

BALL CORP  
Form 10-K  
February 28, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2010

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 1-7349

Ball Corporation

State of Indiana 35-0160610  
10 Longs Peak Drive, P.O. Box 5000  
Broomfield, Colorado 80021-2510

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<br>on which registered      |
|---------------------------------|---|
| Common Stock, without par value | New York Stock Exchange<br>Chicago Stock Exchange |

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

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

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 [X]

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

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

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. [ ]

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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 ☐

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 \$4.93 billion based upon the closing market price and common shares outstanding as of June 27, 2010.

Number of shares outstanding as of the latest practicable date.

| Class                           | Outstanding at February 6, 2011 |
|---------------------------------|---------------------------------|
| Common Stock, without par value | 169,198,602                     |

DOCUMENTS INCORPORATED BY REFERENCE

1. Proxy statement to be filed with the Commission within 120 days after December 31, 2010, to the extent indicated in Part III.

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Ball Corporation and Subsidiaries  
ANNUAL REPORT ON FORM 10-K  
For the year ended December 31, 2010

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## PART I

### Item 1. Business

Ball Corporation and its consolidated subsidiaries (Ball, we, the company or our) is one of the world's leading suppliers of metal packaging to the beverage, food and household products industries. Our packaging products are produced for a variety of end uses and are manufactured in plants around the world. We also supply aerospace and other technologies and services to governmental and commercial customers within our aerospace and technologies segment. In 2010 our total consolidated net sales were \$7.6 billion. Our packaging businesses are responsible for 91 percent of our net sales, with the remaining 9 percent contributed by our aerospace business.

Our largest product lines are aluminum and steel beverage containers, which accounted for 73 percent of our 2010 total net sales and 82 percent of our 2010 total earnings before interest and taxes. We also produce steel food containers and steel aerosol containers for beverages and foods, as well as steel paint cans, decorative steel tins and aluminum slugs.

We sell our packaging products primarily to major beverage, food and household products companies with which we have developed long-term customer relationships. This is evidenced by our high customer retention and our large number of long-term supply contracts. We sell a majority of our packaging products to relatively few major companies in North America, Europe, the People's Republic of China (PRC), Brazil and Argentina, as do our equity joint ventures in the U.S. and the PRC.

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

We are headquartered in Broomfield, Colorado. Our stock is traded on the New York Stock Exchange and the Chicago Stock Exchange under the ticker symbol BLL.

#### Our Strategy

Our overall business strategy is to grow our worldwide beverage can business, to leverage our food and household products packaging business, to grow our aerospace business and to utilize free cash flow and earnings growth to increase shareholder value.

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

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

The cash generated by our businesses is used primarily: (1) to finance the company's operations, (2) to fund stock buy-back programs and dividend payments, (3) to fund strategic capital investments and (4) to service the company's debt. We will, when we believe it will benefit the company and our shareholders, make strategic acquisitions or divest parts of our company.

The compensation of many of our employees is tied directly to the company's performance through our EVA® incentive programs. When the company performs well, our employees are paid more. If the company does not perform well, our employees get paid less or no incentive compensation.

## Our Reporting Segments

Since June 2010, with the announced sale of the company's plastics packaging, Americas, business, Ball Corporation has had four reportable segments. After aggregating the metal beverage packaging, Americas and Asia, segments based on similar economic and qualitative characteristics, the four reportable segments are: (1) metal beverage packaging, Americas and Asia; (2) metal beverage packaging, Europe; (3) metal food and household products packaging, Americas; and (4) aerospace and technologies. Ball also has investments in companies in the U.S. and the PRC, which are accounted for using the equity method of accounting and, accordingly, those results are not included in segment sales or earnings. We previously accounted for our investment in a Brazilian joint venture using the equity method of accounting. However, during August 2010, Ball acquired an additional economic interest in the joint venture and its results since the acquisition date are consolidated and included in the metal beverage packaging, Americas and Asia, segment.

