

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

**WEST PHARMACEUTICAL SERVICES INC**

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

**FORM 10-Q**

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended June 30, 2019**

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 1-8036**

**WEST PHARMACEUTICAL SERVICES, INC.**  
**(Exact name of registrant as specified in its charter)**

**Pennsylvania**

**23-1210010**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

**530 Herman O. West Drive, Exton, PA**

**19341-0645**

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **610-594-2900**

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

<b>Title of each class</b>	<b>Trading Symbol</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.25 per share	WST	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).      Yes     No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes     No

As of June 30, 2019, there were 73,748,615 shares of the registrant's common stock outstanding.



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**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

West Pharmaceutical Services, Inc. and Subsidiaries  
(in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net sales	\$ 469.7	\$ 447.5	\$ 913.2	\$ 863.2
Cost of goods and services sold	311.8	305.3	608.5	586.6
Gross profit	157.9	142.2	304.7	276.6
Research and development	9.6	10.8	19.4	20.4
Selling, general and administrative expenses	70.3	70.0	138.9	138.3
Other (income) expense (Note 15)	(2.5)	1.1	(4.8)	4.2
Operating profit	80.5	60.3	151.2	113.7
Interest expense	2.0	2.2	4.3	4.1
Interest income	(0.6)	(0.3)	(1.5)	(0.9)
Other nonoperating income	(0.5)	(1.7)	(1.1)	(3.3)
Income before income taxes	79.6	60.1	149.5	113.8
Income tax expense	15.5	6.0	31.6	18.5
Equity in net income of affiliated companies	(2.0)	(2.0)	(3.6)	(4.4)
Net income	\$ 66.1	\$ 56.1	\$ 121.5	\$ 99.7
Net income per share:				
Basic	\$ 0.90	\$ 0.76	\$ 1.64	\$ 1.35
Diluted	\$ 0.88	\$ 0.75	\$ 1.61	\$ 1.33
Weighted average shares outstanding:				
Basic	73.7	73.6	73.9	73.8
Diluted	75.1	75.0	75.3	75.2

See accompanying notes to condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

West Pharmaceutical Services, Inc. and Subsidiaries  
(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 66.1	\$ 56.1	\$ 121.5	\$ 99.7
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(0.7)	(49.6)	3.7	(29.6)
Defined benefit pension and other postretirement plan adjustments, net of tax of \$0, \$0.4, \$0 and \$0.1, respectively	0.1	1.0	(0.2)	0.3
Net gain (loss) on derivatives, net of tax of \$0.8, \$0.3, \$(0.8), and \$1.1, respectively	1.8	0.7	(1.5)	2.9
Other comprehensive income (loss), net of tax	1.2	(47.9)	2.0	(26.4)
Comprehensive income	\$ 67.3	\$ 8.2	\$ 123.5	\$ 73.3

See accompanying notes to condensed consolidated financial statements.

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**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

West Pharmaceutical Services, Inc. and Subsidiaries

(in millions, except per share data)

	June 30, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 326.7	\$ 337.4
Accounts receivable, net	330.8	288.2
Inventories	232.3	214.5
Other current assets	54.5	54.3
Total current assets	944.3	894.4
Property, plant and equipment	1,786.8	1,752.7
Less: accumulated depreciation and amortization	963.9	930.7
Property, plant and equipment, net	822.9	822.0
Operating lease right-of-use assets	74.5	—
Investments in affiliated companies	95.4	91.2
Goodwill	108.2	105.8
Deferred income taxes	27.9	24.7
Intangible assets, net	29.7	20.3
Other noncurrent assets	20.3	20.5
Total Assets	\$ 2,123.2	\$ 1,978.9
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Notes payable and other current debt	\$ —	\$ 0.1
Accounts payable	152.1	130.4
Pension and other postretirement benefits	2.3	2.3
Accrued salaries, wages and benefits	59.0	64.5
Income taxes payable	5.4	9.8
Operating lease liabilities	10.2	—
Other current liabilities	84.2	76.6
Total current liabilities	313.2	283.7
Long-term debt	196.0	196.0
Deferred income taxes	13.5	13.1
Pension and other postretirement benefits	53.6	56.2
Operating lease liabilities	66.4	—
Other long-term liabilities	35.4	33.6
Total Liabilities	678.1	582.6
Commitments and contingencies (Note 17)		
Equity:		
Preferred stock, 3.0 million shares authorized; 0 shares issued and outstanding	—	—
Common stock, par value \$0.25 per share; 100.0 million shares authorized; shares issued: 75.3 million and 75.3 million; shares outstanding: 73.7 million and 74.1 million	18.8	18.8

Capital in excess of par value	273.4	282.0
Retained earnings	1,452.9	1,353.4
Accumulated other comprehensive loss	(152.2)	(154.2)
Treasury stock, at cost (1.6 million and 1.2 million shares)	(147.8)	(103.7)
Total Equity	<u>1,445.1</u>	<u>1,396.3</u>
Total Liabilities and Equity	<u>\$ 2,123.2</u>	<u>\$ 1,978.9</u>

See accompanying notes to condensed consolidated financial statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

West Pharmaceutical Services, Inc. and Subsidiaries  
(in millions)

	Six Months Ended June 30,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net income	\$ 121.5	\$ 99.7
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	50.2	50.6
Amortization	1.6	1.3
Stock-based compensation	13.4	9.4
Non-cash restructuring charges	0.4	0.4
Contingent consideration payments in excess of acquisition-date liability	(0.3)	(0.5)
Other non-cash items, net	(1.3)	(3.4)
Changes in assets and liabilities	(32.8)	(30.5)
<b>Net cash provided by operating activities</b>	<b>152.7</b>	<b>127.0</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(57.1)	(48.2)
Acquisition of business	(18.9)	—
Other, net	0.2	2.5
<b>Net cash used in investing activities</b>	<b>(75.8)</b>	<b>(45.7)</b>
<b>Cash flows from financing activities:</b>		
Borrowings under revolving credit agreements	28.0	—
Repayments under revolving credit agreements	(28.0)	—
Debt issuance costs	(0.9)	—
Dividend payments	(22.2)	(20.7)
Proceeds from stock-based compensation awards	16.2	6.5
Employee stock purchase plan contributions	2.6	2.4
Shares purchased under share repurchase programs	(83.1)	(70.8)
<b>Net cash used in financing activities</b>	<b>(87.4)</b>	<b>(82.6)</b>
Effect of exchange rates on cash	(0.2)	(9.1)
<b>Net decrease in cash and cash equivalents</b>	<b>(10.7)</b>	<b>(10.4)</b>
<b>Cash, including cash equivalents at beginning of period</b>	<b>337.4</b>	<b>235.9</b>
<b>Cash, including cash equivalents at end of period</b>	<b>\$ 326.7</b>	<b>\$ 225.5</b>

See accompanying notes to condensed consolidated financial statements.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### Note 1: Summary of Significant Accounting Policies

**Basis of Presentation:** The condensed consolidated financial statements included in this report are unaudited and have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“U.S. GAAP”) for interim financial reporting and U.S. Securities and Exchange Commission (“SEC”) regulations. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. In the opinion of management, these financial statements include all adjustments, which are of a normal recurring nature, necessary for a fair statement of the financial position, results of operations, cash flows and the change in equity for the periods presented. The condensed consolidated financial statements for the three and six months ended June 30, 2019 should be read in conjunction with the consolidated financial statements and notes thereto of West Pharmaceutical Services, Inc. and its majority-owned subsidiaries (which may be referred to as “West”, the “Company”, “we”, “us” or “our”) appearing in our Annual Report on Form 10-K for the year ended December 31, 2018 (the “[2018 Annual Report](#)”). The results of operations for any interim period are not necessarily indicative of results for the full year.

In April 2019, we acquired the business of our distributor in South Korea for \$18.9 million. As a result of the acquisition, we recorded inventories, property, plant and equipment, goodwill and a customer relationships intangible asset of \$4.5 million, \$0.6 million, \$2.6 million and \$11.2 million, respectively, in our condensed consolidated balance sheet as of June 30, 2019. The goodwill was recorded within our Proprietary Products reportable segment. The results of this acquisition have been included in our condensed consolidated financial statements since the acquisition date.

As of April 1, 2017, our consolidated financial statements exclude the results of our Venezuelan subsidiary. Please refer to Note 15, *Other Expense*, to the consolidated financial statements in our [2018 Annual Report](#) for further discussion.

### Note 2: New Accounting Standards

#### Recently Adopted Standards

In August 2018, the SEC adopted a final release which would eliminate or modify certain disclosure requirements that are redundant, outdated, or duplicative of U.S. GAAP or other regulatory requirements. Among other changes, the amendments provide that disclosure requirements related to the analysis of shareholders’ equity are expanded for interim purposes. An analysis of the changes in each caption of shareholders’ equity presented in the balance sheet must be provided in a note or separate statement, as well as the amount of dividends per share for each class of shares. We provided this disclosure beginning in the first quarter of 2019. Please refer to Note 12, *Shareholders’ Equity*.

In June 2018, the Financial Accounting Standards Board (“FASB”) issued guidance which expands the scope of accounting for share-based payment arrangements to include share-based payment transactions for acquiring goods and services from nonemployees. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption was permitted. We adopted this guidance as of January 1, 2019, on a prospective basis. The adoption did not have a material impact on our financial statements.

In February 2018, the FASB issued guidance to address a specific consequence of the Tax Cuts and Jobs Acts (the “2017 Tax Act”) by allowing a reclassification from accumulated other comprehensive income (loss) to retained earnings for stranded tax effects resulting from the 2017 Tax Act’s reduction of the U.S. federal corporate income tax rate. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption was permitted. We adopted this guidance as of January 1, 2019, on a prospective basis, but

elected to not reclassify from accumulated other comprehensive income (loss) to retained earnings the stranded tax effects resulting from the 2017 Tax Act's reduction of the U.S. federal corporate income tax rate.

In August 2017, the FASB issued guidance which expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption was permitted. We adopted this guidance as of January 1, 2019, on a prospective basis. The adoption did not have a material impact on our financial statements.

In February 2016, the FASB issued guidance on the accounting for leases, Accounting Standards Codification ("ASC") Topic 842 ("ASC 842"). This guidance requires lessees to recognize lease assets and lease liabilities on the balance sheet and to expand disclosures about leasing arrangements, both qualitative and quantitative. In terms of transition, the guidance requires adoption based upon a modified retrospective approach. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption was permitted. We adopted this guidance as of January 1, 2019, using the modified retrospective approach that allows companies to apply ASC 842 as of the effective date and on a prospective basis. Please refer to Note 6, *Leases*, for additional information.

### **Standards Issued Not Yet Adopted**

In April 2019, the FASB issued guidance which clarifies and improves areas of guidance related to the new credit losses, hedging, and recognition and measurement standards. This guidance is effective for the same fiscal years in which the original standards are effective or, if already implemented, annual periods beginning after the issuance of this guidance. Early adoption is permitted. We are currently evaluating our adoption timing and the impact that this guidance may have on our financial statements.

In August 2018, the FASB issued guidance to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this update. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted, including adoption in any interim period. We are currently evaluating our adoption timing and the impact that this guidance may have on our financial statements.

In August 2018, the FASB issued guidance which modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. The guidance removes disclosures that no longer are considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant. This guidance is effective for fiscal years ending after December 15, 2020. Early adoption is permitted. We believe that the adoption of this guidance will not have a material impact on our financial statements.

In August 2018, the FASB issued guidance which modifies the disclosure requirements on fair value measurements by removing, modifying, or adding certain disclosures. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. We believe that the adoption of this guidance will not have a material impact on our financial statements.

In June 2016, the FASB issued guidance which provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments held by a reporting entity at each reporting date. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. We believe that the adoption of this guidance will not have a material impact on our financial statements.

**Note 3: Revenue**

The following table presents the approximate percentage of our net sales by market group:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Biologics	25%	21%	25%	22%
Generics	21%	21%	21%	21%
Pharma	31%	35%	31%	35%
Contract-Manufactured Products	23%	23%	23%	22%
	100%	100%	100%	100%

The following table presents the approximate percentage of our net sales by product category:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
High-Value Components	44%	43%	43%	42%
Standard Packaging	29%	31%	30%	32%
Delivery Devices	4%	3%	4%	4%
Contract-Manufactured Products	23%	23%	23%	22%
	100%	100%	100%	100%

The following table presents the approximate percentage of our net sales by geographic location:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Americas	49%	48%	48%	47%
Europe, Middle East, Africa	43%	44%	45%	45%
Asia Pacific	8%	8%	7%	8%
	100%	100%	100%	100%

**Contract Assets and Liabilities**

The following table summarizes our contract assets and liabilities, excluding contract assets included in accounts receivable, net:

	(\$ in millions)
Contract assets, December 31, 2018	\$ 9.1
Contract assets, June 30, 2019	11.4
Change in contract assets - increase (decrease)	\$ 2.3
Deferred income, December 31, 2018	\$ (33.4)
Deferred income, June 30, 2019	(32.9)
Change in deferred income - decrease (increase)	\$ 0.5



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The decrease in deferred income during the six months ended June 30, 2019 was primarily due to the recognition of revenue of \$53.4 million, including \$13.9 million of revenue that was included in deferred income at the beginning of the year, and \$2.7 million in other adjustments, partially offset by additional cash payments of \$55.6 million received in advance of satisfying future performance obligations.

The majority of the performance obligations within our contracts are satisfied within one year or less. Performance obligations satisfied beyond one year include those relating to a nonrefundable customer payment of \$20.0 million received in June 2013 in return for the exclusive use of the SmartDose® technology platform within a specific therapeutic area. As of June 30, 2019, there was \$6.1 million of unearned income related to this payment, of which \$0.9 million was included in other current liabilities and \$5.2 million was included in other long-term liabilities. The unearned income is being recognized as income on a straight-line basis over the remaining term of the agreement. The agreement does not include a future minimum purchase commitment from the customer.

### Supply Chain Financing

We have entered into supply chain financing agreements with certain banks, pursuant to which we offer for sale certain accounts receivable to such banks from time to time, subject to the terms of the applicable agreements. These transactions result in a reduction in accounts receivable, as the agreements transfer effective control over, and credit risk related to, the receivables to the banks. These agreements do not allow for recourse in the event of uncollectibility, and we do not retain any interest in the underlying accounts receivable once sold. As of June 30, 2019, we derecognized \$5.5 million of accounts receivable under these agreements. Discount fees related to the sale of such accounts receivable on our condensed consolidated income statements for the six months ended June 30, 2019 were not material.

### Voluntary Recall

On January 24, 2019, we issued a voluntary recall of our Vial2Bag® product line due to reports of potential unpredictable or variable dosing under certain conditions. Our fourth quarter 2018 results included an \$11.3 million provision for product returns, recorded as a reduction of sales, partially offset by a reduction in cost of goods sold reflecting our inventory balance for these devices at December 31, 2018. During the three and six months ended June 30, 2019, we recorded provisions of \$1.3 million and \$5.8 million, respectively, for potential inventory returns from our customers and related in-house inventory, partially offset by a reduction in our provision for product returns. We continue to work to get the products back on the market.

### Note 4: Net Income Per Share

The following table reconciles the shares used in the calculation of basic net income per share to those used for diluted net income per share:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 66.1	\$ 56.1	\$ 121.5	\$ 99.7
Weighted average common shares outstanding	73.7	73.6	73.9	73.8
Dilutive effect of equity awards, based on the treasury stock method	1.4	1.4	1.4	1.4
Weighted average shares assuming dilution	75.1	75.0	75.3	75.2

During the three months ended June 30, 2019 and 2018, there were 0.4 million and 0.9 million shares, respectively, from stock-based compensation plans not included in the computation of diluted net income per share because their impact was antidilutive. There were 0.3 million and 0.8 million antidilutive shares outstanding during the six months ended June 30, 2019 and 2018, respectively.

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In February 2019, we announced a share repurchase program for calendar-year 2019 authorizing the repurchase of up to 800,000 shares of our common stock from time to time on the open market or in privately-negotiated transactions as permitted under the Securities Exchange Act of 1934 Rule 10b-18. The number of shares repurchased and the timing of such transactions depended on a variety of factors, including market conditions. There were no shares purchased during the three months ended June 30, 2019. During the six months ended June 30, 2019, we purchased 800,000 shares of our common stock under the now-completed program at a cost of \$83.1 million, or an average price of \$103.89 per share.

**Note 5: Inventories**

Inventories are valued at the lower of cost (on a first-in, first-out basis) and net realizable value. Inventory balances were as follows:

(\$ in millions)	June 30, 2019	December 31, 2018
Raw materials	\$ 102.4	\$ 90.4
Work in process	38.9	42.2
Finished goods	91.0	81.9
	<u>\$ 232.3</u>	<u>\$ 214.5</u>

**Note 6: Leases**

**Adoption of ASC 842**

On January 1, 2019, we adopted ASC 842, using the modified retrospective approach that allows companies to apply ASC 842 as of the effective date and on a prospective basis. As a result, we were not required to adjust our comparative period financial information for effects of ASC 842 or present the new required lease disclosures for periods prior to the date of adoption. As of June 30, 2019, we had operating leases primarily related to land, buildings, and machinery and equipment, with lease terms through 2047. Certain of our operating leases include options to extend the lease term for up to five years, and certain of our operating leases include options to terminate the leases within one year. We had no finance leases as of June 30, 2019.

As a result of our adoption of ASC 842, we recorded operating lease right-of-use assets of \$71.0 million and operating lease liabilities of \$73.1 million for operating leases where we are the lessee in our condensed consolidated balance sheet as of January 1, 2019. The operating lease right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. The operating lease right-of-use assets are subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The operating lease liabilities are initially measured at the present value of the unpaid lease payments at the lease commencement date.

Judgments used in applying ASC 842 include determining: i) whether a contract is, or contains, a lease; ii) the discount rate to be used to discount the unpaid lease payments to present value; iii) the lease term; and iv) the lease payments. We determine if a contract is, or contains, a lease at contract inception. A lease exists when a contract conveys to the customer the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The definition of a lease embodies two conditions: 1) there is an identified asset in the contract that is land or a depreciable asset (i.e., property, plant, and equipment); and 2) the customer has the right to control the use of the identified asset. ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. As all of our operating leases do not provide an implicit rate, we use our incremental borrowing rate based on the

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information available at commencement date in determining the present value of lease payments. Our incremental borrowing rate for a lease is the rate of interest we would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. The lease term for all of our operating leases includes the noncancellable period of the lease plus any additional periods covered by either a lessee option to extend (or not to terminate) the lease that the lessee is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor. Lease payments included in the measurement of the operating lease right-of-use assets and lease liabilities are comprised of fixed payments (including in-substance fixed payments), variable payments that depend on an index or rate, and the exercise price of a lessee option to purchase the underlying asset if the lessee is reasonably certain to exercise.

The components of lease expense were as follows:

(\$ in millions)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost	\$ 3.1	\$ 6.3
Short-term lease cost	0.2	0.4
Variable lease cost	0.9	1.5
Total lease cost	<u>\$ 4.2</u>	<u>\$ 8.2</u>

Lease expense for the three and six months ended June 30, 2018 was \$3.4 million and \$7.1 million, respectively.

Supplemental information related to leases was as follows:

(\$ in millions)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 3.1	\$ 6.2
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 1.3	\$ 8.1

As of June 30, 2019, the weighted average remaining lease term for operating leases was 11.9 years, and the weighted average discount rate was 3.73%.

Maturities of lease liabilities as of June 30, 2019 were as follows:

(\$ in millions)	Operating Leases
Year	
2019 (remaining six months)	\$ 6.6
2020	12.0
2021	10.2
2022	8.4
2023	7.8
Thereafter	48.9
	<u>93.9</u>
Less: imputed lease interest	(17.3)
Total lease liabilities	<u>\$ 76.6</u>

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Maturities of future minimum rental payments under non-cancelable operating leases as of December 31, 2018 were as follows:

(\$ in millions) Year	Operating Leases
2019	\$ 13.0
2020	10.5
2021	7.8
2022	6.9
2023	5.5
Thereafter	37.8
Total	<u>\$ 81.5</u>

### Practical Expedients and Exemptions

We have elected to adopt the leasing package of practical expedients, which allows us to not retroactively reassess: i) any expired or existing contracts containing leases under the new definition of a lease; ii) the lease classification for any expired or existing leases; and iii) initial direct costs for any expired or existing leases. We have also elected to adopt practical expedients around land easements, the combination of lease and non-lease components, and the portfolio approach relating to discount rates. These practical expedients were applied consistently to all leases.

We have elected not to recognize operating lease right-of-use assets and operating lease liabilities for all short-term leases (leases with an initial lease term of 12 months or less). We recognize the lease payments associated with our short-term leases as an expense over the lease term.

### Note 7: Affiliated Companies

At June 30, 2019 and December 31, 2018, the aggregate carrying amount of our investment in affiliated companies that are accounted for under the equity method was \$82.0 million and \$77.8 million, respectively, and the aggregate carrying amount of our investment in affiliated companies that are not accounted for under the equity method was \$13.4 million at both period-ends. We have elected to record these investments, for which fair value was not readily determinable, at cost, less impairment, adjusted for subsequent observable price changes. We test these investments for impairment whenever circumstances indicate that the carrying value of the investments may not be recoverable.

Our purchases from, and royalty payments made to, affiliates totaled \$27.6 million and \$52.2 million, respectively, for the three and six months ended June 30, 2019, as compared to \$24.6 million and \$47.7 million, respectively, for the same periods in 2018. As of June 30, 2019 and December 31, 2018, the payable balance due to affiliates was \$22.0 million and \$12.9 million, respectively. The majority of these transactions related to a distributorship agreement with Daikyo Seiko, Ltd. (“Daikyo”) that allows us to purchase and re-sell Daikyo products.

Sales to affiliates were \$2.5 million and \$4.7 million, respectively, for the three and six months ended June 30, 2019, as compared to \$2.6 million and \$5.0 million, respectively, for the same periods in 2018. As of June 30, 2019 and December 31, 2018, the receivable balance due from affiliates was \$1.5 million and \$1.6 million, respectively.

Please refer to Note 6, *Affiliated Companies*, to the consolidated financial statements in our [2018 Annual Report](#) for additional details.

**Note 8: Debt**

The following table summarizes our long-term debt obligations, net of unamortized debt issuance costs and current maturities. The interest rates shown in parentheses are as of June 30, 2019.

(\$ in millions)	June 30, 2019	December 31, 2018
Note payable, due December 31, 2019	\$ —	\$ 0.1
Credit Facility, due October 15, 2020	—	28.6
Credit Facility, due March 28, 2024 (0.875%)	28.5	—
Series A notes, due July 5, 2022 (3.67%)	42.0	42.0
Series B notes, due July 5, 2024 (3.82%)	53.0	53.0
Series C notes, due July 5, 2027 (4.02%)	73.0	73.0
	<u>196.5</u>	<u>196.7</u>
Less: unamortized debt issuance costs	0.5	0.6
<b>Total debt</b>	<u>196.0</u>	<u>196.1</u>
Less: current portion of long-term debt	—	0.1
<b>Long-term debt, net</b>	<u>\$ 196.0</u>	<u>\$ 196.0</u>

In March 2019, we entered into a new senior unsecured, multi-currency revolving credit facility agreement (the “Credit Agreement”) that replaced our prior revolving credit facility, which was scheduled to expire in October 2020. The Credit Agreement, which expires in March 2024, contains a senior unsecured, multi-currency revolving credit facility (the “Credit Facility”) of \$300.0 million, with sublimits of up to \$30.0 million for swing line loans for domestic borrowers in U.S. Dollars (“USD”) and a \$20.0 million swing line loan for our German Holding Company and up to \$30.0 million for the issuance of standby letters of credit, which Credit Facility may be increased from time-to-time by the greater of \$350.0 million and earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the preceding twelve month period in the aggregate through an increase in the Credit Facility, subject to the satisfaction of certain conditions. Borrowings under the Credit Facility bear interest at either the base rate (the per annum interest rate of the highest of the Prime Rate, the Federal Funds Rate plus 50 basis points or the daily London Interbank Offered Rate (“LIBOR”), plus 1.00%) or at the applicable LIBOR rate, plus a tiered margin based on the ratio of our net consolidated debt to our modified EBITDA, ranging from 0 to 37.5 basis points for base rate loans and 87.5 to 137.5 basis points for LIBOR rate loans. The Credit Agreement contains financial covenants providing that we shall not permit the ratio of our net consolidated debt to our modified EBITDA to be greater than 3.5 to 1; provided that, no more than three times during the term of the Credit Agreement, upon the occurrence of a qualified acquisition for each of our four fiscal quarters immediately following such qualified acquisition, the ratio shall be increased to 4.0 to 1. The Credit Agreement also contains customary limitations on liens securing our indebtedness, fundamental changes (mergers, consolidations, liquidations and dissolutions), asset sales, distributions and acquisitions. As of June 30, 2019 and December 31, 2018, total unamortized debt issuance costs of \$1.2 million and \$0.6 million, respectively, were recorded in other noncurrent assets and are being amortized as additional interest expense over the term of the Credit Facility. A portion of these costs relate to our prior revolving credit facility.

