BALL Corp
Form 10-K
March 02, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2016

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 001-07349

Ball Corporation

State of Indiana	35-0160610
(State of other jurisdiction of Incorporation or organization)	(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 NO

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 NO

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 NO

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.

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 Accelerated filer Non-accelerated filer Smaller reporting company

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

The aggregate market value of voting stock held by non-affiliates of the registrant was $12.6 billion based upon the closing market price and common shares outstanding as of June 30, 2016.

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

Class	Outstanding at February 20, 2017
Common Stock, without par value	175,057,681 shares

DOCUMENTS INCORPORATED BY REFERENCE

1.Proxy statement to be filed with the Commission within 120 days after December 31, 2016, to the extent indicated in Part III.

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Ball Corporation

ANNUAL REPORT ON FORM 10-K

For the year ended December 31, 2016

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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 segment. In 2016, our total consolidated net sales were $9 billion. Our packaging businesses were responsible for 91 percent of our net sales, with the remaining 9 percent contributed by our aerospace business.

Our largest product line is aluminum and steel beverage containers. We also produce steel food, aerosol, paint and general line containers, extruded aluminum aerosol 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 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, Central and South America, Europe, Asia, the Middle East and Africa, as do our equity joint ventures in the U.S., Guatemala, Panama, South Korea and Vietnam. Our significant customers include: The Coca-Cola Company and its affiliated bottlers, Anheuser-Busch InBev n.v./s.a., MolsonCoors Brewing Company 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 cyber 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.

Recent Developments

On June 30, 2016, Ball acquired 100 percent of the outstanding shares of Rexam PLC (Rexam), a United Kingdom (U.K.) based beverage container manufacturer, for the purchase price of £2.9 billion ($3.8 billion) in cash, and 32.25 million treasury shares of Ball Corporation common stock (valued at $71.39 per share for a total share consideration of $2.3 billion). The common shares were valued using the market price on the date of acquisition and were presented as a reduction of treasury stock. The cash portion of the acquisition price was paid in July 2016 using proceeds from restricted cash held in escrow and borrowings under $1.4 billion and €1.1 billion Term A loan facilities obtained in March 2016.

In order to satisfy certain regulatory requirements, the company was required to sell a portion of Ball's existing beverage packaging businesses and select beverage can assets of Rexam (the Divestment Business). The sale of the Divestment Business to Ardagh Group S.A. (Ardagh), was completed concurrently with the Rexam acquisition on June 30, 2016, for $3.42 billion, subject to customary closing adjustments and certain transaction service arrangements between Ball and Ardagh during a transition period. A pre tax gain of $344 million was recorded in 2016 in connection with the sale.

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

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- 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:

- Seeking to deliver comparable diluted earnings per share growth of 10 percent to 15 percent per annum over the long-term
- Maximizing 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 service the company's debt and (4) to return value to our shareholders via stock buy-backs and dividend payments. 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.

Our Reportable Segments

Ball Corporation reports its financial performance in five reportable segments: (1) beverage packaging, North and Central America; (2) beverage packaging, South America; (3) beverage packaging, Europe; (4) food and aerosol packaging; and (5) aerospace. Ball also has investments in the U.S., Guatemala, Panama, South Korea 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).

Beverage Packaging, North and Central America, Segment

Beverage packaging, North and Central America is Ball's largest segment, accounting for 40 percent of consolidated net sales in 2016. Metal beverage containers are primarily sold under multi-year supply contracts to fillers of carbonated soft drinks, beer, energy drinks and other beverages.

Metal beverage containers and ends are produced at 20 manufacturing facilities in the U.S., one in Canada and two in Mexico. Ends are produced within three of the U.S. facilities, including one facility that only manufactures ends, and one facility in Mexico. Additionally, Rocky Mountain Metal Container, LLC, a joint venture owned 50 percent by Ball and a wholly owned subsidiary of Molson Coors Brewing Company, operates beverage container and end manufacturing facilities in Golden, Colorado.

The North American beverage container manufacturing industry is relatively mature. Where growth or contractions are projected in certain markets or for certain products, Ball undertakes selected capacity increases or decreases primarily 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 growing demand for specialty container volumes from new and existing customers and consumer demand. In April 2016, we began production at our newly constructed beverage can and end manufacturing facility in Monterrey, Mexico, to supply local Mexican brewers.

According to publicly available information and company estimates, the North America, beverage container industry represents approximately 107 billion units. Five companies manufacture substantially all of the metal beverage containers in the U.S., Canada and Mexico. Three of these producers and one other independent producer also manufacture metal beverage containers in Mexico. Ball produced approximately 40 billion recyclable aluminum beverage containers in North America from the Ball legacy business in the first six months and combined businesses post divestment in the last six months of 2016, which represented approximately 37 percent of the aggregate production in these countries. Sales volumes of metal beverage containers in North America tend to be highest during the period from April through September. All of the beverage containers produced by Ball in the U.S., Canada and Mexico are made of aluminum, as are almost all beverage containers produced by our competitors in those countries. In North and Central America, five suppliers provide virtually all our aluminum can and end sheet requirements.

Beverage containers are sold based on price, quality, service, innovation and sustainability in a highly competitive market, which is relatively capital intensive and 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

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which include meaningful industry positions by the glass bottle in the packaged beer industry and the polyethylene terephthalate (PET) bottle in the carbonated soft drink and water industries.

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

In order to better align our manufacturing footprint to meet the needs of our customers, the company announced in July 2015 the closure of its Bristol, Virginia, beverage end-making facility. The Bristol facility, which ceased production in the second quarter of 2016, produced beverage ends in a variety of sizes and its capacity was transitioned to existing North American Ball end-making facilities. Also, in December 2016, the company announced the closure of its Reidsville, North Carolina, beverage packaging plant in the middle of 2017. The Reidsville facility produces beverage cans in a variety of sizes and its customers will be supplied by the company’s other U.S. facilities.

Beverage Packaging, South America, Segment

The beverage packaging, South America, segment, accounted for 11 percent of Ball’s consolidated net sales in 2016. Our operations consist of 14 facilities, 12 in Brazil and one each in Argentina and Chile. For the countries where we operate, the South American beverage container market is approximately 25 billion containers, and we are the largest producer in this region with an estimated 60 percent of South American shipments. Three companies currently manufacture substantially all of the metal beverage containers in Brazil.

The company’s South American beverage facilities produced approximately 10 billion beverage containers in 2016, all of which were produced from aluminum and represent six months of legacy operations and six months of post-acquisition shipments. Sales volumes of beverage containers in South America tend to be highest during the period from September through December.

We believe we have limited our exposure 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.

Beverage Packaging, Europe, Segment

The beverage packaging, Europe, segment, which accounted for 21 percent of Ball's consolidated net sales in 2016, supplies two-piece metal beverage containers and ends for producers of carbonated soft drinks, beer, energy drinks and other beverages. Our European operations consist of 21 facilities throughout Europe with 16 beverage container facilities and five beverage end facilities. The European beverage container market is approximately 66 billion containers, including Russia, and we are the largest producer with an estimated 34 percent of European shipments. The European market is highly regional in terms of sales growth rates and packaging mix. Four companies manufacture substantially all of the metal beverage containers in Europe. The European beverage facilities produced 22 billion beverage containers in 2016, the vast majority of which were produced from aluminum.

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 U.K. offset by much lower demand in Russia. 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 generally have longer term agreements. In Europe, three aluminum suppliers and two steel suppliers provide almost all of our requirements. Aluminum is traded primarily in U.S. dollars, while the functional currencies of the European operations are various other currencies. The company minimizes its exchange rate risk using derivative and supply contracts in local currencies. Purchase and sales contracts generally include fixed-price, floating or pass-through aluminum ingot component pricing arrangements.

In order to support strong growth for beverage cans in the Iberian Peninsula, the company is constructing a two-line, aluminum beverage can manufacturing facility near Madrid, Spain, with the majority of the new capacity secured under

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a long-term customer contract. The facility is expected to be fully operational in 2018 and will produce multiple can sizes.

Food and Aerosol Packaging Segment

The food and aerosol packaging segment accounted for 13 percent of consolidated net sales in 2016. 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 containers, as well as extruded aluminum aerosol containers and aluminum slugs. There are 12 facilities in the U.S., four in Europe, two in Argentina, one in Canada, one in Mexico and one in India that manufacture these products.

We estimate our steel aerosol business accounts for 35 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 92 percent. We estimate our extruded aluminum aerosol business accounts for 19 percent of total annual U.S. and Canadian extruded aluminum aerosol shipments. Ball's European aluminum aerosol shipments represented 21 percent of total European industry shipments in 2016. 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 2016 shipments of 3 billion steel food containers to be 11 percent of total U.S. and Canadian metal food container shipments.

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. During the first quarter of 2016, the company announced the closure of its food and aerosol packaging flat sheet production and end-making facility in Weirton, West Virginia, which will cease production in early 2017, and its production capacity will be consolidated into other Ball facilities in the U.S. In October 2016, the company sold its specialty tin manufacturing facility in Baltimore, Maryland.