Profitability is sensitive to selling prices, production volumes, labor, transportation, utility and warehousing costs, as well as the availability and price of raw materials, such as aluminum, tinplate steel and other direct materials. These raw materials are generally available from several sources, and we have secured what we consider to be adequate supplies and are not experiencing any shortages. There has been significant consolidation of raw material suppliers in both North America and in Europe over the past several years. Raw materials and energy sources, such as natural gas and electricity, may from time to time be in short supply or unavailable due to external factors. We cannot predict the timing or effects, if any, of such occurrences on future operations.

### Metal Beverage Packaging, Americas and Asia, Segment

Metal beverage packaging, Americas and Asia, is Ball's largest segment, accounting for 51 percent of consolidated net sales in 2010. Metal beverage containers are primarily sold under multi-year supply contracts to fillers of carbonated soft drinks, beer, energy drinks and other beverages.

#### Americas

In August 2010, the company acquired an additional 10.1 percent economic interest in its Brazilian metal beverage packaging joint venture, Latapack-Ball Embalagens Ltda. (Latapack-Ball), through a transaction with the joint venture partner, Latapack S.A. This transaction increased the company's overall economic interest in the joint venture to 60.1 percent and resulted in Ball becoming the primary beneficiary of the entity and, consequently, consolidating the joint venture.

Metal beverage containers are produced at 17 manufacturing facilities in the U.S., one in Canada and two in Brazil. Can ends are produced within four of the U.S. facilities, including two facilities that manufacture only can ends, and one facility in Brazil. Additionally, Rocky Mountain Metal Container, LLC, a 50-percent investment owned by Ball and MillerCoors, LLC, operates metal beverage container and can end manufacturing facilities in Golden, Colorado.

Where growth is projected in certain markets or for certain products, Ball is undertaking selected capacity increases in its existing facilities and may establish or obtain additional manufacturing capacity to the extent required by the growth of any of the markets we serve. In January 2011, we announced that we will close our Torrance, California, plant; relocate a line from the Torrance plant to our Whitby, Ontario, plant and expand specialty can production in our Fort Worth, Texas, plant. In February 2011, we announced plans to construct a new metal beverage container manufacturing plant in northeast Brazil, which is one of the fastest growing regions of the country. The new plant will be located in Alagoinhas and is expected to start up in early 2012. The output from the first line has been contracted under a long-term agreement.



According to publicly available information and company estimates, the combined U.S., Canadian and Brazilian metal beverage container markets represent more than 117 billion units. Five companies manufacture substantially all of the metal beverage containers in the U.S. and Canada and three companies manufacture substantially all such containers in Brazil. Two of these producers and three other independent producers also manufacture metal beverage containers in Mexico. Ball produced in excess of 43 billion recyclable beverage containers in the U.S., Canada and Brazil in 2010 – about 37 percent of the aggregate production for those markets. Sales volumes of metal beverage containers in North America tend to be highest during the period from April through September while in Brazil, sales volumes tend to be highest from September through December. All of the beverage cans produced by Ball in the U.S., Canada and Brazil are made of aluminum, as are almost all beverage cans produced by our competitors in those countries. In 2010 we were able to recover substantially all aluminum-related cost increases levied by sheet producers through either financial or contractual means. In the Americas segment, five aluminum suppliers provide virtually all of our requirements.

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

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

#### Asia

The metal beverage container market in the PRC is approximately 15 billion containers, of which Ball's operations represent an estimated 31 percent. Our percentage of the industry makes us one of the largest manufacturers of metal beverage containers in the PRC. Eight other manufacturers account for the remainder of the production. Our operations include the manufacture of aluminum cans and ends in four plants in the PRC, as well as in a joint venture. We also manufacture and sell high-density plastic containers in two PRC plants primarily servicing the motor oil industry.

