BALL Corp
Form 10-Q
November 06, 2017
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2017

Commission file number 001-07349

BALL CORPORATION

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

10 Longs Peak Drive, P.O. Box 5000	80021-2510
Broomfield, CO 80021-2510	(Zip Code)

(Address of registrant's principal executive office)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

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

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

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

Class	Outstanding at October 31, 2017
Common Stock, without par value	350,055,645 shares

Table of Contents

Ball Corporation

QUARTERLY REPORT ON FORM 10-Q

For the period ended September 30, 2017

INDEX

		Page Number
PART I.		
Item 1.	Financial Statements	
	Unaudited Condensed Consolidated Statements of Earnings for the Three and Nine Months Ended September 30, 2017 and 2016	3
	Unaudited Condensed Consolidated Statements of Comprehensive Earnings (Loss) for the Three and Nine Months Ended September 30, 2017 and 2016	4
	Unaudited Condensed Consolidated Balance Sheets at September 30, 2017, and December 31, 2016	5
	Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2017 and 2016	6
	Notes to the Unaudited Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	56
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	67
Item 4.	Controls and Procedures	68
PART II.	OTHER INFORMATION	71

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

($ in millions, except per share amounts)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Net sales	$ 2,908	$ 2,752	$ 8,236	$ 6,537
Costs and expenses				
Cost of sales (excluding depreciation and amortization)	(2,338)	(2,275)	(6,583)	(5,288)
Depreciation and amortization	(162)	(147)	(539)	(299)
Selling, general and administrative	(127)	(135)	(398)	(348)
Business consolidation and other activities	(157)	(63)	(253)	(302)
	(2,784)	(2,620)	(7,773)	(6,237)
Earnings before interest and taxes	124	132	463	300
Interest expense	(74)	(80)	(216)	(159)
Debt refinancing and other costs	—	(2)	(1)	(108)
Total interest expense	(74)	(82)	(217)	(267)
Earnings before taxes	50	50	246	33
Tax (provision) benefit	(4)	(23)	(48)	174
Equity in results of affiliates, net of tax	5	7	23	6
Net earnings	51	34	221	213
Net earnings attributable to noncontrolling interests	(3)	(3)	(6)	(3)
Net earnings attributable to Ball Corporation	$ 48	$ 31	$ 215	$ 210
Earnings per share: (a)				
Basic	$ 0.14	$ 0.09	$ 0.61	$ 0.69
Diluted	$ 0.13	$ 0.09	$ 0.60	$ 0.67

Weighted average shares outstanding: (000s) (a)				
Basic	350,327	349,128	350,481	305,756
Diluted	358,556	355,404	358,492	312,176

(a) Amounts in 2016 have been retrospectively adjusted for the two-for-one stock split that was effective on May 16, 2017.

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

($ in millions)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Net earnings	$ 51	$ 34	$ 221	$ 213
Other comprehensive earnings (loss):				
Foreign currency translation adjustment	3	(17)	16	(17)
Pension and other postretirement benefits	19	5	1	68
Effective financial derivatives	(7)	(17)	9	(6)
Total other comprehensive earnings (loss)	15	(29)	26	45
Income tax (provision) benefit	(20)	5	(9)	(22)
Total other comprehensive earnings (loss), net of tax	(5)	(24)	17	23
Total comprehensive earnings	46	10	238	236
Comprehensive (earnings) loss attributable to noncontrolling interests	(4)	(3)	(7)	(3)
Comprehensive earnings (loss) attributable to Ball Corporation	$ 42	$ 7	$ 231	$ 233

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

($ in millions)	September 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 556	$ 597
Receivables, net	1,793	1,491
Inventories, net	1,433	1,413
Other current assets	148	152
Total current assets	3,930	3,653
Noncurrent assets		
Property, plant and equipment, net	4,525	4,387
Goodwill	4,908	5,095
Intangible assets, net	2,490	1,934
Other assets	1,150	1,104
Total assets	$ 17,003	$ 16,173
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt and current portion of long-term debt	$ 452	$ 222
Accounts payable	2,419	2,033
Accrued employee costs	298	315
Other current liabilities	609	399
Total current liabilities	3,778	2,969
Noncurrent liabilities		
Long-term debt	7,104	7,310
Employee benefit obligations	1,406	1,497
Deferred taxes	655	439
Other liabilities	422	417
Total liabilities	13,365	12,632
Shareholders' equity		
Common stock (670,349,807 shares issued - 2017; 668,504,350 shares issued - 2016) (a)	1,072	1,038
Retained earnings	4,863	4,739
Accumulated other comprehensive earnings (loss)	(925)	(941)
Treasury stock, at cost (320,498,748 shares - 2017; 318,774,098 shares - 2016) (a)	(1,481)	(1,401)
Total Ball Corporation shareholders' equity	3,529	3,435
Noncontrolling interests	109	106
Total shareholders' equity	3,638	3,541
Total liabilities and shareholders' equity	$ 17,003	$ 16,173

(a) Amounts in 2016 have been retrospectively adjusted for the two-for-one stock split that was effective on May 16, 2017.