Competition in the U.S. steel aerosol container market primarily includes three other national suppliers. Competitors in the metal food container industry include three national and a small number of regional suppliers and self-manufacturers. Several producers in Mexico also manufacture steel food containers. Steel containers also compete with other packaging materials in the food and aerosol 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, two steel suppliers provide approximately 50 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. We also mitigate aluminum cost changes through our self-supply of aluminum slugs.

Aerospace Segment

Ball’s aerospace segment, which accounted for 9 percent of consolidated net sales in 2016, includes national defense hardware, antenna and video tactical solutions, 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 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 97 percent of segment sales in 2016.

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 a 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 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

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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.

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 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 system needs.

Contracted backlog in the aerospace segment was $1.4 billion and $617 million at December 31, 2016 and 2015, respectively, and consisted of the aggregate contract value of firm orders, excluding amounts previously recognized as revenue. The 2016 contracted backlog includes $779 million expected to be recognized in revenues during 2017, with the remainder expected to be recognized in revenues in the years thereafter. Unfunded amounts included in backlog for certain firm government orders, which are subject to annual funding, were $846 million and $274 million at December 31, 2016 and 2015, 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. Uncertainties in the federal government budgeting process could delay the funding, or even result in cancellation of certain programs currently in our reported backlog.

Other

Other consists of non-reportable segments in Asia Pacific and Africa, the Middle East and Asia (AMEA) that manufacture and sell metal beverage containers.

Asia Pacific

The metal beverage container market in the People’s Republic of China (PRC) is 39 billion containers, of which Ball’s operations represented an estimated 16 percent in 2016. Our percentage of the industry makes us one of the largest manufacturers of metal beverage containers in the PRC. We, along with five other manufacturers, account for 68 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.

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 began production in the second quarter of 2016. Additionally, Ball operates an equity joint venture in Vietnam with Thai Beverage Can Limited, which manufactures two-piece aluminum cans and ends for beverages.

AMEA

As part of the Rexam acquisition, we added metal beverage container operations in a new region, AMEA, which consists of four aluminum container and end manufacturing facilities–one each in Egypt, India, Saudi Arabia and Turkey. The manufacturing facility in Saudi Arabia, Rexam United Arab Can Manufacturing Limited, is a joint venture 51 percent owned by Ball and consolidated in our results. The beverage can container market in these countries produced 26 billion cans in 2016, and we are one of four major producers in this region with 19 percent of shipments. Additionally, Ball operates an equity joint venture with multiple facilities in South Korea.

In 2015, Rexam announced the establishment of a second metal beverage container facility in Sri City, India, near Chennai. We expect the facility to be fully operational in 2017.

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.

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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 a technical center located in Westminster, Colorado.

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

Sustainability is a key part of maximizing value at Ball. In our global operations, we focus our sustainability efforts on employee safety, energy, water, waste and air emissions. In addition to operational excellence, we identified product stewardship, talent management and community ambassadors as priorities for our corporate sustainability efforts. Information about our corporate sustainability management, goals and performance data are available at www.ball.com/sustainability.

By enhancing the unique sustainability credentials of our products along their life cycle, we position our metal containers as the most sustainable choice and help our customers grow their business. Because metal recycling saves resources and uses up to 20 times less energy than primary metal production, the biggest opportunity to further minimize the environmental impacts of metal packaging is to increase recycling rates. Aluminum and steel are infinitely recyclable materials. They also have the highest scrap value of all commonly used packaging substrates, contributing to the fact that metal cans are the most recycled food and beverage containers in the world. In some of Ball's markets such as Brazil, China and several European countries, recycling rates for beverage cans are at or above 90 percent. The most recently available recycling rates in the U.S. are estimated to be 64 percent for aluminum beverage cans in 2015 and 71 percent for steel containers in 2014. The most recently available recycling rates in Europe are estimated at 71 percent for aluminum beverage containers in 2013 and 76 percent for steel packaging in 2014.

In markets where recycling rates are below expectations, we help establish and financially support packaging collection and recycling initiatives. These typically focus on educating consumers about the benefits of metal packaging recycling and collaborating with public and private partners to create effective collection and recycling systems. For details about programs we support, please visit www.ball.com/recycling.

Employee Relations

At the end of 2016, the company and its subsidiaries employed approximately 18,450 employees with 8,320 employees in the U.S. and 10,130 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 Code of Conduct; and Ball Corporation Audit Committee, Nominating/Corporate Governance Committee, Human Resources Committee and Finance

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Committee charters. These documents are 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.

We may not realize all of the anticipated benefits of the acquisition of Rexam, 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 acquisition of Rexam will depend, to a large extent, on our ability to integrate our beverage packaging business with Rexam's business. Combining two independent businesses is a complex, costly and time-consuming process. As a result, we are required to devote significant management attention and resources to integrating the business practices and operations of the company and the Rexam business we acquired. The integration process may disrupt the combined business and, if implemented ineffectively, could preclude the realization of the full benefits of the acquisition that are currently expected. Our failure to meet the challenges involved in integrating the two businesses and to realize the anticipated benefits of the 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 management's attention. The possible difficulties of combining the operations of the companies also include, among others:

- 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 and retaining employees;
- difficulties in managing the expanded operations of a significantly larger and more complex combined 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 acquisition; and
- challenges in retaining and attracting key personnel.

Many of these factors are or 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 acquisition, 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 adversely affect the earnings of the company, decrease or delay the expected accretive effect of the acquisition, or negatively impact the price of the company’s common stock. As a result, we cannot assure that the combination of the company’s and Rexam’s beverage packaging businesses will result in the realization of the full benefits anticipated from the acquisition.

In connection with satisfying requirements under the antitrust laws of the U.S., the European Union and Brazil, and obtaining associated approvals and clearances, we were required to effect significant divestitures. As a result of the required divestitures, we may not realize all or a significant portion of the anticipated benefits of the Rexam 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 acquisition will be realized, the price per share for the company's common stock could be negatively impacted.

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

In December 2015, the company issued $1 billion of 4.375 percent senior notes, €400 million of 3.5 percent senior notes, all due in December 2020, and €700 million of 4.375 percent senior notes, due in December 2023. In June 2016, amounts were drawn under a $1.4 billion Term A loan facility and a €1.1 billion Term A loan facility to pay the cash portion of the consideration due to Rexam's shareholders for the acquisition of Rexam. 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 more of our cash flows from operations to be dedicated to the payment of principal and interest on our indebtedness, limiting our cash flow available to fund our operations, capital expenditures and future business opportunities or returning additional cash to our shareholders;
- restricting us from making additional acquisitions;
- 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 may be less highly leveraged and who, therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

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 certain 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.

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 a relatively limited number of major beverage, packaged food, personal care and household product companies, some of which operate in multiple geographical markets we serve.

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 a relatively limited number of 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.

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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, 2016, 78 percent of our consolidated net sales were from the sale of beverage containers, and we expect to derive a significant portion of our future revenues and cash flows from the sale of beverage containers. Our business would suffer if the use of 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, 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 have been 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 numerous and complex federal, state, provincial and local laws and regulations.

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 46 percent of our consolidated net sales from outside of the U.S. for the year ended December 31, 2016. 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;

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· 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 present in both the U.S. and other countries, could materially adversely affect our business, financial condition or results of operations.

We are exposed to exchange rate fluctuations.

As a result of the acquisition of Rexam, the financial results of the company are exposed to currency exchange rate fluctuations and an increased proportion of assets, liabilities and earnings denominated in non-U.S. dollar currencies. The company presents its financial statements in U.S. dollars and has a significant proportion of its net assets, debt and income in non-U.S. dollar currencies, primarily the euro, as well as the Russian ruble and other emerging market currencies. The company's financial results and capital ratios are therefore sensitive to movements in foreign exchange rates.

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.

Decreases in our ability to develop or 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

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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, 2016, 26 percent of our North American packaging facility employees and 54 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 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 segment.

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

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Supplement (DFARS) are purchasing, estimating, material management and accounting, 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. The company is continuing to evaluate various lawsuits, claims and proceedings, to which subsidiaries of Rexam are a party, including those described in Note 22 to the consolidated financial statements within Item 8 of this annual report. Those lawsuits, claims and proceedings include several environmental matters and may involve certain amounts to be owed.

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.

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, 2016. 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. We continue to see the industry supply of beverage packaging exceed demand in China, resulting in significant pricing pressure and negative impacts on the profitability of our beverage packaging, Asia Pacific, reporting unit. If it becomes an expectation that this situation will continue for an extended period of time, it may result in a noncash impairment of some or all of the goodwill associated with this reporting unit, totaling $78 million at December 31, 2016. The company's annual goodwill impairment test completed in the fourth quarter of 2016 indicated the estimated fair value of the beverage packaging, Asia Pacific, reporting unit exceeded its carrying amount, including goodwill, by 23 percent.

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

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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 pension 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.

Changes in U.S. generally accepted accounting principles (U.S. GAAP) and 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. 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 impact our ability to access the credit markets in an efficient manner.

Earnings and cash flows can be impacted by changes in tax laws.

