BALL CORP
Form 10-K
February 20, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2014

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

For the transition period from to

Commission File Number 1-7349

Ball Corporation

State of Indiana (State of other jurisdiction of Incorporation or organization)	**35-0160610** (I.R.S. Employer Identification No.)

10 Longs Peak Drive, P.O. Box 5000	
Broomfield, Colorado	**80021-2510**
(Address of registrant s principal executive office)	(Zip Code)

Registrant s telephone number, including area code: **(303) 469-3131**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, without par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES x NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. YES x NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

The aggregate market value of voting stock held by non-affiliates of the registrant was $8.7 billion based upon the closing market price and common shares outstanding as of June 30, 2014.

Number of shares and rights outstanding as of the latest practicable date.

Class	Outstanding at February 16, 2015
Common Stock, without par value	137,343,010 shares
Preferred Stock Purchase Right	68,671,505 rights

DOCUMENTS INCORPORATED BY REFERENCE

1. Proxy statement to be filed with the Commission within 120 days after December 31, 2014, to the extent indicated in Part III.

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Ball Corporation and Subsidiaries

ANNUAL REPORT ON FORM 10-K

For the year ended December 31, 2014

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PART I

Item 1. Business

Ball Corporation and its consolidated subsidiaries (collectively, Ball, the company, we or our) is one of the world s leading suppliers of metal packaging to the beverage, food, personal care and household products industries. The company was organized in 1880 and incorporated in the state of Indiana, United States of America (U.S.), in 1922. Our packaging products are produced for a variety of end uses and are manufactured in facilities around the world. We also provide aerospace and other technologies and services to governmental and commercial customers within our aerospace and technologies segment. In 2014, our total consolidated net sales were $8.6 billion. Our packaging businesses were responsible for 89 percent of our net sales, with the remaining 11 percent contributed by our aerospace business.

Our largest product lines are aluminum and steel beverage containers. We also produce steel food, aerosol, paint, general line and decorative specialty containers, as well as extruded aluminum aerosol and beverage containers and aluminum slugs.

We sell our packaging products mainly to large multinational beverage, food, personal care and household products companies with which we have developed long-term customer 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 majority of our packaging products to relatively few major companies in North America, Europe, Asia and South America, as do our equity joint ventures in the U.S. and Vietnam. Our significant customers include: Anheuser-Busch InBev n.v./s.a., Heineken N.V., MillerCoors LLC, PepsiCo Inc. and its affiliated bottlers, SABMiller plc, The Coca-Cola Company and its affiliated bottlers, and Unilever N.V.

Our aerospace business is a leader in the design, development and manufacture of innovative aerospace systems for civil, commercial and national security aerospace markets. It produces spacecraft, instruments and sensors, radio frequency systems and components, data exploitation solutions and a variety of advanced aerospace technologies and products that enable deep space missions.

We are headquartered in Broomfield, Colorado, and our stock is listed for trading on the New York Stock Exchange under the ticker symbol BLL.

On February 19, 2015, the company and Rexam PLC (Rexam) announced the terms of a recommended offer by the company to acquire all of the outstanding shares of Rexam in a cash and stock transaction. Under the terms of the offer, for each Rexam share, Rexam shareholders will receive 407 pence in cash and 0.04568 new shares of the company. The transaction values Rexam at 610 pence per share based on the company s 90-day volume weighted average price as of February 17, 2015, and an exchange rate of US$1.54: £1 on that date representing an equity value of £4.3 billion ($6.6 billion).

On February 19, 2015, the company entered into a £3.3 billion unsecured bridge loan agreement, pursuant to which lending institutions have agreed, subject to limited conditions, to provide financing necessary to pay the cash portion of the consideration payable to Rexam shareholders upon consummation of the proposed acquisition of Rexam and related fees and expenses.

On February 19, 2015, the company entered into a new $3 billion revolving credit facility to replace the existing approximate $1.1 billion bank credit facility, redeem the 2020 and 2021 senior notes and provide ongoing liquidity for the company.

In addition, on February 19, 2015, the company announced the redemption of all of the outstanding 6.75 percent senior notes due in September 2020 and all of the 5.75 percent senior notes due in May 2021, each in the amount of $500 million. The redemption of these bonds will result in a pre-tax charge in interest expense of approximately $56.3 million ($36.9 million after tax), composed of the redemption premiums and the write-offs of related debt financing costs.

Our Strategy

Our overall business strategy is defined by our Drive for 10 vision, which at its highest level is a mindset around perfection, with a greater sense of urgency around our future success. Launched in 2011, our Drive for 10 vision encompasses five strategic levers that are key to growing our businesses and achieving long-term success. These five levers are:

- Maximizing value in our existing businesses
- Expanding into new products and capabilities
- Aligning ourselves with the right customers and markets
- Broadening our geographic reach and
- Leveraging our know-how and technological expertise to provide a competitive advantage

We also maintain a clear and disciplined financial strategy focused on improving shareholder returns through:

- Delivering earnings per share growth of 10 percent to 15 percent per annum over the long-term
- Focusing on free cash flow generation
- Increasing Economic Value Added (EVA®) dollars

The cash generated by our businesses is used primarily: (1) to finance the company s operations, (2) to fund strategic capital investments, (3) to return to our shareholders via stock buy-back programs and dividend payments and (4) to service the company s debt. We will, when we believe it will benefit the company and our shareholders, make strategic acquisitions, enter into joint ventures or divest parts of our company. The compensation of many of our employees is tied directly to the company s performance through our EVA®-based incentive programs.

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Our Reporting Segments

Ball Corporation reports its financial performance in four reportable segments: (1) metal beverage packaging, Americas and Asia; (2) metal beverage packaging, Europe; (3) metal food and household products packaging; and (4) aerospace and technologies. Ball also has investments in the U.S. and Vietnam that are accounted for using the equity method of accounting and, accordingly, those results are not included in segment sales or earnings. Financial information related to each of our segments is included in Note 3 to the consolidated financial statements within Item 8 of this Annual Report on Form 10-K (annual report).

Metal Beverage Packaging, Americas and Asia, Segment

Metal beverage packaging, Americas and Asia, is Ball s largest segment, accounting for 50 percent of consolidated net sales in 2014. Metal beverage containers are primarily sold under multi-year supply contracts to fillers of carbonated soft drinks, beer, energy drinks and other beverages.

Americas

Metal beverage containers and ends are produced at 15 manufacturing facilities in the U.S., one in Canada and four in Brazil. Ends are produced within three of the U.S. facilities, including one facility that manufactures only ends, and one facility in Brazil. Additionally, Rocky Mountain Metal Container, LLC, a 50-percent investment owned by Ball and MillerCoors LLC, operates metal beverage container and end manufacturing facilities in Golden, Colorado.

The North American metal beverage container manufacturing industry is relatively mature, and industry volumes for certain types of containers have declined over the past several years. Where growth or contractions are projected in certain markets or for certain products, Ball undertakes selected capacity increases or decreases in its existing facilities to meet market demand. A meaningful portion of the industry-wide reduction in demand for standard 12-ounce aluminum cans for the carbonated soft drink market is being offset with the growing demand for specialty container volumes from new and existing customers. In February 2015, we announced the introduction of a next-generation aluminum bottle-shaping technology in our Conroe, Texas, facility for a customer under a long-term arrangement that is expected to begin at the end of the first quarter of 2015.

According to publicly available information and company estimates, the combined Americas metal beverage container industry represents approximately 117 billion units. Five companies manufacture substantially all of the metal beverage containers in the U.S. and Canada and three companies manufacture substantially all such containers in Brazil. Two of these producers and three other independent producers also manufacture metal beverage containers in Mexico. Ball produced approximately 41 billion recyclable metal beverage containers in the Americas in 2014 about 35 percent of the aggregate production in these markets. Sales volumes of metal beverage containers in North America tend to be highest during the period from April through September while in Brazil, sales volumes tend to be highest from September through December. All of the beverage containers produced by Ball in the U.S., Canada and Brazil are made of aluminum, as are almost all beverage containers produced by our competitors in those countries. In the Americas, six suppliers provide virtually all our aluminum can and end sheet requirements.

Metal beverage containers are sold based on price, quality, service, innovation and sustainability in a highly competitive market, which is relatively capital intensive and is characterized by facilities that run more or less continuously in order to operate profitably. In addition, the metal beverage container competes aggressively with other packaging materials. The glass bottle has maintained a meaningful position in the packaged beer industry, and the polyethylene terephthalate (PET) container has grown in the carbonated soft drink and water industries.

We believe we have limited our exposure related to changes in the costs of aluminum ingot as a result of the inclusion of provisions in most metal beverage container sales contracts to pass through aluminum ingot price changes, as well as through the use of derivative instruments.

Asia

The metal beverage container market in the People s Republic of China (PRC) is approximately 31 billion containers, of which Ball s operations represented an estimated 20 percent in 2014. Our percentage of the industry makes us one of the largest manufacturers of metal beverage containers in the PRC with six other manufacturers accounting for an estimated 69 percent of the production. Our operations include the manufacture of aluminum containers and ends in four facilities in the PRC. Our aluminum can and end sheet requirements are provided by several suppliers.

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During the first quarter of 2014, the company sold its plastic motor oil container and pail manufacturing business in the PRC. Further details are available in Note 5 to the consolidated financial statements within Item 8 of this annual report. Additionally, in May 2014, we announced the expansion of our Asian operations with the construction of a new one-line beverage can manufacturing facility in Myanmar, which is expected to begin production in early 2016.

During July 2013, the company signed a compensation agreement with the PRC government to close the company s Shenzhen manufacturing facility and relocate the production capacity by the end of 2013. Further details are available in Note 5 to the consolidated financial statements within Item 8 of this annual report.

We believe we have limited our exposure related to changes in the costs of aluminum ingot as a result of the inclusion of provisions in most metal beverage container sales contracts to pass through aluminum ingot price changes, as well as through the use of derivative instruments.

Metal Beverage Packaging, Europe, Segment

The European metal beverage container market, excluding Russia, is approximately 60 billion containers, and we are the second largest producer with an estimated 30 percent of European shipments. The European market is highly regional in terms of sales growth rates and packaging mix.

The metal beverage packaging, Europe, segment, which accounted for 22 percent of Ball s consolidated net sales in 2014, supplies two-piece metal beverage containers and ends for producers of carbonated soft drinks, beer, energy drinks and other beverages. The European operations consist of 12 facilities 10 beverage container facilities and two beverage end facilities of which four are located in Germany, three in the United Kingdom, two in France and one each in the Netherlands, Poland and Serbia. In addition, Ball is currently renting space on the premises of a supplier in Haslach, Germany, in order to produce the Ball Resealable End (BRE). The European beverage facilities produced approximately 18 billion metal beverage containers in 2014, with approximately 65 percent of those being produced from aluminum and 35 percent from steel. Seven of the beverage container facilities use aluminum and three use steel.

During August 2014, we announced the expansion of our beverage can manufacturing facility in Oss, the Netherlands, with the construction of a new line for aluminum beverage containers and a new warehouse. The new line is expected to begin commercial production in the second quarter of 2015, strengthening our position as a logistical hub for our business in the Benelux area and throughout Europe, the Middle East and Northern Africa.

Sales volumes of metal beverage containers in Europe tend to be highest during the period from May through August with a smaller increase in demand leading up to the winter holiday season in the United Kingdom. Much like other parts of the world, the metal beverage container competes aggressively with other packaging materials used by the European beer and carbonated soft drink industries. The glass bottle is heavily utilized in the packaged beer industry, while the PET container is utilized in the carbonated soft drink, beer, juice and water industries.

European raw material supply contracts are generally for a period of one year, although Ball has negotiated some longer term agreements. In Europe three aluminum suppliers and two steel suppliers provide 97 percent of our requirements. Aluminum is traded primarily in U.S. dollars, while the functional currencies of the European operations are non-U.S. dollars. The company generally tries to minimize the resulting exchange rate risk using derivative and supply contracts in local currencies. Purchase and sales contracts generally include fixed price, floating or pass-through pricing arrangements.

Metal Food and Household Products Packaging Segment

The metal food and household products packaging segment, accounted for 17 percent of consolidated net sales in 2014. Ball produces two-piece and three-piece steel food containers and ends for packaging vegetables, fruit, soups, meat, seafood, nutritional products, pet food and other products. The segment also manufactures and sells aerosol, paint and general line and decorative specialty containers, as well as extruded aluminum aerosol and beverage containers and aluminum slugs. There are a total of 12 facilities in the U.S., four in Europe, one in Canada and one in Mexico that produce these products. In addition, the company manufactures and sells steel aerosol containers in two facilities in Argentina.

