

BALL CORP
Form 10-Q
October 30, 2015
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

Commission file number 001-07349

BALL CORPORATION

State of Indiana
(State or other jurisdiction of incorporation or
organization)

35-0160610
(I.R.S. Employer Identification No.)

10 Longs Peak Drive, P.O. Box 5000
Broomfield, CO 80021-2510
(Address of registrant's principal executive office)

80021-2510
(Zip Code)

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

Edgar Filing: BALL CORP - Form 10-Q

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
Common Stock, without par value

Outstanding at October 26, 2015
136,321,229 shares

Edgar Filing: BALL CORP - Form 10-Q

Table of Contents

Ball Corporation

QUARTERLY REPORT ON FORM 10-Q

For the period ended September 30, 2015

INDEX

	Page Number
<u>PART I.</u>	<u>FINANCIAL INFORMATION:</u>
<u>Item 1.</u>	<u>Financial Statements</u>
	<u>Unaudited Condensed Consolidated Statements of Earnings for the Three and Nine Months Ended September 30, 2015 and 2014</u>
	1
	<u>Unaudited Condensed Consolidated Statements of Comprehensive Earnings for the Three and Nine Months Ended September 30, 2015 and 2014</u>
	2
	<u>Unaudited Condensed Consolidated Balance Sheets at September 30, 2015, and December 31, 2014</u>
	3
	<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2015 and 2014</u>
	4
	<u>Notes to the Unaudited Condensed Consolidated Financial Statements</u>
	5
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	36
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	47
<u>Item 4.</u>	<u>Controls and Procedures</u>
	47
<u>PART II.</u>	<u>OTHER INFORMATION</u>
	49

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

(\$ in millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales	\$ 2,097.0	\$ 2,238.9	\$ 6,192.4	\$ 6,537.6
Costs and expenses				
Cost of sales (excluding depreciation and amortization)	(1,690.3)	(1,807.3)	(5,026.3)	(5,266.6)
Depreciation and amortization	(71.9)	(71.3)	(211.5)	(209.7)
Selling, general and administrative	(106.8)	(123.1)	(340.5)	(342.2)
Business consolidation and other activities	(151.9)	(9.2)	(138.3)	(17.8)
	(2,020.9)	(2,010.9)	(5,716.6)	(5,836.3)
Earnings before interest and taxes	76.1	228.0	475.8	701.3
Interest expense	(37.5)	(40.1)	(107.0)	(120.9)
Debt refinancing and other costs	(21.0)		(85.9)	(33.1)
Total interest expense	(58.5)	(40.1)	(192.9)	(154.0)
Earnings before taxes	17.6	187.9	282.9	547.3
Tax (provision) benefit	31.0	(39.8)	(47.9)	(139.6)
Equity in results of affiliates, net of tax	1.5	0.3	3.4	1.9
Net earnings	50.1	148.4	238.4	409.6
Less net earnings attributable to noncontrolling interests	(5.6)	(1.0)	(12.8)	(15.6)
Net earnings attributable to Ball Corporation	\$ 44.5	\$ 147.4	\$ 225.6	\$ 394.0
Earnings per share:				
Basic	\$ 0.32	\$ 1.07	\$ 1.64	\$ 2.83
Diluted	\$ 0.32	\$ 1.04	\$ 1.60	\$ 2.76
Weighted average shares outstanding (000s):				
Basic	137,337	138,010	137,409	139,133
Diluted	140,858	142,090	141,141	142,986

