

BALL CORP  
Form 10-Q  
August 09, 2011  
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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 July 3, 2011**

**Commission file number 1-7349**

**BALL CORPORATION**

**State of Indiana**

**35-0160610**

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

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

Class  
Common Stock,  
without par value

Outstanding at August 7, 2011

**163,551,761** shares

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Ball Corporation and Subsidiaries  
QUARTERLY REPORT ON FORM 10-Q  
For the period ended July 3, 2011

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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		Six months ended	
	July 3, 2011	June 27, 2010	July 3, 2011	June 27, 2010
<b>Net sales</b>	\$ 2,309.7	\$ 2,007.5	\$ 4,320.9	\$ 3,599.8
Costs and expenses				
Cost of sales (excluding depreciation and amortization)	(1,885.5)	(1,643.1)	(3,516.2)	(2,961.3)
Depreciation and amortization	(74.1)	(62.4)	(147.7)	(125.1)
Selling, general and administrative	(93.1)	(77.6)	(192.5)	(156.9)
Business consolidation and other activities	(2.9)	(2.3)	(16.4)	(1.8)
	(2,055.6)	(1,785.4)	(3,872.8)	(3,245.1)
<b>Earnings before interest and taxes</b>	<b>254.1</b>	<b>222.1</b>	<b>448.1</b>	<b>354.7</b>
Interest expense	(45.2)	(36.6)	(91.7)	(70.5)
Debt refinancing costs		(8.1)		(8.1)
Total interest expense	(45.2)	(44.7)	(91.7)	(78.6)
Earnings before taxes	208.9	177.4	356.4	276.1
Tax provision	(64.6)	(60.8)	(112.6)	(81.7)
Equity in results of affiliates, net of tax	1.1	28.0	1.1	32.7
Net earnings from continuing operations	145.4	144.6	244.9	227.1
Discontinued operations, net of tax	(0.3)	(75.6)	(1.6)	(78.7)
Net earnings	145.1	69.0	243.3	148.4
Less net earnings attributable to noncontrolling interests	(2.0)		(8.9)	(0.1)
Net earnings attributable to Ball Corporation	\$ 143.1	\$ 69.0	\$ 234.4	\$ 148.3
<b>Amounts attributable to Ball Corporation:</b>				
Continuing operations	\$ 143.4	\$ 144.6	\$ 236.0	\$ 227.0
Discontinued operations	(0.3)	(75.6)	(1.6)	(78.7)
Net earnings	\$ 143.1	\$ 69.0	\$ 234.4	\$ 148.3
<b>Earnings per share (a):</b>				
Basic - continuing operations	\$ 0.86	\$ 0.78	\$ 1.40	\$ 1.23
Basic - discontinued operations		(0.41)	(0.01)	(0.43)
Total basic earnings per share	\$ 0.86	\$ 0.37	\$ 1.39	\$ 0.80
Diluted - continuing operations	\$ 0.84	\$ 0.77	\$ 1.38	\$ 1.21

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Diluted - discontinued operations				(0.40)		(0.01)		(0.42)
Total diluted earnings per share	\$	0.84	\$	0.37	\$	1.37	\$	0.79

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(a) Earnings per share amounts in 2010 have been retrospectively adjusted for the two-for-one stock split that was effective on February 15, 2011.

See accompanying notes to unaudited condensed consolidated financial statements.