During August 2014, we announced the installation of a new extruded aluminum aerosol container line in our DeForest, Wisconsin, facility, which is expected to begin production in the first half of 2015. Additionally, in October 2014, we announced the construction of a new extruded aluminum aerosol container manufacturing facility in India, which is expected to begin production in the second half of 2015. In February 2015, we announced the introduction of a new steel aerosol container manufacturing technology in North America, which is expected to start up in mid-2015.

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Sales volumes of metal food containers in North America tend to be highest from May through October as a result of seasonal fruit, vegetable and salmon packs. We estimate our 2014 shipments of approximately 4 billion steel food containers to be approximately 16 percent of total U.S. and Canadian metal food container shipments. We estimate our steel aerosol business accounts for approximately 36 percent of total annual U.S. and Canadian steel aerosol shipments. In the U.S. and Canada, we are the leading supplier of aluminum slugs used in the production of extruded aluminum aerosol containers and estimate our percentage of the total industry shipments to be approximately 87 percent. Ball s European aluminum aerosol shipments represented approximately 21 percent of total European industry shipments in 2014.

In December 2012, the company acquired a leading producer of extruded aluminum aerosol packaging in Mexico with a single manufacturing facility in San Luis Potosí. The facility produces extruded aluminum aerosol containers for personal care and household products for customers in North, Central and South America and employs approximately 150 people. The acquisition has provided a platform to grow the company s existing North American extruded aluminum business, providing a new end market for the company s products, including the company s ReAlTM technology that enables the use of recycled material and meaningful lightweighting in the manufacture of extruded aluminum packaging.

Competitors in the metal food container product line include two national and a small number of regional suppliers and self-manufacturers. Several producers in Mexico also manufacture steel food containers. Competition in the U.S. steel aerosol container market primarily includes three other national suppliers. Steel containers also compete with other packaging materials in the food and household products industry including glass, aluminum, plastic, paper and pouches. As a result, profitability for this product line is dependent on price, cost reduction, service and quality. In North America, three steel suppliers provide approximately 70 percent of our tinplate steel. We believe we have limited our exposure related to changes in the costs of steel tinplate and aluminum as a result of the inclusion of provisions in many sales contracts to pass through steel and aluminum cost changes and the existence of certain other steel container sales contracts that incorporate annually negotiated metal costs.

Cost containment and maximizing asset utilization are crucial to maintaining profitability in the metal food and aerosol container manufacturing industries and Ball is focused on doing so. Toward that end, in February 2013, Ball announced the closure of its metal food and aerosol container manufacturing facility in Elgin, Illinois. The facility, which produced aerosol and specialty steel cans as well as flat steel sheet used by other Ball food and household products packaging facilities, ceased production in the fourth quarter of 2013, and its production capacity was consolidated into other Ball facilities. Ball later announced in November 2013 the closure of its steel aerosol container manufacturing facility in Danville, Illinois. The facility ceased production in December 2014 and its production assets were deployed to other North American metal food and household products packaging facilities.

Aerospace and Technologies Segment

Ball s aerospace and technologies segment, which accounted for 11 percent of consolidated net sales in 2014, includes national defense hardware, antenna and video component technologies, civil and operational space hardware and systems engineering services. The segment develops spacecraft, sensors and instruments, radio frequency systems and other advanced technologies for the civil, commercial and national security aerospace markets. The majority of the aerospace and technologies business involves work under contracts, generally from one to five years in duration, as a prime contractor or subcontractor for the U.S. Department of Defense (DoD), the National Aeronautics and Space Administration (NASA) and other U.S. government agencies. The company competes against both large and small prime contractors and subcontractors for these contracts. Contracts funded by the various agencies of the federal government represented 95 percent of segment sales in 2014.

Intense competition and long operating cycles are key characteristics of both the company s business and the aerospace and defense industry. It is common in the aerospace and defense industry 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 another competitor, become a subcontractor for the ultimate prime contracting company. It is not unusual to compete for a contract award with a peer company and, simultaneously, perform as a supplier to or a customer of that same competitor on other contracts, or vice versa.

Geopolitical events and shifting executive and legislative branch priorities have resulted in an increase in opportunities over the past decade in areas matching our aerospace and technologies segment s core capabilities in space hardware. The businesses include hardware, software and services sold primarily to U.S. customers, with emphasis on space science and exploration, environmental and earth sciences, and defense and intelligence applications. Major activities frequently involve the design, manufacture and testing of satellites, remote sensors and ground station control hardware and software, as well as related services such as launch vehicle integration and satellite operations. Uncertainties in the federal government budgeting process could delay the funding, or even result in cancellation of certain programs currently in our reported backlog.

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Other hardware activities include target identification, warning and attitude control systems and components; cryogenic systems for reactant storage, and associated sensor cooling devices; star trackers, which are general-purpose stellar attitude sensors; and fast-steering mirrors. Additionally, the aerospace and technologies segment provides diversified technical services and products to government agencies, prime contractors and commercial organizations for a broad range of information warfare, electronic warfare, avionics, intelligence, training and space systems needs.

Backlog in the aerospace and technologies segment was $765 million and $938 million at December 31, 2014 and 2013, respectively, and consisted of the aggregate contract value of firm orders, excluding amounts previously recognized as revenue. The 2014 backlog includes $517 million expected to be recognized in revenues during 2015, with the remainder expected to be recognized in revenues thereafter. Unfunded amounts included in backlog for certain firm government orders, which are subject to annual funding, were $410 million and $470 million at December 31, 2014 and 2013, respectively. Year-over-year 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.

Patents

In the opinion of the company s management, none of our active patents or groups of patents is material to the successful operation of our business as a whole. We manage our intellectual property portfolio to obtain the durations necessary to achieve our business objectives.

Research and Development

Research and development (R&D) efforts in our packaging segments are primarily directed toward packaging innovation, specifically the development of new features, sizes, shapes and types of containers, as well as new uses for existing containers. Other additional R&D efforts in these segments seek to improve manufacturing efficiencies and the overall sustainability of our products. Our packaging R&D activities are primarily conducted in technical centers located in Westminster, Colorado, and in Bonn, Germany.

In our aerospace business, we continue to focus our R&D activities on the design, development and manufacture of innovative aerospace products and systems. This includes the production of spacecraft, instruments and sensors, radio frequency and system components, data exploitation solutions and a variety of advanced aerospace technologies and products that enable deep space missions. Our aerospace R&D activities are conducted at various locations in the U.S.

Additional information regarding company R&D activity is contained in Note 1 to the consolidated financial statements within Item 8 of this annual report, as well as in Item 2, Properties.

Sustainability and the Environment

Sustainability is a key part of maximizing value at Ball. In our global operations, we focus our sustainability efforts on employee safety, and reducing energy, water, waste and air emissions. In addition to those operational priorities, we identified innovation, packaging recycling, talent management, responsible sourcing and community engagement as priorities for our corporate sustainability efforts. By continuously working toward reducing the environmental impacts of our products throughout their life cycle, we also improve our financial results. Information about our corporate sustainability management, goals and performance data are available at www.ball.com/sustainability.

The biggest opportunity to further minimize the environmental impacts of metal packaging is to increase recycling rates. Aluminum and steel are infinitely recyclable materials, and metal packaging is already the most recycled packaging in the world. By using recycled material for the production of aluminum and steel, up to 95 percent of the energy used for the production of virgin material can be saved. In some of Ball s markets such as Brazil, China and several European countries, recycling rates for beverage containers are at or above 90 percent. The recycling rate in the U.S. was 67 percent for aluminum beverage containers (2013) and 71 percent for steel containers (2012). Recycling rates in Europe averaged around 68 percent for aluminum beverage containers (2011) and 74 percent for steel containers (2012).

In several of Ball s markets we help establish and financially support recycling initiatives. Educating consumers about the benefits of recycling aluminum and steel containers and collaborating with industry partners to create effective collection and recycling systems contribute to increased recycling rates. For more details about programs we support, please visit www.ball.com/recycling.

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Employee Relations

At the end of 2014, the company and its subsidiaries employed approximately 8,000 employees in the U.S. and 6,500 in other countries. Details of collective bargaining agreements are included within Item 1A, Risk Factors, of this annual report.

Where to Find More Information

Ball Corporation is subject to the reporting and other information requirements of the Securities Exchange Act of 1934, as amended (Exchange Act). Reports and other information filed with the Securities and Exchange Commission (SEC) pursuant to the Exchange Act may be inspected and copied at the public reference facility maintained by the SEC in Washington, D.C. The SEC maintains a website at www.sec.gov containing our reports, proxy materials and other items. The company also maintains a website at www.ball.com on which it provides a link to access Ball s SEC reports free of charge.

The company has established written Ball Corporation Corporate Governance Guidelines; a Ball Corporation Executive Officers and Board of Directors Business Ethics Statement; a Business Ethics booklet; and Ball Corporation Audit Committee, Nominating/Corporate Governance Committee, Human Resources Committee and Finance Committee charters. These documents are set forth on the company s website at www.ball.com/investors, under the link Corporate Governance. A copy may also be obtained upon request from the company s corporate secretary. The company s sustainability report and updates on Ball s progress are available at www.ball.com/sustainability.

The company intends to post on its website the nature of any amendments to the company s codes of ethics that apply to executive officers and directors, including the chief executive officer, chief financial officer and controller, and the nature of any waiver or implied waiver from any code of ethics granted by the company to any executive officer or director. These postings will appear on the company s website at www.ball.com/investors, under the link Corporate Governance.

Item 1A. Risk Factors

Any of the following risks could materially and adversely affect our business, financial condition or results of operations.

Risks related to the proposed acquisition of Rexam

The announced, proposed acquisition of Rexam is subject to various closing conditions, including governmental, regulatory, and shareholder approvals, as well as other uncertainties, and there can be no assurances as to whether and when it may be completed. Failure to consummate the proposed acquisition could negatively impact our stock price and our future business and financial results.

The consummation of the announced, proposed acquisition of Rexam is subject to certain customary conditions. A number of the conditions are not within the company s or Rexam s control, and it is possible that such conditions may prevent, delay or otherwise materially adversely affect the completion of the acquisition. These conditions include, among other things: (i) approval of the issuance of shares of company common stock in connection with the offer to the shareholders of Rexam by the holders of at least a majority of the shares of the company s common stock present at a shareholder meeting, (ii) approval of a court-sanctioned scheme of arrangement under Part 26 of the UK Companies Act by the holders of at least a majority in number representing at least 75 percent of the issued share capital of Rexam present at a shareholder meeting, approval of related resolutions by at least a 75 percent majority of the issued capital of Rexam present at a further shareholder meeting (excluding shares held by the company, if any) and the sanction of the High Court of England and Wales, (iii) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, as well as the expiration or termination of the applicable waiting periods under the antitrust laws of several other jurisdictions, including the European Union, Brazil and associated approvals and clearances and (iv) the absence of a material adverse effect on Rexam and certain other actions related to Rexam as described in the Offer Announcement. The company cannot predict with certainty whether and when any of the required conditions will be satisfied or if another uncertainty may arise. If the proposed acquisition does not receive, or timely receive, the required regulatory approvals and clearances, or if another event occurs that delays or prevents the acquisition, such delay or failure to complete the acquisition and the acquisition process may cause uncertainty or other negative consequences that may materially and adversely affect the company s business, financial condition and results of operations and, to the extent that the current price of the company s common stock reflects an assumption that the acquisition will be completed, the price per share for the company s common stock could be negatively impacted.

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We may not realize all of the anticipated benefits of the proposed acquisition, or those benefits may take longer to realize than expected. We may also encounter significant unexpected difficulties in integrating the two businesses.