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

BALL CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in millions)	Nine Months Ended September 30, 2017	2016
Cash Flows from Operating Activities		
Net earnings	$ 221	$ 213
Adjustments to reconcile net earnings to cash provided by (used in) continuing operating activities:		
Depreciation and amortization	539	299
Business consolidation and other activities	253	302
Deferred tax provision (benefit)	—	(165)
Other, net	(229)	78
Changes in working capital components, net of acquisitions and dispositions (a)	(37)	(1,160)
Cash provided by (used in) operating activities	747	(433)
Cash Flows from Investing Activities		
Capital expenditures	(404)	(398)
Business acquisitions, net of cash acquired	—	(3,379)
Business dispositions, net of cash sold	31	2,941
Decrease in restricted cash	—	1,966
Settlement of Rexam acquisition related derivatives	—	(252)
Other, net	3	2
Cash provided by (used in) investing activities	(370)	880
Cash Flows from Financing Activities		
Long-term borrowings	440	4,370
Repayments of long-term borrowings	(909)	(4,348)
Net change in short-term borrowings	220	156
Proceeds from issuances of common stock, net of shares used for taxes	18	38
Acquisitions of treasury stock	(103)	(98)
Common stock dividends	(93)	(60)
Other, net	(2)	(15)
Cash provided by (used in) financing activities	(429)	43
Effect of exchange rate changes on cash	11	(69)
Change in cash and cash equivalents	(41)	421
Cash and cash equivalents - beginning of period	597	224
Cash and cash equivalents - end of period	$ 556	$ 645

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

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation

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

Results of operations for the periods shown are not necessarily indicative of results expected for the full year, particularly in view of the seasonality in our packaging segments, the variability of contract revenues in the company's aerospace segment and the acquisition of Rexam PLC (Rexam) and divestiture of certain assets and liabilities of the combined business (the Divestment Business) on June 30, 2016. These unaudited condensed consolidated financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and the notes thereto included in the company's Annual Report on Form 10-K filed on March 2, 2017, pursuant to Section 13 of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2016 (annual report).

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

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

Revision of the Third Quarter 2016 Unaudited Condensed Consolidated Financial Statements

During the third and fourth quarters of 2016, Ball identified errors in the determination of the tax basis for the gain on the sale of the Divestment business, the release of deferred taxes related to the acquisition of Rexam for the step-up of

inventory value, the amount of gain reported on the sale of the Divestment Business, payroll taxes for compensation arrangements associated with the Rexam acquisition, and net sales and cost of sales that were recorded gross instead of net in the consolidated statement of earnings. The corrections of these errors impacted the unaudited condensed consolidated financial statements for the second and third quarters of 2016. The company assessed the applicable guidance issued by the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB) and concluded these misstatements were not material, individually or in the aggregate, to Ball's unaudited condensed consolidated financial statements for the aforementioned interim periods. Accordingly, the correction of these immaterial errors was reflected in the quarterly unaudited financial data included within our 2016 annual report. These revisions have been reflected in the comparative 2016 condensed consolidated financial statements.

The following table reconciles the amounts as previously reported in the three and nine months ended September 30, 2016, unaudited condensed consolidated financial statements to the corresponding revised amounts presented herein:

7

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

($ in millions, except per share amounts)	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
2016	As Previously Reported	Adjustments (a)	As Revised	As Previously Reported	Adjustments (a)	As Revised
Net sales	$ 2,815	$ (63)	$ 2,752	$ 6,600	$ (63)	$ 6,537
Cost of sales (excluding depreciation and amortization)	(2,338)	63	(2,275)	(5,351)	63	(5,288)
Business consolidation and other activities	(79)	16	(63)	(319)	17	(302)
Earnings before interest and taxes	116	16	132	283	17	300
Earnings before taxes	34	16	50	16	17	33
Tax (provision) benefit	(38)	15	(23)	191	(17)	174
Net earnings	3	31	34	213	—	213
Net earnings attributable to Ball Corporation	—	31	31	210	—	210
Basic earnings per share (b)	—	0.09	0.09	0.69	—	0.69
Diluted earnings per share (b)	—	0.09	0.09	0.67	—	0.67

(a) The company revised the amounts originally reported for the third quarter of 2016, for the following items:

- Reduced net sales and cost of sales (excluding depreciation and amortization) by $63 million to present net sales and cost of sales on a net basis associated with intercompany and transactions where the company is acting as an agent.
- Reversed $13 million of expense in business consolidation and other activities for payroll tax obligations associated with compensation arrangements for the Rexam acquisition that should have been accrued upon the change of control in the second quarter of 2016. The company identified this error during the third quarter of 2016 and recorded and disclosed the correction in the third quarter of 2016 as an out-of-period adjustment.
- Reversed a $3 million charge recorded to the gain on the sale of the Divestment Business in the business consolidation and other activities that was originally recorded in the third quarter of 2016. The charge was to write off an asset that was sold in the Divestment Business.
- Recorded a $16 million tax benefit associated with the release of deferred taxes related to the acquisition of Rexam for the step-up of inventory value that flowed through to cost of sales in the third quarter of 2016 and $1 million of tax expense for the tax effects of the adjustments above.

The company revised the amounts originally reported for the first nine months of 2016, for the following items:

- Reduced net sales and cost of sales (excluding depreciation and amortization) by $63 million to present net sales and cost of sales on a net basis associated with intercompany and transactions where the company is acting as an agent.
- Recorded $17 million of additional net gain on the sale of the Divestment Business in business consolidation and other activities for assets received by the buyer that should have been included in the amount owed to the company and liabilities that should have been derecognized by the company at the date of sale, as well as other insignificant items.

· Recorded $30 million of additional tax expense associated with using an incorrect tax basis for the gain on the sale of the Divestment Business, a $16 million tax benefit associated with the release of deferred taxes related to the acquisition of Rexam for the step-up of inventory value that flowed through to cost of sales in the third quarter of 2016 and $3 million of tax expense for the tax effects of the adjustments noted above.

(b) Amounts in 2016 have been retrospectively adjusted for the two-for-one stock split that was effective on May 16, 2017.

2. Accounting Pronouncements

Recently Adopted Accounting Standards

In January 2017, amendments to existing accounting guidance were issued simplifying an entity's subsequent goodwill measurement by eliminating Step 2, which requires a hypothetical purchase price allocation, from its annual or interim goodwill impairment test. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of

goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. This guidance is required to be applied prospectively on January 1, 2020, and early adoption is permitted. The company elected to early adopt this guidance effective January 1, 2017, and it did not have an impact on the company's unaudited condensed consolidated financial statements.