As a U.S.-based multinational business, the company is subject to income tax in the U.S. and numerous jurisdictions outside the U.S. The relevant tax rules and regulations are complex, often changing and, in some cases, are interdependent. For example, certain income that is earned and taxed in countries outside the U.S. is not taxable in the

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U.S. until those earnings are actually repatriated or deemed repatriated. If these or other tax rules and regulations should change, the company's earnings and cash flows could be impacted.

The company's worldwide provision for income taxes is determined, in part, through the use of significant estimates and judgments. Numerous transactions arise in the ordinary course of business where the ultimate tax determination is uncertain. The company undergoes tax examinations by various worldwide tax authorities on a regular basis. While the company believes its estimates of its tax obligations are reasonable, the final outcome after the conclusion of any tax examinations and any litigation could be materially different from what has been reflected in the company's historical financial statements.

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.

We have identified a material weakness in our internal control over financial reporting which could, if not remediated, result in material misstatements in our financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act. As disclosed in Item 9A, management identified a material weakness in internal control over financial reporting related to deficiencies associated with the accounting for income taxes related to the sale of the Divestment Business and the discrete income tax effects related to the acquisition of Rexam. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. As a result of this material weakness, management concluded that internal control over financial reporting was not effective based on criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission in "Internal Control—An Integrated Framework (2013)." We are actively engaged in developing and implementing a remediation plan designed to address this material weakness. If remedial measures are insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in internal control are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results.

Significant developments stemming from the U.K's referendum on membership in the EU could have a material adverse effect on us.

On June 23, 2016, the U.K. held a referendum and voted in favor of leaving the European Union (EU). This referendum has created political and economic uncertainty, particularly in the U.K. and the EU, and this uncertainty may last for years, particularly as the U.K. and the EU begin to negotiate the terms of withdrawal from the EU. Our business in the U.K., the EU and worldwide could be affected during this period of uncertainty, and perhaps longer, by the impact of the U.K.'s referendum. There are many ways in which our business could be affected, only some of which we can identify at the present time.

The referendum, and the likely withdrawal of the U.K. from the EU it triggers, has caused and, along with events that could occur in the future as a consequence of the U.K.'s withdrawal, including the possible breakup of the U.K., may continue to cause significant volatility in global financial markets, including in global currency and debt markets. This volatility could cause a slowdown in economic activity in the U.K., Europe or globally, which could adversely affect our operating results and growth prospects. In addition, our business could be negatively affected by new trade agreements between the U.K. and other countries, including the U.S., and by the possible imposition of trade or other regulatory barriers in the U.K. These possible negative impacts, and others resulting from the U.K.'s actual or threatened withdrawal from the EU, may adversely affect our operating results and growth prospects.

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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 segment management offices are located in Broomfield, Colorado. The operations of the aerospace segment occupy a variety of company-owned and leased facilities in Colorado, which together aggregate 1.6 million square feet of office, laboratory, research and development, engineering and test and manufacturing space. Other aerospace 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 and Central American beverage packaging operations are located in Westminster, Colorado, U.S.; the offices for the European beverage packaging operations are located in Luton, U. K.; the offices for AMEA beverage packaging operations are located in Dubai, United Arab Emirates; the offices for the Asia Pacific beverage packaging operations are located in Hong Kong; and the South America beverage packaging offices are located in Rio de Janeiro, Brazil. The company's research and development facilities are primarily located in Westminster, Colorado, U.S.

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

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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.

Plant Location	Approximate Floor Space in Square Feet
Beverage packaging, North and Central America:	
Birmingham, Alabama	140,000
Chatsworth, California	351,000
Conroe, Texas	275,000
Fairfield, California	337,000
Findlay, Ohio (a)	733,000
Fort Atkinson, Wisconsin	250,000
Fort Worth, Texas	322,000
Golden, Colorado	509,000
Kapolei, Hawaii	131,000
Kent, Washington	127,000
Longview, Texas	332,000
Monterrey, Mexico	440,000
Monticello, Indiana	356,000
Phoenix, Arizona	106,000
Queretaro, Mexico	253,000
Reidsville, North Carolina	452,000
Rome, Georgia	386,000
Saint Paul, Minnesota	165,000
Saratoga Springs, New York	290,000
Tampa, Florida	276,000
Wallkill, New York	312,000
Whitby, Ontario, Canada	205,000
Williamsburg, Virginia	400,000
Beverage packaging, South America:	
Aguas Claras, Brazil	292,000
Belem, Brazil	165,000
Brasilia, Brazil	267,000
Buenos Aires, Argentina	183,000
Cuiaba, Brazil	182,000
Extrema, Brazil	280,000
Jacarei, Sao Paulo, Brazil	388,000
Manaus, Brazil	119,000
Pouso Alegre, Brazil	430,000
Recife, Brazil	380,000
Santa Cruz, Brazil	311,000
Santiago, Chile	275,000
Simoes Filho, Brazil	106,000

Tres Rios, Rio de Janeiro, Brazil	734,000

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

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Plant Location	Approximate Floor Space in Square Feet
Beverage packaging, Europe:	
Argayash, Russia	256,000
Belgrade, Serbia	342,000
Bierne, France	274,000
Ejpovice, Czech Republic	185,000
Fosie, Sweden	669,000
Fredericia, Denmark	318,000
Gelsenkirchen, Germany	371,000
La Selva, Spain	283,000
Lublin, Poland	280,000
Ludesch, Austria	337,000
Mantsala, Finland	230,000
Milton Keynes, United Kingdom	147,000
Mont, France	45,000
Naro Fominsk, Russia	544,000
Nogara, Italy	399,000
Recklinghausen, Germany	234,000
San Martino, Italy	118,000
Vsevolozhsk, Russia	316,000
Wakefield, United Kingdom	269,000
Waterford, Ireland	129,000
Widnau, Switzerland	321,000
Beverage packaging, AMEA:	
Cairo, Egypt	201,000
Dammam, Saudi Arabia	416,000
Manisa, Turkey	173,000
Mumbai, India	175,000
Beverage packaging, Asia Pacific:	
Beijing, PRC	303,000
Hubei (Wuhan), PRC	416,000
Qingdao, PRC	326,000
Sanshui (Foshan), PRC	672,000
Yangon, Myanmar	130,000
Food & Aerosol:	
Ahmedabad, India	58,000
Beaurepaire, France	89,000
Bellegarde, France	124,000
Buenos Aires, Argentina	34,000
Canton, Ohio	176,000
Chestnut Hill, Tennessee	305,000

Columbus, Ohio	300,000
DeForest, Wisconsin	400,000
Devizes, United Kingdom	94,000
Findlay, Ohio (a)	733,000
Horsham, Pennsylvania	162,000
Hubbard, Ohio	175,000
Milwaukee, Wisconsin	502,000
Oakdale, California	370,000
San Luis, Argentina	51,000
San Luis Potosí, Mexico	158,000
Sherbrooke, Quebec, Canada	100,000

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Springdale, Arkansas	286,000
Velim, Czech Republic	252,000
Verona, Virginia	72,000
Weirton, West Virginia	332,000

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

Item 3. Legal Proceedings

Details of the company's legal proceedings are included in Note 22 to the consolidated financial statements within Item 8 of this annual report.

Item 4. Mine Safety Disclosures

Not applicable.

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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 5,791 common shareholders of record on February 20, 2017.

Common Stock Repurchases

The following table summarizes the company's repurchases of its common stock during the quarter ended December 31, 2016.

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, 2016	—	$ —	—	10,481,142
November 1 to November 30, 2016	76,923	76.19	76,923	10,404,219
December 1 to December 31, 2016	45,304	74.20	45,304	10,358,915
Total	122,227	75.46	122,227	

(a)Includes any 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 2016 and 2015 (on a calendar quarter basis) were:

	2016				2015			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
High	$ 82.13	$ 82.24	$ 76.69	$ 73.00	$ 74.24	$ 73.36	$ 75.24	$ 77.20
Low	72.43	68.68	67.51	62.30	62.03	57.95	69.77	62.71
Dividends per share	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13

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, 2016. It assumes $100 was invested on December 31, 2011, and that all dividends were reinvested. The Dow Jones Containers & Packaging Index total return has been weighted by market capitalization.