Our ability to realize the anticipated benefits of the proposed acquisition of Rexam will depend, to a large extent, on our ability to integrate our business with Rexam s business. Combining two independent businesses is a complex, costly and time-consuming process. As a result, we will be required to devote significant management attention and resources to integrating the business practices and operations of the company and Rexam. The integration process may disrupt the combined business and, if implemented ineffectively, could preclude the realization of the full benefits of the acquisition currently expected. Our failure to meet the challenges involved in integrating the two businesses to realize the anticipated benefits of the proposed acquisition could cause an interruption of, or a loss of momentum in, the activities of the company and could adversely affect the company s results of operations. In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customer relationships, and diversion of certain management s attention. The difficulties of combining the operations of the companies include, among others:

- the diversion of certain management s attention to integration matters;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from combining our business with that of Rexam;
- difficulties in integrating operations, business practices and systems;
- difficulties in assimilating employees;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- challenges in retaining existing customers and suppliers;
- challenges in obtaining new customers and suppliers;
- potential unknown liabilities and unforeseen increased expenses associated with the proposed acquisition; and
- challenges in retaining and attracting key personnel.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management s time and energy, which could materially impact the business, financial condition and results of operations of the company. In addition, even if the operations of the businesses of the company and Rexam are integrated successfully, we may not realize the full benefits of the transaction, including the synergies, cost savings or sales or growth opportunities that we expect, or the full benefits may not be achieved within the anticipated time frame, or at all. Additional unanticipated costs may be incurred in the integration of the businesses of the company and Rexam. All of these factors could cause dilution to the earnings of the company, decrease or delay the expected accretive effect of the proposed acquisition, or negatively impact the price of the company s common stock. As a result, we cannot assure that the combination of the company and Rexam s businesses will result in the realization of the full benefits anticipated from the proposed acquisition.

In order to close the proposed acquisition, we will need to incur a significant level of debt that could have important consequences for our business and any investment in our securities.

On February 19, 2015, the company entered into a £3.3 billion unsecured bridge loan agreement, pursuant to which lending institutions have agreed, subject to limited conditions, to provide financing necessary to pay the cash portion of the consideration payable to Rexam shareholders upon consummation of the proposed acquisition of Rexam and related fees and expenses. If the company borrows under the bridge loan agreement, such indebtedness could have significant consequences for our business and any investment in our securities, including:

- increasing our vulnerability to adverse economic, industry or competitive developments;
- requiring a substantial portion of our cash flows from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities and returning cash to our shareholders;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who, therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

Issuances of a substantial number of shares of our common stock in connection with the proposed acquisition may adversely affect the market price of our common stock.

A portion of the funding for the proposed acquisition of Rexam is through the issuance of shares of our common stock. . Issuance of shares of our common stock in the proposed acquisition of Rexam will dilute the interests of our then-existing shareholders and may adversely affect the market price of our common stock.

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If the proposed acquisition of Rexam is not completed, we may, under certain circumstances, be obligated to pay a break payment to Rexam in the range of 1 percent to 7 percent of the total consideration contemplated to be paid in connection with the proposed acquisition.

If the proposed acquisition of Rexam is not consummated by August 19, 2016, unless extended by mutual agreement, because certain regulatory approvals that are conditions to the acquisition have not been obtained (or waived by us) or the company has changed its recommendation that its shareholders vote in favor of the issuance of shares of its common stock in connection with the proposed acquisition of Rexam citing as a reason the regulatory approvals, the company would be required to pay Rexam a break payment of 7 percent of the total consideration contemplated to be paid in connection with the proposed acquisition. In addition, if within six months of the Offer Announcement, the company has otherwise changed its recommendation that its shareholders vote in favor of the issuance of shares of its common stock in connection with the proposed acquisition of Rexam or has not held a shareholder meeting to vote on such issuance, the company would be required to pay Rexam a break payment of 3 percent of the total consideration contemplated to be paid in connection with the proposed acquisition. Further, if within six months of the Offer Announcement, the company has held a shareholder meeting for the purpose of holding a vote on the issuance of shares of its common stock in connection with the proposed acquisition of Rexam but the shareholders have not approved such issuance, the company would be required to pay Rexam a break payment of 1 percent of the total consideration contemplated to be paid in connection with the proposed acquisition. Any break payment that the company may be required to pay may require the company to use available cash that would have otherwise been available for general corporate purposes and other matters. For these and other reasons, a failed acquisition could materially and adversely affect the company s business, financial condition and results of operations and the price per share of the company s common stock.

In order to obtain regulatory clearance for the proposed acquisition of Rexam, we may be required to commit to significant divestitures which could negatively impact our ability to realize the anticipated benefits of the proposed acquisition of Rexam or otherwise have a material adverse effect on us.

In connection with obtaining the expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, as well as satisfying requirements under the antitrust laws of several other jurisdictions, including the European Union, Brazil and associated approvals and clearances, we may be required to commit to significant divestitures. The terms of the recommended offer as set forth in the Offer Announcement and the co-operation agreement require us to consummate the proposed acquisition of Rexam even if certain regulators require significant divestitures that would not be accepted as sufficiently material to the company in the context of the proposed acquisition of Rexam to permit the transaction to lapse. If we are required to commit to undertake any such significant divestitures to complete the proposed acquisition of Rexam, we may not realize the anticipated benefit of the proposed acquisition, including anticipated synergies, and the company may otherwise suffer other negative consequences that may materially and adversely affect the company s business, financial condition and results of operations and, to the extent that the current price of the company s common stock reflects an assumption that the anticipated benefits of the proposed acquisition will be realized, the price per share for the company s common stock could be negatively impacted.

Our business, operating results and financial condition are subject to particular risks in certain regions of the world.

We may experience an operating loss in one or more regions of the world for one or more periods, which could have a material adverse effect on our business, operating results or financial condition. Moreover, overcapacity, which often leads to lower prices, exists in a number of the regions in which we operate and may persist even if demand grows. Our ability to manage such operational fluctuations and to maintain adequate long-term strategies in the face of such developments will be critical to our continued growth and profitability.

There can be no assurance that the company s business acquisitions will be successfully integrated into the acquiring company. (See Note 4 and Note 23 to the consolidated financial statements within Item 8 of this annual report for details.)

While we have what we believe to be well designed integration plans, if we cannot successfully integrate the acquired operations with those of Ball, we may experience material negative consequences to our business, financial condition or results of operations. The integration of companies that have previously been operated separately involves a number of risks, including, but not limited to:

- demands on management related to the increase in our size after the acquisition;
- the diversion of management s attention from the management of existing operations to the integration of the acquired operations;
- difficulties in the assimilation and retention of employees;
- difficulties in the integration of departments, systems, including financial systems, technologies, books and records and procedures, as well as in maintaining uniform standards, controls (including internal accounting controls), procedures and policies;
- expenses related to any undisclosed or potential liabilities; and
- retention of major customers and suppliers.

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We may not be able to achieve potential synergies or maintain the levels of revenue, earnings or operating efficiency that each business had achieved or might achieve separately. The successful integration of the acquired operations will depend on our ability to manage those operations, realize revenue opportunities and, to some degree, eliminate redundant and excess costs.

The loss of a key customer, or a reduction in its requirements, could have a significant negative impact on our sales.

We sell a majority of our packaging products to relatively few major beverage, packaged food, personal care and household product companies, some of which operate in North America, South America, Europe and Asia.

Although the majority of our customer contracts are long-term, these contracts, unless they are renewed, expire in accordance with their respective terms and are terminable under certain circumstances, such as our failure to meet quality, volume or market pricing requirements. Because we depend on relatively few major customers, our business, financial condition or results of operations could be adversely affected by the loss of any of these customers, a reduction in the purchasing levels of these customers, a strike or work stoppage by a significant number of these customers   employees or an adverse change in the terms of the supply agreements with these customers.

The primary customers for our aerospace segment are U.S. government agencies or their prime contractors. Our contracts with these customers are subject to several risks, including funding cuts and delays, technical uncertainties, budget changes, competitive activity and changes in scope.

We face competitive risks from many sources that may negatively impact our profitability.

Competition within the packaging and aerospace industries is intense. Increases in productivity, combined with existing or potential surplus capacity in the industry, have maintained competitive pricing pressures. The principal methods of competition in the general packaging industry are price, innovation, sustainability, service and quality. In the aerospace industry they are technical capability, cost and schedule. Some of our competitors may have greater financial, technical and marketing resources, and some may currently have significant excess capacity. Our current or potential competitors may offer products at a lower price or products that are deemed superior to ours. The global economic environment has resulted in reductions in demand for our products in some instances, which, in turn, could increase these competitive pressures.

We are subject to competition from alternative products, which could result in lower profits and reduced cash flows.

Our metal packaging products are subject to significant competition from substitute products, particularly plastic carbonated soft drink bottles made from PET, single serve beer bottles and other food and beverage containers made of glass, cardboard or other materials. Competition from plastic carbonated soft drink bottles is particularly intense in the U.S., Europe and the PRC. Certain of our aerospace products are also subject to competition from alternative products and solutions. There can be no assurance that our products will successfully compete against alternative products, which could result in a reduction in our profits or cash flow.

Our packaging businesses have a narrow product range, and our business would suffer if usage of our products decreased or if decreases occur in the demand for the beverages, food and other goods filled in our products.

For the year ended December 31, 2014, 72 percent of our consolidated net sales were from the sale of metal beverage containers, and we expect to derive a significant portion of our future revenues and cash flows from the sale of metal beverage containers. Our business would suffer if the use of metal beverage containers decreased. Accordingly, broad acceptance by consumers of aluminum and steel containers for a wide variety of beverages is critical to our future success. If demand for glass and PET bottles increases relative to metal containers, the demand for aluminum and steel containers does not develop as expected or declines in consumption of carbonated soft drinks in North America continue, our business, financial condition or results of operations could be materially adversely affected.

Changes in laws and governmental regulations may adversely affect our business and operations.

We and our customers and suppliers are subject to various federal, state, provincial and local laws and regulations, which are increasing in number and complexity. Each of our, and their, facilities is subject to federal, state, provincial and local licensing and regulation by health, environmental, workplace safety and other agencies in multiple jurisdictions. Requirements of worldwide governmental authorities with respect to manufacturing, manufacturing facility locations within the jurisdiction, product content and safety, climate change, workplace safety and health, environmental, expropriation of assets and other standards could adversely affect our ability to manufacture or sell our products, and the ability of our customers and suppliers to manufacture and sell their products. In addition, we face risks arising from compliance with and enforcement of increasingly numerous and complex federal, state, provincial and local laws and regulations.

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Enacted regulatory developments regarding the reporting and use of conflict minerals mined from the Democratic Republic of the Congo and adjoining countries could affect the sourcing, availability and price of minerals used in the manufacture of certain of our products. As a result, there may only be a limited pool of suppliers who provide conflict-free materials, and we cannot give assurance that we will be able to obtain such products in sufficient quantities or at competitive prices. Also, because our supply chains are complex, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins of all materials used in the products that we sell. The compliance and reporting aspects of these regulations may result in incremental costs to the company.

While deposit systems and other container-related legislation have been adopted in some jurisdictions, similar legislation has been defeated in public referenda and legislative bodies in many others. We anticipate that continuing efforts will be made to consider and adopt such legislation in the future. The packages we produce are widely used and perform well in U.S. states, Canadian provinces and European countries that have deposit systems, as well as in other countries worldwide.

Significant environmental, employment-related and other legislation and regulatory requirements exist and are also evolving. The compliance costs associated with current and proposed laws and potential regulations could be substantial, and any failure or alleged failure to comply with these laws or regulations could lead to litigation or governmental action, all of which could adversely affect our financial condition or results of operations.

Our business, financial condition and results of operations are subject to risks resulting from broader geographic operations.

We derived approximately 41 percent of our consolidated net sales from outside of the U.S. for the year ended December 31, 2014. The sizeable scope of operations outside of the U.S. may lead to more volatile financial results and make it more difficult for us to manage our business. Reasons for this include, but are not limited to, the following:

- political and economic instability;
- governments restrictive trade policies;
- the imposition or rescission of duties, taxes or government royalties;
- exchange rate risks;
- difficulties in enforcement of contractual obligations and intellectual property rights; and
- the geographic, language and cultural differences between personnel in different areas of the world.

Any of these factors, many of which are also present in the U.S., could materially adversely affect our business, financial condition or results of operations.

We are exposed to exchange rate fluctuations.

Our reporting currency is the U.S. dollar. A portion of Ball s operations, including assets and liabilities and revenues and expenses, have been denominated in various transaction currencies other than the U.S. dollar, and we expect such operations will continue to be so denominated. As a result, the U.S. dollar value of these operations has varied, and will continue to vary, with exchange rate fluctuations. A decrease in the value of the various currencies compared to the U.S. dollar could reduce our profits from these operations and the value of their net assets when reported in U.S. dollars in our financial statements. This could have a material adverse effect on our business, financial condition or results of operations as reported in U.S. dollars. In addition, fluctuations in currencies relative to currencies in which the earnings are generated may make it more difficult to perform period-to-period comparisons of our reported results of operations.

We manage our exposure to currency fluctuations, particularly our exposure to fluctuations in the euro to U.S. dollar exchange rate to attempt to mitigate the effect of cash flow and earnings volatility associated with exchange rate changes. We primarily use forward contracts and options to manage our currency exposures and, as a result, we experience gains and losses on these derivative positions offset, in part, by the impact of currency fluctuations on existing assets and liabilities. Our inability to properly manage our exposure to currency fluctuations could materially impact our results.

