

BALL CORP
Form 10-Q
August 04, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 27, 2010

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

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

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

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

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

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

Class	Outstanding at June 27, 2010
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Common
Stock, 91,573,637 shares
without par
value

Ball Corporation and Subsidiaries
QUARTERLY REPORT ON FORM 10-Q
For the period ended June 27, 2010

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PARTFINANCIAL INFORMATION

I.

ItemFINANCIAL STATEMENTS

1.

BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(\$ in millions, except per share amounts)	Three Months Ended		Six Months Ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
Net sales	\$2,007.5	\$1,744.6	\$3,599.8	\$3,170.5
Costs and expenses				
Cost of sales (excluding depreciation)	1,643.1	1,436.1	2,961.3	2,610.4
Depreciation and amortization (Notes 9 and 11)	62.4	58.6	125.1	114.4
Selling, general and administrative	77.6	72.9	156.9	141.9
Business consolidation and other activities (Note 6)	2.3	7.2	1.8	12.2
Gain on sale of investment (Note 5)	–	(34.8)	–	(34.8)
	1,785.4	1,540.0	3,245.1	2,844.1
Earnings before interest and taxes	222.1	204.6	354.7	326.4
Interest expense	(36.6)	(24.7)	(70.5)	(50.5)
Debt refinancing costs (Note 12)	(8.1)	–	(8.1)	–
Total interest expense	(44.7)	(24.7)	(78.6)	(50.5)
Earnings before taxes	177.4	179.9	276.1	275.9
Tax provision	(60.8)	(50.0)	(81.7)	(76.6)
Equity in results of affiliates (Note 4)	28.0	5.2	32.7	2.5
Net earnings from continuing operations	144.6	135.1	227.1	201.8
Discontinued operations, net of tax (Note 5)	(75.6)	(1.6)	(78.7)	1.3
Net earnings	69.0	133.5	148.4	203.1
Less net earnings attributable to noncontrolling interests	–	(0.2)	(0.1)	(0.3)
Net earnings attributable to Ball Corporation	\$69.0	\$133.3	\$148.3	\$202.8
Amounts attributable to Ball Corporation:				
Continuing operations	\$144.6	\$134.9	\$227.0	\$201.5
Discontinued operations	(75.6)	(1.6)	(78.7)	1.3
Net earnings	\$69.0	\$133.3	\$148.3	\$202.8
Earnings per share (Note 16):				
Basic – continuing operations	\$1.57	\$1.44	\$2.45	\$2.16

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Basic – discontinued operations	(0.82)	(0.02)	(0.85)	0.01
Total basic earnings per share	\$0.75	\$1.42	\$1.60	\$2.17
Diluted – continuing operations	\$1.55	\$1.42	\$2.42	\$2.13
Diluted – discontinued operations	(0.81)	(0.02)	(0.84)	0.01
Total diluted earnings per share	\$0.74	\$1.40	\$1.58	\$2.14

See accompanying notes to unaudited condensed consolidated financial statements.

BALL CORPORATION
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(\$ in millions)	June 27, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	\$75.0	\$210.6
Receivables, net (Note 7)	1,062.9	534.9
Inventories, net (Note 8)	876.2	881.2
Current derivative contracts (Note 17)	72.4	100.1
Deferred taxes and other current assets	135.8	119.1
Assets held for sale (Note 5)	327.6	416.3
Total current assets	2,549.9	2,262.2
Property, plant and equipment, net (Note 9)	1,656.3	1,751.5
Goodwill (Note 10)	1,887.6	2,008.3
Noncurrent derivative contracts (Note 17)	63.1	80.6
Intangibles and other assets, net (Note 11)	461.4	385.7
Total Assets	\$6,618.3	\$6,488.3
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt and current portion of long-term debt (Notes 7 and 12)	\$550.7	\$312.3
Accounts payable	766.4	581.8
Accrued employee costs	190.6	212.0
Current derivative contracts (Note 17)	76.6	83.2
Other current liabilities	227.7	187.8
Liabilities held for sale (Note 5)	68.8	53.1
Total current liabilities	1,880.8	1,430.2
Long-term debt (Note 12)	2,157.1	2,283.9
Employee benefit obligations (Note 13)	981.0	1,013.2
Noncurrent derivative contracts (Note 17)	32.4	48.0
Deferred taxes and other liabilities	120.6	130.0
Total liabilities	5,171.9	4,905.3
Contingencies (Note 18)		
Shareholders' equity (Notes 14 and 15)		
Common stock (162,153,139 shares issued – 2010; 161,513,274 shares issued – 2009)	859.9	830.8
Retained earnings	2,526.9	2,397.1
Accumulated other comprehensive earnings (loss)	(192.7)	(63.8)
Treasury stock, at cost (70,579,502 shares – 2010; 67,492,705 shares – 2009)	(1,749.3)	(1,582.8)
Total Ball Corporation shareholders' equity	1,444.8	1,581.3
Noncontrolling interests	1.6	1.7
Total shareholders' equity	1,446.4	1,583.0

Total Liabilities and Shareholders' Equity	\$6,618.3	\$6,488.3
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See accompanying notes to unaudited condensed consolidated financial statements.