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

(\$ in millions)	July 3, 2011	December 31, 2010
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 144.8	\$ 152.0
Receivables, net	1,215.1	849.7
Inventories, net	1,196.7	1,083.9
Deferred taxes and other current assets	168.0	220.1
<b>Total current assets</b>	<b>2,724.6</b>	<b>2,305.7</b>
Property, plant and equipment, net	2,263.0	2,048.2
Goodwill	2,372.0	2,105.3
Intangibles and other assets, net	490.8	468.5
<b>Total assets</b>	<b>\$ 7,850.4</b>	<b>\$ 6,927.7</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Short-term debt and current portion of long-term debt	\$ 349.5	\$ 110.7
Accounts payable	868.7	700.3
Accrued employee costs	225.3	258.2
Other current liabilities	308.3	314.1
<b>Total current liabilities</b>	<b>1,751.8</b>	<b>1,383.3</b>
Long-term debt	3,124.9	2,701.6
Employee benefit obligations	1,007.1	963.3
Deferred taxes and other liabilities	231.8	221.4
<b>Total liabilities</b>	<b>6,115.6</b>	<b>5,269.6</b>
Contingencies		
Shareholders' equity (a)		
Common stock (326,613,079 shares issued - 2011; 325,423,462 shares issued - 2010)	922.1	893.4
Retained earnings	3,040.4	2,829.8
Accumulated other comprehensive earnings (loss)	(6.0)	(82.1)
Treasury stock, at cost (160,166,877 shares - 2011; 153,265,070 shares - 2010)	(2,377.1)	(2,123.1)
<b>Total Ball Corporation shareholders' equity</b>	<b>1,579.4</b>	<b>1,518.0</b>
Noncontrolling interests	155.4	140.1
<b>Total shareholders' equity</b>	<b>1,734.8</b>	<b>1,658.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 7,850.4</b>	<b>\$ 6,927.7</b>

(a) Share amounts in 2010 have been retrospectively adjusted for the two-for-one stock split that was effective on February 15, 2011.

See accompanying notes to unaudited condensed consolidated financial statements.



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

(\$ in millions)	Six months ended	
	July 3, 2011	June 27, 2010
<b>Cash Flows From Operating Activities:</b>		
Net earnings	\$ 243.3	\$ 148.4
Discontinued operations, net of tax	1.6	78.7
Adjustments to reconcile net earnings to net cash used in continuing operating activities:		
Depreciation and amortization	147.7	125.1
Deferred taxes	14.0	(11.4)
Other, net	65.4	21.9
Changes in working capital components	(308.9)	(353.9)
Cash provided by (used in) continuing operating activities	163.1	8.8
Cash provided by (used in) discontinued operating activities	(1.9)	21.9
Total cash provided by (used in) operating activities	161.2	30.7
<b>Cash Flows From Investing Activities:</b>		
Additions to property, plant and equipment	(213.5)	(69.1)
Business acquisition	(295.2)	
Acquisition of equity affiliate		(89.2)
Other, net	(0.6)	(10.2)
Cash provided by (used in) continuing investing activities	(509.3)	(168.5)
Cash provided by (used in) discontinued investing activities		(7.4)
Total cash provided by (used in) investing activities	(509.3)	(175.9)
<b>Cash Flows From Financing Activities:</b>		
Long-term borrowings	537.5	1,077.4
Repayments of long-term borrowings	(141.7)	(977.7)
Net change in short-term borrowings	204.5	81.0
Proceeds from issuances of common stock	22.8	21.8
Acquisitions of treasury stock	(263.9)	(162.9)
Common dividends	(23.3)	(18.3)
Other, net	3.8	(9.3)
Cash provided by (used in) financing activities	339.7	12.0
Effect of exchange rate changes on cash	1.2	(2.4)
Change in cash and cash equivalents	(7.2)	(135.6)
Cash and cash equivalents - beginning of period	152.0	210.6
Cash and cash equivalents - end of period	\$ 144.8	\$ 75.0

See accompanying notes to unaudited condensed consolidated financial statements.



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**Ball Corporation**

**Notes to 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 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 28, 2011, pursuant to Section 13 of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2010 (annual report).

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

Certain prior period amounts have been reclassified in order to conform to the current period presentation. On January 26, 2011, the company's board of directors declared a two-for-one split of Ball's common stock, which was effective on February 15, 2011, for all shareholders of record on February 4, 2011. As a result of the stock split, all 2010 amounts related to shares, share prices and earnings per share have been retrospectively adjusted throughout this report.

**2. Accounting Pronouncements**

*Recently Adopted Accounting Standards*

In April 2010, accounting guidance was issued to outline the criteria that should be met for determining when the milestone method of revenue recognition is appropriate in research or development transactions. The new guidance was effective as of January 1, 2011, and did not have a significant impact on Ball's financial statements.