At June 30, 2019, we had \$28.5 million in outstanding long-term borrowings under the Credit Facility, of which \$4.6 million was denominated in Japanese Yen (“Yen”) and \$23.9 million was denominated in Euro. These borrowings, together with outstanding letters of credit of \$2.5 million, resulted in a borrowing capacity available under the Credit Facility of \$269.0 million at June 30, 2019. Please refer to Note 9, *Derivative Financial Instruments*, for a discussion of the foreign currency hedges associated with the Credit Facility.

Please refer to Note 9, *Debt*, to the consolidated financial statements in our [2018 Annual Report](#) for additional details regarding our debt agreements.

## Note 9: Derivative Financial Instruments

Our ongoing business operations expose us to various risks, such as fluctuating interest rates, foreign currency exchange rates and increasing commodity prices. To manage these market risks, we periodically enter into derivative financial instruments, such as interest rate swaps, options and foreign exchange contracts for periods consistent with, and for notional amounts equal to or less than, the related underlying exposures. We do not purchase or hold any derivative financial instruments for investment or trading purposes. All derivatives are recorded in our condensed consolidated balance sheet at fair value.

### Foreign Exchange Rate Risk

We have entered into forward exchange contracts, designated as fair value hedges, to manage our exposure to fluctuating foreign exchange rates on cross-currency intercompany loans. As of June 30, 2019, the total amount of these forward exchange contracts was Singapore Dollar (“SGD”) 601.5 million and \$13.4 million. As of December 31, 2018, the total amount of these forward exchange contracts was €10.0 million, SGD 601.5 million and \$13.4 million.

In addition, we have entered into several foreign currency contracts, designated as cash flow hedges, for periods of up to eighteen months, intended to hedge the currency risk associated with a portion of our forecasted transactions denominated in foreign currencies. As of June 30, 2019, we had outstanding foreign currency contracts to purchase and sell certain pairs of currencies, as follows:

Currency	Purchase	Sell	
		USD	Euro
USD	35.1	—	30.2
Yen	5,992.8	32.3	19.8
SGD	23.8	15.4	1.9

At June 30, 2019, a portion of our debt consisted of borrowings denominated in currencies other than USD. We have designated our €21.0 million (\$23.9 million) Euro-denominated borrowings under our Credit Facility as a hedge of our net investment in certain European subsidiaries. A cumulative foreign currency translation loss of \$0.4 million pre-tax (\$0.3 million after tax) on this debt was recorded within accumulated other comprehensive loss as of June 30, 2019. We have also designated our ¥500.0 million (\$4.6 million) Yen-denominated borrowings under our Credit Facility as a hedge of our net investment in Daikyo. At June 30, 2019, there was a cumulative foreign currency translation loss of \$0.5 million pre-tax (\$0.4 million after tax) on this Yen-denominated debt, which was also included within accumulated other comprehensive loss.

### Commodity Price Risk

Many of our proprietary products are made from synthetic elastomers, which are derived from the petroleum refining process. We purchase the majority of our elastomers via long-term supply contracts, some of which contain clauses that provide for surcharges related to fluctuations in crude oil prices. The following economic hedges did not qualify for hedge accounting treatment since they did not meet the highly effective requirement at inception.

From November 2017 through April 2019, we purchased several series of call options for a total of 262,269 barrels of crude oil to mitigate our exposure to such oil-based surcharges and protect operating cash flows with regards to a portion of our forecasted elastomer purchases.

As of June 30, 2019, we had outstanding contracts to purchase 105,891 barrels of crude oil from July 2019 to September 2020, at a weighted-average strike price of \$64.02 per barrel.

## Effects of Derivative Instruments on Financial Position and Results of Operations

Please refer to Note 10, *Fair Value Measurements*, for the balance sheet location and fair values of our derivative instruments as of June 30, 2019 and December 31, 2018.

The following table summarizes the effects of derivative instruments designated as fair value hedges on the condensed consolidated statements of income:

(\$ in millions)	Amount of Gain Recognized in Income for the Three Months Ended June 30,		Amount of Gain Recognized in Income for the Six Months Ended June 30,		Location on Statement of Income
	2019	2018	2019	2018	
	<b>Fair Value Hedges:</b>				
Foreign currency hedge contracts	\$ (4.5)	\$ (0.8)	\$ (9.3)	\$ (1.4)	Other (income) expense
<b>Total</b>	<b>\$ (4.5)</b>	<b>\$ (0.8)</b>	<b>\$ (9.3)</b>	<b>\$ (1.4)</b>	

We recognize in earnings the initial value of forward point components on a straight-line basis over the life of the fair value hedge.

The following tables summarize the effects of derivative instruments designated as fair value, cash flow, and net investment hedges on other comprehensive income (“OCI”) and earnings, net of tax:

(\$ in millions)	Amount of Gain (Loss) Recognized in OCI for the Three Months Ended June 30,		Amount of (Gain) Loss Reclassified from Accumulated OCI into Income for the Three Months Ended June 30,		Location of (Gain) Loss Reclassified from Accumulated OCI into Income
	2019	2018	2019	2018	
	<b>Fair Value Hedges</b>				
Foreign currency hedge contracts	\$ 1.7	\$ —	\$ —	\$ —	Other (income) expense
<b>Total</b>	<b>\$ 1.7</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	
<b>Cash Flow Hedges:</b>					
Foreign currency hedge contracts	\$ (0.2)	\$ 0.5	\$ (0.2)	\$ 0.3	Net sales
Foreign currency hedge contracts	0.6	(0.2)	(0.2)	0.1	Cost of goods and services sold
Forward treasury locks	—	—	0.1	—	Interest expense
<b>Total</b>	<b>\$ 0.4</b>	<b>\$ 0.3</b>	<b>\$ (0.3)</b>	<b>\$ 0.4</b>	
<b>Net Investment Hedges:</b>					
Foreign currency-denominated debt	\$ (0.3)	\$ 1.2	\$ —	\$ —	Other (income) expense
<b>Total</b>	<b>\$ (0.3)</b>	<b>\$ 1.2</b>	<b>\$ —</b>	<b>\$ —</b>	

(\$ in millions)	Amount of (Loss) Gain Recognized in OCI for the Six Months Ended June 30,		Amount of (Gain) Loss Reclassified from Accumulated OCI into Income for the Six Months Ended June 30,		Location of (Gain) Loss Reclassified from Accumulated OCI into Income
	2019	2018	2019	2018	
<b>Fair Value Hedges</b>					
Foreign currency hedge contracts	\$ (1.7)	\$ —	\$ —	\$ —	Other (income) expense
<b>Total</b>	<b>\$ (1.7)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	
<b>Cash Flow Hedges:</b>					
Foreign currency hedge contracts	\$ 0.3	\$ 0.1	\$ (0.4)	\$ 0.8	Net sales
Foreign currency hedge contracts	0.5	1.4	(0.3)	0.5	Cost of goods and services sold
Forward treasury locks	—	—	0.1	0.1	Interest expense
<b>Total</b>	<b>\$ 0.8</b>	<b>\$ 1.5</b>	<b>\$ (0.6)</b>	<b>\$ 1.4</b>	
<b>Net Investment Hedges:</b>					
Foreign currency-denominated debt	\$ (0.2)	\$ 0.5	\$ —	\$ —	Other (income) expense
<b>Total</b>	<b>\$ (0.2)</b>	<b>\$ 0.5</b>	<b>\$ —</b>	<b>\$ —</b>	

The following table summarizes the effects of derivative instruments not designated as hedges on the condensed consolidated statements of income:

(\$ in millions)	Amount of Loss Recognized in Income for the Three Months Ended June 30,		Amount of Loss Recognized in Income for the Six Months Ended June 30,		Location on Statement of Income
	2019	2018	2019	2018	
Commodity call options	\$ 0.2	\$ 0.5	\$ 0.2	\$ 0.5	Cost of goods and services sold
<b>Total</b>	<b>\$ 0.2</b>	<b>\$ 0.5</b>	<b>\$ 0.2</b>	<b>\$ 0.5</b>	

For the three and six months ended June 30, 2019 and 2018, there was no material ineffectiveness related to our hedges.

**Note 10: Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The following fair value hierarchy classifies the inputs to valuation techniques used to measure fair value into one of three levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The following tables present the assets and liabilities recorded at fair value on a recurring basis:

(\$ in millions)	Balance at June 30, 2019	Basis of Fair Value Measurements		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Deferred compensation assets	\$ 9.2	\$ 9.2	\$ —	\$ —
Foreign currency contracts	10.3	—	10.3	—
Commodity call options	0.1	—	0.1	—
	<u>\$ 19.6</u>	<u>\$ 9.2</u>	<u>\$ 10.4</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Contingent consideration	\$ 1.7	\$ —	\$ —	\$ 1.7
Deferred compensation liabilities	10.5	10.5	—	—
	<u>\$ 12.2</u>	<u>\$ 10.5</u>	<u>\$ —</u>	<u>\$ 1.7</u>

(\$ in millions)	Balance at December 31, 2018	Basis of Fair Value Measurements		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Deferred compensation assets	\$ 8.7	\$ 8.7	\$ —	\$ —
Foreign currency contracts	6.5	—	6.5	—
	<u>\$ 15.2</u>	<u>\$ 8.7</u>	<u>\$ 6.5</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Contingent consideration	\$ 1.7	\$ —	\$ —	\$ 1.7
Deferred compensation liabilities	9.8	9.8	—	—
Foreign currency contracts	0.2	—	0.2	—
	<u>\$ 11.7</u>	<u>\$ 9.8</u>	<u>\$ 0.2</u>	<u>\$ 1.7</u>

Deferred compensation assets are included within other noncurrent assets and are valued using a market approach based on quoted market prices in an active market. The fair value of our foreign currency contracts, included within other current and other noncurrent assets, as well as other current and other long-term liabilities, is valued using an income approach based on quoted forward foreign exchange rates and spot rates at the reporting date. The fair value of our commodity call options, included within other current and other noncurrent assets, is valued using a market approach. The fair value of our contingent consideration, included within other current and other long-term



liabilities, is discussed further in the section related to Level 3 fair value measurements. The fair value of deferred compensation liabilities is based on quoted prices of the underlying employees' investment selections and is included within other long-term liabilities. Please refer to Note 9, *Derivative Financial Instruments*, for further discussion of our derivatives.

### Level 3 Fair Value Measurements

The fair value of the contingent consideration liability related to the SmartDose technology platform (the "SmartDose contingent consideration") was initially determined using a probability-weighted income approach, and is revalued at each reporting date or more frequently if circumstances dictate. Changes in the fair value of this obligation are recorded as income or expense within other (income) expense in our condensed consolidated statements of income. The significant unobservable inputs used in the fair value measurement of the SmartDose contingent consideration are the sales projections, the probability of success factors, and the discount rate. Significant increases or decreases in any of those inputs in isolation would result in a significantly lower or higher fair value measurement. As development and commercialization of the SmartDose technology platform progresses, we may need to update the sales projections, the probability of success factors, and the discount rate used. This could result in a material increase or decrease to the SmartDose contingent consideration.

The following table provides a summary of changes in our Level 3 fair value measurements:

	(\$ in millions)
Balance, December 31, 2017	\$ 4.9
Decrease in fair value recorded in earnings	(2.6)
Payments	(0.6)
Balance, December 31, 2018	1.7
Increase in fair value recorded in earnings	0.3
Payments	(0.3)
Balance, June 30, 2019	\$ 1.7

### Other Financial Instruments

We believe that the carrying amounts of our cash and cash equivalents and accounts receivable approximate their fair values due to their near-term maturities.

The estimated fair value of long-term debt is based on quoted market prices for debt issuances with similar terms and maturities and is classified as Level 2 within the fair value hierarchy. At June 30, 2019, the estimated fair value of long-term debt was \$203.2 million compared to a carrying amount of \$196.0 million. At December 31, 2018, the estimated fair value of long-term debt was \$192.6 million and the carrying amount was \$196.0 million.

**Note 11: Accumulated Other Comprehensive Loss**

The following table presents the changes in the components of accumulated other comprehensive loss, net of tax, for the six months ended June 30, 2019:

(\$ in millions)	Losses on derivatives	Unrealized gains on investment securities	Defined benefit pension and other postretirement plans	Foreign currency translation	Total
Balance, December 31, 2018	\$ (0.4)	\$ 0.4	\$ (40.4)	\$ (113.8)	\$ (154.2)
Other comprehensive (loss) income before reclassifications	(0.9)	—	—	3.7	2.8
Amounts reclassified out	(0.6)	—	(0.2)	—	(0.8)
Other comprehensive (loss) income, net of tax	(1.5)	—	(0.2)	3.7	2.0
Balance, June 30, 2019	\$ (1.9)	\$ 0.4	\$ (40.6)	\$ (110.1)	\$ (152.2)

A summary of the reclassifications out of accumulated other comprehensive loss is presented in the following table:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,		Location on Statement of Income
	2019	2018	2019	2018	
Gains (losses) on derivatives:					
Foreign currency contracts	\$ 0.3	\$ (0.3)	\$ 0.5	\$ (0.9)	Net sales
Foreign currency contracts	0.3	(0.1)	0.5	(0.7)	Cost of goods and services sold
Forward treasury locks	(0.1)	(0.1)	(0.2)	(0.2)	Interest expense
Total before tax	0.5	(0.5)	0.8	(1.8)	
Tax expense	(0.2)	0.1	(0.2)	0.4	
Net of tax	\$ 0.3	\$ (0.4)	\$ 0.6	\$ (1.4)	
Amortization of defined benefit pension and other postretirement plans:					
Prior service credit	\$ 0.1	\$ 0.6	\$ 0.3	\$ 1.1	(a)
Actuarial losses	—	(0.4)	—	(0.8)	(a)
Total before tax	0.1	0.2	0.3	0.3	
Tax expense	—	(0.1)	(0.1)	(0.1)	
Net of tax	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2	
Total reclassifications for the period, net of tax	\$ 0.4	\$ (0.3)	\$ 0.8	\$ (1.2)	

(a) These components are included in the computation of net periodic benefit cost. Please refer to Note 14, *Benefit Plans*, for additional details.

**Note 12: Shareholders' Equity**

The following table presents the changes in shareholders' equity for the six months ended June 30, 2019:

(\$ in millions)	Common Shares Issued	Common Stock	Capital in Excess of Par Value	Number of Treasury Shares	Treasury Stock	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2018	75.3	\$ 18.8	\$ 282.0	1.2	\$(103.7)	\$1,353.4	\$ (154.2)	\$ 1,396.3
Net income	—	—	—	—	—	55.4	—	55.4
Activity related to stock-based compensation	—	—	(3.5)	(0.2)	14.2	—	—	10.7
Shares purchased under share repurchase program	—	—	—	0.8	(83.1)	—	—	(83.1)
Dividends declared (\$0.15 per share)	—	—	—	—	—	(10.6)	—	(10.6)
Other comprehensive income, net of tax	—	—	—	—	—	—	0.8	0.8
Balance, March 31, 2019	75.3	\$ 18.8	\$ 278.5	1.8	\$(172.6)	\$1,398.2	\$ (153.4)	\$ 1,369.5
Net income	—	—	—	—	—	66.1	—	66.1
Activity related to stock-based compensation	—	—	(5.1)	(0.2)	24.8	—	—	19.7
Dividends declared (\$0.15 per share)	—	—	—	—	—	(11.4)	—	(11.4)
Other comprehensive income, net of tax	—	—	—	—	—	—	1.2	1.2
Balance, June 30, 2019	75.3	\$ 18.8	\$ 273.4	1.6	\$(147.8)	\$1,452.9	\$ (152.2)	\$ 1,445.1

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The following table presents the changes in shareholders' equity for the six months ended June 30, 2018:

(\$ in millions)	Common Shares Issued	Common Stock	Capital in Excess of Par Value	Number of Treasury Shares	Treasury Stock	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2017	75.2	\$ 18.8	\$ 309.3	1.3	\$ (109.1)	\$1,178.2	\$ (117.3)	\$ 1,279.9
Effect of modified retrospective application of a new accounting standard	—	—	—	—	—	11.4	—	11.4
Net income	—	—	—	—	—	43.6	—	43.6
Activity related to stock-based compensation	0.1	—	(0.8)	(0.1)	8.0	—	—	7.2
Shares purchased under share repurchase program	—	—	—	0.5	(47.9)	—	—	(47.9)
Dividends declared (\$0.14 per share)	—	—	—	—	—	(10.4)	—	(10.4)
Other comprehensive income, net of tax	—	—	—	—	—	—	21.5	21.5
Balance, March 31, 2018	75.3	\$ 18.8	\$ 308.5	1.7	\$ (149.0)	\$1,222.8	\$ (95.8)	\$ 1,305.3
Net income	—	—	—	—	—	56.1	—	56.1
Activity related to stock-based compensation	—	—	(3.8)	(0.2)	16.0	—	—	12.2
Shares purchased under share repurchase program	—	—	—	0.3	(22.9)	—	—	(22.9)
Dividends declared (\$0.14 per share)	—	—	—	—	—	(20.9)	—	(20.9)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(47.9)	(47.9)
Balance, June 30, 2018	75.3	\$ 18.8	\$ 304.7	1.8	\$ (155.9)	\$1,258.0	\$ (143.7)	\$ 1,281.9

### **Note 13: Stock-Based Compensation**

The West Pharmaceutical Services, Inc. 2016 Omnibus Incentive Compensation Plan (the “2016 Plan”) provides for the granting of stock options, stock appreciation rights, restricted stock awards and performance awards to employees and non-employee directors. A committee of the Board of Directors determines the terms and conditions of awards to be granted. Vesting requirements vary by award. At June 30, 2019, there were 3,117,575 shares remaining in the 2016 Plan for future grants.

During the six months ended June 30, 2019, we granted 344,616 stock options at a weighted average exercise price of \$102.51 per share based on the grant-date fair value of our stock to employees under the 2016 Plan. The weighted average grant date fair value of options granted was \$24.51 per share as determined by the Black-Scholes option valuation model using the following weighted average assumptions: a risk-free interest rate of 2.3%; expected life of 5.6 years based on prior experience; stock volatility of 22.5% based on historical data; and a dividend yield of 0.7%. Stock option expense is recognized over the vesting period, net of forfeitures.

During the six months ended June 30, 2019, we granted 82,458 stock-settled performance share unit (“PSU”) awards at a weighted average grant-date fair value of \$102.51 per share to eligible employees. These awards are earned based on the Company’s performance against pre-established targets, including annual growth rate of revenue and return on invested capital, over a specified performance period. Depending on the achievement of the targets, recipients of stock-settled PSU awards are entitled to receive a certain number of shares of common stock. Shares earned under PSU awards may vary from 0% to 200% of an employee’s targeted award. The fair value of stock-settled PSU awards is based on the market price of our stock at the grant date and is recognized as expense over the performance period, adjusted for estimated target outcomes and net of forfeitures.

During the six months ended June 30, 2019, we granted 9,940 stock-settled restricted share unit (“RSU”) awards at a weighted average grant-date fair value of \$108.23 per share to eligible employees. These awards are earned over a specified performance period. The fair value of stock-settled RSU awards is based on the market price of our stock at the grant date and is recognized as expense over the vesting period, net of forfeitures.

Total stock-based compensation expense was \$7.2 million and \$13.4 million for the three and six months ended June 30, 2019, respectively. For the three and six months ended June 30, 2018, stock-based compensation expense was \$6.0 million and \$9.4 million, respectively.

**Note 14: Benefit Plans**

The components of net periodic benefit cost for the three months ended June 30 were as follows:

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2019	2018	2019	2018	2019	2018
Service cost	\$ 0.3	\$ 2.7	\$ —	\$ —	\$ 0.3	\$ 2.7
Interest cost	2.5	2.4	—	—	2.5	2.4
Expected return on assets	(2.9)	(3.9)	—	—	(2.9)	(3.9)
Amortization of prior service credit	—	(0.5)	(0.1)	(0.1)	(0.1)	(0.6)
Recognized actuarial losses (gains)	0.6	1.0	(0.6)	(0.6)	—	0.4
Net periodic benefit cost	\$ 0.5	\$ 1.7	\$ (0.7)	\$ (0.7)	\$ (0.2)	\$ 1.0

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2019	2018	2019	2018	2019	2018
U.S. plans	\$ —	\$ 1.2	\$ (0.7)	\$ (0.7)	\$ (0.7)	\$ 0.5
International plans	0.5	0.5	—	—	0.5	0.5
Net periodic benefit cost	\$ 0.5	\$ 1.7	\$ (0.7)	\$ (0.7)	\$ (0.2)	\$ 1.0

The components of net periodic benefit cost for the six months ended June 30 were as follows:

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2019	2018	2019	2018	2019	2018
Service cost	\$ 0.7	\$ 5.5	\$ —	\$ —	\$ 0.7	\$ 5.5
Interest cost	4.9	4.7	0.1	0.1	5.0	4.8
Expected return on assets	(5.8)	(7.8)	—	—	(5.8)	(7.8)
Amortization of prior service credit	—	(0.8)	(0.3)	(0.3)	(0.3)	(1.1)
Recognized actuarial losses (gains)	1.1	1.9	(1.1)	(1.1)	—	0.8
Net periodic benefit cost	\$ 0.9	\$ 3.5	\$ (1.3)	\$ (1.3)	\$ (0.4)	\$ 2.2

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2019	2018	2019	2018	2019	2018
U.S. plans	\$ (0.1)	\$ 2.5	\$ (1.3)	\$ (1.3)	\$ (1.4)	\$ 1.2
International plans	1.0	1.0	—	—	1.0	1.0
Net periodic benefit cost	\$ 0.9	\$ 3.5	\$ (1.3)	\$ (1.3)	\$ (0.4)	\$ 2.2

Effective January 1, 2019, except for interest crediting, benefit accruals under our U.S. qualified and non-qualified defined benefit pension plans ceased.

**Note 15: Other (Income) Expense**

Other (income) expense consists of:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Restructuring and related charges:</b>				
Severance and post-employment benefits	\$ 1.3	\$ 1.3	\$ 1.6	\$ 3.3
Asset-related charges	—	0.3	—	0.4
Other charges	0.1	0.6	0.4	1.8
<b>Total restructuring and related charges</b>	<b>1.4</b>	<b>2.2</b>	<b>2.0</b>	<b>5.5</b>
Development and licensing income	(0.2)	(0.2)	(0.4)	(0.4)
Contingent consideration	0.1	0.3	0.3	0.6
Other items	(3.8)	(1.2)	(6.7)	(1.5)
<b>Total other (income) expense</b>	<b>\$ (2.5)</b>	<b>\$ 1.1</b>	<b>\$ (4.8)</b>	<b>\$ 4.2</b>

**Restructuring and Related Charges**

In February 2018, our Board of Directors approved a restructuring plan designed to realign our manufacturing capacity with demand. These changes are expected to be implemented over a period of up to twenty-four months from the date of approval. The plan will require restructuring and related charges of approximately \$16.0 million. Since its approval, we have recorded \$10.8 million in restructuring and related charges associated with this plan.

During the three months ended June 30, 2019, we recorded \$1.4 million in restructuring and related charges associated with this plan, consisting of \$1.3 million for severance charges and \$0.1 million for other charges. During the three months ended June 30, 2018, we recorded \$2.2 million in restructuring and related charges associated with this plan, consisting of \$1.3 million for severance charges, \$0.3 million for non-cash asset write-downs associated with the discontinued use of certain equipment, and \$0.6 million for other non-cash charges.

During the six months ended June 30, 2019, we recorded \$2.0 million in restructuring and related charges associated with this plan, consisting of \$1.6 million for severance charges and \$0.4 million for other charges. During the six months ended June 30, 2018, we recorded \$5.5 million in restructuring and related charges associated with this plan, consisting of \$3.3 million for severance charges, \$0.4 million for non-cash asset write-downs associated with the discontinued use of certain equipment, and \$1.8 million for other non-cash charges.

The following table presents activity related to our restructuring obligations related to our 2018 restructuring plan:

(\$ in millions)	Severance and benefits	Asset-related charges	Other charges	Total
Balance, December 31, 2018	\$ 2.3	\$ —	\$ —	\$ 2.3
Charges	1.6	—	0.4	2.0
Cash payments	(1.6)	—	—	(1.6)
Non-cash asset write-downs	—	—	(0.4)	(0.4)
<b>Balance, June 30, 2019</b>	<b>\$ 2.3</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2.3</b>

On February 15, 2016, our Board of Directors approved a restructuring plan designed to repurpose several of our production facilities in support of growing high-value proprietary products and to realign operational and



commercial activities to meet the needs of our new market-focused commercial organization. Our remaining restructuring obligations related to the 2016 restructuring plan as of June 30, 2019 were \$0.2 million.

