BALL CORP
Form 10-Q
May 07, 2012
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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 April 1, 2012

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 x No o

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 x No o

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 x

Accelerated filer o

Non-accelerated filer o

Smaller reporting company o

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

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 April 29, 2012
Common Stock, without par value	156,685,041 shares

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Ball Corporation and Subsidiaries

QUARTERLY REPORT ON FORM 10-Q

For the period ended April 1, 2012

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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 April 1, 2012		April 3, 2011	
Net sales	**$**	**2,042.7**	**$**	**2,011.2**
Cost of sales (excluding depreciation and amortization)		(1,687.7)		(1,630.7)
Depreciation and amortization		(69.0)		(73.6)
Selling, general and administrative		(99.6)		(99.4)
Business consolidation and other activities		(4.4)		(13.5)
		(1,860.7)		(1,817.2)
Earnings before interest and taxes		**182.0**		**194.0**
Interest expense		(45.3)		(46.5)
Debt refinancing costs		(15.1)		
Total interest expense		(60.4)		(46.5)
Earnings before taxes		121.6		147.5
Tax provision		(28.0)		(48.0)
Equity in results of affiliates, net of tax		(0.2)		
Net earnings from continuing operations		93.4		99.5
Discontinued operations, net of tax		(0.3)		(1.3)
Net earnings		93.1		98.2
Less net earnings attributable to noncontrolling interests		(4.8)		(6.9)
Net earnings attributable to Ball Corporation	$	88.3	$	91.3
Amounts attributable to Ball Corporation:				
Continuing operations	$	88.6	$	92.6
Discontinued operations		(0.3)		(1.3)
Net earnings	$	88.3	$	91.3
Earnings per share:				
Basic - continuing operations	$	0.56	$	0.55
Basic - discontinued operations				(0.01)
Total basic earnings per share	$	0.56	$	0.54
Diluted - continuing operations	$	0.55	$	0.54
Diluted - discontinued operations				(0.01)
Total diluted earnings per share	$	0.55	$	0.53

See accompanying notes to unaudited condensed consolidated financial statements.

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BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

($ in millions)	Three months ended April 1, 2012	April 3, 2011
Net earnings	$ 93.1	$ 98.2
Other comprehensive earnings:		
Foreign currency translation adjustment	39.9	71.0
Pension and other postretirement benefits (net of tax of $4.2 in 2012 and $2.8 in 2011)	6.1	5.2
Effective financial derivatives (net of tax of $11.6 in 2012 and $1.9 in 2011)	18.2	6.7
Mark-to-market adjustments on available for sale securities (net of tax of $6.6 in 2011)		(10.2)
Total comprehensive earnings	157.3	170.9
Less comprehensive earnings attributable to noncontrolling interests	(5.8)	(6.9)
Comprehensive earnings attributable to Ball Corporation	$ 151.5	$ 164.0

See accompanying notes to unaudited condensed consolidated financial statements.

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BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

($ in millions)	April 1, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 106.8	$ 165.8
Receivables, net	1,101.2	910.4
Inventories, net	1,124.5	1,072.5
Deferred taxes and other current assets	184.3	173.2
Total current assets	2,516.8	2,321.9
Property, plant and equipment, net	2,255.6	2,220.2
Goodwill	2,281.0	2,247.1
Intangibles and other assets, net	506.0	495.4
Total assets	**$ 7,559.4**	**$ 7,284.6**
Liabilities and Shareholders Equity		
Current liabilities		
Short-term debt and current portion of long-term debt	$ 498.4	$ 447.4
Accounts payable	832.6	847.3
Accrued employee costs	202.9	248.3
Other current liabilities	278.6	313.1
Total current liabilities	1,812.5	1,856.1
Long-term debt	3,130.5	2,696.7
Employee benefit obligations	1,061.1	1,143.7
Deferred taxes and other liabilities	206.6	210.1
Total liabilities	6,210.7	5,906.6
Contingencies		
Shareholders equity		
Common stock (328,078,624 shares issued - 2012; 327,003,933 shares issued - 2011)	977.8	941.7
Retained earnings	3,300.9	3,228.3
Accumulated other comprehensive earnings (loss)	(272.0)	(335.2)
Treasury stock, at cost (171,581,186 shares - 2012; 166,688,309 shares - 2011)	(2,820.9)	(2,615.7)
Total Ball Corporation shareholders equity	1,185.8	1,219.1
Noncontrolling interests	162.9	158.9
Total shareholders equity	1,348.7	1,378.0
Total liabilities and shareholders equity	**$ 7,559.4**	**$ 7,284.6**

See accompanying notes to unaudited condensed consolidated financial statements.

