2.9)
Metal food & household products packaging	(4.0)	(9.7)	(7.1)	(28.5)
Aerospace & technologies		(0.2)		(0.2)
Corporate and other	(0.5)	(0.5)	(1.0)	(1.2)
	\$ (8.6)	\$ (22.6)	\$ (8.6)	\$ (45.3)

2014

Metal Beverage Packaging, Americas and Asia

The second quarter included charges of \$2.2 million related to a fire at a metal beverage packaging, Americas, facility.

During the first quarter, the company received and recorded compensation of \$5.0 million for the reimbursement of severance costs incurred in connection with the company's closure and relocation of the Shenzhen, PRC, manufacturing facility in 2013. Also during the first quarter, the company sold its plastic motor oil container and pail manufacturing business in the PRC and recorded a gain of \$0.8 million in connection with the sale.

The first six months of 2014 also included net charges of \$1.8 million primarily related to previously closed facilities and for other insignificant activities.

Metal Food and Household Products Packaging

During the fourth quarter of 2013, the company announced plans to close its Danville, Illinois, steel aerosol packaging facility in the second half of 2014. Charges of \$2.0 million and \$1.7 million were recorded during the first and second quarters of 2014, respectively, in connection with the announced closure. The first and second quarters also included charges of \$1.1 million and \$2.3 million, respectively, related to previously closed facilities and other insignificant activities.

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Notes to the Unaudited Condensed Consolidated Financial Statements

4. Business Consolidation and Other Activities (continued)

Metal Beverage Packaging, Europe, and Corporate

The first and second quarters included charges of \$1.2 million and \$1.1 million, respectively, for headcount reductions, cost-out initiatives and the relocation of the company's European headquarters from Germany to Switzerland, as well as additional tax expense of \$2.1 million and \$2.0 million, respectively, related to this relocation. The first six months of 2014 also included charges of \$1.0 million for other insignificant activities.

2013

Metal Beverage Packaging, Americas and Asia

The second quarter included charges of \$7.1 million to balance regional supply and demand in the segment by eliminating 12-ounce beverage can production from the company's Milwaukee, Wisconsin, facility. The charges were composed of \$3.6 million for accelerated depreciation, \$2.0 million for severance and other employee benefits and \$1.5 million for other costs. In addition, the first and second quarters of 2013 included net charges of \$1.5 million and \$3.9 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.

Metal Food and Household Products Packaging

The second quarter included a charge of \$5.9 million to migrate certain hourly employees from a multi-employer defined benefit pension plan as of December 31, 2013, to a Ball-sponsored defined benefit pension plan.

During the first quarter, the company announced the closure of its Elgin, Illinois, food and household products packaging facility, which was completed in December 2013. Charges of \$20.8 million and \$5.3 million were recorded in the first and second quarters of 2013, respectively, in connection with the closure. The total charges in the first six months of \$26.1 million 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 \$5.9 million for the accelerated depreciation on assets abandoned and other closure costs. The Elgin plant produced steel aerosol and specialty cans, as well as flat steel sheet used by other Ball facilities. The plant's production capabilities are being supplied by other Ball food and household products packaging

facilities.

Additionally, in the first and second quarters, income of \$2.0 million and \$1.5 million, respectively, was accrued related to the reimbursement of funds paid in 2012 for the settlement of certain Canadian defined benefit pension liabilities related to previously closed facilities.

Metal Beverage Packaging, Europe, and Corporate

During the first and second quarters, the company recorded charges of \$2.4 million and \$1.7 million, respectively, primarily for implementation costs incurred in connection with the third quarter 2012 relocation of the company's European headquarters from Germany to Switzerland.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****4. Business Consolidation and Other Activities (continued)**

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

(\$ in millions)	Metal Beverage Packaging, Americas & Asia	Metal Food & Household Products Packaging	Total
Balance at December 31, 2013	\$ 1.9	\$ 14.7	\$ 16.6
Charges to earnings	(1.4)	3.8	2.4
Cash payments and other activity	(0.2)	(5.7)	(5.9)
Balance at June 30, 2014	\$ 0.3	\$ 12.8	\$ 13.1

The carrying value of assets held for sale in connection with facility closures was \$15.7 million at June 30, 2014, and \$20.4 million at December 31, 2013.

5. Receivables

(\$ in millions)	June 30, 2014	December 31, 2013
Trade accounts receivable	\$ 1,005.2	\$ 835.2
Less allowance for doubtful accounts	(7.2)	(36.3)
Net trade accounts receivable	998.0	798.9
Other receivables	75.5	60.5
	\$ 1,073.5	\$ 859.4

The allowance for doubtful accounts at December 31, 2013, included a provision of \$27.0 million as a result of the October 2013 bankruptcy filing of a metal food and household products packaging segment customer. On February 6, 2014, the customer's second lien lenders (lenders) were selected as the successful bidder for the customer's assets and such selection was approved by the U.S. Bankruptcy Court on February 12, 2014. The lenders acquired the customer's assets on February 28, 2014, and as a result, the company fully wrote off the accounts receivable reserved for at December 31, 2013. The company also recorded various short-term and long-term receivables in conjunction with the lenders acquisition.

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The company has several regional uncommitted accounts receivable factoring programs with various financial institutions for certain accounts receivable of the company. The programs are accounted for as true sales of the accounts receivable, without recourse to Ball, and had combined limits of approximately \$236 million at June 30, 2014. A total of \$183.3 million and \$137.5 million were sold under these programs as of June 30, 2014, and December 31, 2013, respectively. Latapack-Ball also has non-recourse uncommitted accounts receivable factoring programs with a combined limit of approximately \$18 million at June 30, 2014. There were no accounts receivable sold as of June 30, 2014, and \$6.0 million were sold as of December 31, 2013.

6. Inventories

(\$ in millions)	June 30, 2014	December 31, 2013
Raw materials and supplies	\$ 459.9	\$ 465.6
Work-in-process and finished goods	617.0	609.6
Less inventory reserves	(48.7)	(46.9)
	\$ 1,028.2	\$ 1,028.3

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****7. Property, Plant and Equipment**

(\$ in millions)	June 30, 2014	December 31, 2013
Land	\$ 68.0	\$ 67.6
Buildings	982.0	980.9
Machinery and equipment	3,664.4	3,647.8
Construction-in-progress	273.2	232.9
	4,987.6	4,929.2
Accumulated depreciation	(2,604.3)	(2,556.9)
	\$ 2,383.3	\$ 2,372.3

Property, plant and equipment are stated at historical or acquired cost. Depreciation expense amounted to \$59.1 million and \$118.2 million for the three and six months ended June 30, 2014, respectively, and \$64.3 million and \$128.1 million for the comparable periods in 2013, respectively.

8. Goodwill

(\$ in millions)	Metal Beverage Packaging, Americas & Asia	Metal Beverage Packaging, Europe	Metal Food & Household Products Packaging	Aerospace & Technologies	Total
Balance at December 31, 2013 (a)	\$ 740.7	\$ 1,037.2	\$ 613.2	\$ 8.6	\$ 2,399.7
Business disposition	(1.2)				(1.2)
Effects of currency exchange rates		(11.5)	(1.9)		(13.4)
Balance at June 30, 2014	\$ 739.5	\$ 1,025.7	\$ 611.3	\$ 8.6	\$ 2,385.1

(a) 2013 amounts have been revised; further details are included in the *Revision of Prior Period Financial Statements Related to Deferred Taxes* section of Note 1.

