BALL CORP
Form 10-Q
August 09, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended July 3, 2011

Commission file number 1-7349

BALL CORPORATION

State of Indiana	**35-0160610**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 August 7, 2011**
Common Stock, without par value	**163,551,761** shares

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Ball Corporation and Subsidiaries

QUARTERLY REPORT ON FORM 10-Q

For the period ended July 3, 2011

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

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

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

See accompanying notes to unaudited condensed consolidated financial statements.

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BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

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

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

See accompanying notes to unaudited condensed consolidated financial statements.

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BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

See accompanying notes to unaudited condensed consolidated financial statements.

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Ball Corporation

Notes to Unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation

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

Results of operations for the periods shown are not necessarily indicative of results for the year, particularly in view of the seasonality in the packaging segments and the irregularity of contract revenues in the aerospace and technologies segment. These unaudited condensed consolidated financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and the notes thereto included in the company s Annual Report on Form 10-K filed on February 28, 2011, pursuant to Section 13 of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2010 (annual report).

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

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

2. Accounting Pronouncements

Recently Adopted Accounting Standards

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

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

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Notes to Unaudited Condensed Consolidated Financial Statements

2. Accounting Pronouncements ***(continued)***

New Accounting Guidance

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

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

3. Business Segment Information

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

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

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

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

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

The accounting policies of the segments are the same as those in the unaudited condensed consolidated financial statements. A discussion of the company s critical and significant accounting policies can be found in Ball s annual report. The company also has investments in companies in the U.S. and the PRC, which are accounted for under the equity method of accounting and, accordingly, those results are not included in segment sales or earnings. The company s investment in a Brazilian joint venture was previously accounted for using the equity method of accounting. However, during August 2010, Ball acquired an additional economic interest in the joint venture partner and its results are now consolidated.

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Ball Corporation

Notes to Unaudited Condensed Consolidated Financial Statements

3. Business Segment Information *(continued)*

Summary of Business by Segment

($ in millions)	Three months ended July 3, 2011	Three months ended June 27, 2010	Six months ended July 3, 2011	Six months ended June 27, 2010
Net Sales				
Metal beverage packaging, Americas & Asia	$ 1,164.1	$ 1,036.0	$ 2,196.4	$ 1,810.4
Metal beverage packaging, Europe	607.9	479.3	1,050.9	846.8
Metal food & household products packaging, Americas	345.7	312.0	690.4	597.4
Aerospace & technologies	199.9	180.2	391.1	345.2
Corporate and intercompany eliminations	(7.9)		(7.9)	
Net sales	**$ 2,309.7**	**$ 2,007.5**	**$ 4,320.9**	**$ 3,599.8**
Net Earnings				
Metal beverage packaging, Americas & Asia	$ 126.1	$ 114.5	$ 241.7	$ 188.5
Business consolidation activities	(2.5)	0.8	(13.4)	1.3
Total metal beverage packaging, Americas & Asia	123.6	115.3	228.3	189.8
Metal beverage packaging, Europe	84.7	72.5	137.8	107.5
Business consolidation activities	(0.3)		(2.9)	
Total metal beverage packaging, Europe	84.4	72.5	134.9	107.5
Metal food & household products packaging, Americas	41.3	33.4	81.1	55.1
Aerospace & technologies	21.7	18.6	40.4	32.1
Segment earnings before interest and taxes	271.0	239.8	484.7	384.5
Undistributed corporate expenses and intercompany eliminations, net	(16.8)	(14.6)	(36.5)	(26.7)
Business consolidation and other activities	(0.1)	(3.1)	(0.1)	(3.1)
Total undistributed corporate expenses, net	(16.9)	(17.7)	(36.6)	(29.8)
Earnings before interest and taxes	254.1	222.1	448.1	354.7
Interest expense	(45.2)	(44.7)	(91.7)	(78.6)
Tax provision	(64.6)	(60.8)	(112.6)	(81.7)
Equity in results of affiliates, net of tax	1.1	28.0	1.1	32.7
Net earnings from continuing operations	145.4	144.6	244.9	227.1
Discontinued operations, net of tax	(0.3)	(75.6)	(1.6)	(78.7)
Net earnings from continuing operations	145.1	69.0	243.3	148.4