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TOTAL RETURN TO STOCKHOLDERS

(Assumes $100 investment on 12/31/11)

Total Return Analysis

	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
BLL	$ 100.00	$ 125.23	$ 147.75	$ 196.64	$ 211.37	$ 219.72
S&P 500	100.00	114.07	153.57	174.60	177.01	198.18
DJ US Containers & Packaging	100.00	110.52	154.86	174.85	164.69	191.80

Source: Bloomberg L.P.® Charts

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Item 6. Selected Financial Data

Five-Year Review of Selected Financial Data

Ball Corporation

($ in millions, except per share amounts)	2016	2015	2014	2013	2012
Net sales	$ 9,061	$ 7,997	$ 8,570	$ 8,468	$ 8,736
Earnings before interest and taxes (EBIT)	$ 463	$ 606	$ 839	$ 795	$ 791
Total interest expense	(338)	(260)	(193)	(212)	(195)
Earnings before taxes	$ 125	$ 346	$ 646	$ 583	$ 596
Net earnings attributable to Ball Corporation from:					
Continuing operations (a)	$ 263	$ 281	$ 470	$ 406	$ 399
Discontinued operations	—	—	—	1	(3)
Total net earnings attributable to Ball Corporation	$ 263	$ 281	$ 470	$ 407	$ 396
Basic earnings per share:					
Basic – continuing operations	$ 1.66	$ 2.05	$ 3.39	$ 2.79	$ 2.58
Basic – discontinued operations	—	—	—	—	(0.02)
Basic earnings per share	$ 1.66	$ 2.05	$ 3.39	$ 2.79	$ 2.56
Weighted average common shares outstanding (000s)	158,271	137,300	138,508	145,943	154,648
Diluted earnings per share:					
Diluted – continuing operations (a)	$ 1.63	$ 1.99	$ 3.30	$ 2.73	$ 2.52
Diluted – discontinued operations	—	—	—	—	(0.02)
Diluted earnings per share	$ 1.63	$ 1.99	$ 3.30	$ 2.73	$ 2.50
Diluted weighted average common shares outstanding (000s)	161,442	140,984	142,430	149,223	158,084
Total assets (c)	$ 16,173	$ 9,697	$ 7,535	$ 7,774	$ 7,483
Total interest bearing debt and capital lease obligations (c)	$ 7,532	$ 5,051	$ 3,133	$ 3,559	$ 3,268
Cash dividends per share	$ 0.52	$ 0.52	$ 0.52	$ 0.52	$ 0.40

Total cash provided by operating activities	$ 194	$ 1,007	$ 1,012	$ 839	$ 853
Non-GAAP Measures (b)					
Comparable operating earnings	$ 976	$ 801	$ 920	$ 874	$ 893
Comparable net earnings	$ 563	$ 490	$ 553	$ 490	$ 476
Diluted earnings per share (comparable basis)	$ 3.49	$ 3.48	$ 3.88	$ 3.28	$ 3.01
Free cash flow	$ (412)	$ 479	$ 621	$ 461	$ 548

(a)Includes business consolidation and other activities and other items affecting comparability between years. Additional details about the 2016, 2015 and 2014 items are available in Note 5 to the consolidated financial statements within Item 8 of this Annual Report on Form 10-K.

(b)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

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available in Item 7 of this annual report under Management Performance Measurements and Other Liquidity Measures.

(c) Includes reclassification of debt issuance costs from total assets to a direct deduction from total interest bearing debt and capital lease obligations in prior years as a result of the new accounting guidance issued to change the balance sheet presentation for debt issuance costs.

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

($ in millions)	2016	2015	2014	2013	2012
Net earnings attributable to Ball Corporation	$ 263	$ 281	$ 470	$ 407	$ 396
Add: net earnings attributable to noncontrolling interests	3	22	28	28	23
Net earnings	266	303	498	435	419
Less: Equity in results of affiliates, net of tax	(15)	(4)	(2)	(1)	2
Add: discontinued operations, net of tax	—	—	—	—	3
Add: Tax provision (benefit)	(126)	47	150	149	172
Earnings before taxes, as reported	125	346	646	583	596
Total interest expense	338	260	193	212	195
Earnings before interest and taxes (EBIT)	463	606	839	795	791
Business consolidation and other activities	337	195	81	79	103
Amortization of acquired Rexam intangibles	65	—	—	—	—
Cost of sales associated with Rexam inventory step-up	84	—	—	—	—
Egyptian pound devaluation	27	—	—	—	—
Comparable Operating Earnings	$ 976	$ 801	$ 920	$ 874	$ 894
Net earnings attributable to Ball Corporation, as reported	$ 263	$ 281	$ 470	$ 407	$ 396
Business consolidation and other activities	337	195	81	79	103
Amortization of acquired Rexam intangibles	65	—	—	—	—
Cost of sales associated with Rexam inventory step-up	84	—	—	—	—
Egyptian pound devaluation	27	—	—	—	—
Debt refinancing and other costs	109	117	33	28	15
Discontinued operations	—	—	—	(1)	3
Tax effect on above items	(322)	(103)	(31)	(23)	(41)
Net earnings attributable to Ball Corporation before above transactions (Comparable Net Earnings)	$ 563	$ 490	$ 553	$ 490	$ 476
Total cash provided by operating activities	$ 194	$ 1,007	$ 1,012	$ 839	$ 853
Capital expenditures, including discontinued operations (a)	(606)	(528)	(391)	(378)	(305)
Free cash flow	$ (412)	$ 479	$ 621	$ 461	$ 548

(a) Includes payments of costs associated with the acquisition of Rexam and the sale of the Divestment Business.

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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," "we" or "our" in the following discussio 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 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, Central and South America, Europe, Asia, the Middle East and Africa, as do our equity joint ventures in Guatemala, Panama, South Korea, 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 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 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 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 beverage facilities to improve efficiencies and reduce costs; consolidating and/or closing multiple beverage and food and aerosol packaging facilities to gain efficiencies; and in food and aerosol packaging segment, installing new extruded aluminum aerosol lines in our existing Devizes, U.K., and Czech Republic facilities while also implementing cost-out and value-in initiatives across all of our businesses;

· Expanding further into new products and capabilities by the acquisition of Sonoco's metal end and closure manufacturing facilities in Canton, Ohio, in February 2015; successfully commercializing extruded aluminum aerosol packaging that utilizes a significant amount of recycled material; and successfully commercializing the next generation aluminum bottle-shaping technology;

· 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 represent more than 30 percent of our global beverage packaging mix; aligning with craft brewers, sparkling water fillers and wine producers who continue to use beverage containers to grow their business;

· Broadening our geographic reach with our acquisition of Rexam and our new investments in a beverage manufacturing facility in Myanmar, as well as an extruded aluminum aerosol manufacturing facility in India, and the construction of a beverage container facility in Monterrey, Mexico, producing cans and ends; and

· Leveraging our technological expertise in packaging innovation, including the introduction of next-generation aluminum bottle-shaping technologies, the introduction of a new two-piece, lightweight steel aerosol can, G3, technology in our Chestnut Hill, Tennessee, facility and the increased production of lightweight ReAl™ containers with 25 percent recycled aluminum content; and investment in cyber and data analytics to further enhance our aerospace technical expertise across a broader customer portfolio.

These ongoing business developments and the successful acquisition of Rexam completed on June 30, 2016, 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, 2016	2015	2014
Net sales	$ 9,061	$ 7,997	$ 8,570
Net earnings attributable to Ball Corporation	263	281	470
Net earnings attributable to Ball Corporation as a % of consolidated net sales	3 %	4 %	5 %

Sales in 2016 were $1.1 billion higher compared to 2015 primarily as a result of increased sales of $1.5 billion related to the acquired Rexam business, net of Ball's legacy sales included in the Divestment Business. This increase was partially offset by lower metal input costs passed through to customers of $299 million. Net earnings in 2016 were lower than 2015 primarily due to $142 million higher business consolidation and other activities from increased costs associated with the Rexam acquisition and the sale of the Divestment Business, $167 million of increased depreciation and amortization primarily attributable to depreciation and amortization associated with the acquired Rexam business, recognition in cost of sales of $84 million step-up of inventory related to the acquired Rexam business, higher interest expense of $78 million associated with the net increase in borrowings to fund the cash portion of the purchase price of Rexam and $62 million increased selling, general and administrative costs also due to costs from the acquired Rexam business. These decreases were partially offset by a gain of $344 million in 2016 recognized on the sale of the Ball legacy portion of the Divestment Business, $173 million lower income tax expense in 2016 compared to 2015 primarily due to the tax impacts of the sale of the Divestment Business, earnings from the increase in net sales from the acquired Rexam business, net of the sale of Ball's legacy portion of the Divestment Business, lower net earnings attributable to noncontrolling interests and higher equity in results of affiliates.

The increased business consolidation and other activities in 2016 compared to 2015 included transaction costs related to the acquisition of Rexam, net currency exchange losses on the restricted cash, intercompany loans and debt associated with the Rexam acquisition and Rexam acquisition-related compensation arrangements, partially offset by the gain on sale of the Divestment Business. See Note 5 located in Item 8 of this annual report for additional information on the activity in business consolidation and other activities.

The decreased debt refinancing and other costs in 2016 compared to 2015 included mark-to-market losses on derivative financial instruments designed to mitigate exposure to interest rate changes for debt issuances related to the Rexam acquisition, interest expense on issued 3.5 percent and 4.375 percent senior notes used to fund a portion of the purchase price for the Rexam acquisition, the write-off of unamortized deferred financing charges for the partial extinguishment of the committed bridge loan agreement, and the revolving credit facility and amortization of deferred financing costs for the committed bridge loan agreement. See Notes 14 and 20 located in Item 8 of this annual report for additional information on the activity in debt refinancing and other costs.

The decrease in net sales in 2015 compared to 2014 was due to unfavorable foreign currency effects in Europe, lower metal food container sales volumes due to a customer shift in North American steel food containers and unfavorable pricing in the PRC, partially offset by higher beverage packaging sales volumes. Net earnings were lower in 2015 compared to 2014 due to lower sales, unfavorable currency effects, higher business consolidation and other activities and higher debt refinancing and other costs, partially offset by a lower tax rate in 2015 and cost reduction efforts by all business segments.

