

BALL Corp
Form 10-Q
May 03, 2019
Table of Contents

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 March 31, 2019

or

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

Commission file number 001-07349

BALL CORPORATION

State of Indiana

35-0160610

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

Edgar Filing: BALL Corp - Form 10-Q

10 Longs Peak Drive, P.O. Box 5000

Broomfield, CO 80021-2510

80021-2510

(Address of registrant's principal executive office) (Zip Code)

Registrant's telephone number, including area code: 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 every Interactive Data File required to be submitted 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 such files). Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Edgar Filing: BALL Corp - Form 10-Q

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

Class	Trading Symbol	Name of Exchange	Outstanding at April 30, 2019
Common Stock, without par value	BLL	NYSE	334,744,071 shares

Table of Contents

Ball Corporation

QUARTERLY REPORT ON FORM 10-Q

For the period ended March 31, 2019

INDEX

	Page Number
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Unaudited Condensed Consolidated Statements of Earnings for the Three Months Ended March 31, 2019 and 2018</u>	1
<u>Unaudited Condensed Consolidated Statements of Comprehensive Earnings (Loss) for the Three Months Ended March 31, 2019 and 2018</u>	2
<u>Unaudited Condensed Consolidated Balance Sheets at March 31, 2019, and December 31, 2018</u>	3
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2019 and 2018</u>	4
<u>Notes to the Unaudited Condensed Consolidated Financial Statements</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	37
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	45
<u>Item 4. Controls and Procedures</u>	45
<u>PART II. OTHER INFORMATION</u>	46

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 March 31,	
	2019	2018
Net sales	\$ 2,785	\$ 2,785
Costs and expenses		
Cost of sales (excluding depreciation and amortization)	(2,253)	(2,237)
Depreciation and amortization	(170)	(180)
Selling, general and administrative	(127)	(112)
Business consolidation and other activities	(14)	(30)
	(2,564)	(2,559)
Earnings before interest and taxes	221	226
Interest expense	(77)	(73)
Debt refinancing and other costs	(4)	(1)
Total interest expense	(81)	(74)
Earnings before taxes	140	152
Tax (provision) benefit	(10)	(34)
Equity in results of affiliates, net of tax	(13)	7
Net earnings	117	125
Net (earnings) loss attributable to noncontrolling interests	—	—
Net earnings attributable to Ball Corporation	\$ 117	\$ 125
Earnings per share:		
Basic	\$ 0.35	\$ 0.36
Diluted	\$ 0.34	\$ 0.35
Weighted average shares outstanding: (000s)		
Basic	334,239	350,215
Diluted	342,676	357,552

See accompanying notes to the unaudited condensed consolidated financial statements.

1

Table of Contents

BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

(\$ in millions)	Three Months Ended March 31,	
	2019	2018
Net earnings	\$ 117	\$ 125
Other comprehensive earnings (loss):		
Foreign currency translation adjustment	79	11
Pension and other postretirement benefits	24	16
Derivatives designated as hedges	30	(52)
Total other comprehensive earnings (loss)	133	(25)
Income tax (provision) benefit	(8)	8
Total other comprehensive earnings (loss), net of tax	125	(17)
Total comprehensive earnings (loss)	242	108
Comprehensive (earnings) loss attributable to noncontrolling interests	—	—
Comprehensive earnings (loss) attributable to Ball Corporation	\$ 242	\$ 108

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(\$ in millions)	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 603	\$ 721
Receivables, net	1,885	1,802
Inventories, net	1,275	1,271
Other current assets	184	140
Assets held for sale	452	6
Total current assets	4,399	3,940
Noncurrent assets		
Property, plant and equipment, net	4,360	4,542
Goodwill	4,410	4,475
Intangible assets, net	2,137	2,188
Other assets	1,617	1,409
Total assets	\$ 16,923	\$ 16,554
Liabilities and Equity		
Current liabilities		
Short-term debt and current portion of long-term debt	\$ 399	\$ 219
Accounts payable	2,739	3,095
Accrued employee costs	224	289
Other current liabilities	500	492
Liabilities held for sale	173	—
Total current liabilities	4,035	4,095
Noncurrent liabilities		
Long-term debt	6,719	6,510
Employee benefit obligations	1,479	1,455
Deferred taxes	625	645
Other liabilities	416	287
Total liabilities	13,274	12,992
Equity		
Common stock (674,692,058 shares issued - 2019; 673,236,720 shares issued - 2018)	1,154	1,157
Retained earnings	5,504	5,341
Accumulated other comprehensive earnings (loss)	(789)	(835)
Treasury stock, at cost (340,222,598 shares - 2019; 337,978,571 shares - 2018)	(2,323)	(2,205)
Total Ball Corporation shareholders' equity	3,546	3,458
Noncontrolling interests	103	104
Total equity	3,649	3,562

Total liabilities and equity	\$ 16,923	\$ 16,554
------------------------------	-----------	-----------

See accompanying notes to the unaudited condensed consolidated financial statements.

3

Table of Contents

BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)	Three Months Ended March 31,	
	2019	2018
Cash Flows from Operating Activities		
Net earnings	\$ 117	\$ 125
Adjustments to reconcile net earnings to cash provided by (used in) operating activities:		
Depreciation and amortization	170	180
Business consolidation and other activities	14	30
Deferred tax provision (benefit)	10	3
Other, net	47	8
Changes in working capital components, net of dispositions	(487)	(420)
Cash provided by (used in) operating activities	(129)	(74)
Cash Flows from Investing Activities		
Capital expenditures	(154)	(242)
Business dispositions, net of cash sold	—	(45)
Other, net	(9)	3
Cash provided by (used in) investing activities	(163)	(284)
Cash Flows from Financing Activities		
Long-term borrowings	671	1,162
Repayments of long-term borrowings	(412)	(683)
Net change in short-term borrowings	160	(14)
Proceeds from issuances of common stock, net of shares used for taxes	(4)	—
Acquisitions of treasury stock	(146)	(35)
Common stock dividends	(34)	(35)
Other, net	(10)	(11)
Cash provided by (used in) financing activities	225	384
Effect of exchange rate changes on cash	11	1
Change in cash, cash equivalents and restricted cash	(56)	27
Cash, cash equivalents and restricted cash - beginning of period	728	459
Cash, cash equivalents and restricted cash - end of period	\$ 672	\$ 486

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 variability of contract sales in the company's aerospace 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 2018 Annual Report on Form 10-K filed on February 22, 2019, pursuant to the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2018 (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 sales 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 year amounts have been reclassified in order to conform to the current year presentation.

2. Accounting Pronouncements

Recently Adopted Accounting Standards

New Lease Accounting Guidance

In February 2016, lease accounting guidance was issued which, for operating leases, will require a lessee to recognize a right-of-use (ROU) asset and a lease liability. The guidance also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight line basis. On January 1, 2019, Ball adopted the new guidance and all related amendments (the new lease standard), applying the modified retrospective method to all contracts that were not completed as of January 1, 2019. As such, comparative information has not been restated and continues to be reported under the accounting standards in effect for those prior periods.

As part of adopting the new lease standard, Ball has made the following elections:

- To carry forward the historical lease determination and classification conclusions as established under the old standard, and not reassess initial direct costs for existing leases;
- To carry forward its historical accounting treatment for land easements on existing agreements;
- Not to apply the balance sheet recognition requirements of the new lease standard to leases with a term of one year or less (short-term leases); and
- For all classes of underlying assets, to account for non-lease components of a contract as part of the single lease component to which they are related.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

The adoption of the new lease standard results in the following impacts on our unaudited consolidated balance sheets:

(\$ in millions)	Balance at December 31, 2018	Adjustments Due to Adoption	Balance at January 1, 2019
Assets:			
Other current assets	\$ 140	\$ (1)	\$ 139
Operating lease right-of-use assets (a)	—	244	244
Other assets	1,409	(25)	1,384
Liabilities:			
Other current liabilities	\$ 492	\$ (3)	\$ 489
Current operating lease liabilities (b)	—	53	53
Other liabilities	287	(14)	273
Noncurrent operating lease liabilities (b)	—	182	182

-
- (a) Operating lease right-of-use assets are recognized within other assets in Ball's unaudited condensed consolidated balance sheets.
- (b) Current and noncurrent operating lease liabilities are recognized within other current liabilities and other liabilities, respectively, in Ball's unaudited condensed consolidated balance sheets.

Ball's adoption of the new lease standard had an immaterial impact on Ball's results of operations in the unaudited condensed consolidated statements of earnings; an immaterial impact on Ball's cash flows from operating, financing, and investing activities in the unaudited condensed consolidated statements of cash flows and no impact on Ball's opening retained earnings balance. Ball's accounting for finance leases remains substantially unchanged as a result of the adoption. See Note 14 for further details regarding Ball's leases.

Stranded Tax Effects

In February 2018, accounting guidance was issued to permit the reclassification from accumulated other comprehensive income to retained earnings of stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act signed into law in December 2017. Ball adopted this guidance on January 1, 2019, and an election was made to reclassify on the first day of the period of adoption. The total tax amount reclassified was \$79 million. Remaining

stranded tax amounts in accumulated other comprehensive income, which are not related to the U.S. Tax Cuts and Jobs Act, are not significant and will be reclassified to the income statement when the activity leading to the deferral of gains and losses has ceased in full.

New Accounting Guidance

Cloud Computing Arrangements

In August 2018, amendments to existing accounting guidance were issued to clarify the accounting for implementation costs for cloud computing arrangements. The amendments specify that existing guidance for capitalizing implementation costs incurred to develop or obtain internal-use software also applies to capitalizing implementation costs incurred in a hosting arrangement that is a service contract. The guidance is effective for Ball on January 1, 2020, and the company is currently assessing the impact that the adoption of this new guidance will have on its consolidated financial statements.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

Financial Assets

In June 2016 and April 2019, amendments to existing guidance were issued requiring financial assets or a group of financial assets measured at amortized cost basis to be presented at the net amount expected to be collected when finalized. The allowance for credit losses is a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. This guidance is expected to primarily affect Ball's trade receivables; however, the guidance applies to other financial assets as well. The guidance is effective for Ball on January 1, 2020. The company has established a cross-functional team which is assessing the impact that the adoption of this new guidance will have on its 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 outlined below:

Beverage packaging, North and Central America: Consists of operations in the U.S., Canada and Mexico that manufacture and sell metal beverage containers throughout those countries.

Beverage packaging, South America: Consists of operations in Brazil, Argentina and Chile that manufacture and sell metal beverage containers throughout most of South America.

Beverage packaging, Europe: Consists of operations in numerous countries in Europe, including Russia, that manufacture and sell metal beverage containers throughout most of Europe.

Aerospace: Consists of operations that manufacture and sell aerospace and other related products and provide services used in the defense, civil space and commercial space industries.

As presented in the table below, Other consists of non-reportable segments located in Africa, Middle East and Asia (beverage packaging, AMEA) and Asia Pacific (beverage packaging, Asia Pacific) that manufacture and sell metal beverage containers; a non-reportable segment that manufactures and sells aerosol containers, extruded aluminum aerosol containers and aluminum slugs (aerosol packaging); undistributed corporate expenses; intercompany eliminations and other business activities.

The accounting policies of the segments are the same as those in the consolidated financial statements and are discussed in Note 1. The company also has investments in operations in Guatemala, Panama, South Korea, the U.S. and Vietnam that 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

Summary of Business by Segment

(\$ in millions)	Three Months Ended March 31,	
	2019	2018
Net sales		
Beverage packaging, North and Central America	\$ 1,131	\$ 1,035
Beverage packaging, South America	441	459
Beverage packaging, Europe	638	609
Aerospace	328	264
Reportable segment sales	2,538	2,367
Other	247	418
Net sales	\$ 2,785	\$ 2,785
Comparable operating earnings		
Beverage packaging, North and Central America	\$ 118	\$ 113
Beverage packaging, South America	68	98
Beverage packaging, Europe	64	60
Aerospace	30	25
Reportable segment comparable operating earnings	280	296
Reconciling items		
Other (a)	(5)	4
Business consolidation and other activities	(14)	(30)
Amortization of acquired Rexam intangibles	(40)	(44)
Earnings before interest and taxes	221	226
Interest expense	(77)	(73)
Debt refinancing and other costs	(4)	(1)
Total interest expense	(81)	(74)
Earnings before taxes	\$ 140	\$ 152

(a) Includes undistributed corporate expenses, net, of \$23 million and \$22 million for the three months ended March 31, 2019 and 2018, respectively.

The company does not disclose total assets by segment as it is not provided to the chief operating decision maker.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

4. Acquisitions and Dispositions

Beverage Packaging China

In December 2018, the company announced an agreement to sell its metal beverage packaging business in China for consideration of approximately \$225 million, plus potential additional consideration related to the relocation of an existing facility in China in the coming years. The transaction received all necessary antitrust approvals during the first quarter of 2019 and, accordingly, the assets and liabilities of the China beverage packaging business are presented as held for sale as of March 31, 2019. The transaction is expected to close during the second half of 2019.

Prior to the reclassification of the China beverage packaging business assets and liabilities to held for sale, the company assessed the carrying value of certain working capital balances and then conducted an impairment test of the goodwill and other long-lived assets of the China beverage packaging business. Upon reclassification of the assets and liabilities to held for sale, the carrying value of the disposal group as a whole was compared to the fair value of the business less costs to sell. The approach to establish fair value was consistent with that outlined in the critical accounting policy for “Recoverability of Goodwill and Intangible Assets” in our Form 10-K for the year ended December 31, 2018. No impairment or other adjustments were required as a result of these impairment assessments.