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(\$ in millions)	Three Months Ended September 30, 2015		2014		Nine Months Ended September 30, 2015		2014	
Net earnings	\$	50.1	\$	148.4	\$	238.4	\$	409.6
Other comprehensive earnings (loss):								
Foreign currency translation adjustment		(20.9)		(106.1)		(113.5)		(136.7)
Pension and other postretirement benefits		10.5		15.4		41.6		32.5
Effective financial derivatives		(0.9)		24.3		(16.6)		44.5
Total other comprehensive earnings (loss)		(11.3)		(66.4)		(88.5)		(59.7)
Income tax (provision) benefit		(5.0)		(6.4)		(10.0)		(16.3)
Total other comprehensive earnings (loss), net of tax		(16.3)		(72.8)		(98.5)		(76.0)
Total comprehensive earnings (loss)		33.8		75.6		139.9		333.6
Less comprehensive (earnings) loss attributable to noncontrolling interests		(5.7)		(0.6)		(12.3)		(15.2)
Comprehensive earnings (loss) attributable to Ball Corporation	\$	28.1	\$	75.0	\$	127.6	\$	318.4

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(\$ in millions)	September 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 244.4	\$ 191.4
Receivables, net	1,097.8	957.1
Inventories, net	876.0	1,016.7
Deferred taxes and other current assets	164.4	148.3
Total current assets	2,382.6	2,313.5
Noncurrent assets		
Property, plant and equipment, net	2,547.3	2,430.7
Goodwill	2,204.1	2,254.5
Intangibles and other assets, net	593.0	572.3
Total assets	\$ 7,727.0	\$ 7,571.0
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt and current portion of long-term debt	\$ 282.9	\$ 175.1
Accounts payable	1,451.4	1,340.0
Accrued employee costs	213.3	269.9
Other current liabilities	332.0	221.8
Total current liabilities	2,279.6	2,006.8
Noncurrent liabilities		
Long-term debt	2,879.4	2,993.8
Employee benefit obligations	1,159.5	1,178.3
Deferred taxes and other liabilities	165.1	152.5
Total liabilities	6,483.6	6,331.4
Shareholders' equity		
Common stock (332,437,320 shares issued - 2015; 331,618,306 shares issued - 2014)	1,171.3	1,131.3
Retained earnings	4,519.6	4,346.9
Accumulated other comprehensive earnings (loss)	(620.1)	(522.1)
Treasury stock, at cost (196,180,099 shares - 2015; 194,652,028 shares - 2014)	(4,037.1)	(3,923.0)
Total Ball Corporation shareholders' equity	1,033.7	1,033.1
Noncontrolling interests	209.7	206.5
Total shareholders' equity	1,243.4	1,239.6
Total liabilities and shareholders' equity	\$ 7,727.0	\$ 7,571.0

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(\$ in millions)	Nine Months Ended September 30,	
	2015	2014
Cash Flows from Operating Activities		
Net earnings	\$ 238.4	\$ 409.6
Adjustments to reconcile net earnings to cash provided by (used in) operating activities:		
Depreciation and amortization	211.5	209.7
Business consolidation and other activities	138.3	17.8
Deferred tax provision (benefit)	(68.3)	8.3
Other, net	91.6	(18.8)
Changes in working capital components	(14.5)	23.4
Cash provided by (used in) operating activities	597.0	650.0
Cash Flows from Investing Activities		
Capital expenditures	(356.8)	(250.0)
Business acquisitions	(29.1)	
Other, net	18.3	11.1
Cash provided by (used in) investing activities	(367.6)	(238.9)
Cash Flows from Financing Activities		
Long-term borrowings	2,315.0	396.9
Repayments of long-term borrowings	(2,408.4)	(874.3)
Net change in short-term borrowings	111.0	199.0
Proceeds from issuances of common stock	26.3	27.7
Acquisitions of treasury stock	(135.5)	(335.5)
Common dividends	(54.0)	(54.8)
Other, net	(40.2)	7.7
Cash provided by (used in) financing activities	(185.8)	(633.3)
Effect of exchange rate changes on cash	9.4	(4.3)
Change in cash and cash equivalents	53.0	(226.5)
Cash and cash equivalents - beginning of period	191.4	416.0
Cash and cash equivalents - end of period	\$ 244.4	\$ 189.5