### **Other Items**

During both the three and six months ended June 30, 2019 and 2018, we recorded development income of \$0.2 million and \$0.4 million, respectively, related to a nonrefundable customer payment of \$20.0 million received in June 2013 in return for the exclusive use of the SmartDose technology platform within a specific therapeutic area. Please refer to Note 3, *Revenue*, for additional information.

Contingent consideration represents changes in the fair value of the SmartDose contingent consideration. Please refer to Note 10, *Fair Value Measurements*, for additional details.

Other items consist of foreign exchange transaction gains and losses, gains and losses on the sale of fixed assets, and miscellaneous income and charges. Other items increased by \$2.6 million for the three months ended June 30, 2019, as compared to the same period in 2018, primarily as a result of foreign exchange transaction gains of \$4.8 million during the three months ended June 30, 2019, as compared to foreign exchange transaction gains of \$1.2 million during the three months ended June 30, 2018, partially offset by losses on the sale of fixed assets during the three months ended June 30, 2019. Other items increased by \$5.2 million for the six months ended June 30, 2019, as compared to the same period in 2018, primarily as a result of foreign exchange transaction gains of \$8.6 million during the six months ended June 30, 2019, as compared to foreign exchange transaction gains of \$0.8 million during the six months ended June 30, 2018, partially offset by losses on the sale of fixed assets during the six months ended June 30, 2019.

### **Note 16: Income Taxes**

The tax provision for interim periods is determined using the estimated annual effective consolidated tax rate, based on the current estimate of full-year earnings before taxes, adjusted for the impact of discrete quarterly items.

The provision for income taxes was \$15.5 million and \$6.0 million for the three months ended June 30, 2019 and 2018, respectively, and the effective tax rate was 19.4% and 9.9%, respectively. The provision for income taxes was \$31.6 million and \$18.5 million for the six months ended June 30, 2019 and 2018, respectively, and the effective tax rate was 21.1% and 16.2%, respectively.

During the three and six months ended June 30, 2018, we recorded a net tax benefit of \$4.8 million and \$4.5 million, respectively, for the estimated impact of the 2017 Tax Act. Please refer to Note 16, *Income Taxes*, to the consolidated financial statements in our [2018 Annual Report](#) for further discussion.

### **Note 17: Commitments and Contingencies**

From time to time, we are involved in product liability matters and other legal proceedings and claims generally incidental to our normal business activities. We accrue for loss contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. While the outcome of current proceedings cannot be accurately predicted, we believe their ultimate resolution should not have a material adverse effect on our business, financial condition, results of operations or liquidity.

There have been no significant changes to the commitments and contingencies included in our [2018 Annual Report](#).

On January 1, 2019, we adopted ASC 842. Please refer to Note 6, *Leases*, for additional information.

### **Note 18: Segment Information**

Our business operations are organized into two reportable segments, Proprietary Products and Contract-Manufactured Products. Our Proprietary Products reportable segment offers proprietary packaging, containment and

drug delivery products, along with analytical lab services, to biologic, generic and pharmaceutical drug customers. Our Contract-Manufactured Products reportable segment serves as a fully integrated business, focused on the design, manufacture, and automated assembly of complex devices, primarily for pharmaceutical, diagnostic, and medical device customers.

We evaluate the performance of our segments based upon, among other things, segment net sales and operating profit. Segment operating profit excludes general corporate costs, which include executive and director compensation, stock-based compensation, adjustments to annual incentive plan expense for over- or under-attainment of targets, certain pension and other retirement benefit costs, and other corporate facilities and administrative expenses not allocated to the segments. Also excluded are items that we consider not representative of ongoing operations. Such items are referred to as other unallocated items and generally include restructuring and related charges, certain asset impairments and other specifically-identified income or expense items.

The following table presents information about our reportable segments, reconciled to consolidated totals:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Net sales:</b>				
Proprietary Products	\$ 360.3	\$ 346.0	\$ 700.7	\$ 672.2
Contract-Manufactured Products	109.4	101.5	212.5	191.0
Consolidated net sales	<u>\$ 469.7</u>	<u>\$ 447.5</u>	<u>\$ 913.2</u>	<u>\$ 863.2</u>
<b>Operating profit (loss):</b>				
Proprietary Products	\$ 88.8	\$ 71.7	\$ 165.8	\$ 134.5
Contract-Manufactured Products	11.4	9.0	21.9	18.5
Corporate	(18.3)	(18.2)	(34.5)	(33.8)
Other unallocated items	(1.4)	(2.2)	(2.0)	(5.5)
Total operating profit	<u>\$ 80.5</u>	<u>\$ 60.3</u>	<u>\$ 151.2</u>	<u>\$ 113.7</u>
Interest expense	2.0	2.2	4.3	4.1
Interest income	(0.6)	(0.3)	(1.5)	(0.9)
Other nonoperating income	(0.5)	(1.7)	(1.1)	(3.3)
Income before income taxes	<u>\$ 79.6</u>	<u>\$ 60.1</u>	<u>\$ 149.5</u>	<u>\$ 113.8</u>

Other unallocated items during the three and six months ended June 30, 2019 consisted of \$1.4 million and \$2.0 million, respectively, in restructuring and related charges. Other unallocated items during the three and six months ended June 30, 2018 consisted of \$2.2 million and \$5.5 million, respectively, in restructuring and related charges. Please refer to Note 15, *Other (Income) Expense*, for further discussion of these items.

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

### OVERVIEW

The following discussion is intended to further the reader's understanding of the consolidated financial condition and results of operations of our Company. It should be read in conjunction with our condensed consolidated financial statements and accompanying notes elsewhere in this Quarterly Report on Form 10-Q ("Form 10-Q") as well as Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and accompanying notes included in our 2018 Annual Report. Our historical financial statements may not be indicative of our future performance. This Management's Discussion and Analysis

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of Financial Condition and Results of Operations contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risks discussed in Part I, Item 1A of our 2018 Annual Report and in Part II, Item 1A of this Form 10-Q.

Throughout this section, references to “Notes” refer to the notes to our condensed consolidated financial statements (unaudited) in Part I, Item 1 of this Form 10-Q, unless otherwise indicated.

### **Non-U.S. GAAP Financial Measures**

For the purpose of aiding the comparison of our year-over-year results, we may refer to net sales and other financial results excluding the effects of changes in foreign currency exchange rates. Organic net sales excludes the impact from acquisitions and/or divestitures and translates the current-period reported sales of subsidiaries whose functional currency is other than USD at the applicable foreign exchange rates in effect during the comparable prior-year period. We may also refer to financial results excluding the effects of unallocated items. The re-measured results excluding effects from currency translation, the impact from acquisitions and/or divestitures, and the effects of unallocated items are not in conformity with U.S. GAAP and should not be used as a substitute for the comparable U.S. GAAP financial measures. The non-U.S. GAAP financial measures are incorporated into our discussion and analysis as management uses them in evaluating our results of operations and believes that this information provides users a valuable insight into our overall performance and financial position.

### **Our Operations**

We are a leading global manufacturer in the design and production of technologically advanced, high-quality, integrated containment and delivery systems for injectable drugs and healthcare products. Our products include a variety of primary packaging, containment solutions, reconstitution and transfer systems, and drug delivery systems, as well as contract manufacturing and analytical lab services. Our customers include the leading biologic, generic, pharmaceutical, diagnostic, and medical device companies in the world. Our top priority is delivering quality products that meet the exact product specifications and quality standards customers require and expect. This focus on quality includes excellence in manufacturing, scientific and technical expertise and management, so we can partner with our customers to deliver safe, effective drug products to patients quickly and efficiently. The Company was incorporated under the laws of the Commonwealth of Pennsylvania on July 27, 1923.

Our business operations are organized into two reportable segments, Proprietary Products and Contract-Manufactured Products. Our Proprietary Products reportable segment offers proprietary packaging, containment and drug delivery products, along with analytical lab services, to biologic, generic and pharmaceutical drug customers. Our Contract-Manufactured Products reportable segment serves as a fully integrated business, focused on the design, manufacture, and automated assembly of complex devices, primarily for pharmaceutical, diagnostic, and medical device customers. We also maintain partnerships to share technologies and market products with affiliates in Japan and Mexico.

### **2019 Financial Performance Summary**

Consolidated net sales increased by \$22.2 million, or 4.9%, for the three months ended June 30, 2019, as compared to the same period in 2018. Excluding foreign currency translation effects, as well as incremental sales of \$1.0 million from our recent acquisition, consolidated net sales for the three months ended June 30, 2019 increased by \$36.3 million, or 8.1%, as compared to the same period in 2018.

Consolidated net sales increased by \$50.0 million, or 5.8%, for the six months ended June 30, 2019, as compared to the same period in 2018. Excluding foreign currency translation effects, as well as incremental sales of \$1.0 million from our recent acquisition, consolidated net sales for the six months ended June 30, 2019 increased by \$83.7 million, or 9.7%, as compared to the same period in 2018.

Net income for the three months ended June 30, 2019 was \$66.1 million, or \$0.88 per diluted share, as compared to \$56.1 million, or \$0.75 per diluted share, for the same period in 2018. Net income for the three months ended

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June 30, 2019 included the impact of restructuring and related charges of \$1.1 million (net of \$0.3 million in tax), or \$0.01 per diluted share and a tax benefit of \$3.8 million, or \$0.05 per diluted share, associated with stock-based compensation. Net income for the three months ended June 30, 2018 included the impact of restructuring and related charges of \$1.6 million (net of \$0.6 million in tax), or \$0.01 per diluted share, a net tax benefit of \$4.8 million, or \$0.06 per diluted share, for the estimated impact of the 2017 Tax Act, and a tax benefit of \$3.4 million, or \$0.04 per diluted share, associated with stock-based compensation.

Net income for the six months ended June 30, 2019 was \$121.5 million, or \$1.61 per diluted share, as compared to \$99.7 million, or \$1.33 per diluted share, for the same period in 2018. Net income for the six months ended June 30, 2019 included the impact of restructuring and related charges of \$1.5 million (net of \$0.5 million in tax), or \$0.02 per diluted share and a tax benefit of \$5.2 million, or \$0.07 per diluted share, associated with stock-based compensation. Net income for the six months ended June 30, 2018 included the impact of restructuring and related charges of \$4.3 million (net of \$1.2 million in tax), or \$0.05 per diluted share, a net tax benefit of \$4.5 million, or \$0.06 per diluted share, for the estimated impact of the 2017 Tax Act, and a tax benefit of \$5.5 million, or \$0.07 per diluted share, associated with stock-based compensation.

On January 24, 2019, we issued a voluntary recall of our Vial2Bag product line due to reports of potential unpredictable or variable dosing under certain conditions. Our fourth quarter 2018 results included an \$11.3 million provision for product returns, recorded as a reduction of sales, partially offset by a reduction in cost of goods sold reflecting our inventory balance for these devices at December 31, 2018. During the three and six months ended June 30, 2019, we recorded provisions of \$1.3 million and \$5.8 million, respectively, for potential inventory returns from our customers and related in-house inventory, partially offset by a reduction in our provision for product returns. We continue to work to get the products back on the market.

At June 30, 2019, our cash and cash equivalents balance totaled \$326.7 million and our available borrowing capacity under our Credit Facility was \$269.0 million.

## RESULTS OF OPERATIONS

We evaluate the performance of our segments based upon, among other things, segment net sales and operating profit. Segment operating profit excludes general corporate costs, which include executive and director compensation, stock-based compensation, adjustments to annual incentive plan expense for over- or under-attainment of targets, certain pension and other retirement benefit costs, and other corporate facilities and administrative expenses not allocated to the segments. Also excluded are items that we consider not representative of ongoing operations. Such items are referred to as other unallocated items and generally include restructuring and related charges, certain asset impairments and other specifically-identified income or expense items.

Percentages in the following tables and throughout the *Results of Operations* section may reflect rounding adjustments.

### Net Sales

The following table presents net sales, consolidated and by reportable segment, for the three months ended June 30, 2019 and 2018:

(\$ in millions)	Three Months Ended		% Change	
	June 30,		As-Reported	Organic
2019	2018			
Proprietary Products	\$ 360.3	\$ 346.0	4.1%	7.5%
Contract-Manufactured Products	109.4	101.5	7.7%	10.2%
Consolidated net sales	\$ 469.7	\$ 447.5	4.9%	8.1%

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Consolidated net sales increased by \$22.2 million, or 4.9%, for the three months ended June 30, 2019, as compared to the same period in 2018, including an unfavorable foreign currency translation impact of \$15.1 million. Excluding foreign currency translation effects, as well as incremental sales of \$1.0 million from our recent acquisition, consolidated net sales for the three months ended June 30, 2019 increased by \$36.3 million, or 8.1%, as compared to the same period in 2018.

**Proprietary Products** – Proprietary Products net sales increased by \$14.3 million, or 4.1%, for the three months ended June 30, 2019, as compared to the same period in 2018, including an unfavorable foreign currency translation impact of \$12.7 million. Excluding foreign currency translation effects, as well as incremental sales of \$1.0 million from our recent acquisition, net sales for the three months ended June 30, 2019 increased by \$26.0 million, or 7.5%, as compared to the same period in 2018, primarily due to growth in our high-value product offerings, including our ready-to-use seals, stoppers, and plungers, as well as our NovaPure<sup>®</sup>, Westar<sup>®</sup> and FluroTec<sup>®</sup>-coated components and our Daikyo Crystal Zenith<sup>®</sup> (“CZ”) products.

**Contract-Manufactured Products** – Contract-Manufactured Products net sales increased by \$7.9 million, or 7.7%, for the three months ended June 30, 2019, as compared to the same period in 2018, including an unfavorable foreign currency translation impact of \$2.4 million. Excluding foreign currency translation effects, net sales for the three months ended June 30, 2019 increased by \$10.3 million, or 10.2%, as compared to the same period in 2018, due to an increase in the sale of healthcare-related injection and diagnostic devices.

The following table presents net sales, consolidated and by reportable segment, for the six months ended June 30, 2019 and 2018:

(\$ in millions)	Six Months Ended June 30,		% Change	
	2019	2018	As-Reported	Organic
Proprietary Products	\$ 700.7	\$ 672.2	4.2%	8.4%
Contract-Manufactured Products	212.5	191.0	11.2%	14.3%
Consolidated net sales	\$ 913.2	\$ 863.2	5.8%	9.7%

Consolidated net sales increased by \$50.0 million, or 5.8%, for the six months ended June 30, 2019, as compared to the same period in 2018, including an unfavorable foreign currency translation impact of \$34.7 million. Excluding foreign currency translation effects, as well as incremental sales of \$1.0 million from our recent acquisition, consolidated net sales for the six months ended June 30, 2019 increased by \$83.7 million, or 9.7%, as compared to the same period in 2018.

**Proprietary Products** – Proprietary Products net sales increased by \$28.5 million, or 4.2%, for the six months ended June 30, 2019, as compared to the same period in 2018, including an unfavorable foreign currency translation impact of \$29.0 million. Excluding foreign currency translation effects, as well as incremental sales of \$1.0 million from our recent acquisition, net sales for the six months ended June 30, 2019 increased by \$56.5 million, or 8.4%, as compared to the same period in 2018, primarily due to growth in our high-value product offerings, including our ready-to-use seals, stoppers, and plungers, as well as our NovaPure, Westar and FluroTec-coated components and our CZ products.

**Contract-Manufactured Products** – Contract-Manufactured Products net sales increased by \$21.5 million, or 11.2%, for the six months ended June 30, 2019, as compared to the same period in 2018, including an unfavorable foreign currency translation impact of \$5.7 million. Excluding foreign currency translation effects, net sales for the six months ended June 30, 2019 increased by \$27.2 million, or 14.3%, as compared to the same period in 2018, due to an increase in the sale of healthcare-related injection and diagnostic devices.

## Gross Profit

The following table presents gross profit and related gross profit margins, consolidated and by reportable segment:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Proprietary Products:</b>				
Gross Profit	\$ 142.2	\$ 128.8	\$ 274.5	\$ 250.0
Gross Profit Margin	39.5%	37.2%	39.2%	37.2%
<b>Contract-Manufactured Products:</b>				
Gross Profit	\$ 15.7	\$ 13.4	\$ 30.2	\$ 26.6
Gross Profit Margin	14.3%	13.1%	14.2%	13.9%
<b>Consolidated Gross Profit</b>	<b>\$ 157.9</b>	<b>\$ 142.2</b>	<b>\$ 304.7</b>	<b>\$ 276.6</b>
<b>Consolidated Gross Profit Margin</b>	<b>33.6%</b>	<b>31.8%</b>	<b>33.4%</b>	<b>32.0%</b>

Consolidated gross profit increased by \$15.7 million, or 11.0%, and \$28.1 million, or 10.2%, for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, including an unfavorable foreign currency translation impact of \$4.7 million and \$10.9 million for the three and six months ended June 30, 2019, respectively. Consolidated gross profit margin increased by 1.8 margin points and 1.4 margin points for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018.

**Proprietary Products** – Proprietary Products gross profit increased by \$13.4 million, or 10.4%, and \$24.5 million, or 9.8%, for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, including an unfavorable foreign currency translation impact of \$4.3 million and \$10.0 million for the three and six months ended June 30, 2019, respectively. Proprietary Products gross profit margin increased by 2.3 margin points and 2.0 margin points for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, due to a favorable mix of products sold, sales price increases and production efficiencies, partially offset by increased labor costs and the impact of the voluntary recall of Vial2Bag products.

**Contract-Manufactured Products** – Contract-Manufactured Products gross profit increased by \$2.3 million, or 17.2%, and \$3.6 million, or 13.5%, for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, including an unfavorable foreign currency translation impact of \$0.4 million and \$0.9 million for the three and six months ended June 30, 2019, respectively. Contract-Manufactured Products gross profit margin increased by 1.2 margin points and 0.3 margin points for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, due to production efficiencies.

## Research and Development (“R&D”) Costs

The following table presents R&D costs, consolidated and by reportable segment:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Proprietary Products	\$ 9.6	\$ 10.8	\$ 19.4	\$ 20.4
Contract-Manufactured Products	—	—	—	—
<b>Consolidated R&amp;D Costs</b>	<b>\$ 9.6</b>	<b>\$ 10.8</b>	<b>\$ 19.4</b>	<b>\$ 20.4</b>

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Consolidated R&D costs decreased by \$1.2 million, or 11.1%, and \$1.0 million, or 4.9%, for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018. Efforts remain focused on the continued investment in self-injection systems development, elastomeric packaging components, and formulation development.

All of the R&D costs incurred during the three and six months ended June 30, 2019 related to Proprietary Products.

### Selling, General and Administrative (“SG&A”) Costs

The following table presents SG&A costs, consolidated and by reportable segment and corporate:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Proprietary Products	\$ 47.2	\$ 47.5	\$ 96.0	\$ 95.9
Contract-Manufactured Products	4.4	4.3	8.4	8.6
Corporate	18.7	18.2	34.5	33.8
Consolidated SG&A costs	\$ 70.3	\$ 70.0	\$ 138.9	\$ 138.3
<i>SG&amp;A as a % of net sales</i>	<i>15.0%</i>	<i>15.6%</i>	<i>15.2%</i>	<i>16.0%</i>

Consolidated SG&A costs increased by \$0.3 million, or 0.4%, and \$0.6 million, or 0.4%, for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, including the impact of foreign currency translation, which decreased SG&A costs by \$1.1 million and \$2.5 million for the three and six months ended June 30, 2019, respectively.

**Proprietary Products** – Proprietary Products SG&A costs decreased by \$0.3 million, or 0.6%, for the three months ended June 30, 2019, as compared to the same period in 2018, due to ongoing cost control initiatives, partially offset by incremental costs associated with our voluntary recall and an increase in compensation costs. Proprietary Products SG&A costs increased by \$0.1 million, or 0.1%, for the six months ended June 30, 2019, as compared to the same period in 2018, due to incremental costs associated with our voluntary recall and an increase in compensation costs, partially offset by ongoing cost control initiatives. Foreign currency translation decreased Proprietary Products SG&A costs by \$1.1 million and \$2.5 million for the three and six months ended June 30, 2019, respectively.

**Contract-Manufactured Products** – Contract-Manufactured Products SG&A costs increased by \$0.1 million, or 2.3%, for the three months ended June 30, 2019, as compared to the same period in 2018, due to an increase in miscellaneous costs. Contract-Manufactured Products SG&A costs decreased by \$0.2 million, or 2.3%, for the six months ended June 30, 2019, as compared to the same period in 2018, due to a decrease in miscellaneous costs.

**Corporate** – Corporate SG&A costs increased by \$0.5 million, or 2.7%, and \$0.7 million, or 2.1%, for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, primarily due to the impact of higher achievement levels related to our incentive compensation programs and an increase in stock-based compensation costs, offset by a decrease in U.S. pension costs due to the cessation of our U.S. qualified and non-qualified defined benefit pension plans as of January 1, 2019 (except for interest crediting).

**Other (Income) Expense**

The following table presents other income and expense items, consolidated and by reportable segment and unallocated items:

(Income) Expense (\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Proprietary Products	\$ (3.4)	\$ (1.2)	\$ (6.7)	\$ (0.8)
Contract-Manufactured Products	(0.1)	0.1	(0.1)	(0.5)
Corporate	(0.4)	—	—	—
Unallocated items	1.4	2.2	2.0	5.5
Consolidated other (income) expense	\$ (2.5)	\$ 1.1	\$ (4.8)	\$ 4.2

Other income and expense items, consisting of foreign exchange transaction gains and losses, gains and losses on the sale of fixed assets, development and licensing income, contingent consideration, and miscellaneous income and charges, are generally recorded within segment results.

Consolidated other (income) expense changed by \$3.6 million and \$9.0 million for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018.

**Proprietary Products** – Proprietary Products other income increased by \$2.2 million and \$5.9 million for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, primarily due to foreign exchange transaction gains in Europe, offset by losses on the sale of fixed assets.

**Contract-Manufactured Products** – Contract-Manufactured Products other (income) expense changed by \$0.2 million for the three months ended June 30, 2019, as compared to the same period in 2018, due to gains on the sale of fixed assets during the three months ended June 30, 2019. Contract-Manufactured Products other income decreased by \$0.4 million for the six months ended June 30, 2019, as compared to the same period in 2018, due to a decrease in gains on the sale of fixed assets during the six months ended June 30, 2019.

**Corporate** – Corporate other income increased by \$0.4 million for the three months ended June 30, 2019, as compared to the same period in 2018.

**Unallocated items** – During the three and six months ended June 30, 2019, we recorded \$1.4 million and \$2.0 million, respectively, in restructuring and related charges. During the three and six months ended June 30, 2018, we recorded \$2.2 million and \$5.5 million, respectively, in restructuring and related charges. Once fully completed, we expect that our 2018 restructuring plan will provide annualized savings of approximately \$14.0 million. Please refer to Note 15, *Other (Income) Expense*, for further discussion of these items.

## Operating Profit

The following table presents adjusted operating profit, consolidated and by reportable segment, corporate and unallocated items:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Proprietary Products	\$ 88.8	\$ 71.7	\$ 165.8	\$ 134.5
Contract-Manufactured Products	11.4	9.0	21.9	18.5
Corporate	(18.3)	(18.2)	(34.5)	(33.8)
Adjusted consolidated operating profit	\$ 81.9	\$ 62.5	\$ 153.2	\$ 119.2
Adjusted consolidated operating profit margin	17.4%	14.0%	16.8%	13.8%
Unallocated items	(1.4)	(2.2)	(2.0)	(5.5)
Consolidated operating profit	\$ 80.5	\$ 60.3	\$ 151.2	\$ 113.7
Consolidated operating profit margin	17.1%	13.5%	16.6%	13.2%

Consolidated operating profit increased by \$20.2 million, or 33.5%, and \$37.5 million, or 33.0%, for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, including an unfavorable foreign currency translation impact of \$3.8 million and \$8.8 million for the three and six months ended June 30, 2019, respectively.

**Proprietary Products** – Proprietary Products operating profit increased by \$17.1 million, or 23.8%, and \$31.3 million, or 23.3%, for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, including an unfavorable foreign currency translation impact of \$3.4 million and \$8.0 million for the three and six months ended June 30, 2019, respectively, due to the factors described above.

**Contract-Manufactured Products** – Contract-Manufactured Products operating profit increased by \$2.4 million, or 26.7%, and \$3.4 million, or 18.4%, for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, including an unfavorable foreign currency translation impact of \$0.4 million and \$0.8 million for the three and six months ended June 30, 2019, respectively, due to the factors described above.

**Corporate** – Corporate costs increased by \$0.1 million, or 0.5%, and \$0.7 million, or 2.1%, for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, due to the factors described above.