The company has not provided any deferred tax impact in the financial statements for the income tax consequences that may arise when the sale is completed in a future reporting period.

The following table summarizes the assets and liabilities of the China beverage packaging business presented as held for sale:

	March 31, 2019
(\$ in millions)	
Assets:	
Cash	\$ 63

Receivables	100
Inventories	39
Property, plant and equipment	174
Goodwill	51
Other assets	18
Assets held for sale	\$ 445

Liabilities:

Accounts payable	\$ 141
Accrued employee costs	6
Other current liabilities	26
Liabilities held for sale	\$ 173

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

U.S. Steel Food and Steel Aerosol Business

On July 31, 2018, Ball sold its U.S. steel food and steel aerosol packaging business and formed a joint venture, Ball Metalpack. In exchange for the sale of this business, Ball received approximately \$600 million of cash proceeds, subject to customary closing adjustments completed as of December 31, 2018, as well as a 49 percent ownership interest in Ball Metalpack. This investment is reported in other assets as an equity method investment in Ball's unaudited condensed consolidated balance sheets. This transaction enhances our ability to return additional value to shareholders via share repurchases.

Ball recorded a loss of \$41 million upon completion of the sale. This loss was recorded in business consolidation and other activities in the unaudited condensed consolidated statement of earnings.

The assets of the sold business included nine plants that manufacture and sell steel food and steel aerosol containers. The manufacturing plants were located in Canton and Columbus, Ohio; Milwaukee and Deforest, Wisconsin; Chestnut Hill, Tennessee; Horsham, Pennsylvania; Springdale, Arkansas; and Oakdale, California.

In connection with the sale of the U.S. steel food and steel aerosol business, the company entered into an agreement to supply metal to Ball Metalpack, which expired on December 31, 2018, and agreements to provide transition and other services to Ball Metalpack. At March 31, 2019, and December 31, 2018, Ball was owed \$95 million and \$170 million, respectively, and Ball owed \$4 million and \$34 million, respectively, related to the above agreements, which are reported in receivables, net, and accounts payable, respectively, on Ball's unaudited condensed consolidated balance sheets.

5. Revenue from Contracts with Customers

Disaggregation of Sales

The company disaggregates net sales by reportable segments as disclosed in Note 3, and based on the timing of transfer of control for goods and services as explained below. The transfer of control for goods and services may occur at a point in time or over time. As disclosed in Note 3, the company's business consists of four reportable segments, which encompass disaggregated product lines and geographical areas: (1) beverage packaging, North and Central America; (2) beverage packaging, South America; (3) beverage packaging, Europe; and (4) aerospace.

The following table disaggregates the company's net sales based on the timing of transfer of control:

(\$ in millions)	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
Total net sales	\$ 557	\$ 2,228	\$ 2,785	\$ 662	\$ 2,123	\$ 2,785

Contract Balances

The company enters into contracts to sell beverage packaging, aerosol packaging, and aerospace products and services. The company did not have any contract assets at either March 31, 2019, or December 31, 2018. Unbilled receivables, which are not classified as contract assets, represent arrangements in which sales have been recorded prior to billing and right to payment is unconditional.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

The opening and closing balances of the company's current and noncurrent contract liabilities are as follows:

(\$ in millions)	Contracts Liabilities (Current)	Contract Liabilities (Noncurrent)
Balance at December 31, 2017	\$ 45	\$ —
Increase	—	8
Balance at December 31, 2018	\$ 45	\$ 8
Increase	12	2
Balance at March 31, 2019	\$ 57	\$ 10

During the three months ended March 31, 2019, contract liabilities increased by \$14 million, which is net of cash received of \$54 million and amounts recognized as sales of \$40 million, all of which related to current contract liabilities. The amount of sales recognized in the three months ended March 31, 2019, which were included in the opening contract liabilities balances was \$40 million, all of which related to current contract liabilities. Current contract liabilities are classified within other current liabilities on the unaudited condensed consolidated balance sheet and noncurrent contract liabilities are classified within other liabilities.

The company also recognized sales of \$6 million in the three months ended March 31, 2019 from performance obligations satisfied (or partially satisfied) in prior periods. These sales amounts are the result of changes in the transaction price of the company's contracts with customers.

Transaction Price Allocated to Remaining Performance Obligations

In the context of the revenue recognition standard, enforceable contracts are those that have an enforceable right to payment, which Ball typically has once a binding forecast or purchase order (or similar evidence) is in place and Ball produces under the contract. Within Ball's packaging segments, enforceable contracts as defined all have a duration of less than one year. Contracts that have an original duration of less than one year are excluded from the requirement to disclose remaining performance obligations based on the company's election to use the practical expedient.

The table below discloses: (1) the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period for contracts with an original duration of greater than one year, and (2) when the company expects to record sales on these multi-year contracts.

(\$ in millions)	Next Twelve Months	Thereafter	Total
Sales expected to be recognized on multi-year contracts in place as of March 31, 2019	\$ 1,230	\$ 842	\$ 2,072

The contracts with an original duration of less than one year, which are excluded from the table above based on the company's election of the practical expedient, are primarily related to contracts where control will be fully transferred to the customers in less than one year.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

6. Business Consolidation and Other Activities

The 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 March 31,	
	2019	2018
Beverage packaging, North and Central America	\$ (1)	\$ (3)
Beverage packaging, South America	(1)	—
Beverage packaging, Europe	1	(10)
Other	(13)	(17)
	\$ (14)	\$ (30)

2019

Beverage Packaging, North and Central America

Charges in the three months ended March 31, 2019, included \$1 million of expense for individually insignificant activities.

Beverage Packaging, South America

Charges in the three months ended March 31, 2019, included \$1 million of expense for individually insignificant activities.

Beverage Packaging, Europe

During the three months ended March 31, 2019, the company recorded credits of \$2 million resulting from updated estimates for the costs of employee severance and benefits and facility shutdown costs in connection with the closures of its Recklinghausen, Germany, and San Martino, Italy, plants, which ceased production during the third quarter of 2017 and the fourth quarter of 2018, respectively.

Other charges in the three months ended March 31, 2019, included \$1 million of expense for individually insignificant activities.

Other

During the three months ended March 31, 2019, the company recorded the following amounts:

- Expense of \$13 million for estimated employee severance costs and professional services associated with the planned sale of the China beverage packaging business, which is expected to close during the second half of 2019.
- Expense of \$4 million for long-term incentive and other compensation arrangements associated with the Rexam acquisition.
- Credits of \$4 million for individually insignificant activities.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

2018

Beverage Packaging, North and Central America

During the first quarter of 2018, the company recorded income of \$5 million for revised estimates of charges recorded in prior periods in connection with the previously announced closures of its beverage can manufacturing facilities in Chatsworth, California, and Longview, Texas, and its beverage end manufacturing facility in Birmingham, Alabama. The Birmingham facility ceased production during the second quarter of 2018, and the Chatsworth and Longview facilities ceased production during the third quarter of 2018. Ball sold the Chatsworth facility during the fourth quarter of 2018.

During the first quarter of 2018, the company recorded charges of \$2 million related to the closure of its Reidsville, North Carolina, plant, which ceased production in 2017.

Other charges in the first quarter included \$6 million for individually insignificant activities.

Beverage Packaging, Europe

During the first quarter of 2018, the company recorded charges of \$4 million for employee severance and benefits and \$6 million for facility shutdown costs and other costs in connection with the closure of its Recklinghausen, Germany, plant, which ceased production during the third quarter of 2017.

Other

During the first quarter of 2018, the company recorded expense of \$11 million for long-term incentive and other compensation arrangements associated with the Rexam acquisition.

Other charges in the first quarter included \$6 million for individually insignificant activities.

7. Supplemental Cash Flow Statement Disclosures

(\$ in millions)	March 31,	
	2019	2018
Beginning of period:		
Cash and cash equivalents	\$ 721	\$ 448
Current restricted cash (included in other current assets)	7	10
Noncurrent restricted cash (included in other assets)	—	1
Total cash, cash equivalents and restricted cash	\$ 728	\$ 459
End of period:		
Cash and cash equivalents	\$ 603	\$ 477
Current restricted cash (included in other current assets)	6	8
Noncurrent restricted cash (included in other assets)	—	1
Cash reported in assets held for sale	63	—
Total cash, cash equivalents and restricted cash	\$ 672	\$ 486

The company's restricted cash is primarily related to receivables factoring programs and represents amounts collected from customers that have not yet been remitted to the banks as of the end of the reporting period.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

Noncash investing activities include the acquisition of property, plant and equipment (PP&E) for which payment has not been made. These noncash capital expenditures are excluded from the statement of cash flows. The PP&E acquired but not yet paid for amounted to \$83 million at March 31, 2019, and \$127 million at December 31, 2018. Financing activities in the three months ended March 31, 2019, include the cash settlement of treasury stock repurchases totaling \$16 million which were included in the consolidated statement of equity as of December 31, 2018, but not yet settled.

8. Receivables, Net

	March 31, 2019	December 31, 2018
(\$ in millions)		
Trade accounts receivable	\$ 958	\$ 812
Unbilled receivables	477	478
Less allowance for doubtful accounts	(9)	(10)
Net trade accounts receivable	1,426	1,280
Other receivables	459	522
	\$ 1,885	\$ 1,802

The company has entered into several regional committed and uncommitted accounts receivable factoring programs with various financial institutions for certain of its receivables. The programs are accounted for as true sales of the receivables, without recourse to Ball, and had combined limits of approximately \$1.2 billion at March 31, 2019, and December 31, 2018. A total of \$192 million and \$178 million were available for sale under these programs as of March 31, 2019, and December 31, 2018, respectively.

Other receivables include income and sales tax receivables, related party receivables and other miscellaneous receivables. See Note 4 for further details of related party receivables.

9. Inventories, Net

	March 31, 2019	December 31, 2018
(\$ in millions)		
Raw materials and supplies	\$ 690	\$ 727
Work-in-process and finished goods	656	614
Less inventory reserves	(71)	(70)
	\$ 1,275	\$ 1,271

10. Property, Plant and Equipment, Net

	March 31, 2019	December 31, 2018
(\$ in millions)		
Land	\$ 159	\$ 159
Buildings	1,306	1,359
Machinery and equipment	5,069	5,250
Construction-in-progress	510	509
	7,044	7,277
Accumulated depreciation	(2,684)	(2,735)
	\$ 4,360	\$ 4,542

Depreciation expense amounted to \$122 million and \$125 million for the three months ended March 31, 2019 and 2018, respectively.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

11. Goodwill

(\$ in millions)	Beverage Packaging, North & Central America	Beverage Packaging, South America	Beverage Packaging, Europe	Aerospace	Other	Total
Balance at December 31, 2018	\$ 1,275	\$ 1,299	\$ 1,435	\$ 40	\$ 426	\$ 4,475
Transfer to assets held for sale	—	—	—	—	(51)	(51)
Effects of currency exchange	—	—	(12)	—	(2)	(14)
Balance at March 31, 2019	\$ 1,275	\$ 1,299	\$ 1,423	\$ 40	\$ 373	\$ 4,410

The company's annual goodwill impairment test completed in the fourth quarter of 2018 indicated the fair value of the metal beverage packaging, Asia Pacific (beverage Asia Pacific), and beverage packaging, AMEA (beverage AMEA), reporting units exceeded their carrying amounts by approximately 11 percent and 15 percent, respectively. The current supply of metal beverage packaging exceeds demand in China, resulting in pricing pressure and negative impacts on the profitability of our beverage Asia Pacific reporting unit. The worsening business climate in Saudi Arabia has resulted in negative impacts to the profitability of our beverage AMEA reporting unit. If it becomes an expectation that these situations will continue for an extended period of time, the company may be required to record noncash impairment charges for some or all of the goodwill associated with the beverage Asia Pacific and beverage AMEA reporting units, the total balances of which were \$78 million and \$101 million, respectively, at March 31, 2019. Of the goodwill associated with the beverage Asia Pacific reporting unit, \$51 million relates to the China beverage packaging business and is reported in assets held for sale at March 31, 2019. The goodwill balance of \$27 million within the beverage Asia Pacific reporting unit not reported in assets held for sale relates to the remaining business of beverage Asia Pacific. See Note 4 for further details regarding Ball's planned sale of its metal beverage packaging business in China.

12. Intangible Assets, Net

(\$ in millions)	March 31, 2019	December 31, 2018
------------------	----------------------	-------------------------

Edgar Filing: BALL Corp - Form 10-Q

Acquired Rexam intangibles (net of accumulated amortization of \$439 million at March 31, 2019, and \$399 million at December 31, 2018)	\$ 2,030	\$ 2,073
Capitalized software (net of accumulated amortization of \$154 million at March 31, 2019, and \$148 million at December 31, 2018)	78	82
Other intangibles (net of accumulated amortization of \$109 million at March 31, 2019, and \$112 million at December 31, 2018)	29	33
	\$ 2,137	\$ 2,188

Total amortization expense of intangible assets amounted to \$48 million and \$55 million for the three months ended March 31, 2019 and 2018, respectively.