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BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended	
($ in millions)	**April 1, 2012**	**April 3, 2011**
Cash Flows From Operating Activities:		
Net earnings	$ 93.1	$ 98.2
Discontinued operations, net of tax	0.3	1.3
Adjustments to reconcile net earnings to cash provided by (used in) continuing operating activities:		
Depreciation and amortization	69.0	73.6
Deferred taxes	9.1	4.3
Other, net	(65.0)	19.8
Changes in working capital components	(324.3)	(270.0)
Cash provided by (used in) continuing operating activities	(217.8)	(72.8)
Cash provided by (used in) discontinued operating activities	(0.5)	(1.6)
Total cash provided by (used in) operating activities	(218.3)	(74.4)
Cash Flows From Investing Activities:		
Capital expenditures	(76.0)	(95.0)
Business acquisitions, net of cash acquired		(295.2)
Other, net	(10.7)	6.0
Cash provided by (used in) investing activities	(86.7)	(384.2)
Cash Flows From Financing Activities:		
Long-term borrowings	1,140.1	463.9
Repayments of long-term borrowings	(636.1)	(2.2)
Net change in short-term borrowings	(30.9)	196.2
Proceeds from issuances of common stock	19.7	13.7
Acquisitions of treasury stock	(210.8)	(164.3)
Common dividends	(15.6)	(11.7)
Other, net	(14.9)	2.4
Cash provided by (used in) financing activities	251.5	498.0
Effect of exchange rate changes on cash	(5.5)	1.7
Change in cash and cash equivalents	(59.0)	41.1
Cash and cash equivalents - beginning of period	165.8	152.0
Cash and cash equivalents - end of period	**$ 106.8**	**$ 193.1**

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 22, 2012, pursuant to Section 13 of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2011 (annual report).

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

The company utilized a third party appraiser to assist in the evaluation of the estimated useful lives of its drawn and ironed can and related end production equipment used to make beverage cans and ends and two-piece food cans. This evaluation was performed as a result of the global alignment of the company s use and maintenance practices for this equipment and the company s experience with the duration over which this equipment can be utilized. As a result, the company has revised the estimated useful lives of this type of equipment utilized throughout the company, which resulted in a net reduction in depreciation expense and cost of sales of $8.9 million ($5.6 million after tax, or $0.03 per diluted share) in the first quarter of 2012 and is expected to result in a net decrease in 2012 full year depreciation expense and cost of sales of approximately $33.7 million ($21.4 million after tax, or $0.13 per diluted share) as compared to the amount of depreciation expense and cost of sales that would have been recognized by utilizing the prior depreciable lives. The company has also evaluated its estimates of the accounting for tooling, spare parts and dunnage, as well as the related obsolescence, and aligned its practices for all operations, resulting in a one-time increase in cost of sales and depreciation expense of $2.3 million ($1.3 million after tax, or $0.01 per diluted share) in the first quarter of 2012 and is expected to result in an increase in cost of sales and depreciation expense of $11.0 million ($6.7 million after tax, or $0.04 per diluted share) for the full year, primarily attributable to the immediate recognition of expense as items are placed in service.

Effective January 1, 2012, the company changed the presentation of capitalized software in its unaudited condensed consolidated financial statements to classify such assets as intangible assets rather than property, plant and equipment. As a result, the amounts included in the balance sheet in intangible assets were $46.2 million and $45.2 million as of April 1, 2012, and December 31, 2011, respectively. Capitalized software amounts that were previously reported as depreciation have been reclassified to amortization for all periods presented in the statements of

earnings and cash flows, as well as in the notes to the unaudited condensed consolidated financial statements.

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

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Notes to Unaudited Condensed Consolidated Financial Statements

2. Accounting Pronouncements

Recently Adopted Accounting Standards

In September 2011, accounting guidance was issued to allow companies to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether it is necessary to perform the two-step quantitative goodwill impairment test described in current accounting guidelines. The guidance was effective for Ball on January 1, 2012. Ball will be impacted by this new guidance during the fourth quarter of 2012 as the company performs the annual goodwill impairment test. The company does not expect the adoption to have a material effect on the unaudited condensed consolidated financial statements.

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 present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive earnings to net earnings, which has been delayed. Ball has historically presented comprehensive earnings within the statement of changes in shareholders equity and has adopted the two separate but consecutive statements presentation in its consolidated financial statements effective January 1, 2012. The new guidance did not have a material effect on the company s unaudited condensed consolidated financial statements.