The increased business consolidation and other activities in 2015 compared to 2014 included collar and option contract losses, cross-currency swap fair value changes, net currency exchange losses on the restricted cash and debt associated with the Rexam acquisition, and transaction costs related to the acquisition of Rexam. The collar and option contracts, as well as the cross-currency swap, are not accounted for as hedges. See Notes 5 and 20 located in Item 8 of this annual report for additional information on financial instruments.

The increased debt refinancing and other costs in 2015 compared to 2014 included mark-to-market losses on derivative financial instruments designed to mitigate exposure to interest rates changes for debt issuances related to the Rexam acquisition, the write-off of unamortized deferred financing charges for the partial extinguishment of the committed bridge loan agreement and the revolving credit facility, interest expense on 3.5 percent and 4.375 percent senior notes issued to fund a portion of the purchase price of the Rexam acquisition, amortization of deferred financing costs for the committed bridge loan agreement and the redemption of the 6.75 percent and 5.75 percent senior notes. See Notes 14 and 20 located in Item 8 of this annual report for additional information on financial instruments.

Cost of Sales (Excluding Depreciation and Amortization)

Cost of sales, excluding depreciation and amortization, was $7,296 million in 2016 compared to $6,460 million in 2015 and $6,903 million in 2014. These amounts represented 81 percent of consolidated net sales for each of these years. Cost of sales in 2016 included expense of $84 million for the step-up of inventory related to the acquired Rexam business.

Depreciation and Amortization

Depreciation and amortization expense was $453 million in 2016 compared to $286 million in 2015 and $281 million in 2014. These amounts represented 5 percent, 4 percent and 3 percent of consolidated net sales for those three years, respectively. Depreciation expense was higher in 2016 than in 2015 primarily due to the acquired Rexam fixed assets. Amortization in 2016 included $65 million for the amortization of acquired Rexam intangibles.

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Selling, General and Administrative

Selling, general and administrative (SG&A) expenses were $512 million in 2016 compared to $450 million in 2015 and $466 million in 2014. These amounts represented 6 percent, 6 percent and 5 percent of consolidated net sales for those three years, respectively. The increase in SG&A expenses in 2016 compared to 2015 was primarily due to additional SG&A from the acquired Rexam business, which will be reduced in 2017 through cost-out initiatives, and foreign exchange losses of $27 million for the devaluation of the Egyptian pound in the fourth quarter of 2016. The decrease in SG&A expenses in 2015 compared to 2014 was primarily due to lower incentive compensation and net favorable foreign currency effects in SG&A, partially offset by deferred compensation expense related to director retirements in 2015.

Business Consolidation Costs and Other Activities

Business consolidation and other activities were $337 million in 2016 compared to $195 million in 2015 and $81million in 2014. These amounts represented 4 percent, 2 percent and 1 percent of consolidated net sales for the three years, respectively.

The year-over-year increase in business consolidation and other activities in 2016 compared to 2015 was primarily due to an increase of $202 million for transaction related costs, foreign currency exchange losses of $159 million on foreign currency-denominated restricted cash and debt and $108 million in expense for compensation arrangements, all associated with the Rexam acquisition and the sale of the Divestment Business. The increase was partially offset by a gain of $344 million in connection with the sale of the Divestment Business.

The year-over-year increase in business consolidation and other activities for 2015 compared to 2014 was primarily due to an increase of $98 million for transaction related costs, $41 million of losses associated with the change in fair value of the collar and option contracts entered into to reduce the exposure to currency exchange rate changes in connection with the British pound denominated cash portion of the Rexam acquisition, net foreign currency gains and losses of $14 million from the revaluation of foreign currency denominated restricted cash and losses of $7 million for cross-currency swaps in connection with the December 2015 issuance of the $1 billion senior notes due 2020. In 2014, the company recorded a non-cash charge of $45 million for the settlement of its pension benefit obligations, and recorded a provision against the balance of a long-term receivable of $17 million as a result of the financial difficulties of a food and aerosol packaging segment customer.

The valuations of currency exchange and interest rates were a primary driver for the amounts recorded in business consolidation and other activities in 2016, and we expect these impacts to be greatly diminished in the future. See Notes 4, 5 and 20 located in Item 8 of this annual report for additional information on financial instruments.

Interest Expense

Total interest expense was $338 million in 2016 compared to $260 million in 2015 and $193 million in 2014. Excluding debt refinancing and other costs, interest expense in 2016 was higher compared to 2015 as the company incurred additional debt to pay a portion of the cash consideration due to Rexam's shareholders for the Rexam acquisition. Excluding debt refinancing and other costs, interest expense in 2015 was lower compared to 2014 due to lower interest rates on newly issued long-term debt and the retirement of higher interest rate long-term debt. Interest expense, excluding the effect of debt refinancing and other costs, as a percentage of average monthly borrowings was 4 percent in each of the years 2016 and 2015 and 5 percent in 2014.

Debt refinancing and other costs were $109 million for the year ended December 31, 2016. These costs consisted of (1) interest expense of $49 million through June 30, 2016, on the 3.5 percent and 4.375 percent senior notes issued in December 2015, (2) fair value changes of $20 million on derivative instruments designed to mitigate risks of interest rate changes with debt issuances, (3) interest expense of $30 million through June 30, 2016, on Term A U.S. dollar and Term A euro dollar loans associated with the company's credit facility, and (4) amortization of deferred financing fees of $7 million for the Bridge Facility. See Notes 14 and 20 in Item 8 of this annual report for additional information on these instruments and the transactions flowing through debt refinancing and other costs.

Debt refinancing and other costs were $117 million for the year ended December 31, 2015. These costs consisted of (1) interest expense of $5 million on senior notes issued in December 2015 to fund a portion of the cash consideration of the Rexam acquisition, (2) fair value changes of $16 million on derivative instruments designed to mitigate risks of

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interest rate changes with anticipated debt issuances for a portion of the cash consideration payable in the acquisition of Rexam, (3) write-offs of unamortized deferred financing fees and other charges of $16 million for the partial extinguishment of the committed bridge loan agreement, the partial extinguishment of the revolving credit facility, and refinance of the senior credit facility, (4) the amortization of deferred financing fees of $23 million on the Bridge Facility, and (5) write off of unamortized deferred financing fees and premiums of $57 million for the redemption of previously issued senior notes and the refinance of senior credit facilities. See Notes 14 and 20 in Item 8 of this annual report for additional information on these instruments and the transactions flowing through debt refinancing and other costs.

Tax Provision

The 2016 full year effective income tax rate was negative 100.8 percent compared to 13.6 percent for 2015. The lower tax rate in 2016 compared to 2015 was primarily due to a 116.0 percentage point reduction for the tax benefit recorded with respect to tax deductible goodwill in a legal entity restructuring in Brazil that was completed in the current year. The tax rate was also reduced by 56.8 percentage points for increased benefits from foreign tax rate differences, primarily due to acquisitions, and by 49.6 percentage points for permanent tax differences on significant current year business dispositions. These amounts were partially offset by a 41.6 percentage point increase for non-deductible transaction costs related to current year acquisitions and a 36.8 percentage point increase for current year increases in valuation allowances, primarily on losses in the U.K.

Our effective income tax rate is affected by recurring items such as income earned in foreign jurisdictions with tax rates that differ from the U.S. tax rate and by discrete items that may occur in any given year but that are not consistent from year to year. In 2016, we incurred a significant amount of nonrecurring business consolidation costs primarily in the U.S. The resulting reduction in earnings before income tax as a result of these costs increased the impact of permanent income tax items on the company's effective tax rate in 2016, as compared to 2015. We are uncertain whether the rate reduction impacts experienced in 2016 will continue in future years.

The effective tax rate for 2015 was 14 percent compared to 23 percent in 2014. The decrease in the rate for 2015 was primarily due to a 2.7 percentage point reduction related to the tax effect of statutory foreign exchange losses in our Brazilian operations, a 2.3 percentage point reduction related to the settlement of various uncertain tax positions, a 1.4 percentage point reduction related to the favorable settlement of a prior year IRS audit and a reduction in our rate of 3.0 percentage points due to an increase in U.S. research and development tax credits.

Results of Business Segments

Acquisition of Rexam

On June 30, 2016, Ball acquired 100 percent of the outstanding shares of Rexam, a United Kingdom based beverage container manufacturer, for the purchase price of £2.9 billion ($3.8 billion) in cash, and 32.25 million treasury shares of Ball Corporation common stock (valued at $71.39 per share for a total share consideration of $2.3 billion). The common shares were valued using the price on the date of acquisition and were presented as a reduction of treasury stock. The cash portion of the acquisition price was paid in July 2016 using proceeds from restricted cash held in escrow and borrowings under the $1.4 billion and €1.1 billion Term A loan facilities obtained in March 2016.

The consummation of the acquisition was subject to, among other things, approval from Ball’s shareholders, approval from Rexam’s shareholders, certain regulatory approvals and other customary closing conditions, all of which were satisfied prior to closing. In order to satisfy certain regulatory requirements, the company was required to sell some of its existing beverage packaging businesses and select beverage can assets of Rexam (the Divestment Business).