Less net earnings attributable to noncontrolling interests	(2.0)		(8.9)	(0.1)
Net earnings attributable to Ball Corporation	**$ 143.1**	**$ 69.0**	**$ 234.4**	**$ 148.3**

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Notes to Unaudited Condensed Consolidated Financial Statements

3. Business Segment Information *(continued)*

($ in millions)		July 3, 2011		December 31, 2010
Total Assets				
Metal beverage packaging, Americas & Asia	$	3,138.7	$	2,965.8
Metal beverage packaging, Europe		2,926.7		2,210.6
Metal food & household products packaging, Americas		1,245.7		1,184.3
Aerospace & technologies		285.6		280.9
Segment assets		7,596.7		6,641.6
Corporate assets, net of eliminations		253.7		286.1
Total assets	$	7,850.4	$	6,927.7

4. Acquisitions

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 plants one each in the Czech Republic, France and the United Kingdom and is a 51 percent owner of a joint venture aluminum slug plant in France. The four plants employ approximately 560 people. The acquisition of Aerocan allows Ball to enter a growing part of the metal packaging industry and to broaden the company s market development efforts into a new customer base. The acquired operations have been included in the metal beverage packaging, Europe, segment since the acquisition date.

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

($ in millions)		
Other assets and liabilities, net	$	8.3
Property, plant and equipment		95.8
Goodwill		157.7
Other intangible assets		53.9
Deferred taxes		(14.5)

Noncontrolling interest		(6.0)
Net assets acquired	$	295.2

Certain customer contracts, customer relationships, developed technology and assembled workforce 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.

Latapack-Ball Embalagens, Ltda. (Latapack-Ball)

In August 2010, the company paid $46.2 million to acquire an additional 10.1 percent economic interest in its Brazilian beverage packaging joint venture, Latapack-Ball, through a transaction with the joint venture partner, Latapack S.A. This transaction increased the company s overall economic interest in the joint venture to 60.1 percent and expands and strengthens Ball s presence in the growing Brazilian market. As a result of the transaction, Latapack-Ball became a variable interest entity (VIE) under consolidation accounting guidelines with Ball being identified as the primary beneficiary of the VIE and consolidating the joint venture. Latapack-Ball operates two metal beverage can manufacturing plants in Tres Rios, Rio de Janeiro; and Jacarei, Sao Paulo; as well as a can end manufacturing plant in Simoes Filho (Salvador), Bahia. Latapack-Ball has been included in the metal beverage packaging, Americas and Asia, reporting segment.

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Notes to Unaudited Condensed Consolidated Financial Statements

4. Acquisitions *(continued)*

The following table summarizes the final fair values of the Latapack-Ball assets acquired, liabilities assumed and non-controlling interest recognized, as well as the related investment in Latapack S.A., as of the acquisition date. The valuation was based on market and income approaches.

Cash	$	69.3
Current assets		84.7
Property, plant and equipment		265.9
Goodwill		100.2
Intangible asset		52.8
Current liabilities		(53.2)
Long-term liabilities		(174.1)
Net assets acquired	$	345.6
Noncontrolling interest	$	(132.9)

The customer relationships were identified as an intangible asset by the company and assigned an estimated life of 13.4 years. The intangible asset is being amortized on a straight-line basis.

Neuman Aluminum (Neuman)

In July 2010, the company acquired Neuman for approximately $62 million in cash and became the leading North American manufacturer of aluminum slugs used to make extruded aerosol cans, beverage bottles, collapsible tubes and technical impact extrusions. Neuman operates two plants, one in the United States and one in Canada, that employ approximately 180 people. The acquisition of Neuman is not material to the metal food and household products packaging, Americas, segment, in which its results of operations have been included since the acquisition date.

Guangdong Jianlibao Group Co., Ltd (Jianlibao)

In June 2010, the company acquired Jianlibao s 65 percent interest in a joint venture metal beverage can and end plant in Sanshui (Foshan), PRC, for $86.9 million in cash (net of cash acquired) and assumed debt, and also entered into a long-term supply agreement. 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. The acquisition of the remaining interest is not material to the metal beverage packaging, Americas and Asia, segment.