In March 2016, final accounting guidance was issued clarifying that the assessment of whether an embedded contingent put or call option is clearly and closely related to the debt host only requires an analysis of the four-step decision sequence outlined in the accounting standards codification. Consequently, when a contingent put or call option embedded in a debt instrument would be evaluated for possible separate accounting as a derivative instrument, the nature of the exercise contingency would be disregarded. This guidance was applied on a modified retrospective basis on January 1, 2017, and did not have an impact on the company's unaudited condensed consolidated financial statements.

In March 2016, final accounting guidance was issued eliminating the requirement to retrospectively apply the equity method in previous periods when an investor initially obtains significant influence over an investee. The new guidance requires the investor to apply the equity method prospectively from the date the investment qualifies for the equity method. The investor will add the carrying value of the existing investment to the cost of the additional investment to determine the initial cost basis of the equity method investment. This guidance was applied prospectively on January 1, 2017, and did not have a material impact on the company's unaudited condensed consolidated financial statements.

In March 2016, amendments to existing accounting guidance were issued to simplify various aspects related to how share-based payments are accounted for and presented in the consolidated financial statements. The company adopted these amendments on January 1, 2017, as discussed below, which did not have a material impact on the company's unaudited condensed consolidated financial statements.

- All excess tax benefits and tax deficiencies that were previously recognized in common stock are now recognized as income tax provisions (benefits) in the income statement as a discrete item. As required, this change was applied prospectively for settlements occurring after the adoption of the guidance on January 1, 2017.
- Any prior period excess tax benefits that did not reduce taxes payable in the period in which they arose were required to be recorded on a modified retrospective basis, with a cumulative effect adjustment to opening retained earnings. However, the company was able to reduce taxes payable for all previous excess tax benefits and, therefore, was not required to record a cumulative effect adjustment.
- The company elected to use a prospective approach to report all tax-related cash flows resulting from share-based payments as operating activities on the statement of cash flows and, therefore, no adjustments were made to prior

periods. Previously, excess tax benefits were reported as part of financing activities.

- The company elected to account for forfeitures as they occur. No cumulative effect adjustment was required as the amount calculated was immaterial.

In March 2016, accounting guidance was issued regarding the effect of derivative contract novations on existing hedge accounting relationships. The amendments clarify that a change in the counterparty to a derivative instrument designated as a hedging instrument does not in and of itself require dedesignation of that hedging relationship, provided that all other hedge accounting criteria continue to be met. The guidance was applied prospectively on January 1, 2017, and it did not have a material impact on the company's unaudited condensed consolidated financial statements.

New Accounting Guidance

In August 2017, amendments to existing derivative and hedge accounting guidance were issued to simplify existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. The amendments will more closely align the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. This guidance will be effective for annual reporting periods beginning after December 15, 2018, and early adoption is permitted. The company

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

is currently evaluating the new guidance, with intentions to early adopt in the fourth quarter of 2017. The company does not expect the amendments to have a material impact on its unaudited condensed consolidated financial statements.

In May 2017, amendments to existing accounting guidance were issued to provide clarity and reduce diversity in practice, cost and complexity when applying guidance in Topic 718, Stock Compensation, regarding modifications to the terms or conditions of a share-based payment award. The amendments specify that all changes to the terms and conditions of a share-based payment award will require an entity to apply modification accounting in Topic 718, unless all of the following are met: (1) the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified, (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified and (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. This guidance will be effective for annual reporting periods beginning on January 1, 2018, and early adoption is permitted. The company does not expect the amendments to have a material impact on its consolidated financial statements, and the company has not elected to early adopt this new accounting standard.

In March 2017, amendments to existing accounting guidance were issued to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost, which requires employers to report the service cost component in the same line item as other compensation costs arising from services rendered by the associated employees during the period. The other components of net periodic pension and benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendments also permit only the service cost component of net benefit cost to be eligible for capitalization. This guidance is required to be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively for the capitalization of the service cost component. Employers can elect a practical expedient that permits use of the amounts disclosed in its pension footnote for prior comparative periods as the estimation basis for applying the retrospective presentation requirements. The guidance is effective for Ball on January 1, 2018, and early adoption is permitted. The company has not elected to early adopt the new standard and is currently assessing the impact this guidance will have on its consolidated financial statements.

In February 2017, amendments to existing accounting guidance were issued to clarify the scope of ASC Subtopic 610-20, Other Income–Gains and Losses from the Derecognition of Nonfinancial Assets and to add guidance for partial sales of nonfinancial assets. The guidance requires that all entities account for the derecognition of a business in accordance with ASC 810, including instances in which the business is considered to be in substance real estate. This guidance is required to be applied on January 1, 2018, using a full retrospective approach or a modified retrospective approach and early adoption is permitted. The company has not elected to early adopt the new standard

and is currently assessing the impact that the adoption of this new guidance will have on its consolidated financial statements.

In January 2017, amendments to existing accounting guidance were issued to further clarify the definition of a business in determining whether or not a company has acquired or sold a business. The amendments provide a screen to determine when an integrated set of assets and activities (collectively referred to as a "set") is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. If the screen is not met, the amendments in this update (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. The amendments also narrow the definition of the term "output" so that the term is consistent with how outputs are described in Topic 606. The guidance is required to be applied prospectively for Ball on January 1, 2018, and early adoption is permitted. The company has not elected to early adopt the new standard and does not expect these amendments to have a material impact on its consolidated financial statements.