9. Intangibles and Other Assets

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(\$ in millions)	June 30, 2014	December 31, 2013
Investment in affiliates	\$ 35.7	\$ 33.7
Intangible assets (net of accumulated amortization of \$105.6 million at June 30, 2014, and \$93.7 million at December 31, 2013)	153.4	166.1
Capitalized software (net of accumulated amortization of \$98.8 million at June 30, 2014, and \$91.3 million at December 31, 2013)	62.4	65.0
Company and trust-owned life insurance	165.2	150.9
Deferred financing costs	39.9	46.2
Other	126.6	115.6
	\$ 583.2	\$ 577.5

Total amortization expense of intangible assets amounted to \$10.5 million and \$20.2 million for the three and six months ended June 30, 2014, respectively, and \$10.2 million and \$18.9 million for the comparable periods in 2013, respectively.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****10. Debt**

Long-term debt consisted of the following:

(\$ in millions)	June 30, 2014		December 31, 2013	
	In Denominated Currency	In U.S. \$	In Denominated Currency	In U.S. \$
Notes Payable				
7.375% Senior Notes, due September 2019	\$	\$	\$ 315.4	\$ 315.4
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	\$ 1,000.0	1,000.0
Senior Credit Facilities, due June 2018 (at variable rates)				
Term B Loan, British sterling denominated	£ 35.9	61.1	£ 36.8	60.8
Term C Loan, euro denominated	78.5	107.1	80.6	111.2
Multi-currency revolver, U.S. dollar denominated	\$ 50.0	50.0	\$	
Multi-currency revolver, euro denominated			70.0	96.6
Latapack-Ball Notes Payable (at various rates and terms), denominated in various currencies	\$ 217.1	217.1	\$ 215.8	215.8
Other (including discounts and premiums)	Various	2.0	Various	(2.0)
		3,187.3		3,547.8
Less: Current portion of long-term debt and callable long-term debt		(58.1)		(365.3)
		\$ 3,129.2		\$ 3,182.5

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.

On December 9, 2013, Ball announced the redemption of its outstanding 7.375 percent senior notes due in September 2019. The redemption occurred on January 10, 2014, at a price per note of 108.01 percent of the outstanding principal amount plus accrued interest. The redemption of the bonds resulted in a pretax charge in the first six months of 2014 of \$33.1 million for the call premium and the write off of unamortized financing costs and premiums.

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At June 30, 2014, taking into account outstanding letters of credit and excluding availability under the accounts receivable securitization program, approximately \$934 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 \$791 million of short-term uncommitted credit facilities available at June 30, 2014, of which \$189.9 million was outstanding and due on demand. At December 31, 2013, the company had \$57.3 million outstanding under short-term uncommitted credit facilities.

In August 2011, the company entered into an accounts receivable securitization agreement, as amended and extended from time to time. The maximum the company can borrow under the amended agreement can vary between \$85 million and \$175 million depending on the seasonal accounts receivable balances in the company's North American packaging businesses. There were \$160.0 million of accounts receivable sold under this agreement at June 30, 2014, and none were sold at December 31, 2013. 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.

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Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

10. Debt (continued)

The fair value of the long-term debt at June 30, 2014, and at December 31, 2013, 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 and is classified as Level 2 within the fair value hierarchy. Rates currently available to the company for loans with similar terms and maturities are used to estimate the fair value of long-term debt based on discounted cash flows.

The 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 18 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 June 30, 2014, and December 31, 2013, 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****11. Employee Benefit Obligations**

(\$ in millions)	June 30, 2014	December 31, 2013
Underfunded defined benefit pension liabilities	\$ 577.7	\$ 601.9
Less current portion and prepaid pension assets	(23.8)	(21.4)
Long-term defined benefit pension liabilities	553.9	580.5
Retiree medical and other postemployment benefits	164.2	165.9
Deferred compensation plans	261.6	257.1
Other	29.6	29.5
	\$ 1,009.3	\$ 1,033.0

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

(\$ in millions)	Three Months Ended June 30,					
	U.S.	2014 Foreign	Total	U.S.	2013 Foreign	Total
Ball-sponsored plans:						
Service cost	\$ 11.4	\$ 3.6	\$ 15.0	\$ 12.1	\$ 2.5	\$ 14.6
Interest cost	15.6	6.6	22.2	13.8	6.0	19.8
Expected return on plan assets	(20.5)	(3.7)	(24.2)	(19.4)	(3.4)	(22.8)
Amortization of prior service cost		(0.1)	(0.1)		(0.1)	(0.1)
Recognized net actuarial loss	7.2	1.4	8.6	10.7	1.2	11.9
Curtailment and settlement losses (gains) (a)				(0.5)		(0.5)
Net periodic benefit cost for Ball-sponsored plans	13.7	7.8	21.5	16.7	6.2	22.9
Multi-employer plans:						
Net periodic benefit cost, excluding curtailment loss	0.6		0.6	0.6		0.6
Curtailment and settlement losses (gains) (a)				5.9		5.9
Net periodic benefit cost for multi-employer plans	0.6		0.6	6.5		6.5
Total net periodic benefit cost	\$ 14.3	\$ 7.8	\$ 22.1	\$ 23.2	\$ 6.2	\$ 29.4

(a) Curtailment and settlement losses (gains) in 2013 were 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 the Ball-sponsored

defined benefit pension plans as of December 31, 2013. Further details are available in Note 4.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****11. Employee Benefit Obligations (continued)**

(\$ in millions)	Six Months Ended June 30,					
	U.S.	2014 Foreign	Total	U.S.	2013 Foreign	Total
Ball-sponsored plans:						
Service cost	\$ 22.8	\$ 7.1	\$ 29.9	\$ 24.4	\$ 5.0	\$ 29.4
Interest cost	31.2	13.1	44.3	27.6	11.9	39.5
Expected return on plan assets	(41.0)	(7.2)	(48.2)	(38.7)	(6.8)	(45.5)
Amortization of prior service cost		(0.2)	(0.2)		(0.2)	(0.2)
Recognized net actuarial loss	14.4	2.7	17.1	21.3	2.5	23.8
Curtailed and settlement losses (gains) (a)				4.1		4.1
Net periodic benefit cost for Ball-sponsored plans	27.4	15.5	42.9	38.7	12.4	51.1
Multi-employer plans:						
Net periodic benefit cost, excluding curtailment loss	1.3		1.3	1.3		1.3
Curtailed and settlement losses (gains) (a)				9.8		9.8
Net periodic benefit cost for multi-employer plans	1.3		1.3	11.1		11.1
Total net periodic benefit cost	\$ 28.7	\$ 15.5	\$ 44.2	\$ 49.8	\$ 12.4	\$ 62.2

(a) *Curtailed and settlement losses (gains) in 2013 were 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 the Ball-sponsored defined benefit pension plans as of December 31, 2013. Further details are available in Note 4.*

Contributions to the company's defined global benefit pension plans, not including the unfunded German plans, were \$36.8 million in the first six months of 2014 (\$85.3 million in 2013). The total contributions to these funded plans are expected to be in the range of \$65 million for the full year. This estimate may change based on changes in the U.S. Pension Protection Act and actual plan asset performance and available company cash flow, among other factors. Payments to participants in the unfunded German plans were \$11.5 million in the first six months of 2014 and are expected to be approximately \$23 million for the full year.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****12. 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, 2013 <i>(a)</i>	\$ 180.7	\$ (391.8)	\$ (38.8)	\$ (249.9)
Other comprehensive earnings (loss) before reclassifications	(30.6)	0.2	3.9	(26.5)
Amounts reclassified from accumulated other comprehensive earnings (loss)		10.7	12.6	23.3
Balance at June 30, 2014	\$ 150.1	\$ (380.9)	\$ (22.3)	\$ (253.1)