5. Dispositions

Plastics Packaging, Americas

In August 2010, the company completed the sale of its plastics packaging, Americas, business to Amcor Limited and received gross proceeds of $258.7 million, which included $15 million of contingent consideration recognized at closing and is net of post-closing adjustments of $21.3 million. The sale of Ball s plastics packaging business included 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.

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Notes to Unaudited Condensed Consolidated Financial Statements

5. Dispositions *(continued)*

The following tables summarize the operating results for the discontinued operations:

($ in millions)	Three months ended July 3, 2011	Three months ended June 27, 2010	Six months ended July 3, 2011	Six months ended June 27, 2010
Net sales	$	$ 149.3	$	$ 263.2
Earnings from operations	$	$ 3.4	$	$ 1.4
Impairment loss		(107.1)		(107.1)
Loss on sale of business			(0.8)	
Business consolidation activities	(0.5)	(4.4)	(1.8)	(7.3)
Tax benefit	0.2	32.5	1.0	34.3
Discontinued operations, net of tax	$ (0.3)	$ (75.6)	$ (1.6)	$ (78.7)

6. Business Consolidation Activities

2011

Metal Beverage Packaging, Americas and Asia

In January 2011, Ball announced plans to close its Torrance, California, beverage can manufacturing plant; relocate a 12-ounce can line from the Torrance plant to its Whitby, Ontario, plant; and expand specialty can production in its Fort Worth, Texas, plant. The company recorded charges of $10.5 million and $2.2 million during the first and second quarters of 2011, respectively, in connection with these activities. Of the total $12.7 million recorded in the first six months, $8.5 million represented severance, pension and other employee benefits; $2.3 million represented the impairment of the plant facility to its net realizable value and $1.9 million represented accelerated depreciation.

An additional $0.7 million of net charges were recorded in the first six months 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 $2.9 million for transaction costs, which are required to be expensed as incurred.

2010

The second quarter of 2010 included a charge of $3.1 million to establish a reserve associated with an environmental matter at a previously owned facility. Earnings of $0.5 million and $0.8 million were recorded in the first and second quarters, respectively, to reflect individually insignificant costs and gains related to previously announced plant closures.

Following is a summary of activity by segment related to business consolidation activities:

($ in millions)	Metal Beverage Packaging, Americas & Asia	Metal Food & Household Products Packaging, Americas	Corporate and Other Costs	Total
Balance at December 31, 2010	$ 7.5	$ 9.5	$ 11.0	$ 28.0
Charges (gains) in continuing operations	13.4			13.4
Cash payments and other activity	(12.6)	(3.8)	(0.8)	(17.2)
Balance at July 3, 2011	$ 8.3	$ 5.7	$ 10.2	$ 24.2

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Notes to Unaudited Condensed Consolidated Financial Statements

6. Business Consolidation Activities *(continued)*

The carrying value of fixed assets remaining for sale in connection with plant closures was approximately $17.4 million at July 3, 2011.

7. Receivables

($ in millions)	July 3, 2011	December 31, 2010
Trade accounts receivable, net	$ 1,134.4	$ 774.3
Other receivables	80.7	75.4
	$ 1,215.1	$ 849.7

Trade accounts receivable are shown net of an allowance for doubtful accounts of $14.1 million at July 3, 2011, and $11.9 million at December 31, 2010.

8. Inventories

($ in millions)	July 3, 2011	December 31, 2010
Raw materials and supplies	$ 440.5	$ 478.0
Work in process and finished goods	756.2	605.9
	$ 1,196.7	$ 1,083.9

9. Property, Plant and Equipment

($ in millions)	July 3, 2011	December 31, 2010
Land	$ 101.5	$ 95.0
Buildings	907.2	848.7

Machinery and equipment		3,211.7		2,945.6
Construction in progress		287.0		237.8
		4,507.4		4,127.1
Accumulated depreciation		(2,244.4)		(2,078.9)
	$	2,263.0	$	2,048.2

Property, plant and equipment are stated at historical cost. Depreciation expense amounted to $69.0 million and $137.0 million for the three and six months ended July 3, 2011, respectively, and $59.7 million and $119.7 million for the comparable periods in 2010, respectively.

