WEIGHT WATCHERS INTERNATIONAL INC
Form 10-Q
May 09, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 30, 2013

OR

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

For the transition period from to

Commission File Number: 001-16769

WEIGHT WATCHERS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Virginia	**11-6040273**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

675 Avenue of the Americas, 6th Floor, New York, New York 10010

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: (212) 589-2700

11 Madison Avenue, 17th Floor, New York, New York 10010

(Former name, former address and former fiscal year, if changed since last report)

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 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 x No ¨

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

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

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

The number of shares of common stock outstanding as of April 30, 2013 was 55,893,058.

WEIGHT WATCHERS INTERNATIONAL, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS AT

(IN THOUSANDS)

	March 30, 2013	December 29, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 121,381	$ 70,215
Receivables, net	42,318	37,363
Inventories, net	44,290	46,846
Prepaid income taxes	8,260	6,087
Deferred income taxes	21,813	21,757
Prepaid expenses and other current assets	35,749	35,699
TOTAL CURRENT ASSETS	273,811	217,967
Property and equipment, net	81,979	71,768
Franchise rights acquired	816,289	787,007
Goodwill	63,469	59,414
Trademarks and other intangible assets, net	51,079	52,480
Deferred financing costs, net	24,786	26,571
Other noncurrent assets	3,307	3,400
TOTAL ASSETS	$ 1,314,720	$ 1,218,607
LIABILITIES AND TOTAL DEFICIT		
CURRENT LIABILITIES		
Portion of long-term debt due within one year	$ 204,197	$ 114,695
Accounts payable	54,696	49,349
Dividend payable	10,059	289
Derivative payable	10,828	13,871
Accrued liabilities	171,944	182,222
Income taxes payable	18,992	1,268
Deferred revenue	115,580	86,161
TOTAL CURRENT LIABILITIES	586,296	447,855
Long-term debt	2,195,824	2,291,669
Deferred income taxes	137,074	129,431
Other	16,239	15,111
TOTAL LIABILITIES	2,935,433	2,884,066
TOTAL DEFICIT		

Common stock, $0 par value; 1,000,000 shares authorized; 111,988 shares issued	0	0
Treasury stock, at cost, 56,097 shares at March 30, 2013 and 56,234 shares at December 29, 2012	(3,276,802)	(3,281,831)
Retained earnings	1,641,666	1,603,513
Accumulated other comprehensive income	14,423	12,859
TOTAL DEFICIT	(1,620,713)	(1,665,459)
TOTAL LIABILITIES AND TOTAL DEFICIT	$ 1,314,720	$ 1,218,607

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

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF NET INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended	
	March 30, 2013	**March 31, 2012**
Meeting fees, net	$ 235,995	$ 252,508
Product sales and other, net	110,174	124,082
Internet revenues	140,759	126,945
Revenues, net	486,928	503,535
Cost of meetings, products and other	188,021	199,444
Cost of Internet revenues	18,757	15,726
Cost of revenues	206,778	215,170
Gross profit	280,150	288,365
Marketing expenses	118,914	130,318
Selling, general and administrative expenses	58,117	55,273
Operating income	103,119	102,774
Interest expense	22,550	13,167
Other expense (income), net	1,296	(509)
Early extinguishment of debt	0	1,328
Income before income taxes	79,273	88,788
Provision for income taxes	30,520	34,183
Net income	$ 48,753	$ 54,605
Earnings per share		
Basic	$ 0.87	$ 0.74
Diluted	$ 0.87	$ 0.74
Weighted average common shares outstanding		
Basic	55,801	73,343
Diluted	56,245	74,164
Dividends declared per common share	$ 0.18	$ 0.18

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

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(IN THOUSANDS)

	Three Months Ended	
	March 30, 2013	March 31, 2012
Net income	$ 48,753	$ 54,605
Other comprehensive income:		
Foreign currency translation adjustments, net of tax of $(10) and $(237), respectively	(33)	212
Current period changes in fair value of derivatives, net of tax of $(1,021) and $(1,152), respectively	1,597	1,802
Total other comprehensive income	1,564	2,014
Comprehensive income	$ 50,317	$ 56,619

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

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	Three Months Ended	
	March 30, 2013	March 31, 2012
Operating activities:		
Net income	$ 48,753	$ 54,605
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	10,486	8,639
Amortization of deferred financing costs	1,783	1,360
Share-based compensation expense	2,008	1,987
Deferred tax provision	6,719	8,278
Allowance for doubtful accounts	4	250
Reserve for inventory obsolescence, other	2,374	2,725
Foreign currency exchange rate loss/(gain)	1,380	(766)
Loss on disposal of assets	0	348
Loss on investment	0	253
Early extinguishment of debt	0	1,328
Changes in cash due to:		
Receivables	(5,536)	2,213
Inventories	190	6,004
Prepaid expenses	(2,939)	4,445
Accounts payable	5,856	(11,663)
UK self-employment liability	(7,272)	(30,018)
Accrued liabilities	3,711	5,571
Deferred revenue	30,214	36,481
Income taxes	17,432	12,719
Cash provided by operating activities	115,163	104,759
Investing activities:		
Capital expenditures	(17,915)	(16,329)
Capitalized software expenditures	(5,292)	(4,607)
Cash paid for acquisitions	(35,000)	0
Other items, net	34	(46)
Cash used for investing activities	(58,173)	(20,982)
Financing activities:		
Proceeds from new term loans	0	726,000
Payments on long-term debt	(6,343)	(27,012)
Payment of dividends	(4)	(13,012)
Payments to acquire treasury stock	0	(724,316)
Deferred financing costs	0	(24,810)
Proceeds from stock options exercised	2,590	8,049
Tax benefit of restricted stock units vested and stock options exercised	657	2,289

Cash used for financing activities	(3,100)	(52,812)
Effect of exchange rate changes on cash and cash equivalents and other	(2,724)	(52)
Net increase in cash and cash equivalents	51,166	30,913
Cash and cash equivalents, beginning of period	70,215	53,199
Cash and cash equivalents, end of period	$ 121,381	$ 84,112

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. Basis of Presentation

The accompanying consolidated financial statements include the accounts of Weight Watchers International, Inc. and all of its subsidiaries. The term Company as used throughout these notes is used to indicate Weight Watchers International, Inc. and all of its businesses consolidated for purposes of its financial statements. The term WWI as used throughout these notes is used to indicate Weight Watchers International, Inc. and all of the Company s businesses other than WW.com. The term WW.com as used throughout these notes is used to indicate WeightWatchers.com, Inc. and all of the Company s Internet-based businesses.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and include amounts that are based on management s best estimates and judgments. While all available information has been considered, actual amounts could differ from those estimates. The consolidated financial statements are unaudited but, in the opinion of management, reflect all adjustments including those of a normal recurring nature necessary for a fair statement of the interim results presented.

These statements should be read in conjunction with the Company s Annual Report on Form 10-K for fiscal 2012, which includes additional information about the Company, its results of operations, its financial position and its cash flows.

2. Summary of Significant Accounting Policies

Recently Issued Accounting Pronouncements:

In February 2013, the Financial Accounting Standards Board (the FASB) issued updated guidance on the reporting of amounts reclassified out of accumulated other comprehensive income. This guidance requires companies to present either parenthetically on the face of the financial statements or in the notes, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. An entity would not need to show the income statement line item affected for certain components that are not required to be reclassified in their entirety to net income. This guidance is effective for annual periods, and interim periods within those periods, beginning after December 15, 2012. The Company adopted the provisions of this guidance in the first quarter of fiscal 2013, and such adoption did not affect the consolidated financial position, results of operations or cash flows of the Company.

Reclassification:

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

Revisions:

As disclosed in the Company s Annual Report on Form 10-K for fiscal 2012, prior to fiscal year ended December 29, 2012, the Company had included certain amounts due from third-party credit card companies within accounts receivable and other amounts within cash. The consolidated statement of cash flows for the fiscal period ended March 31, 2012 has been corrected to consistently include all such amounts within cash. The effect of the revision on the previously reported amounts was to reduce cash provided by operating activities by $1,229 and increase cash and cash equivalents beginning of period by $5,730. Separately, the Company identified a correction in the statement of cash flows for the fiscal period ended March 31, 2012 as it relates to foreign currency activity, resulting in a reclassification between accrued liabilities and effect of exchange rate changes on cash and cash equivalents and other in the amount of $4,766, which reduced cash provided by operating activities by a corresponding amount. These adjustments were not considered to be material individually or in the aggregate to previously issued financial statements. However, because of the significance of these adjustments, the Company revised its consolidated statement of cash flows for the fiscal period ended March 31, 2012. These revisions had no impact on the consolidated balance sheets, consolidated statements of income or consolidated statements of comprehensive income for the period.

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

For a discussion of the Company s other significant accounting policies, see Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements of the Company s Annual Report on Form 10-K for fiscal 2012.

3. Acquisitions of Franchisees

The acquisitions of franchisees have been accounted for under the purchase method of accounting and, accordingly, earnings of acquired franchisees have been included in the consolidated operating results of the Company since the applicable date of acquisition. During the first quarter of fiscal 2013 and the third and fourth quarters of fiscal 2012, the Company acquired certain assets of its franchisees as outlined below.

On March 4, 2013, the Company acquired substantially all of the assets of its Alberta and Saskatchewan, Canada franchisees, Weight Watchers of Alberta Ltd. and Weight Watchers of Saskatchewan Ltd., for an aggregate purchase price of $35,000. The total purchase price has been preliminarily allocated to franchise rights acquired ($30,545), goodwill ($4,175), customer relationship value ($473), inventory ($218), fixed assets ($182) and prepaid expenses ($3) offset by deferred revenue of $596.

On September 10, 2012, the Company acquired substantially all of the assets of its Southeastern Ontario and Ottawa, Canada franchisee, Slengora Limited, for a net purchase price of $16,755 plus assumed liabilities of $245. The total purchase price has been allocated to franchise rights acquired ($9,871), goodwill ($6,779), customer relationship value ($180), fixed assets ($81), inventory ($66) and prepaid expenses ($23).

On November 2, 2012, the Company acquired substantially all of the assets of its Adirondacks franchisee, Weight Watchers of the Adirondacks, Inc., for a purchase price of $3,400. The total purchase price has been allocated to franchise rights acquired ($2,216), goodwill ($1,156), customer relationship value ($37), inventory ($29) and prepaid expenses ($10) offset by deferred revenue of $48.

On December 20, 2012, the Company acquired substantially all of the assets of its Memphis, Tennessee franchisee, Weight Watchers of the Mid-South, Inc., for a purchase price of $10,000. The total purchase price has been allocated to franchise rights acquired ($8,396), goodwill ($1,461), customer relationship value ($209), inventory ($35), receivables ($9) and fixed assets ($4) offset by deferred revenue of $114.

The acquisitions resulted in goodwill related to, among other things, expected synergies in operations. The Company expects that the majority of goodwill recorded in connection with the above acquisitions will be deductible for tax purposes. The effect of these franchise acquisitions was not material to the Company s consolidated financial position, results of operations, or operating cash flows in the periods presented.

4. Franchise Rights Acquired, Goodwill and Other Intangible Assets

Franchise rights acquired are due to acquisitions of the Company s franchised territories. The franchise rights acquired allocated to the WW.com reporting segment relate to the acquisition of franchise promotion agreements associated with the acquired franchise territories. For the three months ended March 30, 2013, the change in the carrying value of franchise rights acquired is due to the Company s acquisition of its Alberta and Saskatchewan, Canada franchisees and the effect of exchange rate changes as follows:

	WWI Segment	WW.com Segment	Total
Balance as of December 29, 2012	$ 777,826	$ 9,181	$ 787,007

Franchise rights acquired during the quarter	12,926	17,619	30,545
Effect of exchange rate changes	(1,249)	(14)	(1,263)
Balance as of March 30, 2013	$ 789,503	$ 26,786	$ 816,289

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Goodwill is due to the acquisition of the Company by H.J. Heinz Company (Heinz) in 1978, the acquisition of WW.com in 2005 and the acquisitions of the Company s franchised territories. For the three months ended March 30, 2013, the change in the carrying amount of goodwill is due to the Company s acquisition of its Alberta and Saskatchewan, Canada franchisees and the effect of exchange rate changes, as follows:

	WWI Segment	WW.com Segment	Total
Balance as of December 29, 2012	$ 28,721	$ 30,693	$ 59,414
Goodwill acquired during the quarter	1,791	2,384	4,175
Effect of exchange rate changes	(67)	(53)	(120)
Balance as of March 30, 2013	$ 30,445	$ 33,024	$ 63,469

Aggregate amortization expense for finite-lived intangible assets was recorded in the amounts of $5,817 and $4,329 for the three months ended March 30, 2013 and March 31, 2012, respectively.

The carrying amount of finite-lived intangible assets as of March 30, 2013 and December 29, 2012 was as follows:

	March 30, 2013		December 29, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Capitalized software costs	$ 87,544	$ 56,867	$ 86,857	$ 54,134
Trademarks	10,421	9,705	10,342	9,615
Website development costs	60,034	40,678	57,042	38,357
Other	7,035	6,705	7,034	6,689
	$ 165,034	$ 113,955	$ 161,275	$ 108,795

Estimated amortization expense of existing finite-lived intangible assets for the next five fiscal years is as follows:

Remainder of fiscal 2013	$ 15,771
Fiscal 2014	$ 18,015
Fiscal 2015	$ 11,773
Fiscal 2016	$ 3,608
Fiscal 2017	$ 811

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

5. Long-Term Debt

The components of the Company s long-term debt are as follows:

	March 30, 2013		December 29, 2012	
	Balance	Effective Rate	Balance	Effective Rate
Revolver A-1 due June 30, 2014	$ 17,210	3.22%	$ 6,374	3.12%
Revolver A-2 due March 15, 2017	63,790	2.97%	23,626	2.56%
Term A-1 Loan due January 26, 2013	0	1.56%	38,226	1.53%
Term B Loan due January 26, 2014	129,101	1.81%	129,445	1.90%
Term C Loan due June 30, 2015	112,205	2.56%	113,808	2.72%
Term D Loan due June 30, 2016	117,915	2.56%	118,217	2.77%
Term E Loan due March 15, 2017	1,139,848	2.51%	1,154,651	2.53%
Term F Loan due March 15, 2019	819,952	4.00%	822,017	3.92%
Total Debt	2,400,021	3.00%	2,406,364	2.91%
Less Current Portion	204,197		114,695	
Total Long-Term Debt	$ 2,195,824		$ 2,291,669	

The Company s credit facilities at the end of the first quarter of fiscal 2013 consisted of the following term loan facilities and revolving credit facilities: a tranche A-1 loan (Term A-1 Loan), a tranche B loan (Term B Loan), a tranche C loan (Term C Loan), a tranche D loan (Term D Loan), a tranche E loan (Term E Loan), a tranche F loan (Term F Loan), revolving credit facility A-1 (Revolver A-1) and revolving credit facility A-2 (Revolver A-2).