(a) 2013 amounts have been revised; further details are included in the *Revision of Prior Period Financial Statements Related to Deferred Taxes* section of Note 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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Gains (losses) on cash flow hedges:				
Commodity contracts recorded in net sales	\$ (1.3)	\$ 3.0	\$ (0.5)	\$ 2.4
Commodity contracts and currency exchange contracts recorded in cost of sales	(6.4)	(6.1)	(13.9)	(10.4)
Interest rate contracts recorded in interest expense		(0.2)	(0.3)	(0.5)
Total before tax effect	(7.7)	(3.3)	(14.7)	(8.5)
Tax benefit (expense) on amounts reclassified into earnings	1.2	0.9	2.1	2.6

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Recognized gain (loss)	\$	(6.5)	\$	(2.4)	\$	(12.6)	\$	(5.9)
Amortization of pension and other postretirement benefits (a):								
Prior service income (cost)	\$	0.1	\$	0.1	\$	0.2	\$	0.2
Actuarial gains (losses)		(8.6)		(11.9)		(17.1)		(23.8)
Total before tax effect		(8.5)		(11.8)		(16.9)		(23.6)
Tax benefit (expense) on amounts reclassified into earnings		3.1		4.6		6.2		9.2
Recognized gain (loss)	\$	(5.4)	\$	(7.2)	\$	(10.7)	\$	(14.4)

(a) These components are included in the computation of net periodic benefit cost included in Note 11.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****12. Shareholders Equity and Comprehensive Earnings (continued)****Share Repurchase Agreements**

On March 4, 2014, 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 March 7, 2014, and received 1,538,740 shares, which represented 85 percent of the total shares as calculated using the closing price on March 3, 2014. The agreement was settled in June 2014, and the company received an additional 245,196 shares, which represented a weighted average price of \$56.06 for the entire contract period.

13. 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 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 total of 1,361,390 stock options and SSARs were granted in January 2014.

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 January 2014 and 2013 have estimated weighted average fair values at the date of grant of \$9.81 per share and \$8.69 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 2014	January 2013
Expected dividend yield	1.06%	1.13%
Expected stock price volatility	21.41%	22.02%
Risk-free interest rate	1.65%	1.02%
Expected life of options (in years)	5.5 years	5.5 years

In January 2014 and 2013, the company's board of directors granted 143,305 and 148,875 performance-contingent restricted stock units (PCEQs), respectively, to key employees. These PCEQs vest three years from the date of grant, and the number of shares available at the vesting date are based on the company's growth in economic value added (EVA®) dollars in excess of the EVA® dollars generated in the calendar year prior to grant as the minimum threshold, and ranging from zero to 200 percent of each participant's assigned award opportunity. If the minimum

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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.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****14. Earnings and Dividends Per Share**

(\$ in millions, except per share amounts; shares in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net earnings attributable to Ball Corporation	\$ 153.1	\$ 95.1	\$ 246.6	\$ 167.1
Basic weighted average common shares	139,012	147,088	139,704	148,027
Effect of dilutive securities	3,848	3,217	3,768	3,235
Weighted average shares applicable to diluted earnings per share	142,860	150,305	143,472	151,262
Per basic share	\$ 1.10	\$ 0.65	\$ 1.77	\$ 1.13
Per diluted share	\$ 1.07	\$ 0.63	\$ 1.72	\$ 1.10

Certain outstanding options 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 excluded totaled 1.3 million in the six months ended June 30, 2014, and 1.4 million in both the three and six months ended June 30, 2013. There were no options excluded in the three months ended June 30, 2014.

The company declared and paid dividends of \$0.13 per share in the first two quarters of both 2014 and 2013.

15. 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 option 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.

The company had aluminum contracts limiting its aluminum exposure with notional amounts of approximately \$443 million at June 30, 2014. 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 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 June 30, 2014, within accumulated other comprehensive earnings (loss) is a net after-tax loss of \$19.9 million associated with these contracts. A net loss of \$10.7 million is expected to be recognized in the consolidated statement of earnings during the next 12 months, the majority of which will be offset by pricing changes in sales and purchase contracts, thus resulting in little or no earnings impact to Ball.

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Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

15. Financial Instruments and Risk Management (continued)

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 they 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 June 30, 2014, included pay-fixed interest rate swaps, which effectively convert variable rate obligations to fixed-rate instruments.

At June 30, 2014, the company had outstanding interest rate swap contracts with notional amounts of approximately \$105 million paying fixed rates expiring within the next four years. The after-tax loss included in shareholders' equity at June 30, 2014, 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 and equipment 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 uses forward and option contracts to manage currency exposures. At June 30, 2014, the company had outstanding exchange forward contracts and option contracts with notional amounts totaling approximately \$810 million. Included in shareholders' equity at June 30, 2014, within accumulated other comprehensive earnings (loss) is a net after-tax loss of \$2.4 million associated with these contracts. A net loss of \$3.1 million is expected to be recognized in the consolidated statement of earnings during the next 12 months. The contracts outstanding at June 30, 2014, 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. 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 2015 and September 2014, respectively. The swaps have a notional value of 1 million shares and 300,000 shares, respectively. As of June 30, 2014, the combined fair value of these swaps was a \$1.8 million gain. All gains and losses on the total return swaps are recorded in the unaudited condensed consolidated statement of earnings in selling, general and administrative expenses.

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 derivative 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 June 30, 2014, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was \$25.4 million and no collateral was required to be posted. As of December 31, 2013, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was \$48.0 million and no collateral was required to be posted.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****15. Financial Instruments and Risk Management (continued)****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. The fair values of the company's derivative instruments were as follows:

(\$ in millions)	June 30, 2014			December 31, 2013		
	Derivatives Designated As Hedging Instruments	Derivatives Not Designated As Hedging Instruments	Total	Derivatives Designated As Hedging Instruments	Derivatives Not Designated As Hedging Instruments	Total
Assets:						
Commodity contracts	\$ 7.7	\$ 0.9	\$ 8.6	\$ 2.6	\$ 1.7	\$ 4.3
Foreign currency contracts	0.6	7.1	7.7	0.2	1.5	1.7
Other contracts		1.8	1.8		1.1	1.1
Total current derivative contracts	\$ 8.3	\$ 9.8	\$ 18.1	\$ 2.8	\$ 4.3	\$ 7.1
Commodity contracts	\$ 1.5	\$	\$ 1.5	\$	\$	\$
Foreign currency contracts					0.1	0.1
Interest contracts	0.3		0.3			
Total noncurrent derivative contracts	\$ 1.8	\$	\$ 1.8	\$	\$ 0.1	\$ 0.1
Liabilities:						
Commodity contracts	\$ 9.4	\$ 0.9	\$ 10.3	\$ 19.2	\$ 2.0	\$ 21.2
Foreign currency contracts	3.6	6.3	9.9	1.5	6.1	7.6
Interest rate and other contracts	0.6		0.6	0.8		0.8
Total current derivative contracts	\$ 13.6	\$ 7.2	\$ 20.8	\$ 21.5	\$ 8.1	\$ 29.6
Commodity contracts	\$ 17.5	\$	\$ 17.5	\$ 20.3	\$	\$ 20.3
Interest rate contracts	0.1		0.1			
Total noncurrent derivative contracts	\$ 17.6	\$	\$ 17.6	\$ 20.3	\$	\$ 20.3