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation

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

Results of operations for the periods shown are not necessarily indicative of results for the year, particularly in view of the seasonality in the packaging segments and the irregularity of contract revenues in the aerospace and technologies segment. These unaudited condensed consolidated financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and the notes thereto included in the company's Annual Report on Form 10-K filed on February 20, 2015, pursuant to Section 13 of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2014 (annual report).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires Ball's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. These estimates are based on historical experience and various assumptions believed to be reasonable under the circumstances. Ball's management evaluates these estimates on an ongoing basis and adjusts or revises the estimates as circumstances change. As future events and their impacts cannot be determined with precision, actual results may differ from these estimates. In the opinion of management, the financial statements reflect all adjustments necessary to fairly state the results of the periods presented.

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

2. Accounting Pronouncements

Recently Adopted Accounting Standards

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

statements.

New Accounting Guidance

In September 2015, amendments to existing accounting guidance were issued to simplify the accounting for adjustments made to provisional amounts recognized in a business combination. Under the previous guidance, companies were required to revise comparative information for changes made to provisional amounts. The amended guidance eliminates the requirement to retrospectively account for those adjustments. The guidance will be effective for Ball on January 1, 2016, and early adoption is permitted for financial statements that have not been issued. The guidance is not expected to have a material effect on the company's consolidated financial statements.

In July 2015, amendments to existing accounting guidance were issued to modify the subsequent measurement of inventory. Under existing guidance, a company measures inventory at the lower of cost or market, with market defined as replacement cost, net realizable value (NRV), or NRV less a normal profit margin. Current replacement cost can be used provided that it is not above the NRV (ceiling) or below NRV less a normal profit margin (floor). Amendments in the new guidance requires a company to subsequently measure inventory at the lower of cost or net realizable value and eliminates the need to determine replacement cost and evaluate whether it is above the ceiling or below the floor. NRV is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The guidance will be effective for Ball on January 1, 2017, and early adoption is permitted. The guidance is not expected to have a material effect on the company's consolidated financial statements.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

2. Accounting Pronouncements (*continued*)

In April 2015, amendments to existing accounting guidance were issued to provide explicit guidance related to a customer's accounting for fees paid in a cloud computing arrangement. Under the guidance, cloud computing arrangements that include a software license would be accounted for consistent with the acquisition of other software licenses. Conversely, cloud computing arrangements that do not include a software license would be accounted for as a service contract. The guidance will be effective for Ball on January 1, 2016, and early adoption is permitted. The guidance is not expected to have a material effect on the company's consolidated financial statements.

In April 2015, accounting guidance was issued to change the balance sheet presentation for debt issuance costs. Under the new guidance, debt issuance costs related to a recognized debt liability will be presented as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, rather than as a deferred charge. The guidance does not affect the recognition and measurement of debt issuance costs; hence, amortization of debt issuance costs would continue to be reported as interest expense. In August 2015, subsequent clarification guidance was issued permitting companies to defer and present debt issuance costs related to line-of-credit arrangements as an asset and amortize them over the terms of these arrangements, regardless of whether there are any amounts outstanding under those arrangements. The guidance will be effective for Ball retrospectively on January 1, 2016, and is not expected to have a material effect on the company's consolidated financial statements.

In February 2015, amendments to existing accounting guidance were issued that modify the analysis companies must perform in order to determine whether a legal entity should be consolidated. The new guidance includes modifications related to: 1) limited partnerships and similar legal entities, 2) evaluating fees paid to a decision maker or service provider as a variable interest, 3) the effect of fee arrangements on the primary beneficiary, 4) the effect of related parties on the primary beneficiary and 5) certain investment funds. The guidance will be effective for Ball on January 1, 2016, and early adoption is permitted. The guidance is not expected to have a material effect on the company's consolidated financial statements.

In August 2014, accounting guidance was issued to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosure in certain circumstances. Under the new guidance, management is required to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and to provide related disclosures. The guidance will be effective for Ball on January 1, 2017, and is not expected to have a material effect on the company's consolidated financial statements.