BALL CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)	Six Months Ended	
	June 27, 2010	June 28, 2009
Cash Flows from Operating Activities		
Net earnings	\$148.4	\$203.1
Discontinued operations, net of tax	78.7	(1.3)
Adjustments to reconcile net earnings to net cash used in continuing operating activities:		
Depreciation and amortization	125.1	114.4
Business consolidation and other activities, net of cash payments (Note 6)	1.8	9.8
Gain on sale of investment (Note 5)	–	(34.8)
Deferred taxes	(11.4)	(9.0)
Other, net	21.9	9.1
Changes in working capital components (Note 7)	(355.7)	(330.9)
Cash provided by (used in) continuing operating activities	8.8	(39.6)
Cash provided by discontinued operating activities	21.9	48.8
Total cash provided by operating activities	30.7	9.2
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(69.1)	(91.7)
Acquisition of equity affiliate (Note 4)	(89.2)	–
Cash collateral, net (Note 17)	0.3	54.7
Proceeds from sale of investment (Note 5)	–	37.0
Other, net	(10.5)	(2.6)
Cash used in continuing investing activities	(168.5)	(2.6)
Cash used in discontinued investing activities	(7.4)	(14.5)
Total cash used in investing activities	(175.9)	(17.1)
Cash Flows from Financing Activities		
Long-term borrowings (Note 12)	1,077.4	511.4
Repayments of long-term borrowings	(977.7)	(594.3)
Change in short-term borrowings (Note 7)	81.0	24.9
Proceeds from issuances of common stock	21.8	12.3
Acquisitions of treasury stock	(162.9)	(1.3)
Common dividends	(18.3)	(18.7)
Other, net	(9.3)	2.9
Cash provided by (used in) financing activities	12.0	(62.8)
Effect of exchange rate changes on cash	(2.4)	2.8
Change in cash and cash equivalents	(135.6)	(67.9)
Cash and cash equivalents – beginning of period	210.6	127.4
Cash and cash equivalents – end of period	\$75.0	\$59.5

See accompanying notes to unaudited condensed consolidated financial statements.

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 (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 25, 2010, pursuant to Section 13 of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2009 (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 period. 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 period.

Certain prior-year amounts have been reclassified in order to conform to the current-year presentation. In addition, amounts in prior periods have been retrospectively adjusted to reflect the divestiture of the plastics packaging, Americas, segment as discontinued operations. Further details of the divestiture are available in Note 5.

2. Accounting Pronouncements

Recently Adopted Accounting Standards

Effective January 1, 2010, Ball adopted accounting guidance that modifies the way entities account for securitizations and special-purpose entities. In connection with the adoption of the guidance, the company determined that its existing accounts receivable securitization program should be recorded on the balance sheet as of January 1, 2010. Further details of this change in accounting are provided in Note 7.

Also effective January 1, 2010, the company adopted additional guidance regarding variable interest entities (VIE). The new guidance requires a company to perform an analysis to determine whether its variable interest or interests give it a controlling financial interest in a VIE and whether it is the primary beneficiary of a VIE. It also amends previous guidance to require ongoing reassessments of whether a company is the primary beneficiary of a VIE. The adoption of the guidance did not change the accounting for VIEs in Ball's consolidated financial statements. The company has a financial interest in a VIE of which Ball is not deemed to be the primary beneficiary. Additionally, the company has financial interests in other entities that are not considered VIEs under the current accounting guidance.

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 (previously only required for Level 3 assets and liabilities) 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 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 was effective for Ball in this report and had no impact on the unaudited condensed consolidated financial statements. The reporting of Level 3 activity on a gross basis will be effective for Ball as of January 1, 2011, and is expected to affect only the Level 3 pension plan assets, which do not represent a significant component of the total pension assets.

Ball Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

2. Accounting Pronouncements (continued)

In February 2010, the FASB issued revised guidance on subsequent events. Under revised guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective upon issuance.

New Accounting Guidance

In July 2010 accounting guidance was issued to enhance disclosures about a company's allowance for doubtful accounts receivable and the credit quality of its financing receivables. In general it amends existing disclosure guidance to require a company to provide a greater level of disaggregated information and to disclose credit quality indicators, past due information and modifications of its financing receivables. The disclosures required at the end of a reporting period will be effective for Ball as of December 31, 2010, and included in the company's annual report. The disclosures about activity occurring during a reporting period will be effective for Ball on a prospective basis as of January 1, 2011. The company is evaluating the impact the guidance will have on its consolidated financial statements.