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Notes to Unaudited Condensed Consolidated Financial Statements

10. Goodwill

($ in millions)	Metal Beverage Packaging, Americas & Asia	Metal Beverage Packaging, Europe	Metal Food & Household Products Packaging, Americas	Total
Balance at December 31, 2010	$ 739.4	$ 985.6	$ 380.3	$ 2,105.3
Business acquisition		157.7		157.7
Effects of foreign currency transactions		109.0		109.0
Balance at July 3, 2011	$ 739.4	$ 1,252.3	$ 380.3	$ 2,372.0

11. Intangibles and Other Assets

($ in millions)	July 3, 2011	December 31, 2010
Intangible assets (net of accumulated amortization of $127.1 at July 3, 2011, and $113.5 at December 31, 2010)	$ 197.6	$ 149.1
Net cash surrender value of company and trust-owned life insurance	151.5	131.1
Other	141.7	188.3
	$ 490.8	$ 468.5

Total amortization expense of intangible assets amounted to $5.1 million and $10.7 million for the three and six months ended July 3, 2011, respectively, and $2.7 million and $5.4 million for the comparable periods in 2010, respectively.

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12. Debt

Long-term debt consisted of the following:

($ in millions)	July 3, 2011 In Local Currency		July 3, 2011 In U.S. $		December 31, 2010 In Local Currency		December 31, 2010 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	$	450.0		450.0	$	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
Senior Credit Facilities, due December 2015 (at variable rates)							
Term A Loan, U.S. dollar denominated	$	200.0		200.0	$	200.0	200.0
Term B Loan, British sterling denominated	£	51.0		82.0	£	51.0	78.9
Term C Loan, euro denominated		100.0		145.3		100.0	132.5
Euro multi-currency revolver borrowings		292.0		424.2			
Latapack-Ball Notes Payable (at variable rates, due in October 2017)	$	135.0		135.0	$	135.0	135.0
Industrial Development Revenue Bonds							
Floating rates due through 2011	$	5.4		5.4	$	5.4	5.4
Other (including discounts and premiums)		Various		43.3		Various	34.3
				3,185.2			2,736.1
Less: Current portion of long-term debt				(60.3)			(34.5)
			$	3,124.9			$ 2,701.6

The senior credit facilities bear interest at variable rates and include the term loans described in the table above, as well as (1) a multi-currency, long-term revolving credit facility that provides the company with up to the U.S. dollar equivalent of $850 million and (2) a French multi-currency revolving credit facility that provides the company with up to the U.S. dollar equivalent of $150 million. 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 July 3, 2011, taking into account outstanding letters of credit, approximately $553 million was available under the company s committed multi-currency revolving credit facilities, which are available until December 2015. In addition to the long-term committed credit facilities, the company had approximately $465 million of short-term uncommitted credit facilities available at the end of the quarter, of which $174.2 million was outstanding and due on demand.

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 varying from a maximum of $125 million for settlement dates in January through April to a maximum of $175 million for settlement dates in the remaining months. At July 3, 2011, the amount of accounts receivable sold under the securitization program was $115 million. There were no accounts receivable sold under the securitization program at December 31, 2010.

On August 1, 2011, the company entered into a replacement accounts receivable securitization agreement for a term of three years. The maximum the company can borrow under the new agreement can vary between $150 million and $275 million depending on the seasonality of the company s business.

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12. Debt *(continued)*

The fair value of the long-term debt at July 3, 2011, and at December 31, 2010, 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.

On March 22, 2010, Ball issued $500 million of new 6.75 percent senior notes due in September 2020. On April 21, 2010, the company redeemed $509 million of its 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 resulted in a charge of $8.1 million 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.

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. The unaudited condensed consolidating financial information for the guarantor and non-guarantor subsidiaries is presented in Exhibit 20 to this Form 10-Q. Separate financial statements for the guarantor subsidiaries and the non-guarantor subsidiaries are not presented because management has determined that such financial statements are not required by the current regulations.

The U.S. note agreements, bank credit agreement, industrial development revenue bond agreements and the new 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 July 3, 2011, and December 31, 2010, and has met all debt payment obligations.