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 was effective for Ball as of January 1, 2012, and did not have a material effect on the company s unaudited condensed consolidated financial statements or disclosures.

New Accounting Guidance

In December 2011, accounting guidance was issued requiring disclosures to help reconcile differences in the offsetting requirements under U.S. GAAP and International Financial Reporting Standards (IFRS). The new disclosure requirements mandate that companies disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions subject to an agreement similar to a master netting arrangement. The guidance is effective for Ball on January 1, 2013, and is not expected to have a material effect on the company s unaudited condensed consolidated financial statements.

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, 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.

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.

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Ball Corporation

Notes to Unaudited Condensed Consolidated Financial Statements

3. Business Segment Information *(continued)*

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.

Summary of Business by Segment

($ in millions)		Three months ended April 1, 2012		April 3, 2011
Net Sales				
Metal beverage packaging, Americas & Asia	$	1,049.7	$	1,032.3
Metal beverage packaging, Europe		463.0		443.0
Metal food & household products packaging, Americas		330.4		344.7
Aerospace & technologies		201.6		191.2
Corporate and intercompany eliminations		(2.0)		
Net sales	**$**	**2,042.7**	**$**	**2,011.2**
Net Earnings				
Metal beverage packaging, Americas & Asia	$	105.5	$	115.6
Business consolidation and other activities		(1.7)		(10.9)
Total metal beverage packaging, Americas & Asia		103.8		104.7
Metal beverage packaging, Europe		53.7		53.1
Business consolidation and other activities		(1.8)		(2.6)
Total metal beverage packaging, Europe		51.9		50.5
Metal food & household products packaging, Americas		28.0		39.8
Aerospace & technologies		19.7		18.7
Segment earnings before interest and taxes		203.4		213.7
Undistributed corporate expenses and intercompany eliminations, net		(20.5)		(19.7)
Business consolidation and other activities		(0.9)		
Total undistributed corporate expenses and intercompany, net		(21.4)		(19.7)
Earnings before interest and taxes		182.0		194.0
Interest expense		(60.4)		(46.5)

Tax provision		(28.0)		(48.0)
Equity in results of affiliates, net of tax		(0.2)		
Net earnings from continuing operations		93.4		99.5
Discontinued operations, net of tax		(0.3)		(1.3)
Net earnings		93.1		98.2
Less net earnings attributable to noncontrolling interests		(4.8)		(6.9)
Net earnings attributable to Ball Corporation	**$**	**88.3**	**$**	**91.3**

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Notes to Unaudited Condensed Consolidated Financial Statements

3. Business Segment Information *(continued)*

($ in millions)		April 1, 2012		December 31, 2011
Total Assets				
Metal beverage packaging, Americas & Asia	$	3,220.5	$	3,163.1
Metal beverage packaging, Europe		2,600.2		2,434.3
Metal food & household products packaging, Americas		1,136.8		1,115.0
Aerospace & technologies		315.6		284.3
Segment assets		7,273.1		6,996.7
Corporate assets, net of eliminations		286.3		287.9
Total assets	$	7,559.4	$	7,284.6

4. Acquisitions

Qingdao M.C. Packaging Ltd. (QMCP)

In October 2011, Ball acquired the remaining 60 percent interest in a joint venture metal beverage container facility in Qingdao, PRC. As a result of purchase accounting, the company recorded a gain of $9.2 million in equity in results of affiliates, related to the previously held interest in the joint venture. The acquisition of the remaining interest is not material to the metal beverage packaging, Americas and Asia, segment.

Aerocan S.A.S. (Aerocan)

In January 2011, the company acquired Aerocan for 221.7 million ($295.2 million) in cash and assumed debt, net of $26.2 million of cash acquired. Aerocan is a leading European manufacturer of extruded aluminum aerosol containers, and the aluminum slugs used to make them, for customers in the personal care, pharmaceutical, beverage and food industries. It operates three aerosol container manufacturing facilities one each in the Czech Republic, France and the United Kingdom and is a 51 percent owner of a joint venture aluminum slug facility in France. The acquisition of Aerocan allows Ball to expand into a new product category that is growing faster than other parts of our business, while aligning with a new customer base at returns that meet or exceed the company s cost of capital. The acquired operations have been included in the metal beverage packaging, Europe, segment since the acquisition date.

Management s fair market valuation of acquired assets and liabilities is summarized below. The valuation was based on market and income approaches.