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 will be effective as of January 1, 2011. Ball is currently evaluating the impact of the new guidance on its aerospace and technologies segment.

3. Business Segment Information

Effective June 15, 2010, with the announced sale of the company's plastics packaging, Americas, business (discussed in Note 5), segment information has been retrospectively adjusted to reflect this change. Ball's operations are organized and reviewed by management along its product lines and presented in four reportable segments.

Metal beverage packaging, Americas and Asia: Consists of operations in the U.S., Canada and the People's Republic of China (PRC), which manufacture and sell metal beverage containers in North America and the PRC, as well as non-beverage plastic containers in the PRC. The Americas and Asia operations have been aggregated based on similar economic characteristics.

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

Metal food & 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.

Aerospace and technologies: Consists of the manufacture and sale of aerospace and other related products and the providing of services used primarily 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. We also have investments in companies in the U.S., PRC and Brazil, which are accounted for under the equity method of accounting and, accordingly, those results are not included in segment sales or earnings.

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	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
Net Sales				
Metal beverage packaging, Americas & Asia	\$1,036.0	\$749.1	\$1,810.4	\$1,369.5
Metal beverage packaging, Europe	479.3	490.6	846.8	834.4
Metal food & household products packaging, Americas	312.0	323.4	597.4	607.0
Aerospace & technologies	180.2	181.5	345.2	359.6
Net sales	\$2,007.5	\$1,744.6	\$3,599.8	\$3,170.5
Net Earnings				
Metal beverage packaging, Americas & Asia	\$114.5	\$74.8	\$188.5	\$121.0
Business consolidation activities (Note 6)	0.8	(3.3)	1.3	(8.3)
Total metal beverage packaging, Americas & Asia	115.3	71.5	189.8	112.7
Metal beverage packaging, Europe	72.5	64.8	107.5	95.7
Metal food & household products packaging, Americas	33.4	35.1	55.1	84.7
Aerospace & technologies	18.6	14.8	32.1	29.4
Segment earnings before interest and taxes	239.8	186.2	384.5	322.5
Undistributed corporate expenses, net	(14.6)	(12.4)	(26.7)	(26.9)
Gain on sale of investment (Note 5)	–	34.8	–	34.8
Business consolidation and other activities (Note 6)	(3.1)	(4.0)	(3.1)	(4.0)
Total undistributed corporate expenses, net	(17.7)	18.4	(29.8)	3.9
Earnings before interest and taxes	222.1	204.6	354.7	326.4
Interest expense	(44.7)	(24.7)	(78.6)	(50.5)
Tax provision	(60.8)	(50.0)	(81.7)	(76.6)
Equity in results of affiliates (Note 4)	28.0	5.2	32.7	2.5
Net earnings from continuing operations	144.6	135.1	227.1	201.8
Discontinued operations, net of tax	(75.6)	(1.6)	(78.7)	1.3
Net earnings	69.0	133.5	148.4	203.1
Less net earnings attributable to noncontrolling interests	–	(0.2)	(0.1)	(0.3)
Net earnings attributable to Ball Corporation	\$69.0	\$133.3	\$148.3	\$202.8

Ball Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

3. Business Segment Information (continued)

Summary of Business by Segment (continued)

(\$ in millions)	June 27, 2010	December 31, 2009
Total Assets		
Metal beverage packaging, Americas & Asia	\$ 2,378.2	\$ 2,111.8
Metal beverage packaging, Europe	2,138.3	2,357.9
Metal food & household products packaging, Americas	1,127.0	932.9
Aerospace & technologies	298.1	268.2
Segment assets from continuing operations	5,941.6	5,670.8
Corporate assets, net of eliminations	349.1	401.2
Assets held for sale	327.6	416.3
Total assets	\$ 6,618.3	\$ 6,488.3

4. Acquisitions

Guangdong Jianlibao Group Co., Ltd (Jianlibao)

On June 15, 2010, the company acquired Jianlibao's 65-percent interest in a joint venture metal beverage can and end plant in Sanshui, PRC. Ball has owned 35 percent of the joint venture plant since 1992. Ball acquired the plant and related assets for \$89.2 million in cash (net of cash acquired) and assumed debt and also entered into a long-term supply agreement with Jianlibao and one of its affiliates. The company recorded equity earnings of \$22.1 million, which was composed of equity earnings and a gain realized on the fair value of Ball's equity investment as a result of the required purchase accounting, which is still in process. The acquisition of the remaining interest is not significant to the metal beverage packaging, Americas and Asia, segment.

Anheuser-Busch InBev n.v./s.a. (AB InBev)

On October 1, 2009, the company acquired three of AB InBev's beverage can manufacturing plants and one of its beverage can end manufacturing plants, all of which are located in the U.S., for \$574.7 million in cash. The additional plants, which employ approximately 635 people, enhance Ball's ability to serve its customers. The following unaudited pro forma consolidated results of operations for the three and six months ended June 28, 2009, have been prepared as if the acquisition had occurred as of January 1, 2009.