13. Other Assets

(\$ in millions)	March 31, 2019	December 31, 2018
Long-term deferred tax assets	\$ 198	\$ 237
Long-term pension assets	579	559
Investments in affiliates	285	302
Right-of-use operating lease assets	236	—
Company and trust-owned life insurance	167	152
Other	152	159
	\$ 1,617	\$ 1,409

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

14. Leases

Under the new lease standard, a contract is a lease or contains one when (1) the contract contains an explicitly or implicitly identified asset and (2) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract in exchange for consideration. We assess whether an arrangement is a lease, or contains a lease, upon inception of the contract.

The company enters into operating leases for buildings, warehouses, office equipment, production equipment, aircraft, land and other types of equipment. When readily determinable, the discount rate used to calculate the lease liability is the rate implicit in the lease. Otherwise, the company uses its incremental borrowing rate based on the information available at lease commencement. The company's finance and short-term leases are immaterial.

Many of the company's leases include one or more renewal and/or termination options at the company's discretion, which are included in the determination of the lease term if the company is reasonably certain to exercise the option. The company also enters into lease agreements that have variable payments, such as those related to usage or adjustments to certain indexes. Variable lease payments are recognized in the period in which those payments are incurred. Certain leases also include residual value guarantees; however, these amounts are not probable to be owed and are not included in the calculation of the lease liability.

The company subleases all or portions of certain building and warehouse leases to third parties, all of which are classified as operating leases. Some of these arrangements offer the lessee renewal options.

The components of lease expense were as follows:

	Three Months Ended March 31, 2019
(\$ in millions)	
Operating lease expense	\$ (17)
Variable lease expense	(2)
Sublease income	1
Net lease expense	\$ (18)

Supplemental cash flow information related to leases was as follows:

	Three Months Ended March 31, 2019
(\$ in millions)	
Cash paid for amounts included in the measurements of lease liabilities - Operating cash flows from operating leases	\$ (16)
ROU assets obtained in exchange for operating lease obligations	10

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

Supplemental balance sheet information related to operating leases was as follows:

(\$ in millions)	Balance Sheet Location	March 31, 2019
Operating lease ROU asset	Other assets	\$ 236
Current operating lease liabilities	Other current liabilities	54
Noncurrent operating lease liabilities	Other liabilities	181

Weighted average remaining lease term and weighted average discount rate for the company's operating leases were as follows:

	March 31, 2019
Weighted average remaining lease term in years	9.7
Weighted average discount rate	4.4%

Maturities of lease liabilities are as follows:

(\$ in millions)	Operating Leases
2019 (excluding the three months ended March 31, 2019)	\$ 47
2020	51
2021	42
2022	36
2023	27
Thereafter	89
Future value of lease liabilities	292

Less: Imputed interest	(57)
Present value of lease liabilities	\$ 235

Total noncancellable operating leases in effect at December 31, 2018, as reported under previous lease accounting guidance, require rental payments of the following amounts in each of the following periods:

(\$ in millions)

2019	\$ 66
2020	52
2021	41
2022	34
2023	25
Thereafter	87
Total future lease payments	\$ 305

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

15. Debt

Long-term debt consisted of the following:

(\$ in millions)	March 31, 2019	December 31, 2018
Senior Notes		
5.25% due July 2025	\$ 1,000	\$ 1,000
4.375% due December 2020	1,000	1,000
4.00% due November 2023	1,000	1,000
4.375%, euro denominated, due December 2023	785	803
5.00% due March 2022	750	750
4.875% due March 2026	750	750
3.50%, euro denominated, due December 2020	449	459
Senior Credit Facility (at variable rates)		
Term A loan, due March 2024	797	797
U.S. dollar revolver due March 2024 at variable rate	260	—
Other (including debt issuance costs)	(44)	(41)
	6,747	6,518
Less: Current portion of long-term debt	(28)	(8)
	\$ 6,719	\$ 6,510

On March 25, 2019, the company refinanced its existing credit facilities with a U.S. dollar revolving facility, a multicurrency revolving facility and a U.S. dollar term loan facility that mature in March 2024 and provide the company with up to the U.S. dollar equivalent of \$2.55 billion. At March 31, 2019, taking into account outstanding letters of credit, approximately \$1.45 billion was available under the company's existing long-term, revolving credit facilities. In addition to these facilities, the company had approximately \$1.1 billion of short-term uncommitted credit facilities available at March 31, 2019, of which \$371 million was outstanding and due on demand. At December 31, 2018, the company had \$211 million outstanding under short-term uncommitted credit facilities.

The fair value of long-term debt was estimated to be \$7.0 billion at March 31, 2019, and \$6.6 billion at December 31, 2018. The fair value reflects the market rates at each period end for debt with credit ratings similar to the company's ratings and is classified as Level 2 within the fair value hierarchy. 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.

Ball provides letters of credit in the ordinary course of business to secure liabilities recorded in connection with certain self-insurance arrangements. Letters of credit outstanding were \$39 million at March 31, 2019, and \$28 million at December 31, 2018.

The company's senior notes and senior credit facilities are guaranteed on a full, unconditional and joint and several basis by certain of its material subsidiaries. Each of the guarantor subsidiaries is 100 percent owned by Ball Corporation. These guarantees are required in support of these notes and credit facilities, are coterminous with the terms of the respective note indentures and would require performance upon certain events of default referred to in the respective guarantees. See Note 22 for further details about the company's debt guarantees and Note 23 for the company's required unaudited condensed consolidating financial information, which segregate guarantor subsidiaries and non-guarantor subsidiaries as defined in our debt agreements.

The U.S. note agreements and bank credit agreement contain certain restrictions relating to dividend payments, share repurchases, investments, financial ratios, guarantees and the incurrence of additional indebtedness. The most restrictive covenant is in the company's bank credit agreement and requires the company to maintain a net leverage ratio (as defined) of no greater than 4.5 times at March 31, 2019. The company was in compliance with all loan agreements and debt covenants at March 31, 2019, and December 31, 2018, and has met all debt payment obligations.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

16. Taxes on Income

As compared to the statutory tax rate, the effective tax rate for the three months ended March 31, 2019, was reduced by 11.3 percentage points for the discrete impact of share-based compensation, increased by 1.1 percentage points for the impact of global intangible low-taxed income (GILTI) net of foreign derived intangible income (FDII), reduced by 2.7 percentage points for the equity in results of affiliates loss and reduced by 1.0 percentage points for federal tax credits.

17. Employee Benefit Obligations

(\$ in millions)	March 31, 2019	December 31, 2018
Underfunded defined benefit pension liabilities	\$ 973	\$ 954
Less: Current portion	(24)	(25)
Long-term defined benefit pension liabilities	949	929
Long-term retiree medical liabilities	163	157
Deferred compensation plans	329	291
Other	38	78
	\$ 1,479	\$ 1,455

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

(\$ in millions)	Three Months Ended March 31, 2019			2018		
	U.S.	Foreign	Total	U.S.	Foreign	Total
Ball-sponsored plans:						
Service cost	\$ 12	\$ 3	\$ 15	\$ 13	\$ 4	\$ 17
Interest cost	25	18	43	24	18	42
Expected return on plan assets	(28)	(28)	(56)	(27)	(27)	(54)

Edgar Filing: BALL Corp - Form 10-Q

Amortization of prior service cost	—	1	1	—	—	—
Recognized net actuarial loss	6	1	7	10	1	11
Total net periodic benefit cost	\$ 15	\$ (5)	\$ 10	\$ 20	\$ (4)	\$ 16

Non-service pension income totaling \$6 million and \$1 million for the three months ended March 31, 2019 and 2018, respectively, is included in selling, general, and administrative (SG&A) expenses.

Contributions to the company's defined benefit pension plans were \$6 million in the first three months of 2019 compared to \$8 million in the first three months of 2018, and such contributions are expected to be in the range of \$92 million for the full year of 2019. This estimate may change based on changes to the U.S. Pension Protection Act and actual plan asset performance, among other factors.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

18. Equity and Accumulated Other Comprehensive Earnings

The following tables provide additional details of the company's equity activity:

(\$ in millions; share amounts in thousands)	Ball Corporation and Subsidiaries Common Stock		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income		Total Equity
	Number of Shares	Amount	Number of Shares	Amount		Earnings (Loss)	Noncontrolling Interest	
Balance at December 31, 2018	673,237	\$ 1,157	(337,979)	\$ (2,205)	\$ 5,341	\$ (835)	\$ 104	\$ 3,562
Net earnings	—	—	—	—	117	—	—	117
Other comprehensive earnings (loss), net of tax	—	—	—	—	—	125	—	125
Reclassification of stranded tax effects	—	—	—	—	79	(79)	—	—
Common dividends, net of tax benefits	—	—	—	—	(34)	—	—	(34)
Treasury stock purchases	—	—	(2,634)	(129)	—	—	—	(129)
Treasury shares reissued	—	—	390	5	—	—	—	5
Shares issued and stock compensation for stock options and other stock plans, net of shares exchanged	1,455	(3)	—	—	—	—	—	(3)

Edgar Filing: BALL Corp - Form 10-Q

Other activity	—	—	—	6	1	—	(1)	6
Balance at								
March 31, 2019	674,692	\$ 1,154	(340,223)	\$ (2,323)	\$ 5,504	\$ (789)	\$ 103	\$ 3,649

(\$ in millions; share amounts in thousands)	Ball Corporation and Subsidiaries							
	Common Stock Number of		Treasury Stock Number of		Retained	Accumulated	Other	Noncontrolling
	Shares	Amount	Shares	Amount	Earnings	Comprehensive Earnings (Loss)	Noncontrolling Interest	Equity
Balance at December 31, 2017, as adjusted	670,576	1,084	(320,695)	(1,474)	5,024	(655)	105	4,084
Net earnings	—	—	—	—	125	—	—	125
Other comprehensive earnings (loss), net of tax	—	—	—	—	—	(17)	—	(17)
Common dividends, net of tax benefits	—	—	—	—	(35)	—	—	(35)
Treasury stock purchases	—	—	(1,040)	(41)	—	—	—	(41)
Treasury shares reissued	—	—	300	5	—	—	—	5
Shares issued and stock compensation for stock options and other stock plans, net of shares exchanged	1,035	16	—	—	—	—	—	16
Other activity	—	—	—	2	—	(1)	—	1
Balance at March 31, 2018	671,611	1,100	(321,435)	(1,508)	5,114	(673)	105	4,138

On January 23, 2019, the Board authorized the repurchase by the company of up to a total of 50 million shares. This repurchase authorization replaced all previous authorizations.

Accumulated Other Comprehensive Earnings (Loss)

The activity related to accumulated other comprehensive earnings (loss) was as follows:

	Foreign Currency Translation (Net of Tax)	Pension and Other Postretirement Benefits (Net of Tax)	Derivatives Designated as Hedges (Net of Tax)	Accumulated Other Comprehensive Earnings (Loss)
(\$ in millions)				
Balance at December 31, 2018	\$ (504)	\$ (277)	\$ (54)	\$ (835)
Other comprehensive earnings (loss) before reclassifications	78	21	40	139
Amounts reclassified from accumulated other comprehensive earnings (loss) into earnings	—	4	(18)	(14)
Stranded tax effects reclassified into retained earnings	—	(76)	(3)	(79)
Balance at March 31, 2019	\$ (426)	\$ (328)	\$ (35)	\$ (789)

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

The following table provides additional details of the amounts recognized into net earnings from accumulated other comprehensive earnings (loss):

(\$ in millions)	Three Months Ended March 31,	
	2019	2018
Gains (losses) on cash flow hedges:		
Commodity contracts recorded in net sales	\$ 2	\$ (3)
Commodity contracts recorded in cost of sales	(5)	10
Currency exchange contracts recorded in selling, general and administrative	23	(29)
Cross-currency swaps recorded in interest expense	4	3
Total before tax effect	24	(19)
Tax benefit (expense) on amounts reclassified into earnings	(6)	5
Recognized gain (loss), net of tax	\$ 18	\$ (14)
Amortization of pension and other postretirement benefits: (a)		
Actuarial gains (losses)	(5)	(9)
Total before tax effect	(5)	(9)
Tax benefit (expense) on amounts reclassified into earnings	1	2
Recognized gain (loss), net of tax	\$ (4)	\$ (7)

-
- (a) The pension components are included in the computation of net periodic benefit cost disclosed in Note 17.

19. Earnings and Dividends Per Share

Edgar Filing: BALL Corp - Form 10-Q

(\$ in millions, except per share amounts; shares in thousands)	Three Months Ended March 31,	
	2019	2018
Net earnings attributable to Ball Corporation	\$ 117	\$ 125
Basic weighted average common shares	334,239	350,215
Effect of dilutive securities	8,437	7,337
Weighted average shares applicable to diluted earnings per share	342,676	357,552
Per basic share	\$ 0.35	\$ 0.36
Per diluted share	\$ 0.34	\$ 0.35

Certain outstanding options were excluded from the diluted earnings per share calculation because they were anti-dilutive (i.e., their assumed conversion into common stock would increase rather than decrease earnings per share). The options excluded totaled 1 million and 5 million for the three months ended March 31, 2019 and 2018, respectively.