In June 2010, the company acquired Guangdong Jianlibao Group Co., Ltd's 65 percent interest in a joint venture metal beverage can and end plant in Sanshui (Foshan), PRC. Ball had owned 35 percent of the joint venture plant since 1992. Ball acquired the 65 percent interest for \$86.9 million in cash (net of cash acquired) and assumed debt, and also entered into a long-term beverage can supply agreement with Jianlibao and one of its affiliates.

#### Metal Beverage Packaging, Europe, Segment

The European metal beverage container market, excluding Russia, is approximately 51 billion containers, and Ball Packaging Europe is the second largest producer with an estimated 32 percent of European shipments. While the European market is highly regional in terms of sales growth rates and packaging mix, it is showing signs of general improvement and is expected to return to historical growth trends following the impacts of the global economic downturn. In Germany over the past year, two discounters relisted beverage cans on their shelves, continuing the redevelopment of the German beverage can market. During 2010 the company decided not to place into operations a plant in Lublin, Poland, and will instead install the can line originally intended for Lublin in its Belgrade, Serbia, plant.

Sales volumes of metal beverage containers in Europe tend to be highest during the period from May through August with a smaller increase in demand leading up to the winter holiday season in the United Kingdom. As in North America, 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 mineral water industries.

The metal beverage packaging, Europe, segment, which accounted for 22 percent of Ball's consolidated net sales in 2010, supplies two-piece metal beverage containers and ends for producers of carbonated soft drinks, beer, mineral water, fruit juices, energy drinks and other beverages. The European operations consist of 12 plants – 10 beverage container plants and two beverage end plants – of which four are located in Germany, three in the United Kingdom, two in France and one each in the Netherlands, Poland and Serbia. In addition, Ball Packaging Europe is currently renting additional space on the premises of a supplier in Haslach, Germany, in order to produce the Ball Resealable End (BRE). The European plants produced approximately 16 billion cans in 2010, with approximately

58 percent of those being produced from aluminum and 42 percent from steel. Six of the container plants use aluminum and four use steel.

In January 2011, Ball completed the acquisition of Aerocan S.A.S. (Aerocan), a leading European supplier of aluminum aerosol containers, for €222.4 million (approximately \$300 million) in cash and assumed debt. Aerocan manufactures aluminum aerosol containers, and the aluminum slugs used to make them, for customers in the personal care, pharmaceutical, beverage and food industries. It operates three aerosol container manufacturing plants – one each in the Czech Republic, France and the United Kingdom – and is a 51 percent owner of a joint venture aluminum slug plant in France. The four plants employ approximately 560 people. The acquisition of Aerocan allows Ball to enter a growing part of the metal packaging industry and to broaden the company's market development efforts into a new customer base.

European raw material supply contracts are generally for a period of one year, although Ball Packaging Europe has negotiated some longer term agreements. In Europe three steel suppliers and four aluminum suppliers provide approximately 95 percent of our requirements. Aluminum is traded primarily in U.S. dollars, while the functional currencies of Ball Packaging Europe and its subsidiaries are non-U.S. dollars. The company generally tries to minimize the resulting foreign exchange rate risk using derivative and supply contracts in local currencies. In addition, purchase and sales contracts generally include fixed price, floating and pass-through pricing arrangements.

#### Metal Food & Household Products Packaging, Americas, Segment

The metal food and household products packaging, Americas, segment, accounted for 18 percent of consolidated net sales in 2010. 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 decorative specialty containers and aluminum slugs. There are a total of 15 plants in the U.S. and Canada that produce these products. In addition, the company manufactures and sells aerosol containers in two plants in Argentina.

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 2010 shipments of more than 5 billion steel food containers to be approximately 18 percent of total U.S. and Canadian metal food container shipments. We estimate our aerosol business accounts for approximately 49 percent of total annual U.S. and Canadian steel aerosol shipments. We are the leading supplier of aluminum slugs in the U.S. and Canada and estimate our percentage of total industry shipments to be approximately 98 percent.