In May 2014, the FASB and International Accounting Standards Board jointly issued new revenue recognition guidance which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The new guidance contains a more robust framework for addressing revenue issues and is intended to remove inconsistencies in existing guidance and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The guidance will supersede the majority of current revenue recognition guidance, including industry-specific guidance. In July 2015, the FASB approved the deferral of the effective date of the new revenue recognition guidance by one year. The guidance will be effective for Ball on January 1, 2018, and early adoption is permitted.

Edgar Filing: BALL CORP - Form 10-Q

However, entities are not permitted to adopt the standard earlier than the original effective date of January 1, 2017. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. The company is currently assessing the impact that the adoption of this standard will have on its consolidated financial statements.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

3. Business Segment Information

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

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

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

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

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

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

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales				
Metal beverage packaging, Americas & Asia	\$ 1,072.3	\$ 1,079.6	\$ 3,226.9	\$ 3,207.3
Metal beverage packaging, Europe	450.1	489.2	1,310.3	1,497.8
Metal food & household products packaging	372.0	450.6	1,012.3	1,159.4
Aerospace & technologies	203.4	221.7	648.4	683.5
Corporate and intercompany eliminations	(0.8)	(2.2)	(5.5)	(10.4)
Net sales	\$ 2,097.0	\$ 2,238.9	\$ 6,192.4	\$ 6,537.6
Net earnings				
Metal beverage packaging, Americas & Asia	\$ 131.9	\$ 133.7	\$ 383.4	\$ 400.8
Business consolidation and other activities	(21.2)	(0.1)	(23.8)	1.7
Total metal beverage packaging, Americas & Asia	110.7	133.6	359.6	402.5
Metal beverage packaging, Europe	61.1	63.8	149.6	193.0
Business consolidation and other activities	(1.3)	(4.3)	(8.6)	(6.6)
Total metal beverage packaging, Europe	59.8	59.5	141.0	186.4
Metal food & household products packaging	30.6	43.0	89.5	119.1
Business consolidation and other activities	(0.1)	(4.5)	(1.0)	(11.6)
Total metal food & household products packaging	30.5	38.5	88.5	107.5
Aerospace & technologies	21.4	21.2	60.9	70.1
Business consolidation and other activities			0.7	
Total aerospace & technologies	21.4	21.2	61.6	70.1
Segment earnings before interest and taxes	222.4	252.8	650.7	766.5
Undistributed corporate expenses and intercompany eliminations, net	(17.0)	(24.5)	(69.3)	(63.9)
Business consolidation and other activities	(129.3)	(0.3)	(105.6)	(1.3)
Total undistributed corporate expenses and intercompany eliminations, net	(146.3)	(24.8)	(174.9)	(65.2)
Earnings before interest and taxes	76.1	228.0	475.8	701.3
Interest expense	(37.5)	(40.1)	(107.0)	(120.9)

Edgar Filing: BALL CORP - Form 10-Q

Debt refinancing and other costs	(21.0)		(85.9)	(33.1)
Total interest expense	(58.5)	(40.1)	(192.9)	(154.0)
Tax (provision) benefit	31.0	(39.8)	(47.9)	(139.6)
Equity in results of affiliates, net of tax	1.5	0.3	3.4	1.9
Net earnings	50.1	148.4	238.4	409.6
Less net earnings attributable to noncontrolling interests	(5.6)	(1.0)	(12.8)	(15.6)
Net earnings attributable to Ball Corporation	\$ 44.5	\$ 147.4	\$ 225.6	\$ 394.0

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

(\$ in millions)	September 30, 2015	December 31, 2014
Total Assets		
Metal beverage packaging, Americas & Asia	\$ 3,534.4	\$ 3,422.8
Metal beverage packaging, Europe	2,309.6	2,274.5
Metal food & household products packaging	1,645.1	1,508.1
Aerospace & technologies	401.2	411.6
Segment assets	7,890.3	7,617.0
Corporate assets, net of eliminations	(163.3)	(46.0)
Total assets	\$ 7,727.0	\$ 7,571.0