The company declared and paid dividends of \$0.10 per share in the first quarters of 2019 and 2018. On April 24, 2019, Ball's board of directors increased the company's quarterly common share dividend by 50 percent to 15 cents per share, which will be effective for the next quarterly dividend to be paid to on June 17, 2019, to shareholders of record as of June 3, 2019.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

20. Financial Instruments and Risk Management

Policies and Procedures

The company employs established risk management policies and procedures, which seek to reduce the company's commercial risk exposure to fluctuations in commodity prices, interest rates, currency exchange rates and prices of the company's common stock with regard to common share repurchases and the company's deferred compensation stock plan. However, there can be no assurance these policies and procedures will be successful. Although the instruments utilized involve varying degrees of credit, market and interest risk, the counterparties to the agreements are expected to perform fully under the terms of the agreements. The company monitors counterparty credit risk, including lenders, on a regular basis, but Ball cannot be certain that all risks will be discerned or that its risk management policies and procedures will always be effective. Additionally, in the event of default under the company's master derivative agreements, the non-defaulting party has the option to offset any amounts owed with regard to open derivative positions.

Commodity Price Risk

Aluminum

The company manages commodity price risk in connection with market price fluctuations of aluminum ingot through two different methods. First, the company enters into container sales contracts that include aluminum ingot-based pricing terms which generally reflect the same price fluctuations under commercial purchase contracts for aluminum sheet. The terms include fixed, floating or pass through aluminum ingot component pricing. Second, the company uses certain derivative instruments, including option and forward contracts as economic and cash flow hedges of commodity price risk where there are material differences between sales and purchase contracted pricing and volume.

At March 31, 2019, the company had aluminum contracts limiting its aluminum exposure with notional amounts of approximately \$1.3 billion, of which \$1.1 billion received hedge accounting treatment. Cash flow hedges relate to forecasted transactions that will occur within the next three years. Included in shareholders' equity at March 31, 2019, within accumulated other comprehensive earnings (loss), is a net after-tax loss of \$17 million associated with these contracts. A net after-tax loss of \$17 million is expected to be recognized in the consolidated statement of earnings

during the next 12 months, the majority of which will be offset by pricing changes in sales and purchase contracts, thus resulting in little or no earnings impact to Ball.

Interest Rate Risk

The company's objective in managing exposure to interest rate changes is to minimize the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, the company may use a variety of interest rate swaps, collars and options to manage our mix of floating and fixed-rate debt. At March 31, 2019, the company had outstanding interest rate swap and option contracts with notional amounts of approximately \$921 million paying fixed rates expiring within the next two years.

Currency Exchange Rate Risk

The company's objective in managing exposure to currency fluctuations is to limit the exposure of cash flows and earnings from changes associated with currency exchange rate changes through the use of various derivative contracts. In addition, at times the company manages earnings translation volatility through the use of currency option strategies, and the change in the fair value of those options is recorded in the company's net earnings. At March 31, 2019, the company had outstanding exchange rate forward and option contracts with notional amounts totaling approximately \$1.6 billion. Approximately \$2 million of net after-tax loss related to these contracts is included in accumulated other comprehensive earnings at March 31, 2019, substantially all of which is expected to be recognized in the unaudited condensed consolidated statement of earnings during the next 12 months. The contracts outstanding at March 31, 2019, expire within the next year.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

Additionally, the company entered into a \$1 billion cross-currency swap contract to partially mitigate the risk associated with foreign currency denominated intercompany debt incurred in 2016. Approximately \$16 million of net after-tax loss related to this contract is included in accumulated other comprehensive earnings at March 31, 2019, of which the amount expected to be recognized during the next 12 months is dependent upon changes in currency exchange rates. The contract expires within the next two years.

Common Stock Price Risk

The company's deferred compensation stock program is subject to variable plan accounting and, accordingly, is marked to fair value using the company's closing stock price at the end of the related reporting period. The company entered into total return swaps to reduce the company's earnings exposure to these fair value fluctuations that will be outstanding through March 2020 and have a combined notional value of 2.6 million shares. Based on the current number of shares in the program, each \$1 change in the company's stock price has an insignificant impact on pretax earnings, net of the impact of related derivatives.

Collateral Calls

The company's agreements with its financial counterparties require the posting of collateral in certain circumstances when the negative mark to fair value of the derivative contracts exceeds specified levels. Additionally, the company has collateral posting arrangements with certain customers on these derivative contracts. The cash flows of the margin calls, if any, are shown within the investing section of the company's consolidated statements of cash flows. As of March 31, 2019, and December 31, 2018, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was \$20 million and \$46 million, respectively, and no collateral was required to be posted.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

Fair Value Measurements

The company has classified all applicable financial derivative assets and liabilities as Level 2 within the fair value hierarchy as of March 31, 2019, and December 31, 2018, and those values are presented in the tables below. The company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

(\$ in millions)	Balance Sheet Location	March 31, 2019		Total
		Derivatives Designated as Hedging Instruments	Derivatives not Designated as Hedging Instruments	
Assets:				
Commodity contracts		\$ 7	\$ —	\$ 7
Foreign currency contracts		1	21	22
Cross-currency and other contracts		—	3	3
Total current derivative contracts	Other current assets	\$ 8	\$ 24	\$ 32
Commodity contracts		\$ 2	\$ —	\$ 2
Total noncurrent derivative contracts	Other noncurrent assets	\$ 2	\$ —	\$ 2
Liabilities:				
Commodity contracts		\$ 29	\$ 4	\$ 33
Foreign currency contracts		—	1	1
Total current derivative contracts	Other current liabilities	\$ 29	\$ 5	\$ 34
Cross-currency and other contracts		\$ 27	—	\$ 27
Total noncurrent derivative contracts	Other noncurrent liabilities	\$ 27	\$ —	\$ 27

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

		December 31, 2018		
		Derivatives	Derivatives not	
		Designated	Designated as	
		as Hedging	Hedging	
		Instruments	Instruments	Total
Assets:				
Commodity contracts		\$ 9	\$ 1	\$ 10
Foreign currency contracts		—	21	21
Cross-currency and other contracts		—	5	5
Total current derivative contracts	Other current assets	\$ 9	\$ 27	\$ 36
Liabilities:				
Commodity contracts		\$ 42	\$ 11	\$ 53
Foreign currency contracts		2	4	6
Cross-currency and other contracts		1	2	3
Total current derivative contracts	Other current liabilities	\$ 45	\$ 17	\$ 62
Commodity contracts		\$ 2	\$ —	\$ 2
Cross-currency and other contracts		62	—	62
Total noncurrent derivative contracts	Other noncurrent liabilities	\$ 64	\$ —	\$ 64

The company uses closing spot and forward market prices as published by the London Metal Exchange, the Chicago Mercantile Exchange, Reuters and Bloomberg to determine the fair value of any outstanding aluminum, currency, energy, inflation and interest rate spot and forward contracts. Option contracts are valued using a Black-Scholes model with observable market inputs for aluminum, currency and interest rates. We value each of our financial instruments either internally using a single valuation technique or from a reliable observable market source. The company does not adjust the value of its financial instruments except in determining the fair value of a trade that settles in the future by discounting the value to its present value using a 12-month LIBOR rate. Ball performs validations of its internally derived fair values reported for our financial instruments on a quarterly basis utilizing counterparty valuation statements. Additionally, the company evaluates counterparty creditworthiness and, as of March 31, 2019, has not identified any circumstances requiring the reported values of its financial instruments to be adjusted.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

The following table provides the effects of derivative instruments in the consolidated statement of earnings and on accumulated other comprehensive earnings (loss):

(\$ in millions)	Location of Gain (Loss) Recognized in Earnings on Derivatives	Three Months Ended March 31, 2019		2018	
		Cash Flow Hedge	Reclassified Amount from Accumulated Other Comprehensive Earnings (Loss)	Cash Flow Hedge	Reclassified Amount from Accumulated Other Comprehensive Earnings (Loss)
Commodity contracts - manage exposure to customer pricing	Net sales	\$ 2	\$ —	\$ (3)	\$ 1
Commodity contracts - manage exposure to supplier pricing	Cost of sales	(5)	1	10	—
Foreign currency contracts - manage general exposure with the business	Selling, general and administrative	—	58	—	(11)
Cross-currency swaps - manage intercompany currency exposure within the business	Selling, general and administrative	23	—	(29)	—
Cross-currency swaps - manage intercompany currency exposure within the business	Interest expense	4	—	3	—
Equity contracts	Selling, general and administrative	—	30	—	4
Total		\$ 24	\$ 89	\$ (19)	\$ (6)

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

Three Months Ended March 31,

Edgar Filing: BALL Corp - Form 10-Q

(\$ in millions)	2019	2018
Amounts reclassified into earnings:		
Commodity contracts	\$ 3	\$ (7)
Cross-currency swap contracts	(27)	26
Change in fair value of cash flow hedges:		
Commodity contracts	14	(30)
Cross-currency swap contracts	43	(39)
Currency exchange contracts	(2)	(1)
Foreign currency and tax impacts	(9)	8
Stranded tax effects reclassified into retained earnings:		
Commodity contracts	2	—
Cross-currency swap contracts	(5)	—
	\$ 19	\$ (43)

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

21. Contingencies

Ball is subject to numerous lawsuits, claims or proceedings arising out of the ordinary course of business, including actions related to product liability; personal injury; the use and performance of company products; warranty matters; patent, trademark or other intellectual property infringement; contractual liability; the conduct of the company's business; tax reporting in domestic and foreign jurisdictions; workplace safety and environmental and other matters. The company has also been identified as a potentially responsible party (PRP) at several waste disposal sites under U.S. federal and related state environmental statutes and regulations and may have joint and several liability for any investigation and remediation costs incurred with respect to such sites. In addition, we have received claims alleging that employees in certain plants have suffered damages due to exposure to alleged workplace hazards. Some of these lawsuits, claims and proceedings involve substantial amounts, including as described below, and some of the environmental proceedings involve potential monetary costs or sanctions that may be material. Ball has denied liability with respect to many of these lawsuits, claims and proceedings and is vigorously defending such lawsuits, claims and proceedings. The company carries various forms of commercial, property and casualty, and other forms of insurance; however, such insurance may not be applicable or adequate to cover the costs associated with a judgment against Ball with respect to these lawsuits, claims and proceedings. The company estimates that potential liabilities for all currently known and estimable environmental matters are approximately \$29 million in the aggregate, and such amounts have been included in other current liabilities and other noncurrent liabilities at March 31, 2019.

As previously reported, the U.S. Environmental Protection Agency (USEPA) considers the company a PRP with respect to the Lowry Landfill site located east of Denver, Colorado. In 1992, the company was served with a lawsuit filed by the City and County of Denver (Denver) and Waste Management of Colorado, Inc., seeking contributions from the company and approximately 38 other companies. The company filed its answer denying the allegations of the complaint. Subsequently in 1992, the company was served with a third-party complaint filed by S.W. Shattuck Chemical Company, Inc., seeking contribution from the company and other companies for the costs associated with cleaning up the Lowry Landfill. The company denied the allegations of the complaint.

Also in 1992, Ball entered into a settlement and indemnification agreement with Chemical Waste Management, Inc., and Waste Management of Colorado, Inc. (collectively Waste Management) and Denver pursuant to which Waste Management and Denver dismissed their lawsuit against the company, and Waste Management agreed to defend, indemnify and hold harmless the company from claims and lawsuits brought by governmental agencies and other parties relating to actions seeking contributions or remedial costs from the company for the clean-up of the site. Waste Management, Inc., has agreed to guarantee the obligations of Waste Management. Waste Management and Denver may seek additional payments from the company if the response costs related to the site exceed \$319 million. In 2003 Waste Management, Inc., indicated that the cost of the site might exceed \$319 million in 2030, approximately three years before the projected completion of the project. In February 2018, Waste Management reported that total project costs through 2016 were approximately \$142 million. The company might also be responsible for payments (based on

1992 dollars) for any additional wastes that may have been disposed of by the company at the site but which are identified after the execution of the settlement agreement. While remediating the site, contaminants were encountered, which could add an additional clean-up cost of approximately \$10 million. This additional clean-up cost could, in turn, add approximately \$1 million to total site costs for the PRP group. At this time, there are no Lowry Landfill actions in which the company is actively involved. Based on the information available to the company at this time, we do not believe that this matter will have a material adverse effect upon the liquidity, results of operations or financial condition of the company.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

In November 2012, the USEPA wrote to the company asserting that it is one of at least 50 PRPs with respect to the Lower Duwamish site located in Seattle, Washington, based on the company's ownership of a glass container plant prior to 1995, and notifying the company of a proposed remediation action plan. A site was selected to begin data review on over 30 industrial companies and government entities and at least two PRP groups have been discussing various allocation proposals. The USEPA issued the site Record of Decision (ROD) in December 2014. Ball submitted its initial responses to the allocator's questionnaire in March 2015, and after reviewing submissions from the PRPs alleging deficiencies in certain of Ball's responses, the allocator denied certain of the allegations and directed the company to answer others, to which Ball responded during the fourth quarter of 2016. A group of de minimis PRPs, including Ball, retained a technical consultant to assist with their positions vis-à-vis larger PRPs, and further presentations were made to the site allocator during the fourth quarter of 2017 and the first quarter of 2018. Total site remediation costs of \$342 million, to cover remediation of approximately 200 acres of river bottom, are expected according to the proposed remediation action plan, which does not include \$100 million that has already been spent, and which will be allocated among the numerous PRPs in due course. Based on the information available to the company at this time, we do not believe that this matter will have a material adverse effect upon the liquidity, results of operations or financial condition of the company.