If we fail to retain key management and personnel, we may be unable to implement our key objectives.

We believe that our future success depends, in part, on our experienced management team. Unforeseen losses of key members of our management team without appropriate succession and/or compensation planning could make it difficult for us to manage our business and meet our objectives.

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Decreases in our ability to apply new technology and know-how may affect our competitiveness.

Our success depends partially on our ability to improve production processes and services. We must also introduce new products and services to meet changing customer needs. If we are unable to implement better production processes or to develop new products through research and development or licensing of new technology, we may not be able to remain competitive with other manufacturers. As a result, our business, financial condition or results of operations could be adversely affected.

Adverse weather and climate changes may result in lower sales.

We manufacture packaging products primarily for beverages and foods. Unseasonably cool weather can reduce demand for certain beverages packaged in our containers. In addition, poor weather conditions or changes in climate that reduce crop yields of fruits and vegetables can adversely affect demand for our food containers. Climate change could have various effects on the demand for our products in different regions around the world.

We are vulnerable to fluctuations in the supply and price of raw materials.

We purchase aluminum, steel and other raw materials and packaging supplies from several sources. While all such materials are available from independent suppliers, raw materials are subject to fluctuations in price and availability attributable to a number of factors, including general economic conditions, commodity price fluctuations (particularly aluminum on the London Metal Exchange), the demand by other industries for the same raw materials and the availability of complementary and substitute materials. Although we enter into commodities purchase agreements from time to time and sometimes use derivative instruments to seek to manage our risk, we cannot ensure that our current suppliers of raw materials will be able to supply us with sufficient quantities at reasonable prices. Economic and financial factors could impact our suppliers, thereby causing supply shortages. Increases in raw material costs could have a material adverse effect on our business, financial condition or results of operations. In the Americas, Europe and Asia, some contracts do not allow us to pass along increased raw material costs and we generally use derivative agreements to seek to manage this risk. Our hedging procedures may be insufficient and our results could be materially impacted if costs of materials increase. Due to the fixed price contracts and derivative activities, while increasing raw material costs may not impact our near-term profitability, increased prices could decrease our sales volume over time.

Prolonged work stoppages at facilities with union employees could jeopardize our financial position.

As of December 31, 2014, approximately 35 percent of our North American packaging facility employees and approximately 73 percent of our European employees were covered by collective bargaining agreements. These collective bargaining agreements have staggered expirations during the next several years. Although we consider our employee relations to be generally good, a prolonged work stoppage or strike at any facility with union employees could have a material adverse effect on our business, financial condition or results of operations. In addition, we cannot ensure that upon the expiration of existing collective bargaining agreements, new agreements will be reached without union action or that any such new agreements will be on terms satisfactory to us.

Our aerospace and technologies segment is subject to certain risks specific to that business.

In our aerospace business, U.S. government contracts are subject to reduction or modification in the event of changes in requirements, and the government may also terminate contracts at its convenience pursuant to standard termination provisions. In such instances, Ball may be entitled to reimbursement for allowable costs and profits on authorized work that has been performed through the date of termination.

In addition, budgetary constraints may result in further reductions to projected spending levels by the U.S. government. In particular, government expenditures are subject to the potential for automatic reductions, generally referred to as sequestration. Sequestration may occur in any given year, resulting in significant additional reductions to spending by various U.S government defense and aerospace agencies on both existing and new contracts, as well as the disruption of ongoing programs. Even if sequestration does not occur, we expect that budgetary constraints and ongoing concerns regarding the U.S. national debt will continue to place downward pressure on agency spending levels. Due to these and other factors, overall spending on various programs could decline, which could result in significant reductions to revenue, cash flows, net earnings and backlog primarily in our aerospace and technologies segment.

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We use estimates in accounting for many of our programs in our aerospace business, and changes in our estimates could adversely affect our future financial results.

We account for sales and profits on some long-term contracts in our aerospace business in accordance with the percentage-of-completion method of accounting, using the cumulative catch-up method to account for updates in estimates. The percentage-of-completion method of accounting involves the use of various estimating techniques to project revenues and costs at completion and various assumptions and projections relative to the outcome of future events, including the quantity and timing of product deliveries, future labor performance and rates, and material and overhead costs. These assumptions involve various levels of expected performance improvements. Under the cumulative catch-up method, the impact of updates in our estimates related to units shipped to date is recognized immediately.

Because of the significance of the judgments and estimates described above, it is likely that we could record materially different amounts if we used different assumptions or if the underlying circumstances or estimates were to change. Accordingly, updates in underlying assumptions, circumstances or estimates may materially affect our future financial performance.

Our backlog includes both cost-type and fixed-price contracts. Cost-type contracts generally have lower profit margins than fixed-price contracts. Our earnings and margins may vary depending on the types of government contracts undertaken, the nature of the work performed under those contracts, the costs incurred in performing the work, the achievement of other performance objectives and their impact on our ability to receive fees.

As a U.S. government contractor, we could be adversely affected by changes in regulations or any negative findings from a U.S. government audit or investigation.

Our aerospace business operates in a highly regulated environment and is routinely audited and reviewed by the U.S. government and its agencies, such as the Defense Contract Audit Agency (DCAA) and Defense Contract Management Agency (DCMA). These agencies review performance under our contracts, our cost structure and our compliance with applicable laws, regulations and standards, as well as the adequacy of, and our compliance with, our internal control systems and policies. Business systems that are subject to review under the DoD Federal Acquisition Regulation Supplement (DFARS) are accounting, purchasing, estimating, material management and accounting systems, as well as property and earned value management. Any costs ultimately found to be unallowable or improperly allocated to a specific contract will not be reimbursed or must be refunded if already reimbursed. If an audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties, sanctions or suspension or debarment from doing business with the U.S. government. Whether or not illegal activities are alleged, the U.S. government also has the ability to decrease or withhold certain payments when it deems systems subject to its review to be inadequate. If such actions were to result in suspension or debarment, this could have a material adverse effect on our business.

Our business is subject to substantial environmental remediation and compliance costs.

Our operations are subject to federal, state, provincial and local laws and regulations in multiple jurisdictions relating to environmental hazards, such as emissions to air, discharges to water, the handling and disposal of hazardous and solid wastes and the cleanup of hazardous substances. We have been designated, along with numerous other companies, as a potentially responsible party for the cleanup of several hazardous waste sites. Based on available information, we do not believe that any costs incurred in connection with such sites will have a material adverse effect on our financial condition, results of operations, capital expenditures or competitive position. There is increased focus on the regulation of greenhouse gas emissions and other environmental issues worldwide.

Our business faces the potential of increased regulation on some of the raw materials utilized in our packaging operations.

Our operations are subject to federal, state, provincial and local laws and regulations in multiple jurisdictions relating to some of the raw materials, such as epoxy-based coatings utilized in our container making process. Epoxy-based coatings may contain Bisphenol-A (BPA). Scientific evidence evaluated by regulatory agencies in the United States, Canada, Europe, Japan, Australia and New Zealand has consistently shown these coatings to be safe for food contact at current levels, and these regulatory agencies have stated that human exposure to BPA from epoxy-based container coatings is well below safe exposure limits set by government bodies worldwide. A significant change in these regulatory agency statements, adverse information concerning BPA, or rulings made within certain federal, state, provincial and local jurisdictions could have a material adverse effect on our business, financial condition or results of operations. Ball recognizes that significant interest exists in non epoxy-based coatings, and we have been proactively working with coatings suppliers and our customers to evaluate alternatives to current coatings.

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Net earnings and net worth could be materially affected by an impairment of goodwill.

We have a significant amount of goodwill recorded on the consolidated balance sheet as of December 31, 2014. We are required at least annually to test the recoverability of goodwill. The recoverability test of goodwill is based on the current fair value of our identified reporting units. Fair value measurement requires assumptions and estimates of many critical factors, including revenue and market growth, operating cash flows and discount rates. If general market conditions deteriorate in portions of our business, we could experience a significant decline in the fair value of reporting units. This decline could lead to an impairment of all or a significant portion of the goodwill balance, which could materially affect our U.S. GAAP net earnings and net worth.

If the investments in Ball s pension plans, or in the multi-employer pension plans in which Ball participates, do not perform as expected, we may have to contribute additional amounts to the plans, which would otherwise be available to cover operating expenses and fund growth opportunities.

Ball maintains defined benefit pension plans covering substantially all of its North American and United Kingdom employees, which are funded based on certain actuarial assumptions. The plans assets consist primarily of common stocks, fixed income securities and, in the U.S., alternative investments. Market declines, longevity increases or legislative changes, such as the Pension Protection Act in the U.S., could result in a prospective decrease in our available cash flow and net earnings over time, and the recognition of an increase in our pension obligations could result in a reduction to our shareholders equity. Additional risks exist related to the company s participation in multi-employer pension plans. Assets contributed to a multi-employer pension plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer in a multi-employer pension plan stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participants. This could result in increases to our contributions to the plans as well as pension expense.

Restricted access to capital markets could adversely affect our short-term liquidity and prevent us from fulfilling our obligations under the notes issued pursuant to our bond indentures.

A reduction in global market liquidity could:

- restrict our ability to fund working capital, capital expenditures, research and development expenditures and other business activities;
- increase our vulnerability to general adverse economic and industry conditions, including the credit risks stemming from the economic environment;
- limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate;
- restrict us from making strategic acquisitions or exploiting business opportunities; and
- limit, along with the financial and other restrictive covenants in our debt, among other things, our ability to borrow additional funds, dispose of assets, pay cash dividends or refinance debt maturities.

If market interest rates increase, our variable-rate debt will create higher debt service requirements, which would adversely affect our cash flow. While we sometimes enter into agreements limiting our exposure, any such agreements may not offer complete protection from this risk.

The global credit, financial and economic environment could have a negative impact on our results of operations, financial position or cash flows.

The overall credit, financial and economic environment could have significant negative effects on our operations, including:

- the creditworthiness of customers, suppliers and counterparties could deteriorate resulting in a financial loss or a disruption in our supply of raw materials;
- volatile market performance could affect the fair value of our pension assets, potentially requiring us to make significant additional contributions to our defined benefit plans to maintain prescribed funding levels;
- a significant weakening of our financial position or operating results could result in noncompliance with our debt covenants; and
- reduced cash flow from our operations could adversely affect our ability to execute our long-term strategy to increase liquidity, reduce debt, repurchase our stock and invest in our businesses.

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Changes in U.S. generally accepted accounting principles (U.S. GAAP) and Securities and Exchange Commission (SEC) rules and regulations could materially impact our reported results.

U.S. GAAP and SEC accounting and reporting changes are common and have become more frequent and significant over the past several years. Furthermore, the U.S. and international accounting standard setters are in the process of jointly converging several key accounting standards. These changes could have significant effects on our reported results when compared to prior periods and other companies and may even require us to retrospectively adjust prior periods. Additionally, material changes to the presentation of transactions in the consolidated financial statements could impact key ratios that analysts and credit rating agencies use to rate Ball and ultimately our ability to access the credit markets in an efficient manner.

Increased information technology (IT) security threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, products, solutions and services.

Increased global IT security threats and more sophisticated and targeted computer crime pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. While we attempt to mitigate these risks by employing a number of measures, including employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems, our systems, networks, products, solutions and services remain potentially vulnerable to advanced persistent threats. Depending on their nature and scope, such threats could potentially lead to the compromise of confidential information, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes and operational disruptions, which in turn could adversely affect our reputation, competitiveness and results of operations.

Item 1B. Unresolved Staff Comments

There were no matters required to be reported under this item.

Item 2. Properties

The company s properties described below are well maintained, are considered adequate and are being utilized for their intended purposes.

Ball s corporate headquarters and the aerospace and technologies segment management offices are located in Broomfield, Colorado.
The operations of the aerospace and technologies segment occupy a variety of company-owned and leased facilities in Colorado, which together aggregate 1.5 million square feet of office, laboratory, research and development, engineering and test and manufacturing space. Other aerospace and technologies operations carry on business in smaller company-owned and leased facilities in other U.S. locations outside of Colorado.

The offices of the company s various North American packaging operations are located in Westminster, Colorado; the offices for the European packaging operations are located in Zurich, Switzerland; the offices for the PRC packaging operations are located in Hong Kong; and Latapack-Ball s offices are located in São Paulo, Brazil. The company s research and development facilities are located in Westminster, Colorado, and in Bonn, Germany.