(\$ in millions)	Three Months Ended June 28, 2009	Six Months Ended June 28, 2009
Net sales	\$1,912.6	\$3,506.5
Net earnings from continuing operations	138.1	204.8
Basic earnings per share from continuing operations	1.47	2.19
Diluted earnings per share from continuing operations	1.45	2.16

The pro forma results are not necessarily indicative of the actual results that would have occurred had the acquisition been in effect for the three and six months ended June 28, 2009, nor are they necessarily indicative of the results that may be obtained in the future. The pro forma adjustments primarily include the after-tax effect of increased interest expense related to incremental borrowings used to finance the acquisition. The adjustments also include the after-tax effects of amortization of the customer relationship intangible asset, inventory step-up adjustment and decreased depreciation expense on plant and equipment based on extended useful lives partially offset by increased fair values.

Ball Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

5. Dispositions

Plastics Packaging, Americas

On June 15, 2010, the company entered into an agreement to sell its plastics packaging, Americas, business to Amcor Limited. On August 2, 2010, Ball completed the sale of its plastics packaging business and received proceeds of \$280 million, including \$15 million of contingent consideration recognized at closing. The sale of Ball's plastics packaging business includes five U.S. plants that manufacture polyethylene terephthalate (PET) bottles and preforms and polypropylene bottles, as well as associated customer contracts and other related assets.

Ball's plastics business employed approximately 1,000 people and had sales of \$635 million in 2009. The manufacturing plants are located in Ames, Iowa; Batavia, Illinois; Bellevue, Ohio; Chino, California; and Delran, New Jersey; and research and development operations are based in Broomfield and Westminster, Colorado.

The following tables summarize the operating results for, and the assets and liabilities of, the discontinued operations:

(\$ in millions)	Three Months Ended		Six Months Ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
Net sales	\$149.3	\$181.6	\$263.2	\$341.3
Earnings from operations	\$3.4	\$8.7	\$1.4	\$13.1
Loss on asset impairment	(107.1)	–	(107.1)	–
Loss on business consolidation activities (a)	(4.4)	(11.9)	(7.3)	(11.9)
Tax benefit	32.5	1.6	34.3	0.1
Discontinued operations, net of tax	\$(75.6)	\$(1.6)	\$(78.7)	\$1.3

(a) The first quarter of 2010 includes a net charge of \$2.2 million to reflect individually insignificant costs and gains related to previously announced plastics plant closures. The second quarter of 2009 includes a charge of \$11.9 million related primarily to the closure of plastics packaging manufacturing plants in New York and Wisconsin.

(\$ in millions)	June 27, 2010	December 31, 2009
Assets:		
Receivables	\$ 44.3	\$ 13.3
Inventories	59.1	62.9
Property, plant and equipment	188.8	197.5
Goodwill	–	106.5
Other assets	35.4	36.1
Total assets held for sale	\$ 327.6	\$ 416.3
Liabilities:		
Accounts payable	\$ 54.5	\$ 41.4

Other liabilities	14.3	11.7
Total liabilities held for sale	\$ 68.8	\$ 53.1

Investment in DigitalGlobe Inc. (DigitalGlobe)

In May 2009 the company sold 75 percent of its investment in DigitalGlobe, a provider of commercial high resolution earth imagery products and services, in conjunction with DigitalGlobe's initial public offering. The sale generated proceeds of \$37.0 million and a non-operating pretax gain of \$34.8 million (\$30.7 million after tax). The remaining investment in DigitalGlobe, classified as an other long-term asset, has been accounted for as a marketable equity investment and, as such, is marked to market, with the unrealized gain being held in accumulated other comprehensive earnings (loss). (See Note 14.)

Ball Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

6. Business Consolidation Activities

2010

Metal Beverage Packaging, Americas and Asia

Net earnings of \$0.5 million (\$0.3 million after tax) and \$0.8 million (\$0.5 million after tax) were recorded in the first and second quarters of 2010, respectively, primarily to reflect individually insignificant costs and gains related to previously announced plant closures.

Corporate and Other Costs

In the second quarter, charges of \$3.1 million (\$1.9 million after tax) were recorded primarily to establish a reserve associated with an environmental matter at a previously owned facility.

2009

Metal Beverage Packaging, Americas and Asia

In the second quarter of 2009, a charge of \$3.3 million (\$2 million after tax) was taken for severance and other employee benefits related to a reduction of personnel in the plants and headquarters of the Americas portion of this segment. In the first quarter of 2009, a charge of \$5 million (\$3.1 million after tax) was taken related to accelerated depreciation for operations that ceased in the quarter at the company's Kansas City plant.