After the end of the Company s first fiscal quarter of fiscal 2013, on April 2, 2013, the Company refinanced its credit facilities pursuant to a Credit Agreement (the New Credit Agreement) among the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and an issuing bank, The Bank of Nova Scotia, as revolving agent, swingline lender and an issuing bank, and the other parties thereto. The New Credit Agreement provides for (a) a revolving credit facility (including swing line loans and letters of credit) in an initial aggregate principal amount of $250,000 that will mature on April 2, 2018 (the Revolving Facility), (b) an initial term B-1 loan credit facility in an aggregate principal amount of $300,000 that will mature on April 2, 2016 (the Tranche B-1 Term Facility) and (c) an initial term B-2 loan credit facility in an aggregate principal amount of $2,100,000 that will mature on April 2, 2020 (the Tranche B-2 Term Facility , and together with the Tranche B-1 Term Facility, the Term Facilities ; the Term Facilities and Revolving Facility collectively, the WWI Credit Facility). In connection with this refinancing, the Company used the proceeds from borrowings under the Term Facilities to pay off a total of $2,399,904 of outstanding loans, consisting of $128,759 of Term B Loans, $110,602 of Term C Loans, $117,612 of Term D Loans, $1,125,044 of Term E Loans, $817,887 of Term F Loans, $21,247 of loans under the Revolver A-1 and $78,753 of loans under the Revolver A-2. Following the refinancing of a total of $2,399,904 of loans, at April 2, 2013, the Company had $2,400,000 debt outstanding under the Term Facilities and $248,848 of availability under the Revolving Facility. The proceeds from borrowings under the Revolving Facility (including swing line loans and letters of credit) will be used for working capital and general corporate purposes. Borrowings under the New Credit Agreement bear interest at a rate equal to, at the Company s option, LIBOR plus an applicable margin or a base rate plus an applicable margin. Borrowings under the Tranche B-1 Term Facility initially bear interest at LIBOR plus an applicable margin of 2.75% or base rate plus an applicable margin of 1.75%. Borrowings under the Tranche B-2 Term Facility initially bear interest at LIBOR plus an applicable margin of 3.00% or base rate plus an applicable margin of 2.00%. Borrowings under the Revolving Facility initially bear interest at LIBOR or base rate plus an applicable margin which will fluctuate depending upon the Company s total leverage ratio. At the Company s total leverage ratio as of April 2, 2013, borrowings under the Revolving Facility bear

interest at LIBOR plus an applicable margin of 2.25% or base rate plus an applicable margin of 1.25%. LIBOR under the Tranche B-2 Term Facility is subject to

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

a minimum interest rate of 0.75% and the base rate under the Tranche B-2 Term Facility is subject to a minimum interest rate of 1.75%. The applicable margin relating to both of the Term Facilities will increase by 25 basis points in the event that the Company receives a corporate rating of BB- from S&P (or lower) and a corporate rating of Ba3 from Moody s (or lower). On a quarterly basis, the Company will pay a commitment fee to the lenders under the Revolving Facility in respect of unutilized commitments thereunder, which commitment fee will fluctuate depending upon the Company s total leverage ratio. At the Company s total leverage ratio as of April 2, 2013, the commitment fee will be 0.40% per annum. The Company also will pay customary letter of credit fees and fronting fees under the Revolving Facility. In connection, with this refinancing, the Company incurred fees of approximately $45,000 during the second quarter of fiscal 2013. In the second quarter of fiscal 2013, the Company expects to record a charge of $21,685 in early extinguishment of debt primarily reflecting the write-off of a portion of previously capitalized deferred financing costs.

The New Credit Agreement contains customary covenants including covenants that, in certain circumstances, restrict the Company s ability to incur additional indebtedness, pay dividends on and redeem capital stock, make other payments, including investments, sell its assets and enter into consolidations, mergers and transfers of all or substantially all of its assets. The Revolving Facility also requires the Company to maintain a specified financial ratio, but only if borrowings under the Revolving Facility exceed 20.0% of revolving commitments. The Term Facilities do not require the Company to maintain any financial ratios.

6. Treasury Stock

On February 23, 2012, the Company commenced a modified Dutch auction tender offer for up to $720,000 in value of its common stock at a purchase price not less than $72.00 and not greater than $83.00 per share (the Tender Offer). Prior to the Tender Offer, on February 14, 2012, the Company entered into an agreement (the Purchase Agreement) with Artal Holdings Sp. z o.o., Succursale de Luxembourg (Artal Holdings) whereby Artal Holdings agreed to sell to the Company, at the same price as was determined in the Tender Offer, such number of its shares of the Company s common stock that, upon the closing of this purchase after the completion of the Tender Offer, Artal Holdings percentage ownership in the outstanding shares of the Company s common stock would be substantially equal to its level prior to the Tender Offer. Artal Holdings also agreed not to participate in the Tender Offer so that it would not affect the determination of the purchase price of the shares in the Tender Offer.

The Tender Offer expired at midnight, New York time, on March 22, 2012, and on March 28, 2012 the Company repurchased 8,780 shares at a purchase price of $82.00 per share. On April 9, 2012, the Company repurchased 9,499 of Artal Holdings shares at a purchase price of $82.00 per share pursuant to the Purchase Agreement. In March 2012, the Company amended and extended the then existing credit facilities to finance these repurchases. For a discussion of the Company s amendment and extension of the then existing credit facilities, see Long-Term Debt in the Notes to Consolidated Financial Statements of the Company s Annual Report on Form 10-K for fiscal 2012.

On October 9, 2003, the Company s Board of Directors authorized and the Company announced a program to repurchase up to $250,000 of the Company s outstanding common stock. On each of June 13, 2005, May 25, 2006 and October 21, 2010, the Company s Board of Directors authorized and the Company announced adding $250,000 to the program. The repurchase program allows for shares to be purchased from time to time in the open market or through privately negotiated transactions. No shares will be purchased from Artal Holdings and its parents and subsidiaries under the program. The repurchase program currently has no expiration date.

During the three months ended March 30, 2013 and March 31, 2012, the Company purchased no shares of its common stock in the open market under the repurchase program. The repurchase of shares of common stock under the Tender Offer and from Artal Holdings pursuant to the Purchase Agreement was not made pursuant to the Company s existing stock repurchase program.

7. Earnings Per Share

Basic earnings per share (EPS) are calculated utilizing the weighted average number of common shares outstanding during the periods presented. Diluted EPS is calculated utilizing the weighted average number of common shares outstanding during the periods presented adjusted for the effect of dilutive common stock equivalents.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The following table sets forth the computation of basic and diluted EPS:

	Three Months Ended	
	March 30, 2013	March 31, 2012
Numerator:		
Net income	$ 48,753	$ 54,605
Denominator:		
Weighted average shares of common stock outstanding	55,801	73,343
Effect of dilutive common stock equivalents	444	821
Weighted average diluted common shares outstanding	56,245	74,164
Earnings per share		
Basic	$ 0.87	$ 0.74
Diluted	$ 0.87	$ 0.74

The number of anti-dilutive common stock equivalents excluded from the calculation of weighted average shares for diluted EPS was 1,056 and 129 for the three months ended March 30, 2013 and March 31, 2012, respectively.

8. Stock Plans

On May 6, 2008 and May 12, 2004, respectively, the Company s shareholders approved the 2008 Stock Incentive Plan (the 2008 Plan) and the 2004 Stock Incentive Plan (the 2004 Plan and together with the 2008 Plan, the Stock Plans). These plans are designed to promote the long-term financial interests and growth of the Company by attracting, motivating and retaining employees with the ability to contribute to the success of the business and to align compensation for the Company s employees over a multi-year period directly with the interests of the shareholders of the Company. The Company s Board of Directors or a committee thereof administers the Stock Plans.

9. Income Taxes

The effective tax rate for both the three months ended March 30, 2013 and March 31, 2012 was 38.5%. For both the three months ended March 30, 2013 and March 31, 2012, the primary differences between the US federal statutory tax rate and the Company s effective tax rate were state income taxes and increases in valuation allowances, offset by lower rates in certain foreign jurisdictions.

10. Legal

Due to the nature of the Company s activities, it is also, at times, subject to pending and threatened legal actions that arise out of the ordinary course of business. In the opinion of management, based in part upon advice of legal counsel, the disposition of any such matters is not expected to have a material effect on the Company s results of operations, financial condition or cash flows. However, the results of legal actions cannot be predicted with certainty. Therefore, it is possible that the Company s results of operations, financial condition or cash flows could be materially adversely affected in any particular period by the unfavorable resolutions of one or more legal actions.

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

11. Derivative Instruments and Hedging

As of March 30, 2013 and March 31, 2012, the Company had in effect interest rate swaps with notional amounts totaling $470,000 and $755,000, respectively. In January 2009, the Company entered into a forward-starting interest rate swap with an effective date of January 4, 2010 and a termination date of January 27, 2014. During the remaining term of this forward-starting interest rate swap, the notional amount will fluctuate, but will be no higher than the amount outstanding as of the end of the first fiscal quarter. The initial notional amount was $425,000 and the highest notional amount was $755,000.

As of March 30, 2013 and March 31, 2012, cumulative unrealized losses for qualifying hedges were reported as a component of accumulated other comprehensive income in the amounts of $5,005 ($8,205 before taxes) and $11,521 ($18,886 before taxes), respectively. For the three months ended March 30, 2013 and March 31, 2012, there were no fair value adjustments recorded in the Statement of Net Income since all hedges were considered qualifying and effective.

The Company expects approximately $5,005 ($8,205 before taxes) of derivative losses included in accumulated other comprehensive income at March 30, 2013, based on current market rates, will be reclassified into earnings within the next 12 months given that the Company is hedging forecasted transactions for periods not exceeding the next ten months.

12. Fair Value Measurements

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

When measuring fair value, the Company is required to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair Value of Financial Instruments

The Company s significant financial instruments include long-term debt and interest rate swap agreements.

The fair value of the Company s long-term debt is determined by utilizing average bid prices on or near the end of each fiscal quarter (Level 2 input). As of March 30, 2013 and March 31, 2012, the fair value of the Company s long-term debt was approximately $2,403,021 and $1,742,151, respectively.

Derivative Financial Instruments

The fair values for the Company s derivative financial instruments are determined using observable current market information such as the prevailing LIBOR interest rate and LIBOR yield curve rates and include consideration of counterparty credit risk. See Note 11 for disclosures related to derivative financial instruments.

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The following table presents the aggregate fair value of the Company s derivative financial instruments:

	Total Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap asset at March 30, 2013	$ 0	$ 0	$ 0	$ 0
Interest rate swap asset at December 29, 2012	$ 0	$ 0	$ 0	$ 0
Interest rate swap liability at March 30, 2013	$ 10,828	$ 0	$ 10,828	$ 0
Interest rate swap liability at December 29, 2012	$ 13,871	$ 0	$ 13,871	$ 0

13. Accumulated Other Comprehensive Income

Amounts reclassified out of accumulated other comprehensive income are as follows:

Changes in Accumulated Other Comprehensive Income by Component [a]

	Three Months Ended March 30, 2013		
	Loss on Qualifying Hedges	Foreign Currency Translation Adjustments	Total
Beginning Balance at December 29, 2012	$ (6,602)	$ 19,461	$ 12,859
Other comprehensive loss before reclassifications, net of tax	(24)	(33)	(57)
Amounts reclassified from accumulated other comprehensive income, net of tax [b]	1,621	0	1,621
Net current period other comprehensive income (loss)	1,597	(33)	1,564
Ending Balance at March 30, 2013	$ (5,005)	$ 19,428	$ 14,423

(a) Amounts in parentheses indicate debits

(b) See separate table below for details about these reclassifications

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Reclassifications out of Accumulated Other Comprehensive Income [(a)]

Details about Other Comprehensive Income Components	Three Months Ended March 30, 2013 Amounts Reclassified from Accumulated Other Comprehensive	Affected Line Item in the Statement Where Net Income is Presented
Loss on Qualifying Hedges		
Interest rate contracts	$ (2,657)	Interest expense
	(2,657)	Income before income taxes
	1,036	Provision for income taxes
	$ (1,621)	Net income

(a) Amounts in parentheses indicate debits to profit/loss

14. Segment Data

The Company has two reportable segments: WWI and WW.com. WWI has multiple operating segments which have been aggregated into one reportable segment. WWI and WW.com are two separate and distinct businesses for which discrete financial information is available. This discrete financial information is maintained and managed separately and is reviewed regularly by the chief operating decision maker.

Information about the Company s reportable segments is as follows:

	Three Months Ended March 30, 2013		
	WWI	WW.com	Consolidated
Total revenue	$ 344,776	$ 142,152	$ 486,928
Depreciation and amortization	$ 9,584	$ 2,685	$ 12,269
Operating income	$ 40,852	$ 62,267	$ 103,119
Interest expense			22,550
Other expense, net			1,296

Provision for taxes		30,520
Net income	$	48,753

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended March 31, 2012		
	WWI	**WW.com**	**Consolidated**
Total revenue	$ 375,342	$ 128,193	$ 503,535
Depreciation and amortization	$ 7,475	$ 2,524	$ 9,999
Operating income	$ 57,312	$ 45,462	$ 102,774
Interest expense			13,167
Other income, net			(509)
Early extinguishment of debt			1,328
Provision for taxes			34,183
Net income			$ 54,605

There has not been a material change in total assets from the Company s Annual Report on Form 10-K for fiscal 2012.

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, this Quarterly Report on Form 10-Q includes forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including, in particular, the statements about our plans, strategies and prospects under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations. We have generally used the words may, will, could, expect, anticipate, believe estimate, plan, intend and similar expressions in this Quarterly Report on Form 10-Q to identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. Actual results could differ materially from those projected in these forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions, including, among other things:

competition from other weight management industry participants or the development of more effective or more favorably perceived weight management methods;

our ability to continue to develop innovative new services and products and enhance our existing services and products, or the failure of our services and products to continue to appeal to the market;

the effectiveness of our marketing and advertising programs;

the impact on the Weight Watchers brand of actions taken by our franchisees, licensees and suppliers;

risks and uncertainties associated with our international operations, including economic, political and social risks and foreign currency risks;

our ability to successfully make acquisitions or enter into joint ventures, including our ability to successfully integrate, operate or realize the projected benefits of such businesses;

uncertainties related to a downturn in general economic conditions or consumer confidence;

the seasonal nature of our business;

the impact of events that discourage or impede people from gathering with others or accessing resources;

our ability to enforce our intellectual property rights both domestically and internationally, as well as the impact of our involvement in any claims related to intellectual property rights;

uncertainties regarding the satisfactory operation of our information technology or systems;

the impact of security breaches or privacy concerns;

- the impact of disputes with our franchise operators;
- the impact of existing and future laws and regulations;
- the impact of our debt service obligations and restrictive debt covenants;
- the possibility that the interests of our majority owner will conflict with other holders of our common stock; and
- other risks and uncertainties, including those detailed from time to time in our periodic reports filed with the Securities and Exchange Commission.

You should not put undue reliance on any forward-looking statements. You should understand that many important factors, including those discussed herein, could cause our results to differ materially from those expressed or suggested in any forward-looking statement. Except as required by law, we do not undertake any obligation to update or revise these forward-looking statements to reflect new information or events or circumstances that occur after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events or otherwise.