**Unallocated items** – Please refer to the *Other (Income) Expense* section for details.

## Interest Expense, Net

The following table presents interest expense, net, by significant component:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest expense	\$ 2.3	\$ 2.4	\$ 4.8	\$ 4.6
Capitalized interest	(0.3)	(0.2)	(0.5)	(0.5)
Interest income	(0.6)	(0.3)	(1.5)	(0.9)
Interest expense, net	\$ 1.4	\$ 1.9	\$ 2.8	\$ 3.2

Interest expense, net, decreased by \$0.5 million, or 26.3%, and \$0.4 million, or 12.5%, for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018, primarily due to an increase in interest income during the three and six months ended June 30, 2019.

### **Other Nonoperating Income**

Other nonoperating income decreased by \$1.2 million and \$2.2 million for the three and six months ended June 30, 2019, as compared to the same periods in 2018, primarily due to a decrease in the expected return on pension plan assets.

### **Income Taxes**

The provision for income taxes was \$15.5 million and \$6.0 million for the three months ended June 30, 2019 and 2018, respectively, and the effective tax rate was 19.4% and 9.9%, respectively. The provision for income taxes was \$31.6 million and \$18.5 million for the six months ended June 30, 2019 and 2018, respectively, and the effective tax rate was 21.1% and 16.2%, respectively.

During the three and six months ended June 30, 2018, we recorded a net tax benefit of \$4.8 million and \$4.5 million, respectively, for the estimated impact of the 2017 Tax Act. Please refer to Note 16, *Income Taxes*, to the consolidated financial statements in our 2018 Annual Report for further discussion.

### **Equity in Net Income of Affiliated Companies**

Equity in net income of affiliated companies represents the contribution to earnings from our 25% ownership interest in Daikyo and our 49% ownership interest in four companies in Mexico. Equity in net income of affiliated companies remained constant for the three months ended June 30, 2019, as compared to the same period in 2018. Equity in net income of affiliated companies decreased by \$0.8 million, for the six months ended June 30, 2019, as compared to the same period in 2018, primarily due to an increase in manufacturing costs at Daikyo.

### **Net Income**

Net income for the three months ended June 30, 2019 was \$66.1 million, which included the impact of restructuring and related charges of \$1.1 million (net of \$0.3 million in tax) and a tax benefit of \$3.8 million associated with stock-based compensation. Net income for the three months ended June 30, 2018 was \$56.1 million, which included the impact of restructuring and related charges of \$1.6 million (net of \$0.6 million in tax), a net tax benefit of \$4.8 million for the estimated impact of the 2017 Tax Act, and a tax benefit of \$3.4 million associated with stock-based compensation.

Net income for the six months ended June 30, 2019 was \$121.5 million, which included the impact of restructuring and related charges of \$1.5 million (net of \$0.5 million in tax) and a tax benefit of \$5.2 million associated with stock-based compensation. Net income for the six months ended June 30, 2018 was \$99.7 million, which included the impact of restructuring and related charges of \$4.3 million (net of \$1.2 million in tax), a net tax benefit of \$4.5 million for the estimated impact of the 2017 Tax Act, and a tax benefit of \$5.5 million associated with stock-based compensation.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

The following table presents cash flow data for the six months ended June 30:

(\$ in millions)	2019	2018
Net cash provided by operating activities	\$ 152.7	\$ 127.0
Net cash used in investing activities	\$ (75.8)	\$ (45.7)
Net cash used in financing activities	\$ (87.4)	\$ (82.6)

**Net Cash Provided by Operating Activities** – Net cash provided by operating activities increased by \$25.7 million for the six months ended June 30, 2019, as compared to the same period in 2018, primarily due to improved operating results.

**Net Cash Used in Investing Activities** – Net cash used in investing activities increased by \$30.1 million for the six months ended June 30, 2019, as compared to the same period in 2018, primarily due to the acquisition of our distributor in South Korea and an increase in capital expenditures.

**Net Cash Used in Financing Activities** – Net cash used in financing activities increased by \$4.8 million for the six months ended June 30, 2019, as compared to the same period in 2018, primarily due to an increase in purchases under our share repurchases programs and dividend payments, offset by an increase in stock-based compensation award activity.

### Liquidity and Capital Resources

The table below presents selected liquidity and capital measures:

(\$ in millions)	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 326.7	\$ 337.4
Accounts receivable, net	\$ 330.8	\$ 288.2
Inventories	\$ 232.3	\$ 214.5
Accounts payable	\$ 152.1	\$ 130.4
Debt	\$ 196.0	\$ 196.1
Equity	\$ 1,445.1	\$ 1,396.3
Working capital	\$ 631.1	\$ 610.7

Cash and cash equivalents include all instruments that have maturities of ninety days or less when purchased. Working capital is defined as current assets less current liabilities.

**Cash and cash equivalents** – Our cash and cash equivalents balance at June 30, 2019 consisted of cash held in depository accounts with banks around the world and cash invested in high-quality, short-term investments. The cash and cash equivalents balance at June 30, 2019 included \$131.8 million of cash held by subsidiaries within the U.S., and \$194.9 million of cash held by subsidiaries outside of the U.S. During the six months ended June 30, 2019, we purchased 800,000 shares of our common stock under our now-completed calendar-year 2019 share repurchase program at a cost of \$83.1 million, or an average price of \$103.89 per share.

**Working capital** – Working capital at June 30, 2019 increased by \$20.4 million, or 3.3%, as compared to December 31, 2018, including an increase of \$1.3 million due to foreign currency translation. Excluding the impact of currency exchange rates, accounts receivable, inventories and total current liabilities increased by \$42.9 million, \$18.0 million and \$28.4 million, respectively, while cash and cash equivalents decreased by \$10.5 million. The increase in accounts receivable was due to increased sales activity and longer customer payment terms. The increase in total current liabilities was primarily due to an increase in accounts payable, as well as our adoption of ASC 842, which required us to record operating lease liabilities for operating leases where we are the lessee in our condensed consolidated balance sheet as of June 30, 2019.

**Debt and credit facilities** – The \$0.1 million decrease in total debt at June 30, 2019, as compared to December 31, 2018, primarily resulted from foreign currency rate fluctuations.

Our sources of liquidity include our Credit Facility. At June 30, 2019, we had \$28.5 million in outstanding long-term borrowings under this facility, of which \$4.6 million was denominated in Yen and \$23.9 million was denominated in Euro. These borrowings, together with outstanding letters of credit of \$2.5 million, resulted in a borrowing capacity available under our Credit Facility of \$269.0 million at June 30, 2019. We do not expect any significant limitations on our ability to access this source of funds.

The Credit Agreement contains financial covenants providing that we shall not permit the ratio of our net consolidated debt to our modified EBITDA to be greater than 3.5 to 1; provided that, no more than three times during the term of the Credit Agreement, upon the occurrence of a qualified acquisition for each of our four fiscal quarters immediately following such qualified acquisition, the ratio shall be increased to 4.0 to 1. The Credit Agreement also contains customary limitations on liens securing our indebtedness, fundamental changes (mergers, consolidations, liquidations and dissolutions), asset sales, distributions and acquisitions. At June 30, 2019, we were in compliance with all of our debt covenants.

We believe that cash on hand and cash generated from operations, together with availability under our Credit Facility, will be adequate to address our foreseeable liquidity needs based on our current expectations of our business operations, capital expenditures and scheduled payments of debt obligations.

### **Commitments and Contractual Obligations**

A table summarizing the amounts and estimated timing of future cash payments resulting from commitments and contractual obligations was provided in our 2018 Annual Report. During the three months ended June 30, 2019, there were no material changes outside of the ordinary course of business to our commitments and contractual obligations.

In March 2019, we entered into the Credit Agreement that replaced our prior revolving credit facility, which was scheduled to expire in October 2020. The Credit Agreement expires in March 2024. Please refer to Note 8, *Debt*, for additional information.

On January 1, 2019, we adopted ASC 842. Please refer to Note 6, *Leases*, for additional information.

### **OFF-BALANCE SHEET ARRANGEMENTS**

At June 30, 2019, we had no off-balance sheet financing arrangements other than unconditional purchase obligations incurred in the ordinary course of business and outstanding letters of credit related to various insurance programs, as noted in our 2018 Annual Report.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

There have been no changes to the Critical Accounting Policies and Estimates disclosed in Part II, Item 7 of our 2018 Annual Report.

## NEW ACCOUNTING STANDARDS

For information on new accounting standards that were adopted, and those issued but not yet adopted, during the three months ended June 30, 2019, and the impact, if any, on our financial position or results of operations, see Note 2, *New Accounting Standards*.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this Form 10-Q contains some forward-looking statements that are based on management's beliefs and assumptions, current expectations, estimates and forecasts. We also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. Such statements provide our current expectations or forecasts of future events. They do not relate strictly to historical or current facts. We have attempted, wherever possible, to identify forward-looking statements by using words such as "plan," "expect," "believe," "intend," "will," "estimate," "continue" and other words of similar meaning in conjunction with, among other things, discussions of future operations and financial performance, as well as our strategy for growth, product development, market position and expenditures. All statements that address operating performance or events or developments that we expect or anticipate will occur in the future - including statements relating to sales and earnings per share growth, cash flows or uses, and statements expressing views about future operating results - are forward-looking statements.

Forward-looking statements are based on current expectations of future events. The forward-looking statements are, and will be, based on management's then-current views and assumptions regarding future events and operating performance, and speak only as of their dates. Investors should realize that, if underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results could vary materially from our expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements.

The following are some important factors that could cause our actual results to differ from our expectations in any forward-looking statements:

- sales demand and our ability to meet that demand;
- competition from other providers in our businesses, including customers' in-house operations, and from lower-cost producers in emerging markets, which can impact unit volume, price and profitability;
- customers' changing inventory requirements and manufacturing plans that alter existing orders or ordering patterns for the products we supply to them;
- the timing, regulatory approval and commercial success of customer products that incorporate our products and systems;
- whether customers agree to incorporate our products and delivery systems with their new and existing drug products, the ultimate timing and successful commercialization of those products and systems, which involves substantial evaluations of the functional, operational, clinical and economic viability of our products, and the rate, timing and success of regulatory approval for the drug products that incorporate our components and systems;
- the timely and adequate availability of filling capacity, which is essential to conducting definitive stability trials and the timing of first commercialization of customers' products in CZ prefilled syringes;
- average profitability, or mix, of the products sold in any reporting period, including lower-than-expected sales growth of our high-value proprietary product offerings;
- maintaining or improving production efficiencies and overhead absorption;
- dependence on third-party suppliers and partners, some of which are single-source suppliers of critical materials and products, including our Japanese partner and affiliate, Daikyo;

- the loss of key personnel or highly-skilled employees;
- the availability and cost of skilled employees required to meet increased production, managerial, research and other needs, including professional employees and persons employed under collective bargaining agreements;
- interruptions or weaknesses in our supply chain, including from reasons beyond our control such as extreme weather, longer-term climate changes, natural disasters, pandemic, war, accidental damage, or unauthorized access to our or our customers' information and systems, which could cause delivery delays or restrict the availability of raw materials, key purchased components and finished products;
- the successful and timely implementation of price increases necessary to offset rising production costs, including raw material prices, particularly petroleum-based raw materials;
- the cost and progress of development, regulatory approval and marketing of new products;
- our ability to obtain and maintain licenses in any jurisdiction in which we do business;
- the relative strength of USD in relation to other currencies, particularly the Euro, SGD, the Danish Krone, Yen, Colombian Peso, Brazilian Real, and the South Korean Won; and
- the potential adverse effects of global healthcare legislation on customer demand, product pricing and profitability.

This list sets forth many, but not all, of the factors that could affect our ability to achieve results described in any forward-looking statements. Investors should understand that it is not possible to predict or identify all of the factors and should not consider this list to be a complete statement of all potential risks and uncertainties. For further discussion of these and other factors, see the risk factors disclosed in Part I, Item 1A of our 2018 Annual Report. Except as required by law or regulation, we do not intend to update any forward-looking statements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in our exposure to market risk or the information provided in Part II, Item 7A of our 2018 Annual Report.

In March 2019, we entered into the Credit Agreement that replaced our prior revolving credit facility, which was scheduled to expire in October 2020. The Credit Agreement expires in March 2024. Please refer to Note 8, *Debt*, for additional information.

### **ITEM 4. CONTROLS AND PROCEDURES**

Disclosure controls are controls and procedures designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this quarterly report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Our disclosure controls include some, but not all, components of our internal control over financial reporting.

#### **Evaluation of Disclosure Controls and Procedures**

An evaluation was performed under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934), as of the end of the period covered by this quarterly report on Form 10-Q. Based on this evaluation, our CEO and CFO have concluded that, as of June 30, 2019, our disclosure controls and procedures are effective.

### **Changes in Internal Controls**

During the quarter ended June 30, 2019, there have been no changes to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On January 1, 2019, we adopted ASC 842. Although our adoption of ASC 842 resulted in no change to our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, we did implement changes to our internal controls relating to leases. These changes included the development of new policies, enhanced contract review requirements, and other ongoing monitoring activities. These controls were designed to provide assurance at a reasonable level of the fair presentation of our condensed consolidated financial statements and related disclosures.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

### **ITEM 1A. RISK FACTORS**

There are no material changes to the risk factors disclosed in Part I, Item 1A of our 2018 Annual Report.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the three months ended June 30, 2019, there were no purchases of our common stock made by us or any of our “affiliated purchasers” as defined in Rule 10b-18(a)(3) under the Exchange Act.

In February 2019, we announced a share repurchase program for calendar-year 2019 authorizing the repurchase of up to 800,000 shares of our common stock from time to time on the open market or in privately-negotiated transactions as permitted under the Securities Exchange Act of 1934 Rule 10b-18. The number of shares repurchased and the timing of such transactions depended on a variety of factors, including market conditions. There were no shares purchased during the three months ended June 30, 2019. During the six months ended June 30, 2019, we purchased 800,000 shares of our common stock under the now-completed program at a cost of \$83.1 million, or an average price of \$103.89 per share.

### **ITEM 6. EXHIBITS**

The list of exhibits in the Exhibit Index to this report is incorporated herein by reference.

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**SIGNATURE**

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

WEST PHARMACEUTICAL SERVICES, INC.  
(Registrant)

By: /s/ Bernard J. Birkett  
Bernard J. Birkett  
Senior Vice President, Chief Financial Officer and Treasurer

July 29, 2019

## EXHIBIT INDEX

<b>Exhibit #</b>	<b>Description</b>
3.1	<a href="#">Our Amended and Restated Articles of Incorporation are incorporated by reference from our Form 10-Q report for the quarter ended March 31, 2015.</a>
3.2	<a href="#">Our Bylaws, as amended through May 5, 2015, are incorporated by reference from our Form 10-Q report for the quarter ended March 31, 2015.</a>
4.1	<a href="#">Form of stock certificate for common stock is incorporated by reference from our annual report on Form 10-K dated May 6, 1999.</a>
4.2	<a href="#">Article 5, 6, 8(c) and 9 of our Amended and Restated Articles of Incorporation are incorporated by reference from our Form 10-Q report for the quarter ended March 31, 2015.</a>
4.3	<a href="#">Article I and V of our Bylaws, as amended through May 5, 2015, are incorporated by reference from our Form 10-Q report for the quarter ended March 31, 2015.</a>
4.4 <sup>(1)</sup>	Instruments defining the rights of holders of long-term debt securities of West and its subsidiaries have been omitted.
31.1	<a href="#">Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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<sup>(1)</sup> We agree to furnish to the SEC, upon request, a copy of each instrument with respect to issuances of long-term debt of the Company and its subsidiaries.

\* Furnished, not filed.

**CERTIFICATION**

I, Eric M. Green, certify that:

1. I have reviewed this quarterly report on Form 10-Q of West Pharmaceutical Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Eric M. Green

Eric M. Green

President and Chief Executive Officer

Date: July 29, 2019

**CERTIFICATION**

I, Bernard J. Birkett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of West Pharmaceutical Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Bernard J. Birkett

Bernard J. Birkett

Senior Vice President, Chief Financial Officer and Treasurer

Date: July 29, 2019

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of West Pharmaceutical Services, Inc. (the “Company”) for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric M. Green, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eric M. Green

Eric M. Green

President and Chief Executive Officer

Date: July 29, 2019

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of West Pharmaceutical Services, Inc. (the "Company") for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bernard J. Birkett, Senior Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bernard J. Birkett  
Bernard J. Birkett  
Senior Vice President, Chief Financial Officer and Treasurer

Date: July 29, 2019

**Document and Entity  
Information**

**6 Months Ended  
Jun. 30, 2019  
shares**

**Document and Entity Information [Abstract]**

<u>Document Type</u>	10-Q
<u>Document Quarterly Report</u>	true
<u>Document Period End Date</u>	Jun. 30, 2019
<u>Document Transition Report</u>	false
<u>Entity File Number</u>	1-8036
<u>Entity Registrant Name</u>	WEST PHARMACEUTICAL SERVICES, INC.
<u>Entity Incorporation, State or Country Code</u>	PA
<u>Entity Tax Identification Number</u>	23-1210010
<u>Entity Address, Address Line One</u>	530 Herman O. West Drive,
<u>Entity Address, City or Town</u>	Exton,
<u>Entity Address, State or Province</u>	PA
<u>Entity Address, Postal Zip Code</u>	19341-0645
<u>City Area Code</u>	610
<u>Local Phone Number</u>	594-2900
<u>Entity Current Reporting Status</u>	Yes
<u>Entity Interactive Data Current</u>	Yes
<u>Entity Filer Category</u>	Large Accelerated Filer
<u>Entity Small Business</u>	false
<u>Entity Emerging Growth Company</u>	false
<u>Entity Shell Company</u>	false
<u>Title of each class</u>	Common Stock, par value \$0.25 per share
<u>Trading Symbol</u>	WST
<u>Security Exchange Name</u>	NYSE
<u>Entity Central Index Key</u>	0000105770
<u>Current Fiscal Year End Date</u>	--12-31
<u>Document Fiscal Year Focus</u>	2019
<u>Document Fiscal Period Focus</u>	Q2
<u>Amendment Flag</u>	false
<u>Entity Common Stock, Shares Outstanding</u>	73,748,615

**CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
INCOME (UNAUDITED) -  
USD (\$)  
shares in Millions, \$ in  
Millions**

**3 Months Ended**

**6 Months Ended**

**Jun. 30, 2019 Jun. 30, 2018 Jun. 30, 2019 Jun. 30, 2018**

**Income Statement [Abstract]**

<u>Net sales</u>	\$ 469.7	\$ 447.5	\$ 913.2	\$ 863.2
<u>Cost of goods and services sold</u>	311.8	305.3	608.5	586.6
<u>Gross profit</u>	157.9	142.2	304.7	276.6
<u>Research and development</u>	9.6	10.8	19.4	20.4
<u>Selling, general and administrative expenses</u>	70.3	70.0	138.9	138.3
<u>Other (income) expense (Note 15)</u>	(2.5)	1.1	(4.8)	4.2
<u>Operating profit</u>	80.5	60.3	151.2	113.7
<u>Interest expense</u>	2.0	2.2	4.3	4.1
<u>Interest income</u>	(0.6)	(0.3)	(1.5)	(0.9)
<u>Other nonoperating income</u>	(0.5)	(1.7)	(1.1)	(3.3)
<u>Income before income taxes</u>	79.6	60.1	149.5	113.8
<u>Income tax expense</u>	15.5	6.0	31.6	18.5
<u>Equity in net income of affiliated companies</u>	(2.0)	(2.0)	(3.6)	(4.4)
<u>Net income</u>	\$ 66.1	\$ 56.1	\$ 121.5	\$ 99.7
<b><u>Net income per share:</u></b>				
<u>Basic (in dollars per share)</u>	\$ 0.90	\$ 0.76	\$ 1.64	\$ 1.35
<u>Diluted (in dollars per share)</u>	\$ 0.88	\$ 0.75	\$ 1.61	\$ 1.33
<b><u>Weighted average shares outstanding:</u></b>				
<u>Basic (in shares)</u>	73.7	73.6	73.9	73.8
<u>Diluted (in shares)</u>	75.1	75.0	75.3	75.2

**CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
COMPREHENSIVE  
INCOME (UNAUDITED) -  
USD (\$)  
\$ in Millions**

**3 Months Ended 6 Months Ended**

**Jun. 30, Jun. 30, Jun. 30, Jun. 30,  
2019 2018 2019 2018**

**Statement of Comprehensive Income [Abstract]**

<u>Net income</u>	\$ 66.1	\$ 56.1	\$ 121.5	\$ 99.7
<b><u>Other comprehensive (loss) income, net of tax:</u></b>				
<u>Foreign currency translation adjustments</u>	(0.7)	(49.6)	3.7	(29.6)
<u>Defined benefit pension and other postretirement plan adjustments, net of tax of \$0, \$0.4, \$0 and \$0.1, respectively</u>	0.1	1.0	(0.2)	0.3
<u>Net gain (loss) on derivatives, net of tax of \$0.8, \$0.3, \$(0.8), and \$1.1, respectively</u>	1.8	0.7	(1.5)	2.9
<u>Other comprehensive income (loss), net of tax</u>	1.2	(47.9)	2.0	(26.4)
<u>Comprehensive income</u>	\$ 67.3	\$ 8.2	\$ 123.5	\$ 73.3

**CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
COMPREHENSIVE  
INCOME (UNAUDITED)  
(Parenthetical) - USD (\$)  
\$ in Millions**

**3 Months Ended**

**6 Months Ended**

**Jun. 30,  
2019**

**Jun. 30,  
2018**

**Jun. 30,  
2019**

**Jun. 30,  
2018**

**Statement of Comprehensive Income [Abstract]**

Defined benefit pension and other postretirement plan  
adjustments, tax

\$ 0.0      \$ 0.4      \$ 0.0      \$ 0.1

Net gain (loss) on derivatives, tax

\$ 0.8      \$ 0.3      \$ (0.8)      \$ 1.1

**CONDENSED  
CONSOLIDATED  
BALANCE SHEETS  
(UNAUDITED) - USD (\$)  
\$ in Millions**

	<b>Jun. 30, 2019</b>	<b>Dec. 31, 2018</b>
<b><u>Current assets:</u></b>		
<u>Cash and cash equivalents</u>	\$ 326.7	\$ 337.4
<u>Accounts receivable, net</u>	330.8	288.2
<u>Inventories</u>	232.3	214.5
<u>Other current assets</u>	54.5	54.3
<u>Total current assets</u>	944.3	894.4
<u>Property, plant and equipment</u>	1,786.8	1,752.7
<u>Less: accumulated depreciation and amortization</u>	963.9	930.7
<u>Property, plant and equipment, net</u>	822.9	822.0
<u>Operating lease right-of-use assets</u>	74.5	0.0
<u>Investments in affiliated companies</u>	95.4	91.2
<u>Goodwill</u>	108.2	105.8
<u>Deferred income taxes</u>	27.9	24.7
<u>Intangible assets, net</u>	29.7	20.3
<u>Other noncurrent assets</u>	20.3	20.5
<u>Total Assets</u>	2,123.2	1,978.9
<b><u>Current liabilities:</u></b>		
<u>Notes payable and other current debt</u>	0.0	0.1
<u>Accounts payable</u>	152.1	130.4
<u>Pension and other postretirement benefits</u>	2.3	2.3
<u>Accrued salaries, wages and benefits</u>	59.0	64.5
<u>Income taxes payable</u>	5.4	9.8
<u>Operating lease liabilities, current</u>	10.2	0.0
<u>Other current liabilities</u>	84.2	76.6
<u>Total current liabilities</u>	313.2	283.7
<u>Long-term debt</u>	196.0	196.0
<u>Deferred income taxes</u>	13.5	13.1
<u>Pension and other postretirement benefits</u>	53.6	56.2
<u>Operating lease liabilities, noncurrent</u>	66.4	0.0
<u>Other long-term liabilities</u>	35.4	33.6
<u>Total Liabilities</u>	678.1	582.6
<u>Commitments and contingencies (Note 15)</u>		
<b><u>Equity:</u></b>		
<u>Preferred stock, 3.0 million shares authorized; 0 shares issued and outstanding</u>	0.0	0.0
<u>Common stock, par value \$0.25 per share; 100.0 million shares authorized; shares issued: 75.3 million and 75.3 million; shares outstanding: 73.7 million and 74.1 million</u>	18.8	18.8
<u>Capital in excess of par value</u>	273.4	282.0
<u>Retained earnings</u>	1,452.9	1,353.4
<u>Accumulated other comprehensive loss</u>	(152.2)	(154.2)

<u>Treasury stock, at cost (1.6 million and 1.2 million shares)</u>	(147.8)	(103.7)
<u>Total Equity</u>	1,445.1	1,396.3
<u>Total Liabilities and Equity</u>	\$	\$
	2,123.2	1,978.9

**CONDENSED  
CONSOLIDATED  
BALANCE SHEETS  
(UNAUDITED)  
(Parenthetical) - \$ / shares  
shares in Millions**

**Jun. 30, 2019 Dec. 31, 2018**

**Balance Sheet Related Disclosures [Abstract]**

<u>Preferred stock, shares authorized (in shares)</u>	3.0	3.0
<u>Preferred stock, shares issued (in shares)</u>	0.0	0.0
<u>Preferred stock, shares outstanding (in shares)</u>	0.0	0.0
<u>Common stock, par value (in dollars per share)</u>	\$ 0.25	\$ 0.25
<u>Common stock, shares authorized (in shares)</u>	100.0	100.0
<u>Common stock, shares issued (in shares)</u>	75.3	75.3
<u>Common stock, shares outstanding (in shares)</u>	73.7	74.1
<u>Treasury stock, at cost (in shares)</u>	1.6	1.2

**CONDENSED  
CONSOLIDATED  
STATEMENTS OF CASH  
FLOWS (UNAUDITED) -  
USD (\$)  
\$ in Millions**

**6 Months Ended**

**Jun. 30,  
2019**                      **Jun. 30,  
2018**

**Cash flows from operating activities:**

Net income \$ 121.5 \$ 99.7

**Adjustments to reconcile net income to net cash provided by operating activities:**

Depreciation 50.2 50.6

Amortization 1.6 1.3

Stock-based compensation 13.4 9.4

Non-cash restructuring charges 0.4 0.4

Contingent consideration payments in excess of acquisition-date liability (0.3) (0.5)

Other non-cash items, net (1.3) (3.4)

Changes in assets and liabilities (32.8) (30.5)

Net cash provided by operating activities 152.7 127.0

**Cash flows from investing activities:**

Capital expenditures (57.1) (48.2)

Acquisition of business (18.9) 0.0

Other, net 0.2 2.5

Net cash used in investing activities (75.8) (45.7)

**Cash flows from financing activities:**

Borrowings under revolving credit agreements 28.0 0.0

Repayments under revolving credit agreements (28.0) 0.0

Debt issuance costs (0.9) 0.0

Dividend payments (22.2) (20.7)

Proceeds from stock-based compensation awards 16.2 6.5

Employee stock purchase plan contributions 2.6 2.4

Shares purchased under share repurchase programs (83.1) (70.8)

Net cash used in financing activities (87.4) (82.6)

Effect of exchange rates on cash (0.2) (9.1)

Net decrease in cash and cash equivalents (10.7) (10.4)

Cash and cash equivalents at beginning of period 337.4 235.9

Cash and cash equivalents at end of period \$ 326.7 \$ 225.5

## Summary of Significant Accounting Policies

6 Months Ended  
Jun. 30, 2019

### [Accounting Policies](#)

#### [\[Abstract\]](#)

### [Summary of Significant Accounting Policies](#)

#### Summary of Significant Accounting Policies

**Basis of Presentation:** The condensed consolidated financial statements included in this report are unaudited and have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“U.S. GAAP”) for interim financial reporting and U.S. Securities and Exchange Commission (“SEC”) regulations. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. In the opinion of management, these financial statements include all adjustments, which are of a normal recurring nature, necessary for a fair statement of the financial position, results of operations, cash flows and the change in equity for the periods presented. The condensed consolidated financial statements for the three and six months ended June 30, 2019 should be read in conjunction with the consolidated financial statements and notes thereto of West Pharmaceutical Services, Inc. and its majority-owned subsidiaries (which may be referred to as “West”, the “Company”, “we”, “us” or “our”) appearing in our Annual Report on Form 10-K for the year ended December 31, 2018 (the “[2018 Annual Report](#)”). The results of operations for any interim period are not necessarily indicative of results for the full year.