In November 2016, accounting guidance was issued that will require the statement of cash flows to explain the change in the total of cash, cash equivalents and restricted cash or restricted cash equivalents. In addition, restricted cash and restricted cash equivalents will need to be included in a cash reconciliation of beginning-of-period and end-of-period

total amounts shown on the statement of cash flows. This guidance is required to be applied retrospectively on January 1, 2018. The company expects there to be a material impact on its 2016 and 2015 statements of cash flows due to approximately $2 billion of cash received from the issuance of senior notes in December 2015 that the company elected to restrict in an acquisition escrow account. In July 2016, the funds in the escrow account were used to pay a portion of the cash component of the acquisition price of Rexam. The impacts on the company's 2017 statement of cash flows are not expected to be material.

In October 2016, amendments to existing accounting guidance were issued that will require entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, as opposed to when the asset is sold to an unrelated third party. The amendments also eliminate the exception for an intra-entity transfer of an asset other than inventory. This guidance is required to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings on January 1, 2018. The company is currently assessing the impact that the adoption of this new guidance will have on its consolidated financial statements.

In August 2016, accounting guidance was issued addressing the following eight specific cash flow issues:

- Debt prepayment or debt extinguishment costs
- Settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing
- Contingent consideration payments made after a business combination
- Proceeds from the settlement of insurance claims
- Proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies)
- Distributions received from equity method investees
- Beneficial interests in securitization transactions
- Separately identifiable cash flows and application of the predominance principle

This guidance is required to be applied retrospectively on January 1, 2018, and the company does not expect the guidance to have a material impact on its consolidated financial statements.

In June 2016, amendments requiring financial assets or a group of financial assets measured at amortized cost basis to be presented at the net amount expected to be collected when finalized. The allowance for credit losses is a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at

the amount expected to be collected on the financial asset. This guidance affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. The guidance will be effective on January 1, 2020. The company is currently assessing the impact that the adoption of this new guidance will have on its consolidated financial statements.

In February 2016, lease accounting guidance was issued which, for operating leases, will require a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on its balance sheet. The guidance also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis. The guidance will be effective for Ball on January 1, 2019. The company is currently assessing the impact the adoption of this standard will have on its consolidated financial statements and it is expected that a material amount of lease assets and liabilities will be recorded on its consolidated balance sheet.

In January 2016, accounting guidance was issued on the classification and measurement of financial assets and liabilities (equity securities and financial liabilities) under the fair value option and the presentation and disclosure requirements for financial instruments. The guidance modifies how entities measure equity investments and present changes in the fair value of financial liabilities. Under the new guidance, entities will have to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any related changes in fair value in net income unless the investments qualify for the new practicality exception. An exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value under the guidance and, as such, these investments may be measured at cost. The guidance will be

Table of Contents

effective on January 1, 2018. The company does not expect the guidance to have a material impact on its consolidated financial statements.

New Revenue Guidance

In May 2014, the FASB and International Accounting Standards Board jointly issued new revenue recognition guidance which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The new guidance contains a more robust framework for addressing revenue issues and is intended to remove inconsistencies in existing guidance and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB approved the deferral of the effective date of the new revenue recognition guidance by one year. The new standard is now effective for annual reporting periods beginning after December 15, 2017.

In March 2016, the principal versus agent guidance within the new revenue recognition standard was amended to clarify how an entity should identify the unit of accounting for the principal versus agent evaluation. The new standard requires an entity to determine whether it is a principal or an agent in a transaction in which another party is involved in providing goods or services to a customer by evaluating the nature of its promise to the customer. An entity is a principal and records revenue on a gross basis if it controls the promised good or service before transferring the good or service to the customer. An entity is an agent and records as revenue the net amount it retains for its agency services if its role is to arrange for another entity to provide the goods or services.

In May 2016, narrow scope amendments and practical expedients were issued to clarify the new revenue recognition standard. The amendments clarify the collectability criterion of the revenue standard wherein an entity is allowed to recognize revenue in the amount of consideration received when the following criteria are met: the entity has transferred control of the goods or services, the entity has stopped transferring goods or services, or has no obligation under the contract to transfer additional goods or services and the consideration received from the customer is nonrefundable. The amendments also clarify the following: the fair value of noncash consideration should be measured at contract inception when determining the transaction price, allows an entity to make an accounting policy election to exclude from the transaction price certain types of taxes collected from a customer when the company discloses that policy, for contracts to be considered completed at transition, all (or substantially all) of the revenue must have been recognized under legacy U.S. GAAP, and a practical expedient is provided in which an entity can avoid having to evaluate the effects of each contract modification from contract inception through the beginning of the earliest period presented when accounting for contracts that were modified prior to adoption under both the full and modified retrospective transition approach.

In December 2016, technical corrections and improvements were issued on a variety of topics within the new revenue recognition standard. The corrections represent minor corrections or improvements and are not expected to have a

significant impact on accounting practices. The amendments clarify the following: guarantee fees within the scope of Topic 460 are not within the scope of Topic 606, impairment testing for capitalized contract costs should consider both expected contract renewals and extensions and unrecognized consideration already received along with expected future consideration, the sequence of impairment testing for assets within the scope of different topics, allowance of an accounting policy election to determine the provision for losses at the performance obligation level instead of the contract level, exclude all topics within Topic 944 from the scope of Topic 606, allow exemptions from the disclosures of remaining performance obligations, disclosure of prior-period performance obligations pertains to all performance obligations and is not limited to those with corresponding contract balances, and better aligns accounting guidance and examples within the guidance.

The new guidance will be effective for Ball on January 1, 2018, and will supersede the current revenue recognition guidance, including industry-specific guidance. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. We currently anticipate adopting the standard on January 1, 2018, using the modified retrospective method.