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

Weight Watchers International, Inc. is a Virginia corporation with its principal executive offices in New York, New York. In this Quarterly Report on Form 10-Q unless the context indicates otherwise: we, us, our and the Company refer to Weight Watchers International, Inc. and all of its businesses consolidated for purposes of its financial statements; Weight Watchers International and WWI refer to Weight Watchers International, Inc. and all of the Company s businesses other than WeightWatchers.com; WeightWatchers.com refers to WeightWatchers.com, Inc. and all of the Company s Internet-based businesses; and NACO refers to our North American Company-owned meeting operations.

Our fiscal year ends on the Saturday closest to December 31st and consists of either 52- or 53-week periods. In this Quarterly Report on Form 10-Q:

fiscal 2012 refers to our fiscal year ended December 29, 2012;

fiscal 2013 refers to our fiscal year ended December 28, 2013;

fiscal 2014 refers to our fiscal year ended January 3, 2015;

fiscal 2015 refers to our fiscal year ended January 2, 2016;

fiscal 2016 refers to our fiscal year ended December 31, 2016; and

fiscal 2017 refers to our fiscal year ended December 30, 2017.

The following terms used in this Quarterly Report on Form 10-Q are our trademarks: *Weight Watchers®*, ***PointsPlus®*** and *ActiveLink®*.

You should read the following discussion in conjunction with our Annual Report on Form 10-K for fiscal 2012 that includes additional information about us, our results of operations, our financial position and our cash flows, and with our unaudited consolidated financial statements and related notes included in Item 1 of this Quarterly Report on Form 10-Q (collectively, the Consolidated Financial Statements).

USE OF CONSTANT CURRENCY

As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of results on a constant currency basis in addition to reported results helps improve investors ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. We use results on a constant currency basis as one measure to evaluate our performance. In this Quarterly Report on Form 10-Q, we calculate constant currency by calculating current-year results using prior-year foreign currency exchange rates. We generally refer to such amounts calculated on a constant currency basis as excluding or adjusting for the impact of foreign currency. These results should be considered in addition to, not as a substitute for, results reported in accordance with accounting principles generally accepted in the United States, or GAAP. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with GAAP.

CRITICAL ACCOUNTING POLICIES

For a discussion of the critical accounting policies affecting us, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies of our Annual Report on Form 10-K for fiscal 2012. Our critical accounting policies have not changed since the end of fiscal 2012.

RESULTS OF OPERATIONS

OVERVIEW

Total paid weeks in fiscal 2012 continued to grow in each fiscal quarter versus the prior year period, but at a slower rate as we moved through the year due to a challenging recruitment environment, particularly for our global meetings business.

The fiscal 2013 winter diet season proved to be challenging given the tough economic environment and intense competition. While paid weeks growth in the first quarter of fiscal 2013 versus the prior year period remained positive at 1.4%, recruitments in both the global meetings and US Weight Watchers Online business were weak in the quarter. In response, we have made several adjustments to improve our position in the market with consumers, including a new spring advertising campaign. Further, we implemented a comprehensive cost savings program.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 30, 2013 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2012

The table below sets forth selected financial information for the first quarter of fiscal 2013 from our consolidated statements of net income for the three months ended March 30, 2013 versus selected financial information for the first quarter of fiscal 2012 from our consolidated statements of net income for the three months ended March 31, 2012:

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Summary of Selected Financial Data

	(In millions, except per share amounts) For the Three Months Ended			
	March 30, 2013	March 31, 2012	Increase/ (Decrease)	% Change
Revenues, net	$ 486.9	$ 503.5	$ (16.6)	(3.3%)
Cost of revenues	206.8	215.2	(8.4)	(3.9%)
Gross profit	280.2	288.4	(8.2)	(2.8%)
Gross Margin %	*57.5%*	*57.3%*		
Marketing expenses	118.9	130.3	(11.4)	(8.8%)
Selling, general & administrative expenses	58.1	55.3	2.8	5.1%
Operating income	103.1	102.8	0.3	0.3%
Operating Income Margin %	*21.2%*	*20.4%*		
Interest expense	22.6	13.2	9.4	71.3%
Other expense/(income), net	1.3	(0.5)	1.8	(100.0%)
Early extinguishment of debt		1.3	(1.3)	(100.0%)
Income before income taxes	79.3	88.8	(9.5)	(10.7%)
Provision for income taxes	30.5	34.2	(3.7)	(10.7%)
Net income	$ 48.8	$ 54.6	$ (5.9)	(10.7%)
Weighted average diluted shares outstanding	56.2	74.2	(17.9)	(24.2%)
Diluted EPS	$ 0.87	$ 0.74	$ 0.13	17.7%

Note: Totals may not sum due to rounding.

Consolidated Results

Revenues

Net revenues were $486.9 million in the first quarter of fiscal 2013, as compared to $503.5 million in the first quarter of fiscal 2012. Excluding the impact of foreign currency, which negatively impacted our revenues for the first quarter of fiscal 2013 by $0.6 million, net revenues in the first quarter of fiscal 2013 declined 3.2% versus the prior year period. The revenue decline in the first quarter of fiscal 2013 was driven by declines in the meetings business globally, most notably in the NACO and the UK meetings businesses. The decline in NACO and the UK meetings businesses was driven in large part by a lower incoming active base at the start of fiscal 2013 as compared to fiscal 2012, as well as, recruitment softness in the first quarter of fiscal 2013 caused by difficult macroeconomic factors in these markets, particularly consumer confidence which has been negatively impacted by the combination of continued uncertainty about the economy and the impact of local changes such as the retirement of the US payroll tax holiday. Our Continental European meetings business, which cycled against a new program innovation and benefited from new marketing strategies in the prior year first quarter, also experienced a decline in revenue on a constant currency basis. These declines in the meetings businesses were partially offset by growth in WeightWatchers.com which benefited from a higher active Online subscriber base at the start of fiscal 2013 as compared to fiscal 2012.

The combination of the above factors also led to an 8.1% decline in global meeting paid weeks in first quarter of fiscal 2013 versus the prior year period. With the benefit of starting fiscal 2013 with a higher active Online subscriber base, WeightWatchers.com experienced growth of 10.3% in Online paid weeks versus the prior year period. The increase in Online paid weeks more than offset the decline in meeting paid weeks, which resulted in a 1.4% increase in global paid weeks in the first quarter of fiscal

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2013 versus the prior year period. Global attendance in the first quarter of fiscal 2013 declined 17.4% in comparison to the first quarter of fiscal 2012. We have been seeing a widening in the gap between attendance and paid weeks, which is a natural function of the increase in the average tenure of our Monthly Pass active base. Our end of period active Online subscriber base increased 6.2% in the first quarter of fiscal 2013 versus the prior year period and was negatively impacted by recruitment weakness in the first quarter of fiscal 2013 in the United States.

Gross Profit and Operating Income

Gross profit for the first quarter of fiscal 2013 of $280.2 million decreased $8.2 million, or 2.8%, from $288.4 million in the first quarter of fiscal 2012. Excluding the impact of foreign currency which negatively impacted gross profit for the first quarter of fiscal 2013 by $0.4 million, gross profit in the first quarter of fiscal 2013 decreased by $7.9 million, or 2.7%, versus the prior year period. Operating income for the first quarter of fiscal 2013 was $103.1 million, an increase of $0.3 million, or 0.3%, from $102.8 million in the first quarter of fiscal 2012. Excluding the impact of foreign currency which negatively impacted operating income for the first quarter of fiscal 2013 by $0.7 million, operating income in the first quarter of fiscal 2013 increased by $1.1 million, or 1.0%, versus the prior year period. This increase in operating income was primarily the result of more efficient spending in marketing in the first quarter of fiscal 2013 versus the prior year period, driven by a combination of the decision made last year to not invest in a Weight Watchers Online US men s specific marketing campaign for fiscal 2013 and achieving lower and more efficient digital marketing spend in the United States. Our gross margin in the first quarter of fiscal 2013 increased to 57.5% from 57.3% in the first quarter of fiscal 2012, and operating income margin in the first quarter of fiscal 2013 increased to 21.2% from 20.4% in the first quarter of fiscal 2012. See Components of Expenses and Margins for additional details.

Net Income and Earnings Per Share

Net income in the first quarter of fiscal 2013 declined 10.7% from $54.6 million in the first quarter of fiscal 2012 to $48.8 million. Despite the increase in operating income, higher interest expense resulting from our financing of our repurchase of shares in the Tender Offer (defined below) and related share repurchase from Artal Holdings (defined below) further reduced net income in the first quarter of fiscal 2013.

Earnings per fully diluted share in the first quarter of fiscal 2013 were $0.87, an increase of $0.13 from $0.74 in the first quarter of fiscal 2012. Earnings per fully diluted share in the first quarter of fiscal 2013 benefited from our repurchase of shares in the Tender Offer and the related share repurchase from Artal Holdings as our weighted average diluted shares outstanding for the first quarter of fiscal 2013 decreased to 56.2 million from 74.2 million in the prior year period. See Liquidity and Capital Resources Dividends and Stock Transactions for a description of the Tender Offer and related share repurchase from Artal Holdings.

Components of Revenue and Volumes

We derive our revenues principally from meeting fees, Internet revenues, products sold in meetings and licensed products sold in retail channels. In addition, we generate other revenue from royalties paid to us by our franchisees, subscriptions to our branded magazines, and advertising in our publications.

Meeting Fees

Global meeting fees for the first quarter of fiscal 2013 were $236.0 million, a decrease of $16.5 million, or 6.5%, from $252.5 million in the prior year period. Excluding the impact of foreign currency, which decreased our global meeting fees for the first quarter of fiscal 2013 by $0.4 million, global meeting fees in the first quarter of fiscal 2013 decreased by 6.4% versus the prior year period. The decline in meeting fees was driven by an 8.1% decline in global meeting paid weeks in the first quarter of fiscal 2013 to 24.3 million from 26.5 million in the prior year period. The decline in meeting paid weeks was driven by a lower meeting membership base at the beginning of the first quarter of fiscal 2013 versus the beginning of the first quarter of fiscal 2012 as well as by the lower enrollments in the first quarter of fiscal 2013 as compared to the prior year period. Global attendance decreased 17.4% to 13.0 million in the first quarter of fiscal 2013 from 15.8 million in the first quarter of fiscal 2012.

In NACO, meeting fees in the first quarter of fiscal 2013 were $166.0 million, a decrease of $9.2 million, or 5.2%, from $175.1 million in the first quarter of fiscal 2012. The decline in meeting fees was driven primarily by a 6.5% decline in NACO meeting paid weeks from 17.3 million in the first quarter of fiscal 2012 to 16.2 million in the first quarter of fiscal 2013. The decline in meeting paid weeks primarily resulted from the lower meeting membership base at the beginning of the first quarter of fiscal 2013 versus the beginning of the first quarter of fiscal 2012 as well as by lower enrollments in the first quarter of fiscal 2013 versus the prior year period. Lower enrollments in the first quarter of fiscal 2013 were driven by a difficult macroeconomic environment in the United States. Although we introduced our new Weight Watchers 360° program in December 2012, this new program was not as effective in driving trial as compared to the ***PointsPlus*** innovation. In the first quarter of fiscal 2013, NACO attendance decreased 15.9% to 8.2 million from 9.8 million in the first quarter of fiscal 2012. The Company completed three franchise acquisitions in NACO in the second half of fiscal 2012 as well as a fourth franchise acquisition in March 2013. These franchise acquisitions benefitted NACO meeting fees in the first quarter of fiscal 2013 by approximately 1.5%.

International meeting fees in the first quarter of fiscal 2013 were $70.0 million, a decrease of $7.4 million, or 9.5%, from $77.4 million in the prior year period. Excluding the impact of foreign currency, which decreased international meeting fees for the first quarter of fiscal 2013 by $0.3 million, international meeting fees declined by 9.1% in the first quarter of fiscal 2013 versus the prior year period. In the first quarter of fiscal 2013, the decline in meeting fees was driven by an 11.3% decline in international meeting paid weeks in the quarter versus the prior year period. Meeting paid weeks performance in the first quarter of fiscal 2013 was driven by declines in enrollments in most of our international markets in the quarter versus the prior year period. International attendance decreased by 19.9% in the first quarter of fiscal 2013 versus the prior year period.

In the first quarter of fiscal 2013, UK meeting fees decreased by 17.6% to $23.6 million from $28.6 million in the first quarter of fiscal 2012. Excluding the impact of foreign currency, which decreased UK meeting fees for the first quarter of fiscal 2013 by $0.3 million, UK meeting fees declined by 16.4% in the first quarter of fiscal 2013 versus the prior year period. First quarter fiscal 2013 meeting fees were driven lower primarily by a decline of 17.8% in UK meeting paid weeks versus the prior year period. Meeting paid weeks performance in the first quarter of fiscal 2013 was driven by the lower meeting membership base at the beginning of the first quarter of fiscal 2013 versus the beginning of the first quarter of fiscal 2012 coupled with lower enrollments in the period as compared to enrollment levels in the prior year period. In the first quarter of fiscal 2013, weak macroeconomic trends in the United Kingdom, as well as local competition, contributed to the decline in enrollments. UK attendance decreased by 25.8% in the first quarter of fiscal 2013 versus the prior year period.

Meeting fees in Continental Europe were $36.7 million in the first quarter of fiscal 2013, flat versus the first quarter of fiscal 2012. Excluding the impact of foreign currency, which increased Continental European meeting fees in the first quarter of fiscal 2013 by $0.2 million, Continental European meeting fees decreased by 0.4% in the first quarter of fiscal 2013 as compared to the prior year period. The decrease in meeting fees on a constant currency basis was driven by a decrease of 1.0% in Continental European meeting paid weeks in the first quarter of fiscal 2013 versus the prior year period. The decrease in meeting paid weeks was driven by lower enrollments in the first quarter of fiscal 2013 as compared to the prior year period. These lower enrollments were the result of cycling against very effective new marketing strategies in this region in the prior year period. However, the impact of enrollments on meeting paid weeks was minimized by the higher meeting membership base at the beginning of the first quarter of fiscal 2013 versus the beginning of the first quarter of fiscal 2012. In Continental Europe, attendance decreased by 10.9% in the first quarter of fiscal 2013 versus the prior year period.

In-Meeting Product Sales

Global in-meeting product sales for the first quarter of fiscal 2013 were $74.2 million, a decrease of $12.9 million, or 14.8%, from $87.1 million in the first quarter of fiscal 2012. Excluding the impact of foreign currency, which decreased in-meeting product sales for the first quarter of fiscal 2013 by $0.1 million, global in-meeting product sales in the first quarter of fiscal 2013 declined 14.7% versus the prior

year period. This decrease resulted primarily from a 17.4% decline in global meeting attendance in the first quarter of fiscal 2013 versus the prior year period. Slightly offsetting this decline was an increase in product sales per attendee in the first quarter of fiscal 2013 versus the prior year period. On a per attendee basis, in the first quarter of fiscal 2013, global in-meeting product sales increased 3.2%, or 3.3% on a constant currency basis, versus the prior year period. This increase in in-meeting product sales per attendee in the first quarter of fiscal 2013 was driven by strong per attendee sales of consumables across Continental Europe and in the United Kingdom and the new ActiveLink product in NACO.