In February 2012, Ball Metal Beverage Container Corp. (BMBCC) filed an action against Crown Packaging Technology, Inc. (Crown) in the U.S. District Court for the Southern District of Ohio (the Court) seeking a declaratory judgment that the manufacture, sale and use of certain ends by BMBCC and its customers do not infringe certain claims of Crown's U.S. patents. Crown subsequently filed a counterclaim alleging infringement of certain claims in these patents seeking unspecified monetary damages, fees and declaratory and injunctive relief. The District Court issued a claim construction order at the end of December 2015 and held a scheduling conference on February 10, 2016, to determine the timeline for future steps in the litigation. The case was stayed by mutual agreement of the parties into the third quarter of 2016, during which Crown made preparations for its discovery with respect to certain ends previously produced by Rexam's U.S. subsidiary, Rexam Beverage Can Company (RBCC). Such discovery began during the first half of 2017 and concluded in the fourth quarter of 2018. The parties attempted to mediate the case on August 1, 2017, but no progress was made, and the case continued as scheduled. In December, 2018, BMBCC and RBCC filed a motion for summary judgment that the Crown patents at issue are invalid and that the applicable ends supplied by BMBCC and RBCC did not infringe the patents. Crown did not file a motion for summary judgment. Oral argument on the motion filed by BMBCC and RBCC was completed in January 2019. A trial date has been re-set for July 2019, although this setting may be removed and the trial delayed based on the summary judgment filing, so as to allow the Court to give full consideration to the motion. Based on the information available to the company at the present time, the company does not believe that this matter will have a material adverse effect upon the liquidity, results of operations or financial condition of the company.

A former Rexam Personal Care site in Annecy, France, was found in 2003 to be contaminated following a leak of chlorinated solvents (TCE) from an underground feedline. The site underwent extensive investigation and an active remediation treatment system was put in place in 2006. The business operating from the site was sold to Albea in 2013 and in turn to a French company CATIDOM (operating as Reboul). Reboul vacated the site in September 2014, and

the site reverted back to Rexam during the first quarter of 2015. As part of the site closure regulatory requirements, a new regulatory permit (Prefectoral Order) was issued in June 2016, which includes requirements to undertake a cost-benefit analysis and pilot studies of further treatment for the known residual solvent contamination following the shutdown of the current on-site treatment system. A new management plan was proposed to the French Environmental Authorities (DREAL) during 2018 and will be the subject of further discussions in 2019 before a final plan for the site is addressed. Based on the information available to the company at this time, we do not believe that this matter will have a material adverse effect upon the liquidity, results of operations or financial condition of the company.

The company's operations in Brazil are involved in various governmental assessments, principally related to claims for taxes on the internal transfer of inventory, gross sales taxes and indirect tax incentives. The company does not believe that the ultimate resolution of these matters will materially impact the company's results of operations, financial position or cash flows. Under customary local regulations, the company's Brazilian subsidiaries may need to post cash or other collateral if the process to challenge any administrative assessment proceeds to the Brazilian court system; however, the level of any potential cash or collateral required would not significantly impact the liquidity of those subsidiaries or Ball Corporation.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

During the first quarter of 2017, the Brazilian Supreme Court (the Court) ruled against the Brazilian tax authorities in a leading case related to the computation of certain indirect taxes. The Court ruled that the indirect tax base should not include a value-added tax known as “ICMS.” By removing the ICMS from the tax base, the Court effectively eliminated a “tax on tax.” The Court decision, in principle, affects all applicable judicial proceedings in progress. However, after publication of the decision in October 2017, the Brazilian tax authorities filed an appeal seeking clarification of certain matters, including the amount of ICMS to which taxpayers would be entitled in order to reduce their indirect tax base (i.e., the gross rate or net rate). The appeal also requested a modulation of the decision’s effects, which may limit its impact on taxpayers.

Our Brazilian subsidiaries paid to the Brazilian tax authorities the gross amounts of certain indirect taxes (which included ICMS in their tax base) and filed lawsuits in 2014 and 2015 in order to challenge the legality of tax on tax amounts. Pursuant to these lawsuits, we have requested reimbursement of prior excess tax payments and entitlement to retain amounts not remitted. During the third quarter of 2018, the company learned of a further decision of the Court indicating that lawsuits filed prior to the trial resulting in its 2017 decision, such as those filed by the company, would likely be upheld. The company also noted that other Brazilian companies, including customers of its Brazilian subsidiaries, that timely filed equivalent lawsuits, have recorded income based on the applicable ICMS amounts retained. Accordingly, we now consider the portions of the ICMS-related cash collected but not yet remitted by our subsidiaries to be realizable. The company is in the process of seeking reimbursement for ICMS-related amounts previously paid to the Brazilian government, which may result in material reimbursements in respect of prior periods; however, such amounts cannot be estimated at this time. The company will record income for these reimbursements once the amounts are realized or become realizable.

22. Indemnifications and Guarantees

General Guarantees

The company or its appropriate consolidated direct or indirect subsidiaries, including Rexam and its subsidiaries, have made certain indemnities, commitments and guarantees under which the specified entity may be required to make payments in relation to certain transactions. These indemnities, commitments and guarantees include indemnities to the customers of the subsidiaries in connection with the sales of their packaging and aerospace products and services; guarantees to suppliers of subsidiaries of the company guaranteeing the performance of the respective entity under a purchase agreement, construction contract or other commitment; guarantees in respect of certain foreign subsidiaries’ pension plans; indemnities for liabilities associated with the infringement of third-party patents, trademarks or

copyrights under various types of agreements; indemnities to various lessors in connection with facility, equipment, furniture and other personal property leases for certain claims arising from such leases; indemnities to governmental agencies in connection with the issuance of a permit or license to the company or a subsidiary; indemnities pursuant to agreements relating to certain joint ventures; indemnities in connection with the sale of businesses or substantially all of the assets and specified liabilities of businesses; and indemnities to directors, officers and employees of the company to the extent permitted under the laws of the State of Indiana and the United States of America. The duration of these indemnities, commitments and guarantees varies and, in certain cases, is indefinite.

In addition, many of these indemnities, commitments and guarantees do not provide for any limitation on the maximum potential future payments the company could be obligated to make. As such, the company is unable to reasonably estimate its potential exposure under these items.

Other than the indemnifications provided in connection with the Rexam acquisition, the company has not recorded any material liabilities for these indemnities, commitments and guarantees in the accompanying consolidated balance sheets. The company does, however, accrue for payments under promissory notes and other evidences of incurred indebtedness and for losses for any known contingent liability, including those that may arise from indemnifications, commitments and guarantees, when future payment is both reasonably estimable and probable. Finally, the company carries specific and general liability insurance policies and has obtained indemnities, commitments and guarantees from third-party purchasers, sellers and other contracting parties, which the company believes would, in certain circumstances, provide recourse to any claims arising from these indemnifications, commitments and guarantees.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

Debt Guarantees

The company's and its subsidiaries' obligations under the senior notes and senior credit facilities (or, in the case of U.S. domiciled foreign subsidiaries under the senior credit facilities, the obligations of foreign credit parties only) are guaranteed on a full, unconditional and joint and several basis by certain of the company's domestic subsidiaries and the domestic subsidiary borrowers, and obligations of other guarantors and the subsidiary borrowers under the senior credit facilities are guaranteed by the company, in each case with certain exceptions and subject to grace periods. These guarantees are required in support of the senior notes and senior credit facilities referred to above, are coterminous with the terms of the respective note indentures, senior notes and credit agreement and could be enforced by the holders of the obligations thereunder during the continuation of an event of default under the note indentures, the senior notes or the credit agreement or any other loan document in respect thereof. The maximum potential amounts which could be required to be paid under such guarantees are essentially equal to the then outstanding obligations under the respective senior notes or the credit agreement (or, in the case of U.S. domiciled foreign subsidiaries under the senior credit facilities, the obligations of foreign credit parties only), with certain exceptions. All obligations under the guarantees of the senior credit facilities are secured, with certain exceptions and subject to certain grace periods, by a valid first priority perfected lien or pledge on (i) 100 percent of the capital stock of each of the company's material wholly owned domestic subsidiaries directly owned by the company or any of its wholly owned domestic subsidiaries and (ii) 65 percent of the capital stock of each of the company's material wholly owned first-tier foreign subsidiaries directly owned by the company or any of its wholly owned domestic subsidiaries. In addition, the obligations of certain foreign borrowers and foreign pledgors under the loan documents will be secured, with certain exceptions and subject to certain grace periods, by a valid first priority perfected lien or pledge on 100 percent of the capital stock of certain of the company's material wholly owned foreign subsidiaries and material wholly owned U.S. domiciled foreign subsidiaries directly owned by the company or any of its wholly owned material subsidiaries. The company is not in default under the above senior notes or senior credit facilities. The required condensed consolidating financial information for the guarantor and non-guarantor subsidiaries is presented in Note 23. 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 under the Securities and Exchange Commission (SEC) regulations.

23. Subsidiary Guarantees of Debt

The following unaudited condensed consolidating financial information is presented in accordance with SEC Regulations S X Rule 3-10, Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered. For purposes of the presentation of unaudited condensed consolidating financial information, the subsidiaries of the company providing the guarantees are referred to as the guarantor subsidiaries, and subsidiaries of

the company other than the guarantor subsidiaries are referred to as the non-guarantor subsidiaries. The eliminating adjustments substantively consist of intercompany transactions and the elimination of equity investments and earnings of subsidiaries. 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 under SEC regulations.

The company's senior notes are guaranteed on a full and unconditional guarantee joint and several basis by certain domestic subsidiaries of the company. Each of the guarantor subsidiaries is 100 percent owned by the company. As described in the supplemental indentures governing the company's existing senior notes, the senior notes are guaranteed by any of the company's domestic subsidiaries that guarantee any other indebtedness of the company. The following is unaudited condensed consolidating financial information for the company, segregating the guarantor subsidiaries and non-guarantor subsidiaries, as of March 31, 2019, and December 31, 2018, and for the three months ended March 31, 2019 and 2018. The unaudited condensed consolidating financial information presented below is not necessarily indicative of the financial position, results of operations, earnings or cash flows of the company or any of the company's subsidiaries on a stand-alone basis.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

Unaudited Condensed Consolidating Statement of Earnings					
Three Months Ended March 31, 2019					
(\$ in millions)	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
Net sales	\$ —	\$ 1,549	\$ 1,435	\$ (199)	\$ 2,785
Cost and expenses					
Cost of sales (excluding depreciation and amortization)	—	(1,324)	(1,128)	199	(2,253)
Depreciation and amortization	(1)	(48)	(121)	—	(170)
Selling, general and administrative	(24)	(54)	(49)	—	(127)
Business consolidation and other activities	(6)	2	(10)	—	(14)
Equity in results of subsidiaries	136	20	—	(156)	—
Intercompany	61	(33)	(28)	—	—
	166	(1,437)	(1,336)	43	(2,564)
Earnings (loss) before interest and taxes	166	112	99	(156)	221
Interest expense	(78)	2	(1)	—	(77)
Debt refinancing and other costs	(4)	—	—	—	(4)
Total interest expense	(82)	2	(1)	—	(81)
Earnings (loss) before taxes	84	114	98	(156)	140
Tax (provision) benefit	33	(21)	(22)	—	(10)
Equity in results of affiliates, net of tax	—	(16)	3	—	(13)
Net earnings (loss)	117	77	79	(156)	117
Less net earnings attributable to noncontrolling interests	—	—	—	—	—
Net earnings (loss) attributable to Ball Corporation	\$ 117	\$ 77	\$ 79	\$ (156)	\$ 117
Comprehensive earnings (loss) attributable to Ball Corporation	\$ 242	\$ 242	\$ 185	\$ (427)	\$ 242

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

Unaudited Condensed Consolidating Statement of Earnings					
Three Months Ended March 31, 2018					
(\$ in millions)	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
Net sales	\$ —	\$ 1,535	\$ 1,432	\$ (182)	\$ 2,785
Cost and expenses					
Cost of sales (excluding depreciation and amortization)	—	(1,306)	(1,113)	182	(2,237)
Depreciation and amortization	(1)	(52)	(127)	—	(180)
Selling, general and administrative	(34)	(41)	(37)	—	(112)
Business consolidation and other activities	(13)	(6)	(11)	—	(30)
Equity in results of subsidiaries	162	34	5	(201)	—
Intercompany	82	(42)	(40)	—	—
	196	(1,413)	(1,323)	(19)	(2,559)
Earnings (loss) before interest and taxes	196	122	109	(201)	226
Interest expense	(76)	3	—	—	(73)
Debt refinancing and other costs	(1)	—	—	—	(1)
Total interest expense	(77)	3	—	—	(74)
Earnings (loss) before taxes	119	125	109	(201)	152
Tax (provision) benefit	6	(17)	(23)	—	(34)
Equity in results of affiliates, net of tax	—	3	4	—	7
Net earnings (loss)	125	111	90	(201)	125
Less net earnings attributable to noncontrolling interests	—	—	—	—	—
Net earnings (loss) attributable to Ball Corporation	\$ 125	\$ 111	\$ 90	\$ (201)	\$ 125
Comprehensive earnings (loss) attributable to Ball Corporation	\$ 108	\$ 108	\$ 89	\$ (197)	\$ 108