Information regarding the approximate size of the manufacturing locations for significant packaging operations, which are owned or leased by the company, is set forth below. Facilities in the process of being constructed or that have ceased production have been excluded from the list. Where certain locations include multiple facilities, the total approximate size for the location is noted. In addition to the facilities listed, the company leases other warehousing space.

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Plant Location	Approximate Floor Space in Square Feet
Metal beverage packaging, Americas and Asia, manufacturing facilities:	
North America	
Fairfield, California	337,000
Golden, Colorado	509,000
Tampa, Florida	276,000
Rome, Georgia	386,000
Kapolei, Hawaii	131,000
Monticello, Indiana	356,000
Saratoga Springs, New York	290,000
Wallkill, New York	312,000
Reidsville, North Carolina	452,000
Findlay, Ohio *(a)*	733,000
Whitby, Ontario, Canada	205,000
Conroe, Texas	275,000
Fort Worth, Texas	322,000
Bristol, Virginia	242,000
Williamsburg, Virginia	400,000
Fort Atkinson, Wisconsin	250,000
South America	
Alagoinhas, Bahia, Brazil	375,000
Jacarei, Sao Paulo, Brazil	467,000
Salvador, Bahia, Brazil	99,000
Tres Rios, Rio de Janeiro, Brazil	443,000
Asia	
Beijing, PRC	303,000
Hubei (Wuhan), PRC	415,000
Sanshui (Foshan), PRC	544,000
Qingdao, PRC	326,000

(a) Includes both metal beverage container and metal food container manufacturing operations.

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Plant Location (continued)	Approximate Floor Space in Square Feet
Metal beverage packaging, Europe, manufacturing facilities:	
Bierne, France	274,000
La Ciotat, France	393,000
Braunschweig, Germany	258,000
Hassloch, Germany	284,000
Hermsdorf, Germany	425,000
Weissenthurm, Germany	331,000
Oss, the Netherlands	432,000
Radomsko, Poland	312,000
Belgrade, Serbia	352,000
Deeside, United Kingdom	115,000
Rugby, United Kingdom	175,000
Wrexham, United Kingdom	222,000
Metal food and household products packaging manufacturing facilities:	
North America	
Springdale, Arkansas	286,000
Oakdale, California	370,000
Baltimore, Maryland (including leased warehouse space)	251,000
San Luis Potosí, Mexico	158,000
Columbus, Ohio	300,000
Findlay, Ohio *(a)*	733,000
Hubbard, Ohio	175,000
Horsham, Pennsylvania	162,000
Sherbrooke, Quebec, Canada	100,000
Chestnut Hill, Tennessee	305,000
Verona, Virginia	72,000
Weirton, West Virginia	332,000
DeForest, Wisconsin	400,000
Milwaukee, Wisconsin (including leased warehouse space)	502,000
Europe	
Velim, Czech Republic	181,000
Beaurepaire, France	89,000
Bellegarde, France	124,000
Devizes, United Kingdom	94,000
South America	
Buenos Aires, Argentina	34,000
San Luis, Argentina	51,000

(a) Includes both metal beverage container and metal food container manufacturing operations.

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Item 3. Legal Proceedings

Details of the company s legal proceedings are included in Note 20 to the consolidated financial statements within Item 8 of this annual report.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for the Registrant s Common Stock and Related Stockholder Matters

Ball Corporation common stock (BLL) is listed for trading on the New York Stock Exchange. There were 5,411 common shareholders of record on February 16, 2015.

Common Stock Repurchases

The following table summarizes the company s repurchases of its common stock during the quarter ended December 31, 2014.

	Purchases of Securities			
($ in millions)	**Total Number of Shares Purchased (a)**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)**	**Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (b)**
October 1 to October 31, 2014	969,617	$ 63.70	969,617	14,006,931
November 1 to November 30, 2014				14,006,931
December 1 to December 31, 2014				14,006,931
Total	969,617		969,617	

(a) Includes open market purchases (on a trade-date basis) 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 29, 2014, the Board authorized the repurchase by the company of up to a total of 20 million shares. This repurchase authorization replaced all previous authorizations.

Quarterly Stock Prices and Dividends

Quarterly prices for the company s common stock, as reported on the New York Stock Exchange composite tape, and quarterly dividends in 2014 and 2013 (on a calendar quarter basis) were:

	2014				2013			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
High	$ 70.50	$ 66.53	$ 63.13	$ 56.33	$ 51.97	$ 46.80	$ 48.50	$ 47.63
Low	61.76	60.73	53.61	47.75	44.29	41.61	41.52	43.26
Dividends per share	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13

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Shareholder Return Performance

The line graph below compares the annual percentage change in Ball Corporation s cumulative total shareholder return on its common stock with the cumulative total return of the Dow Jones Containers & Packaging Index and the S&P Composite 500 Stock Index for the five-year period ended December 31, 2014. It assumes $100 was invested on December 31, 2009, and that all dividends were reinvested. The Dow Jones Containers & Packaging Index total return has been weighted by market capitalization.

TOTAL RETURN TO STOCKHOLDERS

(Assumes $100 investment on 12/31/09)

Total Return Analysis	**12/31/2009**	**12/31/2010**	**12/31/2011**	**12/31/2012**	**12/31/2013**	**12/31/2014**
BLL	$ 100.00	$ 132.59	$ 140.24	$ 177.44	$ 207.20	$ 275.77

S&P 500	$ 100.00	$ 115.37	$ 113.58	$ 127.14	$ 175.89	$ 198.60
DJ US Containers & Packaging	$ 100.00	$ 115.06	$ 117.49	$ 136.30	$ 180.44	$ 205.14

Source: Bloomberg L.P.® Charts

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Item 6. Selected Financial Data

Five-Year Review of Selected Financial Data

Ball Corporation and Subsidiaries

($ in millions, except per share amounts)		**2014**		**2013**		**2012**		**2011**		**2010**
Net sales	$	8,570.0	$	8,468.1	$	8,735.7	$	8,630.9	$	7,630.0
Earnings before interest and taxes (EBIT)	$	838.6	$	795.4	$	790.5	$	836.9	$	764.6
Total interest expense		(193.0)		(211.8)		(194.9)		(177.1)		(158.2)
Earnings before taxes	$	645.6	$	583.6	$	595.6	$	659.8	$	606.4
Net earnings attributable to Ball Corporation from:										
Continuing operations *(a)(b)*	$	470.0	$	406.4	$	399.1	$	446.3	$	536.7
Discontinued operations				0.4		(2.8)		(2.3)		(74.9)
Total net earnings attributable to Ball Corporation *(b)*	$	470.0	$	406.8	$	396.3	$	444.0	$	461.8
Basic earnings per share:										
Basic continuing operations *(a)(b)*	$	3.39	$	2.79	$	2.58	$	2.70	$	2.97
Basic discontinued operations						(0.02)		(0.01)		(0.41)
Basic earnings per share *(b)*	$	3.39	$	2.79	$	2.56	$	2.69	$	2.56
Weighted average common shares outstanding (000s)		138,508		145,943		154,648		165,275		180,746
Diluted earnings per share:										
Diluted continuing operations *(a)(b)*	$	3.30	$	2.73	$	2.52	$	2.64	$	2.93
Diluted discontinued operations						(0.02)		(0.01)		(0.41)
Diluted earnings per share *(b)*	$	3.30	$	2.73	$	2.50	$	2.63	$	2.52
Diluted weighted average common shares outstanding (000s)		142,430		149,223		158,084		168,590		183,538
Total assets *(b)*	$	7,571.0	$	7,820.4	$	7,520.7	$	7,285.2	$	6,928.3
Total interest bearing debt and capital lease obligations	$	3,168.9	$	3,605.1	$	3,305.1	$	3,144.1	$	2,812.3
Cash dividends per share	$	0.52	$	0.52	$	0.40	$	0.28	$	0.20
Total cash provided by operating activities	$	1,012.5	$	839.0	$	853.2	$	948.4	$	515.2
Non-GAAP Measures *(c)*										
Comparable EBIT	$	919.1	$	874.2	$	893.3	$	867.2	$	753.6
Comparable earnings *(b)*	$	552.8	$	489.6	$	475.8	$	459.6	$	426.8
Diluted earnings per share (comparable basis) *(b)*	$	3.88	$	3.28	$	3.01	$	2.73	$	2.33
Free cash flow	$	621.7	$	460.7	$	548.2	$	504.6	$	505.8

(a) Includes business consolidation activities and other items affecting comparability between years. Additional details about the 2014, 2013 and 2012 items are available in Notes 4 and 5 to the consolidated financial statements within Item 8 of this Annual Report on Form 10-K.

(b) 2013, 2012, 2011 and 2010 amounts have been revised for prior period corrections of deferred taxes; further details are included in Note 1 to the consolidated financial statements within Item 8 of this annual report. Amounts not detailed in Note 1 include an adjustment of $0.6 million to total assets for both 2011 and 2010. 2010 also includes an adjustment that increased tax expense and reduced net earnings by $6.2 million.

(c) 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. See below for reconciliations of non-U.S. GAAP financial measures to U.S. GAAP measures. Further discussion of non-GAAP financial measures is available in Item 7 of this annual report under Other Liquidity Measures.

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Reconciliations of non-U.S. GAAP financial measures to U.S. GAAP measures are as follows:

($ in millions)	2014	2013	2012	2011	2010
Earnings before taxes, as reported	$ 645.6	$ 583.6	$ 595.6	$ 659.8	$ 606.4
Total interest expense	193.0	211.8	194.9	177.1	158.2
Earnings before interest and taxes (EBIT)	838.6	795.4	790.5	836.9	764.6
Business consolidation and other activities	80.5	78.8	102.8	30.3	(11.0)
Comparable EBIT	$ 919.1	$ 874.2	$ 893.3	$ 867.2	$ 753.6
Net earnings attributable to Ball Corporation, as reported *(a)*	$ 470.0	$ 406.8	$ 396.3	$ 444.0	$ 461.8
Business consolidation and other activities, net of tax	62.2	66.1	67.5	22.5	(9.3)
Debt refinancing costs, net of tax	20.6	17.1	9.2		5.3
Equity earnings and gains related to acquisitions, net of tax				(9.2)	(105.9)
Discontinued operations, net of tax		(0.4)	2.8	2.3	74.9
Net earnings attributable to Ball Corporation before above transactions (Comparable Earnings) *(a)*	$ 552.8	$ 489.6	$ 475.8	$ 459.6	$ 426.8
Total cash provided by operating activities	$ 1,012.5	$ 839.0	$ 853.2	$ 948.4	$ 515.2
Capital expenditures, including discontinued operations	(390.8)	(378.3)	(305.0)	(443.8)	(259.4)
Adjust for increase in accounts receivable due to change in accounting for securitization program					250.0
Free cash flow	$ 621.7	$ 460.7	$ 548.2	$ 504.6	$ 505.8

(a) 2012 amounts have been revised for the prior period correction of deferred taxes; further details are included in Note 1 to the consolidated financial statements within Item 8 of this annual report. 2010 also includes an adjustment that increased tax expense and reduced net earnings by $6.2 million.

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Item 7. 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 8 of this Annual Report on Form 10-K, 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 or 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, food, 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.

We sell our packaging products mainly to large, multinational beverage, food, personal care and household products companies with which we have developed long-term customer 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 majority of our packaging products to relatively few major companies in North America, Europe, Asia and South America, as do our equity joint ventures in the U.S. and Vietnam. The overall metal container industry is growing globally and is expected to continue to grow in the medium to long term despite the North American industry seeing a continued decline in standard-sized aluminum beverage packaging for the carbonated soft drink market. The primary customers for the products and services provided by our aerospace and technologies 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.

We recognize sales under long-term contracts in the aerospace and technologies segment using percentage-of-completion under the cost-to-cost method of accounting. Throughout the period of contract performance, we regularly reevaluate and, if necessary, revise our estimates of aerospace and technologies total contract revenue, total contract cost and progress toward completion. Because of contract payment schedules, limitations on funding and other contract terms, our sales and accounts receivable for this segment include amounts that have been earned but not yet billed.