In January 2010, the FASB issued additional guidance regarding fair value measurements, specifically requiring the disclosure of transfers in and out of Level 1 and 2 assets and liabilities (previously only required for those in Level 3) and more specific detailed disclosure of the activity in Level 3 fair value measurements (on a gross basis rather than a net basis). The new guidance also clarifies existing disclosure requirements regarding the level of disaggregation of asset and liability classes, as well as the valuation techniques and inputs used to measure fair value for Level 2 and Level 3 fair value measurements. The disclosure requirement for transfers in and out of Level 1 and 2 assets and liabilities was effective for Ball on January 1, 2010, and had no impact on the unaudited condensed consolidated financial statements. The reporting of Level 3 activity on a gross basis was effective for Ball as of January 1, 2011, and affects only the Level 3 pension plan assets, which do not represent a significant component of the total pension assets.

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**Ball Corporation**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**2. Accounting Pronouncements (continued)**

*New Accounting Guidance*

In June 2011, accounting guidance was issued requiring that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive earnings or in two separate but consecutive statements. The guidance also requires the company to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive earnings to net earnings. Ball has historically presented comprehensive earnings within the statement of changes in shareholders' equity and is evaluating which acceptable method of presentation included in the guidance it will adopt once the statement becomes effective for the company on January 1, 2012.

In May 2011, amendments to existing accounting guidance were issued that result in a more consistent definition of fair value and common requirements for measurement of, and disclosure about, fair value between U.S. GAAP and IFRS. The amendments in the new guidance provide explanations on how to measure fair value but do not require additional fair value measurements. The new fair value guidance will be effective for Ball as of January 1, 2012, and is not expected to have a material effect on the company's financial statements or disclosures.

**3. Business Segment Information**

Ball's operations are organized and reviewed by management along its product lines and presented in the following four reportable segments.

*Metal beverage packaging, Americas and Asia:* Consists of the metal beverage packaging, Americas, operations in the U.S., Canada and Brazil (see Note 4), and the metal beverage packaging, Asia, operations in the People's Republic of China (PRC). The Americas and Asia segments have been aggregated based on similar economic and qualitative characteristics. The operations in this reporting segment manufacture and sell metal beverage containers, and also manufacture and sell non-beverage plastic containers in the PRC.

*Metal beverage packaging, Europe:* Consists of operations in several countries in Europe, which manufacture and sell metal beverage containers, extruded aluminum aerosol containers and aluminum slugs.

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*Metal food and household products packaging, Americas:* Consists of operations in the U.S., Canada and Argentina, which manufacture and sell metal food, aerosol, paint and general line containers, as well as decorative specialty 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 the PRC, which are accounted for under the equity method of accounting and, accordingly, those results are not included in segment sales or earnings. The company's investment in a Brazilian joint venture was previously accounted for using the equity method of accounting. However, during August 2010, Ball acquired an additional economic interest in the joint venture partner and its results are now consolidated.

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

(\$ in millions)	Three months ended		Six months ended	
	July 3, 2011	June 27, 2010	July 3, 2011	June 27, 2010
<b>Net Sales</b>				
Metal beverage packaging, Americas & Asia	\$ 1,164.1	\$ 1,036.0	\$ 2,196.4	\$ 1,810.4
Metal beverage packaging, Europe	607.9	479.3	1,050.9	846.8
Metal food & household products packaging, Americas	345.7	312.0	690.4	597.4
Aerospace & technologies	199.9	180.2	391.1	345.2
Corporate and intercompany eliminations	(7.9)		(7.9)	
<b>Net sales</b>	<b>\$ 2,309.7</b>	<b>\$ 2,007.5</b>	<b>\$ 4,320.9</b>	<b>\$ 3,599.8</b>
<b>Net Earnings</b>				
Metal beverage packaging, Americas & Asia	\$ 126.1	\$ 114.5	\$ 241.7	\$ 188.5
Business consolidation activities	(2.5)	0.8	(13.4)	1.3
Total metal beverage packaging, Americas & Asia	123.6	115.3	228.3	189.8
Metal beverage packaging, Europe	84.7	72.5	137.8	107.5
Business consolidation activities	(0.3)		(2.9)	
Total metal beverage packaging, Europe	84.4	72.5	134.9	107.5
Metal food & household products packaging, Americas	41.3	33.4	81.1	55.1