Competitors in the metal food container product line include two national and a small number of regional suppliers and self manufacturers. Several producers in Mexico also manufacture steel food containers. Competition in the U.S. steel aerosol container market primarily includes three other national suppliers. Steel containers also compete with other packaging materials in the food and household products industry including glass, aluminum, plastic, paper and the stand-up pouch. As a result, profitability for this product line is dependent on price, cost reduction, service and quality. In North America, two steel suppliers provide nearly 65 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. In 2010 we were able to pass through the majority of steel cost increases levied by producers.

Cost containment is crucial to maintaining profitability in the food and aerosol container manufacturing industries and Ball is focused on doing so. Toward that end, in September 2010, Ball announced the closure of its metal food container manufacturing plant in Richmond, British Columbia; and during 2008 and 2009, Ball closed its aerosol container manufacturing plants in Tallapoosa, Georgia, and Commerce, California. The two aerosol plant closures resulted in a net reduction in manufacturing capacity of 10 production lines, including the relocation of two high-speed aerosol lines to other existing Ball facilities, and allowed us to supply customers from a more consolidated asset base.

#### Aerospace and Technologies Segment

Ball's aerospace and technologies segment, which accounted for 9 percent of consolidated net sales in 2010, includes national defense hardware; antenna and video component technologies; civil and operational space hardware; and systems engineering services. The segment develops spacecraft, sensors and instruments, radio frequency systems and other advanced technologies for the civil, commercial and national security aerospace markets. The majority of the

aerospace and technologies business involves work under contracts, generally from one to five years in duration, as a prime contractor or subcontractor for the U.S. Department of Defense (DoD), the National Aeronautics and Space Administration (NASA) and other U.S. government agencies. Contracts funded by the various agencies of the federal government represented 96 percent of segment sales in 2010.

Geopolitical events, and shifting executive and legislative branch priorities have resulted in an increase in opportunities over the past decade in areas matching our aerospace and technologies segment's core capabilities in space hardware. In 2010, we have seen an increase in space hardware orders, our traditional strength, combined with continued growth in opportunities related to our information services and tactical components. Uncertainties in the federal government budgeting process could delay the funding, or even result in cancellation of certain programs currently in our reported backlog. The businesses include hardware, software and services sold primarily to U.S. customers, with emphasis on space science and exploration, environmental and Earth sciences, and defense and intelligence applications. Major contractual 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 and technologies segment provides diversified technical services and products to government agencies, prime contractors and commercial organizations for a broad range of information warfare, electronic warfare, avionics, intelligence, training and space systems needs.

Backlog in the aerospace and technologies segment was \$989 million and \$518 million at December 31, 2010 and 2009, respectively, and consisted of the aggregate contract value of firm orders, excluding amounts previously recognized as revenue. The increase in backlog is primarily due to the previously announced awards of the WorldView-3 and Joint Polar Satellite System (JPSS) contracts. The 2010 backlog includes \$521 million expected to be recognized in revenues during 2011, with the remainder expected to be recognized in revenues thereafter. Unfunded amounts included in backlog for certain firm government orders, which are subject to annual funding, were \$620 million and \$261 million at December 31, 2010 and 2009, respectively. Year-over-year comparisons of backlog are not necessarily indicative of the trend of future operations.

#### Discontinued Operations – Plastic Packaging, Americas

In August 2010, we completed the sale of our plastics packaging business and received gross proceeds of \$280 million. This amount included \$15 million of contingent consideration recognized at closing but did not include preliminary closing adjustments totaling \$18.5 million paid in the fourth quarter. The sale of our plastics packaging business included five U.S. plants that manufactured polyethylene terephthalate (PET) bottles and preforms and polypropylene bottles, as well as associated customer contracts and other related assets and liabilities.

Our plastics business employed approximately 1,000 people and had manufacturing plants located in Ames, Iowa; Batavia, Illinois; Bellevue, Ohio; Chino, California; and Delran, New Jersey. The research and development operations were based in Broomfield and Westminster, Colorado.