In April 2019, we acquired the business of our distributor in South Korea for \$18.9 million. As a result of the acquisition, we recorded inventories, property, plant and equipment, goodwill and a customer relationships intangible asset of \$4.5 million, \$0.6 million, \$2.6 million and \$11.2 million, respectively, in our condensed consolidated balance sheet as of June 30, 2019. The goodwill was recorded within our Proprietary Products reportable segment. The results of this acquisition have been included in our condensed consolidated financial statements since the acquisition date.

As of April 1, 2017, our consolidated financial statements exclude the results of our Venezuelan subsidiary. Please refer to Note 15, *Other Expense*, to the consolidated financial statements in our [2018 Annual Report](#) for further discussion.

## New Accounting Standards

**6 Months Ended  
Jun. 30, 2019**

[New Accounting  
Pronouncements and  
Changes in Accounting  
Principles \[Abstract\]  
New Accounting Standards](#)

### New Accounting Standards

#### Recently Adopted Standards

In August 2018, the SEC adopted a final release which would eliminate or modify certain disclosure requirements that are redundant, outdated, or duplicative of U.S. GAAP or other regulatory requirements. Among other changes, the amendments provide that disclosure requirements related to the analysis of shareholders' equity are expanded for interim purposes. An analysis of the changes in each caption of shareholders' equity presented in the balance sheet must be provided in a note or separate statement, as well as the amount of dividends per share for each class of shares. We provided this disclosure beginning in the first quarter of 2019. Please refer to Note 12, *Shareholders' Equity*.

In June 2018, the Financial Accounting Standards Board ("FASB") issued guidance which expands the scope of accounting for share-based payment arrangements to include share-based payment transactions for acquiring goods and services from nonemployees. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption was permitted. We adopted this guidance as of January 1, 2019, on a prospective basis. The adoption did not have a material impact on our financial statements.

In February 2018, the FASB issued guidance to address a specific consequence of the Tax Cuts and Jobs Acts (the "2017 Tax Act") by allowing a reclassification from accumulated other comprehensive income (loss) to retained earnings for stranded tax effects resulting from the 2017 Tax Act's reduction of the U.S. federal corporate income tax rate. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption was permitted. We adopted this guidance as of January 1, 2019, on a prospective basis, but elected to not reclassify from accumulated other comprehensive income (loss) to retained earnings the stranded tax effects resulting from the 2017 Tax Act's reduction of the U.S. federal corporate income tax rate.

In August 2017, the FASB issued guidance which expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption was permitted. We adopted this guidance as of January 1, 2019, on a prospective basis. The adoption did not have a material impact on our financial statements.

In February 2016, the FASB issued guidance on the accounting for leases, Accounting Standards Codification ("ASC") Topic 842 ("ASC 842"). This guidance requires lessees to recognize lease assets and lease liabilities on the balance sheet and to expand disclosures about leasing arrangements, both qualitative and quantitative. In terms of transition, the guidance requires adoption based upon a modified retrospective approach. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption was permitted. We adopted this guidance as of January 1, 2019, using the modified retrospective approach that allows companies to apply ASC 842 as of the effective date and on a prospective basis. Please refer to Note 6, *Leases*, for additional information.

#### Standards Issued Not Yet Adopted

In April 2019, the FASB issued guidance which clarifies and improves areas of guidance related to the new credit losses, hedging, and recognition and measurement standards. This guidance is effective for the same fiscal years in which the original standards are effective or, if already implemented, annual periods beginning after the issuance of this guidance. Early adoption is permitted. We are currently evaluating our adoption timing and the impact that this guidance may have on our financial statements.

In August 2018, the FASB issued guidance to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this update. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted, including adoption in any interim period. We are currently evaluating our adoption timing and the impact that this guidance may have on our financial statements.

In August 2018, the FASB issued guidance which modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. The guidance removes disclosures that no longer are considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant. This guidance is effective for fiscal years ending after December 15, 2020. Early adoption is permitted. We believe that the adoption of this guidance will not have a material impact on our financial statements.

In August 2018, the FASB issued guidance which modifies the disclosure requirements on fair value measurements by removing, modifying, or adding certain disclosures. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. We believe that the adoption of this guidance will not have a material impact on our financial statements.

In June 2016, the FASB issued guidance which provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments held by a reporting entity at each reporting date. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. We believe that the adoption of this guidance will not have a material impact on our financial statements.

## Revenue

## 6 Months Ended Jun. 30, 2019

[Revenue \[Abstract\]](#)

[Revenue from Contract with Customer \[Text Block\]](#)

### Revenue

The following table presents the approximate percentage of our net sales by market group:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Biologics	25%	21%	25%	22%
Generics	21%	21%	21%	21%
Pharma	31%	35%	31%	35%
Contract-Manufactured Products	23%	23%	23%	22%
	100%	100%	100%	100%

The following table presents the approximate percentage of our net sales by product category:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
High-Value Components	44%	43%	43%	42%
Standard Packaging	29%	31%	30%	32%
Delivery Devices	4%	3%	4%	4%
Contract-Manufactured Products	23%	23%	23%	22%
	100%	100%	100%	100%

The following table presents the approximate percentage of our net sales by geographic location:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Americas	49%	48%	48%	47%
Europe, Middle East, Africa	43%	44%	45%	45%
Asia Pacific	8%	8%	7%	8%
	100%	100%	100%	100%

### Contract Assets and Liabilities

The following table summarizes our contract assets and liabilities, excluding contract assets included in accounts receivable, net:

	(\$ in millions)
Contract assets, December 31, 2018	\$ 9.1
Contract assets, June 30, 2019	11.4
Change in contract assets - increase (decrease)	\$ 2.3

Deferred income, December 31, 2018	\$ (33.4)
Deferred income, June 30, 2019	(32.9)
Change in deferred income - decrease (increase)	<u>\$ 0.5</u>

The decrease in deferred income during the six months ended June 30, 2019 was primarily due to the recognition of revenue of \$53.4 million, including \$13.9 million of revenue that was included in deferred income at the beginning of the year, and \$2.7 million in other adjustments, partially offset by additional cash payments of \$55.6 million received in advance of satisfying future performance obligations.

The majority of the performance obligations within our contracts are satisfied within one year or less. Performance obligations satisfied beyond one year include those relating to a nonrefundable customer payment of \$20.0 million received in June 2013 in return for the exclusive use of the SmartDose® technology platform within a specific therapeutic area. As of June 30, 2019, there was \$6.1 million of unearned income related to this payment, of which \$0.9 million was included in other current liabilities and \$5.2 million was included in other long-term liabilities. The unearned income is being recognized as income on a straight-line basis over the remaining term of the agreement. The agreement does not include a future minimum purchase commitment from the customer.

### Supply Chain Financing

We have entered into supply chain financing agreements with certain banks, pursuant to which we offer for sale certain accounts receivable to such banks from time to time, subject to the terms of the applicable agreements. These transactions result in a reduction in accounts receivable, as the agreements transfer effective control over, and credit risk related to, the receivables to the banks. These agreements do not allow for recourse in the event of uncollectibility, and we do not retain any interest in the underlying accounts receivable once sold. As of June 30, 2019, we derecognized \$5.5 million of accounts receivable under these agreements. Discount fees related to the sale of such accounts receivable on our condensed consolidated income statements for the six months ended June 30, 2019 were not material.

### Voluntary Recall

On January 24, 2019, we issued a voluntary recall of our Vial2Bag® product line due to reports of potential unpredictable or variable dosing under certain conditions. Our fourth quarter 2018 results included an \$11.3 million provision for product returns, recorded as a reduction of sales, partially offset by a reduction in cost of goods sold reflecting our inventory balance for these devices at December 31, 2018. During the three and six months ended June 30, 2019, we recorded provisions of \$1.3 million and \$5.8 million, respectively, for potential inventory returns from our customers and related in-house inventory, partially offset by a reduction in our provision for product returns. We continue to work to get the products back on the market.

## Net Income Per Share

**6 Months Ended  
Jun. 30, 2019**

[Earnings Per Share](#)

[\[Abstract\]](#)

[Net Income Per Share](#)

### Net Income Per Share

The following table reconciles the shares used in the calculation of basic net income per share to those used for diluted net income per share:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 66.1	\$ 56.1	\$ 121.5	\$ 99.7
Weighted average common shares outstanding	73.7	73.6	73.9	73.8
Dilutive effect of equity awards, based on the treasury stock method	1.4	1.4	1.4	1.4
Weighted average shares assuming dilution	75.1	75.0	75.3	75.2

During the three months ended June 30, 2019 and 2018, there were 0.4 million and 0.9 million shares, respectively, from stock-based compensation plans not included in the computation of diluted net income per share because their impact was antidilutive. There were 0.3 million and 0.8 million antidilutive shares outstanding during the six months ended June 30, 2019 and 2018, respectively.

In February 2019, we announced a share repurchase program for calendar-year 2019 authorizing the repurchase of up to 800,000 shares of our common stock from time to time on the open market or in privately-negotiated transactions as permitted under the Securities Exchange Act of 1934 Rule 10b-18. The number of shares repurchased and the timing of such transactions depended on a variety of factors, including market conditions. There were no shares purchased during the three months ended June 30, 2019. During the six months ended June 30, 2019, we purchased 800,000 shares of our common stock under the now-completed program at a cost of \$83.1 million, or an average price of \$103.89 per share.

## Inventories

**6 Months Ended  
Jun. 30, 2019**

[Inventory Disclosure](#)

[\[Abstract\]](#)

[Inventories](#)

### Inventories

Inventories are valued at the lower of cost (on a first-in, first-out basis) and net realizable value. Inventory balances were as follows:

(\$ in millions)	June 30, 2019	December 31, 2018
Raw materials	\$ 102.4	\$ 90.4
Work in process	38.9	42.2
Finished goods	91.0	81.9
	<u>\$ 232.3</u>	<u>\$ 214.5</u>

## Leases

**6 Months Ended  
Jun. 30, 2019**

[Leases \[Abstract\]](#)

[Leases of Lessee Disclosure](#)

[\[Text Block\]](#)

### Leases

#### Adoption of ASC 842

On January 1, 2019, we adopted ASC 842, using the modified retrospective approach that allows companies to apply ASC 842 as of the effective date and on a prospective basis. As a result, we were not required to adjust our comparative period financial information for effects of ASC 842 or present the new required lease disclosures for periods prior to the date of adoption. As of June 30, 2019, we had operating leases primarily related to land, buildings, and machinery and equipment, with lease terms through 2047. Certain of our operating leases include options to extend the lease term for up to five years, and certain of our operating leases include options to terminate the leases within one year. We had no finance leases as of June 30, 2019.

As a result of our adoption of ASC 842, we recorded operating lease right-of-use assets of \$71.0 million and operating lease liabilities of \$73.1 million for operating leases where we are the lessee in our condensed consolidated balance sheet as of January 1, 2019. The operating lease right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. The operating lease right-of-use assets are subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The operating lease liabilities are initially measured at the present value of the unpaid lease payments at the lease commencement date.

Judgments used in applying ASC 842 include determining: i) whether a contract is, or contains, a lease; ii) the discount rate to be used to discount the unpaid lease payments to present value; iii) the lease term; and iv) the lease payments. We determine if a contract is, or contains, a lease at contract inception. A lease exists when a contract conveys to the customer the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The definition of a lease embodies two conditions: 1) there is an identified asset in the contract that is land or a depreciable asset (i.e., property, plant, and equipment); and 2) the customer has the right to control the use of the identified asset. ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. As all of our operating leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our incremental borrowing rate for a lease is the rate of interest we would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. The lease term for all of our operating leases includes the noncancellable period of the lease plus any additional periods covered by either a lessee option to extend (or not to terminate) the lease that the lessee is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor. Lease payments included in the measurement of the operating lease right-of-use assets and lease liabilities are comprised of fixed payments (including in-substance fixed payments), variable payments that depend on an index or rate, and the exercise price of a lessee option to purchase the underlying asset if the lessee is reasonably certain to exercise.

The components of lease expense were as follows:

(\$ in millions)	Three Months Ended		Six Months Ended	
	June 30, 2019		June 30, 2019	
Operating lease cost	\$	3.1	\$	6.3

Short-term lease cost	0.2	0.4
Variable lease cost	0.9	1.5
Total lease cost	\$ 4.2	\$ 8.2

Lease expense for the three and six months ended June 30, 2018 was \$3.4 million and \$7.1 million, respectively.

Supplemental information related to leases was as follows:

(\$ in millions)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 3.1	\$ 6.2
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 1.3	\$ 8.1

As of June 30, 2019, the weighted average remaining lease term for operating leases was 11.9 years, and the weighted average discount rate was 3.73%.

Maturities of lease liabilities as of June 30, 2019 were as follows:

(\$ in millions) Year	Operating Leases
2019 (remaining six months)	\$ 6.6
2020	12.0
2021	10.2
2022	8.4
2023	7.8
Thereafter	48.9
	93.9
Less: imputed lease interest	(17.3)
Total lease liabilities	\$ 76.6

Maturities of future minimum rental payments under non-cancelable operating leases as of December 31, 2018 were as follows:

(\$ in millions) Year	Operating Leases
2019	\$ 13.0
2020	10.5
2021	7.8
2022	6.9
2023	5.5
Thereafter	37.8
Total	\$ 81.5

## **Practical Expedients and Exemptions**

We have elected to adopt the leasing package of practical expedients, which allows us to not retroactively reassess: i) any expired or existing contracts containing leases under the new definition of a lease; ii) the lease classification for any expired or existing leases; and iii) initial direct costs for any expired or existing leases. We have also elected to adopt practical expedients around land easements, the combination of lease and non-lease components, and the portfolio approach relating to discount rates. These practical expedients were applied consistently to all leases.

We have elected not to recognize operating lease right-of-use assets and operating lease liabilities for all short-term leases (leases with an initial lease term of 12 months or less). We recognize the lease payments associated with our short-term leases as an expense over the lease term.

## Affiliated Companies

**6 Months Ended  
Jun. 30, 2019**

### Equity Method Investments and Joint Ventures

#### [Abstract]

#### Affiliated Companies

#### Affiliated Companies

At June 30, 2019 and December 31, 2018, the aggregate carrying amount of our investment in affiliated companies that are accounted for under the equity method was \$82.0 million and \$77.8 million, respectively, and the aggregate carrying amount of our investment in affiliated companies that are not accounted for under the equity method was \$13.4 million at both period-ends. We have elected to record these investments, for which fair value was not readily determinable, at cost, less impairment, adjusted for subsequent observable price changes. We test these investments for impairment whenever circumstances indicate that the carrying value of the investments may not be recoverable.

Our purchases from, and royalty payments made to, affiliates totaled \$27.6 million and \$52.2 million, respectively, for the three and six months ended June 30, 2019, as compared to \$24.6 million and \$47.7 million, respectively, for the same periods in 2018. As of June 30, 2019 and December 31, 2018, the payable balance due to affiliates was \$22.0 million and \$12.9 million, respectively. The majority of these transactions related to a distributorship agreement with Daikyo Seiko, Ltd. ("Daikyo") that allows us to purchase and re-sell Daikyo products.

Sales to affiliates were \$2.5 million and \$4.7 million, respectively, for the three and six months ended June 30, 2019, as compared to \$2.6 million and \$5.0 million, respectively, for the same periods in 2018. As of June 30, 2019 and December 31, 2018, the receivable balance due from affiliates was \$1.5 million and \$1.6 million, respectively.

Please refer to Note 6, *Affiliated Companies*, to the consolidated financial statements in our [2018 Annual Report](#) for additional details.

## Debt

6 Months Ended  
Jun. 30, 2019

### [Debt Disclosure \[Abstract\]](#)

#### [Debt](#)

#### Debt

The following table summarizes our long-term debt obligations, net of unamortized debt issuance costs and current maturities. The interest rates shown in parentheses are as of June 30, 2019.

(\$ in millions)	June 30, 2019	December 31, 2018
Note payable, due December 31, 2019	\$ —	\$ 0.1
Credit Facility, due October 15, 2020	—	28.6
Credit Facility, due March 28, 2024 (0.875%)	28.5	—
Series A notes, due July 5, 2022 (3.67%)	42.0	42.0
Series B notes, due July 5, 2024 (3.82%)	53.0	53.0
Series C notes, due July 5, 2027 (4.02%)	73.0	73.0
	<u>196.5</u>	<u>196.7</u>
Less: unamortized debt issuance costs	0.5	0.6
Total debt	<u>196.0</u>	<u>196.1</u>
Less: current portion of long-term debt	—	0.1
Long-term debt, net	<u>\$ 196.0</u>	<u>\$ 196.0</u>

In March 2019, we entered into a new senior unsecured, multi-currency revolving credit facility agreement (the “Credit Agreement”) that replaced our prior revolving credit facility, which was scheduled to expire in October 2020. The Credit Agreement, which expires in March 2024, contains a senior unsecured, multi-currency revolving credit facility (the “Credit Facility”) of \$300.0 million, with sublimits of up to \$30.0 million for swing line loans for domestic borrowers in U.S. Dollars (“USD”) and a \$20.0 million swing line loan for our German Holding Company and up to \$30.0 million for the issuance of standby letters of credit, which Credit Facility may be increased from time-to-time by the greater of \$350.0 million and earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the preceding twelve month period in the aggregate through an increase in the Credit Facility, subject to the satisfaction of certain conditions. Borrowings under the Credit Facility bear interest at either the base rate (the per annum interest rate of the highest of the Prime Rate, the Federal Funds Rate plus 50 basis points or the daily London Interbank Offered Rate (“LIBOR”), plus 1.00%) or at the applicable LIBOR rate, plus a tiered margin based on the ratio of our net consolidated debt to our modified EBITDA, ranging from 0 to 37.5 basis points for base rate loans and 87.5 to 137.5 basis points for LIBOR rate loans. The Credit Agreement contains financial covenants providing that we shall not permit the ratio of our net consolidated debt to our modified EBITDA to be greater than 3.5 to 1; provided that, no more than three times during the term of the Credit Agreement, upon the occurrence of a qualified acquisition for each of our four fiscal quarters immediately following such qualified acquisition, the ratio shall be increased to 4.0 to 1. The Credit Agreement also contains customary limitations on liens securing our indebtedness, fundamental changes (mergers, consolidations, liquidations and dissolutions), asset sales, distributions and acquisitions. As of June 30, 2019 and December 31, 2018, total unamortized debt issuance costs of \$1.2 million and \$0.6 million, respectively, were recorded in other noncurrent assets and are being amortized as additional interest expense over the term of the Credit Facility. A portion of these costs relate to our prior revolving credit facility.

At June 30, 2019, we had \$28.5 million in outstanding long-term borrowings under the Credit Facility, of which \$4.6 million was denominated in Japanese Yen (“Yen”) and \$23.9 million was

denominated in Euro. These borrowings, together with outstanding letters of credit of \$2.5 million, resulted in a borrowing capacity available under the Credit Facility of \$269.0 million at June 30, 2019. Please refer to Note 9, *Derivative Financial Instruments*, for a discussion of the foreign currency hedges associated with the Credit Facility.

Please refer to Note 9, *Debt*, to the consolidated financial statements in our [2018 Annual Report](#) for additional details regarding our debt agreements.

## Derivative Financial Instruments

6 Months Ended  
Jun. 30, 2019

### [Derivative Instruments and Hedging Activities](#)

### [Disclosure \[Abstract\]](#)

### [Derivative Financial Instruments](#)

#### Derivative Financial Instruments

Our ongoing business operations expose us to various risks, such as fluctuating interest rates, foreign currency exchange rates and increasing commodity prices. To manage these market risks, we periodically enter into derivative financial instruments, such as interest rate swaps, options and foreign exchange contracts for periods consistent with, and for notional amounts equal to or less than, the related underlying exposures. We do not purchase or hold any derivative financial instruments for investment or trading purposes. All derivatives are recorded in our condensed consolidated balance sheet at fair value.

#### Foreign Exchange Rate Risk

We have entered into forward exchange contracts, designated as fair value hedges, to manage our exposure to fluctuating foreign exchange rates on cross-currency intercompany loans. As of June 30, 2019, the total amount of these forward exchange contracts was Singapore Dollar (“SGD”) 601.5 million and \$13.4 million. As of December 31, 2018, the total amount of these forward exchange contracts was €10.0 million, SGD 601.5 million and \$13.4 million.

In addition, we have entered into several foreign currency contracts, designated as cash flow hedges, for periods of up to eighteen months, intended to hedge the currency risk associated with a portion of our forecasted transactions denominated in foreign currencies. As of June 30, 2019, we had outstanding foreign currency contracts to purchase and sell certain pairs of currencies, as follows:

(in millions) Currency	Purchase	Sell	
		USD	Euro
USD	35.1	—	30.2
Yen	5,992.8	32.3	19.8
SGD	23.8	15.4	1.9

At June 30, 2019, a portion of our debt consisted of borrowings denominated in currencies other than USD. We have designated our €21.0 million (\$23.9 million) Euro-denominated borrowings under our Credit Facility as a hedge of our net investment in certain European subsidiaries. A cumulative foreign currency translation loss of \$0.4 million pre-tax (\$0.3 million after tax) on this debt was recorded within accumulated other comprehensive loss as of June 30, 2019. We have also designated our ¥500.0 million (\$4.6 million) Yen-denominated borrowings under our Credit Facility as a hedge of our net investment in Daikyo. At June 30, 2019, there was a cumulative foreign currency translation loss of \$0.5 million pre-tax (\$0.4 million after tax) on this Yen-denominated debt, which was also included within accumulated other comprehensive loss.