($ in millions)		
Other assets and liabilities, net	$	6.5
Property, plant and equipment		95.8
Goodwill		167.3
Other intangible assets		53.9
Deferred taxes		(22.3)
Noncontrolling interest		(6.0)
Net assets acquired	$	295.2

Certain customer contracts, customer relationships and developed technology were identified as intangible assets by the company and assigned estimated useful lives between 5 and 12 years. The intangible assets are being amortized on a straight-line basis.

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Notes to Unaudited Condensed Consolidated Financial Statements

5. Dispositions

Plastics Packaging, Americas

In August 2010, the company completed the sale of its plastics packaging, Americas, business to Amcor Limited. The following table summarizes the operating results for the discontinued operations:

($ in millions)	Three months ended April 1, 2012		April 3, 2011	
Loss on sale of business	$		$	(0.8)
Business consolidation and other activities		(0.5)		(1.3)
Tax benefit (provision)		0.2		0.8
Discontinued operations, net of tax	$	(0.3)	$	(1.3)

6. Business Consolidation 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 April 1, 2012		April 3, 2011	
Metal beverage packaging, Americas & Asia	$	(1.7)	$	(10.9)
Metal beverage packaging, Europe		(1.8)		(2.6)
Corporate and other		(0.9)		
	$	(4.4)	$	(13.5)

2012

Metal Beverage Packaging, Americas and Asia

The first quarter of 2012 included charges of $1.7 million for ongoing plant closure costs related to the company s closure of its Torrance, California, U.S., beverage can manufacturing facility (discussed further in the 2011 section below).

Metal Beverage Packaging, Europe, and Corporate

Also during the first quarter, the company recorded charges of $2.5 million for implementation costs incurred in connection with the planned relocation of the company s European headquarters from Germany to Switzerland in the third quarter of 2012.

An additional $0.2 million of net charges were recorded in the first quarter of 2012, primarily to reflect individually insignificant charges related to previously announced business consolidation and other activities.

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Ball Corporation

Notes to Unaudited Condensed Consolidated Financial Statements

6. Business Consolidation Activities *(continued)*

2011

Metal Beverage Packaging, Americas and Asia

In January 2011, Ball announced plans to close its Torrance, California, U.S., beverage can manufacturing facility; relocate a 12-ounce can line from the Torrance facility to its Whitby, Ontario, Canada, facility; and expand specialty can production in its Fort Worth, Texas, U.S., facility. The company recorded an initial charge of $10.5 million during the first quarter of 2011 in connection with the closure of the Torrance facility, of which $7.3 million represented severance, pension and other employee benefits; $2.3 million represented the impairment of the plant facility to its net realizable value and $0.9 million represented accelerated depreciation. The impairment charge was subsequently reversed during the third quarter of 2011 and the land and building were sold during the fourth quarter of 2011 for a gain of $6.9 million.

An additional $0.4 million of net charges were recorded in the first quarter of 2011, primarily to reflect individually insignificant charges related to previously announced plant closures.

Metal Beverage Packaging, Europe

In connection with the acquisition of Aerocan discussed in Note 4, the company recorded charges totaling $2.6 million for transaction costs, which were expensed as incurred.

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, Americas	Corporate and Other Costs	Total
Balance at December 31, 2011	$ 2.7	$ 5.8	$ 4.1	$ 12.6

Cash payments and other activity	(1.7)	(1.3)	(0.1)	(3.1)
Balance at April 1, 2012	$ 1.0	$ 4.5	$ 4.0	$ 9.5

The carrying value of fixed assets remaining for sale in connection with facility closures was approximately $17.7 million at April 1, 2012.

7. Receivables

($ in millions)	**April 1, 2012**	**December 31, 2011**
Trade accounts receivable (net of allowance for doubtful accounts of $13.6 at April 1, 2012, and $13.4 at December 31, 2011)	$ 1,028.3	$ 840.6
Other receivables	72.9	69.8
	$ 1,101.2	$ 910.4

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Ball Corporation

Notes to Unaudited Condensed Consolidated Financial Statements

8. Inventories

($ in millions)	April 1, 2012	December 31, 2011
Raw materials and supplies	$ 381.7	$ 442.4
Work in process and finished goods	742.8	630.1
	$ 1,124.5	$ 1,072.5

9. Property, Plant and Equipment

($ in millions)	April 1, 2012	December 31, 2011
Land	$ 91.1	$ 89.4
Buildings	885.7	881.3
Machinery and equipment	3,180.9	3,121.1
Construction in progress	322.9	291.4
	4,480.6	4,383.2
Accumulated depreciation	(2,225.0)	(2,163.0)
	$ 2,255.6	$ 2,220.2

Property, plant and equipment are stated at historical or acquired cost. Depreciation expense amounted to $64.1 million and $65.6 million for the three months ended April 1, 2012, and April 3, 2011, respectively.