In NACO, first quarter fiscal 2013 in-meeting product sales of $42.7 million decreased by $7.5 million, or 15.0%, versus the prior year period. This decrease resulted primarily from a 15.9% attendance decline in the first quarter of fiscal 2013 as compared to the prior year period. In-meeting product sales per attendee increased by 1.1% in the first quarter of fiscal 2013 versus the prior year period as strong first quarter of fiscal 2013 sales of the new ActiveLink product more than offset the decline in sales of consumables and electronics.

International in-meeting product sales were $31.5 million in the first quarter of fiscal 2013, a decrease of 14.6%, or 14.5% on a constant currency basis, versus the prior year period. This decrease was driven primarily by an attendance decline of 19.9% in the first quarter of fiscal 2013 as compared to the first quarter of fiscal 2012, which was largely driven by the United Kingdom. In-meeting product sales per attendee in the first quarter of fiscal 2013 increased by 6.7%, or 6.8% on a constant currency basis, as compared to the prior year period. This increase was the result of strong sales of consumables in the United Kingdom, Germany, France and Belgium driven in part by new product introductions and successful promotions.

Internet Revenues

Internet revenues, which include subscription revenues from sales of our Weight Watchers Online and Weight Watchers eTools products as well as Internet advertising revenues, increased $13.8 million, or 10.9%, to $140.8 million in the first quarter of fiscal 2013 from $126.9 million in the first quarter of fn;width:2.5%;">

	Three Months Ended
	March 31,
	April 1,
($ in millions)	
	2013
	2012

Metal beverage packaging, Americas & Asia	$	(1.5	)	$	(1.7	)
Metal beverage packaging, Europe		(1.7	)		(1.8	)
Metal food & household products packaging		(18.8	)			
Corporate and other		(0.7				

)

(0.9

)

$

(22.7

)

$

(4.4

)

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Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

5. Business Consolidation Activities *(continued)*

2013

Metal Food and Household Products Packaging

During the first quarter, the company announced that it will close its Elgin, Illinois, food and household products packaging facility in December 2013. A charge of $20.8 million was recorded in connection with the planned closure, which was composed of $16.5 million for severance, pension and other employee benefits; $4.3 million for the accelerated depreciation on assets to be abandoned and other closure costs. Additional charges of approximately $12 million are expected to be recorded during the remainder of 2013. The Elgin plant produces steel aerosol and specialty cans, as well as flat steel sheet used by other Ball facilities. The plant s production capabilities will be supplied by other Ball food and household products packaging facilities.

Also in the first quarter, income of $2.0 million was accrued related to the reimbursement of funds paid in 2012 for the settlement of certain Canadian defined benefit pension liabilities related to previously closed facilities.

Metal Beverage Packaging, Americas and Asia

The first quarter of 2013 included net charges of $1.5 million, primarily for ongoing costs related to the previously announced closures of Ball s Columbus, Ohio, and Gainesville, Florida, facilities and voluntary separation programs. Additional charges of approximately $10 million are expected to be recorded during the remainder of 2013.

Metal Beverage Packaging, Europe, and Corporate

During the first quarter, the company recorded charges of $2.4 million, primarily for implementation costs incurred in connection with the third quarter 2012 relocation of the company s European headquarters from Germany to Switzerland.

2012

Metal Beverage Packaging, Americas and Asia

The first quarter of 2012 included net charges of $1.7 million for ongoing costs related to previously closed facilities.

Metal Beverage Packaging, Europe, and Corporate

Also during the first quarter, the company recorded charges of $2.5 million for implementation costs incurred in connection with the relocation of the company s European headquarters from Germany to Switzerland, which was completed during the third quarter of 2012.

An additional $0.2 million of net charges were recorded in the first quarter of 2012, primarily to reflect individually insignificant charges related to previously announced business consolidation and other activities.

Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

5. Business Consolidation Activities *(continued)*

Following is a summary by segment of the activity in the business consolidation reserves:

($ in millions)	Metal Beverage Packaging, Americas & Asia	Metal Food & Household Products Packaging	Aerospace & Technologies	Corporate and Other Costs	Total
Balance at December 31, 2012	$ 16.4	$ 3.0	$ 1.9	$ 3.8	$ 25.1
Charges to earnings	(3.1)	18.8		0.2	15.9
Cash payments and other activity	(8.2)	(0.6)	(1.7)	(3.8)	(14.3)
Balance at March 31, 2013	$ 5.1	$ 21.2	$ 0.2	$ 0.2	$ 26.7

The carrying value of assets held for sale in connection with facility closures was $30.5 million at March 31, 2013, and $31.4 million at December 31, 2012.

6. Receivables

($ in millions)	March 31, 2013	December 31, 2012
Trade accounts receivable	$ 986.9	$ 878.3
Less allowance for doubtful accounts	(13.8)	(13.7)
Net trade accounts receivable	973.1	864.6
Other receivables	84.6	65.5
	$ 1,057.7	$ 930.1

In the fourth quarter of 2012, the company entered into an accounts receivable factoring program with a financial institution for certain receivables of the company. The program is accounted for as a true sale of the receivables and has a limit of $90 million, of which $78.2 million and $75 million were sold as of March 31, 2013, and December 31, 2012, respectively.

7. Inventories

($ in millions)	March 31, 2013	December 31, 2012
Raw materials and supplies	$ 397.0	$ 426.7
Work-in-process and finished goods	796.2	664.5
Less inventory reserves	(49.6)	(46.8)
	$ 1,143.6	$ 1,044.4

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Notes to the Unaudited Condensed Consolidated Financial Statements

8. Property, Plant and Equipment

($ in millions)	March 31, 2013	December 31, 2012
Land	$ 83.3	$ 82.6
Buildings	956.6	934.3
Machinery and equipment	3,391.1	3,407.6
Construction-in-progress	265.2	240.6
	4,696.2	4,665.1
Accumulated depreciation	(2,402.7)	(2,376.5)
	$ 2,293.5	$ 2,288.6

Property, plant and equipment are stated at historical or acquired cost. Depreciation expense amounted to $63.8 million and $64.1 million for the three months ended March 31, 2013, and April 1, 2012, respectively.

9. Goodwill

($ in millions)	Metal Beverage Packaging, Americas & Asia	Metal Beverage Packaging, Europe	Metal Food & Household Products Packaging	Aerospace & Technologies	Total
Balance at December 31, 2012	$ 740.7	$ 993.2	$ 625.5	$	$ 2,359.4
Business acquisition			0.1	12.5	12.6
Opening balance sheet adjustments			(17.7)		(17.7)
Effects of currency exchange rates		(29.8)	(5.0)		(34.8)
Balance at March 31, 2013	$ 740.7	$ 963.4	$ 602.9	$ 12.5	$ 2,319.5

On January 1, 2013, the company implemented changes to its management and internal reporting structure. As a result, the European extruded aluminum reporting unit, which was previously included in the metal beverage packaging, Europe, segment, is now included in the metal food and household products packaging segment. Goodwill by segment has been retrospectively adjusted to conform to the current year presentation.

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10. Intangibles and Other Assets

($ in millions)		March 31, 2013		December 31, 2012
Investment in affiliates	$	31.5	$	32.2
Intangible assets (net of accumulated amortization of $73.0 million at March 31, 2013, and $68.1 million at December 31, 2012)		176.3		162.9
Capitalized software (net of accumulated amortization of $81.2 million at March 31, 2013, and $78.4 million at December 31, 2012)		52.0		50.4
Company and trust-owned life insurance		131.5		114.7
Deferred financing costs		35.5		37.3
Other		113.5		122.2
	$	540.3	$	519.7

Total amortization expense of intangible assets amounted to $8.7 million and $4.9 million for the three months ended March 31, 2013, and April 1, 2012, respectively.

11. Debt

Long-term debt consisted of the following:

($ in millions)	March 31, 2013				December 31, 2012			
		In Local Currency		In U.S. $		In Local Currency		In U.S. $
Notes Payable								
7.125% Senior Notes, due September 2016	$	375.0	$	375.0	$	375.0	$	375.0
7.375% Senior Notes, due September 2019	$	325.0		325.0	$	325.0		325.0
6.75% Senior Notes, due September 2020	$	500.0		500.0	$	500.0		500.0
5.75% Senior Notes, due May 2021	$	500.0		500.0	$	500.0		500.0
5.00% Senior Notes, due March 2022	$	750.0		750.0	$	750.0		750.0
Senior Credit Facilities, due December 2015 (at variable rates)								
Term A Loan, U.S. dollar denominated	$	125.0		125.0	$	125.0		125.0
Term B Loan, British sterling denominated	£	38.2		58.1	£	46.5		75.2
Term C Loan, euro denominated		83.8		107.4		91.3		120.6
Multi-currency revolver, U.S. dollar denominated	$	205.0		205.0	$			

Multi-currency revolver, euro denominated		219.0		280.7		159.0		210.1
Latapack-Ball Notes Payable (at various rates and terms)	$	237.1		237.1	$	176.1		176.1
Other (including discounts and premiums)		Various		25.8		Various		32.4
				3,489.1				3,189.4
Less: Current portion of long-term debt				(83.8)				(104.1)
			$	3,405.3			$	3,085.3

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Notes to the Unaudited Condensed Consolidated Financial Statements

11. Debt *(continued)*

The senior credit facilities bear interest at variable rates and include the term loans described in the table above, as well as a long-term, multi-currency committed revolving credit facility that provides the company with up to the U.S. dollar equivalent of $1 billion. At March 31, 2013, taking into account outstanding letters of credit and facility borrowings, approximately $494 million was available under the company s long-term, multi-currency committed revolving credit facilities, which are available until December 2015. In addition to the long-term, multi-currency committed credit facilities, the company had approximately $635 million of short-term uncommitted credit facilities available at the end of the quarter, of which $170.7 million was outstanding and due on demand.

In August 2011, the company entered into an accounts receivable securitization agreement for a term of three years, which was amended in September 2012. The maximum the company can borrow under the amended agreement can vary between $110 million and $235 million depending on the seasonal accounts receivable balances in the company s North American packaging businesses. At March 31, 2013, $171.0 million were sold under the securitization agreement. There were no accounts receivable sold under this agreement at December 31, 2012. Borrowings under the securitization agreement are included within short-term debt and current portion of long-term debt on the balance sheet.

The fair value of the long-term debt at March 31, 2013, and at December 31, 2012, approximated its carrying value. The fair value reflects the market rates at each period end for debt with credit ratings similar to the company s ratings. Rates currently available to the company for loans with similar terms and maturities are used to estimate the fair value of long-term debt based on discounted cash flows.

On March 9, 2012, Ball issued $750 million of 5.00 percent senior notes due in March 2022. On the same date, the company tendered for the redemption of its 6.625 percent senior notes originally due in March 2018 in the amount of $450 million, at a redemption price per note of 102.583 percent of the outstanding principal amount plus accrued interest. The company redeemed $392.7 million during the first quarter of 2012, and the remaining $57.3 million was redeemed during the second quarter. The redemption of the bonds resulted in a charge of $15.1 million for the call premium and the write off of unamortized financing costs and premiums. The charge is included as a component of interest expense in the unaudited condensed consolidated statement of earnings.

The senior notes and senior credit facilities are guaranteed on a full, unconditional and joint and several basis by certain of the company s wholly owned domestic subsidiaries. Certain foreign denominated tranches of the senior credit facilities are similarly guaranteed by certain of the company s wholly owned foreign subsidiaries. Note 19 contains further details, as well as required unaudited condensed consolidating financial information for the company, segregating the guarantor subsidiaries and non-guarantor subsidiaries as defined in the senior notes agreements.

The U.S. note agreements, bank credit agreement and accounts receivable securitization agreement contain certain restrictions relating to dividend payments, share repurchases, investments, financial ratios, guarantees and the incurrence of additional indebtedness. The most restrictive of the company s debt covenants require the company to maintain an interest coverage ratio (as defined in the agreements) of no less

than 3.50 and a leverage ratio (as defined) of no greater than 4.00. The company was in compliance with all loan agreements and debt covenants at March 31, 2013, and December 31, 2012, and has met all debt payment obligations.

The Latapack-Ball debt facilities contain various covenants and restrictions but are non-recourse to Ball Corporation and its wholly owned subsidiaries.

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12. Employee Benefit Obligations

($ in millions)	March 31, 2013	December 31, 2012
Underfunded defined benefit pension liabilities, net	$ 738.0	$ 820.2
Less current portion and prepaid pension assets	(22.6)	(25.0)
Long-term defined benefit pension liabilities	715.4	795.2
Retiree medical and other postemployment benefits	177.4	177.0
Deferred compensation plans	233.9	237.8
Other	22.2	28.1
	$ 1,148.9	$ 1,238.1

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

	Three Months Ended					
	March 31, 2013			April 1, 2012		
($ in millions)	U.S.	Foreign	Total	U.S.	Foreign	Total
Ball-sponsored plans:						
Service cost	$ 12.3	$ 2.5	$ 14.8	$ 11.7	$ 2.0	$ 13.7
Interest cost	13.8	5.9	19.7	14.1	7.3	21.4
Expected return on plan assets	(19.3)	(3.4)	(22.7)	(18.5)	(4.3)	(22.8)
Amortization of prior service cost		(0.1)	(0.1)	0.2	(0.1)	0.1
Recognized net actuarial loss	10.6	1.3	11.9	8.5	1.8	10.3
Curtailment loss *(a)*	4.6		4.6			
Net periodic benefit cost for Ball-sponsored plans	22.0	6.2	28.2	16.0	6.7	22.7
Multiemployer plans:						
Net periodic benefit cost, excluding curtailment loss	0.7		0.7	0.7		0.7
Curtailment loss *(a)*	3.9		3.9			
Net periodic benefit cost for multi-employer plans	4.6		4.6	0.7		0.7
Total net periodic benefit cost	$ 26.6	$ 6.2	$ 32.8	$ 16.7	$ 6.7	$ 23.4

(a) Curtailments losses are related to the closure of the company s Elgin, Illinois, plant. Further details are available in Note 5.

Contributions to the company s defined global benefit pension plans, not including the unfunded German plans, were $81.8 million in the first three months of 2013 ($97.3 million in 2012). The total contributions to these funded plans are expected to be approximately $95 million for the full year. This estimate may change based on changes in the Pension Protection Act and actual plan asset performance, among other factors. Payments to participants in the unfunded German plans were $5.6 million (4.2 million) in the first three months of 2013 and are expected to be approximately $22 million (approximately 17 million) for the full year.