Segment Results

During the third quarter of 2016, Ball made certain segment realignments as a result of the Rexam acquisition and sale of the Divestment Business to align with how Ball now manages its businesses. Ball has retrospectively adjusted prior period amounts to conform to the current segment presentation. Ball’s operations are organized and reviewed by management along its product lines and geographical areas and presented in the five reportable segments discussed below.

Beverage Packaging, North and Central America

($ in millions)	Years Ended December 31, 2016	2015	2014
Net sales	$ 3,612	$ 3,202	$ 3,187
Comparable operating earnings	469	402	388
Business consolidation and other activities (a)	(20)	(19)	(11)
Amortization of acquired Rexam intangibles	(11)	—	—
Cost of sales associated with Rexam inventory step-up	(10)	—	—
Total segment earnings	$ 428	$ 383	$ 377
Comparable operating earnings as a % of segment net sales	13 %	13 %	12 %

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

The beverage packaging, North and Central America, segment consists of operations located in the U.S., Canada and Mexico that manufacture aluminum containers used in beverage packaging. During 2016, our beverage manufacturing facility in Monterrey, Mexico, began production. Also, in 2016, our beverage packaging end-making facility in Bristol, Virginia, ceased production.

Segment sales in 2016 were $410 million higher compared to 2015. The increase in 2016 was primarily due to the increase in sales volumes of $526 million from the acquired Rexam business partially offset by lower metal input prices of $176 million. We cannot predict future changes in metal input prices and beverage can sales volumes.

Comparable operating earnings in 2016 were $67 million higher compared to 2015 primarily due to the earnings from the acquired Rexam business. Improved product mix from the legacy Ball business also contributed to the favorable year-over-year operating earnings improvement.

Segment sales in 2015 were higher than in 2014 due to favorable price mix variance of $50 million, partially offset by lower sales volume of $35 million. Comparable operating earnings in 2015 were $14 million higher compared to 2014 due primarily to improved manufacturing performance.

Beverage Packaging, South America

($ in millions)	Years Ended December 31, 2016	2015	2014
Net sales	$ 1,014	$ 591	$ 588
Comparable operating earnings	185	80	95
Business consolidation and other activities (a)	(15)	(3)	—
Amortization of acquired Rexam intangibles	(17)	—	—
Cost of sales associated with Rexam inventory step-up	(20)	—	—
Total segment earnings	$ 133	$ 77	$ 95
Comparable operating earnings as a % of segment net sales	18 %	14 %	16 %

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

The beverage packaging, South America, segment consists of operations located in Brazil, Argentina and Chile that manufacture aluminum containers used in beverage packaging.

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Segment sales in 2016 were $423 million higher compared to 2015. The second half of 2016 included sales volumes from the Rexam business while the second half of 2015 included the company’s smaller legacy Brazil business, the significant portion of which was sold with the Divestment Business.

Comparable operating earnings in 2016 were $105 million higher compared to 2015. The second half of 2016 included earnings from the Rexam business while the second half of 2015 included the company’s smaller legacy Brazil business, the significant portion of which was sold with the Divestment Business.

Segment sales in 2015 were relatively unchanged from 2014 due to higher sales volumes of $63 million partially offset by unfavorable price/mix changes of $60 million. Comparable operating earnings in 2015 were $15 million lower compared to 2014 due primarily to unfavorable manufacturing costs of $86 million partially offset by higher sales volumes and favorable product mix of $74 million.

Beverage Packaging, Europe

	Years Ended December 31,		
($ in millions)	2016	2015	2014
Net sales	$ 1,915	$ 1,653	$ 1,896
Comparable operating earnings	217	192	223
Business consolidation and other activities (a)	(24)	(10)	(9)
Amortization of acquired Rexam intangibles	(31)	—	—
Cost of sales associated with Rexam inventory step-up	(47)	—	—
Total segment earnings	$ 115	$ 182	$ 214
Comparable operating earnings as a % of segment net sales	11 %	12 %	12 %

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

The beverage packaging, Europe, segment includes the manufacture and sale of metal beverage containers in facilities located throughout Europe, including Russia. To support growth for beverage cans in the Iberian Peninsula, the company is constructing a two-line, aluminum beverage can manufacturing facility near Madrid, Spain, with most of the new capacity secured under a long-term customer contract. The facility is expected to be fully operational in 2018 and will produce multiple can sizes.

Segment sales in 2016 were $262 million higher compared to 2015. The second half of 2016 included sales volumes from the Rexam business while the second half of 2015 included the company's legacy European business, the significant portion of which was sold with the Divestment Business.

Comparable operating earnings in 2016 were $25 million higher compared to 2015. The second half of 2016 included earnings from the Rexam business while the second half of 2015 included earnings from the company's legacy European business, the significant portion of which was sold with the Divestment Business.

Segment sales in 2015 were $243 million lower compared to 2014 due primarily to unfavorable currency exchange effects of $359 million, partially offset by favorable product mix and higher sales volumes. Comparable operating earnings in 2015 were $31 million lower compared to 2014 due primarily to unfavorable currency exchange effects of $56 million and unfavorable manufacturing performance due to new line start-ups, partially offset by favorable sales mix and higher sales volumes.

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Food and Aerosol Packaging

($ in millions)	Years Ended December 31, 2016	2015	2014
Net sales	$ 1,171	$ 1,297	$ 1,504
Comparable operating earnings	109	108	154
Business consolidation and other activities (a)	(26)	—	(42)
Total segment earnings	$ 83	$ 108	$ 112
Comparable operating earnings as a % of segment net sales	9 %	8 %	10 %

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

The food and aerosol packaging segment consists of operations located in the U.S., Europe, Canada, Mexico, Argentina and India that manufacture and sell steel food, aerosol, paint and general line containers, as well as aluminum aerosol containers and slugs.

In February 2015, we completed the acquisition of Sonoco’s metal end and closure manufacturing facilities in Canton, Ohio. During the first quarter of 2016, we announced the closure of our food and aerosol packaging flat sheet production and end-making facility in Weirton, West Virginia, which is expected to cease production in early 2017. In October 2016, we sold our specialty tin manufacturing facility in Baltimore, Maryland.

Segment sales in 2016 were $126 million lower compared to 2015 as a result of $57 million in lower prices resulting from lower metal costs passed through to customers and $69 million in volume primarily driven by lower food can sales volumes. Comparable operating earnings in 2016 were relatively unchanged compared to 2015 due to improved extruded aluminum sales which offset the decline in food can sales volumes.

Segment sales in 2015 were $207 million lower compared to 2014 due primarily to lower metal food container sales volumes of $260 million, mainly related to a customer shift effective January 2015, and unfavorable currency exchange effects of $37 million, partially offset by favorable product mix of $90 million. The customer shift was the result of the loss of a significant customer upon expiration of their contract in December 2014. The volume reductions were offset by favorable product mix from a higher proportion of aerosol product sales, which is expected to continue. Comparable operating earnings in 2015 decreased $46 million compared to 2014 due primarily to earnings impacts from lower sales volumes, unfavorable currency exchange effects, unfavorable startup costs, partially offset by extruded aluminum aerosol growth in Europe, the earnings from the Sonoco acquisition and reduced selling, general and administrative costs.

Aerospace

($ in millions)	Years Ended December 31, 2016	2015	2014
Net sales	$ 818	$ 810	$ 935
Comparable operating earnings	88	82	94
Business consolidation and other activities (a)	—	1	(14)
Total segment earnings	$ 88	$ 83	$ 80
Comparable operating earnings as a % of segment net sales	11 %	10 %	10 %

(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 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.

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Segment sales in 2016 were relatively unchanged compared to 2015. Comparable operating earnings in 2016 increased $6 million compared to 2015 due to individually immaterial items.

Segment sales in 2015 decreased $125 million compared to 2014 primarily due to lower sales from U.S. national defense contracts. Comparable operating earnings in 2015 decreased $12 million compared to 2014 due to lower sales, favorable program performance in 2014 from program and contract completions and increased recovery of pension costs in 2014.

Sales to the U.S. government, either directly as a prime contractor or indirectly as a subcontractor, represented 97 percent of segment sales in 2016 compared to 96 percent of segment sales in 2015 and 95 percent in 2014. The aerospace contract mix in 2016 consisted of 55 percent cost-type contracts, which are billed at our costs plus an agreed upon and/or earned profit component, and 39 percent fixed-price contracts. The remaining sales were for time and materials contracts.

Contracted backlog for the aerospace segment at December 31, 2016 and 2015, was $1.4 billion and $617 million, respectively. The year-over-year increase reflects several major contract awards during 2016. The segment has numerous outstanding bids for future contract awards. The backlog at December 31, 2016, consisted of 69 percent cost-type contracts. Comparisons of backlog are not necessarily indicative of the trend of future operations due to the nature of varying delivery and milestone schedules on contracts, funding of programs and the uncertainty of timing of future contract awards.

Additional Segment Information

For additional information regarding our segments, see the business segment information in Note 3 accompanying the 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.