Corporate and Other Costs

A pretax charge of \$2.9 million (\$1.8 million after tax) was recorded in the second quarter of 2009 for transaction costs required to be expensed for the October 1, 2009, acquisition of four plants from AB InBev. (See Note 4.) In addition, a \$1.0 million pretax charge (\$0.6 million after tax) was taken in the second quarter related to previously closed and sold facilities.

Following is a summary of activity by segment related to business consolidation activities for the six months ended June 27, 2010:

(\$ in millions)	Metal Beverage Packaging, Americas & Asia	Metal Food & Household Products Packaging, Americas	Corporate and Other Costs	Total
Balance at December 31, 2009	\$10.4	\$7.3	\$10.2	\$27.9
Charges (gains) in continuing operations	(1.3)	–	3.1	1.8
Charges in discontinued operations	–	–	2.4	2.4
Cash payments and other activity	(0.8)	(0.8)	(3.9)	(5.5)

Balance at June 27, 2010	\$8.3	\$6.5	\$11.8	\$26.6
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All remaining reserves for business consolidation activities are expected to be utilized during the balance of 2010. The carrying value of fixed assets remaining for sale in connection with previous plant closures was approximately \$5.3 million at June 27, 2010.

Ball Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

7. Receivables

(\$ in millions)	June 27, 2010	December 31, 2009
Trade accounts receivable, net	\$987.6	\$439.9
Other receivables	75.3	95.0
	\$1,062.9	\$534.9

Trade accounts receivable are shown net of an allowance for doubtful accounts of \$12.0 million at June 27, 2010, and \$13.6 million at December 31, 2009. Other receivables primarily include property and sales tax receivables and certain vendor rebate receivables.

A receivables sales agreement provides for the ongoing, revolving sale of a designated pool of trade accounts receivable of Ball's North American packaging operations up to \$250 million. At December 31, 2009, the amount of accounts receivable sold under the securitization program was \$250 million and, under the previous accounting guidance, this amount was presented in the consolidated balance sheet as a reduction of accounts receivable as a result of the true sale of receivables. However, upon the company's adoption of new prospective accounting guidance effective January 1, 2010, the amount of accounts receivable sold is not reflected as a reduction of accounts receivable on the balance sheet at June 27, 2010, resulting in a \$250 million increase in accounts receivable as compared to December 31, 2009, as well as a corresponding working capital outflow from operating activities in the statement of cash flows. There was \$60.0 million of accounts receivable sold to the conduit under the securitization program at June 27, 2010, which has been presented as an increase in short-term debt in the balance sheet and in the financing activities section of the statement of cash flows.

8. Inventories

(\$ in millions)	June 27, 2010	December 31, 2009
Raw materials and supplies	\$337.3	\$ 426.2
Work in process and finished goods	538.9	455.0
	\$876.2	\$ 881.2

In the fourth quarter of 2009, the company identified that ending inventory was not properly valued in its metal beverage packaging, Americas and Asia, segment. An adjustment was required in the normal inventory review process to properly value ending inventory, and an evaluation of the inventory valuation process was performed. This evaluation indicated that under the historic method used to value inventory in this segment, including determining appropriate deferred variances, the quarterly estimates of the deferred pricing variances did not adequately consider the impact of extreme price volatility and inventory turnover in ending inventories. Ball has modified its controls for capitalization of inventory variances. The modifications include a more timely review of variance calculations and a detailed metal price analysis. Additionally, the calculation methodology was modified to more accurately take into account the fluctuations in the London Metal Exchange (LME) pricing and inventory balances.

As a result of the evaluation, a cumulative \$15.9 million pretax out-of-period adjustment was recorded in cost of sales in the fourth quarter of 2009, which should have impacted the prior three quarters of 2009 and the fourth quarter of

2008. Had the inventory been valued under the revised method, pretax earnings in the second quarter of 2009 would have been lower by \$13.9 million (\$8.5 million after tax and \$0.09 per diluted share) and year-to-date pretax earnings would have been lower by \$16.1 million (\$9.8 million after tax and \$0.10 per diluted share). Management has assessed the impact of these adjustments and does not believe these amounts were quantitatively or qualitatively material, individually or in the aggregate, to any previously issued financial statements or to the full-year results of operations for 2009.

Ball Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

9. Property, Plant and Equipment

(\$ in millions)	June 27, 2010	December 31, 2009
Land	\$82.9	\$86.3
Buildings	779.0	788.2
Machinery and equipment	2,652.5	2,675.1
Construction in progress	119.0	132.7
	3,633.4	3,682.3
Accumulated depreciation	(1,977.1)	(1,930.8)
	\$1,656.3	\$1,751.5

Property, plant and equipment are stated at historical cost. Depreciation expense amounted to \$59.7 million and \$119.7 million for the three and six months ended June 27, 2010, respectively, and \$55.0 million and \$107.5 million for the comparable periods in 2009, 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, 2009	\$588.8	\$1,065.9	\$353.6	\$2,008.3
Acquisition of equity affiliate (Note 4)	28.7	-	-	28.7
Effects of foreign currency exchange rates	-	(149.4)	-	(149.4)
Balance at June 27, 2010	\$617.5	\$916.5	\$353.6	\$1,887.6