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Notes to the Unaudited Condensed Consolidated Financial Statements

13. Shareholders Equity and Comprehensive Earnings

Accumulated Other Comprehensive Earnings (Loss)

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

($ in millions)	Foreign Currency Translation	Pension and Other Postretirement Benefits (Net of Tax)	Effective Derivatives (Net of Tax)	Accumulated Other Comprehensive Earnings (Loss)
Balance at December 31, 2012	$ 117.5	$ (461.0)	$ (8.9)	$ (352.4)
Other comprehensive earnings (loss) before reclassifications	(45.1)	0.8	(6.1)	(50.4)
Amounts reclassified from accumulated other comprehensive earnings (loss)		7.2	(3.5)	3.7
Balance at March 31, 2013	$ 72.4	$ (453.0)	$ (18.5)	$ (399.1)

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

($ in millions)	Three Months Ended March 31, 2013
Gains (losses) on cash flow hedges:	
Commodity contracts recorded in net sales	$ (0.6)
Commodity contracts and currency exchange contracts recorded in cost of sales	(4.3)
Interest rate contracts recorded in interest expense	(0.3)
Total before tax effect	(5.2)
Tax benefit (expense) on amounts reclassified into earnings	1.7
	$ (3.5)
Amortization of pension and other postretirement benefits *(a)*:	
Prior service costs	$ (0.1)
Actuarial gains (losses)	11.9
Total before tax effect	11.8

Tax benefit (expense) on amounts reclassified into earnings		(4.6)
	$	7.2

(a) These components are included in the computation of net periodic benefit cost included in Note 12.

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Notes to the Unaudited Condensed Consolidated Financial Statements

13. Shareholders Equity and Comprehensive Earnings *(continued)*

Share Repurchase Agreements

In February 2012, in a privately negotiated transaction, Ball entered into an accelerated share repurchase agreement to buy $200 million of its common shares using cash on hand and available borrowings. The company advanced the $200 million on February 3, 2012, and received 4,584,819 shares, which represented 90 percent of the total shares as calculated using the closing price on January 31, 2012. The agreement was settled in May 2012, and the company received an additional 334,039 shares, which represented a weighted average price of $40.66 for the contract period.

In October 2011, in a privately negotiated transaction, Ball entered into an accelerated share repurchase agreement to buy $100 million of its common shares using cash on hand and available borrowings. The company advanced the $100 million on November 2, 2011, and received 2,523,836 shares, which represented 90 percent of the total shares as calculated using the closing price on October 28, 2011. The agreement was settled in January 2012, and the company received an additional 361,615 shares, which represented a weighted average price of $34.66 for the contract period.

14. Stock-Based Compensation Programs

The company has shareholder-approved stock option plans under which options to purchase shares of Ball common stock have been granted to officers and employees at the market value of the stock at the date of grant. Payment must be made at the time of exercise in cash or with shares of stock owned by the option holder, which are valued at fair market value on the date exercised. In general, options are exercisable in four equal installments commencing one year from the date of grant and terminating 10 years from the date of grant. A summary of stock option activity for the three months ended March 31, 2013, follows:

	Outstanding Options		
	Number of Shares		Weighted Average Exercise Price
Beginning of year	9,982,104	$	26.71
Granted	1,364,870		45.93
Exercised	(624,587)		22.74
Canceled/forfeited	(46,125)		34.27
End of period	10,676,262		29.37

Vested and exercisable, end of period	7,285,362	24.72
Reserved for future grants *(a)*	1,824,712	

(a) On April 24, 2013, Ball s shareholders approved the 2013 Stock and Cash Incentive Plan, which authorized 12.5 million shares for future grants. This authorization replaced all previous authorizations.

The options granted in January 2013 included 756,100 stock-settled stock appreciation rights, which have the same terms as the stock options. The weighted average remaining contractual term for all options outstanding at March 31, 2013, was 6.5 years and the aggregate intrinsic value (difference in exercise price and closing price at that date) was $194.4 million. The weighted average remaining contractual term for options vested and exercisable at March 31, 2013, was 5.4 years and the aggregate intrinsic value was $166.5 million.

The company received $6.0 million from options exercised during the three months ended March 31, 2013, and the intrinsic value associated with these exercises was $6.2 million. The tax benefit associated with the company s stock compensation programs was $8.4 million for the first three months of 2013 and was reported as other financing activities in the unaudited condensed consolidated statement of cash flows.

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14. Stock-Based Compensation Programs *(continued)*

These options cannot be traded in any equity market. However, based on the Black-Scholes option pricing model, options granted in 2013 and 2012 have estimated weighted average fair values at the grant dates of $8.69 and $9.44 per share, respectively. The actual value an employee may realize will depend on the excess of the stock price over the exercise price on the date the option is exercised. Consequently, there is no assurance that the value realized by an employee will be at or near the value estimated. The fair values were estimated using the following weighted average assumptions:

	January 2013	January 2012
Expected dividend yield	1.13%	1.06%
Expected stock price volatility	22.02%	30.22%
Risk-free interest rate	1.02%	0.84%
Expected life of options (in years)	5.5 years	5.26 years

In addition to stock options, the company issues to officers and certain employees restricted shares and restricted stock units, which vest over various periods. Other than the performance-contingent grants discussed below, such restricted shares and restricted stock units generally vest in equal installments over five years. Compensation cost is recorded based upon the estimated fair value of the shares at the grant date.

The following is a summary of restricted stock activity for the three months ended March 31, 2013:

	Number of Shares/Units	Weighted Average Grant Price
Beginning of year	1,763,636	$ 28.97
Granted	158,375	45.89
Vested	(413,015)	26.41
Canceled/forfeited	(6,679)	36.16
End of period	1,502,317	31.42

In January 2013, the company s board of directors granted 148,875 performance-contingent restricted stock units (RSUs) to key employees, which will vest in January 2016 depending on the company s growth in economic valued added (EVA®) dollars using 2012 EVA® dollars generated as the minimum threshold. The number of RSUs that will vest can range between zero and 200 percent of each participant s assigned award opportunity. Under a previous program, in January 2012 the company s board of directors granted 223,600 performance-contingent RSUs, to key employees, which will cliff-vest if the company s return on average invested capital during a 36-month performance period is equal to or exceeds the company s cost of capital established at the beginning of the performance period. In both RSU programs, if the minimum performance goals are not met, the shares will be forfeited. Grants under the plan are being accounted for as equity awards and compensation

expense is recorded based upon the most probable outcome using the closing market price of the shares at the grant date. On a quarterly basis, the company reassesses the probability of the goals being met and adjusts compensation expense as appropriate.

For the three months ended March 31, 2013, the company recognized expense of $7.7 million ($4.7 million after tax) for share-based compensation arrangements in selling, general and administrative expenses. For the three months ended April 1, 2012, the company recognized expense of $6.8 million ($4.1 million after tax) for such arrangements. At March 31, 2013, there were $55.1 million of unrecognized compensation costs related to nonvested share-based compensation arrangements. This cost is expected to be recognized in earnings over a weighted average period of 2.5 years.

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15. Earnings and Dividends Per Share

	Three Months Ended			
($ in millions, except per share amounts; shares in thousands)		**March 31, 2013**		**April 1, 2012**
Net earnings attributable to Ball Corporation	$	72.0	$	88.3
Basic weighted average common shares		148,976		157,530
Effect of dilutive securities		3,340		3,415
Weighted average shares applicable to diluted earnings per share		152,316		160,945
Per basic share	$	0.48	$	0.56
Per diluted share	$	0.47	$	0.55

Certain outstanding options were excluded from the diluted earnings per share calculation because they were anti-dilutive (i.e., the sum of the proceeds, including the unrecognized compensation and windfall tax benefits, exceeded the average closing stock price for the period). The options excluded totaled 1,364,870 and 2,729,010 in the three months ended March 31, 2013, and April 1, 2012, respectively.

The company declared and paid dividends of $0.13 per share in the first quarter of 2013 and $0.10 per share in the first quarter of 2012.

16. Financial Instruments and Risk Management

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

Commodity Price Risk

Aluminum

The company manages commodity price risk in connection with market price fluctuations of aluminum ingot through two different methods. First, the company enters into container sales contracts that include aluminum ingot-based pricing terms that generally reflect the same price fluctuations under commercial purchase contracts for aluminum sheet. The terms include fixed, floating or pass-through aluminum ingot component pricing. Second, the company uses certain derivative instruments such as option and forward contracts as economic and cash flow hedges of commodity price risk where there is not an arrangement in the sales contract to match underlying purchase volumes and pricing with sales volumes and pricing.

The company had aluminum contracts limiting its aluminum exposure with notional amounts of approximately $592 million at March 31, 2013. The aluminum contracts include economic derivative instruments that are undesignated and receive mark to fair value accounting treatment, as well as cash flow hedges that offset sales contracts of various terms and lengths. Cash flow hedges relate to forecasted transactions that expire within the next five years. Included in shareholders equity at March 31, 2013, within accumulated other comprehensive earnings (loss) is a net after-tax loss of $17.7 million associated with these contracts. A net loss of $11.0 million is expected to be recognized in the consolidated statement of earnings during the next 12 months, the majority of which will be offset by pricing changes in sales and purchase contracts, thus resulting in little or no earnings impact to Ball.

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16. Financial Instruments and Risk Management *(continued)*

Steel

Most sales contracts involving our steel products either include provisions permitting the company to pass through some or all steel cost changes incurred, or they incorporate annually negotiated steel prices.

Interest Rate Risk

The company s objective in managing exposure to interest rate changes is to minimize the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, the company may use a variety of interest rate swaps, collars and options to manage our mix of floating and fixed-rate debt. Interest rate instruments held by the company at March 31, 2013, included pay-fixed interest rate swaps, which effectively convert variable rate obligations to fixed-rate instruments.

At March 31, 2013, the company had outstanding interest rate swap contracts with notional amounts of approximately $256 million paying fixed rates expiring within the next five years. Included in shareholders equity at March 31, 2013, within accumulated other comprehensive earnings (loss), is a net after-tax loss of $0.5 million associated with these contracts, all of which is expected to be recognized in the consolidated statement of earnings during the next 12 months.

Currency Exchange Rate Risk

The company s objective in managing exposure to currency fluctuations is to limit the exposure of cash flows and earnings from changes associated with currency exchange rate changes through the use of various derivative contracts. In addition, at times the company manages earnings translation volatility through the use of currency option strategies, and the change in the fair value of those options is recorded in the company s net earnings. The company s currency translation risk results from the currencies in which we transact business. The company faces currency exposures in our global operations as a result of various factors including intercompany currency denominated loans, selling our products in various currencies, purchasing raw materials in various currencies and tax exposures not denominated in the functional currency. Sales contracts are negotiated with customers to reflect cost changes and, where there is not an exchange pass-through arrangement, the company uses forward and option contracts to manage currency exposures. At March 31, 2013, the company had outstanding exchange forward contracts and option contracts with notional amounts totaling approximately $588 million. Approximately $0.3 million of net after-tax loss related to these contracts is included in accumulated other comprehensive earnings at March 31, 2013, of which a net loss of $0.5 million is expected to be recognized in the consolidated statement of earnings during the next 12 months. The contracts outstanding at March 31, 2013, expire within the next two years.

Common Stock Price Risk

The company s deferred compensation stock program is subject to variable plan accounting and, accordingly, is marked to fair value using the company s closing stock price at the end of the related reporting period. Based on current share levels in the program, each $1 change in the company s stock price has an impact of $1.4 million on pretax earnings. During March and September 2011, the company entered into total return swaps to reduce the company s earnings exposure to these fair value fluctuations, which were renewed in February 2013 and July 2012 and will be outstanding until March 2014 and September 2013, respectively. The swaps have a notional value of 1 million shares and 300,000 shares, respectively. As of March 31, 2013, the combined fair value of these swaps was a $2.2 million gain. All gains and losses on the total return swaps are recorded in the consolidated statement of earnings in selling, general and administrative expenses.

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16. Financial Instruments and Risk Management *(continued)*

Collateral Calls

The company s agreements with its financial counterparties require the company to post collateral in certain circumstances when the negative mark to fair value of the contracts exceeds specified levels. Additionally, the company has collateral posting arrangements with certain customers on these derivative contracts. The cash flows of the margin calls are shown within the investing section of the company s consolidated statements of cash flows. As of March 31, 2013, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $21.4 million and no collateral was required to be posted. As of December 31, 2012, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $11.0 million and no collateral was required to be posted.

Fair Value Measurements

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

Fair Value of Derivative Instruments as of March 31, 2013

($ in millions)	**Derivatives Designated As Hedging Instruments**	**Derivatives Not Designated As Hedging Instruments**	**Total**
Assets:			
Commodity contracts	$ 3.6	$ 1.9	$ 5.5
Foreign currency contracts	0.9	5.3	6.2
Other contracts		2.2	2.2
Total current derivative contracts	$ 4.5	$ 9.4	$ 13.9
Commodity contracts	$ 1.2	$	$ 1.2
Foreign currency contracts	0.4		0.4
Total noncurrent derivative contracts	$ 1.6	$	$ 1.6

Liabilities:			
Commodity contracts	$ 14.0	$ 2.1	$ 16.1
Foreign currency contracts	1.3	2.1	3.4
Interest rate and other contracts	0.8		0.8
Total current derivative contracts	$ 16.1	$ 4.2	$ 20.3
Noncurrent commodity contracts	$ 10.6	$	$ 10.6
Interest rate contracts	0.5		0.5
Total noncurrent derivative contracts	$ 11.1	$	$ 11.1

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16. Financial Instruments and Risk Management *(continued)*

Fair Value of Derivative Instruments as of December 31, 2012

($ in millions)	Derivatives Designated As Hedging Instruments	Derivatives Not Designated As Hedging Instruments	Total
Assets:			
Commodity contracts	$ 9.2	$ 1.0	$ 10.2
Foreign currency contracts	0.1	2.3	2.4
Other current contracts		0.6	0.6
Total current derivative contracts	$ 9.3	$ 3.9	$ 13.2
Noncurrent commodity contracts	$ 4.2	$	$ 4.2
Liabilities:			
Commodity contracts	$ 9.0	$ 0.7	$ 9.7
Foreign currency contracts	2.5	5.2	7.7
Interest rate and other contracts	1.0		1.0
Total current derivative contracts	$ 12.5	$ 5.9	$ 18.4
Noncurrent commodity contracts	$ 5.4	$	$ 5.4
Interest rate contracts	0.5		0.5
Foreign currency contracts	0.4		0.4
Total noncurrent derivative contracts	$ 6.3	$	$ 6.3

The company uses closing spot and forward market prices as published by the London Metal Exchange, the New York Mercantile Exchange, Reuters and Bloomberg to determine the fair value of its aluminum, currency, energy and interest rate spot and forward contracts. Option contracts are valued using a Black-Scholes model with observable market inputs for aluminum, currency and interest rates. The company values each financial instrument either internally using a single valuation technique or from a reliable observable market source. The company does not adjust the value of its financial instruments except in determining the fair value of a trade that settles in the future by discounting the value to its present value using 12-month LIBOR as the discount factor. Ball performs validations of our internally derived fair values reported for our financial instruments on a quarterly basis utilizing counterparty valuation statements. The company additionally evaluates counterparty creditworthiness and, as of March 31, 2013, has not identified any circumstances requiring that the reported values of our financial instruments be adjusted.

Net receivables related to the European scrap metal program totaling $15.3 million at March 31, 2013, and $16.7 million at December 31, 2012, were classified as Level 2 within the fair value hierarchy.