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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, inflation 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. We value each of our financial instruments 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 June 30, 2014, has not identified any circumstances requiring that the reported values of our financial instruments be adjusted.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****15. Financial Instruments and Risk Management (continued)****Impact on Earnings from Derivative Instruments**

(\$ in millions)	2014		Three Months Ended June 30,		2013	
	Cash Flow Hedge - Reclassified Amount From Other Comprehensive Earnings (Loss)	Gain (Loss) on Derivatives Not Designated As Hedge Instruments	Cash Flow Hedge - Reclassified Amount From Other Comprehensive Earnings (Loss)	Gain (Loss) on Derivatives Not Designated As Hedge Instruments	Cash Flow Hedge - Reclassified Amount From Other Comprehensive Earnings (Loss)	Gain (Loss) on Derivatives Not Designated As Hedge Instruments
Commodity contracts (a)	\$ (8.0)	\$ 0.6	\$ (3.3)	\$ (0.7)		
Interest rate contracts (b)			(0.2)			
Foreign currency contracts (c)	0.3	(0.5)	0.2	3.1		
Equity contracts (d)		0.9		(3.5)		
Total	\$ (7.7)	\$ 1.0	\$ (3.3)	\$ (1.1)		

(\$ in millions)	2014		Six Months Ended June 30,		2013	
	Cash Flow Hedge - Reclassified Amount From Other Comprehensive Earnings (Loss)	Gain (Loss) on Derivatives Not Designated As Hedge Instruments	Cash Flow Hedge - Reclassified Amount From Other Comprehensive Earnings (Loss)	Gain (Loss) on Derivatives Not Designated As Hedge Instruments	Cash Flow Hedge - Reclassified Amount From Other Comprehensive Earnings (Loss)	Gain (Loss) on Derivatives Not Designated As Hedge Instruments
Commodity contracts (a)	\$ (14.7)	\$ 0.8	\$ (7.7)	\$ (1.5)		
Interest rate contracts (b)	(0.3)		(0.5)			
Foreign currency contracts (c)	0.3	(5.1)	(0.3)	3.4		
Equity contracts (d)		(0.3)		(1.8)		
Total	\$ (14.7)	\$ (4.6)	\$ (8.5)	\$ 0.1		

(a) Gains and losses on commodity contracts are recorded in sales and cost of sales in the statements of earnings. Virtually all 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.

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

statements of earnings.

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

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****15. 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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Amounts reclassified into earnings:				
Commodity contracts	\$ 8.0	\$ 3.3	\$ 14.7	\$ 7.7
Interest rate contracts		0.3	0.3	0.5
Currency exchange contracts	(0.3)	(0.3)	(0.3)	0.3
Change in fair value of cash flow hedges:				
Commodity contracts	9.8	(25.1)	6.7	(44.4)
Interest rate contracts	(0.1)	1.0	(0.4)	0.9
Currency exchange contracts	(1.4)	0.7	(1.2)	3.3
Foreign currency and tax impacts	(2.1)	2.9	(3.3)	4.9
	\$ 13.9	\$ (17.2)	\$ 16.5	\$ (26.8)

16. 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 Waste Management of Colorado, Inc., seeking contributions from the company and approximately 38 other companies. The company filed its

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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.

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Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

16. 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.

In November 2012, the USEPA wrote to the company asserting that it is one of at least 50 PRPs with respect to the Lower Duwamish site located in Seattle, Washington, based on the company's ownership of a glass container plant prior to 1995, and notifying the company of a proposed remediation action plan. An allocator has been selected to begin data review on over 30 industrial companies and government entities and at least two PRP groups have begun to discuss various allocation proposals, with this process expected to last approximately three years. 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.

In February 2012, Ball Metal Beverage Container Corp. (BMBCC) filed an action against Crown Packaging Technology, Inc. (Crown) in the U.S. District Court for the Southern District of Ohio seeking a declaratory judgment that the sale and use of certain ends by BMBCC and its customers do not infringe certain claims of Crown's U.S. patents. Crown subsequently filed a counterclaim alleging infringement of certain claims in these patents seeking unspecified monetary damages, fees and declaratory and injunctive relief. The parties are awaiting a claim construction order from the District Court. Based on the information available to the company at the present time, the company does not believe that this matter will have a material adverse effect upon the liquidity, results of operations or financial condition of the company.

The company's Brazilian joint venture operations are involved in various governmental assessments, principally related to claims for taxes on the internal transfer of inventory, gross revenue taxes and tax incentives. The company does not believe that the ultimate resolution of these matters will materially impact Ball Corporation's results of operations, financial position or cash flows. Under customary local regulations, the joint venture may need to post cash or other collateral if the process to challenge any administrative assessment proceeds to the Brazilian court system; however, the level of any potential cash or collateral required would not significantly impact the liquidity of the joint venture or Ball Corporation.

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Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

17. 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.

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 18. 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****18. 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 June 30, 2014, and December 31, 2013, and for the six months ended June 30, 2014 and 2013. 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 Three Months Ended June 30, 2014					Consolidated Total
	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments		
Net sales	\$	\$ 1,350.6	\$ 946.5	\$ (5.2)	\$	2,291.9
Cost and expenses						
Cost of sales (excluding depreciation and amortization)		(1,112.8)	(738.8)	5.2		(1,846.4)
Depreciation and amortization	(1.5)	(30.9)	(37.2)			(69.6)
Selling, general and administrative	(12.0)	(44.8)	(54.6)			(111.4)
Business consolidation and other activities	(0.4)	(7.1)	(1.1)			(8.6)
Equity in results of subsidiaries	154.8	79.4		(234.2)		
Intercompany	51.9	(42.6)	(9.3)			
	192.8	(1,158.8)	(841.0)	(229.0)		(2,036.0)
Earnings (loss) before interest and taxes	192.8	191.8	105.5	(234.2)		255.9
Total interest expense	(37.5)	0.6	(3.7)			(40.6)
Earnings (loss) before taxes	155.3	192.4	101.8	(234.2)		215.3
Tax provision	(2.2)	(33.3)	(24.7)			(60.2)
Equity in results of affiliates, net of tax		0.7	0.5			1.2
Net earnings (loss)	153.1	159.8	77.6	(234.2)		156.3
Less net earnings attributable to noncontrolling interests			(3.2)			(3.2)
Net earnings (loss) attributable to Ball Corporation	\$ 153.1	\$ 159.8	\$ 74.4	\$ (234.2)	\$	153.1
Comprehensive earnings attributable to Ball Corporation	\$ 165.7	\$ 171.0	\$ 78.5	\$ (249.5)	\$	165.7

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****18. Subsidiary Guarantees of Debt (continued)**