Ball's policy is to perform its annual goodwill impairment testing in the fourth quarter of each year, as well as on an interim basis when circumstances dictate. As a result of the announced sale of the plastics packaging, Americas, segment Ball determined that an update of the goodwill impairment testing was necessary for that segment. Based on the agreed upon contractual sales price and the net book value of the segment it was determined that an impairment charge of \$107.1 million (\$75.2 million after tax) was necessary during the second quarter of 2010. The impairment charge included impairment of both plastics packaging goodwill (\$106.5 million) and long-lived assets (\$0.6 million). The impairment charge was included in the discontinued operations line item of the statement of earnings for the three and six months ended June 27, 2010.

11. Intangibles and Other Assets

(\$ in millions)	June 27, 2010	December 31,
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2009

Investments in affiliates	\$97.4	\$86.2
Intangible assets (net of accumulated amortization of \$100.7 at June 27, 2010, and \$105.8 at December 31, 2009)	105.1	94.6
Company-owned life insurance	110.9	111.0
Long-term deferred tax assets	80.9	29.0
Other	67.1	64.9
	\$461.4	\$385.7

Total amortization expense of intangible assets amounted to \$2.7 million and \$5.4 million for the three months and six months ended June 27, 2010, respectively, and \$3.6 million and \$6.9 million for the comparable periods in 2009, respectively.

Ball Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

12. Debt

Long-term debt consisted of the following:

(in millions)	June 27, 2010		December 31, 2009	
	In Local Currency	In U.S. \$	In Local Currency	In U.S. \$
Notes Payable				
6.625% Senior Notes, due March 2018 (excluding discount of \$0.6 in 2010 and \$0.6 in 2009)	\$ 450.0	\$ 450.0	\$ 450.0	\$ 450.0
7.125% Senior Notes, due September 2016 (excluding discount of \$6.7 in 2010 and \$7.2 in 2009)	\$ 375.0	375.0	\$ 375.0	375.0
7.375% Senior Notes, due September 2019 (excluding discount of \$7.7 in 2010 and \$8.1 in 2009)	\$ 325.0	325.0	\$ 325.0	325.0
6.75% Senior Notes, due September 2020	\$ 500.0	500.0	–	–
6.875% Senior Notes, due December 2012 (excluding premium of \$1.3 in 2009)	\$ –	–	\$ 509.0	509.0
Senior Credit Facilities, due October 2011 (at variable rates)				
Term A Loan, British sterling denominated	59.5	89.0	63.8	101.5
Term B Loan, euro denominated	€ 227.5	280.4	€ 227.5	326.1
Term C Loan, Canadian dollar denominated	C\$ 112.4	108.1	C\$ 114.0	108.6
Term D Loan, U.S. dollar denominated	\$ 300.0	300.0	\$ 300.0	300.0
U.S. dollar multi-currency revolver borrowings	\$ 62.3	62.3	\$ 2.3	2.3
Euro multi-currency revolver borrowings	€ 19.4	23.9	€ –	–
British sterling multi-currency revolver borrowings	25.0	37.3	20.9	33.3
Industrial Development Revenue Bonds				
Floating rates due through 2015	\$ 9.4	9.4	\$ 9.4	9.4
Other (including discounts and premiums)	Various	8.7	Various	(7.5)
		2,569.1		2,532.7
Less: Current portion of long-term debt		(412.0)		(248.8)
		\$ 2,157.1		\$ 2,283.9

On March 22, 2010, Ball issued \$500 million of new 6.75 percent senior notes due in September 2020. On that same date, the company issued a notice of redemption to call \$509 million of 6.875 percent senior notes due December 2012 at a redemption price of 101.146 percent of the outstanding principal amount plus accrued interest. The redemption of these bonds occurred on April 21, 2010, and resulted in a charge of \$8.1 million (\$4.9 million after tax) for the call premium and the write off of unamortized financing costs and unamortized premiums. The charge is included as a component of interest expense in the consolidated financial statements.

As permitted, the company's long-term debt is not carried in the company's consolidated financial statements at fair value. The fair value of the long-term debt was estimated to be \$2.61 billion at June 27, 2010, which approximated its carrying value of \$2.57 billion. The fair value was \$2.54 billion at December 31, 2009, which approximated its then carrying value of \$2.53 billion. 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.

At June 27, 2010, taking into account outstanding letters of credit, the company had approximately \$575 million available for borrowing under the multi-currency revolving credit facilities that provide for up to \$735 million in U.S. dollar equivalent borrowings. The company's PRC operations also had approximately \$30 million available under a committed credit facility of approximately \$50 million. In addition to the long-term committed credit facilities, the company had short-term uncommitted credit facilities of up to \$316 million at June 27, 2010, of which \$78.7 million was outstanding and due on demand, as well as approximately \$180 million of available borrowings under its accounts receivable securitization program.