#### Commodity Price Risk

Many of our proprietary products are made from synthetic elastomers, which are derived from the petroleum refining process. We purchase the majority of our elastomers via long-term supply contracts, some of which contain clauses that provide for surcharges related to fluctuations in crude oil prices. The following economic hedges did not qualify for hedge accounting treatment since they did not meet the highly effective requirement at inception.

From November 2017 through April 2019, we purchased several series of call options for a total of 262,269 barrels of crude oil to mitigate our exposure to such oil-based surcharges and protect operating cash flows with regards to a portion of our forecasted elastomer purchases.

As of June 30, 2019, we had outstanding contracts to purchase 105,891 barrels of crude oil from July 2019 to September 2020, at a weighted-average strike price of \$64.02 per barrel.

### Effects of Derivative Instruments on Financial Position and Results of Operations

Please refer to Note 10, *Fair Value Measurements*, for the balance sheet location and fair values of our derivative instruments as of June 30, 2019 and December 31, 2018.

The following table summarizes the effects of derivative instruments designated as fair value hedges on the condensed consolidated statements of income:

(\$ in millions)	Amount of Gain Recognized in Income for the Three Months Ended June 30,		Amount of Gain Recognized in Income for the Six Months Ended June 30,		Location on Statement of Income
	2019	2018	2019	2018	
	<b>Fair Value Hedges:</b>				
Foreign currency hedge contracts	\$ (4.5)	\$ (0.8)	\$ (9.3)	\$ (1.4)	Other (income) expense
<b>Total</b>	<b>\$ (4.5)</b>	<b>\$ (0.8)</b>	<b>\$ (9.3)</b>	<b>\$ (1.4)</b>	

We recognize in earnings the initial value of forward point components on a straight-line basis over the life of the fair value hedge.

The following tables summarize the effects of derivative instruments designated as fair value, cash flow, and net investment hedges on other comprehensive income (“OCI”) and earnings, net of tax:

(\$ in millions)	Amount of Gain (Loss) Recognized in OCI for the Three Months Ended June 30,		Amount of (Gain) Loss Reclassified from Accumulated OCI into Income for the Three Months Ended June 30,		Location of (Gain) Loss Reclassified from Accumulated OCI into Income
	2019	2018	2019	2018	
	<b>Fair Value Hedges</b>				
Foreign currency hedge contracts	\$ 1.7	\$ —	\$ —	\$ —	Other (income) expense
<b>Total</b>	<b>\$ 1.7</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	
<b>Cash Flow Hedges:</b>					
Foreign currency hedge contracts	\$ (0.2)	\$ 0.5	\$ (0.2)	\$ 0.3	Net sales
Foreign currency hedge contracts	0.6	(0.2)	(0.2)	0.1	Cost of goods and services sold
Forward treasury locks	—	—	0.1	—	Interest expense
<b>Total</b>	<b>\$ 0.4</b>	<b>\$ 0.3</b>	<b>\$ (0.3)</b>	<b>\$ 0.4</b>	
<b>Net Investment Hedges:</b>					

Foreign currency-denominated debt	\$ (0.3)	\$ 1.2	\$ —	\$ —	Other (income) expense
<b>Total</b>	<b>\$ (0.3)</b>	<b>\$ 1.2</b>	<b>\$ —</b>	<b>\$ —</b>	

(\$ in millions)	Amount of (Loss) Gain Recognized in OCI for the Six Months Ended June 30,		Amount of (Gain) Loss Reclassified from Accumulated OCI into Income for the Six Months Ended June 30,		Location of (Gain) Loss Reclassified from Accumulated OCI into Income
	2019	2018	2019	2018	

#### Fair Value Hedges

Foreign currency hedge contracts	\$ (1.7)	\$ —	\$ —	\$ —	Other (income) expense
<b>Total</b>	<b>\$ (1.7)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	

#### Cash Flow Hedges:

Foreign currency hedge contracts	\$ 0.3	\$ 0.1	\$ (0.4)	\$ 0.8	Net sales
Foreign currency hedge contracts	0.5	1.4	(0.3)	0.5	Cost of goods and services sold
Forward treasury locks	—	—	0.1	0.1	Interest expense
<b>Total</b>	<b>\$ 0.8</b>	<b>\$ 1.5</b>	<b>\$ (0.6)</b>	<b>\$ 1.4</b>	

#### Net Investment Hedges:

Foreign currency-denominated debt	\$ (0.2)	\$ 0.5	\$ —	\$ —	Other (income) expense
<b>Total</b>	<b>\$ (0.2)</b>	<b>\$ 0.5</b>	<b>\$ —</b>	<b>\$ —</b>	

The following table summarizes the effects of derivative instruments not designated as hedges on the condensed consolidated statements of income:

(\$ in millions)	Amount of Loss Recognized in Income for the Three Months Ended June 30,		Amount of Loss Recognized in Income for the Six Months Ended June 30,		Location on Statement of Income
	2019	2018	2019	2018	
Commodity call options	\$ 0.2	\$ 0.5	\$ 0.2	\$ 0.5	Cost of goods and services sold
<b>Total</b>	<b>\$ 0.2</b>	<b>\$ 0.5</b>	<b>\$ 0.2</b>	<b>\$ 0.5</b>	

For the three and six months ended June 30, 2019 and 2018, there was no material ineffectiveness related to our hedges.

## Fair Value Measurements

6 Months Ended  
Jun. 30, 2019

### [Fair Value Disclosures](#)

#### [\[Abstract\]](#)

### [Fair Value Measurements](#)

#### Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The following fair value hierarchy classifies the inputs to valuation techniques used to measure fair value into one of three levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The following tables present the assets and liabilities recorded at fair value on a recurring basis:

(\$ in millions)	Balance at June 30, 2019	Basis of Fair Value Measurements		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Deferred compensation assets	\$ 9.2	\$ 9.2	\$ —	\$ —
Foreign currency contracts	10.3	—	10.3	—
Commodity call options	0.1	—	0.1	—
	<u>\$ 19.6</u>	<u>\$ 9.2</u>	<u>\$ 10.4</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Contingent consideration	\$ 1.7	\$ —	\$ —	\$ 1.7
Deferred compensation liabilities	10.5	10.5	—	—
	<u>\$ 12.2</u>	<u>\$ 10.5</u>	<u>\$ —</u>	<u>\$ 1.7</u>

(\$ in millions)	Balance at December 31, 2018	Basis of Fair Value Measurements		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Deferred compensation assets	\$ 8.7	\$ 8.7	\$ —	\$ —
Foreign currency contracts	6.5	—	6.5	—
	<u>\$ 15.2</u>	<u>\$ 8.7</u>	<u>\$ 6.5</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Contingent consideration	\$ 1.7	\$ —	\$ —	\$ 1.7
Deferred compensation liabilities	9.8	9.8	—	—
Foreign currency contracts	0.2	—	0.2	—
	<u>\$ 11.7</u>	<u>\$ 9.8</u>	<u>\$ 0.2</u>	<u>\$ 1.7</u>

Deferred compensation assets are included within other noncurrent assets and are valued using a market approach based on quoted market prices in an active market. The fair value of our foreign currency contracts, included within other current and other noncurrent assets, as well as other current and other long-term liabilities, is valued using an income approach based on quoted forward foreign exchange rates and spot rates at the reporting date. The fair value of our commodity call options, included within other current and other noncurrent assets, is valued using a market approach. The fair value of our contingent consideration, included within other current and other long-term liabilities, is discussed further in the section related to Level 3 fair value measurements. The fair value of deferred compensation liabilities is based on quoted prices of the underlying employees' investment selections and is included within other long-term liabilities. Please refer to Note 9, *Derivative Financial Instruments*, for further discussion of our derivatives.

### Level 3 Fair Value Measurements

The fair value of the contingent consideration liability related to the SmartDose technology platform (the "SmartDose contingent consideration") was initially determined using a probability-weighted income approach, and is revalued at each reporting date or more frequently if circumstances dictate. Changes in the fair value of this obligation are recorded as income or expense within other (income) expense in our condensed consolidated statements of income. The significant unobservable inputs used in the fair value measurement of the SmartDose contingent consideration are the sales projections, the probability of success factors, and the discount rate. Significant increases or decreases in any of those inputs in isolation would result in a significantly lower or higher fair value measurement. As development and commercialization of the SmartDose technology platform progresses, we may need to update the sales projections, the probability of success factors, and the discount rate used. This could result in a material increase or decrease to the SmartDose contingent consideration.

The following table provides a summary of changes in our Level 3 fair value measurements:

	(\$ in millions)
Balance, December 31, 2017	\$ 4.9
Decrease in fair value recorded in earnings	(2.6)
Payments	(0.6)
Balance, December 31, 2018	1.7
Increase in fair value recorded in earnings	0.3
Payments	(0.3)
Balance, June 30, 2019	\$ 1.7

### Other Financial Instruments

We believe that the carrying amounts of our cash and cash equivalents and accounts receivable approximate their fair values due to their near-term maturities.

The estimated fair value of long-term debt is based on quoted market prices for debt issuances with similar terms and maturities and is classified as Level 2 within the fair value hierarchy. At June 30, 2019, the estimated fair value of long-term debt was \$203.2 million compared to a carrying amount of \$196.0 million. At December 31, 2018, the estimated fair value of long-term debt was \$192.6 million and the carrying amount was \$196.0 million.

**Accumulated Other  
Comprehensive Loss  
Equity [Abstract]  
Accumulated Other  
Comprehensive Loss**

**6 Months Ended  
Jun. 30, 2019**

**Accumulated Other Comprehensive Loss**

The following table presents the changes in the components of accumulated other comprehensive loss, net of tax, for the six months ended June 30, 2019:

(\$ in millions)	Losses on derivatives	Unrealized gains on investment securities	Defined benefit pension and other postretirement plans	Foreign currency translation	Total
Balance, December 31, 2018	\$ (0.4)	\$ 0.4	\$ (40.4)	\$ (113.8)	\$(154.2)
Other comprehensive (loss) income before reclassifications	(0.9)	—	—	3.7	2.8
Amounts reclassified out	(0.6)	—	(0.2)	—	(0.8)
Other comprehensive (loss) income, net of tax	(1.5)	—	(0.2)	3.7	2.0
Balance, June 30, 2019	\$ (1.9)	\$ 0.4	\$ (40.6)	\$ (110.1)	\$(152.2)

A summary of the reclassifications out of accumulated other comprehensive loss is presented in the following table:

(\$ in millions) Detail of components	Three Months Ended June 30,		Six Months Ended June 30,		Location on Statement of Income
	2019	2018	2019	2018	
<b>Gains (losses) on derivatives:</b>					
Foreign currency contracts	\$ 0.3	\$ (0.3)	\$ 0.5	\$ (0.9)	Net sales
Foreign currency contracts	0.3	(0.1)	0.5	(0.7)	Cost of goods and services sold
Forward treasury locks	(0.1)	(0.1)	(0.2)	(0.2)	Interest expense
Total before tax	0.5	(0.5)	0.8	(1.8)	
Tax expense	(0.2)	0.1	(0.2)	0.4	
Net of tax	\$ 0.3	\$ (0.4)	\$ 0.6	\$ (1.4)	
<b>Amortization of defined benefit pension and other postretirement plans:</b>					
Prior service credit	\$ 0.1	\$ 0.6	\$ 0.3	\$ 1.1	(a)
Actuarial losses	—	(0.4)	—	(0.8)	(a)
Total before tax	0.1	0.2	0.3	0.3	
Tax expense	—	(0.1)	(0.1)	(0.1)	
Net of tax	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2	

Total reclassifications for the period, net of tax	<u>\$ 0.4</u>	<u>\$ (0.3)</u>	<u>\$ 0.8</u>	<u>\$ (1.2)</u>
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(a) These components are included in the computation of net periodic benefit cost. Please refer to Note 14, *Benefit Plans*, for additional details.

## Shareholders' Equity

**6 Months Ended  
Jun. 30, 2019**

[Equity \[Abstract\]](#)

[Stockholders' Equity Note](#)

[Disclosure \[Text Block\]](#)

### Shareholders' Equity

The following table presents the changes in shareholders' equity for the six months ended June 30, 2019:

(\$ in millions)	Common Shares Issued	Common Stock	Capital in Excess of Par Value	Number of Treasury Shares	Treasury Stock	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2018	75.3	\$ 18.8	\$ 282.0	1.2	\$(103.7)	\$1,353.4	\$ (154.2)	\$1,396.3
Net income	—	—	—	—	—	55.4	—	55.4
Activity related to stock-based compensation	—	—	(3.5)	(0.2)	14.2	—	—	10.7
Shares purchased under share repurchase program	—	—	—	0.8	(83.1)	—	—	(83.1)
Dividends declared (\$0.15 per share)	—	—	—	—	—	(10.6)	—	(10.6)
Other comprehensive income, net of tax	—	—	—	—	—	—	0.8	0.8
Balance, March 31, 2019	<u>75.3</u>	<u>\$ 18.8</u>	<u>\$ 278.5</u>	<u>1.8</u>	<u>\$(172.6)</u>	<u>\$1,398.2</u>	<u>\$ (153.4)</u>	<u>\$1,369.5</u>
Net income	—	—	—	—	—	66.1	—	66.1
Activity related to stock-based compensation	—	—	(5.1)	(0.2)	24.8	—	—	19.7
Dividends declared (\$0.15 per share)	—	—	—	—	—	(11.4)	—	(11.4)
Other comprehensive income, net of tax	—	—	—	—	—	—	1.2	1.2
Balance, June 30, 2019	<u>75.3</u>	<u>\$ 18.8</u>	<u>\$ 273.4</u>	<u>1.6</u>	<u>\$(147.8)</u>	<u>\$1,452.9</u>	<u>\$ (152.2)</u>	<u>\$1,445.1</u>

The following table presents the changes in shareholders' equity for the six months ended June 30, 2018:

(\$ in millions)	Common Shares Issued	Common Stock	Capital in Excess of Par Value	Number of Treasury Shares	Treasury Stock	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2017	75.2	\$ 18.8	\$ 309.3	1.3	\$(109.1)	\$1,178.2	\$ (117.3)	\$1,279.9
Effect of modified retrospective application of a new accounting standard	—	—	—	—	—	11.4	—	11.4
Net income	—	—	—	—	—	43.6	—	43.6
Activity related to stock-based compensation	0.1	—	(0.8)	(0.1)	8.0	—	—	7.2
Shares purchased under share repurchase program	—	—	—	0.5	(47.9)	—	—	(47.9)
Dividends declared (\$0.14 per share)	—	—	—	—	—	(10.4)	—	(10.4)
Other comprehensive income, net of tax	—	—	—	—	—	—	21.5	21.5
Balance, March 31, 2018	75.3	\$ 18.8	\$ 308.5	1.7	\$(149.0)	\$1,222.8	\$ (95.8)	\$1,305.3
Net income	—	—	—	—	—	56.1	—	56.1
Activity related to stock-based compensation	—	—	(3.8)	(0.2)	16.0	—	—	12.2
Shares purchased under share repurchase program	—	—	—	0.3	(22.9)	—	—	(22.9)
Dividends declared (\$0.14 per share)	—	—	—	—	—	(20.9)	—	(20.9)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(47.9)	(47.9)
Balance, June 30, 2018	75.3	\$ 18.8	\$ 304.7	1.8	\$(155.9)	\$1,258.0	\$ (143.7)	\$1,281.9

## Stock-Based Compensation

**6 Months Ended  
Jun. 30, 2019**

### [Disclosure of Compensation Related Costs, Share-based Payments \[Abstract\]](#)

#### [Stock-Based Compensation](#)

#### Stock-Based Compensation

The West Pharmaceutical Services, Inc. 2016 Omnibus Incentive Compensation Plan (the “2016 Plan”) provides for the granting of stock options, stock appreciation rights, restricted stock awards and performance awards to employees and non-employee directors. A committee of the Board of Directors determines the terms and conditions of awards to be granted. Vesting requirements vary by award. At June 30, 2019, there were 3,117,575 shares remaining in the 2016 Plan for future grants.

During the six months ended June 30, 2019, we granted 344,616 stock options at a weighted average exercise price of \$102.51 per share based on the grant-date fair value of our stock to employees under the 2016 Plan. The weighted average grant date fair value of options granted was \$24.51 per share as determined by the Black-Scholes option valuation model using the following weighted average assumptions: a risk-free interest rate of 2.3%; expected life of 5.6 years based on prior experience; stock volatility of 22.5% based on historical data; and a dividend yield of 0.7%. Stock option expense is recognized over the vesting period, net of forfeitures.

During the six months ended June 30, 2019, we granted 82,458 stock-settled performance share unit (“PSU”) awards at a weighted average grant-date fair value of \$102.51 per share to eligible employees. These awards are earned based on the Company’s performance against pre-established targets, including annual growth rate of revenue and return on invested capital, over a specified performance period. Depending on the achievement of the targets, recipients of stock-settled PSU awards are entitled to receive a certain number of shares of common stock. Shares earned under PSU awards may vary from 0% to 200% of an employee’s targeted award. The fair value of stock-settled PSU awards is based on the market price of our stock at the grant date and is recognized as expense over the performance period, adjusted for estimated target outcomes and net of forfeitures.

During the six months ended June 30, 2019, we granted 9,940 stock-settled restricted share unit (“RSU”) awards at a weighted average grant-date fair value of \$108.23 per share to eligible employees. These awards are earned over a specified performance period. The fair value of stock-settled RSU awards is based on the market price of our stock at the grant date and is recognized as expense over the vesting period, net of forfeitures.

Total stock-based compensation expense was \$7.2 million and \$13.4 million for the three and six months ended June 30, 2019, respectively. For the three and six months ended June 30, 2018, stock-based compensation expense was \$6.0 million and \$9.4 million, respectively.

## Benefit Plans

**6 Months Ended  
Jun. 30, 2019**

[Defined Benefit Plans and Other  
Postretirement Benefit Plans Disclosures](#)

[\[Abstract\]](#)

[Benefit Plans](#)

### Benefit Plans

The components of net periodic benefit cost for the three months ended June 30 were as follows:

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2019	2018	2019	2018	2019	2018
Service cost	\$ 0.3	\$ 2.7	\$ —	\$ —	\$ 0.3	\$ 2.7
Interest cost	2.5	2.4	—	—	2.5	2.4
Expected return on assets	(2.9)	(3.9)	—	—	(2.9)	(3.9)
Amortization of prior service credit	—	(0.5)	(0.1)	(0.1)	(0.1)	(0.6)
Recognized actuarial losses (gains)	0.6	1.0	(0.6)	(0.6)	—	0.4
Net periodic benefit cost	<u>\$ 0.5</u>	<u>\$ 1.7</u>	<u>\$ (0.7)</u>	<u>\$ (0.7)</u>	<u>\$ (0.2)</u>	<u>\$ 1.0</u>

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2019	2018	2019	2018	2019	2018
U.S. plans	\$ —	\$ 1.2	\$ (0.7)	\$ (0.7)	\$ (0.7)	\$ 0.5
International plans	0.5	0.5	—	—	0.5	0.5
Net periodic benefit cost	<u>\$ 0.5</u>	<u>\$ 1.7</u>	<u>\$ (0.7)</u>	<u>\$ (0.7)</u>	<u>\$ (0.2)</u>	<u>\$ 1.0</u>

The components of net periodic benefit cost for the six months ended June 30 were as follows:

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2019	2018	2019	2018	2019	2018
Service cost	\$ 0.7	\$ 5.5	\$ —	\$ —	\$ 0.7	\$ 5.5
Interest cost	4.9	4.7	0.1	0.1	5.0	4.8
Expected return on assets	(5.8)	(7.8)	—	—	(5.8)	(7.8)
Amortization of prior service credit	—	(0.8)	(0.3)	(0.3)	(0.3)	(1.1)
Recognized actuarial losses (gains)	1.1	1.9	(1.1)	(1.1)	—	0.8
Net periodic benefit cost	<u>\$ 0.9</u>	<u>\$ 3.5</u>	<u>\$ (1.3)</u>	<u>\$ (1.3)</u>	<u>\$ (0.4)</u>	<u>\$ 2.2</u>

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2019	2018	2019	2018	2019	2018
U.S. plans	\$ (0.1)	\$ 2.5	\$ (1.3)	\$ (1.3)	\$ (1.4)	\$ 1.2
International plans	1.0	1.0	—	—	1.0	1.0
Net periodic benefit cost	\$ 0.9	\$ 3.5	\$ (1.3)	\$ (1.3)	\$ (0.4)	\$ 2.2

Effective January 1, 2019, except for interest crediting, benefit accruals under our U.S. qualified and non-qualified defined benefit pension plans ceased.

## Other Expense

**6 Months Ended  
Jun. 30, 2019**

### [Other Income and Expenses](#)

#### [\[Abstract\]](#)

#### [Other Expense](#)

#### Other (Income) Expense

Other (income) expense consists of:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Restructuring and related charges:</b>				
Severance and post-employment benefits	\$ 1.3	\$ 1.3	\$ 1.6	\$ 3.3
Asset-related charges	—	0.3	—	0.4
Other charges	0.1	0.6	0.4	1.8
<b>Total restructuring and related charges</b>	<b>1.4</b>	<b>2.2</b>	<b>2.0</b>	<b>5.5</b>
Development and licensing income	(0.2)	(0.2)	(0.4)	(0.4)
Contingent consideration	0.1	0.3	0.3	0.6
Other items	(3.8)	(1.2)	(6.7)	(1.5)
<b>Total other (income) expense</b>	<b>\$ (2.5)</b>	<b>\$ 1.1</b>	<b>\$ (4.8)</b>	<b>\$ 4.2</b>

#### **Restructuring and Related Charges**

In February 2018, our Board of Directors approved a restructuring plan designed to realign our manufacturing capacity with demand. These changes are expected to be implemented over a period of up to twenty-four months from the date of approval. The plan will require restructuring and related charges of approximately \$16.0 million. Since its approval, we have recorded \$10.8 million in restructuring and related charges associated with this plan.

During the three months ended June 30, 2019, we recorded \$1.4 million in restructuring and related charges associated with this plan, consisting of \$1.3 million for severance charges and \$0.1 million for other charges. During the three months ended June 30, 2018, we recorded \$2.2 million in restructuring and related charges associated with this plan, consisting of \$1.3 million for severance charges, \$0.3 million for non-cash asset write-downs associated with the discontinued use of certain equipment, and \$0.6 million for other non-cash charges.

During the six months ended June 30, 2019, we recorded \$2.0 million in restructuring and related charges associated with this plan, consisting of \$1.6 million for severance charges and \$0.4 million for other charges. During the six months ended June 30, 2018, we recorded \$5.5 million in restructuring and related charges associated with this plan, consisting of \$3.3 million for severance charges, \$0.4 million for non-cash asset write-downs associated with the discontinued use of certain equipment, and \$1.8 million for other non-cash charges.

The following table presents activity related to our restructuring obligations related to our 2018 restructuring plan:

(\$ in millions)	Severance and benefits	Asset- related charges	Other charges	Total
Balance, December 31, 2018	\$ 2.3	\$ —	\$ —	\$ 2.3

Charges	1.6	—	0.4	2.0
Cash payments	(1.6)	—	—	(1.6)
Non-cash asset write-downs	—	—	(0.4)	(0.4)
Balance, June 30, 2019	<u>\$ 2.3</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2.3</u>

On February 15, 2016, our Board of Directors approved a restructuring plan designed to repurpose several of our production facilities in support of growing high-value proprietary products and to realign operational and commercial activities to meet the needs of our new market-focused commercial organization. Our remaining restructuring obligations related to the 2016 restructuring plan as of June 30, 2019 were \$0.2 million.

### Other Items

During both the three and six months ended June 30, 2019 and 2018, we recorded development income of \$0.2 million and \$0.4 million, respectively, related to a nonrefundable customer payment of \$20.0 million received in June 2013 in return for the exclusive use of the SmartDose technology platform within a specific therapeutic area. Please refer to Note 3, *Revenue*, for additional information.

Contingent consideration represents changes in the fair value of the SmartDose contingent consideration. Please refer to Note 10, *Fair Value Measurements*, for additional details.

Other items consist of foreign exchange transaction gains and losses, gains and losses on the sale of fixed assets, and miscellaneous income and charges. Other items increased by \$2.6 million for the three months ended June 30, 2019, as compared to the same period in 2018, primarily as a result of foreign exchange transaction gains of \$4.8 million during the three months ended June 30, 2019, as compared to foreign exchange transaction gains of \$1.2 million during the three months ended June 30, 2018, partially offset by losses on the sale of fixed assets during the three months ended June 30, 2019. Other items increased by \$5.2 million for the six months ended June 30, 2019, as compared to the same period in 2018, primarily as a result of foreign exchange transaction gains of \$8.6 million during the six months ended June 30, 2019, as compared to foreign exchange transaction gains of \$0.8 million during the six months ended June 30, 2018, partially offset by losses on the sale of fixed assets during the six months ended June 30, 2019.