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16. Financial Instruments and Risk Management *(continued)*

Impact on Earnings from Derivative Instruments

	Three Months Ended			
	March 31, 2013		April 1, 2012	
($ in millions)	Cash Flow Hedge - Reclassified Amount From Other Comprehensive Earnings (Loss) - Gain (Loss)	Gain (Loss) on Derivatives Not Designated As Hedge Instruments	Cash Flow Hedge - Reclassified Amount From Other Comprehensive Earnings (Loss) - Gain (Loss)	Gain (Loss) on Derivatives Not Designated As Hedge Instruments
Commodity contracts *(a)*	$ (4.4)	$ (0.8)	$ (10.0)	$ 2.1
Interest rate contracts *(b)*	(0.3)			
Inflation option contracts *(c)*				(0.1)
Foreign currency contracts *(d)*	(0.5)	0.3	(0.2)	(3.3)
Equity contracts *(e)*		1.7		2.6
Total	$ (5.2)	$ 1.2	$ (10.2)	$ 1.3

(a) Gains and losses on commodity contracts are recorded in sales and cost of sales in the statements of earnings. Virtually all these expenses were passed through to our customers, resulting in no significant impact to earnings.

(b) Gains and losses on interest contracts are recorded in interest expense in the statements of earnings.

(c) Gains and losses on inflation options are recorded in cost of sales in the statements of earnings.

(d) Gains and losses on foreign currency contracts to hedge the sales of products are recorded in cost of sales. Gains and losses on foreign currency hedges used for translation between segments are reflected in selling, general and administrative expenses in the consolidated statements of earnings.

(e) Gains and losses on equity contracts are recorded in selling, general and administrative expenses in the consolidated statements of earnings.

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

($ in millions)	Three Months Ended March 31, 2013	April 1, 2012
Amounts reclassified into earnings:		
Commodity contracts	$ 4.4	$ 10.0
Interest rate and currency exchange contracts	0.8	0.2
Change in fair value of cash flow hedges:		
Commodity contracts	(19.3)	17.8
Interest rate and currency exchange contracts	2.5	(0.2)
Foreign currency and tax impacts	2.0	(10.6)
	$ (9.6)	$ 17.2

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Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

17. Contingencies

Ball is subject to numerous lawsuits, claims or proceedings arising out of the ordinary course of business, including actions related to product liability; personal injury; the use and performance of company products; warranty matters; patent, trademark or other intellectual property infringement; contractual liability; the conduct of the company s business; tax reporting in domestic and foreign jurisdictions; workplace safety; and environmental and other matters. The company has also been identified as a potentially responsible party (PRP) at several waste disposal sites under U.S. federal and related state environmental statutes and regulations and may have joint and several liability for any investigation and remediation costs incurred with respect to such sites. Some of these lawsuits, claims and proceedings involve substantial amounts, including as described below, and some of the environmental proceedings involve potential monetary costs or sanctions that may be material. Ball has denied liability with respect to many of these lawsuits, claims and proceedings and is vigorously defending such lawsuits, claims and proceedings. The company carries various forms of commercial, property and casualty, and other forms of insurance; however, such insurance may not be applicable or adequate to cover the costs associated with a judgment against Ball with respect to these lawsuits, claims and proceedings. The company does not believe that these lawsuits, claims and proceedings are material individually or in the aggregate. While management believes the company has established adequate accruals for expected future liability with respect to pending lawsuits, claims and proceedings, where the nature and extent of any such liability can be reasonably estimated based upon then presently available information, there can be no assurance that the final resolution of any existing or future lawsuits, claims or proceedings will not have a material adverse effect on the liquidity, results of operations or financial condition of the company.

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

Also in 1992, Ball entered into a settlement and indemnification agreement with Chemical Waste Management, Inc., and Waste Management of Colorado, Inc. (collectively Waste Management) and Denver pursuant to which Waste Management and Denver dismissed their lawsuit against the company, and Waste Management agreed to defend, indemnify and hold harmless the company from claims and lawsuits brought by governmental agencies and other parties relating to actions seeking contributions or remedial costs from the company for the cleanup of the site. Waste Management, Inc., has agreed to guarantee the obligations of Waste Management. Waste Management and Denver may seek additional payments from the company if the response costs related to the site exceed $319 million. In 2003 Waste Management, Inc., indicated that the cost of the site might exceed $319 million in 2030, approximately three years before the projected completion of the project. The company might also be responsible for payments (based on 1992 dollars) for any additional wastes that may have been disposed of by the company at the site but which are identified after the execution of the settlement agreement. While remediating the site, contaminants were encountered, which could add an additional cleanup cost of approximately $10 million. This additional cleanup cost could, in turn, add approximately $1 million to total site costs for the PRP group.

At this time, there are no Lowry Landfill actions in which the company is actively involved. Based on the information available to the company at this time, we do not believe that this matter will have a material adverse effect upon the liquidity, results of operations or financial condition of the company.

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Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

18. Indemnifications and Guarantees

General Guarantees

The company or its appropriate consolidated direct or indirect subsidiaries have made certain indemnities, commitments and guarantees under which the specified entity may be required to make payments in relation to certain transactions. These indemnities, commitments and guarantees include indemnities to the customers of the subsidiaries in connection with the sales of their packaging and aerospace products and services; guarantees to suppliers of subsidiaries of the company guaranteeing the performance of the respective entity under a purchase agreement, construction contract or other commitment; guarantees in respect of certain foreign subsidiaries pension plans; indemnities for liabilities associated with the infringement of third party patents, trademarks or copyrights under various types of agreements; indemnities to various lessors in connection with facility, equipment, furniture and other personal property leases for certain claims arising from such leases; indemnities to governmental agencies in connection with the issuance of a permit or license to the company or a subsidiary; indemnities pursuant to agreements relating to certain joint ventures; indemnities in connection with the sale of businesses or substantially all of the assets and specified liabilities of businesses; and indemnities to directors, officers and employees of the company to the extent permitted under the laws of the State of Indiana and the United States of America. The duration of these indemnities, commitments and guarantees varies and, in certain cases, is indefinite. In addition many of these indemnities, commitments and guarantees do not provide for any limitation on the maximum potential future payments the company could be obligated to make. As such, the company is unable to reasonably estimate its potential exposure under these items.

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

Debt Guarantees

The company s senior notes and senior credit facilities are guaranteed on a full, unconditional and joint and several basis by certain of the company s material domestic subsidiaries and the domestic subsidiary borrowers, and obligations of the subsidiary borrowers under the senior credit facilities are guaranteed by the company. Loans borrowed under the senior credit facilities by foreign subsidiary borrowers are also effectively guaranteed by certain of the company s foreign subsidiaries by pledges of stock of the foreign subsidiary borrowers and stock of material foreign subsidiaries. These guarantees are required in support of the notes and credit facilities referred to above, are co-terminous with the terms of the respective note indentures and credit agreements and would require performance upon certain events of default referred to in the respective guarantees. The maximum potential amounts which could be required to be paid under the domestic guarantees are essentially equal to the then outstanding principal and interest under the respective notes and credit agreements, or under the applicable tranche, and the maximum potential amounts that could be required to be paid under the foreign stock pledges by foreign subsidiaries are essentially equal to the value of the stock pledged. The company is not in default under the above notes or credit facilities. The condensed consolidating financial

information for the guarantor and non-guarantor subsidiaries is presented in Note 19. Separate financial statements for the guarantor subsidiaries and the non-guarantor subsidiaries are not presented because management has determined that such financial statements are not required by the current regulations.

Accounts Receivable Securitization

Ball Capital Corp. II is a separate, wholly owned corporate entity created for the purchase of accounts receivable from certain of the company s wholly owned subsidiaries. Ball Capital Corp. II s assets will be available first to satisfy the claims of its creditors. The company has been designated as the servicer pursuant to an agreement whereby Ball Capital Corp. II may sell and assign the accounts receivable to a commercial lender or lenders. As the servicer, the company is responsible for the servicing, administration and collection of the receivables and is primarily liable for the performance of such obligations. The company, the relevant subsidiaries and Ball Capital Corp. II are not in default under the above credit arrangement.

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Notes to the Unaudited Condensed Consolidated Financial Statements

19. Subsidiary Guarantees of Debt

The company s senior notes are guaranteed on a full, unconditional and joint and several basis by certain of the company s material domestic subsidiaries. These guarantees are required in support of the notes, are co-terminous with the terms of the respective note indentures and would require performance upon certain events of default referred to in the respective guarantees. The maximum potential amounts that could be required to be paid under the domestic guarantees are essentially equal to the then outstanding principal and interest under the respective notes. The following is unaudited condensed, consolidating financial information for the company, segregating the guarantor subsidiaries and non-guarantor subsidiaries, as of March 31, 2013, and December 31, 2012, and for the three months ended March 31, 2013, and April 1, 2012. Separate financial statements for the guarantor subsidiaries and the non-guarantor subsidiaries are not presented because management has determined that such financial statements are not required by the current regulations.

Unaudited Condensed Consolidating Statement of Earnings
For the Three Months Ended March 31, 2013

($ in millions)	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
Net sales	$	$ 1,225.3	$ 775.4	$ (9.7)	$ 1,991.0
Cost and expenses					
Cost of sales (excluding depreciation and amortization)	(0.2)	(1,035.6)	(617.4)	9.7	(1,643.5)
Depreciation and amortization	(1.4)	(30.9)	(40.2)		(72.5)
Selling, general and administrative	(22.8)	(47.8)	(38.7)		(109.3)
Business consolidation and other activities	(0.8)	(22.0)	0.1		(22.7)
Equity in results of subsidiaries	81.1	46.4		(127.5)	
Intercompany	42.2	(35.5)	(6.7)		
	98.1	(1,125.4)	(702.9)	(117.8)	(1,848.0)
Earnings (loss) before interest and taxes	98.1	99.9	72.5	(127.5)	143.0
Interest expense	(41.1)	0.5	(4.2)		(44.8)
Earnings (loss) before taxes	57.0	100.4	68.3	(127.5)	98.2
Tax provision	15.0	(17.7)	(15.4)		(18.1)
Equity in results of affiliates, net of tax		(0.5)	(0.3)		(0.8)
Net earnings (loss) from continuing operations	72.0	82.2	52.6	(127.5)	79.3
Discontinued operations, net of tax		0.1			0.1
Net earnings (loss)	72.0	82.3	52.6	(127.5)	79.4
Less net earnings attributable to noncontrolling interests			(7.4)		(7.4)
Net earnings (loss) attributable to Ball Corporation	$ 72.0	$ 82.3	$ 45.2	$ (127.5)	$ 72.0

Comprehensive earnings attributable to Ball Corporation	$	25.3	$	44.9	$	(2.9)	$	(42.0)	$	25.3

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Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

19. Subsidiary Guarantees of Debt *(continued)*

	Unaudited Condensed Consolidating Statement of Earnings For the Three Months Ended April 1, 2012				
($ in millions)	**Ball Corporation**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminating Adjustments**	**Consolidated Total**
Net sales	$	$ 1,282.8	$ 761.9	$ (2.0)	$ 2,042.7
Cost and expenses					
Cost of sales (excluding depreciation and amortization)		(1,088.2)	(601.5)	2.0	(1,687.7)
Depreciation and amortization	(1.3)	(30.2)	(37.5)		(69.0)
Selling, general and administrative	(22.1)	(48.1)	(29.4)		(99.6)
Business consolidation and other activities	(0.9)	(1.7)	(1.8)		(4.4)
Equity in results of subsidiaries	104.6	56.0		(160.6)	
Intercompany	42.0	(36.2)	(5.8)		
	122.3	(1,148.4)	(676.0)	(158.6)	(1,860.7)
Earnings (loss) before interest and taxes	122.3	134.4	85.9	(160.6)	182.0
Interest expense	(56.5)	0.3	(4.2)		(60.4)
Earnings (loss) before taxes	65.8	134.7	81.7	(160.6)	121.6
Tax provision	22.5	(32.1)	(18.4)		(28.0)
Equity in results of affiliates, net of tax		0.2	(0.4)		(0.2)
Net earnings (loss) from continuing operations	88.3	102.8	62.9	(160.6)	93.4
Discontinued operations, net of tax		(0.3)			(0.3)
Net earnings (loss)	88.3	102.5	62.9	(160.6)	93.1
Less net earnings attributable to noncontrolling interests			(4.8)		(4.8)
Net earnings (loss) attributable to Ball Corporation	$ 88.3	$ 102.5	$ 58.1	$ (160.6)	$ 88.3
Comprehensive earnings attributable to Ball Corporation	$ 151.5	$ 163.1	$ 102.7	$ (265.8)	$ 151.5

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Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

19. Subsidiary Guarantees of Debt *(continued)*

Unaudited Condensed Consolidating Balance Sheet
At March 31, 2013

($ in millions)	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
ASSETS					
Current assets					
Cash and cash equivalents	$ 2.8	$ 0.3	$ 204.9	$	$ 208.0
Receivables, net	4.3	174.0	879.4		1,057.7
Intercompany receivables	60.8	9.2	0.1	(70.1)	
Inventories, net	(0.3)	675.0	468.9		1,143.6
Other current assets	41.9	100.1	71.4		213.4
Total current assets	109.5	958.6	1,624.7	(70.1)	2,622.7
Non-current assets					
Property, plant and equipment, net	15.0	859.8	1,418.7		2,293.5
Investment in subsidiaries	3,938.5	1,977.7	78.7	(5,994.9)	
Goodwill		939.5	1,380.0		2,319.5
Intangibles and other assets, net	204.1	97.3	238.9		540.3
Total assets	$ 4,267.1	$ 4,832.9	$ 4,741.0	$ (6,065.0)	$ 7,776.0
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities					
Short-term debt and current portion of long-term debt	$ 16.1	$	$ 409.5	$	$ 425.6
Accounts payable	8.8	491.7	415.3		915.8
Intercompany payables	(0.3)		70.4	(70.1)	
Accrued employee costs	10.2	119.6	67.4		197.2
Other current liabilities	39.7	73.5	91.1		204.3
Total current liabilities	74.5	684.8	1,053.7	(70.1)	1,742.9
Non-current liabilities					
Long-term debt	2,770.9		634.4		3,405.3
Employee benefit obligations	296.4	456.9	395.6		1,148.9
Other liabilities	50.4	(341.2)	512.2		221.4
Total liabilities	3,192.2	800.5	2,595.9	(70.1)	6,518.5
Common stock	1,046.8	847.1	626.1	(1,473.2)	1,046.8
Preferred stock			4.8	(4.8)	
Retained earnings	3,633.9	3,518.1	1,377.6	(4,895.7)	3,633.9
Accumulated other comprehensive earnings (loss)	(399.1)	(332.8)	(46.0)	378.8	(399.1)
Treasury stock, at cost	(3,206.7)				(3,206.7)
Total Ball Corporation shareholders equity	1,074.9	4,032.4	1,962.5	(5,994.9)	1,074.9
Noncontrolling interests			182.6		182.6
Total shareholders equity	1,074.9	4,032.4	2,145.1	(5,994.9)	1,257.5

Total liabilties and shareholders equity	$	4,267.1	$	4,832.9	$	4,741.0	$	(6,065.0)	$	7,776.0

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Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