(\$ in millions)	Unaudited Condensed Consolidating Statement of Earnings Three Months Ended June 30, 2013					Consolidated Total				
	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments						
Net sales	\$	\$	1,339.2	\$	867.6	\$	(4.4)	\$	2,202.4	
Cost and expenses										
Cost of sales (excluding depreciation and amortization)		0.2	(1,112.6)		(690.9)		4.4		(1,798.9)	
Depreciation and amortization		(2.8)	(31.0)		(40.7)				(74.5)	
Selling, general and administrative		(19.5)	(44.9)		(38.5)				(102.9)	
Business consolidation and other activities		(0.5)	(20.9)		(1.2)				(22.6)	
Equity in results of subsidiaries		128.0	65.5				(193.5)			
Intercompany		46.2	(37.3)		(8.9)					
		151.6	(1,181.2)		(780.2)		(189.1)		(1,998.9)	
Earnings (loss) before interest and taxes		151.6	158.0		87.4		(193.5)		203.5	
Interest expense		(44.0)	0.5		(4.2)				(47.7)	
Debt refinancing and other		(26.7)							(26.7)	
Total interest expense		(70.7)	0.5		(4.2)				(74.4)	
Earnings (loss) before taxes		80.9	158.5		83.2		(193.5)		129.1	
Tax provision		14.2	(30.6)		(14.4)				(30.8)	
Equity in results of affiliates, net of tax			0.5		0.3				0.8	
Net earnings (loss)		95.1	128.4		69.1		(193.5)		99.1	
Less net earnings attributable to noncontrolling interests					(4.0)				(4.0)	
Net earnings (loss) attributable to Ball Corporation	\$	95.1	\$	128.4	\$	65.1	\$	(193.5)	\$	95.1
Comprehensive earnings attributable to Ball Corporation (a)	\$	101.5	\$	133.2	\$	69.3	\$	(202.5)	\$	101.5

(a) Amounts have been revised; further details are included in the *Revision of Prior Period Financial Statements Related to Deferred Taxes* section of Note 1.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****18. Subsidiary Guarantees of Debt (continued)**

(\$ in millions)	Unaudited Condensed Consolidating Statement of Earnings Six Month Ended June 30, 2014					Consolidated Total
	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments		
Net sales	\$	\$ 2,522.4	\$ 1,784.3	\$ (8.0)	\$	4,298.7
Cost and expenses						
Cost of sales (excluding depreciation and amortization)	(0.1)	(2,084.9)	(1,382.3)	8.0		(3,459.3)
Depreciation and amortization	(3.0)	(61.7)	(73.7)			(138.4)
Selling, general and administrative	(34.7)	(88.3)	(96.1)			(219.1)
Business consolidation and other activities	(1.0)	(10.9)	3.3			(8.6)
Equity in results of subsidiaries	289.4	160.9		(450.3)		
Intercompany	99.2	(85.7)	(13.5)			
	349.8	(2,170.6)	(1,562.3)	(442.3)		(3,825.4)
Earnings (loss) before interest and taxes	349.8	351.8	222.0	(450.3)		473.3
Interest expense	(75.5)	1.1	(6.4)			(80.8)
Debt refinancing and other	(33.1)					(33.1)
Total interest expense	(108.6)	1.1	(6.4)			(113.9)
Earnings (loss) before taxes	241.2	352.9	215.6	(450.3)		359.4
Tax provision	5.4	(58.4)	(46.8)			(99.8)
Equity in results of affiliates, net of tax		0.9	0.7			1.6
Net earnings (loss)	246.6	295.4	169.5	(450.3)		261.2
Less net earnings attributable to noncontrolling interests			(14.6)			(14.6)
Net earnings (loss) attributable to Ball Corporation	\$ 246.6	\$ 295.4	\$ 154.9	\$ (450.3)	\$	246.6
Comprehensive earnings attributable to Ball Corporation	\$ 243.4	\$ 290.3	\$ 141.0	\$ (431.3)	\$	243.4

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****18. Subsidiary Guarantees of Debt (continued)**

(\$ in millions)	Unaudited Condensed Consolidating Statement of Earnings Six Months Ended June 30, 2013					Consolidated Total
	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments		
Net sales	\$	\$ 2,564.5	\$ 1,643.0	\$ (14.1)	\$	4,193.4
Cost and expenses						
Cost of sales (excluding depreciation and amortization)		(2,148.1)	(1,308.4)	14.1		(3,442.4)
Depreciation and amortization	(4.3)	(61.8)	(80.9)			(147.0)
Selling, general and administrative	(42.2)	(92.8)	(77.2)			(212.2)
Business consolidation and other activities	(1.3)	(42.9)	(1.1)			(45.3)
Equity in results of subsidiaries	209.1	111.8		(320.9)		
Intercompany	88.4	(72.9)	(15.5)			
	249.7	(2,306.7)	(1,483.1)	(306.8)		(3,846.9)
Earnings (loss) before interest and taxes	249.7	257.8	159.9	(320.9)		346.5
Interest expense	(85.1)	1.0	(8.4)			(92.5)
Debt refinancing and other	(26.7)					(26.7)
Total interest expense	(111.8)	1.0	(8.4)			(119.2)
Earnings (loss) before taxes	137.9	258.8	151.5	(320.9)		227.3
Tax provision	29.2	(48.2)	(29.9)			(48.9)
Net earnings (loss) from continuing operations	167.1	210.6	121.6	(320.9)		178.4
Discontinued operations, net of tax		0.1				0.1
Net earnings (loss)	167.1	210.7	121.6	(320.9)		178.5
Less net earnings attributable to noncontrolling interests			(11.4)			(11.4)
Net earnings (loss) attributable to Ball Corporation	\$ 167.1	\$ 210.7	\$ 110.2	\$ (320.9)	\$	167.1
Comprehensive earnings attributable to Ball Corporation (a)	\$ 126.7	\$ 178.1	\$ 66.2	\$ (244.3)	\$	126.7

(a) Amounts have been revised; further details are included in the Revision of Prior Period Financial Statements Related to Deferred Taxes section of Note 1.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****18. Subsidiary Guarantees of Debt (continued)**

(\$ in millions)	Unaudited Condensed Consolidating Balance Sheet					Consolidated Total
	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	June 30, 2014	
ASSETS						
Current assets						
Cash and cash equivalents	\$ 4.3	\$ 0.3	\$ 150.7	\$	\$	\$ 155.3
Receivables, net	6.6	98.1	968.8			1,073.5
Intercompany receivables	71.6	101.4	3.9	(176.9)		
Inventories, net	(0.1)	594.3	434.0			1,028.2
Deferred taxes and other current assets	12.9	99.4	50.5			162.8
Total current assets	95.3	893.5	1,607.9	(176.9)		2,419.8
Non-current assets						
Property, plant and equipment, net	17.7	893.4	1,472.2			2,383.3
Investment in subsidiaries	4,737.8	2,276.7	78.6	(7,093.1)		
Goodwill		935.6	1,449.5			2,385.1
Intangibles and other assets, net	214.3	112.1	256.8			583.2
Total assets	\$ 5,065.1	\$ 5,111.3	\$ 4,865.0	\$ (7,270.0)	\$	\$ 7,771.4
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term debt and current portion of long-term debt						
	\$ 49.0	\$ 35.6	\$ 323.4	\$	\$	\$ 408.0
Accounts payable	8.6	589.6	517.8			1,116.0
Intercompany payables	98.1	2.0	77.0	(177.1)		
Accrued employee costs	14.8	115.2	86.6			216.6
Other current liabilities	35.0	88.5	109.5			233.0
Total current liabilities	205.5	830.9	1,114.3	(177.1)		1,973.6
Non-current liabilities						
Long-term debt	2,800.0	0.5	328.7			3,129.2
Employee benefit obligations	294.7	286.2	428.4			1,009.3
Deferred taxes and other liabilities	558.0	(830.8)	525.2	0.3		252.7
Total liabilities	3,858.2	286.8	2,396.6	(176.8)		6,364.8
Common stock						
Common stock	1,105.7	855.9	531.2	(1,387.1)		1,105.7
Preferred stock			4.8	(4.8)		
Retained earnings	4,158.3	4,169.2	1,734.8	(5,904.0)		4,158.3
Accumulated other comprehensive earnings (loss)	(253.1)	(200.6)	(2.1)	202.7		(253.1)
Treasury stock, at cost	(3,804.0)					(3,804.0)
Total Ball Corporation shareholders equity	1,206.9	4,824.5	2,268.7	(7,093.2)		1,206.9
Noncontrolling interests			199.7			199.7
Total shareholders' equity	1,206.9	4,824.5	2,468.4	(7,093.2)		1,406.6