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

Condensed Consolidating Balance Sheet

March 31, 2019

(\$ in millions)	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
Assets					
Current assets					
Cash and cash equivalents	\$ 14	\$ —	\$ 589	\$ —	\$ 603
Receivables, net	4	658	1,223	—	1,885
Intercompany receivables	90	490	1,674	(2,254)	—
Inventories, net	—	559	716	—	1,275
Other current assets	59	31	94	—	184
Assets held for sale	—	4	448	—	452
Total current assets	167	1,742	4,744	(2,254)	4,399
Noncurrent assets					
Property, plant and equipment, net	28	1,390	2,942	—	4,360
Investment in subsidiaries	11,392	3,913	(99)	(15,206)	—
Goodwill	—	1,191	3,219	—	4,410
Intangible assets, net	18	401	1,718	—	2,137
Other assets	262	293	1,062	—	1,617
Total assets	\$ 11,867	\$ 8,930	\$ 13,586	\$ (17,460)	\$ 16,923
Liabilities and Equity					
Current liabilities					
Short-term debt and current portion of long-term debt	\$ 336	\$ —	\$ 63	\$ —	\$ 399
Accounts payable	18	1,022	1,699	—	2,739
Intercompany payables	2,307	65	488	(2,860)	—
Accrued employee costs	40	94	90	—	224
Other current liabilities	125	139	236	—	500
Liabilities held for sale	—	—	173	—	173
Total current liabilities	2,826	1,320	2,749	(2,860)	4,035
Noncurrent liabilities					
Long-term debt	6,713	—	6	—	6,719
Employee benefit obligations	897	295	287	—	1,479
Intercompany long-term notes	(1,977)	113	1,258	606	—
Deferred taxes	(247)	244	628	—	625
Long-term deferred tax and other liabilities	109	119	188	—	416
Total liabilities	8,321	2,091	5,116	(2,254)	13,274

Edgar Filing: BALL Corp - Form 10-Q

Common stock	1,154	2,523	5,319	(7,842)	1,154
Preferred stock	—	—	5	(5)	—
Retained earnings	5,504	4,815	3,398	(8,213)	5,504
Accumulated other comprehensive earnings (loss)	(789)	(499)	(355)	854	(789)
Treasury stock, at cost	(2,323)	—	—	—	(2,323)
Total Ball Corporation equity	3,546	6,839	8,367	(15,206)	3,546
Noncontrolling interests	—	—	103	—	103
Total equity	3,546	6,839	8,470	(15,206)	3,649
Total liabilities and equity	\$ 11,867	\$ 8,930	\$ 13,586	\$ (17,460)	\$ 16,923

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

Condensed Consolidating Balance Sheet					
December 31, 2018					
(\$ in millions)	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
Assets					
Current assets					
Cash and cash equivalents	\$ 4	\$ —	\$ 717	\$ —	\$ 721
Receivables, net	21	613	1,168	—	1,802
Intercompany receivables	66	495	1,657	(2,218)	—
Inventories, net	—	527	744	—	1,271
Other current assets	32	31	77	—	140
Assets held for sale	—	4	2	—	6
Total current assets	123	1,670	4,365	(2,218)	3,940
Noncurrent assets					
Property, plant and equipment, net	24	1,378	3,140	—	4,542
Investment in subsidiaries	11,145	3,779	(99)	(14,825)	—
Goodwill	—	1,191	3,284	—	4,475
Intangible assets, net	18	409	1,761	—	2,188
Other assets	213	215	981	—	1,409
Total assets	\$ 11,523	\$ 8,642	\$ 13,432	\$ (17,043)	\$ 16,554
Liabilities and Equity					
Current liabilities					
Short-term debt and current portion of long-term debt	\$ 173	\$ —	\$ 46	\$ —	\$ 219
Accounts payable	50	1,178	1,867	—	3,095
Intercompany payables	2,310	49	466	(2,825)	—
Accrued employee costs	39	144	106	—	289
Other current liabilities	153	119	220	—	492
Total current liabilities	2,725	1,490	2,705	(2,825)	4,095
Noncurrent liabilities					
Long-term debt	6,504	—	6	—	6,510
Employee benefit obligations	871	286	298	—	1,455
Intercompany long-term notes	(1,977)	3	1,368	606	—
Deferred taxes	(172)	169	648	—	645
Other liabilities	114	45	128	—	287
Total liabilities	8,065	1,993	5,153	(2,219)	12,992
Common stock	1,157	2,523	5,314	(7,837)	1,157
Preferred stock	—	—	5	(5)	—

Edgar Filing: BALL Corp - Form 10-Q

Retained earnings	5,341	4,712	3,316	(8,028)	5,341
Accumulated other comprehensive earnings (loss)	(835)	(586)	(460)	1,046	(835)
Treasury stock, at cost	(2,205)	—	—	—	(2,205)
Total Ball Corporation equity	3,458	6,649	8,175	(14,824)	3,458
Noncontrolling interests	—	—	104	—	104
Total equity	3,458	6,649	8,279	(14,824)	3,562
Total liabilities and equity	\$ 11,523	\$ 8,642	\$ 13,432	\$ (17,043)	\$ 16,554

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

(\$ in millions)	Condensed Consolidating Statement of Cash Flows For the Three Months Ended March 31, 2019			
	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated Total
Cash provided by (used in) operating activities	\$ (171)	\$ (53)	\$ 95	\$ (129)
Cash flows from investing activities				
Capital expenditures	(4)	(72)	(78)	(154)
Business acquisition, net of cash acquired	—	—	—	—
Other, net	1	—	(10)	(9)
Cash provided by (used in) investing activities	(3)	(72)	(88)	(163)
Cash flows from financing activities				
Long-term borrowings	670	—	1	671
Repayments of long-term borrowings	(410)	—	(2)	(412)
Net change in short-term borrowings	143	—	17	160
Proceeds from issuances of common stock, net of shares used for taxes	(4)	—	—	(4)
Acquisitions of treasury stock	(146)	—	—	(146)
Common stock dividends	(34)	—	—	(34)
Intercompany	(25)	125	(100)	—
Other, net	(10)	—	—	(10)
Cash provided by (used in) financing activities	184	125	(84)	225
Effect of exchange rate changes on cash	—	—	11	11
Change in cash, cash equivalents and restricted cash	10	—	(66)	(56)
Cash, cash equivalents and restricted cash – beginning of period	4	—	724	728
Cash, cash equivalents and restricted cash – end of period	\$ 14	\$ —	\$ 658	\$ 672

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

(\$ in millions)	Condensed Consolidating Statement of Cash Flows For the Three Months Ended March 31, 2018			
	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated Total
Cash provided by (used in) operating activities	\$ 21	\$ (226)	\$ 131	\$ (74)
Cash flows from investing activities				
Capital expenditures	(3)	(155)	(84)	(242)
Proceeds from dispositions, net of cash sold	(45)	—	—	(45)
Other, net	(2)	2	3	3
Cash provided by (used in) investing activities	(50)	(153)	(81)	(284)
Cash flows from financing activities				
Long-term borrowings	1,160	1	1	1,162
Repayments of long-term borrowings	(680)	(1)	(2)	(683)
Net change in short-term borrowings	(89)	—	75	(14)
Proceeds from issuances of common stock, net of shares used for taxes	—	—	—	—
Acquisitions of treasury stock	(35)	—	—	(35)
Common stock dividends	(35)	—	—	(35)
Intercompany	(287)	379	(92)	—
Other, net	(10)	—	(1)	(11)
Cash provided by (used in) financing activities	24	379	(19)	384
Effect of exchange rate changes on cash	—	—	1	1
Change in cash, cash equivalents and restricted cash	(5)	—	32	27
Cash, cash equivalents and restricted cash – beginning of period	5	—	454	459
Cash, cash equivalents and restricted cash – end of period	\$ —	\$ —	\$ 486	\$ 486

Table of Contents

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes included in Item 1 of this Quarterly Report on Form 10-Q, which include additional information about our accounting policies, practices and the transactions underlying our financial results. The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires us to make estimates and assumptions that affect the reported amounts in our consolidated financial statements and the accompanying notes including various claims and contingencies related to lawsuits, taxes, environmental and other matters arising during the normal course of business. We apply our best judgment, our knowledge of existing facts and circumstances and actions that we may undertake in the future in determining the estimates that affect our consolidated financial statements. We evaluate our estimates on an ongoing basis using our historical experience, as well as other factors we believe appropriate under the circumstances, such as current economic conditions, and adjust or revise our estimates as circumstances change. As future events and their effects cannot be determined with precision, actual results may differ from these estimates. Ball Corporation and its subsidiaries are referred to collectively as “Ball Corporation,” “Ball,” “the company,” “we” or “our” in the following discussion and analysis.

OVERVIEW

Business Overview and Industry Trends

Ball Corporation is one of the world’s leading suppliers of metal packaging to the beverage, personal care and household products industries. Our packaging products are produced for a variety of end uses, are manufactured in facilities around the world and are competitive with other substrates, such as plastics and glass. In the rigid packaging industry, sales and earnings can be increased by reducing costs, increasing prices, developing new products, expanding volumes and making strategic acquisitions. We also provide aerospace and other technologies and services to governmental and commercial customers, including national defense hardware, antenna and video tactical solutions, civil and operational space hardware and system engineering services.

We sell our packaging products mainly to large, multinational beverage, personal care and household products companies with which we have developed long-term relationships. This is evidenced by our high customer retention and our large number of long-term supply contracts. While we have a diversified customer base, we sell a significant portion of our packaging products to major companies and brands, as well as to numerous regional customers. The overall global beverage and aerosol metal container industries are growing and are expected to continue to grow in the medium to long term. The primary customers for the products and services provided by our aerospace segment are U.S. government agencies or their prime contractors.

We purchase our raw materials from relatively few suppliers. We also have exposure to inflation, in particular the rising costs of raw materials, as well as other direct cost inputs. We mitigate our exposure to the changes in the costs of metal through the inclusion of provisions in contracts covering the majority of our volumes to pass through metal price changes, as well as through the use of derivative instruments. The pass-through provisions generally result in proportional increases or decreases in sales and costs with a greatly reduced impact, if any, on net earnings. Because of our customer and supplier concentration, our business, financial condition and results of operations could be adversely affected by the loss, insolvency or bankruptcy of a major customer or supplier or a change in a supply agreement with a major customer or supplier, although our contract provisions generally mitigate the risk of customer loss, and our long-term relationships represent a known, stable customer base.

The majority of the aerospace business involves work under contracts, generally from one to five years in duration, as a prime contractor or subcontractor for various U.S. government agencies. Intense competition and long operating cycles are key characteristics of the company's aerospace and defense industry where it is common for work on major programs to be shared among a number of companies. A company competing to be a prime contractor may, upon ultimate award of the contract to a competitor, become a subcontractor for the ultimate prime contracting company.

Table of Contents

Corporate Strategy

Our Drive for 10 vision encompasses five strategic levers that are key to growing our business and achieving long-term success. Since launching Drive for 10 in 2011, we have made progress on each of the levers as follows:

- Maximizing value in our existing businesses by rationalizing standard beverage container and end capacity in North America, South America and Europe, and expanding specialty container production to meet current demand; leveraging plant floor systems in our beverage facilities to improve efficiencies and reduce costs; consolidating and/or closing multiple beverage packaging facilities to gain efficiencies; and in the aerosol business, installing new extruded aluminum aerosol lines in our European, Mexican and Indian facilities while also implementing cost-out and value-in initiatives across all of our businesses;
- Expanding further into new products and capabilities through commercializing extruded aluminum aerosol packaging that utilizes proprietary technology to significantly lightweight the can; and successfully commercializing the next-generation aluminum bottle-shaping technology;
- Aligning ourselves with the right customers and markets by investing capital to meet continued growth for specialty beverage containers throughout our global network, which represent approximately 40 percent of our global beverage packaging mix; aligning with craft brewers, sparkling water fillers, wine producers and other new beverage producers who continue to use beverage containers to grow their business;
- Broadening our geographic reach with our acquisition of Rexam and our new investments in beverage manufacturing facilities in Spain, Mexico, Myanmar and Panama, as well as an extruded aluminum aerosol manufacturing facility in India; and
- Leveraging our technological expertise in packaging innovation, including the introduction of next-generation aluminum bottle-shaping technologies and the increased production of lightweight ReAl® containers, which utilize technology that increases the strength of aluminum used in the manufacturing process while lightweighting the can by up to 20 percent over a standard aluminum aerosol can, as well as our investment in cyber, data analytics and LIDAR capabilities to further enhance our aerospace technical expertise across a broader customer portfolio.

These ongoing business developments and the successful acquisition of Rexam in 2016 help us stay close to our customers while expanding and/or sustaining our industry positions and global reach with major beverage, personal care, household products and aerospace customers.

RESULTS OF CONSOLIDATED OPERATIONS

Management's discussion and analysis for our results of operations on a consolidated and segment basis include a quantification of factors that had a material impact. Other factors that did not have a material impact, but that are significant to understand the results, are qualitatively described.