4. Acquisitions**Rexam PLC (Rexam)**

On February 19, 2015, the company and Rexam PLC (Rexam) announced the terms of a recommended offer by the company to acquire all of the outstanding shares of Rexam in a cash and stock transaction. Under the terms of the offer, for each Rexam share, Rexam shareholders will receive 407 pence in cash and 0.04568 shares of the company. The transaction values Rexam at 610 pence per share based on the company's 90-day volume weighted average stock price as of February 17, 2015, and an exchange rate of US\$1.54: £1 on that date representing an equity value of £4.3 billion (\$6.6 billion). The actual value of the transaction will be determined based on the exchange rate and the company's stock price at the time of the closing of the transaction. As described below, the company has entered into collar and option contracts to partially mitigate its currency exchange risk with regard to the cash component of the purchase price.

By way of compensation for any loss suffered by Rexam in connection with the preparation and negotiation of the offer, the Co-operation Agreement and any other document relating to the acquisition, Ball has undertaken in the Co-operation Agreement that, on the occurrence of a break payment event Ball will pay, or procure the payment to Rexam of an amount in cash in British pounds. As discussed below, Ball's shareholders approved the issuance of Ball common stock to shareholders of Rexam as partial consideration for the proposed acquisition. As a result, the amount of the break payment would be £302 million.

A special meeting of Ball's shareholders was held on July 28, 2015, to approve the issuance of Ball common stock to shareholders of Rexam as partial consideration for the proposed acquisition. Approximately 83 percent of the shares outstanding as of the record date on June 22, 2015, voted, and 99.2 percent of the shares that were voted approved the issuance of Ball's common stock in connection with the proposed acquisition. Both Ball and Rexam's boards of directors unanimously support the transaction, and the consummation of the transaction remains subject to

Edgar Filing: BALL CORP - Form 10-Q

approval from Rexam's shareholders, certain regulatory approvals and other customary closing conditions. Subject to the satisfaction of all such conditions, Ball currently expects to complete the acquisition during the first half of 2016.

The transaction is currently undergoing a regulatory review process by the Federal Trade Commission (FTC), the European Commission (EC) and Brazil's Council for Economic Defence (CADE). The company and Rexam continue to work with the FTC, EC and CADE to obtain the regulatory clearances required to close the transaction.

A wholly-owned subsidiary of Ball owns interests in a joint venture company (Latapack-Ball) organized and operating in Brazil. On October 27, 2015, Ball and its joint venture partners announced that they have reached an agreement, pursuant to which Ball's joint venture partners agreed to exchange all of their interests in Latapack-Ball for a total of 6 million treasury shares of Ball common stock. The actual value of the transaction will be determined based on the company's stock price at the time of the close of the transaction. This transaction is subject to certain regulatory approvals and other conditions.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

4. Acquisitions (*continued*)

Long-Term Debt

In February 2015, the company entered into a \$3 billion revolving credit facility to replace its existing \$1 billion revolving credit facility, repay its \$92.9 million Term C loan, repay the outstanding balance on the existing revolving credit facility, redeem the 2020 and 2021 senior notes and repay the existing private placement debt of Rexam upon closing of the announced, proposed acquisition of Rexam. Also in February 2015, the company entered into a £3.3 billion unsecured, committed bridge loan agreement, pursuant to which lending institutions have agreed, subject to limited conditions, to provide the financing necessary to pay the cash portion of the consideration payable to Rexam's shareholders upon consummation of the announced, proposed acquisition of Rexam along with related fees and expenses. As a result of the issuance of \$1 billion of 5.25 percent senior notes in June 2015, the company reduced the borrowing capacity under the revolving credit facility from \$3 billion to \$2.25 billion. See Note 11 for further details related to these transactions.