## Income Taxes

**6 Months Ended  
Jun. 30, 2019**

### [Income Tax Disclosure](#)

#### [\[Abstract\]](#)

#### [Income Taxes](#)

#### Income Taxes

The tax provision for interim periods is determined using the estimated annual effective consolidated tax rate, based on the current estimate of full-year earnings before taxes, adjusted for the impact of discrete quarterly items.

The provision for income taxes was \$15.5 million and \$6.0 million for the three months ended June 30, 2019 and 2018, respectively, and the effective tax rate was 19.4% and 9.9%, respectively. The provision for income taxes was \$31.6 million and \$18.5 million for the six months ended June 30, 2019 and 2018, respectively, and the effective tax rate was 21.1% and 16.2%, respectively.

During the three and six months ended June 30, 2018, we recorded a net tax benefit of \$4.8 million and \$4.5 million, respectively, for the estimated impact of the 2017 Tax Act. Please refer to Note 16, *Income Taxes*, to the consolidated financial statements in our [2018 Annual Report](#) for further discussion.

**Commitments and  
Contingencies**

**6 Months Ended  
Jun. 30, 2019**

**[Commitments and  
Contingencies Disclosure](#)**

**[\[Abstract\]](#)**

**[Commitments and  
Contingencies](#)**

Commitments and Contingencies

From time to time, we are involved in product liability matters and other legal proceedings and claims generally incidental to our normal business activities. We accrue for loss contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. While the outcome of current proceedings cannot be accurately predicted, we believe their ultimate resolution should not have a material adverse effect on our business, financial condition, results of operations or liquidity.

There have been no significant changes to the commitments and contingencies included in our [2018 Annual Report](#).

On January 1, 2019, we adopted ASC 842. Please refer to Note 6, *Leases*, for additional information.

## Segment Information

6 Months Ended  
Jun. 30, 2019

[Segment Reporting](#)

[\[Abstract\]](#)

[Segment Information](#)

### Segment Information

Our business operations are organized into two reportable segments, Proprietary Products and Contract-Manufactured Products. Our Proprietary Products reportable segment offers proprietary packaging, containment and drug delivery products, along with analytical lab services, to biologic, generic and pharmaceutical drug customers. Our Contract-Manufactured Products reportable segment serves as a fully integrated business, focused on the design, manufacture, and automated assembly of complex devices, primarily for pharmaceutical, diagnostic, and medical device customers.

We evaluate the performance of our segments based upon, among other things, segment net sales and operating profit. Segment operating profit excludes general corporate costs, which include executive and director compensation, stock-based compensation, adjustments to annual incentive plan expense for over- or under-attainment of targets, certain pension and other retirement benefit costs, and other corporate facilities and administrative expenses not allocated to the segments. Also excluded are items that we consider not representative of ongoing operations. Such items are referred to as other unallocated items and generally include restructuring and related charges, certain asset impairments and other specifically-identified income or expense items.

The following table presents information about our reportable segments, reconciled to consolidated totals:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Net sales:</b>				
Proprietary Products	\$ 360.3	\$ 346.0	\$ 700.7	\$ 672.2
Contract-Manufactured Products	109.4	101.5	212.5	191.0
<b>Consolidated net sales</b>	<b>\$ 469.7</b>	<b>\$ 447.5</b>	<b>\$ 913.2</b>	<b>\$ 863.2</b>
<b>Operating profit (loss):</b>				
Proprietary Products	\$ 88.8	\$ 71.7	\$ 165.8	\$ 134.5
Contract-Manufactured Products	11.4	9.0	21.9	18.5
Corporate	(18.3)	(18.2)	(34.5)	(33.8)
Other unallocated items	(1.4)	(2.2)	(2.0)	(5.5)
<b>Total operating profit</b>	<b>\$ 80.5</b>	<b>\$ 60.3</b>	<b>\$ 151.2</b>	<b>\$ 113.7</b>
Interest expense	2.0	2.2	4.3	4.1
Interest income	(0.6)	(0.3)	(1.5)	(0.9)
Other nonoperating income	(0.5)	(1.7)	(1.1)	(3.3)
<b>Income before income taxes</b>	<b>\$ 79.6</b>	<b>\$ 60.1</b>	<b>\$ 149.5</b>	<b>\$ 113.8</b>

Other unallocated items during the three and six months ended June 30, 2019 consisted of \$1.4 million and \$2.0 million, respectively, in restructuring and related charges. Other unallocated items during the three and six months ended June 30, 2018 consisted of \$2.2 million and \$5.5 million, respectively, in restructuring and related charges. Please refer to Note 15, *Other (Income) Expense*, for further discussion of these items.

## Summary of Significant Accounting Policies (Policies)

### [Accounting Policies](#)

#### [\[Abstract\]](#)

#### [Basis of Presentation](#)

6 Months Ended

Jun. 30, 2019

**Basis of Presentation:** The condensed consolidated financial statements included in this report are unaudited and have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“U.S. GAAP”) for interim financial reporting and U.S. Securities and Exchange Commission (“SEC”) regulations. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. In the opinion of management, these financial statements include all adjustments, which are of a normal recurring nature, necessary for a fair statement of the financial position, results of operations, cash flows and the change in equity for the periods presented. The condensed consolidated financial statements for the three and six months ended June 30, 2019 should be read in conjunction with the consolidated financial statements and notes thereto of West Pharmaceutical Services, Inc. and its majority-owned subsidiaries (which may be referred to as “West”, the “Company”, “we”, “us” or “our”) appearing in our Annual Report on Form 10-K for the year ended December 31, 2018 (the “[2018 Annual Report](#)”). The results of operations for any interim period are not necessarily indicative of results for the full year.

In April 2019, we acquired the business of our distributor in South Korea for \$18.9 million. As a result of the acquisition, we recorded inventories, property, plant and equipment, goodwill and a customer relationships intangible asset of \$4.5 million, \$0.6 million, \$2.6 million and \$11.2 million, respectively, in our condensed consolidated balance sheet as of June 30, 2019. The goodwill was recorded within our Proprietary Products reportable segment. The results of this acquisition have been included in our condensed consolidated financial statements since the acquisition date.

As of April 1, 2017, our consolidated financial statements exclude the results of our Venezuelan subsidiary. Please refer to Note 15, *Other Expense*, to the consolidated financial statements in our [2018 Annual Report](#) for further discussion.

#### [New Accounting Standards](#)

##### **Recently Adopted Standards**

In August 2018, the SEC adopted a final release which would eliminate or modify certain disclosure requirements that are redundant, outdated, or duplicative of U.S. GAAP or other regulatory requirements. Among other changes, the amendments provide that disclosure requirements related to the analysis of shareholders’ equity are expanded for interim purposes. An analysis of the changes in each caption of shareholders’ equity presented in the balance sheet must be provided in a note or separate statement, as well as the amount of dividends per share for each class of shares. We provided this disclosure beginning in the first quarter of 2019. Please refer to Note 12, *Shareholders’ Equity*.

In June 2018, the Financial Accounting Standards Board (“FASB”) issued guidance which expands the scope of accounting for share-based payment arrangements to include share-based payment transactions for acquiring goods and services from nonemployees. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption was permitted. We adopted this guidance as of January 1, 2019, on a prospective basis. The adoption did not have a material impact on our financial statements.

In February 2018, the FASB issued guidance to address a specific consequence of the Tax Cuts and Jobs Acts (the “2017 Tax Act”) by allowing a reclassification from accumulated other comprehensive income (loss) to retained earnings for stranded tax effects resulting from the 2017 Tax Act’s reduction of the U.S. federal corporate income tax rate. This guidance is effective for

fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption was permitted. We adopted this guidance as of January 1, 2019, on a prospective basis, but elected to not reclassify from accumulated other comprehensive income (loss) to retained earnings the stranded tax effects resulting from the 2017 Tax Act's reduction of the U.S. federal corporate income tax rate.

In August 2017, the FASB issued guidance which expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption was permitted. We adopted this guidance as of January 1, 2019, on a prospective basis. The adoption did not have a material impact on our financial statements.

In February 2016, the FASB issued guidance on the accounting for leases, Accounting Standards Codification ("ASC") Topic 842 ("ASC 842"). This guidance requires lessees to recognize lease assets and lease liabilities on the balance sheet and to expand disclosures about leasing arrangements, both qualitative and quantitative. In terms of transition, the guidance requires adoption based upon a modified retrospective approach. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption was permitted. We adopted this guidance as of January 1, 2019, using the modified retrospective approach that allows companies to apply ASC 842 as of the effective date and on a prospective basis. Please refer to Note 6, *Leases*, for additional information.

#### **Standards Issued Not Yet Adopted**

In April 2019, the FASB issued guidance which clarifies and improves areas of guidance related to the new credit losses, hedging, and recognition and measurement standards. This guidance is effective for the same fiscal years in which the original standards are effective or, if already implemented, annual periods beginning after the issuance of this guidance. Early adoption is permitted. We are currently evaluating our adoption timing and the impact that this guidance may have on our financial statements.

In August 2018, the FASB issued guidance to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this update. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted, including adoption in any interim period. We are currently evaluating our adoption timing and the impact that this guidance may have on our financial statements.

In August 2018, the FASB issued guidance which modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. The guidance removes disclosures that no longer are considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant. This guidance is effective for fiscal years ending after December 15, 2020. Early adoption is permitted. We believe that the adoption of this guidance will not have a material impact on our financial statements.

In August 2018, the FASB issued guidance which modifies the disclosure requirements on fair value measurements by removing, modifying, or adding certain disclosures. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. We believe that the adoption of this guidance will not have a material impact on our financial statements.

In June 2016, the FASB issued guidance which provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments held by a reporting entity at each reporting date. This guidance is effective for

fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. We believe that the adoption of this guidance will not have a material impact on our financial statements.

## Revenue (Tables)

### 6 Months Ended Jun. 30, 2019

#### [Revenue \[Abstract\]](#)

#### [Disaggregation of Revenue \[Table Text Block\]](#)

The following table presents the approximate percentage of our net sales by market group:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Biologics	25%	21%	25%	22%
Generics	21%	21%	21%	21%
Pharma	31%	35%	31%	35%
Contract-Manufactured Products	23%	23%	23%	22%
	100%	100%	100%	100%

The following table presents the approximate percentage of our net sales by product category:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
High-Value Components	44%	43%	43%	42%
Standard Packaging	29%	31%	30%	32%
Delivery Devices	4%	3%	4%	4%
Contract-Manufactured Products	23%	23%	23%	22%
	100%	100%	100%	100%

The following table presents the approximate percentage of our net sales by geographic location:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Americas	49%	48%	48%	47%
Europe, Middle East, Africa	43%	44%	45%	45%
Asia Pacific	8%	8%	7%	8%
	100%	100%	100%	100%

#### [Change in Contract with Customer, Asset and Liability \[Abstract\]](#)

The following table summarizes our contract assets and liabilities, excluding contract assets included in accounts receivable, net:

	(\$ in millions)
Contract assets, December 31, 2018	\$ 9.1
Contract assets, June 30, 2019	11.4
Change in contract assets - increase (decrease)	\$ 2.3

Deferred income, December 31, 2018	\$ (33.4)
Deferred income, June 30, 2019	(32.9)
Change in deferred income - decrease (increase)	<u>\$ 0.5</u>

**Net Income Per Share  
(Tables)**

**6 Months Ended  
Jun. 30, 2019**

[Earnings Per Share \[Abstract\]](#)  
[Reconciliation of Basic to Diluted  
Net Income Per Share](#)

The following table reconciles the shares used in the calculation of basic net income per share to those used for diluted net income per share:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 66.1	\$ 56.1	\$ 121.5	\$ 99.7
Weighted average common shares outstanding	73.7	73.6	73.9	73.8
Dilutive effect of equity awards, based on the treasury stock method	1.4	1.4	1.4	1.4
Weighted average shares assuming dilution	75.1	75.0	75.3	75.2

## Inventories (Tables)

**6 Months Ended  
Jun. 30, 2019**

### [Inventory Disclosure](#)

#### [\[Abstract\]](#)

#### [Inventories](#)

Inventories are valued at the lower of cost (on a first-in, first-out basis) and net realizable value. Inventory balances were as follows:

(\$ in millions)	June 30, 2019	December 31, 2018
Raw materials	\$ 102.4	\$ 90.4
Work in process	38.9	42.2
Finished goods	91.0	81.9
	<u>\$ 232.3</u>	<u>\$ 214.5</u>

## Leases Leases (Tables)

### [Leases \[Abstract\]](#)

#### [Lease, Cost \[Table Text Block\]](#)

The components of lease expense were as follows:

(\$ in millions)	Three Months Ended	Six Months Ended
	June 30, 2019	June 30, 2019
Operating lease cost	\$ 3.1	\$ 6.3
Short-term lease cost	0.2	0.4
Variable lease cost	0.9	1.5
Total lease cost	\$ 4.2	\$ 8.2

#### [Lessee, Lease Cash Flow and Supplemental Information \[Table Text Block\]](#)

Supplemental information related to leases was as follows:

(\$ in millions)	Three Months Ended	Six Months Ended
	June 30, 2019	June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 3.1	\$ 6.2
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 1.3	\$ 8.1

#### [Lessee, Operating Lease, Liability, Maturity \[Table Text Block\]](#)

Maturities of lease liabilities as of June 30, 2019 were as follows:

(\$ in millions) Year	Operating Leases
2019 (remaining six months)	\$ 6.6
2020	12.0
2021	10.2
2022	8.4
2023	7.8
Thereafter	48.9
	93.9
Less: imputed lease interest	(17.3)
Total lease liabilities	\$ 76.6

#### [Schedule of Future Minimum Rental Payments for Operating Leases \[Table Text Block\]](#)

of December 31, 2018 were as follows:

(\$ in millions) Year	Operating Leases
2019	\$ 13.0
2020	10.5

2021	7.8
2022	6.9
2023	5.5
Thereafter	37.8
Total	<u>\$ 81.5</u>

**Debt (Tables)****6 Months Ended  
Jun. 30, 2019****[Debt Disclosure \[Abstract\]](#)  
[Long-term Debt Obligations,](#)  
[Net of Current Maturities](#)**

The following table summarizes our long-term debt obligations, net of unamortized debt issuance costs and current maturities. The interest rates shown in parentheses are as of June 30, 2019.

(\$ in millions)	June 30, 2019	December 31, 2018
Note payable, due December 31, 2019	\$ —	\$ 0.1
Credit Facility, due October 15, 2020	—	28.6
Credit Facility, due March 28, 2024 (0.875%)	28.5	—
Series A notes, due July 5, 2022 (3.67%)	42.0	42.0
Series B notes, due July 5, 2024 (3.82%)	53.0	53.0
Series C notes, due July 5, 2027 (4.02%)	73.0	73.0
	<u>196.5</u>	<u>196.7</u>
Less: unamortized debt issuance costs	0.5	0.6
Total debt	<u>196.0</u>	<u>196.1</u>
Less: current portion of long-term debt	—	0.1
Long-term debt, net	<u>\$ 196.0</u>	<u>\$ 196.0</u>

**Derivative Financial  
Instruments (Tables)**

**6 Months Ended  
Jun. 30, 2019**

**Derivative Instruments and  
Hedging Activities Disclosure**

**[Abstract]**

**Foreign Currency Contracts**

As of June 30, 2019, we had outstanding foreign currency contracts to purchase and sell certain pairs of currencies, as follows:

Currency	Purchase	Sell	
		USD	Euro
USD	35.1	—	30.2
Yen	5,992.8	32.3	19.8
SGD	23.8	15.4	1.9

**Effects of Derivative  
Instruments on Other  
Comprehensive Income ('OCI')  
and Earnings**

The following table summarizes the effects of derivative instruments designated as fair value hedges on the condensed consolidated statements of income:

(\$ in millions)	Amount of Gain Recognized in Income for the		Amount of Gain Recognized in Income for the		Location on Statement of Income
	Three Months Ended June 30,		Six Months Ended June 30,		
	2019	2018	2019	2018	
<b>Fair Value Hedges:</b>					
Foreign currency hedge contracts	\$ (4.5)	\$ (0.8)	\$ (9.3)	\$ (1.4)	Other (income) expense
<b>Total</b>	<b>\$ (4.5)</b>	<b>\$ (0.8)</b>	<b>\$ (9.3)</b>	<b>\$ (1.4)</b>	

We recognize in earnings the initial value of forward point components on a straight-line basis over the life of the fair value hedge.

The following tables summarize the effects of derivative instruments designated as fair value, cash flow, and net investment hedges on other comprehensive income (“OCI”) and earnings, net of tax:

(\$ in millions)	Amount of Gain (Loss) Recognized in OCI for the		Amount of (Gain) Loss Reclassified from Accumulated OCI into Income for the		Location of (Gain) Loss Reclassified from Accumulated OCI into Income
	Three Months Ended June 30,		Three Months Ended June 30,		
	2019	2018	2019	2018	
<b>Fair Value Hedges</b>					
Foreign currency hedge contracts	\$ 1.7	\$ —	\$ —	\$ —	Other (income) expense
<b>Total</b>	<b>\$ 1.7</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	

**Cash Flow Hedges:**

Foreign currency hedge contracts	\$ (0.2)	\$ 0.5	\$ (0.2)	\$ 0.3	Net sales
Foreign currency hedge contracts	0.6	(0.2)	(0.2)	0.1	Cost of goods and services sold
Forward treasury locks	—	—	0.1	—	Interest expense
<b>Total</b>	<b>\$ 0.4</b>	<b>\$ 0.3</b>	<b>\$ (0.3)</b>	<b>\$ 0.4</b>	
<b>Net Investment Hedges:</b>					
Foreign currency-denominated debt	\$ (0.3)	\$ 1.2	\$ —	\$ —	Other (income) expense
<b>Total</b>	<b>\$ (0.3)</b>	<b>\$ 1.2</b>	<b>\$ —</b>	<b>\$ —</b>	

	Amount of (Loss) Gain Recognized in OCI for the Six Months Ended June 30,		Amount of (Gain) Loss Reclassified from Accumulated OCI into Income for the Six Months Ended June 30,		Location of (Gain) Loss Reclassified from Accumulated OCI into Income
	2019	2018	2019	2018	
(\$ in millions)					

#### Fair Value Hedges

Foreign currency hedge contracts	\$ (1.7)	\$ —	\$ —	\$ —	Other (income) expense
<b>Total</b>	<b>\$ (1.7)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	

#### Cash Flow Hedges:

Foreign currency hedge contracts	\$ 0.3	\$ 0.1	\$ (0.4)	\$ 0.8	Net sales
Foreign currency hedge contracts	0.5	1.4	(0.3)	0.5	Cost of goods and services sold
Forward treasury locks	—	—	0.1	0.1	Interest expense
<b>Total</b>	<b>\$ 0.8</b>	<b>\$ 1.5</b>	<b>\$ (0.6)</b>	<b>\$ 1.4</b>	

#### Net Investment Hedges:

Foreign currency-denominated debt	\$ (0.2)	\$ 0.5	\$ —	\$ —	Other (income) expense
<b>Total</b>	<b>\$ (0.2)</b>	<b>\$ 0.5</b>	<b>\$ —</b>	<b>\$ —</b>	

The following table summarizes the effects of derivative instruments not designated as hedges on the condensed consolidated statements of income:

	Amount of Loss Recognized in Income for the Three Months Ended June 30,		Amount of Loss Recognized in Income for the Six Months Ended June 30,		Location on Statement of Income
	2019	2018	2019	2018	
(\$ in millions)					
Commodity call options	\$ 0.2	\$ 0.5	\$ 0.2	\$ 0.5	Cost of goods and services sold

Total	<u>\$ 0.2</u>	<u>\$ 0.5</u>	<u>\$ 0.2</u>	<u>\$ 0.5</u>
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**Fair Value Measurements  
(Tables)**

**6 Months Ended  
Jun. 30, 2019**

[Fair Value Disclosures \[Abstract\]](#)

[Schedule of Assets and Liabilities Measured at Fair Value](#)

The following tables present the assets and liabilities recorded at fair value on a recurring basis:

(\$ in millions)	Balance at June 30, 2019	Basis of Fair Value Measurements		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Deferred compensation assets	\$ 9.2	\$ 9.2	\$ —	\$ —
Foreign currency contracts	10.3	—	10.3	—
Commodity call options	0.1	—	0.1	—
	<u>\$ 19.6</u>	<u>\$ 9.2</u>	<u>\$ 10.4</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Contingent consideration	\$ 1.7	\$ —	\$ —	\$ 1.7
Deferred compensation liabilities	10.5	10.5	—	—
	<u>\$ 12.2</u>	<u>\$ 10.5</u>	<u>\$ —</u>	<u>\$ 1.7</u>

(\$ in millions)	Balance at December 31, 2018	Basis of Fair Value Measurements		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Deferred compensation assets	\$ 8.7	\$ 8.7	\$ —	\$ —
Foreign currency contracts	6.5	—	6.5	—
	<u>\$ 15.2</u>	<u>\$ 8.7</u>	<u>\$ 6.5</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Contingent consideration	\$ 1.7	\$ —	\$ —	\$ 1.7
Deferred compensation liabilities	9.8	9.8	—	—
Foreign currency contracts	0.2	—	0.2	—
	<u>\$ 11.7</u>	<u>\$ 9.8</u>	<u>\$ 0.2</u>	<u>\$ 1.7</u>

[Summary of Changes in Level 3 Fair Value Measurements](#)

The following table provides a summary of changes in our Level 3 fair value measurements:

	(\$ in millions)
Balance, December 31, 2017	\$ 4.9
Decrease in fair value recorded in earnings	(2.6)
Payments	(0.6)
Balance, December 31, 2018	1.7
Increase in fair value recorded in earnings	0.3

Payments	(0.3)
Balance, June 30, 2019	<u>\$ 1.7</u>

**Accumulated Other  
Comprehensive Loss  
(Tables)**

**6 Months Ended  
Jun. 30, 2019**

[Equity \[Abstract\]](#)

[Components of Accumulated Other  
Comprehensive Loss](#)

The following table presents the changes in the components of accumulated other comprehensive loss, net of tax, for the six months ended June 30, 2019:

(\$ in millions)	Losses on derivatives	Unrealized gains on investment securities	Defined benefit pension and other postretirement plans	Foreign currency translation	Total
Balance, December 31, 2018	\$ (0.4)	\$ 0.4	\$ (40.4)	\$ (113.8)	\$(154.2)
Other comprehensive (loss) income before reclassifications	(0.9)	—	—	3.7	2.8
Amounts reclassified out	(0.6)	—	(0.2)	—	(0.8)
Other comprehensive (loss) income, net of tax	(1.5)	—	(0.2)	3.7	2.0
Balance, June 30, 2019	\$ (1.9)	\$ 0.4	\$ (40.6)	\$ (110.1)	\$(152.2)

[Reclassification out of Accumulated  
Other Comprehensive Loss](#)

A summary of the reclassifications out of accumulated other comprehensive loss is presented in the following table:

(\$ in millions) Detail of components	Three Months Ended June 30,		Six Months Ended June 30,		Location on Statement of Income
	2019	2018	2019	2018	
Gains (losses) on derivatives:					
Foreign currency contracts	\$ 0.3	\$ (0.3)	\$ 0.5	\$ (0.9)	Net sales
Foreign currency contracts	0.3	(0.1)	0.5	(0.7)	Cost of goods and services sold
Forward treasury locks	(0.1)	(0.1)	(0.2)	(0.2)	Interest expense
Total before tax	0.5	(0.5)	0.8	(1.8)	
Tax expense	(0.2)	0.1	(0.2)	0.4	
Net of tax	\$ 0.3	\$ (0.4)	\$ 0.6	\$ (1.4)	
Amortization of defined benefit pension and other postretirement plans:					
Prior service credit	\$ 0.1	\$ 0.6	\$ 0.3	\$ 1.1	(a)
Actuarial losses	—	(0.4)	—	(0.8)	(a)

Total before tax	0.1	0.2	0.3	0.3
Tax expense	—	(0.1)	(0.1)	(0.1)
Net of tax	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2
Total reclassifications for the period, net of tax	\$ 0.4	\$ (0.3)	\$ 0.8	\$ (1.2)

(a) These components are included in the computation of net periodic benefit cost. Please refer to Note 14, *Benefit Plans*, for additional details.