Consolidated Sales and Earnings

(\$ in millions)	Three Months Ended March 31,			
	2019		2018	
Net sales	\$	2,785	\$	2,785
Net earnings attributable to Ball Corporation		117		125
Net earnings attributable to Ball Corporation as a % of consolidated net sales		4	%	4
				%

Table of Contents

Sales in the three months ended March 31, 2019, were flat compared to the same period in 2018. Changes in sales for the three months ended 2019 compared to the same period in 2018 included increases related to higher volumes, increased metal input prices and higher pricing for our Europe and North and Central America segments and increased sales in the aerospace segment, offset by decreases related to the conclusion of the South America segment's end sales agreement as part of the Rexam acquisition, unfavorable exchange rates for our Europe segment and the loss of sales from our former U.S. steel food and steel aerosol business, which was divested in the third quarter of 2018. Net earnings for the three months ended March 31, 2019, decreased compared to the same period in 2018 primarily due to the conclusion of our South America segment's end sales agreement associated with the Rexam acquisition and increased start-up costs in our North and Central America segment, partially offset by lower business consolidation costs and income tax expense.

Cost of Sales (Excluding Depreciation and Amortization)

Cost of sales, excluding depreciation and amortization, was \$2,253 million for the three months ended March 31, 2019, compared to \$2,237 million for the same period in 2018. These amounts represented 81 percent and 80 percent of consolidated net sales for the three months ended March 31, 2019 and 2018, respectively.

Depreciation and Amortization

Depreciation and amortization expense was \$170 million for the three months ended March 31, 2019 compared to \$180 million for the same period in 2018. These amounts represented 6 percent of consolidated net sales for the three months ended March 31, 2018 and 2019.

Selling, General and Administrative

Selling, general and administrative (SG&A) expenses were \$127 million for the three months ended March 31, 2019, compared to \$112 million for the same period in 2018. These amounts represented 5 percent of consolidated net sales for the three months ended March 31, 2019, and 4 percent for the same period in 2018.

Business Consolidation Costs and Other Activities

Business consolidation and other activities were \$14 million for the three months ended March 31, 2019, compared to \$30 million for the same period in 2018. These amounts represented 1 percent of consolidated net sales for the three

months ended March 31, 2019, and 2018. The decrease for the three months ended March 31, 2019, was primarily due to lower facility shut down costs and reduced costs for consolidation activities related to the Rexam acquisition.

Interest Expense

Total interest expense was \$81 million for the three months ended March 31, 2019, compared to \$74 million for the same period in 2018. Interest expense as a percentage of average monthly borrowings was 4 percent for the three months ended March 31, 2019, and 2018. Debt refinance and other costs were \$4 million for the three months ended March 31, 2019, compared to \$1 million for the same period in 2018.

Income Taxes

The company's effective tax rate is affected by recurring items such as income earned in foreign jurisdictions with tax rates that differ from the U.S. tax rate and by discrete items that may occur in any given year but are not consistent from year to year. The effective income tax rate for the three months ended March 31, 2019, was 7.1 percent compared to 22.4 percent for the same period in 2018. The decrease of 15.3 percentage points for the three months ended March 31, 2019, was primarily due to the discrete tax impact of excess tax benefits for share-based compensation in 2019, the discrete tax benefit associated with the equity in results of affiliates loss in 2019, as well as a reduced impact for GILTI net of FDII.

As compared to the statutory tax rate, the effective tax rate for the three months ended March 31, 2019, was reduced by 11.3 percentage points for the discrete impact of share-based compensation, increased by 1.1 percentage points for the impact of GILTI net of FDII, reduced by 2.7 percentage points for the equity in results of affiliates loss and reduced by 1.0 percentage points for federal tax credits.

Table of Contents

RESULTS OF BUSINESS SEGMENTS

Segment Results

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.

Beverage Packaging, North and Central America

(\$ in millions)	Three Months Ended March 31,			
	2019		2018	
Net sales	\$ 1,131		\$ 1,035	
Comparable operating earnings	\$ 118		\$ 113	
Business consolidation and other activities (a)	(1)		(3)	
Amortization of acquired Rexam intangibles	(8)		(10)	
Total segment earnings	\$ 109		\$ 100	
Comparable operating earnings as a % of segment net sales	10	%	11	%

(a) Further details of these items are included in Note 6 to the unaudited condensed consolidated financial statements within Item 1 of this report.

The beverage packaging, North and Central America, segment consists of operations located in the U.S., Canada and Mexico that manufacture aluminum containers used in beverage packaging in those countries. Our beverage can manufacturing facility in Birmingham, Alabama, ceased production during the second quarter of 2018 and the Chatsworth, California, and Longview, Texas, facilities ceased production during the third quarter of 2018. In order to serve growing customer demand for specialty cans in the southwestern U.S., the company constructed a four-line beverage packaging facility in Goodyear, Arizona, which began production in the second quarter of 2018.

Segment sales for the three months ended March 31, 2019, were \$96 million higher compared to the same period in 2018. The increase for the three months ended March 31, 2019, was primarily due to higher volumes of \$64 million, higher pricing and favorable sales mix.

Comparable operating earnings for the three months ended March 31, 2019, were \$5 million higher compared to the same period in 2018. The increase for the three months ended March 31, 2019, was primarily due to higher sales volumes, higher pricing and favorable sales mix, partially offset by increased ramp-up costs for two of four lines at our new Goodyear, Arizona, facility and unfavorable U.S. aluminum scrap rates.

Beverage Packaging, South America

(\$ in millions)	Three Months Ended March 31,	
	2019	2018
Net sales	\$ 441	\$ 459
Comparable operating earnings	\$ 68	\$ 98
Business consolidation and other activities (a)	(1)	—
Amortization of acquired Rexam intangibles	(14)	(14)
Total segment earnings	\$ 53	\$ 84
Comparable operating earnings as a % of segment net sales	15 %	21 %

(a) Further details of these items are included in Note 6 to the unaudited condensed consolidated financial statements within Item 1 of this report.

Table of Contents

The beverage packaging, South America, segment consists of operations located in Brazil, Argentina and Chile that manufacture aluminum containers used in beverage packaging in most countries in South America. To support contracted volumes for aluminum beverage packaging across Paraguay, Argentina and Bolivia, the company is constructing a one-line beverage can and end manufacturing facility in Paraguay, and is adding capacity to our Buenos Aires, Argentina, and Santiago, Chile, facilities. The Paraguay facility is expected to begin production in the second half of 2019. The company ceased operations at its Cuiabá, Brazil, beverage packaging facility in July 2018 and has relocated equipment from the Cuiabá facility to other existing facilities in South America.

Segment sales for the three months ended March 31, 2019, were \$18 million lower compared to the same period in 2018. The decrease for the three months ended March 31, 2019, was primarily due to the conclusion of the end sales agreement associated with the Rexam acquisition and regional pricing pressures, partially offset by higher volumes.

Comparable operating earnings for the three months ended March 31, 2019, were \$30 million lower compared to the same period in 2018. The decrease for the three months ended March 31, 2019, was primarily due to the conclusion of the end sales agreement associated with the Rexam acquisition and regional pricing pressures, partially offset by higher can and end volumes.

Beverage Packaging, Europe

(\$ in millions)	Three Months Ended March 31,			
	2019		2018	
Net sales	\$	638	\$	609
Comparable operating earnings	\$	64	\$	60
Business consolidation and other activities (a)		1		(10)
Amortization of acquired Rexam intangibles		(17)		(18)
Total segment earnings	\$	48	\$	32
Comparable operating earnings as a % of segment net sales		10	%	10 %

(a) Further details of these items are included in Note 6 to the unaudited condensed consolidated financial statements within Item 1 of this report.

The beverage packaging, Europe, segment includes the manufacture and sale of metal beverage containers in facilities located throughout Europe, including Russia. To support growth for beverage cans in the Iberian Peninsula, the company constructed a two-line, aluminum beverage can manufacturing facility near Madrid, Spain, with a majority of the facility's capacity secured under a long-term customer contract. The facility became fully operational in the fourth quarter of 2018 and produces multiple can sizes utilizing both lines. In December 2018, we closed our beverage packaging facility located in San Martino, Italy.

Segment sales for the three months ended March 31, 2019, were \$29 million higher compared to the same period in 2018. The increase in sales for the three months ended March 31, 2019, was primarily related to higher sales volumes of \$91 million, partially offset by unfavorable currency exchange rates of \$56 million and lower metal pricing.

Comparable operating earnings for the three months ended March 31, 2019, were \$4 million higher compared to the same period in 2018. The increase for the three months ended March 31, 2019, was primarily due to increased sales volumes and operational efficiencies from plant network optimization, partially offset by unfavorable currency exchange rates.

Aerospace

(\$ in millions)	Three Months Ended March 31,			
	2019		2018	
Net sales	\$	328	\$	264
Comparable operating earnings		30		25
Comparable operating earnings as a % of segment net sales		9 %		9 %

Table of Contents

The aerospace segment consists of the manufacture and sale of aerospace and other related products and services provided for the defense, civil space and commercial space industries.

Segment sales and comparable operating earnings for the three months ended March 31, 2019, were \$64 million higher and \$5 million higher compared to the same period in 2018. The higher sales and comparable earnings for the three months ended March 31, 2019, were primarily the result of an increase in sales from significant U.S. national defense contracts.

The aerospace sales contract mix for the three months ended March 31, 2019, consisted of 68 percent cost-type contracts, which are billed at our costs plus an agreed upon and/or earned profit component, and 30 percent fixed-price contracts. The remaining sales were for time and materials contracts. Contracted backlog was \$2.1 billion at March 31, 2019, compared to \$2.2 billion at December 31, 2018. The backlog at March 31, 2019, consisted of 69 percent cost-type contracts. Comparisons of backlog are not necessarily indicative of the trend of future operations due to the nature of varying delivery and milestone schedules on contracts, funding of programs and the uncertainty of timing of future contract awards.

Additional Segment Information

For additional information regarding our segments, see the business segment information in Note 3 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report. The charges recorded for business consolidation and other activities were based on estimates by management and were developed from information available at the time the amounts were recognized. If actual outcomes vary from these estimates, the differences will be reflected in current period earnings in the statement of earnings and identified as business consolidation gains and losses. Additional details about our business consolidation and other activities, as well as the associated costs, are provided in Note 6 to the unaudited condensed consolidated financial statements included within Item 1 of this report on Form 10-Q.

NEW ACCOUNTING PRONOUNCEMENTS

For information regarding recent accounting pronouncements, see Note 2 to the unaudited condensed consolidated financial statements within Item 1 of this report on Form 10-Q.

Management Performance Measures

Management internally uses various measures to evaluate company performance such as comparable operating earnings (earnings before interest, taxes and business consolidation and other non-comparable costs); comparable net earnings (earnings before business consolidation costs and other non-comparable costs after tax); return on average invested capital (net operating earnings after tax over the relevant performance period divided by average invested capital over the same period); economic value added (EVA®) dollars (net operating earnings after tax less a capital charge on average invested capital employed); earnings before interest and taxes (EBIT); earnings before interest, taxes, depreciation and amortization (EBITDA); and diluted earnings per share. Management also uses free cash flow (generally defined by the company as cash flow from operating activities less capital expenditures) as a measure to evaluate the company's liquidity. We believe this information is also useful to investors as it provides insight into the earnings and cash flow criteria management uses to make strategic decisions. These financial measures may be adjusted at times for items that affect comparability between periods such as business consolidation costs and gains or losses on acquisitions and dispositions.

Nonfinancial measures in the packaging businesses include production efficiency and spoilage rates; quality control figures; environmental, health and safety statistics; production and sales volumes; asset utilization rates and measures of sustainability. Additional measures used to evaluate financial performance in the aerospace segment include contract revenue realization, award and incentive fees realized, proposal win rates and backlog (including awarded, contracted and funded backlog).

The following financial measurements are presented on a non-U.S. GAAP basis and should be considered in connection with the unaudited condensed consolidated financial statements within Item 1 of this report. Non-U.S. GAAP measures should not be considered in isolation and should not be considered superior to, or a substitute for, financial measures calculated in accordance with U.S. GAAP. A presentation of earnings in accordance with U.S. GAAP is available in Item 1 of this report.

Table of Contents

Based on the above definitions, our calculation of comparable operating earnings is summarized below:

(\$ in millions)	Three Months Ended March 31,	
	2019	2018
Net earnings attributable to Ball Corporation	\$ 117	\$ 125
Add: Net earnings attributable to noncontrolling interests	—	—
Net earnings	117	125
Less: Equity in results of affiliates, net of tax	13	(7)
Add: Tax provision (benefit)	10	34
Earnings before taxes, as reported	140	152
Add: Total interest expense	81	74
Earnings before interest and taxes	221	226
Add: Business consolidation and other activities	14	30
Add: Amortization of acquired Rexam intangibles	40	44
Comparable operating earnings	\$ 275	\$ 300

Our calculation of comparable net earnings is summarized below:

(\$ in millions, except per share amounts)	Three Months Ended March 31,	
	2019	2018
Net earnings attributable to Ball Corporation	\$ 117	\$ 125
Add: Business consolidation and other activities	14	30
Add: Amortization of acquired Rexam intangibles	40	44
Add: Share of equity method affiliate non-comparable costs	12	—
Add: Debt refinancing and other costs	4	1
Less: Noncomparable taxes	(20)	(20)
Comparable net earnings	\$ 167	\$ 180
Per diluted share, as reported	\$ 0.34	\$ 0.35
Per diluted share, comparable basis	\$ 0.49	\$ 0.50

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows and Capital Expenditures

Our primary sources of liquidity are cash provided by operating activities and external borrowings. We believe that cash flows from operations and cash provided by short-term, long-term and committed revolver borrowings, when necessary, will be sufficient to meet our ongoing operating requirements, scheduled principal and interest payments on debt, dividend payments, anticipated share repurchases and anticipated capital expenditures. The following summarizes our cash flows:

(\$ in millions)	Three Months Ended March 31,	
	2019	2018
Cash flows provided by (used in) operating activities	\$ (129)	\$ (74)
Cash flows provided by (used in) investing activities	(163)	(284)
Cash flows provided by (used in) financing activities	225	384

Table of Contents

Cash flows used in operations were higher in 2019 compared to 2018, primarily due to higher working capital outflows. The impact of changes in working capital on operating cash flows for the three months ended March 31, 2019, was a \$487 million outflow. Excluding the impact of the sale of the U.S. steel food and steel aerosol packaging business in 2018 and the transfer of the China beverage packaging business assets and liabilities to held for sale in 2019, our working capital movements reflect an increase of days sales outstanding from 42 days in 2018 to 50 days in 2019, a decrease in days payable outstanding from 112 days in 2018 to 108 days in 2019 and decreases in accrued employee costs which were partially offset by decreases in other amounts receivable which are not included in the calculation of days sales outstanding.