Ball Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

12. Debt (continued)

The notes payable are guaranteed on a full, unconditional and joint and several basis by certain of the company's wholly owned domestic subsidiaries. The notes payable also contain certain covenants and restrictions including, among other things, limits on the incurrence of additional indebtedness and limits on the amount of restricted payments, such as dividends and share repurchases.

The company was in compliance with all loan agreements at June 27, 2010, and all prior periods presented and has met all debt payment obligations. The U.S. note agreements, bank credit agreements and industrial development revenue bond agreements contain certain restrictions relating to dividend payments, share repurchases, investments, financial ratios, guarantees and the incurrence of additional indebtedness.

13. Employee Benefit Obligations

(\$ in millions)	June 27, 2010	December 31, 2009
Total defined benefit pension liability	\$561.0	\$603.7
Less current portion	(21.2)	(26.1)
Long-term defined benefit pension liability	539.8	577.6
Retiree medical and other postemployment benefits	194.4	193.0
Deferred compensation plans	202.5	199.9
Other	44.3	42.7
	\$981.0	\$1,013.2

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

(\$ in millions)	June 27, 2010			Three Months Ended June 28, 2009		
	U.S.	Foreign	Total	U.S.	Foreign	Total
Service cost	\$11.1	\$1.8	\$12.9	\$10.5	\$1.3	\$11.8
Interest cost	14.1	7.2	21.3	13.4	7.4	20.8
Expected return on plan assets	(17.0)	(3.7)	(20.7)	(15.9)	(3.4)	(19.3)
Amortization of prior service cost	0.4	(0.1)	0.3	0.2	(0.1)	0.1
Recognized net actuarial loss	4.3	1.2	5.5	3.1	0.9	4.0
Subtotal	12.9	6.4	19.3	11.3	6.1	17.4
Non-company sponsored plans	0.4	-	0.4	0.4	-	0.4
Net periodic benefit cost	\$13.3	\$6.4	\$19.7	\$11.7	\$6.1	\$17.8

Ball Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

13. Employee Benefit Obligations (continued)

(\$ in millions)	June 27, 2010			Six Months Ended		
	U.S.	Foreign	Total	U.S.	June 28, 2009	Total
Service cost	\$22.2	\$3.6	\$25.8	\$21.0	\$2.7	\$23.7
Interest cost	28.3	14.7	43.0	26.8	14.5	41.3
Expected return on plan assets	(34.0)	(7.4)	(41.4)	(31.9)	(6.6)	(38.5)
Amortization of prior service cost	0.7	(0.2)	0.5	0.4	(0.2)	0.2
Recognized net actuarial loss	8.6	2.4	11.0	6.2	1.7	7.9
Subtotal	25.8	13.1	38.9	22.5	12.1	34.6
Non-company sponsored plans	0.8	–	0.8	0.8	–	0.8
Net periodic benefit cost	\$26.6	\$13.1	\$39.7	\$23.3	\$12.1	\$35.4

Contributions to the company's defined global benefit pension plans, not including the unfunded German plans, were \$7.9 million in the first six months of 2010 (\$18.4 million in the same period of 2009). The total contributions to these funded plans are expected to be approximately \$55 million in 2010. Payments to participants in the unfunded German plans were \$11.6 million (€8.7 million) in the first six months of 2010 and are expected to be approximately \$23 million (approximately €18 million) for the full year. Actual contributions to the plans may be adjusted based on changes in market conditions.

Ball Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

14. Shareholders' Equity and Comprehensive Earnings

Accumulated Other Comprehensive Earnings (Loss)

Accumulated other comprehensive earnings (loss) include the cumulative effect of foreign currency translation, pension and other postretirement items and realized and unrealized gains and losses on derivative instruments receiving cash flow hedge accounting treatment.

(\$ in millions)	Foreign Currency Translation	Pension and Other Postretirement Items (net of tax)	Effective Derivatives (net of tax)	Gain on Available for Sale Securities (net of tax)	Accumulated Other Comprehensive Earnings (Loss)
December 31, 2008	\$ 173.6	\$ (251.8)	\$ (104.3)	\$—	\$ (182.5)
Change	(18.9)	4.8	17.3	(a) 8.0	11.2
June 28, 2009	\$ 154.7	\$ (247.0)	\$ (87.0)	\$ 8.0	\$ (171.3)
December 31, 2009	\$ 180.2	\$ (274.4)	\$ 23.4	\$ 7.0	\$ (63.8)
Change	(138.4)	6.8	1.3	(a) 1.4	(128.9)
June 27, 2010	\$ 41.8	\$ (267.6)	\$ 24.7	\$ 8.4	\$ (192.7)