10. Goodwill

($ in millions)	Metal Beverage Packaging, Americas & Asia	Metal Beverage Packaging, Europe	Metal Food & Household Products Packaging, Americas	Total
Balance at December 31, 2011	$ 740.7	$ 1,126.1	$ 380.3	$ 2,247.1
Business acquisition		0.7		0.7
Effects of currency exchange rates		33.2		33.2
Balance at April 1, 2012	$ 740.7	$ 1,160.0	$ 380.3	$ 2,281.0

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Ball Corporation

Notes to Unaudited Condensed Consolidated Financial Statements

11. Intangibles and Other Assets

($ in millions)		April 1, 2012		December 31, 2011
Investments in affiliates	$	34.0	$	26.4
Intangible assets (net of accumulated amortization of $52.1 at April 1, 2012, and $46.6 at December 31, 2011)		177.0		180.6
Capitalized software (net of accumulated amortization of $69.2 at April 1, 2012, and $68.9 at December 31, 2011)		46.2		45.2
Company and trust-owned life insurance		161.3		145.7
Deferred financing costs		42.3		35.4
Deferred tax asset		14.3		29.7
Noncurrent derivative contracts		8.0		7.2
Other		22.9		25.2
	$	506.0	$	495.4

Total amortization expense of intangible assets amounted to $4.9 million and $8.0 million for the three months ended April 1, 2012, and April 3, 2011, respectively.

12. Debt

Long-term debt consisted of the following:

($ in millions)	April 1, 2012				December 31, 2011			
		In Local Currency		In U.S. $		In Local Currency		In U.S. $
Notes Payable								
7.125% Senior Notes, due September 2016	$	375.0	$	375.0	$	375.0	$	375.0
6.625% Senior Notes, due March 2018	$	57.3		57.3	$	450.0		450.0
7.375% Senior Notes, due September 2019	$	325.0		325.0	$	325.0		325.0
6.75% Senior Notes, due September 2020	$	500.0		500.0	$	500.0		500.0
5.75% Senior Notes, due May 2021	$	500.0		500.0	$	500.0		500.0
5.00% Senior Notes, due March 2022	$	750.0		750.0	$			
Senior Credit Facilities, due December 2015 (at variable rates)								
Term A Loan, U.S. dollar denominated	$	195.0		195.0	$	195.0		195.0
Term B Loan, British sterling denominated	£	49.7		79.6	£	50.4		78.3

Term C Loan, euro denominated	97.5	130.1	98.8	128.0
Multicurrency revolver, due December 2015	$ 150.0	150.0		
Latapack-Ball Notes Payable, due October 2017 (at variable rates)	$ 170.6	170.6	$ 170.6	170.6
Other (including discounts and premiums)	Various	43.0	Various	42.6
		3,275.6		2,764.5
Less: Current portion of long-term debt and callable long-term debt		(145.1)		(67.8)
		$ 3,130.5		$ 2,696.7

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12. Debt *(continued)*

On March 9, 2012, Ball issued $750 million of 5.00 percent senior notes due in March 2022. On the same date, the company tendered for the redemption of its 6.625 percent senior notes originally due in March 2018 in the amount of $450 million, at a redemption price per note of 102.583 percent of the outstanding principal amount plus accrued interest. At April 1, 2012, $392.7 million had been redeemed, and the remaining $57.3 million was redeemed during April 2012. The redemption of the bonds resulted in a charge of $15.1 million for the call premium and the write off of unamortized financing costs and premiums. The charge is included as a component of interest expense in the unaudited condensed consolidated statement of earnings.

The 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. The revolving credit facilities expire in December 2015. The Latapack-Ball debt facilities contain various covenants and restrictions but are non-recourse to Ball Corporation and its wholly owned subsidiaries.

At April 1, 2012, taking into account outstanding letters of credit, approximately $833 million was available under the company s long-term, multi-currency committed revolving credit facilities, which are available until December 2015. In addition to the long-term, multi-currency committed credit facilities, the company had approximately $444 million of short-term uncommitted credit facilities available at the end of the quarter, of which $233.3 million was outstanding and due on demand.

The company has an accounts receivable securitization agreement for a term of three years. The maximum the company can borrow under this agreement can vary between $150 million and $275 million depending on the seasonal accounts receivable balances in the company s North American packaging businesses. At April 1, 2012, and December 31, 2011, $120.0 million and $231.0 million of accounts receivable were sold under this agreement, respectively. Borrowings under the securitization agreement are included within the short-term debt and current portion of long-term debt line on the balance sheet.