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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 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 and expanding specialty container production to meet current demand; leveraging plant floor systems in our metal beverage facilities to improve efficiencies and reduce costs; consolidating and/or closing multiple metal beverage and metal food and aerosol packaging facilities; relocating our European headquarters to Zurich, Switzerland, to gain business, customer and supplier efficiencies; and implementing cost-out and value-in initiatives across all of our businesses;

- Expanding further into new products and capabilities by expanding into extruded aluminum aerosol manufacturing with our Mexican acquisition in December 2012 and the installation of a new extruded aluminum aerosol line in our Deforest, Wisconsin, facility during 2014; and successfully commercializing extruded aluminum aerosol packaging that utilizes a significant amount of recycled material;

- Aligning ourselves with the right customers and markets by investing capital to meet double-digit volume growth for specialty beverage containers throughout our global network, which now represent over 27 percent of our global beverage packaging mix, and the introduction of next generation aluminum bottle-shaping technology in North America for a customer under a long term arrangement that is scheduled to start up at the end of the first quarter 2015;

- Broadening our geographic reach with new investments in a metal beverage manufacturing facility in Myanmar, as well as an extruded aluminum aerosol manufacturing facility in India, and the award of a South Korean environmental instrument in our aerospace business; and

- Leveraging our technological expertise in packaging innovation, including the introduction of next-generation aluminum bottle-shaping technologies, the introduction of a new steel aerosol manufacturing technology starting up in mid-2015 and a joint effort between our aerospace business, NASA and the Japan Aerospace Exploration Agency to collect science data on the Earth s rain and snowfall via the Global Precipitation Measurement (GPM) Microwave Imager, as well as other technologies to maintain our competitive advantage today and in the future.

These ongoing business developments help us stay close to our customers while expanding and/or sustaining our industry positions with major beverage, food, personal care, household products and aerospace customers.

RESULTS OF OPERATIONS

Consolidated Sales and Earnings

($ in millions)	Years Ended December 31, 2014	2013	2012
Net sales	$ 8,570.0	$ 8,468.1	$ 8,735.7
Net earnings attributable to Ball Corporation	470.0	406.8	396.3
Net earnings attributable to Ball Corporation as a % of consolidated net sales	5.5%	4.8%	4.5%

The increase in net sales in 2014 compared to 2013 was due primarily to higher metal beverage container sales volumes and higher aerospace program revenues, partially offset by lower North American food and household product volumes. Net earnings were favorably impacted by higher metal beverage container sales volumes, lower cost of sales as a percentage of net sales, lower depreciation expense, lower interest expense and a lower tax rate in 2014, partially offset by lower North American food and household product volumes, unfavorable tinplate service center manufacturing performance in the U.S., higher debt refinancing costs and higher selling, general and administrative costs in 2014.

The decrease in net sales in 2013 compared to 2012 was driven largely by lower demand for standard 12-ounce aluminum beverage containers in the U.S., partially offset by specialty can growth in the Americas and higher sales volumes in Europe, Brazil and the PRC. Earnings were flat compared to 2012 with lower standard 12-ounce volumes in the U.S. and higher selling, general and administrative expenses being offset by higher specialty can volumes in the Americas and improved cost management in our global packaging operations.

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Cost of Sales (Excluding Depreciation and Amortization)

Cost of sales, excluding depreciation and amortization, was $6,903.5 million in 2014 compared to $6,875.4 million in 2013 and $7,174.0 million in 2012. These amounts represented 80.6 percent, 81.2 percent and 82.1 percent of consolidated net sales for those three years, respectively.

Depreciation and Amortization

Depreciation and amortization expense was $280.9 million in 2014 compared to $299.9 million in 2013 and $282.9 million in 2012. These amounts represented 3.3 percent, 3.5 percent and 3.2 percent of consolidated net sales for those three years, respectively. Lower expense in 2014 compared to 2013 was largely due to the completion of depreciation for certain acquired European assets. The higher expense in 2013 compared to 2012 was primarily due to capital spending in excess of historical levels and changes in currency exchange rates.

Selling, General and Administrative

Selling, general and administrative (SG&A) expenses were $466.5 million in 2014 compared to $418.6 million in 2013 and $385.5 million in 2012. These amounts represented 5.4 percent, 4.9 percent and 4.4 percent of consolidated net sales for those three years, respectively. The increase in SG&A in 2014 compared to 2013 was primarily due to higher incentive compensation and employee benefit costs and other individually insignificant higher costs. The higher expenses in 2013 compared to 2012 were largely related to the reassessment of certain expenses in Europe from cost of sales to SG&A in light of the relocation of the European headquarters.

Interest Expense

Consolidated interest expense was $193.0 million in 2014 compared to $211.8 million in 2013 and $194.9 million in 2012. Excluding debt refinancing costs, interest expense in 2014 was lower than in 2013 due primarily to lower average debt levels and lower average borrowing rates. Excluding debt refinancing costs, interest expense in 2013 was higher than in 2012 due to higher average debt levels and the timing difference of the issuance of $1 billion senior notes due in 2023 versus the tender and call of the 2016 senior notes, partially offset by lower average borrowing rates. Interest expense, excluding the effect of debt refinancing costs, as a percentage of average monthly borrowings was 4.8 percent in 2014, 5.1 percent in 2013 and 5.5 percent in 2012.

Interest expense in 2014 included $33.1 million for the call premium and the write off of unamortized financing costs and issuance premiums related to the tender of Ball s 7.375 percent senior notes due September 2019. Interest expense in 2013 included $28.0 million for the tender and call premiums, as well as the write off of unamortized financing costs and issuance discounts related to the tender of our 7.125 percent senior notes due in September 2016, the repayment of the Term A loan and the amendment and extension of the senior credit facilities.

Tax Provision

The effective income tax rate for earnings from continuing operations was 23.2 percent in 2014 compared to 25.6 percent in 2013 and 28.9 percent in 2012. The lower tax rate in 2014 was primarily the result of a higher foreign tax rate differential, lower U.S. taxes on foreign earnings, and the 2014 releases of uncertain tax positions which exceeded those occurring in 2013. The lower tax rate in 2013 compared to 2012 was primarily the result of the retroactive extension of the U.S. research and development credit, a lower state effective tax rate and a higher foreign tax rate differential, partially offset by higher U.S. taxes on foreign earnings and the 2012 releases of uncertain tax positions which exceeded those occurring in 2013.

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Results of Business Segments

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

Metal Beverage Packaging, Americas and Asia

($ in millions)	Years Ended December 31, 2014	2013	2012
Net sales	$ 4,246.8	$ 4,193.4	$ 4,541.7
Segment earnings	$ 534.8	$ 512.4	$ 522.9
Business consolidation and other activities *(a)*	(7.5)	(3.6)	(52.4)
Total segment earnings	$ 527.3	$ 508.8	$ 470.5
Segment earnings before business consolidation costs as a % of segment net sales	12.6%	12.2%	11.5%

(a) Further details of these items are included in Note 5 to the consolidated financial statements within Item 8 of this annual report.

The metal beverage packaging, Americas and Asia, segment consists of operations located in the U.S., Canada, Brazil and the PRC, which manufacture aluminum containers used in beverage packaging.

During February 2015, we announced the introduction of a next-generation aluminum bottle-shaping technology in our Conroe, Texas, facility, which is expected to begin production at the end of the first quarter 2015. Additionally, in May 2014, we announced the expansion of our Asian operations with the construction of a new one-line beverage can manufacturing facility in Myanmar, which is expected to begin production in early 2016.

Segment sales in 2014 were $53.4 million higher compared to 2013 due primarily to $101 million higher sales volumes, offset by a reduction in the pass through price of aluminum.

Segment sales in 2013 were $348.3 million lower compared to 2012 due to $320 million for the combination of lower sales volumes, principally related to lower standard 12-ounce container sales volumes in North America, and a reduction in the pass through price of aluminum, partially offset by higher specialty container sales volumes.

Segment earnings in 2014 were $22.4 million higher than in 2013 due to $36 million from higher sales volumes, partially offset by higher incentive compensation and other individually insignificant costs.

Segment earnings in 2013 were $10.5 million lower than in 2012 due to a total of $109 million from unfavorable net pricing in the PRC and lower variable margin contribution attributable to the aforementioned lower standard 12-ounce container sales volumes, net of higher specialty container sales volumes. The volume and pricing variances were largely offset by $104 million of improved manufacturing performance, reduced fixed costs and other reduced costs.

Metal Beverage Packaging, Europe

	Years Ended December 31,		
($ in millions)	**2014**	**2013**	**2012**
Net sales	$ 1,896.3	$ 1,828.3	$ 1,771.3
Segment earnings	$ 222.9	$ 182.6	$ 182.3
Business consolidation and other activities *(a)*	(8.7)	(10.6)	(9.6)
Total segment earnings	$ 214.2	$ 172.0	$ 172.7
Segment earnings before business consolidation costs as a % of segment net sales	11.8%	10.0%	10.3%

(a) Further details of these items are included in Note 5 to the consolidated financial statements within Item 8 of this annual report.

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The metal beverage packaging, Europe, segment includes the manufacture and sale of metal beverage containers in facilities located throughout Europe. In August 2014, we announced the expansion of our beverage can manufacturing facility in Oss, the Netherlands, with the construction of a new line for aluminum beverage containers, which is expected to begin commercial production in the second half of 2015.

Segment sales in 2014 increased $68.0 million compared to 2013 due primarily to higher sales volumes and favorable product mix of $56 million and favorable currency exchange effects of $12 million.

Segment sales in 2013 increased $57.0 million compared to 2012 due primarily to favorable currency exchange effects of $42 million and higher sales volumes, net of unfavorable product mix, of $15 million.

Segment earnings in 2014 increased $40.3 million compared to 2013 due primarily to higher sales volumes and favorable product mix of $62 million and reduced depreciation costs of $26 million, partially offset by higher incentive compensation and employee costs.

Segment earnings in 2013 were flat compared to 2012 due primarily to higher sales volumes and improved manufacturing performance, offset by higher aluminum premiums and higher labor costs.

Metal Food and Household Products Packaging

	Years Ended December 31,		
($ in millions)	**2014**	**2013**	**2012**
Net sales	$ 1,504.4	$ 1,558.6	$ 1,559.9
Segment earnings	$ 154.2	$ 177.4	$ 167.8
Business consolidation and other activities *(a)*	(41.9)	(63.7)	(27.5)
Total segment earnings	$ 112.3	$ 113.7	$ 140.3
Segment earnings before business consolidation costs as a % of segment net sales	10.2%	11.4%	10.8%

(a) Further details of these items are included in Note 5 to the consolidated financial statements within Item 8 of this annual report.

The metal food and household products packaging segment consists of operations located in the U.S., Europe, Canada, Mexico and Argentina that manufacture and sell metal food, aerosol, paint, general line and extruded aluminum containers, as well as decorative specialty containers and aluminum slugs.

During August 2014, we announced the installation of a new extruded aluminum aerosol can line in our DeForest, Wisconsin, facility, which is expected to begin production in the first half of 2015. Additionally, in October 2014, we announced the construction of a new extruded aluminum aerosol can manufacturing facility in India, which is expected to begin production in the second half of 2015. In February 2015, we announced the introduction of a steel aerosol container manufacturing technology in North America, which is expected to start up mid-2015.

Segment sales in 2014 decreased $54.2 million compared to 2013 due primarily to lower metal food container sales volumes. Segment earnings in 2014 decreased $23.2 million compared to 2013 due primarily to lower sales volumes and unfavorable tinplate service center manufacturing performance in the U.S.

Segment sales in 2013 were flat compared to 2012 with sales from the Mexico acquisition offset by unfavorable sales mix. Segment earnings in 2013 increased $9.6 million compared to 2012 due to the Mexico acquisition and improved manufacturing performance, partially offset by lower sales volumes and higher cost inventory carried into 2013.

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Aerospace and Technologies

($ in millions)	Years Ended December 31, 2014	2013	2012
Net sales	$ 934.8	$ 897.1	$ 876.8
Segment earnings	$ 93.6	$ 80.1	$ 86.6
Business consolidation and other activities *(a)*	(13.9)	(0.2)	(1.9)
Total segment earnings	$ 79.7	$ 79.9	$ 84.7
Segment earnings before business consolidation costs as a % of segment net sales	10.0%	8.9%	9.9%

(a) Further details of these items are included in Note 5 to the consolidated financial statements within Item 8 of this annual report.

The aerospace and technologies 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 in 2014 increased $37.7 million compared to 2013 due to higher sales for civil space contracts and U.S. national defense contracts. Segment earnings in 2014 increased $13.5 million primarily as a result of favorable program execution and increased recovery of pension costs.

Segment sales in 2013 increased $20.3 million compared to 2012 due to higher sales from U.S. national defense contracts. Segment earnings in 2013 decreased $6.5 million due to higher amounts of net favorable contract adjustments in 2012.

Sales to the U.S. government, either directly as a prime contractor or indirectly as a subcontractor, represented 95 percent of segment sales in 2014, 94 percent in 2013 and 90 percent in 2012. The aerospace and technologies contract mix in 2014 consisted of 62 percent cost-type contracts, which are billed at our costs plus an agreed upon and/or earned profit component, and 38 percent fixed-price contracts.