We established a cross-functional implementation team, which includes representatives from all of our business segments. We utilized a bottoms-up approach to analyze the impact of the new standard on our contracts with customers

Table of Contents

by reviewing our current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard to revenues arising from such contracts. In addition, we are in the process of identifying the appropriate changes to our business processes, systems and controls to support recognition and disclosure under the standard upon adoption.

We believe the most significant impact will be in the way we account for revenue in our global metal beverage packaging segments and, to a lesser extent, in our food and aerosol packaging segment. We currently recognize revenue from many of our contracts in these segments when the four established criteria of revenue recognition under the current guidance have been met, generally occurring upon shipment or delivery of goods. Under the new guidance we expect to recognize revenue from many of these contracts over time, which will accelerate the timing of revenue recognition from these arrangements, such that some portion of revenue will be recognized prior to shipment or delivery of goods. In addition to accelerating the timing of recording revenue, we expect corresponding decreases in inventories with an offsetting increase to unbilled receivables to the extent the amounts have not yet been invoiced to the customer.

Relative to the aerospace segment, at this time we do not expect the implementation of the new standard to materially impact the manner in which we currently recognize revenue as the standard supports the recognition of revenue over time under the “cost-to-cost” method, which is consistent with the current revenue recognition model utilized for the majority of our contracts in this segment. We expect revenue arising from the majority of our contracts to continue to be recognized over time because of the continuous transfer of control to the customer. However, due to the complexity of most of our aerospace contracts, the actual revenue recognition treatment required under the new standard will be dependent on contract-specific terms and may vary in some instances from recognition over time.

During the remainder of 2017, Ball will continue to design and implement changes to processes, systems and internal controls to be in a position to report under the new accounting standard upon adoption in the first quarter of 2018.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

3. Business Segment Information

Ball's operations are organized and reviewed by management along its product lines and geographical areas and presented in the five reportable segments outlined below:

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

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

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

Food and aerosol packaging: Consists of operations in the U.S., Europe, Canada, Mexico, Argentina and India that manufacture and sell steel food and aerosol containers, extruded aluminum aerosol containers and aluminum slugs.

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

Other consists of non-reportable segments in Africa, Middle East and Asia (AMEA) and Asia Pacific that manufacture and sell metal beverage containers, undistributed corporate expenses, intercompany eliminations and other business activities.

The accounting policies of the segments are the same as those in the consolidated financial statements and are discussed in Note 1. The company also has investments in operations in Guatemala, Panama, South Korea, the U.S. and Vietnam that are accounted for under the equity method of accounting and, accordingly, those results are not

included in segment sales or earnings.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

Summary of Business by Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2017	2016	2017	2016
Net sales				
Beverage packaging, North and Central America	$ 1,080	$ 1,076	$ 3,180	$ 2,653
Beverage packaging, South America	425	318	1,145	577
Beverage packaging, Europe	651	624	1,824	1,459
Food and aerosol packaging	321	329	867	911
Aerospace	241	204	734	577
Reportable segment sales	2,718	2,551	7,750	6,177
Other	190	201	486	360
Net sales	$ 2,908	$ 2,752	$ 8,236	$ 6,537
Comparable operating earnings				
Beverage packaging, North and Central America	$ 121	$ 145	$ 400	$ 356
Beverage packaging, South America	78	60	205	100
Beverage packaging, Europe	74	72	184	184
Food and aerosol packaging	30	31	76	84
Aerospace	23	24	70	61
Reportable segment comparable operating earnings	326	332	935	785
Reconciling items				
Other (a)	(13)	(21)	(65)	(67)
Business consolidation and other activities	(157)	(63)	(253)	(302)
Amortization of acquired Rexam intangibles	(37)	(33)	(120)	(33)
Catch-up depreciation and amortization for 2016 from finalization of Rexam valuation	5	—	(34)	—
Cost of sales associated with Rexam inventory step-up	—	(83)	—	(83)
Earnings before interest and taxes	124	132	463	300
Interest expense	(74)	(80)	(216)	(159)
Debt refinancing and other costs	—	(2)	(1)	(108)
Total interest expense	(74)	(82)	(217)	(267)
Earnings before taxes	50	50	246	33
Tax (provision) benefit	(4)	(23)	(48)	174
Equity in results of affiliates, net of tax	5	7	23	6
Net earnings	51	34	221	213
Net earnings attributable to noncontrolling interests	(3)	(3)	(6)	(3)
Net earnings attributable to Ball Corporation	$ 48	$ 31	$ 215	$ 210

(a) Includes undistributed corporate expenses, net, of $29 million and $43 million for the third quarter of 2017 and 2016, respectively, and $106 million and $78 million for the first nine months of 2017 and 2016, respectively.

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

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

4. Acquisitions and Dispositions

Rexam

On June 30, 2016, Ball acquired 100 percent of the outstanding shares of Rexam PLC (Rexam), a U.K. based beverage container manufacturer, for the purchase price of £2.9 billion ($3.8 billion) in cash, and 64.5 million treasury shares of Ball Corporation common stock (valued at $35.70 per share, as adjusted for the two-for-one stock split, for a total share consideration of $2.3 billion). Additionally, the company recorded $24 million of consideration for stock-based compensation. 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 satisfaction of other customary closing conditions. In order to satisfy certain regulatory requirements, the company was required to sell a portion of Ball's existing beverage packaging business and select beverage can assets of the Divestment Business. The sale of the Divestment Business to Ardagh Group S.A. (Ardagh) was completed concurrently 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. The sale agreement with Ardagh in respect of the Divestment Business contains customary representations, warranties, covenants and provisions allocating liabilities, as well as indemnification obligations to and from Ardagh, pursuant to which claims may be made when applicable. A pretax gain on sale of $330 million was recorded within business consolidation and other activities and is subject to finalization of working capital and other items. The company also entered into a supply agreement with Ardagh to manufacture and sell can ends to the Divestment Business in Brazil in exchange for proceeds of $103 million.