#### Patents

In the opinion of the company, none of its active patents is essential to the successful operation of its business as a whole.

#### 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 R&D efforts in these segments seek to improve manufacturing efficiencies and the overall sustainability of our products. Our North American packaging R&D activities are primarily conducted in the Ball Technology & Innovation Center (BTIC) located in Westminster, Colorado. The European R&D activities are primarily conducted in a technical center located in Bonn, Germany.

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

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

## Sustainability and the Environment

Throughout our company's history, we have focused on our economic, social and environmental sustainability in all aspects of our businesses. We continue to make progress on the sustainability goals stated in our second sustainability report issued in June 2010.

Key issues for our company include reducing our use of electricity and natural gas; reducing waste and increasing recycling at our facilities; analyzing and reducing our water consumption; reducing our existing volatile organic compounds; and further improving safety performance in our facilities.

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The 2009 recycling rate in the U.S. for aluminum cans was 57 percent, the highest recycling rate for any beverage container. The 2009 U.S. recycling rate for steel cans was 66 percent. According to the most recently published data in North America, the aluminum can sheet we buy contains an average of 68 percent total recycled content and the average total recycled content for steel sheet is 33 percent.

Recycling rates vary throughout Europe but average around 63 percent for aluminum containers and 70 percent for steel containers, which exceeds the European Union's goal of 50 percent recycling for metals. Due in part to the intrinsic value of aluminum and steel, metal packaging recycling rates in Europe compare favorably to those of other packaging materials. Ball's European operations help establish and financially support recycling initiatives in growing markets, such as Poland and Serbia, to educate consumers about the benefits of recycling aluminum and steel containers and to increase recycling rates. We have initiated a similar program in the PRC to educate consumers in that market regarding the benefits of recycling.

Compliance with federal, state and local laws relating to protection of the environment has not had a material adverse effect upon the capital expenditures, earnings or competitive position of the company. As more fully described in Note 21 to the consolidated financial statements within Item 8 of this Annual Report on Form 10-K, the U.S. Environmental Protection Agency and various state environmental agencies have designated the company as a potentially responsible party, along with numerous other companies, for the cleanup of several hazardous waste sites. However, the company's information at this time indicates that these matters will not have a material adverse effect upon the liquidity, results of operations or financial condition of the company.

Legislation that would prohibit, tax or restrict the sale or use of certain types of containers, or would require diversion of solid wastes, including packaging materials, from disposal in landfills, has been or may be introduced anywhere we operate. While deposit systems and other container-related legislation has been adopted in some jurisdictions, similar legislation has been defeated in public referenda and legislative bodies in many others. The company anticipates that continuing efforts will be made to consider and adopt such legislation in the future. If such legislation were widely adopted, it could potentially have a material adverse effect on the business of the company, including its liquidity, results of operations or financial condition, as well as on the packaging industry generally, in view of the company's substantial global sales and investment in metal container manufacturing. However, the packages we produce are widely used and perform well in U.S. states, Canadian provinces and European countries that have deposit systems.

#### Employee Relations

At the end of 2010, the company and its subsidiaries employed approximately 8,900 employees in the U.S. and 5,100 in other countries. Further 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](http://www.sec.gov) containing our reports, proxy materials and other items. The company also maintains a website at [www.ball.com](http://www.ball.com) on which it provides a link to access Ball's SEC reports free of charge.

The company has established written Ball Corporation Corporate Governance Guidelines; a Ball Corporation Executive Officers and Board of Directors Business Ethics Statement; a Business Ethics booklet; and Ball Corporation



Audit Committee, Nominating/Corporate Governance Committee, Human Resources Committee and Finance Committee charters. These documents are set forth on the company's website at [www.ball.com](http://www.ball.com) on the "Corporate" page, under the section "Investors," under the subsection "Financial Information," and under the link "Corporate Governance." A copy may also be obtained upon request from the company's corporate secretary.