The fair value of the long-term debt at April 1, 2012, and at December 31, 2011, approximated its carrying value. The fair value reflects the market rates at each period end for debt with credit ratings similar to the company s ratings. Rates currently available to the company for loans with similar terms and maturities are used to estimate the fair value of long-term debt based on discounted cash flows.

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 20 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 April 1, 2012, and December 31, 2011, and has met all debt payment obligations.

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13. Employee Benefit Obligations

($ in millions)	April 1, 2012	December 31, 2011
Total defined benefit pension liability	$ 652.1	$ 731.6
Less current portion	(26.6)	(24.8)
Long-term defined benefit pension liability	625.5	706.8
Retiree medical and other postemployment benefits	172.0	169.2
Deferred compensation plans	230.8	228.0
Other	32.8	39.7
	$ 1,061.1	$ 1,143.7

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

	Three months ended					
	April 1, 2012			April 3, 2011		
($ in millions)	U.S.	Foreign	Total	U.S.	Foreign	Total
Service cost	$ 11.7	$ 2.0	$ 13.7	$ 10.8	$ 2.0	$ 12.8
Interest cost	14.1	7.3	21.4	14.4	7.6	22.0
Expected return on plan assets	(18.5)	(4.3)	(22.8)	(18.0)	(4.3)	(22.3)
Amortization of prior service cost	0.2	(0.1)	0.1	0.3	(0.1)	0.2
Recognized net actuarial loss	8.5	1.8	10.3	5.4	1.4	6.8
Curtailment loss				4.4		4.4
Subtotal	16.0	6.7	22.7	17.3	6.6	23.9
Multiemployer plans	0.7		0.7	0.4		0.4
Net periodic benefit cost	$ 16.7	$ 6.7	$ 23.4	$ 17.7	$ 6.6	$ 24.3

Contributions to the company s defined global benefit pension plans, not including the unfunded German plans, were $97.3 million in the first three months of 2012 ($3.9 million in 2011). The total contributions to these funded plans are expected to be approximately $110 million for the full year. This estimate may change based on changes in the Pension Protection Act and actual plan asset performance, among other factors. Payments to participants in the unfunded German plans were $5.6 million (4.2 million) in the first three months of 2012 and are expected to be approximately $23 million (approximately 17 million) for the full year.

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14. 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)
December 31, 2011	$ 84.7	$ (381.5)	$ (38.4)	$ (335.2)
Change	39.9	6.1	17.2	63.2
April 1, 2012	$ 124.6	$ (375.4)	$ (21.2)	$ (272.0)

Share Repurchase Agreements

On February 1, 2012, in a privately negotiated transaction, Ball entered into an accelerated share repurchase agreement to buy $200 million of its common shares using cash on hand and available borrowings. The company advanced the $200 million on February 3, 2012, and received 4,584,819 shares, which represented 90 percent of the total shares as calculated using the January 31, 2012, closing price of $39.26. The agreement was settled on May 1, 2012, and the company received an additional 334,039 shares, which represented a weighted average price of $40.66 for the contract period.

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

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15. Stock-Based Compensation Programs

The company has shareholder-approved stock option plans under which options to purchase shares of Ball common stock have been granted to officers and employees at the market value of the stock at the date of grant. Payment must be made at the time of exercise in cash or with shares of stock owned by the option holder, which are valued at fair market value on the date exercised. In general, options are exercisable in four equal installments commencing one year from the date of grant and terminating 10 years from the date of grant. A summary of stock option activity for the three months ended April 1, 2012, follows:

	Outstanding Options		Nonvested Options	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Grant Date Fair Value
Beginning of year	10,943,025	$ 23.64	3,678,286	$ 7.51
Granted	1,476,100	37.70	1,476,100	9.44
Vested			(1,169,255)	7.12
Exercised	(953,883)	17.21		
Canceled/forfeited	(69,450)	26.55	(69,450)	7.12
End of period	11,395,792	25.98	3,915,681	8.36
Vested and exercisable, end of period	7,480,111	22.82		
Reserved for future grants	3,982,263			

The options granted in January 2012 included 659,000 stock-settled stock appreciation rights, which have the same terms as the stock options. The weighted average remaining contractual term for all options outstanding at April 1, 2012, was 6.6 years and the aggregate intrinsic value (difference in exercise price and closing price at that date) was $192.6 million. The weighted average remaining contractual term for options vested and exercisable at April 1, 2012, was 5.5 years and the aggregate intrinsic value was $150.1 million.