As a condition of the sale of the Divestment Business to Ardagh, the company guaranteed a minimum volume of sales for the Divestment Business in 2017, whereby the company was required to pay Ardagh up to $75 million based upon any shortfall of 2017 sales relative to an agreed-upon minimum threshold. During the third quarter of 2017, and pending regulatory approval, the company entered into an agreement with Ardagh to settle all remaining assets, liabilities and other items in the sale of the Divestment Business and concurrently obtained Ardagh's agreement to the removal of the company's guarantees of Ardagh's 2017 sales volumes and any related penalties that could result. Regulatory approval of these agreements was obtained during the fourth quarter of 2017 and, as a result, the company will recognize additional pretax income from the sale of the Divestment Business in the fourth quarter of 2017 of approximately $60 million.

In connection with the sale of the Divestment Business to Ardagh on June 30, 2016, the company provided indemnifications for the uncertain tax positions of the Divestment Business sold to Ardagh. These indemnifications were accounted for as guarantees and the company initially recognized a liability equal to the fair value of the indemnities. There are no limitations on the maximum potential future payments the company could be obligated to make and, based on the nature of the indemnified items, the company is unable to reasonably estimate its potential exposure under these items.

During the first nine months of 2017, the company recorded $34 million in business consolidation and other activities for an increase in the estimated amount of the claims covered by indemnifications for tax matters provided to the buyer in relation to the Divestment Business. The estimated value of the claims under these indemnities is $57 million at September 30, 2017, and the liabilities have been recorded in other current liabilities.

The portion of the Divestment Business composed of Ball's legacy beverage packaging businesses had earnings before taxes as shown below. These earnings before taxes may not be indicative of the earnings before taxes that would be generated by these components of the Divestment Business in future periods. Additionally, due to complexities associated with how Ball's legacy beverage packaging businesses included in the Divestment Business were integrated

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

into Ball Corporation in historical periods, these earnings before taxes may not be indicative of the earnings before taxes of these Divestment Business components had they been operated as a stand-alone business or businesses:

($ in millions)	Nine Months Ended September 30, 2016
Earnings before taxes	$ 104
Earnings before taxes attributable to Ball Corporation	104

The Rexam portion of the Divestment Business is not included in the table above as the financial information is not included in Ball's historical results.

A total of 54 manufacturing facilities were acquired from Rexam, including 17 in North America, 20 in Europe, 12 in South America and five in the AMEA region. A total of 22 manufacturing facilities were sold as part of the Divestment Business, including 12 Ball facilities and 10 Rexam facilities. Of these 22 facilities, eight are located in North America, 12 are located in Europe and two are located in Brazil. The company had a total of 75 beverage manufacturing facilities and joint ventures after the completion of the Rexam acquisition and sale of the Divestment Business.

This acquisition aligns with Ball's Drive for 10 vision, including the company's long-standing capital allocation strategy and EVA philosophy. The combination created the world's largest supplier of beverage containers allowing the company to better serve its customers with its enhanced geographic footprint and innovative product offerings. In particular, Ball expects the acquisition to continue to deliver long-term shareholder value through optimizing global sourcing, reducing general and administrative expenses, sharing best practices to improve production efficiencies and leveraging its footprint to lower freight, logistics and warehousing costs. In addition, further value can continue to be created through balance sheet improvements with a focus on working capital and inventory management and sustainability priorities as a result of the larger plant network.

The acquisition was accounted for as a business combination and its results of operations have been included in the company's consolidated statements of earnings and cash flows from the date of acquisition. In total, pretax charges of

$216 million have been incurred for transaction costs associated with the acquisition which, in accordance with current accounting guidance, were expensed as incurred. The transaction costs are included in the business consolidation and other activities line of the unaudited condensed consolidated statement of earnings.

In connection with the acquisition, Ball assumed Rexam debt of approximately $2.8 billion of which approximately $2.7 billion was extinguished during July and August 2016. The proceeds from the sale of the Divestment Business were partially used to extinguish the assumed Rexam debt.

During the second quarter of 2017, the company finalized the allocation of the purchase price for the Rexam acquisition. The measurement period adjustments to the acquisition fair values and useful lives for acquired identifiable intangible assets and fixed assets were due to the refinement of our valuation models, assumptions and inputs. The updated assumptions and inputs incorporated additional information obtained subsequent to the closing of the transaction related to facts and circumstances that existed as of the acquisition date. The final purchase price allocation changes during the second quarter of 2017 included an increase of $590 million in the value of intangible assets, an increase of $31 million in the value of investments in affiliates and a decrease of $384 million in the value of goodwill. Long-term deferred tax liabilities also increased by $221 million primarily due to the tax effect of these changes to the final purchase price allocation.

The cumulative impacts of all adjustments have been reflected in the unaudited condensed consolidated financial statements as of the six months ended June 30, 2017, which are summarized in the table below:

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

($ in millions)	June 30, 2016
Cash	$ 450
Receivables, net	778
Inventories, net	782
Other current assets	165
Assets held for sale (sold to Ardagh on June 30, 2016)	911
Total current assets	3,086
Property, plant and equipment	2,301
Goodwill	3,415
Intangible assets	2,478
Restricted cash	174
Other assets	490
Total assets acquired	11,944
Short-term debt and current portion of long-term debt	2,792
Accounts payable	858
Accrued employee costs	135
Liabilities held for sale (sold to Ardagh on June 30, 2016)	7
Other current liabilities	373
Total current liabilities	4,165
Long-term debt	28
Employee benefit obligations	508
Deferred taxes and other liabilities	993
Total liabilities assumed	5,694
Net assets acquired	6,250
Noncontrolling interests	(90)
Aggregate value of consideration paid	$ 6,160

The following table details the identifiable intangible assets acquired, their fair values and estimated useful lives:

($ in millions)	Fair Value

		Weighted-Average Estimated Useful Life (in Years)
Customer relationships	$ 2,437	17
Trademarks	41	3
	$ 2,478	

Because the acquisition of Rexam was a stock purchase, neither the goodwill nor the intangible assets acquired are deductible under local country corporate tax laws but will generally be deductible in computing earnings and profits for U.S. tax purposes.