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Total liabilities and shareholders equity \$ 5,065.1 \$ 5,111.3 \$ 4,865.0 \$ (7,270.0) \$ 7,771.4

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****18. Subsidiary Guarantees of Debt (continued)**

(\$ in millions)	Unaudited Condensed Consolidating Balance Sheet					Consolidated Total
	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	December 31, 2013	
ASSETS						
Current assets						
Cash and cash equivalents	\$ 218.6	\$ 0.3	\$ 197.1	\$	\$	\$ 416.0
Receivables, net	2.9	133.9	722.6			859.4
Intercompany receivables	178.9	99.1	1.0	(279.0)		
Inventories, net		601.7	426.6			1,028.3
Deferred taxes and other current assets (a)	4.0	109.7	53.5			167.2
Total current assets (a)	404.4	944.7	1,400.8	(279.0)		2,470.9
Non-current assets						
Property, plant and equipment, net	14.9	877.5	1,479.9			2,372.3
Investment in subsidiaries (a)	4,452.3	2,122.0	78.6	(6,652.9)		
Goodwill (a)		935.6	1,464.1			2,399.7
Intangibles and other assets, net	206.9	100.9	269.7			577.5
Total assets (a)	\$ 5,078.5	\$ 4,980.7	\$ 4,693.1	\$ (6,931.9)	\$	\$ 7,820.4
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term debt and current portion of long-term debt						
	\$ 310.8	\$ 30.1	\$ 81.7	\$	\$	\$ 422.6
Accounts payable	6.9	525.3	466.6			998.8
Intercompany payables	95.1	0.4	183.5	(279.0)		
Accrued employee costs	22.5	133.7	85.1			241.3
Other current liabilities	10.0	138.5	116.2			264.7
Total current liabilities	445.3	828.0	933.1	(279.0)		1,927.4
Non-current liabilities						
Long-term debt	2,750.0	0.5	432.0			3,182.5
Employee benefit obligations	284.4	310.9	437.7			1,033.0
Deferred taxes and other liabilities (a)	374.2	(684.1)	571.4			261.5
Total liabilities (a)	3,853.9	455.3	2,374.2	(279.0)		6,404.4
Common stock						
Preferred stock	1,078.4	847.1	531.1	(1,378.2)		1,078.4
Retained earnings (a)			4.8	(4.8)		
Accumulated other comprehensive earnings (loss) (a)	3,947.7	3,873.8	1,579.8	(5,453.6)		3,947.7
Treasury stock, at cost	(249.9)	(195.5)	11.8	183.7		(249.9)
Total Ball Corporation shareholders' equity (a)	(3,551.6)					(3,551.6)
Noncontrolling interests	1,224.6	4,525.4	2,127.5	(6,652.9)		1,224.6
			191.4			191.4

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Total shareholders' equity (a)	1,224.6	4,525.4	2,318.9	(6,652.9)	1,416.0
Total liabilities and shareholders' equity (a)	\$ 5,078.5	\$ 4,980.7	\$ 4,693.1	\$ (6,931.9)	\$ 7,820.4

(a) Amounts have been revised; further details are included in the *Revision of Prior Period Financial Statements Related to Deferred Taxes* section of Note 1.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****18. Subsidiary Guarantees of Debt (continued)**

(\$ in millions)	Unaudited Condensed Consolidating Statement of Cash Flows Six Months Ended June 30, 2014			
	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated Total
Cash provided by (used in) operating activities	\$ (19.3)	\$ 204.9	\$ 24.4	\$ 210.0
Cash flows from investing activities				
Capital expenditures	(6.0)	(57.9)	(71.4)	(135.3)
Other, net	0.7	2.7	7.8	11.2
Cash provided by (used in) investing activities	(5.3)	(55.2)	(63.6)	(124.1)
Cash flows from financing activities				
Long-term borrowings	375.0		21.9	396.9
Repayments of long-term borrowings	(640.4)	(0.3)	(121.1)	(761.8)
Net change in short-term borrowings	49.0	5.8	237.9	292.7
Proceeds from issuances of common stock	18.6			18.6
Acquisitions of treasury stock	(257.1)			(257.1)
Common dividends	(36.8)			(36.8)
Intercompany	292.7	(155.2)	(137.5)	
Other, net	9.5		(6.0)	3.5
Cash provided by (used in) financing activities	(189.5)	(149.7)	(4.8)	(344.0)
Effect of exchange rate changes on cash	(0.2)		(2.4)	(2.6)
Change in cash and cash equivalents	(214.3)		(46.4)	(260.7)
Cash and cash equivalents beginning of period	218.6	0.3	197.1	416.0
Cash and cash equivalents end of period	\$ 4.3	\$ 0.3	\$ 150.7	\$ 155.3

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****18. Subsidiary Guarantees of Debt (continued)**

(\$ in millions)	Unaudited Condensed Consolidating Statement of Cash Flows For the Six Months Ended June 30, 2013			
	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated Total
Cash provided by (used in) continuing operating activities	\$ (99.2)	\$ 109.8	\$ (95.1)	\$ (84.5)
Cash provided by (used in) discontinued operating activities	0.1	(2.2)		(2.1)
Total cash provided by (used in) operating activities	(99.1)	107.6	(95.1)	(86.6)
Cash flows from investing activities				
Capital expenditures	(2.6)	(84.8)	(113.7)	(201.1)
Business acquisition, net of cash acquired		(12.5)	(0.1)	(12.6)
Other, net	(3.9)	0.6	(1.2)	(4.5)
Cash provided by (used in) investing activities	(6.5)	(96.7)	(115.0)	(218.2)
Cash flows from financing activities				
Long-term borrowings	1,373.0		174.0	1,547.0
Repayments of long-term borrowings	(823.1)		(392.6)	(1,215.7)
Net change in short-term borrowings	4.0	29.1	198.0	231.1
Proceeds from issuances of common stock	13.6			13.6
Acquisitions of treasury stock	(215.9)			(215.9)
Common dividends	(38.0)			(38.0)
Intercompany	(191.7)	(40.0)	231.7	
Other, net	(10.3)		(6.2)	(16.5)
Cash provided by (used in) financing activities	111.6	(10.9)	204.9	305.6
Effect of exchange rate changes on cash	(5.5)		0.1	(5.4)
Change in cash and cash equivalents	0.5		(5.1)	(4.6)
Cash and cash equivalents beginning of period	0.2	0.3	173.6	174.1
Cash and cash equivalents end of period	\$ 0.7	\$ 0.3	\$ 168.5	\$ 169.5

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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 Quarterly Report on Form 10-Q, 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 accounting principles generally accepted in the United States of America (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 actions that we may undertake in the future in determining the estimates that affect our 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 subsidiaries 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 industry seeing a continued decline in standard-sized aluminum beverage packaging for the carbonated soft drink market. 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 contracts covering the majority of our volumes 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.