Currency Exchange Rate and Interest Rate Risks

During the first nine months of 2015, the company entered into collar and option contracts to partially mitigate its currency exchange rate risk associated with the British pound denominated cash portion of the purchase price from February 19, 2015, through the expected closing date of the announced, proposed acquisition of Rexam, with an aggregate notional amount of approximately £2.3 billion (\$3.4 billion). These contracts were not designated as hedges, and therefore, changes in the fair value of these contracts are recorded in the unaudited condensed consolidated statements of earnings in business consolidation and other activities.

Also during the first nine months of 2015, the company entered into interest rate swaps to hedge against rising U.S. and European interest rates to minimize its interest rate exposure associated with anticipated debt issuances in connection with the announced, proposed acquisition of Rexam. At September 30, 2015, the company had U.S. and European outstanding interest rate swaps with notional amounts totaling approximately \$250 million and 1,750 million, respectively. In addition, the company entered into interest rate option contracts to hedge negative Euribor rates with an aggregate notional amount of 750 million. Subsequent to the third quarter of 2015, the company entered into additional interest rate swap contracts to hedge against rising U.S. interest rates with aggregate notional amounts of approximately \$100 million. These contracts were not designated as hedges; therefore, changes in the fair value of these interest swap and option contracts are recorded in the unaudited condensed consolidated statements of earnings in debt refinancing and other costs, a component of total interest expense.

For further details related to the aforementioned currency exchange rate and interest rate risks, and the valuation of these derivatives, see Notes 5 and 16.

Sonoco Products Company (Sonoco)

In February 2015, the company acquired Sonoco's metal end and closure manufacturing facilities in Canton, Ohio, and entered into a long-term supply agreement with Sonoco in exchange for total cash of \$29.1 million paid at closing, \$10.5 million of contingent cash consideration and \$24.4 million of contingent noncash consideration. The facilities manufacture multiple-sized closures for the metal food container market, including high quality steel and aluminum easy-open ends. The financial results of Sonoco have been included in our metal food and household products packaging segment from the date of acquisition. The acquisition is not material to the company.

Table of Contents**Ball Corporation****Notes to the Unaudited Condensed Consolidated Financial Statements****5. Business Consolidation and Other Activities**

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Metal beverage packaging, Americas & Asia	\$ (21.2)	\$ (0.1)	\$ (23.8)	\$ 1.7
Metal beverage packaging, Europe	(1.3)	(4.3)	(8.6)	(6.6)
Metal food & household products packaging	(0.1)	(4.5)	(1.0)	(11.6)
Aerospace & technologies			0.7	
Corporate and other	(129.3)	(0.3)	(105.6)	(1.3)
	\$ (151.9)	\$ (9.2)	\$ (138.3)	\$ (17.8)

2015*Metal Beverage Packaging, Americas and Asia*

During the third quarter of 2015, the company announced the closure of the Bristol, Virginia, metal beverage packaging end-making facility, which is expected to cease production in the second quarter of 2016. The closure will realign end-making capacities in North America to better position the company to meet customer demand. The company recorded initial charges of \$20.2 million in the third quarter, which are comprised of \$19.0 million in severance, pension and other employee benefits and other individually insignificant items totaling \$1.2 million.

During the first nine months of 2015, the company recorded charges of \$3.3 million related to business reorganization activities in the company's metal beverage packaging, Asia, operations and for ongoing costs related to previously closed facilities.

During the third quarter and the first nine months of 2015, the company also recognized charges of \$1.0 million and \$0.3 million, respectively, for individually insignificant items.

Metal Beverage Packaging, Europe

During the first nine months of 2015, the company recorded a charge of \$4.7 million for the write down of property held for sale to fair value less cost to sell.

During the third quarter and first nine months of 2015, the company recorded charges of \$1.3 million and \$3.9 million, respectively, related to headcount reductions, cost-out initiatives and the relocation of the company's European headquarters from Germany to Switzerland, as well as an additional tax expense of \$1.7 million and \$5.0 million, respectively, related to this relocation.