Contracted backlog for the aerospace and technologies segment at December 31, 2014 and 2013, was $765 million and $938 million, respectively. The year-over-year decline reflects the successful completion of several multi-year contracts including satellite launches completed in 2014. The segment has numerous outstanding bids for future contract awards. 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 consolidated financial statements within Item 8 of this annual report. The charges recorded for business consolidation and other activities were based on estimates by Ball management and were developed from information available at the time. If actual outcomes vary from the estimates, the differences will be reflected in current period earnings in the consolidated statement of earnings and identified as business consolidation gains and losses. Additional details about our business consolidation and other activities are provided in Note 5 accompanying the consolidated financial statements within Item 8 of this annual report.

CRITICAL AND SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

For information regarding the company s critical and significant accounting policies, as well as recent accounting pronouncements, see Notes 1 and 2 to the consolidated financial statements within Item 8 of this annual report.

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SUBSEQUENT EVENTS

On February 19, 2015, the company and Rexam PLC (Rexam) announced the terms of a recommended offer by the company to acquire all of the outstanding shares of Rexam in a cash and stock transaction. Under the terms of the offer, for each Rexam share, Rexam shareholders will receive 407 pence in cash and 0.04568 new shares of the company. The transaction values Rexam at 610 pence per share based on the company s 90-day volume weighted average price as of February 17, 2015, and an exchange rate of US$1.54: £1 on that date representing an equity value of £4.3 billion ($6.6 billion).

On February 19, 2015, the company entered into a £3.3 billion unsecured bridge loan agreement, pursuant to which lending institutions have agreed, subject to limited conditions, to provide financing necessary to pay the cash portion of the consideration payable to Rexam shareholders upon consummation of the proposed acquisition of Rexam and related fees and expenses.

On February 19, 2015, the company entered into a new $3 billion revolving credit facility to replace the existing approximate $1.1 billion bank credit facility, redeem the 2020 and 2021 senior notes and provide ongoing liquidity for the company.

In addition, on February 19, 2015, the company announced the redemption of all of the outstanding 6.75 percent senior notes due in September 2020 and all of the 5.75 percent senior notes due in May 2021, each in the amount of $500 million. The redemption of these bonds will result in a pre-tax charge in interest expense of approximately $56.3 million ($36.9 million after tax), composed of the redemption premiums and the write-offs of related debt financing costs.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows and Capital Expenditures

Our primary sources of liquidity are cash provided by operating activities and external committed 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, proposed acquisitions, including the announced, proposed acquisition of Rexam, and anticipated capital expenditures. The following summarizes our cash flows:

	Years Ended December 31,		
($ in millions)	**2014**	**2013**	**2012**
Cash flows provided by (used in) operating activities	$ 1,012.5	$ 839.0	$ 853.2
Cash flows provided by (used in) investing activities	(391.4)	(379.1)	(356.0)
Cash flows provided by (used in) financing activities	(845.3)	(204.0)	(486.9)

Cash flows from operations in 2014 improved compared to 2013 due to higher net earnings and favorable working capital changes. The favorable working capital changes were primarily related to lower days sales outstanding, lower inventory days on hand and higher days payable outstanding. Days sales outstanding decreased from 36 days to 34 days, inventory days on hand decreased from 53 days to 52 days and days payable outstanding increased from 51 days to 69 days.

Working capital changes in 2013 compared to 2012 were primarily related to higher days payable outstanding and lower days sales outstanding, partially offset by higher inventory days on hand. Days payable outstanding increased from 47 days to 51 days, days sales outstanding decreased from 37 days to 36 days and inventory days on hand increased from 51 days to 53 days.

We have entered into several regional uncommitted accounts receivable factoring programs with various financial institutions for certain accounts receivables of the company. The programs are accounted for as true sales of the receivables, without recourse to Ball, and had combined limits of approximately $293 million at December 31, 2014. A total of $197.6 million and $137.5 million were sold under these programs as of December 31, 2014 and 2013, respectively. In addition, Latapack-Ball has non-recourse uncommitted accounts receivable factoring programs with a combined limit of approximately $8 million at December 31, 2014. There were no accounts receivable sold as of December 31, 2014, and $6.0 million was sold as of December 31, 2013.

Annual cash dividends paid on common stock were 52 cents per share in both 2014 and 2013 and 40 cents per share in 2012. Total dividends paid were $72.7 million in 2014, $75.2 million in 2013 and $61.8 million in 2012. We also paid dividends to noncontrolling interests of $12.2 million in 2014, $12.9 million in 2013 and $7.6 million in 2012.

Share Repurchases

The company s share repurchases, net of issuances, totaled $360.1 million in 2014, $398.8 million in 2013 and $494.1 million in 2012. The repurchases were completed using cash on hand and available borrowings and included accelerated share repurchase agreements and other purchases under our ongoing share repurchase program. Additional details about our share repurchase activities are provided in Note 15 accompanying the consolidated financial statements within Item 8 of this annual report.

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Debt Facilities and Refinancing

Given our cash flow projections and unused credit facilities that are available until June 2018, our liquidity is strong and is expected to meet our ongoing cash and debt service requirements. Total interest-bearing debt was $3.2 billion at December 31, 2014, compared to $3.6 billion at December 31, 2013.

On December 9, 2013, we announced the redemption of our outstanding 7.375 percent senior notes due in September 2019 in the amount of $315.4 million. The redemption occurred on January 10, 2014, at a price per note of 108.01 percent of the outstanding principal amount plus accrued interest. The redemption of the bonds resulted in a pretax charge in the first quarter of 2014 of $33.1 million for the call premium and the write off of unamortized financing costs and premiums.

In May 2013, we: (1) issued $1 billion of 4.00 percent senior notes due in November 2023; (2) tendered for the redemption of our 7.125 percent senior notes originally due in September 2016 in the amount of $375 million, at a redemption price per note of 105.322 percent of the outstanding principal amount plus accrued interest; and (3) repaid the $125 million Term A loan, which was a component of the senior credit facilities. The redemption of the senior notes and the early repayment of the Term A loan resulted in charges of $26.5 million for the tender and call premiums, as well as the write off of unamortized financing costs and issuance discounts. These charges are included as a component of interest expense in the consolidated statement of earnings.

In June 2013, we amended the senior credit facilities and extended the term from December 2015 to June 2018. In connection with the amendment, we recorded a charge of $0.4 million for the write off of unamortized financing costs. The charge is included as a component of interest expense in the consolidated statement of earnings.

On March 9, 2012, we issued $750 million of 5.00 percent senior notes due in March 2022. On the same date, we tendered for the redemption of our 6.625 percent senior notes originally due in March 2018 in the amount of $450 million, at a redemption price per note of 102.583 percent of the outstanding principal amount plus accrued interest. The redemption of the bonds resulted in a charge of $15.1 million for the call premium and the write off of unamortized financing costs and premiums. The charge is included as a component of interest expense in the consolidated statement of earnings.

Short-term debt and current portion of long-term debt on the balance sheet includes the company s borrowings under its existing accounts receivable securitization agreement, totaling $110 million at December 31, 2014. This agreement, which has been amended and extended from time to time, is scheduled to mature in June 2017 and allows the company to borrow against a maximum amount of accounts receivable that varies between $85 million and $175 million depending on the seasonal accounts receivable balances in the company s North American packaging businesses.

At December 31, 2014, taking into account outstanding letters of credit and excluding availability under the accounts receivable securitization program, approximately $984 million was available under the company s long-term, multi-currency committed revolving credit facilities. In addition to these facilities, the company had approximately $790 million of short-term uncommitted credit facilities available at the end of 2014, of which $10.1 million was outstanding and due on demand.

While ongoing financial and economic conditions raise concerns about credit risk with counterparties to derivative transactions, the company mitigates its exposure by spreading 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.

On February 19, 2015, the company entered into a £3.3 billion unsecured bridge loan agreement, pursuant to which lending institutions have agreed, subject to limited conditions, to provide financing necessary to pay the cash portion of the consideration payable to Rexam shareholders upon consummation of the proposed acquisition of Rexam and related fees and expenses.

On February 19, 2015, the company entered into a new $3 billion revolving credit facility to replace the existing approximate $1.1 billion bank credit facility, redeem the 2020 and 2021 senior notes and provide ongoing liquidity for the Company.

In addition, on February 19, 2015, the company announced the redemption of all of the outstanding 6.75 percent senior notes due in September 2020 and all of the 5.75 percent senior notes due in May 2021, each in the amount of $500 million. The redemption of these bonds will result in a pre-tax charge in interest expense of approximately $56.3 million ($36.9 million after tax), composed of the redemption premiums and the write-offs of related debt financing costs.

We were in compliance with all loan agreements at December 31, 2014, and all prior years presented, and 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. Additional details about our debt and receivables sales agreements are available in Note 12, accompanying the consolidated financial statements within Item 8 of this annual report.

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Other Liquidity Measures

Management Performance Measures

Management internally uses various measures to evaluate company performance such as 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); diluted earnings per share; cash flow from operating activities and free cash flow (generally defined by the company as cash flow from operating activities less capital expenditures). 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 and technologies 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 on a non-U.S. GAAP basis and should be considered in connection with the consolidated financial statements within Item 8 of this annual 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 8 of this annual report.

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

		Years Ended December 31,	
($ in millions)	**2014**	**2013**	**2012**
Earnings before taxes, as reported	$ 645.6	$ 583.6	$ 595.6
Total interest expense	193.0	211.8	194.9
Earnings before interest and taxes (EBIT)	838.6	795.4	790.5
Business consolidation and other activities	80.5	78.8	102.8
Comparable EBIT	$ 919.1	$ 874.2	$ 893.3

Our calculations of comparable EBITDA, the comparable EBIT to interest coverage ratio and the net debt to comparable EBITDA ratio are summarized below:

Years Ended December 31,

($ in millions, except ratios)	2014	2013	2012
Comparable EBIT (as calculated above)	$ 919.1	$ 874.2	$ 893.3
Add depreciation and amortization	280.9	299.9	282.9
Comparable EBITDA	$ 1,200.0	$ 1,174.1	$ 1,176.2
Interest expense, excluding debt refinancing costs	$ (159.9)	$ (183.8)	$ (179.8)
Total debt at December 31	$ 3,168.9	$ 3,605.1	$ 3,305.1
Less cash and cash equivalents	(191.4)	(416.0)	(174.1)
Net debt	$ 2,977.5	$ 3,189.1	$ 3,131.0
Comparable EBIT/Interest Expense	5.7x	4.8.x	5.0x
Net debt/Comparable EBITDA	2.5x	2.7x	2.7x

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Our calculation of comparable earnings is summarized below:

($ in millions, except per share amounts)	Years Ended December 31, 2014		2013		2012	
Net earnings attributable to Ball Corporation, as reported *(a)*	$	470.0	$	406.8	$	396.3
Business consolidation and other activities, net of tax		62.2		66.1		67.5
Debt refinancing costs, net of tax		20.6		17.1		9.2
Discontinued operations, net of tax				(0.4)		2.8
Net earnings attributable to Ball Corporation before above transactions (Comparable Earnings) *(a)*	$	552.8	$	489.6	$	475.8
Per diluted share from continuing operations, as reported *(a)*	$	3.30	$	2.73	$	2.52
Per diluted share (comparable basis) *(a)*	$	3.88	$	3.28	$	3.01

(a) 2012 amounts have been revised for the prior period correction of deferred taxes; further details are included in Note 1 to the consolidated financial statements within Item 8 of this annual report.

Free Cash Flow

Management internally uses a free cash flow measure: (1) to evaluate the company s operating results, (2) to evaluate strategic investments, (3) to plan stock buyback and dividend levels and (4) to evaluate the company s ability to incur and service debt. Free cash flow is not a defined term under U.S. GAAP, and it should not be inferred that the entire free cash flow amount is available for discretionary expenditures. The company defines free cash flow as cash flow from operating activities less capital expenditures. Free cash flow is typically derived directly from the company s consolidated statement of cash flows; however, it may be adjusted for items that affect comparability between periods.

Based on the above definition, our consolidated free cash flow is summarized as follows:

($ in millions)	Years Ended December 31, 2014		2013		2012	
Total cash provided by operating activities	$	1,012.5	$	839.0	$	853.2
Capital expenditures, including discontinued operations		(390.8)		(378.3)		(305.0)
Free cash flow	$	621.7	$	460.7	$	548.2

Based on information currently available, we estimate cash flows from operating activities for 2015 to be in the range of $1 billion, capital expenditures to be approximately $400 million and free cash flow to be in the range of $600 million. In 2015, we intend to utilize our operating cash flow to fund our stock repurchases, dividend payments, growth capital projects and, to the extent available, acquisitions that meet our various criteria. Of the total 2015 estimated capital expenditures, approximately $170 million was contractually committed as of December 31, 2014.