We have entered into several regional committed and uncommitted accounts receivable factoring programs with various financial institutions for certain of our receivables. The programs are accounted for as true sales of the receivables, without recourse to Ball, and had combined limits of approximately \$1.2 billion at March 31, 2019, and December 31, 2018. A total of \$192 million and \$178 million were available for sale under such programs as of March 31, 2019, and December 31, 2018, respectively.

Contributions to the company's defined benefit pension plans were \$6 million in the first three months of 2019 compared to \$8 million in the first three months of 2018 and such contributions are expected to be in the range of \$92 million for the full year of 2019. This estimate may change based on changes to the U.S. Pension Protection Act and actual plan asset performance, among other factors.

We expect 2019 capital expenditures for property, plant and equipment to be approximately \$600 million, and approximately \$362 million was contractually committed as of March 31, 2019. Capital expenditures are expected to be funded by cash flows from operations.

As of March 31, 2019, approximately \$652 million of our cash was held outside of the U.S., which includes \$63 million of cash reported in assets held for sale in the unaudited condensed consolidated financial statements included within Item 1 of this report. In the event we need to utilize any of the cash held outside of the U.S. for purposes within the U.S., there are no material legal or other economic restrictions regarding the repatriation of cash from any of the countries outside the U.S. where we have cash, other than market liquidity constraints that may limit the ability to convert Egyptian pounds held by the company in Egypt with a U.S. dollar equivalent value of \$42 million into other currencies. The company believes its U.S. operating cash flows, as well as availability under its long-term, revolving credit facilities, uncommitted short-term credit facilities and committed and uncommitted accounts receivable factoring programs will be sufficient to meet the cash requirements of the U.S. portion of our ongoing operations, scheduled principal and interest payments on U.S. debt, dividend payments, capital expenditures and other U.S. cash requirements. If foreign funds are needed for our U.S. cash requirements and we are unable to provide the funds through intercompany financing arrangements, we would be required to repatriate funds from foreign locations where the company has previously asserted indefinite reinvestment of funds outside the U.S.

Based on its indefinite reinvestment assertion, the company has not provided deferred taxes on earnings in certain non-U.S. subsidiaries because such earnings are intended to be indefinitely reinvested in its international operations. It is not practical to estimate the additional taxes that may become payable if these earnings were remitted to the U.S.

Share Repurchases

The company's share repurchases, net of issuances, totaled \$150 million during the three months ended March 31, 2019, compared to \$35 million of repurchases, net of issuances, during the same period of 2018. Share repurchases are completed using cash on hand and available borrowings. Additional details about our share repurchase activities are provided in Note 18 to the consolidated financial statements within Item 8 of this annual report.

Debt Facilities and Refinancing

Given our cash flow projections and unused credit facilities that are available until March 2021, our liquidity is strong and is expected to meet our ongoing cash and debt service requirements. Interest-bearing debt of \$7.1 billion and \$6.7 billion was outstanding at March 31, 2019, and December 31, 2018, respectively.

Table of Contents

On March 25, 2019, the company refinanced its existing credit facilities with a U.S. dollar revolving facility, a multicurrency revolving facility and a U.S. dollar term loan facility that mature in March 2024 and provide the company with up to the U.S. dollar equivalent of \$2.55 billion. At March 31, 2019, taking into account our outstanding letters of credit, approximately \$1.45 billion was available under existing long-term, revolving credit facilities. In addition to these facilities, the company had approximately \$1.1 billion of short-term uncommitted credit facilities available as of March 31, 2019, of which \$371 million was outstanding and due on demand. At December 31, 2018, the company had \$211 million outstanding under short-term uncommitted credit facilities.

In March 2018, Ball issued \$750 million of 4.875 percent senior notes and used the proceeds to repay \$315 million of its Term A loan and outstanding multi-currency revolver and short-term credit facility borrowings.

While ongoing financial and economic conditions in certain areas may raise concerns about credit risk with counterparties to derivative transactions, the company mitigates its exposure by allocating the risk among various counterparties and limiting exposure to any one party. We also monitor the credit ratings of our suppliers, customers, lenders and counterparties on a regular basis.

We were in compliance with all loan agreements at March 31, 2019, and for all prior years presented, and we have met all debt payment obligations. The U.S. note agreements and bank credit agreement contain certain restrictions relating to dividends, investments, financial ratios, guarantees and the incurrence of additional indebtedness. The most restrictive covenant is in the company's bank credit agreement and requires the company to maintain a leverage ratio (as defined) of no greater than 4.5 times at March 31, 2019. As of March 31, 2019, approximately \$1.6 billion of the amounts disclosed as available under the company's long-term multi-currency committed revolving facilities and short-term uncommitted credit facilities are available without violating our existing debt covenants. Additional details regarding our debt are available in Note 15 accompanying the unaudited condensed consolidated financial statements within Item 1 of this report.

CONTINGENCIES, INDEMNIFICATIONS AND GUARANTEES

Details about the company's contingencies, indemnifications and guarantees are available in Notes 21 and 22 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report. The company is routinely subject to litigation incident to operating its businesses, and has been designated by various federal and state environmental agencies as a potentially responsible party, along with numerous other companies, for the clean-up of several hazardous waste sites, including in respect of sites related to alleged activities of certain Rexam subsidiaries. The company believes the matters identified will not have a material adverse effect upon the liquidity, results of operations or financial condition of the company.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, the company employs established risk management policies and procedures, which seek to reduce our exposure to fluctuations in commodity prices, interest rates, exchange currencies and prices of the company's common stock in regard to common share repurchases and the company's deferred compensation stock plan, although there can be no assurance that these policies and procedures will be successful. The company mitigates its exposure by spreading the risk among various counterparties, thus limiting exposure with any one party. The company also monitors the credit ratings of its suppliers, customers, lenders and counterparties on a regular basis. Further details are available in Item 7A within Ball's 2018 Annual Report on Form 10-K filed on February 22, 2019, and in Note 20 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report.

Item 4. CONTROLS AND PROCEDURES

Our chief executive officer and chief financial officer participated in management's evaluation of our disclosure controls and procedures, as defined by the Securities and Exchange Commission (SEC), as of the end of the period covered by this report and concluded that our controls and procedures were effective. Other than the item described below, there were no material changes to internal controls during the company's first quarter of 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Changes in Internal Control over Financial Reporting (ICFR)

On January 1, 2019, Ball adopted the new lease standard, as discussed in Notes 2 and 14 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report. As a result, we made additions and/or modifications to policies, procedures, systems and controls that have materially affected our internal control over financial reporting, including changes to accounting policies and procedures, operational processes and documentation practices.

FORWARD-LOOKING STATEMENTS

This report contains “forward-looking” statements concerning future events and financial performance. Words such as “expects,” “anticipates,” “estimates,” “believes,” “targets,” “likely,” “positions” and similar expressions typically identify forward-looking statements, which are generally any statements other than statements of historical fact. Such statements are based on current expectations or views of the future and are subject to risks and uncertainties, which could cause actual results or events to differ materially from those expressed or implied. Readers of this report should therefore not place undue reliance upon any forward-looking statements and any of such statements should be read in conjunction with, and, qualified in their entirety by, the cautionary statements referenced below. The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Key factors, risks and uncertainties that could cause actual outcomes and results to be different are summarized in filings with the Securities and Exchange Commission, including Exhibit 99 in our Form 10-K, which are available on our website and at www.sec.gov. Some factors that could cause the company’s actual results or outcomes to differ materially from those discussed include, but are not limited to the following: a) in our packaging segments: product demand fluctuations; availability/cost of raw materials and logistics; competitive packaging, pricing and substitution; changes in climate and weather; competitive activity; footprint adjustments and other manufacturing changes; failure to achieve synergies, productivity improvements or cost reductions; mandatory deposit or other restrictive packaging laws; customer and supplier consolidation, power and supply chain influence; changes in major customer or supplier contracts or a loss of a major customer or supplier; political instability and sanctions; currency controls; and changes in foreign exchange or tax rates; and tariffs, trade actions, or other governmental actions in any country affecting goods produced by us or in our supply chain, including imported raw materials, such as pursuant to section 232 of the U.S. Trade Expansion Act of 1962; b) in our aerospace segment: funding, authorization, availability and returns of government and commercial contracts; and delays, extensions and technical uncertainties affecting segment contracts; c) in the company as a whole, those listed plus: changes in senior management; regulatory action or issues including tax, environmental, health and workplace safety, including U.S. FDA and other actions or public concerns affecting products filled in our containers, or chemicals or substances used in raw materials or in the manufacturing process; technological developments and innovations; litigation; strikes; labor cost changes; rates of return on assets of the company's defined benefit retirement plans; pension changes; uncertainties surrounding geopolitical events and governmental policies both in the U.S. and in other countries, including the U.S. government elections, budget, sequestration and debt limit; reduced cash flow; interest rates affecting our debt; and successful or unsuccessful joint ventures, acquisitions and divestitures, including with respect to the Rexam PLC acquisition and its integration, or the associated divestiture; the effect of the acquisition or the divestiture on our business relationships, operating results and business generally.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There were no events required to be reported under Item 1 for the first quarter of 2019, except as discussed in Note 21 to the unaudited condensed consolidated financial statements within Part I, Item 1 of this report.

Item 1A. Risk Factors

Risk factors affecting the company can be found within Item 1A of the company's 2018 Annual Report on Form 10-K filed on February 22, 2019, for the year ended December 31, 2018.

Table of Contents

Item 2. Changes in Securities

The following table summarizes the company's repurchases of its common stock during the first quarter of 2019.

Purchases of Securities

(\$ in millions)	Total			
	Number of			
	Shares	Average	Total Number of	Maximum Number of
	Purchased	Price	Shares Purchased as	Shares that May Yet
		Paid per	Part of Publicly	Be Purchased Under
		Share	Announced Plans or	the Plans or Programs
	(a)		Programs (a)	(b)
January 1 to January 31, 2019	1,910,901	\$ 47.38	1,910,901	49,795,076
February 1 to February 28, 2019	565,880	54.13	565,880	49,229,196
March 1 to March 31, 2019	156,928	55.26	156,928	49,072,268
Total	2,633,709	49.30	2,633,709	

(a) Includes open market purchases (on a trade-date basis), share repurchase agreements and/or shares retained by the company to settle employee withholding tax liabilities.

(b) The company has an ongoing repurchase program for which shares are authorized from time to time by Ball's Board of Directors. On January 23, 2019, the Board authorized the repurchase by the company of up to a total of 50 million shares. This repurchase authorization replaced all previous authorizations.

Item 3. Defaults Upon Senior Securities

There were no events required to be reported under Item 3 for the three months ended March 31, 2019.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

There were no events required to be reported under Item 5 for the three months ended March 31, 2019.

Item 6. Exhibits

- 10.1 Ball Corporation Deposit Share Program for United States Participants, amended and restated as of July 27, 2016 (filed herewith).
- 31.1 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) by John A. Hayes, Chairman, President and Chief Executive Officer of Ball Corporation.
- 31.2 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) by Scott C. Morrison, Senior Vice President and Chief Financial Officer of Ball Corporation.
- 32.1 Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code by John A. Hayes, Chairman, President and Chief Executive Officer of Ball Corporation.
- 32.2 Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code by Scott C. Morrison, Senior Vice President and Chief Financial Officer of Ball Corporation.
- 99 Cautionary statement for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended.
- 101 The following materials from the company's quarterly report on Form 10-Q for the quarter ended March 31, 2019, formatted in XBRL (Extensible Business Reporting Language) the: (i) Unaudited Condensed Consolidated Statement of Earnings, (ii) Unaudited Statement of Comprehensive Earnings, (iii) Unaudited Condensed Consolidated Balance Sheet, (iv) Unaudited Condensed Consolidated Statement of Cash Flows and (v) Notes to the Unaudited Condensed Consolidated Financial Statements.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ball Corporation
(Registrant)

By: /s/ Scott C. Morrison
Scott C. Morrison
Senior Vice President and Chief Financial Officer

Date: May 3, 2019