Corporate

During the third quarter and first nine months of 2015, the company recorded charges of \$24.7 million and \$68.8 million respectively, for professional services and other costs associated with the proposed acquisition of Rexam announced in February 2015. Also during the third quarter and first nine months of 2015, the company recognized losses of \$104.6 million and \$36.3 million, respectively, associated with the change in fair value of its collar and option contracts entered into to reduce its exposure to currency exchange rate changes in connection with the British pound denominated cash portion of the announced, proposed acquisition of Rexam, further discussed in Note 16. Other charges in the first nine months of 2015 included \$0.5 million for insignificant activities.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

5. Business Consolidation and Other Activities (*continued*)

2014

Metal Beverage Packaging, Americas and Asia

The first nine months included charges of \$2.0 million related to a fire at a metal beverage packaging, Americas, facility.

During the first quarter, the company received and recorded compensation of \$5.0 million for the reimbursement of severance costs incurred in connection with the company's closure and relocation of the Shenzhen, PRC, manufacturing facility in 2013. Also during the first quarter, the company sold its plastic motor oil container and pail manufacturing business in the PRC and recorded a gain of \$0.8 million in connection with the sale. During the third quarter, the company entered into a supplemental agreement related to the sale and recorded a loss of \$1.1 million.

The third quarter and first nine months of 2014 also included net gains of \$1.0 million and net charges of \$1.0 million, respectively, primarily related to previously closed facilities and for other insignificant activities.

Metal Food and Household Products Packaging

In the third quarter, the company recorded charges of \$3.6 million related to a reduction in force to eliminate certain food can production in the Oakdale, California, facility, as well as the completion of a voluntary separation program. The third quarter and first nine months also included charges of \$0.9 million and \$4.2 million, respectively, related to previously closed facilities and other insignificant activities.

During the fourth quarter of 2013, the company announced plans to close its Danville, Illinois, steel aerosol packaging facility in the second half of 2014. Charges of \$3.8 million were recorded during the first nine months of 2014 in connection with the announced closure.

Metal Beverage Packaging, Europe, and Corporate

The third quarter and first nine months included charges of \$0.9 million and \$3.2 million, respectively, for headcount reductions, cost-out initiatives and the relocation of the company's European headquarters from Germany to Switzerland, as well as additional tax expense of \$1.9 million and \$6.1 million, respectively, related to this relocation. The third quarter and first nine months of 2014 also included charges of \$3.7 million and \$4.7 million, respectively, related to the write off of previously capitalized costs associated with the company's Lublin, Poland, facility, and for other insignificant activities.

Assets Held for Sale

The carrying value of assets held for sale in connection with facility closures was \$3.3 million at September 30, 2015, and \$11.7 million at December 31, 2014.

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

(\$ in millions)	September 30, 2015	December 31, 2014
Trade accounts receivable	\$ 989.5	\$ 800.0
Less allowance for doubtful accounts	(6.2)	(7.0)
Net trade accounts receivable	983.3	793.0
Other receivables	114.5	164.1
	\$ 1,097.8	\$ 957.1

The company has entered into several regional committed and uncommitted accounts receivable factoring programs with multiple financial institutions for certain receivables of the company. The programs are accounted for as true sales of the receivables, without recourse to Ball, and had combined limits of approximately \$605 million at September 30, 2015. A total of \$489.6 million and \$197.6 million were sold under these programs as of September 30, 2015, and December 31, 2014, respectively.

7. Inventories

(\$ in millions)	September 30, 2015	December 31, 2014
Raw materials and supplies	\$ 441.9	\$ 479.2
Work-in-process and finished goods	476.8	579.2
Less inventory reserves	(42.7)	(41.7)
	\$ 876.0	\$ 1,016.7

8. Property, Plant and Equipment

(\$ in millions)	September 30, 2015	December 31, 2014
Land	\$ 63.5	\$ 64.6
Buildings	984.3	973.4
Machinery and equipment	3,776.0	3,612.5
Construction-in-progress		