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Corporate Strategy

Our Drive for 10 vision encompasses five strategic levers that are key to growing our business and achieving long-term success. Since launching Drive for 10 in 2011, we made progress on each of the levers as follows:

- Maximizing value in our existing businesses through rationalizing standard beverage container and end capacity in North America and the expansion of specialty container production to meet current demand; 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 and value-in initiatives across all of our businesses;
- Expanding further into new products and capabilities through expansion into extruded aluminum aerosol manufacturing with our Mexican acquisition in December 2012 and Aerocan in January 2011; successful commercialization of our light-weighted extruded aluminum aerosol can that utilizes a significant amount of recycled material;
- 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 and the addition of a second can line in our Alagoinhas, Brazil, aluminum beverage container facility;
- 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

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(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	\$ 2,291.9	\$ 2,202.4	\$ 4,298.7	\$ 4,193.4
Net earnings attributable to Ball Corporation	153.1	95.1	246.6	167.1
Net earnings attributable to Ball Corporation as a % of consolidated net sales	6.7%	4.3%	5.7%	4.0%

Sales and net earnings in the second quarter and first six months of 2014 increased compared to the same periods in 2013 primarily due to higher metal beverage container sales volumes, higher aerospace program revenues, favorable currency translation exchange rates in Europe and lower depreciation expense, partially offset by lower North American tinplate food and aerosol container volumes. The favorable business segment performance analyzed below and lower business consolidation costs in 2014 were partially offset by higher debt refinancing costs in 2014 and a higher tax rate in 2014. 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 \$1,846.4 million and \$3,459.3 million in the second quarter and first six months of 2014, respectively, compared to \$1,798.9 million and \$3,442.4 million for the same periods in 2013. These amounts represented 80.6 percent and 80.5 percent of consolidated net sales for the second quarter and first six months of 2014, respectively, and 81.7 percent and 82.1 percent for the same periods in 2013.

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Depreciation and Amortization

Depreciation and amortization expense was \$69.6 million and \$138.4 million in the second quarter and first six months of 2014, respectively, compared to \$74.5 million and \$147.0 million for the same periods in 2013. These amounts represented 3.0 percent and 3.2 percent of consolidated net sales for the second quarter and first six months of 2014, respectively, compared to 3.4 percent and 3.5 percent for the same periods in 2013. Lower expense in 2014 was largely due to the completion of step-up depreciation related to the acquisition of the metal beverage packaging, Europe, operations in 2002.

Selling, General and Administrative

Selling, general and administrative (SG&A) expenses were \$111.4 million and \$219.1 million in the second quarter and first six months of 2014, respectively, compared to \$102.9 million and \$212.2 million for the same periods in 2013. These amounts represented 4.9 percent and 5.1 percent of consolidated net sales for the second quarter and first six months of 2014, respectively, and 4.7 percent and 5.1 percent for the same periods in 2013. The increase in SG&A in 2014 compared to 2013 was primarily due to incentive compensation and other employee related costs.

Interest and Taxes

Consolidated interest expense was \$40.6 million and \$113.9 million in the second quarter and first six months of 2014, respectively, compared to \$74.4 million and \$119.2 million for the same periods in 2013. Interest expense in the first six months of 2014 included \$33.1 million for the call premium and the write off of unamortized financing costs and issuance premiums related to the tender of Ball's 7.375 percent senior notes due September 2019. Interest expense in the second quarter of 2013 included \$26.7 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, excluding the effect of debt refinancing costs, as a percentage of average monthly borrowings, was 4.7 percent and 4.6 percent in the second quarter and first six months of 2014, respectively, compared to 5.2 percent and 5.1 percent for the same periods in 2013.

The effective income tax rate for earnings from continuing operations was 27.8 percent for the first six months of 2014 compared to 21.5 percent for the first six months of 2013. The lower tax rate in 2013 was primarily the result of a benefit from the retroactive extension of the U.S. research and development (R&D) credit for 2012, as well as an interim benefit for the 2013 R&D credit. The R&D credit expired at the end of 2013. The full-year 2014 effective income tax rate is expected to be approximately 28 percent.

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.

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Metal Beverage Packaging, Americas and Asia

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	\$ 1,130.1	\$ 1,086.3	\$ 2,127.7	\$ 2,081.5
Segment earnings	\$ 142.0	\$ 125.7	\$ 266.9	\$ 229.7
Business consolidation and other activities (a)	(3.0)	(11.0)	1.8	(12.5)
Total segment earnings	\$ 139.0	\$ 114.7	\$ 268.7	\$ 217.2
Segment earnings before business consolidation costs as a % of segment net sales	12.6%	11.6%	12.5%	11.0%

(a) Further details of these items are included in Note 4 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. In May, we announced the expansion of our Southeast Asia operations with the construction of a new one-line beverage can manufacturing facility in Myanmar, which is expected to begin production in the second half of 2015.

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Segment sales in the second quarter and first six months of 2014 were \$43.8 million and \$46.2 million higher compared to the same periods in 2013, respectively. The increase in the second quarter was due primarily to \$67 million higher sales volumes, partially offset by a reduction in the pass through price of aluminum. The increase in the first six months was due primarily to \$99 million higher sales volumes mainly related to specialty container sales volumes, partially offset by a reduction in the pass through price of aluminum.

Segment earnings in the second quarter and first six months of 2014 were \$16.3 million and \$37.2 million higher compared to the same periods in 2013, respectively. The increase in the second quarter was due primarily to higher sales volumes and favorable product mix. The increase in the first six months was due primarily to \$34 million from higher sales volumes and favorable product mix.

Metal Beverage Packaging, Europe

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	\$ 558.4	\$ 508.7	\$ 1,008.6	\$ 911.6
Segment earnings	\$ 73.7	\$ 51.8	\$ 129.2	\$ 82.7
Business consolidation and other activities (a)	(1.1)	(1.2)	(2.3)	(2.9)
Total segment earnings	\$ 72.6	\$ 50.6	\$ 126.9	\$ 79.8
Segment earnings before business consolidation costs as a % of segment net sales	13.2%	10.2%	12.8%	9.1%

(a) Further details of these items are included in Note 4 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 second quarter and first six months of 2014 were \$49.7 million and \$97.0 million higher compared to the same periods in 2013, respectively. The increases in the second quarter and first six months were due primarily to higher sales volumes of \$34 million and \$70 million, respectively, as well as favorable currency exchange effects of \$26 million during the second quarter and first six months of 2014.

Segment earnings in the second quarter and first six months of 2014 were \$21.9 million and \$46.5 million higher compared to the same periods in 2013, respectively. The increase in the second quarter earnings was mainly due to the higher sales volumes of \$15 million and from favorable currency exchange effects. The increase in the first six months was due primarily to higher sales volumes of \$30 million and reduced costs largely due to the completion of step-up depreciation related to the acquisition of the metal beverage packaging, Europe, operations in 2002 of approximately \$14 million.