19. Subsidiary Guarantees of Debt *(continued)*

($ in millions)	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Adjustments	Consolidated Total
			Unaudited Condensed Consolidating Balance Sheet At December 31, 2012		
ASSETS					
Current assets					
Cash and cash equivalents	$ 0.2	$ 0.3	$ 173.6	$	$ 174.1
Receivables, net	11.8	182.9	735.4		930.1
Intercompany receivables	66.5	8.8		(75.3)	
Inventories, net	(0.8)	623.7	421.5		1,044.4
Other current assets	20.4	96.8	73.6		190.8
Total current assets	98.1	912.5	1,404.1	(75.3)	2,339.4
Non-current assets					
Property, plant and equipment, net	9.3	854.4	1,424.9		2,288.6
Investment in subsidiaries	3,890.8	1,982.3	78.6	(5,951.7)	
Goodwill		927.0	1,432.4		2,359.4
Intangibles and other assets, net	195.0	98.6	226.1		519.7
Total assets	$ 4,193.2	$ 4,774.8	$ 4,566.1	$ (6,027.0)	$ 7,507.1
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities					
Short-term debt and current portion of long-term debt	$ 25.1	$	$ 194.7	$	$ 219.8
Accounts payable	12.8	461.4	472.7		946.9
Intercompany payables		0.6	74.7	(75.3)	
Accrued employee costs	27.0	173.5	77.9		278.4
Other current liabilities	57.9	93.0	89.8		240.7
Total current liabilities	122.8	728.5	909.8	(75.3)	1,685.8
Non-current liabilities					
Long-term debt	2,565.4		519.9		3,085.3
Employee benefit obligations	300.5	526.8	410.8		1,238.1
Other non-current liabilities	89.9	(467.9)	585.9		207.9
Total liabilities	3,078.6	787.4	2,426.4	(75.3)	6,217.1
Common stock	1,026.3	847.1	624.9	(1,472.0)	1,026.3
Preferred stock			4.8	(4.8)	
Retained earnings	3,580.8	3,435.7	1,332.5	(4,768.2)	3,580.8
Accumulated other comprehensive earnings (loss)	(352.4)	(295.4)	2.1	293.3	(352.4)
Treasury stock, at cost	(3,140.1)				(3,140.1)
Total Ball Corporation shareholders equity	1,114.6	3,987.4	1,964.3	(5,951.7)	1,114.6
Noncontrolling interests			175.4		175.4
Total shareholders equity	1,114.6	3,987.4	2,139.7	(5,951.7)	1,290.0

Total liabilties and shareholders equity	$	4,193.2	$	4,774.8	$	4,566.1	$	(6,027.0)	$	7,507.1

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Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

19. Subsidiary Guarantees of Debt *(continued)*

($ in millions)	Ball Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated Total
	Unaudited Condensed Consolidating Statement of Cash Flows For the Three Months Ended March 31, 2013			
Cash provided by (used in) continuing operating activities	$ (107.3)	$ 44.2	$ (259.5)	$ (322.6)
Cash provided by (used in) discontinued operating activities		(2.0)		(2.0)
Total cash provided by (used in) operating activities	(107.3)	42.2	(259.5)	(324.6)
Cash flows from investing activities				
Capital expenditures	(1.3)	(29.5)	(57.9)	(88.7)
Business acquisition, net of cash acquired		(12.5)	(0.1)	(12.6)
Other, net	(6.4)	(0.2)	(1.4)	(8.0)
Cash provided by (used in) investing activities	(7.7)	(42.2)	(59.4)	(109.3)
Cash flows from financing activities				
Long-term borrowings	260.0		165.5	425.5
Repayments of long-term borrowings	(55.1)		(56.0)	(111.1)
Net change in short-term borrowings	(9.0)		240.2	231.2
Proceeds from issuances of common stock	3.4			3.4
Acquisitions of treasury stock	(69.2)			(69.2)
Common dividends	(19.3)			(19.3)
Other, net	8.9		(0.4)	8.5
Cash provided by (used in) financing activities	119.7		349.3	469.0
Effect of exchange rate changes on cash	(2.1)		0.9	(1.2)
Change in cash and cash equivalents	2.6		31.3	33.9
Cash and cash equivalents beginning of period	0.2	0.3	173.6	174.1
Cash and cash equivalents end of period	$ 2.8	$ 0.3	$ 204.9	$ 208.0

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Ball Corporation

Notes to the Unaudited Condensed Consolidated Financial Statements

19. Subsidiary Guarantees of Debt *(continued)*

	Unaudited Condensed Consolidating Statement of Cash Flows For the Three Months Ended April 1, 2012			
($ in millions)	**Ball Corporation**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Consolidated Total**
Cash provided by (used in) continuing operating activities	$ (312.6)	$ 23.1	$ 71.7	$ (217.8)
Cash provided by (used in) discontinued operating activities		(0.5)		(0.5)
Total cash provided by (used in) operating activities	(312.6)	22.6	71.7	(218.3)
Cash flows from investing activities				
Capital expenditures		(22.4)	(53.6)	(76.0)
Other, net	(4.9)	0.9	(6.7)	(10.7)
Cash provided by (used in) investing activities	(4.9)	(21.5)	(60.3)	(86.7)
Cash flows from financing activities				
Long-term borrowings	1,140.0	0.1		1,140.1
Repayments of long-term borrowings	(632.8)	(0.1)	(3.2)	(636.1)
Net change in short-term borrowings	11.0		(41.9)	(30.9)
Proceeds from issuances of common stock	19.7			19.7
Acquisitions of treasury stock	(210.8)			(210.8)
Common dividends	(15.6)			(15.6)
Other, net	(14.9)			(14.9)
Cash provided by (used in) financing activities	296.6		(45.1)	251.5
Effect of exchange rate changes on cash	2.4	0.5	(8.4)	(5.5)
Change in cash and cash equivalents	(18.5)	1.6	(42.1)	(59.0)
Cash and cash equivalents beginning of period	24.0	0.5	141.3	165.8
Cash and cash equivalents end of period	$ 5.5	$ 2.1	$ 99.2	$ 106.8

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

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

BUSINESS OVERVIEW

Business Overview and Industry Trends

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

We sell our packaging products mainly to large, multinational beverage, food, personal care and household products companies with which we have developed long-term customer relationships. This is evidenced by our high customer retention and our large number of long-term supply contracts. While we have a diversified customer base, we sell a majority of our packaging products to relatively few major companies in North America, Europe, the PRC and South America, as do our equity joint ventures in the U.S. and Vietnam. The overall metal container industry is growing globally and is expected to continue to grow in the medium to long term despite the North American market seeing a continued slight decline. The primary customers for the products and services provided by our aerospace and technologies segment are U.S. government agencies or their prime contractors.

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

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

The aerospace and technologies contract mix in the first three months of 2013 consisted of approximately 60 percent cost-type contracts, which are billed at our costs plus an agreed upon and/or earned profit component, and 38 percent fixed-price contracts. The remainder represents time and material contracts, which typically provide for the sale of labor at fixed hourly rates. The contracted backlog of approximately $1.1 billion at March 31, 2013, consisted of approximately 46 percent fixed price contracts.

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Corporate Strategy

Our Drive for 10 vision encompasses five strategic levers that are key to growing our business and achieving long-term success. During 2012 and the first quarter of 2013, we made progress on each of our Drive for 10 levers as described in the following:

- maximizing value in our existing businesses through reducing standard beverage container and end capacity in North America and the expansion of specialty container production to meet current demand, redeployment of surplus equipment to other global locations, closure of certain metal beverage and metal food and aerosol packaging facilities and relocating our European headquarters to Zurich, Switzerland, to gain business, customer and supplier efficiencies;

- expanding further into new products and capabilities through expansion into extruded aluminum aerosol manufacturing with our Mexican acquisition in December 2012;

- aligning ourselves with the right customers and markets by investing capital to meet double-digit volume growth for specialty beverage containers throughout the global network;

- broadening our geographic reach with the construction and start up of three beverage container manufacturing facilities in China, Brazil and Vietnam; and

- leveraging our technological expertise in packaging innovation and aerospace technologies to maintain our competitive advantage today and in the future.

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

RESULTS OF CONSOLIDATED OPERATIONS

Consolidated Sales and Earnings

	Three Months Ended	
	March 31,	**April 1,**

($ in millions)		2013		2012
Net sales	$	1,991.0	$	2,042.7
Net earnings attributable to Ball Corporation		72.0		88.3
Net earnings attributable to Ball Corporation as a % of consolidated net sales		3.6%		4.3%

Sales in the first quarter of 2013 decreased compared to the first quarter of 2012 due to lower metal packaging sales volumes. In addition to the business segment performance analyzed below, net earnings attributable to Ball Corporation decreased due to higher business consolidation costs, partially offset by debt refinancing costs in 2012 and a lower tax rate in 2013. These items are detailed in the Management Performance Measures section below.

Cost of Sales (Excluding Depreciation and Amortization)

Cost of sales, excluding depreciation and amortization, was $1,643.5 million in the first quarter of 2013 compared to $1,687.7 million in the first quarter of 2012. These amounts represented 82.5 percent of consolidated net sales in 2013 and 82.6 percent in 2012.

Depreciation and Amortization

Depreciation and amortization expense was $72.5 million in the first quarter of 2013 compared to $69.0 million in the first quarter of 2012. These amounts represented 3.6 percent of consolidated net sales in 2013 and 3.4 percent in 2012.

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Selling, General and Administrative

Selling, general and administrative (SG&A) expenses were $109.3 million in the first quarter of 2013 compared to $99.6 million in the first quarter of 2012. These amounts represented 5.5 percent of consolidated net sales in 2013 and 4.9 percent in 2012. The increased SG&A expense was primarily due to increased professional service fees, higher employee costs, currency exchange fluctuations and other higher costs.

Interest and Taxes

Consolidated interest expense was $44.8 million in the first quarter of 2013 compared to $60.4 million in the first quarter 2012. Interest expense in the first quarter of 2012 included $15.1 million for the call premium and the write off of unamortized financing costs and issuance premiums related to the tender of Ball s 6.625 percent senior notes due March 2018. Interest expense as a percentage of average monthly borrowings was 5.0 percent in the first quarter of 2013 compared to 5.4 percent in the first quarter of 2012. Lower average borrowings rates in 2013 were offset by higher average debt levels.

The effective income tax rate for earnings from continuing operations was 18.4 percent for the first three months of 2013 compared to 23.0 percent for the first three months of 2012. The lower tax rate in 2013 was primarily the result of a lower projected foreign tax rate and lower U.S. taxes on foreign earnings. The 2013 benefit from the retroactive extension of the research and development credit was offset by the 2012 releases of non-recurring uncertain tax positions. The full-year 2013 effective income tax rate on continuing operations is expected to be approximately 28 percent on a U.S. GAAP basis.

RESULTS OF BUSINESS SEGMENTS

Ball s operations are organized and reviewed by management along its product lines and geographical areas and presented in the four reportable segments discussed below. On January 1, 2013, the company implemented changes to its management and internal reporting structure. As a result, the European extruded aluminum business, which was previously included in the metal beverage packaging, Europe, segment, is now included in the metal food and household products packaging segment. The segment results and disclosures for the three months ended April 1, 2012, and the financial position at December 31, 2012, have been retrospectively adjusted to conform to the current year presentation.

Metal Beverage Packaging, Americas and Asia

	Three Months Ended	
($ in millions)	**March 31, 2013**	**April 1, 2012**
Net sales	$ 995.2	$ 1,049.7
Segment earnings	$ 104.0	$ 105.5

Business consolidation and other activities *(a)*		(1.5)		(1.7)
Total segment earnings	$	102.5	$	103.8
Segment earnings before business consolidation costs as a % of segment net sales		10.5%		10.1%

(a) Further details of these items are included in Note 5 to the unaudited condensed consolidated financial statements within Item 1 of this report.

The metal beverage packaging, Americas and Asia, segment consists of operations located in the U.S., Canada, Brazil and the PRC, which manufacture aluminum containers used in beverage packaging, as well as non-beverage plastic containers manufactured and sold in the PRC.

Segment sales in the first quarter of 2013 were $54.5 million lower compared to the first quarter of 2012, due to lower sales volumes of $66 million, primarily related to commodity products in North America.

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Segment earnings in the first quarter of 2013 were $1.5 million lower compared to the first quarter of 2012, mainly due to lower commodity product sales volumes of $30 million, offset by favorable net pricing and product mix of $10 million and improved manufacturing performance of $19 million.

Metal Beverage Packaging, Europe

($ in millions)	Three Months Ended March 31, 2013	Three Months Ended April 1, 2012
Net sales	$ 402.9	$ 414.5
Segment earnings	$ 30.9	$ 42.4
Business consolidation and other activities *(a)*	(1.7)	(1.8)
Total segment earnings	$ 29.2	$ 40.6
Segment earnings before business consolidation costs as a % of segment net sales	7.7%	10.2%

(a) Further details of these items are included in Note 5 to the unaudited condensed consolidated financial statements within Item 1 of this report.

The metal beverage packaging, Europe, segment includes the manufacture and sale of metal beverage containers in facilities located throughout Europe.

Segment sales in the first quarter of 2013 were $11.6 million lower compared to the first quarter of 2012, primarily due to lower volumes and unfavorable pricing and mix.

Segment earnings in the first quarter of 2013 were $11.5 million lower compared to the first quarter of 2012, primarily due to the lower sales volumes and higher input costs.

Metal Food and Household Products Packaging

($ in millions)	Three Months Ended March 31, 2013	Three Months Ended April 1, 2012
Net sales	$ 367.2	$ 378.9

Segment earnings	$	34.7	$	39.3
Business consolidation and other activities *(a)*		(18.8)		
Total segment earnings	$	15.9	$	39.3
Segment earnings before business consolidation costs as a % of segment net sales		9.4%		10.4%

(a) Further details of these items are included in Note 5 to the unaudited condensed consolidated financial statements within Item 1 of this report.

The metal food and household products packaging segment consists of operations located in the U.S., Europe, Canada, Mexico and Argentina that manufacture and sell metal food, aerosol, paint, general line and extruded aluminum containers, as well as decorative specialty containers and aluminum slugs. In December 2012, the company acquired a manufacturing facility from Envases, a leading producer of extruded aluminum aerosol packaging in Mexico with one manufacturing facility.

Segment sales in the first quarter of 2013 were $11.7 million lower compared to the first quarter of 2012, primarily due to lower net sales volumes of containers.

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Segment earnings in the first quarter of 2013 were $4.6 million lower compared to the first quarter of 2012, primarily due to lower sales volumes and higher cost inventory carried into 2013.

Aerospace and Technologies

($ in millions)	Three Months Ended March 31, 2013		Three Months Ended April 1, 2012	
Net sales	$	231.4	$	201.6
Segment earnings		17.9		19.7
Segment earnings as a % of segment net sales		7.7%		9.8%

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

Segment sales in the first quarter of 2013 increased $29.8 million compared to the first quarter of 2012, respectively, primarily due to higher sales from U.S. national defense contracts. Segment earnings decreased $1.8 million as a result of favorable non-recurring adjustments in the first quarter of 2012 on fixed price contracts that did not occur in 2013.

Contracted backlog in the aerospace and technologies segment was approximately $1.1 billion at March 31, 2013, compared to approximately $1.0 billion at December 31, 2012. Comparisons of backlog are not necessarily indicative of the trend of future operations due to the nature of varying delivery and milestone schedules on contracts and funding of programs.