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Commitments

Cash payments required for long-term debt maturities, rental payments under noncancellable operating leases, purchase obligations and other commitments in effect at December 31, 2014, are summarized in the following table:

			Payments Due By Period (a)		
($ in millions)	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-term debt, including capital leases	$ 3,048.8	$ 55.0	$ 165.2	$ 66.6	$ 2,762.0
Interest payments on long-term debt *(b)*	1,027.4	149.7	292.4	283.1	302.2
Purchase obligations *(c)*	6,794.6	2,628.1	3,330.2	654.0	182.3
Operating leases	138.2	37.0	45.4	25.6	30.2
Total payments on contractual obligations	$ 11,009.0	$ 2,869.8	$ 3,833.2	$ 1,029.3	$ 3,276.7

(a) *Amounts reported in local currencies have been translated at year-end 2014 exchange rates.*

(b) *For variable rate facilities, amounts are based on interest rates in effect at year end and do not contemplate the effects of any hedging instruments utilized by the company.*

(c) *The company s purchase obligations include contracted amounts for aluminum, steel and other direct materials. Also included are commitments for purchases of natural gas and electricity, expenses related to aerospace and technologies contracts and other less significant items. In cases where variable prices and/or usage are involved, management s best estimates have been used. Depending on the circumstances, early termination of the contracts may or may not result in penalties and, therefore, actual payments could vary significantly.*

The table above does not include $65.5 million of uncertain tax positions, the timing of which is unknown at this time.

Contributions to the company s defined benefit pension plans, not including the unfunded German plans, are expected to be insignificant in 2015. This estimate may change based on changes in the Pension Protection Act and actual plan asset performance and available company cash flow, among other factors. Benefit payments related to these plans are expected to be $91.6 million, $94.9 million, $98.8 million, $102.1 million and $106.0 million for the years ending December 31, 2015 through 2019, respectively, and a total of $572.8 million for the years 2020 through 2024. Payments to participants in the unfunded German plans are expected to be between $18 million and $20 million in each of the years 2015 through 2019 and a total of $87 million for the years 2020 through 2024.

Based on changes in return on asset and discount rate assumptions, as well as revisions based on plan experience studies, total pension expense in 2015 is anticipated to be approximately $7 million higher than in 2014, excluding curtailment expenses. A reduction of the expected return on pension assets assumption by one quarter of a percentage point would result in an estimated $3.6 million increase in the 2015 pension expense, while a quarter of a percentage point reduction in the discount rate applied to the pension liability would result in an estimated $5.4 million of additional pension expense in 2015. Additional information regarding the company s pension plans is provided in Note 14 accompanying the consolidated financial statements within Item 8 of this annual report.

Due to the U.S. tax status of certain of Ball s subsidiaries in Canada and the PRC, the company annually provides U.S. taxes on foreign earnings in those subsidiaries, net of any estimated foreign tax credits. The company also provides deferred taxes on the undistributed earnings in its Brazil investment related to its 10 percent indirectly held investment. Current taxes are also provided on certain other undistributed earnings that are currently taxed in the U.S. Net U.S. taxes provided for Brazil, Canada and PRC earnings in 2014, 2013 and 2012 were $11.8 million, $26.4 million and $14.5 million, respectively. Management s intention is to indefinitely reinvest undistributed earnings of Ball s remaining foreign investments and, as a result, no U.S. income or federal withholding tax provision has been made. The indefinite reinvestment assertion is supported by both long-term and short-term forecasts and U.S. financial requirements, including, but not limited to, operating cash flows, capital expenditures, debt maturities and dividends. 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. Retained earnings in non-U.S. subsidiaries was $1,799.4 million as of December 31, 2014. It is not practical to estimate the additional taxes that may become payable upon the eventual remittance of these foreign earnings to the U.S.; however, repatriation of these earnings could result in a material increase in the company s effective tax rate or if the intention to indefinitely reinvest is discontinued.

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Contingencies

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 cleanup of several hazardous waste sites. The company believes that the matters identified will not have a material adverse effect upon the liquidity, results of operations or financial condition of the company. Details of the company s legal proceedings are included in Note 20 to the consolidated financial statements within Item 8 of this annual report.

FORWARD-LOOKING STATEMENTS

The company has made or implied certain forward-looking statements in this report which are made as of the end of the time frame covered by this report. These forward-looking statements represent the company s goals, and results could vary materially from those expressed or implied. From time to time we also provide oral or written forward-looking statements in other materials we release to the public. As time passes, the relevance and accuracy of forward-looking statements may change. Some factors that could cause the company s actual results or outcomes to differ materially from those discussed in the forward-looking statements include, but are not limited to: a) our packaging segments include product demand fluctuations; availability/cost of raw materials; competitive packaging, pricing and substitution; changes in climate and weather; crop yields; competitive activity; failure to achieve 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 loss of a major customer or supplier; political instability and sanctions; and changes in foreign exchange or tax rates; b) our aerospace segment include funding, authorization, availability and returns of government and commercial contracts; and delays, extensions and technical uncertainties affecting segment contracts; c) the company as a whole include those listed plus: changes in senior management; successful or unsuccessful acquisitions and divestitures; 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 the U.S. government budget, sequestration and debt limit; reduced cash flow; ability to achieve cost-out initiatives and interest rates affecting our debt; and successful or unsuccessful acquisitions and divestitures, including, with respect to the proposed Rexam PLC (Rexam) acquisition, the effect of the announcement of the acquisition on Ball s business relationships, operating results and business generally; the occurrence of any event or other circumstances that could give rise to the termination of our definitive agreement with Rexam in respect of the acquisition; the outcome of any legal proceedings that may be instituted against Ball related to the definitive agreement with Rexam; and the failure to satisfy conditions to completion of the acquisition of Rexam, including the receipt of all required regulatory approvals. If the company is unable to achieve its goals, then the company s actual performance could vary materially from those goals expressed or implied in the forward-looking statements. The company currently does not intend to publicly update forward-looking statements except as it deems necessary in quarterly or annual earnings reports. You are advised, however, to consult any further disclosures we make on related subjects in our Forms 10-K, 10-Q and 8-K reports to the SEC.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Financial Instruments and Risk Management

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 that these policies and procedures will be successful. Although the instruments utilized involve varying degrees of credit, market and interest risk, the counterparties to the agreements are expected to perform fully under the terms of the agreements. The company monitors counterparty credit risk, including lenders, on a regular basis, but Ball cannot be certain that all risks will be discerned or that its risk management policies and procedures will always be effective. Additionally, in the event of default under the company s master derivative agreements, the non-defaulting party has the option to set-off any amounts owed with regard to open derivative positions. Further details are available in Note 18 to the consolidated financial statements within Item 8 of this annual report.

We have estimated our market risk exposure using sensitivity analysis. Market risk exposure has been defined as the changes in fair value of derivative instruments, financial instruments and commodity positions. To test the sensitivity of our market risk exposure, we have estimated the changes in fair value of market risk sensitive instruments assuming a hypothetical 10 percent adverse change in market prices or rates. The results of the sensitivity analyses are summarized below.

Commodity Price Risk

Aluminum

We manage commodity price risk in connection with market price fluctuations of aluminum ingot through two different methods. First, we enter into container sales contracts that include aluminum ingot-based pricing terms that generally reflect the same price fluctuations included in commercial purchase contracts for aluminum sheet. The terms include fixed, floating or pass-through aluminum ingot component pricing. Second, we use derivative instruments such as 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.

Steel

Most sales contracts involving our steel products either include provisions permitting us to pass through some or all steel cost changes incurred, or they incorporate annually negotiated steel prices. We anticipate at this time that we will be able to pass through the majority of any steel price changes that may occur in 2015.

Considering the effects of derivative instruments, the company s ability to pass through certain raw material costs through contractual provisions, the market s ability to accept price increases and the company s commodity price exposures under its contract terms, a hypothetical 10 percent adverse change in the company s steel and aluminum prices could result in an estimated $4.4 million after-tax reduction in net earnings over a one-year period. Additionally, the company has currency exposures on raw materials, and the effect of a 10 percent adverse change is included in the total currency exposure discussed below. Actual results may vary based on actual changes in market prices and rates.

Other

The company is also exposed to fluctuations in prices for natural gas and electricity, as well as the cost of diesel fuel as a component of freight cost. A hypothetical 10 percent increase in our natural gas and electricity prices could result in an estimated $7.1 million after-tax reduction of net earnings over a one-year period. A hypothetical 10 percent increase in diesel fuel prices could result in an estimated $0.4 million after-tax reduction of net earnings over the same period. Actual results may vary based on actual changes in market prices and rates.

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Interest Rate Risk

Our 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, we may use a variety of interest rate swaps, collars and options to manage our mix of floating and fixed-rate debt. Interest rate instruments held by the company at December 31, 2014, included pay-fixed interest rate swaps, which effectively convert variable rate obligations to fixed-rate instruments.

Based on our interest rate exposure at December 31, 2014, assumed floating rate debt levels throughout the next 12 months and the effects of derivative instruments, a 100-basis point increase in interest rates could result in an estimated $1.6 million after-tax reduction in net earnings over a one-year period. Actual results may vary based on actual changes in market prices and rates and the timing of these changes.

Currency Exchange Rate Risk

Our 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 Ball 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. Our currency translation risk results from the currencies in which we transact business. The company faces currency exposures in our global operations as a result of various factors including intercompany currency denominated loans, selling our products in various currencies, purchasing raw materials and equipment in various currencies and tax exposures not denominated in the functional currency. Sales contracts are negotiated with customers to reflect cost changes and, where there is not an exchange pass-through arrangement, the company uses forward and option contracts to manage significant currency exposures.

Considering the company s derivative financial instruments outstanding at December 31, 2014, and the various currency exposures the company is facing, a hypothetical 10 percent reduction (U.S. dollar strengthening) in currency exchange rates compared to the U.S. dollar could result in an estimated $39.6 million after-tax reduction in net earnings over a one-year period. This hypothetical adverse change in currency exchange rates would also reduce our forecasted average debt balance by $9.4 million. Actual changes in market prices or rates may differ from hypothetical changes.

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 a reporting period. Based on current share levels in the program, each $1 change in the company s stock price has an impact of $1.3 million on pretax earnings. The company entered into a total return swap to reduce the company s earnings exposure to these fair value fluctuations that will be outstanding until March 2015 and has a notional value of 1 million shares.

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Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Ball Corporation:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Ball Corporation and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013. The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Denver, Colorado

February 20, 2015

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Consolidated Statements of Earnings

Ball Corporation and Subsidiaries

($ in millions, except per share amounts)	Years Ended December 31, 2014	2013	2012
Net sales	$ 8,570.0	$ 8,468.1	$ 8,735.7
Costs and expenses			
Cost of sales (excluding depreciation and amortization)	(6,903.5)	(6,875.4)	(7,174.0)
Depreciation and amortization	(280.9)	(299.9)	(282.9)
Selling, general and administrative	(466.5)	(418.6)	(385.5)
Business consolidation and other activities	(80.5)	(78.8)	(102.8)
	(7,731.4)	(7,672.7)	(7,945.2)
Earnings before interest and taxes	838.6	795.4	790.5
Interest expense	(159.9)	(183.8)	(179.8)
Debt refinancing costs	(33.1)	(28.0)	(15.1)
Total interest expense	(193.0)	(211.8)	(194.9)
Earnings before taxes	645.6	583.6	595.6
Tax provision	(149.9)	(149.6)	(172.2)
Equity in results of affiliates, net of tax	2.3	0.6	(1.3)
Net earnings from continuing operations	498.0	434.6	422.1
Discontinued operations, net of tax		0.4	(2.8)
Net earnings	498.0	435.0	419.3
Less net earnings attributable to noncontrolling interests	(28.0)	(28.2)	(23.0)
Net earnings attributable to Ball Corporation	$ 470.0	$ 406.8	$ 396.3
Amounts attributable to Ball Corporation:			
Continuing operations	$ 470.0	$ 406.4	$ 399.1
Discontinued operations		0.4	(2.8)
Net earnings	$ 470.0	$ 406.8	$ 396.3
Earnings per share:			
Basic - continuing operations	$ 3.39	$ 2.79	$ 2.58
Basic - discontinued operations			