(a) The change in accumulated other comprehensive earnings (loss) for effective derivatives was as follows:

(\$ in millions)	Three Months Ended		Six Months Ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
Amounts reclassified into earnings (Note 17):				
Commodity contracts	\$ (2.9)	\$ 29.5	\$ 12.5	\$ 42.5
Interest rate and foreign currency contracts	1.6	1.9	3.3	3.5
Change in fair value of cash flow hedges:				
Commodity contracts	(22.6)	6.2	0.2	(12.2)
Interest rate and foreign currency contracts	(5.8)	(4.5)	(7.0)	(6.7)
Foreign currency and tax impacts	6.1	(11.6)	(7.7)	(9.8)
	\$ (23.6)	\$ 21.5	\$ 1.3	\$ 17.3

Comprehensive Earnings

(\$ in millions)	Three Months Ended		Six Months Ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
Net earnings attributable to Ball Corporation	\$ 69.0	\$ 133.3	\$ 148.3	\$ 202.8

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Foreign currency translation adjustment	(80.9)	28.8	(138.4)	(18.9)
Pension and other postretirement items, net of tax	4.1	2.4	6.8	4.8
Effect of derivative instruments, net of tax	(23.6)	21.5	1.3	17.3
Gain on available for sale securities, net of tax	–	8.0	1.4	8.0
Comprehensive earnings	\$(31.4)	\$194.0	\$19.4	\$214.0

Stock Repurchases

On February 17, 2010, in a privately negotiated transaction, Ball entered into an accelerated share repurchase agreement to buy \$125.0 million of its common shares using cash on hand and available borrowings. The company advanced the \$125.0 million on February 22, 2010, and received 2,161,799 shares, which represented 90 percent of the total shares as calculated using the previous day's closing price. The agreement was settled on May 20, 2010, and the company received an additional 199,103 shares.

Ball Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

14. Shareholders' Equity and Comprehensive Earnings (continued)

In addition to the share repurchases made under the accelerated share repurchase agreement, the company repurchased a total of \$37.9 million of Ball common stock during the six months ended June 27, 2010. From June 28, 2010, through July 30, 2010, Ball repurchased an additional \$118.3 million.

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 vest in four equal one-year 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 six months ended June 27, 2010, follows:

	Outstanding Options		Nonvested Options	
	Number of	Weighted	Number of	Weighted
	Shares	Average	Shares	Average
		Exercise		Grant Date
		Price		Fair Value
Beginning of year	5,814,188	\$37.92	2,470,267	\$11.28
Granted	968,350	50.45	968,350	13.68
Vested	–		(365,666)	10.72
Exercised	562,830	25.76		
Canceled/forfeited	(86,502)	45.23	(86,502)	11.35
End of period	6,133,206	40.91	2,986,449	12.13
Vested and exercisable, end of period	3,146,757	35.29		
Reserved for future grants	4,444,357			

The options granted in January 2010 included 506,700 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 June 27, 2010, was 6.5 years and the aggregate intrinsic value (difference in exercise price and closing price at that date) was \$80.3 million. The weighted average remaining contractual term for options vested and exercisable at June 27, 2010, was 4.7 years and the aggregate intrinsic value was \$58.9 million.

The company received \$7.5 million from options exercised during the three months ended June 27, 2010. The intrinsic value associated with these exercises was \$9.3 million, and the associated tax benefit of \$3.3 million was reported as other financing activities in the unaudited condensed consolidated statement of cash flows. During the six months ended June 27, 2010, the company received \$14.5 million from options exercised. The intrinsic value associated with exercises for that period was \$15.3 million, and the associated tax benefit of \$5.0 million was reported as other financing activities in the unaudited condensed consolidated statement of cash flows.

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Based on the Black-Scholes option pricing model, options granted in January 2010 have an estimated weighted average fair value at the date of grant of \$13.68 per share. 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:

Expected dividend yield	0.79%
Expected stock price volatility	28.99%
Risk-free interest rate	2.47%
Expected life of options	4.9 years

Ball Corporation

Notes to Unaudited Condensed Consolidated Financial Statements

15. Stock-Based Compensation Programs (continued)

In addition to stock options, the company may issue 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 fair value of the shares at the grant date.

In January 2010 and 2009, the company's board of directors granted 181,150 and 193,450 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 at the end of the first or second quarter of 2010 for either grant.

For the three and six months ended June 27, 2010, the company recognized in selling, general and administrative expenses pretax expense of \$6.5 million (\$4.0 million after tax) and \$13.8 million (\$8.4 million after tax) for share-based compensation arrangements, respectively. For the three and six months ended June 28, 2009, the company recognized pretax expense of \$6.7 million (\$4.0 million after tax) and \$12.9 million (\$7.8 million after tax) for such arrangements, respectively. At June 27, 2010, there was \$46.6 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 2.5 years.