Additional Segment Information

For additional information regarding our segments, see the business segment information in Note 3 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report. The charges recorded for business consolidation and other activities were based on estimates by management and were developed from information available at the time the amounts were recognized. If actual outcomes vary from the estimates, the differences will be reflected in current period earnings in the statement of earnings and identified as business consolidation gains and losses. Additional details about our business consolidation and other activities, as well as the associated costs, are provided in Note 5 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report.

NEW ACCOUNTING PRONOUNCEMENTS

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

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FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

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

	Three Months Ended	
($ in millions)	**March 31, 2013**	**April 1, 2012**
Cash flows provided by (used in) operating activities	$ (324.6)	$ (218.3)
Cash flows provided by (used in) investing activities	(109.3)	(86.7)
Cash flows provided by (used in) financing activities	469.0	251.5

Cash flows from operations in the first three months of 2013 were lower than in the first three months of 2012 due to unfavorable working capital changes. The unfavorable working capital changes were primarily related to higher inventory days on hand and higher days sales outstanding, partially offset by higher days payable outstanding. Inventory days on hand (annualized) increased from 59 days to 61 days, days sales outstanding (annualized) increased from 47 days to 48 days and days payable outstanding (annualized) increased from 43 days to 49 days.

In the fourth quarter of 2012, the company entered into an accounts receivable factoring program with a financial institution for certain receivables of the company. The program is accounted for as a true sale of the receivables and has a limit of $90 million, of which $78.2 million and $75 million was sold as of March 31, 2013, and December 31, 2012, respectively.

Contributions to the company s defined benefit plans, not including the unfunded German plans, are expected to be approximately $95 million in 2013, of which $81.8 million was contributed as of March 31, 2013. This estimate may change based on changes in the Pension Protection Act and actual plan asset performance, among other factors. Payments to participants in the unfunded German plans are expected to be approximately $22 million for the full year.

We expect 2013 capital expenditures for property, plant and equipment to be approximately $400 million, and approximately $160 million was contractually committed as of March 31, 2013. Capital expenditures are expected to be funded by cash flows from operations.

Share Repurchases

Our share repurchases, net of issuances, totaled $65.8 million in the first three months of 2013 compared to $191.1 million in the first three months of 2012. The repurchases were completed using cash on hand and available borrowings and included accelerated share repurchase agreements and other purchases under our ongoing share repurchase program. Additional details about our share repurchase activities are provided in Note 13 to the unaudited condensed consolidated financial statements within Item 1 of this report on Form 10-Q.

Debt Facilities and Refinancing

Given our cash flow projections and unused credit facilities that are available until December 2015, our liquidity is strong and is expected to meet our ongoing cash and debt service requirements. Interest-bearing debt of $3.8 billion at March 31, 2013, was higher than the amount outstanding at December 31, 2012, of $3.3 billion due to seasonal working capital requirements.

At March 31, 2013, approximately $494 million was available under the company s long-term, multi-currency committed revolving credit facilities. In addition to the long-term committed credit facilities, the company had approximately $635 million of short-term uncommitted credit facilities available at March 31, 2013, of which $170.7 million was outstanding and due on demand.

In August 2011, the company entered into an accounts receivable securitization agreement for a term of three years, which was amended in September 2012. The maximum the company can borrow under the amended agreement can vary between $110 million and $235 million depending on the seasonal accounts receivable balances in the company s North American packaging businesses. At March 31, 2013, $171.0 million were sold under the securitization agreement. There were no

accounts receivable sold under this agreement at December 31, 2012. Borrowings under the securitization agreement are included within the short-term debt and current portion of long-term debt line on the balance sheet.

On March 9, 2012, Ball issued $750 million of 5.00 percent senior notes due in March 2022. On the same date, the company tendered for the redemption of its 6.625 percent senior notes originally due in March 2018 in the amount of $450 million, at a redemption price per note of 102.583 percent of the outstanding principal amount plus accrued interest. At April 1, 2012, $392.7 million had been redeemed, and the remaining $57.3 million was redeemed during April 2012. The redemption of the bonds resulted in a charge of $15.1 million for the call premium and the write off of unamortized financing costs and premiums. The charge is included as a component of interest expense in the unaudited condensed consolidated statement of earnings.

The U.S. note agreements, bank credit agreement and accounts receivable securitization agreement contain certain restrictions relating to dividends, investments, financial ratios, guarantees and the incurrence of additional indebtedness. The company s bank credit agreement debt covenants require the company to maintain an interest coverage ratio (as defined in the credit agreement) of no less than 3.50 and a leverage ratio (as defined) of no greater than 4.00. The company was in compliance with all loan agreements and debt covenants at March 31, 2013, and December 31, 2012, and has met all debt payment obligations. Additional details about our debt and receivables sales agreements are available in Note 11 accompanying the unaudited condensed consolidated financial statements within Item 1 of this report.

Management Performance Measures

Management internally uses various measures to evaluate company performance such as return on average invested capital (net operating earnings after tax over the relevant performance period divided by average invested capital over the same period); economic value added (EVA®) dollars (net operating earnings after tax less a capital charge on average invested capital employed); earnings before interest and taxes (EBIT); earnings before interest, taxes, depreciation and amortization (EBITDA); diluted earnings per share; cash flow from operating activities and free cash flow (generally defined by the company as cash flow from operating activities less capital expenditures). These financial measures may be adjusted at times for items that affect comparability between periods such as business consolidation costs and gains or losses on acquisitions and dispositions. Nonfinancial measures in the packaging businesses include production efficiency and spoilage rates; quality control figures; environmental, health and safety statistics; production and sales volumes; asset utilization rates; and measures of sustainability. Additional measures used to evaluate financial performance in the aerospace and technologies segment include contract revenue realization, award and incentive fees realized, proposal win rates and backlog (including awarded, contracted and funded backlog).

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

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

	Three Months Ended	
	March 31,	**April 1,**

($ in millions)		2013		2012
Earnings before taxes, as reported	$	98.2	$	121.6
Interest expense		44.8		60.4
Earnings before interest and taxes (EBIT)		143.0		182.0
Business consolidation and other activities		22.7		4.4
Comparable EBIT	$	165.7	$	186.4

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Our calculations of comparable EBITDA, the comparable EBIT to interest coverage ratio and the net debt to comparable EBITDA ratio for the 12 months ended March 31, 2013, are summarized below:

($ in millions, except ratios)		
Earnings before taxes, as reported	$	572.2
Add interest expense		179.3
Earnings before interest and taxes (EBIT)		751.5
Add business consolidation and other activities		121.1
Comparable EBIT		872.6
Add depreciation and amortization		286.4
Comparable EBITDA	$	1,159.0
Interest expense	$	(179.3)
Total debt at March 31, 2013	$	3,830.9
Less cash and cash equivalents		(208.0)
Net debt	$	3,622.9
Comparable EBIT/Interest Expense		4.9x
Net debt/Comparable EBITDA		3.1x

Our calculation of comparable net earnings is summarized below:

	Three Months Ended			
($ in millions, except per share amounts)		**March 31, 2013**		**April 1, 2012**
Net earnings attributable to Ball Corporation, as reported	$	72.0	$	88.3
Discontinued operations, net of tax		(0.1)		0.3
Business consolidation and other activities, net of tax		16.0		3.0
Debt refinancing costs, net of tax				9.2
Comparable Net Earnings	$	87.9	$	100.8
Per diluted share, as reported	$	0.47	$	0.55
Per diluted share, as adjusted	$	0.58	$	0.63

CONTINGENCIES, INDEMNIFICATIONS AND GUARANTEES

Details about the company s contingencies, indemnifications and guarantees are available in Notes 17 and 18 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, the company employs established risk management policies and procedures, which seek to reduce our exposure to fluctuations in commodity prices, interest rates, exchange currencies and prices of the company s common stock in regard to common share repurchases, although there can be no assurance that these policies and procedures will be successful. The company mitigates its exposure by spreading the risk among various counterparties, thus limiting exposure with any one party. The company also monitors the credit ratings of its suppliers, customers, lenders and counterparties on a regular basis. Further details are available in Item 7A within Ball s 2012 annual report filed on February 22, 2013, and in Note 16 accompanying the unaudited condensed consolidated financial statements included within Item 1 of this report.

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Item 4. CONTROLS AND PROCEDURES

Our chief executive officer and chief financial officer participated in management s evaluation of our disclosure controls and procedures, as defined by the Securities and Exchange Commission (SEC), as of the end of the period covered by this report and concluded that our controls and procedures were effective. There were no material changes to internal controls during the company s first three months of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

The company has made or implied certain forward-looking statements in this report which are made as of the end of the time frame covered by this report. These forward-looking statements represent the company s goals, and results could vary materially from those expressed or implied. From time to time we also provide oral or written forward-looking statements in other materials we release to the public. As time passes, the relevance and accuracy of forward-looking statements may change. Some factors that could cause the company s actual results or outcomes to differ materially from those discussed in the forward-looking statements include, but are not limited to: fluctuation in customer and consumer growth, demand and preferences; loss of one or more major customers or changes to contracts with one or more customers; insufficient production capacity; changes in senior management; the ongoing global recession and its effects on liquidity, credit risk, asset values and the economy; overcapacity in foreign and domestic metal container industry production facilities and its impact on pricing; failure to achieve anticipated productivity improvements or production cost reductions, including those associated with capital expenditures; changes in climate and weather; fruit, vegetable and fishing yields; power and natural resource costs; difficulty in obtaining supplies and energy, such as gas, electric power and diesel fuel; availability and cost of raw materials, as well as the increases in steel, aluminum and energy costs, and the ability or inability to include or pass on to customers changes in raw material costs; changes in the pricing of the company s products and services; competition in pricing and the possible decrease in, or loss of, sales resulting therefrom; insufficient or reduced cash flow; the number and timing of the purchases of the company s common shares; the effects of restrictive legislation, including with respect to packaging, such as recycling laws; interest rates affecting our debt; labor strikes; increases and trends in various employee benefits and labor costs, including pension, medical and health care costs; rates of return projected and earned on assets and discount rates used to measure future obligations and expenses of the company s defined benefit retirement plans; antitrust, intellectual property, consumer and other litigation; maintenance and capital expenditures; goodwill impairment; changes in generally accepted accounting principles or their interpretation; the authorization, funding, availability and returns of contracts for the aerospace and technologies segment and the nature and continuation of those contracts and related services provided thereunder; delays, extensions and technical uncertainties, as well as schedules of performance associated with such segment contracts; political and economic instability, including periodic sell-off on global equity markets, sanctions and the devaluation or revaluation of certain currencies; business risks with respect to changes in currency exchange rates; terrorist activity or war that disrupts the company s production or supply; regulatory action or laws affecting the company or its customers or suppliers, or any of their respective products, including tax, environmental, health and workplace safety, including in respect of climate change, or chemicals or substances used in raw materials or in the manufacturing process, particularly publicity concerning Bisphenol-A, or BPA, a chemical used in the manufacture of epoxy coatings applied to many types of containers (including certain of those produced by the company); technological developments and innovations; successful or unsuccessful acquisitions, joint ventures or divestitures and the integration activities associated therewith; changes to unaudited results due to statutory audits of our financial statements or management s evaluation of the company s internal control over financial reporting; ongoing uncertainties surrounding sovereign debt of various European countries, as well as ratings agency downgrades of various government s debt; and loss contingencies related to income and other tax matters, including those arising from audits performed by national and local tax authorities. If the company is unable to achieve its goals, then the company s actual performance could vary materially from those goals expressed or implied in the forward-looking statements. The company currently does not intend to publicly update forward-looking statements except as it deems necessary in quarterly or annual earnings reports. You are advised, however, to consult any further disclosures we make on related subjects in our Forms 10-K, 10-Q and 8-K reports to the SEC.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There were no events required to be reported under Item 1 for the quarter ended March 31, 2013, except as discussed in Note 17 to the unaudited condensed consolidated financial statements within Part I, Item 1 within this report.

Item 1A. Risk Factors

Risk factors affecting the company can be found within Item 1A of the company s annual report on Form 10-K.

Item 2. Changes in Securities

The following table summarizes the company s repurchases of its common stock during the quarter ended March 31, 2013.

	Purchases of Securities			
($ in millions)	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (b)
January 1 to January 31, 2013		$		16,686,372
February 1 to February 28, 2013	1,333,848	45.05	1,333,848	15,352,524
March 1 to March 31, 2013	200,000	45.50	200,000	15,152,524
Total	1,533,848	45.11	1,533,848	

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

(b) The company has an ongoing repurchase program for which shares are authorized from time to time by Ball s board of directors. On January 25, 2012, the Board authorized the repurchase by the company of up to a total of 30 million shares. This repurchase authorization also replaced all previous authorizations.

Item 3. Defaults Upon Senior Securities

There were no events required to be reported under Item 3 for the quarter ended March 31, 2013.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

There were no events required to be reported under Item 5 for the quarter ended March 31, 2013.

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Item 6. Exhibits

31.1	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) by John A. Hayes, Chairman, President and Chief Executive Officer of Ball Corporation.
31.2	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) by Scott C. Morrison, Senior Vice President and Chief Financial Officer of Ball Corporation.
32.1	Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code by John A. Hayes, Chairman, President and Chief Executive Officer of Ball Corporation.
32.2	Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code by Scott C. Morrison, Senior Vice President and Chief Financial Officer of Ball Corporation.
99	Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995, as amended.
101	The following materials from the company s quarterly report on Form 10-Q for the quarter ended March 31, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Unaudited Condensed Consolidated Statement of Earnings, (ii) the Unaudited Statement of Comprehensive Earnings, (iii) the Unaudited Condensed Consolidated Balance Sheet, (iv) the Unaudited Condensed Consolidated Statement of Cash Flows, and (v) Notes to the Unaudited Condensed Consolidated Financial Statements.

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SIGNATURE

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

Ball Corporation

(Registrant)

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

Date: May 6, 2013

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Ball Corporation and Subsidiaries

QUARTERLY REPORT ON FORM 10-Q

March 31, 2013

EXHIBIT INDEX

Description	**Exhibit**
Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) by John A. Hayes, Chairman, President and Chief Executive Officer of Ball Corporation (Filed herewith.)	EX-31.1
Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) by Scott C. Morrison, Senior Vice President and Chief Financial Officer of Ball Corporation (Filed herewith.)	EX-31.2
Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code by John A. Hayes, Chairman, President and Chief Executive Officer of Ball Corporation (Furnished herewith.)	EX-32.1
Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code by Scott C. Morrison, Senior Vice President and Chief Financial Officer of Ball Corporation (Furnished herewith.)	EX-32.2
Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995, as amended (Filed herewith.)	EX-99
The following materials from the company s quarterly report on Form 10-Q for the quarter ended March 31, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Unaudited Condensed Consolidated Statement of Earnings, (ii) the Unaudited Statement of Comprehensive Earnings, (iii) the Unaudited Condensed Consolidated Balance Sheet, (iv) the Unaudited Condensed Consolidated Statement of Cash Flows, and (v) Notes to the Unaudited Condensed Consolidated Financial Statements (Furnished herewith.)	EX-101