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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); and diluted earnings per share. Management also uses free cash flow (generally defined by the company as cash flow from operating activities less capital expenditures) as a measure to evaluate the company's liquidity. Please refer to the Financial Condition, Liquidity and Capital Resources section below for additional information on the company's use of free cash flow as a liquidity measure. We believe this information is also useful to investors as it provides insight into the earnings and cash flow criteria management uses to make strategic decisions. These financial measures may be adjusted at times for items that affect comparability between periods such as business consolidation costs and gains or losses on acquisitions and dispositions.

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

The following financial measurements are 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. Notes 1 and 21 to the company's financial statements included in Item 8 disclose revisions to the company's unaudited condensed consolidated financial statements for the second and third quarters of 2016. The revisions had no impact on the company's non-GAAP measures of comparable operating earnings or comparable net earnings in the second or third quarters of 2016 or for the full year ended December 31, 2016. 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 operating earnings is summarized below:

	Years Ended December 31,		
($ in millions)	2016	2015	2014
Net earnings attributable to Ball Corporation	$ 263	$ 281	$ 470
Add: Net earnings attributable to noncontrolling interests	3	22	28
Net earnings	266	303	498
Less: Equity in results of affiliates, net of tax	(15)	(4)	(2)

Add: Tax provision (benefit)	(126)	47	150
Earnings before taxes, as reported	125	346	646
Add: Total interest expense	338	260	193
Earnings before interest and taxes	463	606	839
Add: Business consolidation and other activities	337	195	81
Add: Amortization of acquired Rexam intangibles	65	—	—
Add: Cost of sales associated with Rexam inventory step-up	84	—	—
Add: Egyptian pound devaluation	27	—	—
Comparable operating earnings	$ 976	$ 801	$ 920

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Our calculation of comparable net earnings is summarized below:

	Years Ended December 31,		
($ in millions, except per share amounts)	2016	2015	2014
Net earnings attributable to Ball Corporation	$ 263	$ 281	$ 470
Add: Business consolidation and other activities	337	195	81
Add: Amortization of acquired Rexam intangibles	65	—	—
Add: Cost of sales associated with Rexam inventory step-up	84	—	—
Add: Egyptian pound devaluation	27	—	—
Add: Debt refinancing and other costs	109	117	33
Less: Tax effect on above items	(322)	(103)	(31)
Comparable net earnings	$ 563	$ 490	$ 553
Per diluted share, as reported	$ 1.63	$ 1.99	$ 3.30
Per diluted share, comparable basis	$ 3.49	$ 3.48	$ 3.88
Weighted average diluted shares outstanding (000s)	161,442	140,984	142,430

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.

SUBSEQUENT EVENTS

The company announced on March 2, 2017, that it intends to cease production at its Recklinghausen, Germany, facility only after due negotiation and agreement with the Works Council.

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 and anticipated capital expenditures. The following summarizes our cash flows:

	Years Ended December 31,		
($ in millions)	2016	2015	2014
Cash flows provided by (used in) operating activities	$ 194	$ 1,007	$ 1,012
Cash flows provided by (used in) investing activities	672	(2,721)	(391)
Cash flows provided by (used in) financing activities	(387)	1,737	(846)

Cash flows from operations in 2016 were lower compared to 2015 due to increased operating cash outflows in 2016 due to payments of professional fees and employee costs related to the acquisition of Rexam and sale of the Divestment Business of approximately $325 million; $297 million of additional pension funding, including $171 million related to the acquired Rexam U.K. defined benefit plan; approximately $150 million less cash inflows from working capital due to the sale of the company’s legacy European business at its peak working capital requirements; $90 million of payments to settle derivatives associated with the acquired Rexam business; and $50 million of additional interest payments associated with the financing of the Rexam acquisition. Inventory days on hand increased from 49 days to 68 days, days sales outstanding increased from 35 days to 46 days and days payable outstanding increased from 82 days to 97 days. The increase in days outstanding is primarily attributable to the working capital positions of the acquired Rexam operations as compared to the legacy Ball operations included in the Divestment Business.

Cash flows from operations in 2015 were comparable to 2014 as lower pension contributions were offset by lower net earnings, lower cash inflows from working capital and cash paid for transaction costs for the acquisition of Rexam. The working capital changes were primarily related to slightly higher days sales outstanding, partially offset by lower inventory volumes and higher days payable outstanding. Days sales outstanding increased from 34 days to 35 days, inventory days on hand decreased from 52 days to 49 days and days payable outstanding increased from 69 days to 82 days. The increase in days payables outstanding is primarily due to renegotiation of payment terms in supplier contracts in North America.

We have entered into several regional committed and uncommitted accounts receivable factoring programs with various financial institutions for certain accounts receivables of the company. Programs accounted for as true sales of the receivables, without recourse to Ball, had combined limits of approximately $970 million at December 31, 2016. A total of $596 million and $479 million were sold under these programs at December 31, 2016 and 2015, respectively. Additionally, the company has programs that were not accounted for as true sales of the receivables, with combined limits of $30 million, under which $17 million was sold at December 31, 2016.

Annual cash dividends paid on common stock were 52 cents per share in each of 2016, 2015 and 2014. Total dividends paid were $83 million in 2016, $72 million in 2015 and $73 million in 2014. We paid dividends to noncontrolling interests of $18 million in 2015 and $12 million in 2014. No dividends were paid to noncontrolling interests in 2016.

As of December 31, 2016, approximately $597 million of our cash was held outside of the U.S. In the event that we would need to utilize any of the cash held outside of the U.S. for purposes within the U.S., there are no material legal or other economic restrictions regarding the repatriation of cash from any of the countries outside the U.S. where we have cash, other than market liquidity constraints that limit the ability to convert Egyptian pounds held by the Company in Egypt with a U.S. dollar equivalent value of $86 million into other currencies. The company believes its U.S. operating cash flows; the $1.2 billion available under the company's long-term, revolving credit facilities; the $821 million available under other U.S.-based uncommitted short-term credit facilities; and availability under U.S.-based committed and uncommitted accounts receivable factoring programs will be sufficient to meet the cash requirements of the U.S. portion of the company's ongoing operations, scheduled principal and interest payments on U.S. debt, dividend payments, capital expenditures and other U.S. cash requirements. If foreign funds would be needed for our U.S. cash requirements and we are unable to provide the funds through intercompany financing arrangements, we will be required to accrue and pay U.S. taxes, net of applicable foreign tax credits, to repatriate funds from foreign locations where the company has previously asserted indefinite reinvestment of funds outside the U.S. However, it continues to be the company's intent to permanently reinvest these foreign amounts outside the U.S., and our current plans do not demonstrate a need to repatriate the foreign amounts to fund our U.S. cash requirements.

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. 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 2016, 2015 and 2014 were $21 million, $2 million and $12 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 were $2.6 billion as of December 31, 2016. It is not practical to estimate the additional taxes that may become payable for the portion of these foreign earnings that have not already been taxed in the U.S.; however, repatriation of these earnings could result in a material increase in the company's income tax liabilities.

Share Repurchases

The company's share repurchases, net of issuances, totaled $59 million in 2016, $100 million in 2015 and $360 million in 2014. 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 17 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 2021, our liquidity is strong and is expected to meet our ongoing cash and debt service requirements. Total interest-bearing debt was $7.5 billion at December 31, 2016, compared to $5.1 billion at December 31, 2015.

On February 19, 2015, the company entered into a £3.3 billion unsecured, committed bridge loan agreement (the Bridge Facility), pursuant to which lending institutions agreed, subject to limited conditions, to provide the financing necessary to pay the cash portion of the consideration payable to Rexam's shareholders upon consummation of the acquisition of Rexam along with related fees and expenses. In December 2015, the company issued senior notes totaling $1 billion and €400 million, all due in 2020, and €700 million due in 2023, with rates of 4.375 percent, 3.5 percent and 4.375 percent, respectively. Pursuant to the terms of the Bridge Facility, the company deposited the net proceeds from the issuance of such notes into escrow accounts, recorded as restricted cash, which reduced the commitments under the Bridge Facility to £1.9 billion.

On February 19, 2015, the company entered into a $3 billion revolving credit facility (the 2018 Revolver) to replace its then existing approximate $1 billion revolving credit facility, repay its $93 million Term C loan, repay the outstanding balance on the existing revolving credit facility, redeem the 2020 and 2021 senior notes and provide ongoing liquidity for the company. In June 2015, during a subsequent debt offering, the company issued $1 billion of 5.25 percent senior notes, thereby reducing the borrowing capacity under the 2018 Revolver from $3 billion to $2.25 billion. In March 2016, the 2018 revolver was refinanced in full with a $1.5 billion multi-currency revolving credit facility available to Ball and certain of its subsidiaries (the 2021 Revolver).

On March 18, 2016, Ball refinanced the Bridge Facility in full with a $1.4 billion Term A loan facility available to Ball and a €1.1 billion Term A loan facility available to a subsidiary of Ball. The Term A Loan facilities and 2021 Revolver were entered under a secured, five-year credit agreement.