The following unaudited pro forma consolidated results of operations (pro forma information) have been prepared as if the acquisition of Rexam and sale of the Divestment Business had occurred as of January 1, 2015. The pro forma information combines the historical results of Ball and Rexam. The pro forma results are not necessarily indicative of the

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

actual results that would have occurred had the acquisition been in effect for the periods presented, nor are they necessarily indicative of the results that may be obtained in the future.

($ in millions, except per share amounts)	Nine Months Ended September 30, 2016
Net sales (1)	$ 7,931
Net earnings attributable to Ball Corporation (2)	187
Basic earnings per share	0.54
Diluted earnings per share	0.53

(1) Net sales were adjusted to include net sales of Rexam. The company also excluded the net sales attributable to the Divestment Business.

(2) Pro forma adjustments to net earnings attributable to Ball Corporation were adjusted as follows:

- Excludes acquisition-related transaction costs and debt refinancing costs incurred in the first nine months of 2016.
- Includes interest expense associated with the new debt utilized to finance the acquisition.
- Includes depreciation and amortization expense based on the increased fair value of property, plant and equipment and amortizable intangible assets acquired.
- Excludes net earnings attributable to the Divestment Business for the first six months of 2016.
- Excludes the gain on sale of the Divestment Business for the first nine months of 2016.

All of these pro forma adjustments were adjusted for the applicable income tax impacts. Ball has applied enacted statutory tax rates in the U.K. during the period indicated above. Ball used a tax rate of 20 percent to calculate the financing and acquisition adjustments for the nine months ended September 30, 2016; however, the tax impact on acquisition-related transaction costs already incurred was recorded at a U.S. statutory rate of approximately 37 percent as these transaction costs were incurred in the U.S. These rates may not be reflective of Ball’s effective tax rate for future periods after consummation of the acquisition and sale of the Divestment Business.

Food and Aerosol Paint and General Line Plant

In March 2017, the company sold its paint and general line can manufacturing facility in Hubbard, Ohio, for approximately $32 million in cash and recorded a $15 million gain on the sale.

Wavefront Technologies (Wavefront)

In January 2016, the company acquired Wavefront located in Annapolis Junction, Maryland, for total cash consideration of $36 million, net of cash acquired. Wavefront provides systems and network engineering, software development software and analytical services for cyber and mission-focused programs to the U.S. government and commercial industry. The financial results of Wavefront have been included in our aerospace segment from the date of acquisition. The acquisition is not material to the company.

Food and Aerosol Specialty Tin Business

In October 2016, the company sold its specialty tin manufacturing facility in Baltimore, Maryland, for approximately $24 million in cash and recorded a $9 million gain on the sale.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

5. Business Consolidation and Other Activities

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2017	2016	2017	2016
Beverage packaging, North and Central America	$ (34)	$ (6)	$ (45)	$ (12)
Beverage packaging, South America	(4)	(6)	(4)	(15)
Beverage packaging, Europe	(62)	(10)	(69)	(19)
Food and aerosol packaging	(2)	(4)	7	(21)
Other	(55)	(37)	(142)	(235)
	$ (157)	$ (63)	$ (253)	$ (302)

2017

Beverage Packaging, North and Central America

During the third quarter of 2017, the company announced the closure of its beverage can manufacturing facilities in Chatsworth, California, and Longview, Texas, and its beverage end manufacturing facility in Birmingham, Alabama. The Birmingham and Longview plants are currently expected to cease production by the end of the second quarter of 2018, and the Chatsworth plant is currently expected to cease production by the end of the third quarter of 2018. During the third quarter, the company recorded charges of $29 million for employee severance and benefits and $4 million for facility shutdown costs, asset impairment, accelerated depreciation and other costs related to the closures. The majority of these charges are expected to be paid during the remainder of 2017 and by the end of the third quarter of 2018.

In December 2016, the company announced the closure of its beverage packaging facility in Reidsville, North Carolina, which ceased production during the second quarter of 2017. During the first nine months of 2017, the

company recorded charges of $7 million for employee severance and benefits, facility shutdown costs, asset impairment, accelerated depreciation and other costs related to the closure of its Reidsville, North Carolina, plant.

Other charges in the third quarter and first nine months of 2017 included $1 million and $5 million, respectively, of individually insignificant activities.

Beverage Packaging, South America

Charges in the third quarter and first nine months of 2017 included $4 million and $4 million, respectively, for individually insignificant activities.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

Beverage Packaging, Europe

During the first quarter of 2017, the company announced its intent to close its beverage packaging facility in Recklinghausen, Germany, which ceased production on July 31, 2017. During the third quarter of 2017, the company recorded charges of $55 million for employee severance and benefits and $7 million for facility shutdown costs, asset impairment, accelerated depreciation and other costs. The company expects to incur approximately $30 million of additional expense related to the closure. The majority of these charges are expected to be paid during the remainder of 2017 and by the end of 2018.

During the first nine months of 2017, the company recorded charges of $2 million for professional services and other costs associated with the acquisition of Rexam.

Other charges in the first nine months of 2017 included $5 million for individually insignificant activities.