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13. Employee Benefit Obligations

($ in millions)	July 3, 2011	December 31, 2010
Total defined benefit pension liability	$ 572.3	$ 541.1
Less current portion	(24.9)	(23.4)
Long-term defined benefit pension liability	547.4	517.7
Retiree medical and other postemployment benefits	190.9	186.1
Deferred compensation plans	236.6	224.5
Other	32.2	35.0
	$ 1,007.1	$ 963.3

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

	Three months ended					
	July 3, 2011			June 27, 2010		
($ in millions)	U.S.	Foreign	Total	U.S.	Foreign	Total
Service cost	$ 10.8	$ 2.0	$ 12.8	$ 11.1	$ 1.8	$ 12.9
Interest cost	14.4	8.0	22.4	14.1	7.2	21.3
Expected return on plan assets	(18.0)	(4.4)	(22.4)	(17.0)	(3.7)	(20.7)
Amortization of prior service cost	0.3	(0.1)	0.2	0.4	(0.1)	0.3
Recognized net actuarial loss	5.3	1.5	6.8	4.3	1.2	5.5
Subtotal	12.8	7.0	19.8	12.9	6.4	19.3
Multi-employer plans	0.4		0.4	0.4		0.4
Net periodic benefit cost	$ 13.2	$ 7.0	$ 20.2	$ 13.3	$ 6.4	$ 19.7

	Six months ended					
	July 3, 2011			June 27, 2010		
($ in millions)	U.S.	Foreign	Total	U.S.	Foreign	Total
Service cost	$ 21.6	$ 4.0	$ 25.6	$ 22.2	$ 3.6	$ 25.8
Interest cost	28.8	15.6	44.4	28.3	14.7	43.0
Expected return on plan assets	(36.0)	(8.7)	(44.7)	(34.0)	(7.4)	(41.4)
Amortization of prior service cost	0.6	(0.2)	0.4	0.7	(0.2)	0.5
Recognized net actuarial loss	10.7	2.9	13.6	8.6	2.4	11.0
Curtailment loss	4.4		4.4			
Subtotal	30.1	13.6	43.7	25.8	13.1	38.9
Multi-employer plans	0.8		0.8	0.8		0.8
Net periodic benefit cost	$ 30.9	$ 13.6	$ 44.5	$ 26.6	$ 13.1	$ 39.7

Contributions to the company s defined global benefit pension plans, not including the unfunded German plans, were $8.9 million in the first six months of 2011 ($7.9 million in 2010). The total contributions to these funded plans are expected to be approximately $30 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 $12.6 million (9.0 million) in the first six months of 2011 and are expected to be approximately $25 million (approximately 18 million) for the full year.

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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, 2010	$ 123.1	$ (287.8)	$ 72.4	$ 10.2	$ (82.1)
Change	103.7	9.5	(26.9)	(10.2)	76.1
July 3, 2011	$ 226.8	$ (278.3)	$ 45.5	$	$ (6.0)

Comprehensive Earnings

($ in millions)	Three months ended July 3, 2011	Three months ended June 27, 2010	Six months ended July 3, 2011	Six months ended June 27, 2010
Net earnings attributable to Ball Corporation	$ 143.1	$ 69.0	$ 234.4	$ 148.3
Foreign currency translation adjustment	32.7	(80.9)	103.7	(138.4)
Pension and other postretirement items, net of tax	4.3	4.1	9.5	6.8
Effect of derivative instruments, net of tax *(a)*	(33.6)	(23.6)	(26.9)	1.3
Gain on available for sale securities, net of tax			(10.2)	1.4
Comprehensive earnings attributable to Ball Corporation	$ 146.5	$ (31.4)	$ 310.5	$ 19.4

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

($ in millions)	Three months ended July 3, 2011	Three months ended June 27, 2010	Six months ended July 3, 2011	Six months ended June 27, 2010

Amounts reclassified into earnings (Note 17):				
Commodity contracts	*$ (19.8)*	*$ (2.9)*	*$ (34.0)*	*$ 12.5*
Interest rate and foreign currency contracts	*(0.8)*	*1.6*	*(1.0)*	*3.3*
Change in fair value of cash flow hedges:				
Commodity contracts	*(36.8)*	*(22.6)*	*(21.5)*	*0.2*
Interest rate and foreign currency contracts	*4.9*	*(5.8)*	*8.7*	*(7.0)*
Foreign currency and tax impacts	*18.9*	*6.1*	*20.9*	*(7.7*