The company received $13.4 million from options exercised during the three months ended April 1, 2012. The intrinsic value associated with these exercises was $18.8 million, and the associated tax benefit of $6.7 million was reported as other financing activities in the unaudited condensed consolidated statement of cash flows.

These options cannot be traded in any equity market. However, based on the Black-Scholes option pricing model, options granted in January 2012 and January 2011 have estimated weighted average fair values at the date of grant of $9.44 and $9.77 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 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 2012	January 2011
Expected dividend yield	1.06%	0.78%
Expected stock price volatility	30.22%	30.05%
Risk-free interest rate	0.84%	1.97%
Expected life of options (in years)	5.26	5.00

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

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15. Stock-Based Compensation Programs *(continued)*

Following is a summary of restricted stock activity for the three months ended April 1, 2012:

	Number of Shares/Units	Weighted Average Grant Price
Beginning of year	1,818,234	$ 24.86
Granted	259,277	37.97
Vested	(383,300)	20.27
Canceled/forfeited	(20,400)	29.05
End of period	1,673,811	27.89

In January 2012 and 2011, the company s board of directors granted 223,600 and 210,330 performance-contingent restricted stock units, respectively, to key employees, which will cliff-vest if the company s return on average invested capital during a 36-month performance period is equal to or exceeds the company s cost of capital. If the performance goals are not met, the shares will be forfeited. Current assumptions are that the performance targets will be met and, accordingly, grants under the plan are being accounted for as equity awards and compensation expense is recorded based upon 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. No such adjustment was considered necessary during the first three months of 2012 for either grant.

For the three months ended April 1, 2012, the company recognized expense of $6.8 million ($4.1 million after tax) for share-based compensation arrangements in selling, general and administrative expenses. For the three months ended April 3, 2011, the company recognized expense of $6.4 million ($3.9 million after tax) for such arrangements. At April 1, 2012, there was $57.5 million of total unrecognized compensation costs related to nonvested share-based compensation arrangements. This cost is expected to be recognized in earnings over a weighted average period of 2.6 years.

16. Earnings and Dividends Per Share

	Three months ended	
($ in millions, except per share amounts; shares in thousands)	**April 1, 2012**	**April 3, 2011**
Net earnings attributable to Ball Corporation	$ 88.3	$ 91.3
Basic weighted average common shares	157,530	169,189

Effect of dilutive securities		3,415		3,732
Weighted average shares applicable to diluted earnings per share		160,945		172,921
Per basic share	$	0.56	$	0.54
Per diluted share	$	0.55	$	0.53

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 2,729,010 and 1,347,060 in the three months ended April 1, 2012, and April 3, 2011, respectively.

The company declared and paid dividends of $0.10 per share in the first quarter of 2012 and $0.07 per share in the first quarter of 2011.

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Notes to Unaudited Condensed Consolidated Financial Statements

17. financial Instruments and Risk Management

The company employs established risk management policies and procedures, which seek to reduce the company s exposure to fluctuations in commodity prices, interest rates, exchange currencies 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.

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 supply contracts for aluminum sheet purchases. 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 $559 million at April 1, 2012. 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 April 1, 2012, within accumulated other comprehensive earnings (loss) is a net after-tax loss of $17.4 million associated with these contracts. A net loss of $20.1 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.

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 April 1, 2012, included pay-fixed interest rate swaps, which effectively convert variable rate obligations to fixed-rate instruments.

At April 1, 2012, the company had outstanding interest rate swap contracts with notional amounts of $302.4 million paying fixed rates expiring within the next three years. Included in shareholders equity at April 1, 2012, within accumulated other comprehensive earnings (loss) is a net after-tax loss of $0.7 million associated with these contracts, of which $0.6 million is expected to be recognized in the consolidated statement of earnings during the next 12 months.

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17. Financial Instruments and Risk Management *(continued)*

Inflation Risk

The company also uses inflation option contracts in Europe to limit the impacts from spikes in inflation against certain multi-year contracts. At April 1, 2012, the company had inflation options in Europe with notional amounts of $153.4 million (115 million). These options are undesignated for hedge accounting purposes and receive mark to fair value accounting. The fair value at April 1, 2012, was insignificant, and the option contracts expire at various times within the next year.