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](http://www.ball.com) under the "Corporate" page, section "Investors," under the subsection "Financial Information," and 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.

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

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

There can be no assurance that the company's business acquisitions will be successfully integrated into the acquiring company. (See Note 3 to the consolidated financial statements within Item 8 of this report for details of acquisitions made during the three years ended December 31, 2010, as well as Note 23 for an acquisition completed in January 2011.)

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

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

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

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

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

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

agreements with these customers.

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

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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, service and quality, and in the aerospace industry are technical capability, cost and schedule. Some of our competitors may have greater financial, technical and marketing resources, and some may currently have significant excess capacity. Our current or potential competitors may offer products at a lower price or products that are deemed superior to ours. The global economic environment has resulted in reductions in demand for our products in some instances, which, in turn, could increase these competitive pressures.

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

Our metal packaging products are subject to significant competition from substitute products, particularly plastic carbonated soft drink bottles made from PET, single serve beer bottles and other food and beverage containers made of glass, cardboard or other materials. Competition from plastic carbonated soft drink bottles is particularly intense in the U.S., the United Kingdom 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.

For the 12 months ended December 31, 2010, 73 percent of our consolidated net sales were from the sale of metal beverage containers, and we expect to derive a significant portion of our future revenues and cash flows from the sale of metal beverage containers. Our business would suffer if the use of metal beverage containers decreased. Accordingly, broad acceptance by consumers of aluminum and steel containers for a wide variety of beverages is critical to our future success. If demand for glass and PET bottles increases relative to metal containers, or 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 and provincial laws and regulations. Each of our, and their, plants is subject to federal, state, provincial and local licensing and regulation by health, environmental, workplace safety and other agencies in multiple jurisdictions. Requirements of governmental authorities with respect to manufacturing, manufacturing plant locations within the jurisdiction, product content and safety, climate change, workplace safety and health, environmental, expropriation of assets and other standards could adversely affect our ability to manufacture or sell our products, and the ability of our customers and suppliers to manufacture and sell their products. In addition, we face risks arising from compliance with and enforcement of increasingly numerous and complex federal, state and provincial laws and regulations.

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

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

We derived approximately 32 percent of our consolidated net sales from outside of the U.S. for the year ended December 31, 2010. This sizeable scope of international operations 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 in foreign markets;
- foreign governments' restrictive trade policies;
- the imposition of duties, taxes or government royalties;
- foreign 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, some of which are also present in the U.S., could materially adversely affect our business, financial condition or results of operations.

We are exposed to exchange rate fluctuations.

Our reporting currency is the U.S. dollar. Historically, a portion of Ball's operations, including assets and liabilities and revenues and expenses, have been denominated in various currencies other than the U.S. dollar, and we expect such operations will continue to be so denominated. As a result, the U.S. dollar value of these operations has varied, and will continue to vary, with exchange rate fluctuations. Ball has been, and is presently, primarily exposed to fluctuations in the exchange rate of the euro, British pound, Canadian dollar, Polish zloty, Chinese renminbi and the Brazilian real. We are also exposed, to a lesser extent, to fluctuations in the Argentine peso, Serbian dinar and Czech koruna.

A decrease in the value of any of these currencies compared to the U.S. dollar, could reduce our profits from these operations and the value of their net assets when reported in U.S. dollars in our financial statements. This could have a material adverse effect on our business, financial condition or results of operations as reported in U.S. dollars. In addition, fluctuations in currencies relative to currencies in which the earnings are generated may make it more difficult to perform period-to-period comparisons of our reported results of operations.

We manage our exposure to currency fluctuations, particularly our exposure to fluctuations in the euro to U.S. dollar exchange rate, in order 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 planning could make it difficult for us to manage our business and meet our objectives.

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

Our success depends partially on our ability to improve production processes and services. We must also introduce new products and services to meet changing customer needs. If we are unable to implement better production processes or to develop new products, 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.