In July 2016, $3.8 billion of proceeds released from the restricted cash escrow accounts and amounts drawn under the $1.4 billion Term A loan facility and the €1.1 billion Term A loan facility were used to pay the cash portion of the consideration due to Rexam's shareholders for the acquisition of Rexam.

At December 31, 2016, taking into account outstanding letters of credit, approximately $1.2 billion was available under the company's long-term, multi-currency committed revolving credit facilities, which are available until March 2021. In addition to these facilities, the company had $821 million of short-term uncommitted credit facilities available at December 31, 2016, of which $143 million was outstanding and due on demand. These amounts are available without violating our existing debt covenants. At December 31, 2015, the company had $23 million outstanding under short-term uncommitted credit facilities.

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

We were in compliance with all loan agreements at December 31, 2016, 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. The most restrictive of the company's debt covenants requires the company to maintain a leverage ratio (as defined) of no greater than 5 times on December 31, 2016, which changes to 4 times at December 31, 2017. The company was in compliance with all loan agreements and debt covenants at December 31, 2016, and 2015, and has met all debt payment obligations. As of December 31, 2016, the amounts disclosed as available under the company's long-term multi-currency committed revolving facilities, the short-term uncommitted credit facilities and the unsecured, committed bridge loan agreement, are available without violating our existing debt covenants. Additional details about our debt are available in Note 14 accompanying the consolidated financial statements within Item 8 of this annual report.

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Other Liquidity Measures

Free Cash Flow

Management internally uses a free cash flow measure to: (1) evaluate the company's liquidity, (2) evaluate strategic investments, (3) plan stock buyback and dividend levels and (4) 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:

	Years Ended December 31,		
($ in millions)	2016	2015	2014
Total cash provided by operating activities	$ 194	$ 1,007	$ 1,012
Capital expenditures	(606)	(528)	(391)
Free cash flow	$ (412)	$ 479	$ 621

Based on information currently available, we estimate cash flows from operating activities for 2017 to be in the range of $1.3 billion, capital expenditures to be approximately $500 million and free cash flow to be in the range of $800 million. In 2017, we intend to utilize our operating cash flow to service debt and to fund our growth capital projects, dividend payments, stock buybacks and, to the extent available, acquisitions that meet our various criteria. Of the total 2017 estimated capital expenditures, approximately $200 million was contractually committed as of December 31, 2016.

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, 2016, are summarized in the following table:

($ in millions)	Payments Due By Period (a) Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt, including capital leases	$ 7,389	$ 64	$ 433	$ 3,416	$ 3,476
Interest payments on long-term debt (b)	1,521	270	523	398	330
Purchase obligations (c)	6,500	2,674	2,746	837	243
Operating leases	260	44	67	48	101
Total payments on contractual obligations	$ 15,670	$ 3,052	$ 3,769	$ 4,699	$ 4,150

(a)Amounts reported in local currencies have been translated at year end 2016 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 capital expenditures and 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 $77 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, Swedish and certain U.S. plans, are expected to be in the range of $190 million in 2017. This estimate may change based on changes in the Pension Protection Act, actual plan asset performance and available company cash flow, among other factors. Benefit

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payments related to these plans are expected to be approximately $360 million to $370 million for each of the years ending December 31, 2017, through 2021 and a total of $1.9 billion for the years 2022 through 2026. Payments to participants in the unfunded German, Swedish and certain U.S. plans are expected to be approximately $20 million to $22 million in each of the years 2017 through 2021 and a total of $87 million for the years 2022 through 2026.

Based on changes in return on asset and discount rate assumptions, as well as revisions based on plan experience studies, total pension expense in 2017 is anticipated to be approximately $80 million lower than in 2016 due non-recurring curtailment charge of $80 million in 2016. A reduction of the expected return on pension assets assumption by one quarter of a percentage point would result in an estimated $15 million increase in the 2017 pension expense, while a quarter of a percentage point reduction in the discount rate applied to the pension liability would result in an estimated $2 million reduction of pension expense in 2017.

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, including in respect of sites related to alleged activities of certain Rexam subsidiaries. The company believes the matters identified will not have a material adverse effect upon the liquidity, results of operations or financial condition of the company. Details of the company’s legal proceedings are included in Note 22 to the consolidated financial statements within Item 8 of this annual report.

FORWARD-LOOKING STATEMENTS

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

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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.

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 2017.

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 would result in an estimated $7 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 would result in an estimated $12 million after-tax reduction of net earnings over a one-year period. A hypothetical 10 percent increase in diesel fuel prices would result in a less than $1 million after-tax reduction of net earnings over the same period. Actual results may vary based on actual changes in market prices and rates.

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 minimize 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, 2016, 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, 2016, assumed floating rate debt levels throughout the next 12 months and the effects of derivative instruments, a 100-basis point increase in interest rates would result in an estimated $10 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, 2016, and the various currency exposures, a hypothetical 10 percent reduction (U.S. dollar strengthening, mainly against the Russian ruble) in currency exchange rates compared to the U.S. dollar would result in an estimated $14 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 $209 million and increase our forecasted cross currency swap value by $116 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 the related reporting period. The company entered into total return swaps to reduce the company's earnings exposure to these fair value fluctuations that will be outstanding until March 2017 and August 2017 and that have a combined notional value of 1.3 million shares. Based on current levels in the program, each $1 change in the company's stock price has an impact, net of derivatives utilized, of $1 million on pretax earnings.

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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, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to designing and maintaining effective controls over the accuracy and completeness of the accounting for income taxes related to the sale of the Divestment Business and certain discrete income tax benefits related to the acquisition of Rexam existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management’s Report on Internal Control Over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2016 consolidated financial statements, and our opinion regarding the effectiveness of the Company’s internal control over financial reporting does not affect our opinion on those consolidated financial statements. 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 referred to above. 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.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded the retained portion of the Rexam business from its assessment of internal control over financial reporting as of December 31, 2016 because it was acquired by the Company in a purchase business combination in 2016. We have also excluded the retained portion of Rexam from our audit of internal control over financial reporting. The retained portion of Rexam

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is a wholly owned subsidiary whose total assets and total net sales represent 30 percent and 25 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016.

/s/ PricewaterhouseCoopers LLP

Denver, Colorado

March 2, 2017

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Consolidated Statements of Earnings

Ball Corporation

	Years Ended December 31,		
($ in millions, except per share amounts)	2016	2015	2014
Net sales	$ 9,061	$ 7,997	$ 8,570
Costs and expenses			
Cost of sales (excluding depreciation and amortization)	(7,296)	(6,460)	(6,903)
Depreciation and amortization	(453)	(286)	(281)
Selling, general and administrative	(512)	(450)	(466)
Business consolidation and other activities	(337)	(195)	(81)
	(8,598)	(7,391)	(7,731)
Earnings before interest and taxes	463	606	839
Interest expense	(229)	(143)	(160)
Debt refinancing and other costs	(109)	(117)	(33)
Total interest expense	(338)	(260)	(193)
Earnings before taxes	125	346	646
Tax (provision) benefit	126	(47)	(150)
Equity in results of affiliates, net of tax	15	4	2
Net earnings	266	303	498
Less net earnings attributable to noncontrolling interests	(3)	(22)	(28)
Net earnings attributable to Ball Corporation	$ 263	$ 281	$ 470
Earnings per share:			
Basic	$ 1.66	$ 2.05	$ 3.39
Diluted	$ 1.63	$ 1.99	$ 3.30
Weighted average shares outstanding (000s):			
Basic	158,271	137,300	138,508
Diluted	161,442	140,984	142,430
Cash dividends declared and paid, per share	$ 0.52	$ 0.52	$ 0.52

The accompanying notes are an integral part of the consolidated financial statements.

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Consolidated Statements of Comprehensive Earnings (Loss)

Ball Corporation

($ in millions)	Years Ended December 31, 2016	2015	2014
Net earnings	$ 266	$ 303	$ 498
Other comprehensive earnings (loss):			
Foreign currency translation adjustment	(160)	(166)	(200)
Pension and other postretirement benefits	(178)	78	(177)
Effective financial derivatives	9	(9)	31
Total other comprehensive earnings (loss)	(329)	(97)	(346)
Income tax (provision) benefit	27	(21)	73
Total other comprehensive earnings (loss), net of tax	(302)	(118)	(273)
Total comprehensive earnings (loss)	(36)	185	225
Less comprehensive (earnings) loss attributable to noncontrolling interests	(2)	(22)	(27)
Comprehensive earnings (loss) attributable to Ball Corporation	$ (38)	$ 163	$ 198

The accompanying notes are an integral part of the consolidated financial statements.

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Consolidated Balance Sheets

Ball Corporation

($ in millions)	December 31, 2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 597	$ 224
Receivables, net	1,491	885
Inventories, net	1,413	898
Other current assets	152	177
Total current assets	3,653	2,184
Noncurrent assets		
Property, plant and equipment, net	4,387	2,686
Goodwill	5,095	2,177
Intangible assets, net	1,934	195
Restricted cash	—	2,154
Other assets	1,104	301
Total assets	$ 16,173	$ 9,697
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt and current portion of long-term debt	$ 222	$ 77