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 intercompany currency denominated loans and purchasing raw materials in U.S. dollars and other currencies. 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 April 1, 2012, the company had outstanding exchange forward contracts and option collar contracts with notional amounts totaling $545.5 million. Approximately $4.1 million of net after-tax loss related to these contracts is included in accumulated other comprehensive earnings at April 1, 2012, of which $3.1 million is expected to be recognized in the consolidated statement of earnings during the next 12 months. The contracts outstanding at April 1, 2012, 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 $1.7 million on pretax earnings. During March and September 2011, the company entered into total return swaps to reduce the company s earnings exposure to these market fluctuations. One of the swaps will be outstanding until September 2012 and has a notional value of 500,000 shares. The other swap, which was renewed in January 2012, will be outstanding until March 2013 and has a notional value of 1 million shares. As of April 1, 2012, the combined fair value of these swaps was a $2.7 million gain. All gains and losses on the total return swaps are recorded in the 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 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 April 1, 2012, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $43.9 million and no collateral was required to be posted. As of December 31, 2011, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $71.7 million and no collateral was required to be posted.

Fair Value Measurements

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

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17. financial Instruments and Risk Management *(continued)*

Fair Value of Derivative Instruments as of April 1, 2012

($ in millions)	Derivatives Designated As Hedging Instruments	Derivatives Not Designated As Hedging Instruments	Total
Assets:			
Commodity contracts	$ 6.4	$ 2.4	$ 8.8
Other derivative contracts	0.3	7.7	8.0
Total current derivative contracts	$ 6.7	$ 10.1	$ 16.8
Noncurrent commodity contracts	$ 8.0	$	$ 8.0
Liabilities:			
Commodity contracts	$ 39.1	$ 2.6	$ 41.7
Foreign currency contracts	2.1	4.9	7.0
Other derivative contracts	0.5		0.5
Total current derivative contracts	$ 41.7	$ 7.5	$ 49.2
Noncurrent commodity contracts	$ 2.9	$	$ 2.9
Interest rate contracts	1.1		1.1
Foreign currency contracts	1.0		1.0
Total noncurrent derivative contracts	$ 5.0	$	$ 5.0

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Notes to Unaudited Condensed Consolidated Financial Statements

17. financial Instruments and Risk Management *(continued)*

Fair Value of Derivative Instruments as of December 31, 2011

($ in millions)	Derivatives Designated As Hedging Instruments	Derivatives Not Designated As Hedging Instruments	Total
Assets:			
Commodity contracts	$ 4.2	$ 3.3	$ 7.5
Other derivative contracts	0.9	10.6	11.5
Total current derivative contracts	$ 5.1	$ 13.9	$ 19.0
Noncurrent commodity contracts	$ 7.1	$	$ 7.1
Other noncurrent contracts		0.1	0.1
Total noncurrent derivative contracts	$ 7.1	$ 0.1	$ 7.2
Liabilities:			
Commodity contracts	$ 64.4	$ 5.8	$ 70.2
Foreign currency contracts	4.4	5.5	9.9
Other derivative contracts	0.5		0.5
Total current derivative contracts	$ 69.3	$ 11.3	$ 80.6
Noncurrent commodity contracts	$ 2.1	$	$ 2.1
Interest rate contracts	0.7		0.7
Foreign currency contracts	1.0		1.0
Total noncurrent derivative contracts	$ 3.8	$	$ 3.8

The company uses closing spot and forward market prices as published by the London Metal Exchange, the New York 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. The company values 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 April 1, 2012, has not identified any circumstances requiring that the reported values of our financial instruments be adjusted.

Net receivables related to the European scrap metal program totaling $11.5 million at April 1, 2012, and $10.6 million at December 31, 2011, were classified as Level 2 within the fair value hierarchy.

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17. Financial Instruments and Risk Management *(continued)*

Impact on Earnings from Derivative Instruments

	Three months ended			
	April 1, 2012		April 3, 2011	
($ in millions)	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)*	$ (10.0)	$ 2.1	$ 14.2	$ (0.1)
Interest rate contracts *(b)*			0.6	
Inflation option contracts *(c)*		(0.1)		
Foreign currency contracts *(d)*	(0.2)	(3.3)	(0.4)	(1.6)
Equity contracts *(e)*		2.6		0.9
Total	$ (10.2)	$ 1.3	$ 14.4	$ (0.8)

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

(c) Gains and losses on inflation options are recorded in cost of sales in the statement of earnings.

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

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

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

Three months ended

($ in millions)	April 1, 2012	April 3, 2011
Amounts reclassified into earnings:		
Commodity contracts	$ 10.0	$ (14.2)
Interest rate and currency exchange contracts	0.2	(0.2)
Change in fair value of cash flow hedges:		
Commodity contracts	17.8	15.3
Interest rate and currency exchange contracts	(0.2)	3.8
Foreign currency and tax impacts	(10.6)	2.0
	$ 17.2	$ 6.7