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Metal Food and Household Products Packaging

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	\$ 367.7	\$ 382.6	\$ 708.8	\$ 749.8
Segment earnings	\$ 39.8	\$ 47.5	\$ 76.1	\$ 82.2
Business consolidation and other activities (a)	(4.0)	(9.7)	(7.1)	(28.5)
Total segment earnings	\$ 35.8	\$ 37.8	\$ 69.0	\$ 53.7
Segment earnings before business consolidation costs as a % of segment net sales	10.8%	12.4%	10.7%	11.0%

(a) Further details of these items are included in Note 4 to the unaudited condensed consolidated financial statements within Item 1 of this report.

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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.

Segment sales in the second quarter and first six months of 2014 were \$14.9 million and \$41.0 million lower, respectively, compared to the same periods in 2013. The decrease in the second quarter and first six months was due primarily to lower North American tinplate food and aerosol container sales volumes, partially offset by higher aluminum aerosol container sales volumes in Europe and Mexico.

Segment earnings in the second quarter and first six months of 2014 were \$7.7 million and \$6.1 million lower, respectively, compared to the same periods in 2013. The decrease in the second quarter and first six months was due primarily to lower sales volumes and unfavorable manufacturing performance in North America, partially offset by the higher aluminum aerosol container sales volumes.

Aerospace and Technologies

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	\$ 241.1	\$ 226.1	\$ 461.8	\$ 457.5
Segment earnings	\$ 24.8	\$ 19.1	\$ 48.9	\$ 37.0
Business consolidation and other activities (a)		(0.2)		(0.2)
Total segment earnings	\$ 24.8	\$ 18.9	\$ 48.9	\$ 36.8
Segment earnings before business consolidation costs as a % of segment net sales	10.3%	8.4%	10.6%	8.1%

(a) Further details of these items are included in Note 4 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 second quarter and first six months of 2014 were \$15.0 million and \$4.3 million higher, respectively, compared to the same periods in 2013, primarily due to higher sales from U.S. national defense contracts and civil space contracts. Segment earnings in the second quarter and first six months of 2014 were \$5.7 million and \$11.9 million higher, respectively, primarily as a result of favorable program execution and increased recovery of pension costs.

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The aerospace and technologies sales contract mix in the first six months of 2014 consisted of 62 percent cost-type contracts, which are billed at our costs plus an agreed upon and/or earned profit component, and 38 percent fixed-price contracts. Contracted backlog was \$858 million at June 30, 2014, compared to \$938 million at December 31, 2013. The backlog at June 30, 2014, consisted of 44 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 4 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report.

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.

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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)	Six Months Ended June 30,	
	2014	2013
Cash flows provided by (used in) operating activities	\$ 210.0	\$ (86.6)
Cash flows provided by (used in) investing activities	(124.1)	(218.2)
Cash flows provided by (used in) financing activities	(344.0)	305.6

Cash flows from operations in the first six months of 2014 were improved compared to the first six months of 2013 due to favorable working capital changes and lower 2014 pension funding. The favorable working capital changes were primarily related to lower days sales outstanding, lower inventory days on hand and higher days payable outstanding. Days sales outstanding (annualized) decreased from 46 days to 43 days, inventory days on hand (annualized) decreased from 56 days to 53 days and days payable outstanding (annualized) increased from 49 days to 57 days.

We have several regional uncommitted accounts receivable factoring programs with various financial institutions for certain accounts receivable of the company. The programs are accounted for as true sales of the accounts receivable, without recourse to Ball, and had combined limits of approximately \$236 million at June 30, 2014. A total of \$183.3 million and \$137.5 million were sold under these programs as of June 30, 2014, and December 31, 2013, respectively. Latapack-Ball also has non-recourse uncommitted accounts receivable factoring programs with a combined limit of approximately \$18 million at June 30, 2014. There were no accounts receivable sold as of June 30, 2014, and \$6.0 million was sold as of December 31, 2013.

Contributions to the company's defined benefit plans, not including the unfunded German plans, are expected to be in the range of \$65 million in 2014, of which \$36.8 million was contributed as of June 30, 2014. This estimate may change based on changes in the U.S. Pension Protection Act and actual plan asset performance, among other factors. Payments to participants in the unfunded German plans were \$11.5 million in the first six months of 2014 and are expected to be approximately \$23 million for the full year.

We expect 2014 capital expenditures for property, plant and equipment to be approximately \$375 million, and approximately \$209 million was contractually committed as of June 30, 2014. Capital expenditures are expected to be funded by cash flows from operations.

Share Repurchases

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Our share repurchases, net of issuances, totaled \$238.5 million in the first six months of 2014 compared to \$202.3 million in the first six months of 2013. 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 12 to the unaudited condensed consolidated financial statements within Item 1 of this report on Form 10-Q.

Debt Facilities and Refinancing

Given our cash flow projections and unused credit facilities that are available until June 2018, our liquidity is strong and is expected to meet our ongoing cash and debt service requirements. Interest-bearing debt was \$3.5 billion at June 30, 2014, compared to \$3.6 billion at December 31, 2013.

On December 9, 2013, Ball announced the redemption of its outstanding 7.375 percent senior notes due in September 2019. The redemption occurred on January 10, 2014, at a price per note of 108.01 percent of the outstanding principal amount plus accrued interest. The redemption of the bonds resulted in a pretax charge in the first six months of 2014 of \$33.1 million for the call premium and the write off of unamortized financing costs and premiums.

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At June 30, 2014, taking into account outstanding letters of credit and excluding availability under the accounts receivable securitization program, approximately \$934 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 \$791 million of short-term uncommitted credit facilities available at June 30, 2014, of which \$189.9 million was outstanding and due on demand. At December 31, 2013, the company had \$57.3 million outstanding under short-term uncommitted credit facilities.

In August 2011, the company entered into an accounts receivable securitization agreement, as amended and extended from time to time. The maximum the company can borrow under the amended agreement can vary between \$85 million and \$175 million depending on the seasonal accounts receivable balances in the company's North American packaging businesses. There were \$160.0 million of accounts receivable sold under this agreement at June 30, 2014, and none were sold at December 31, 2013. 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.

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. The company's bank credit agreement debt covenants require the company 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. The company was in compliance with all loan agreements and debt covenants at June 30, 2014, and December 31, 2013, and has met all debt payment obligations. Additional details about our debt and receivables sales agreements are available in Note 10 accompanying the unaudited condensed consolidated financial statements within Item 1 of this report.

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.

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

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Earnings before taxes, as reported	\$ 215.3	\$ 129.1	\$ 359.4	\$ 227.3
Total interest expense	40.6	74.4	113.9	119.2
Earnings before interest and taxes (EBIT)	255.9	203.5	473.3	346.5
Business consolidation and other activities	8.6	22.6	8.6	45.3
Comparable EBIT	\$ 264.5	\$ 226.1	\$ 481.9	\$ 391.8

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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 June 30, 2014, are summarized below:

(\$ in millions, except ratios)

Earnings before taxes, as reported	\$	715.7
Add interest expense		206.5
Earnings before interest and taxes (EBIT)		922.2
Add business consolidation and other activities		42.1
Comparable EBIT		964.3
Add depreciation and amortization		291.3
Comparable EBITDA	\$	1,255.6
Interest expense	\$	(172.1)
Total debt at June 30, 2014	\$	3,537.2
Less cash and cash equivalents		(155.3)
Net debt	\$	3,381.9
Comparable EBIT/Interest expense		5.6x
Net debt/Comparable EBITDA		2.7x

Our calculation of comparable net earnings is summarized below:

(\$ in millions, except per share amounts)	Three Months Ended June 30, 2014	Six Months Ended June 30,
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