Food and Aerosol Packaging

During the third quarter and first nine months of 2017, the company recorded charges of $1 million and $6 million, respectively, for facility shutdown costs and accelerated depreciation for the closure of its Weirton, West Virginia, plant which ceased production during the first quarter of 2017.

In March 2017, the company sold its food and aerosol packaging paint and general line can plant in Hubbard, Ohio, and recorded a gain on sale of $15 million.

Other charges in the third quarter and first nine months of 2017 included $1 million and $2 million, respectively, for individually insignificant activities.

Other

During the third quarter of 2017, the company recorded the following amounts:

- A settlement loss of $41 million primarily related to the purchase of non-participating group annuity contracts to settle a portion of the projected pension benefit obligations in certain Ball U.S. defined benefit pension plans which triggered settlement accounting. The settlement loss primarily represented a pro rata portion of the aggregate unamortized actuarial loss in these pension plans.
- Expense of $5 million for long-term incentive and other compensation arrangements associated with the Rexam acquisition.
- Expense of $2 million for professional services and other costs associated with the acquisition of Rexam.
- Expense of $7 million for individually insignificant activities.

During the first nine months of 2017, the company recorded the following amounts:

- A settlement loss of $41 million primarily related to the purchase of non-participating group annuity contracts to settle a portion of the projected pension benefit obligations in certain Ball U.S. defined benefit pension plans which triggered settlement accounting. The settlement loss primarily represented a pro rata portion of the aggregate unamortized actuarial loss in these pension plans.
- Expense of $34 million for the estimated amount of claims covered by the indemnification for certain tax matters provided to the buyer in the sale of the Divestment Business.
- Expense of $22 million for long-term incentive and other compensation arrangements associated with the Rexam acquisition.
- A $14 million reduction in the gain recognized in connection with the sale of the Ball portion of the Divestment Business.
- Expense of $12 million for professional services and other costs associated with the acquisition of Rexam.
- Expense of $19 million for individually insignificant activities.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

2016

Beverage Packaging, North and Central America

During the third quarter and first nine months of 2016, the company recorded charges of $2 million and $3 million, respectively, for professional services and other costs associated with the acquisition of Rexam.

During the third quarter and first nine months of 2016, the company recorded charges of $3 million and $4 million, respectively, related to the plant closure in Bristol, Virginia.

Other charges in the third quarter and first nine months of 2016 included $1 million and $5 million, respectively, of individually insignificant activities.

Beverage Packaging, South America

During the third quarter and first nine months of 2016, the company recorded charges of $2 million and $11 million, respectively, for professional services and other costs associated with the acquisition of Rexam.

Other charges in the third quarter and first nine months of 2016 included $4 million of individually insignificant activities.

Beverage Packaging, Europe

During the first nine months of 2016, the company recorded charges of $7 million for professional services and other costs associated with the acquisition of Rexam.

Other charges in the third quarter and first nine months of 2016 included $10 million and $12 million, respectively, of individually insignificant activities.

Food and Aerosol Packaging

During the third quarter and first nine months of 2016, the company recorded charges of $3 million and $14 million, respectively, for employee severance and benefits, facility shutdown costs and asset impairment and disposal costs for the closure of its Weirton, West Virginia, plant.

Other charges in the third quarter and first nine months of 2016, included $1 million and $7 million, respectively, of individually insignificant activities.

Other

During the third quarter of 2016, the company recorded the following amounts:

- Expense of $22 million for compensation arrangements related to the Rexam acquisition primarily for severance payments to terminated or divested personnel.
- Expense of $33 million for professional services and other costs associated with the acquisition of Rexam.
- Foreign currency gains of $22 million from the revaluation of foreign currency denominated restricted cash and intercompany loans related to the cash component of the Rexam acquisition purchase price, the sale of the Divestment Business and the revaluation of the euro-denominated debt issuance in December 2015.
- Expense of $4 million for individually insignificant activities.

During the first nine months of 2016, the company recorded the following charges:

- A gain of $344 million in connection with the sale of the Ball portion of the Divestment Business.
- Expense of $289 million for professional services and other costs associated with the acquisition of Rexam.

Table of Contents

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

- Foreign currency losses of $174 million from the revaluation of foreign currency denominated restricted cash and intercompany loans related to the cash component of the Rexam acquisition purchase price, the sale of the Divestment Business, and the revaluation of the euro-denominated debt issuance in December 2015.
- Expense of $106 million for compensation arrangements related to the Rexam acquisition.
- Expense of $10 million for individually insignificant activities.

Following is a summary by segment for the restructuring liabilities recorded in connection with business consolidation activities:

($ in millions)	Beverage Packaging, North & Central America	Beverage Packaging, South America	Beverage Packaging, Europe	Food & Aerosol Packaging	Other	Total
Balance at December 31, 2016	$ 8	$ —	$ 4	$ 6	$ 2	$ 20
Charges in earnings	18	2	55	7	1	83
Cash payments and other activity	(6)	—	(13)	(12)	(2)	(33)
Balance at September 30, 2017	$ 20	$ 2	$ 46	$ 1	$ 1	$ 70

6. Receivables

($ in millions)	September 30, 2017	December 31, 2016
Trade accounts receivable	$ 1,435	$ 1,169
Less allowance for doubtful accounts	(10)	(11)
Net trade accounts receivable	1,425	1,158
Other receivables	368	333
	$ 1,793	$ 1,491

The company has entered into several regional committed and uncommitted accounts receivable factoring programs with various financial institutions for certain receivables of the company. The programs are accounted for as true sales of the receivables, without recourse to Ball, and had combined limits of approximately $1 billion at September 30, 2017. A total of $646 million and $596 million were sold under such programs as of September 30, 2017, and December 31, 2016, respectively.

7. Inventories

September
30,