Shareholders' Equity  
(Tables)

6 Months Ended

Jun. 30, 2019

Jun. 30, 2018

[Equity \[Abstract\]](#)  
[Schedule of Stockholders](#)  
[Equity \[Table Text Block\]](#)

The following table presents the changes in shareholders' equity for the six months ended June 30, 2018:

The following table presents the changes in shareholders' equity for the six months ended June 30, 2019:

(\$ in millions)	Common Shares Issued	Common Stock	Capital in Excess of Par Value	Number of Treasury Shares	Treasury Stock	Retained earnings	Accumulated other comprehensive loss	Total	The following table presents the changes in shareholders' equity for the six months ended June 30, 2018:										
									Common Shares Issued	Common Stock	Capital in Excess of Par Value	Number of Treasury Shares	Treasury Stock	Retained earnings	Accumulated other comprehensive loss	Total			
Balance, December 31, 2017	75.2	\$ 18.8	\$ 309.3	1.3	\$ (109.1)	\$1,178.2	\$ (117.3)	\$1,279.9											
Effect of modified retrospective application of a new accounting standard						11.4		11.4											
Net income						43.6		43.6											
Activity related to stock-based compensation																			
Shares purchased under share repurchase program	0.1		(0.8)	(0.1)	8.0			7.2											
Dividends declared (\$0.15 per share)																			
Dividends declared (\$0.14 per share)																			
Other comprehensive income, net of tax																			
Balance, March 31, 2018	75.3	\$ 18.8	\$ 308.5	1.7	\$ (149.0)	\$1,222.8	\$ (95.8)	\$1,305.3											
Net income						56.1		56.1											
Activity related to stock-based compensation																			
Shares purchased under share repurchase program																			
Dividends declared (\$0.15 per share)																			
Dividends declared (\$0.14 per share)																			
Other comprehensive loss, net of tax																			
Balance, June 30, 2018	75.3	\$ 18.8	\$ 304.7	1.8	\$ (155.9)	\$1,258.0	\$ (143.7)	\$1,281.9											

**Benefit Plans (Tables)**

**6 Months Ended  
Jun. 30, 2019**

**Defined Benefit Plans and Other Postretirement  
Benefit Plans Disclosures [Abstract]  
Schedule of Components of Net Periodic Benefit Cost**

The components of net periodic benefit cost for the three months ended June 30 were as follows:

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2019	2018	2019	2018	2019	2018
Service cost	\$ 0.3	\$ 2.7	\$ —	\$ —	\$ 0.3	\$ 2.7
Interest cost	2.5	2.4	—	—	2.5	2.4
Expected return on assets	(2.9)	(3.9)	—	—	(2.9)	(3.9)
Amortization of prior service credit	—	(0.5)	(0.1)	(0.1)	(0.1)	(0.6)
Recognized actuarial losses (gains)	0.6	1.0	(0.6)	(0.6)	—	0.4
Net periodic benefit cost	<u>\$ 0.5</u>	<u>\$ 1.7</u>	<u>\$ (0.7)</u>	<u>\$ (0.7)</u>	<u>\$ (0.2)</u>	<u>\$ 1.0</u>

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2019	2018	2019	2018	2019	2018
U.S. plans	\$ —	\$ 1.2	\$ (0.7)	\$ (0.7)	\$ (0.7)	\$ 0.5
International plans	0.5	0.5	—	—	0.5	0.5
Net periodic benefit cost	<u>\$ 0.5</u>	<u>\$ 1.7</u>	<u>\$ (0.7)</u>	<u>\$ (0.7)</u>	<u>\$ (0.2)</u>	<u>\$ 1.0</u>

The components of net periodic benefit cost for the six months ended June 30 were as follows:

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2019	2018	2019	2018	2019	2018
Service cost	\$ 0.7	\$ 5.5	\$ —	\$ —	\$ 0.7	\$ 5.5
Interest cost	4.9	4.7	0.1	0.1	5.0	4.8

Expected return on assets	(5.8)	(7.8)	—	—	(5.8)	(7.8)
Amortization of prior service credit	—	(0.8)	(0.3)	(0.3)	(0.3)	(1.1)
Recognized actuarial losses (gains)	1.1	1.9	(1.1)	(1.1)	—	0.8
Net periodic benefit cost	<u>\$ 0.9</u>	<u>\$ 3.5</u>	<u>\$ (1.3)</u>	<u>\$ (1.3)</u>	<u>\$ (0.4)</u>	<u>\$ 2.2</u>

	Pension benefits		Other retirement benefits		Total	
(\$ in millions)	2019	2018	2019	2018	2019	2018
U.S. plans	\$ (0.1)	\$ 2.5	\$ (1.3)	\$ (1.3)	\$ (1.4)	\$ 1.2
International plans	1.0	1.0	—	—	1.0	1.0
Net periodic benefit cost	<u>\$ 0.9</u>	<u>\$ 3.5</u>	<u>\$ (1.3)</u>	<u>\$ (1.3)</u>	<u>\$ (0.4)</u>	<u>\$ 2.2</u>

## Other Expense (Tables)

**6 Months Ended  
Jun. 30, 2019**

### [Other Income and Expenses](#)

#### [\[Abstract\]](#)

#### [Schedule of Other Expense](#)

Other (income) expense consists of:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Restructuring and related charges:</b>				
Severance and post-employment benefits	\$ 1.3	\$ 1.3	\$ 1.6	\$ 3.3
Asset-related charges	—	0.3	—	0.4
Other charges	0.1	0.6	0.4	1.8
<b>Total restructuring and related charges</b>	<b>1.4</b>	<b>2.2</b>	<b>2.0</b>	<b>5.5</b>
Development and licensing income	(0.2)	(0.2)	(0.4)	(0.4)
Contingent consideration	0.1	0.3	0.3	0.6
Other items	(3.8)	(1.2)	(6.7)	(1.5)
<b>Total other (income) expense</b>	<b>\$ (2.5)</b>	<b>\$ 1.1</b>	<b>\$ (4.8)</b>	<b>\$ 4.2</b>

#### [Schedule of Restructuring Reserve](#)

The following table presents activity related to our restructuring obligations related to our 2018 restructuring plan:

(\$ in millions)	Severance and benefits	Asset-related charges	Other charges	Total
Balance, December 31, 2018	\$ 2.3	\$ —	\$ —	\$ 2.3
Charges	1.6	—	0.4	2.0
Cash payments	(1.6)	—	—	(1.6)
Non-cash asset write-downs	—	—	(0.4)	(0.4)
<b>Balance, June 30, 2019</b>	<b>\$ 2.3</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2.3</b>

**Segment Information  
(Tables)**

**6 Months Ended  
Jun. 30, 2019**

[Segment Reporting](#)

[\[Abstract\]](#)

[Segment Information](#)

The following table presents information about our reportable segments, reconciled to consolidated totals:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Net sales:</b>				
Proprietary Products	\$ 360.3	\$ 346.0	\$ 700.7	\$ 672.2
Contract-Manufactured Products	109.4	101.5	212.5	191.0
Consolidated net sales	<u>\$ 469.7</u>	<u>\$ 447.5</u>	<u>\$ 913.2</u>	<u>\$ 863.2</u>
<b>Operating profit (loss):</b>				
Proprietary Products	\$ 88.8	\$ 71.7	\$ 165.8	\$ 134.5
Contract-Manufactured Products	11.4	9.0	21.9	18.5
Corporate	(18.3)	(18.2)	(34.5)	(33.8)
Other unallocated items	(1.4)	(2.2)	(2.0)	(5.5)
Total operating profit	<u>\$ 80.5</u>	<u>\$ 60.3</u>	<u>\$ 151.2</u>	<u>\$ 113.7</u>
Interest expense	2.0	2.2	4.3	4.1
Interest income	(0.6)	(0.3)	(1.5)	(0.9)
Other nonoperating income	(0.5)	(1.7)	(1.1)	(3.3)
Income before income taxes	<u>\$ 79.6</u>	<u>\$ 60.1</u>	<u>\$ 149.5</u>	<u>\$ 113.8</u>

**Summary of Significant  
Accounting Policies Business  
Combinations (Details) -  
USD (\$)**

**Jun. 30, 2019 Apr. 01, 2019**

**\$ in Millions**

**Business Combinations [Abstract]**

<u>Business Acquisition, Transaction Costs</u>		\$ 18.9
<u>Business Combination, Recognized Inventory</u>	\$ 4.5	
<u>Business Combination, Recognized Property, Plant, and Equipment</u>	0.6	
<u>Business Combination, Recognized Goodwill</u>	2.6	
<u>Business Combination, Recognized Intangible Assets</u>	\$ 11.2	

**Revenue Recognition  
(Details)**

**3 Months Ended 6 Months Ended  
Jun. 30, Jun. 30, Jun. 30, Jun. 30,  
2019 2018 2019 2018**

**Disaggregation of Revenue [Line Items]**

Percentage of net sales 100.00% 100.00% 100.00% 100.00%

Sales Revenue, Net [Member] | Product Concentration Risk [Member] | High-Value Components [Member]

**Disaggregation of Revenue [Line Items]**

Percentage of net sales 44.00% 43.00% 43.00% 42.00%

Sales Revenue, Net [Member] | Product Concentration Risk [Member] | Standard Packaging [Member]

**Disaggregation of Revenue [Line Items]**

Percentage of net sales 29.00% 31.00% 30.00% 32.00%

Sales Revenue, Net [Member] | Product Concentration Risk [Member] | Delivery Devices [Member]

**Disaggregation of Revenue [Line Items]**

Percentage of net sales 4.00% 3.00% 4.00% 4.00%

Sales Revenue, Net [Member] | Product Concentration Risk [Member] | Contract-Manufactured Products [Member]

**Disaggregation of Revenue [Line Items]**

Percentage of net sales 23.00% 23.00% 23.00% 22.00%

Biologics [Member] | Sales Revenue, Net [Member] | Customer Concentration Risk [Member]

**Disaggregation of Revenue [Line Items]**

Percentage of net sales 25.00% 21.00% 25.00% 22.00%

Generics [Member] | Sales Revenue, Net [Member] | Customer Concentration Risk [Member]

**Disaggregation of Revenue [Line Items]**

Percentage of net sales 21.00% 21.00% 21.00% 21.00%

Pharma Customers [Member] | Sales Revenue, Net [Member] | Customer Concentration Risk [Member]

**Disaggregation of Revenue [Line Items]**

Percentage of net sales 31.00% 35.00% 31.00% 35.00%

Contract-Manufactured Products [Member] | Sales Revenue, Net [Member] | Customer Concentration Risk [Member]

**Disaggregation of Revenue [Line Items]**

Percentage of net sales 23.00% 23.00% 23.00% 22.00%

Americas [Member] | Sales Revenue, Net [Member] | Geographic Concentration Risk [Member]

**Disaggregation of Revenue [Line Items]**

Percentage of net sales 49.00% 48.00% 48.00% 47.00%

Europe, Middle East, Africa [Member] | Sales Revenue, Net [Member] | Geographic Concentration Risk [Member]

**Disaggregation of Revenue [Line Items]**

Percentage of net sales

43.00% 44.00% 45.00% 45.00%

Asia Pacific [Member] | Sales Revenue, Net [Member] | Geographic  
Concentration Risk [Member]

**Disaggregation of Revenue [Line Items]**

Percentage of net sales

8.00% 8.00% 7.00% 8.00%

<b>Contracts and Liabilities</b> <b>(Details) - USD (\$)</b> <b>\$ in Millions</b>	<b>6 Months Ended</b>	
	<b>Jan. 01, 2019</b>	<b>Jun. 30, 2019</b>
<a href="#"><u>Contract assets, December 31, 2018</u></a>	\$ 9.1	\$ 9.1
<a href="#"><u>Contract assets, June 30, 2019</u></a>		11.4
<a href="#"><u>Change in contract assets - increase (decrease)</u></a>		2.3
<a href="#"><u>Deferred income, December 31, 2018</u></a>	(33.4)	(33.4)
<a href="#"><u>Deferred income, June 30, 2019</u></a>		(32.9)
<a href="#"><u>Change in deferred income - decrease (increase)</u></a>		0.5
<a href="#"><u>Revenue recognized that was included in the deferred income balance</u></a>	\$ 13.9	53.4
<a href="#"><u>Other adjustments</u></a>		2.7
<a href="#"><u>Customer advance cash payments</u></a>		55.6
<a href="#"><u>SmartDose [Member]</u></a>		
<a href="#"><u>Deferred income, June 30, 2019</u></a>		(6.1)
<a href="#"><u>Deferred income, current</u></a>		0.9
<a href="#"><u>Deferred income, noncurrent</u></a>		\$ 5.2

**Revenue Supply Chain  
Financing (Details)  
\$ in Millions**

**Jun. 30, 2019  
USD (\$)**

**[Supply Chain Financing \[Abstract\]](#)**

[Sales of certain accounts receivable](#) \$ 5.5

**Revenue Voluntary Recall  
(Details) - USD (\$)  
\$ in Millions**

**3 Months Ended 6 Months Ended 12 Months Ended  
Jun. 30, 2019 Jun. 30, 2019 Dec. 31, 2018**

**Revenue from Contract with Customer [Abstract]**

Provision for sales returns

\$ 1.3

\$ 5.8

\$ 11.3

Net Income Per Share (Details) - USD (\$) \$ / shares in Units, \$ in Millions	3 Months Ended			6 Months Ended		Dec. 31, 2018	
	Jun. 30, 2019	Mar. 31, 2019	Jun. 30, 2018	Mar. 31, 2018	Jun. 30, 2019		Jun. 30, 2018
<b>Earnings Per Share [Abstract]</b>							
<u>Net income</u>	\$ 66.1	\$ 55.4	\$ 56.1	\$ 43.6	\$ 121.5	\$ 99.7	
<u>Weighted average common shares outstanding (in shares)</u>	73,700,000		73,600,000		73,900,000	73,800,000	
<u>Dilutive effect of equity awards, based on the treasury stock method (in shares)</u>	1,400,000		1,400,000		1,400,000	1,400,000	
<u>Weighted average shares assuming dilution (in shares)</u>	75,100,000		75,000,000.0		75,300,000	75,200,000	
<u>Antidilutive options excluded from computation of diluted net income per share (in shares)</u>	400,000		900,000		300,000	800,000	
<u>Stock repurchase program, shares authorized</u>							800,000
<u>Stock repurchase program, shares purchased</u>					800,000		
<u>Stock purchase program, cost of shares purchased</u>		\$ 83.1	\$ 22.9	\$ 47.9	\$ 83.1		
<u>Stock repurchase program, average price per share</u>					\$ 103.89		

**Inventories (Details) - USD**

**(\\$)**

**Jun. 30, 2019 Dec. 31, 2018**

**\$ in Millions**

**[Inventory Disclosure \[Abstract\]](#)**

<u><a href="#">Raw materials</a></u>	\$ 102.4	\$ 90.4
<u><a href="#">Work in process</a></u>	38.9	42.2
<u><a href="#">Finished goods</a></u>	91.0	81.9
<u><a href="#">Total inventories</a></u>	\$ 232.3	\$ 214.5

**Leases Adoption of ASC 842  
(Details) - USD (\$)  
\$ in Millions**

**6 Months  
Ended**

**Jun. 30, 2019      Jan. 01,  
2019      Dec. 31,  
2018**

**New Accounting Pronouncements or Change in Accounting Principle**

**[Line Items]**

<u>Total lease liabilities</u>	\$ 76.6		
<u>Operating lease right-of-use assets</u>	\$ 74.5		\$ 0.0
<u>Accounting Standards Update 2016-02 [Member]</u>			

**New Accounting Pronouncements or Change in Accounting Principle**

**[Line Items]**

<u>Total lease liabilities</u>		\$ 73.1	
<u>Operating lease right-of-use assets</u>		\$ 71.0	
<u>Maximum [Member]</u>			

**New Accounting Pronouncements or Change in Accounting Principle**

**[Line Items]**

<u>Operating leases, term of contracts</u>	12 months
<u>Operating leases, option to extend</u>	5 years

Leases Lease Cost (Details) - USD (\$) \$ in Millions	3 Months Ended		6 Months Ended	
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018
<u>Lease, Cost [Abstract]</u>				
<u>Operating lease cost</u>	\$ 3.1		\$ 6.3	
<u>Short-term lease cost</u>	0.2		0.4	
<u>Variable lease cost</u>	0.9		1.5	
<u>Total lease cost</u>	\$ 4.2	\$ 3.4	\$ 8.2	\$ 7.1

**Leases Lease Cash Flow and  
Supplemental Information**  
(Details) - USD (\$)  
\$ in Millions

**3 Months Ended 6 Months Ended**  
**Jun. 30, 2019 Jun. 30, 2019**

[Lease Cash Flow and Supplemental Information \[Abstract\]](#)

<u><a href="#">Operating lease payments</a></u>	\$ 3.1	\$ 6.2
<u><a href="#">Right-of-use assets obtained in exchange for new operating lease liabilities</a></u>	\$ 1.3	\$ 8.1

**Leases Lease Weighted  
Average (Details)**

**Jun. 30, 2019**

**[Lease Cash Flow and Supplemental Information \[Abstract\]](#)**

[Weighted average remaining lease term](#)

11 years 10 months 24 days

[Weighted average discount rate](#)

3.73%

**Leases Maturities of  
Operating Lease Liabilities  
(Details) - USD (\$)  
\$ in Millions**

**Jun. 30, 2019 Dec. 31, 2018**

Leases [Abstract]

<u>2019 (remaining six months)</u>	\$ 6.6	
<u>2020</u>	12.0	
<u>2021</u>	10.2	
<u>2022</u>	8.4	
<u>2023</u>	7.8	
<u>Thereafter</u>	48.9	
<u>Operating leases liabilities payments due</u>	93.9	
<u>Less: imputed lease interest</u>	17.3	
<u>Total lease liabilities</u>	\$ 76.6	
<u>2019</u>		\$ 13.0
<u>2020</u>		10.5
<u>2021</u>		7.8
<u>2022</u>		6.9
<u>2023</u>		5.5
<u>Thereafter</u>		37.8
<u>Total</u>		\$ 81.5

Affiliated Companies (Details) - USD (\$) \$ in Millions	3 Months Ended		6 Months Ended		Dec. 31, 2018
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018	
<b><u>Schedule of Equity Method Investments [Line Items]</u></b>					
<u>Purchases and royalty payments made to affiliates</u>	\$ 27.6	\$ 24.6	\$ 52.2	\$ 47.7	
<u>Amount due and payable to affiliates</u>	22.0		22.0		\$ 12.9
<u>Sales to affiliates</u>	2.5	\$ 2.6	4.7	\$ 5.0	
<u>Amount receivable from affiliates</u>	1.5		1.5		1.6
<u>Carrying amount, equity-method investments</u>	82.0		82.0		77.8
<u>Carrying amount, cost-method investments</u>	\$ 13.4		\$ 13.4		\$ 13.4

**Long-term Debt (Details) -**

USD (\$)

**Jun. 30, 2019 Dec. 31, 2018**

\$ in Millions

**Debt Instrument [Line Items]**Long-term debt, gross \$ 196.5 \$ 196.7Long-term debt 196.0 196.1Unamortized debt issuance costs 0.5 0.6Current portion of long-term debt 0.0 0.1Long-term debt, excluding current portion 196.0 196.0Notes payable, Due 2019 [Member]**Debt Instrument [Line Items]**Long-term debt, gross 0.0 0.1Revolving credit facility, Due 2020 [Member]**Debt Instrument [Line Items]**Long-term debt, gross \$ 0.0 \$ 28.6Revolving credit facility, Due 2024 [Member]**Debt Instrument [Line Items]**Debt instrument, stated interest rate 0.875%Long-term debt, gross \$ 28.5Series A Notes, Due 2022 [Member]**Debt Instrument [Line Items]**Debt instrument, stated interest rate 3.67% 3.67%Long-term debt, gross \$ 42.0 \$ 42.0Series B Notes, Due 2024 [Member]**Debt Instrument [Line Items]**Debt instrument, stated interest rate 3.82% 3.82%Long-term debt, gross \$ 53.0 \$ 53.0Series C Notes, Due 2027 [Member]**Debt Instrument [Line Items]**Debt instrument, stated interest rate 4.02% 4.02%Long-term debt, gross \$ 73.0 \$ 73.0

<b>Credit Facility (Details) - USD (\$)</b>	<b>6 Months Ended Jun. 30, 2019</b>	<b>12 Months Ended Dec. 31, 2018</b>
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**Line of Credit Facility [Line Items]**

<u>Unamortized debt issuance costs</u>	\$ 500,000	\$ 600,000
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Revolving credit facility, Due 2024 [Member]

**Line of Credit Facility [Line Items]**

<u>Line of Credit Facility, current borrowing capacity</u>	300,000,000.0	
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<u>Line of Credit Facility, additional borrowing capacity</u>	350,000,000.0	
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<u>Credit available for the issuance of letters of credit</u>	30,000,000.0	
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<u>Line of Credit Facility, noncurrent</u>	28,500,000	
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<u>Line of Credit Facility outstanding borrowings, Yen</u>	4,600,000	
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<u>Line of Credit Facility outstanding borrowings, Euro</u>	23,900,000	
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<u>Line of Credit Facility, unused commitment level</u>	269,000,000.0	
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<u>Debt issuance costs</u>	\$ 1,200,000	\$ 600,000
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Revolving credit facility, Due 2024 [Member] | London Interbank Offered Rate (LIBOR) [Member]

**Line of Credit Facility [Line Items]**

<u>Debt instrument, stated interest rate</u>	1.00%	
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Revolving credit facility, Due 2024 [Member] | Federal Funds Effective Swap Rate [Member]

**Line of Credit Facility [Line Items]**

<u>Debt instrument, stated interest rate</u>	50.00%	
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Revolving credit facility, Due 2024 [Member] | Letter of Credit [Member]

**Line of Credit Facility [Line Items]**

<u>Long-term Line of Credit</u>	\$ 2,500,000	
---------------------------------	--------------	--

Revolving credit facility, Due 2024 [Member] | Foreign Line of Credit [Member]

**Line of Credit Facility [Line Items]**

<u>Credit facility is available for swing-line loans</u>	20,000,000.0	
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Revolving credit facility, Due 2024 [Member] | Domestic Line of Credit [Member]

**Line of Credit Facility [Line Items]**

<u>Credit facility is available for swing-line loans</u>	\$ 30,000,000.0	
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Maximum [Member] | Revolving credit facility, Due 2024 [Member]

**Line of Credit Facility [Line Items]**

<u>Ratio of debt to EBITDA</u>	4.0	
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Maximum [Member] | Revolving credit facility, Due 2024 [Member] | London Interbank Offered Rate (LIBOR) [Member]

**Line of Credit Facility [Line Items]**

<u>Debt instrument, stated interest rate</u>	137.50%	
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Maximum [Member] | Revolving credit facility, Due 2024 [Member] | Base Rate [Member]

**Line of Credit Facility [Line Items]**

<u>Debt instrument, stated interest rate</u>	37.50%
<u>Minimum [Member]   Revolving credit facility, Due 2024 [Member]</u>	
<b><u>Line of Credit Facility [Line Items]</u></b>	
<u>Ratio of debt to EBITDA</u>	3.5
<u>Minimum [Member]   Revolving credit facility, Due 2024 [Member]   London Interbank Offered Rate (LIBOR) [Member]</u>	
<b><u>Line of Credit Facility [Line Items]</u></b>	
<u>Debt instrument, stated interest rate</u>	87.50%
<u>Minimum [Member]   Revolving credit facility, Due 2024 [Member]   Base Rate [Member]</u>	
<b><u>Line of Credit Facility [Line Items]</u></b>	
<u>Debt instrument, stated interest rate</u>	0.00%

Derivative Financial Instruments (Textuals) (Details) € in Millions, ¥ in Millions, \$ in Millions, \$ in Millions	6 Months Ended									
	Jun. 30, 2019 EUR (€) MBbls \$ / bbl	Jun. 30, 2019 JPY (¥) MBbls \$	Jun. 30, 2019 USD (\$) MBbls \$	Jun. 30, 2019 SGD (\$) MBbls \$ / bbl	Jun. 30, 2019 JPY (¥) MBbls \$ / bbl	Jun. 30, 2019 USD (\$) MBbls \$ / bbl	Dec. 31, 2018 EUR (€)	Dec. 31, 2018 SGD (\$)	Dec. 31, 2018 USD (\$)	Nov. 22, 2017 MBbls
<a href="#">Debt EUR Denominated [Member]</a>										
<a href="#">Derivative [Line Items]</a>										
<a href="#">Notional amount, nonderivative instruments</a>	€ 21.0		\$ 23.9							
<a href="#">Cumulative foreign currency translation loss</a>						\$ 0.4				
<a href="#">Cumulative foreign currency translation loss, net of tax</a>						0.3				
<a href="#">Debt Yen Denominated [Member]</a>										
<a href="#">Derivative [Line Items]</a>										
<a href="#">Notional amount, nonderivative instruments</a>		¥ 500.0	\$ 4.6							
<a href="#">Cumulative foreign currency translation loss</a>						0.5				
<a href="#">Cumulative foreign currency translation loss, net of tax</a>						\$ 0.4				
<a href="#">Options Held [Member]</a>										
<a href="#">Derivative [Line Items]</a>										
<a href="#">Derivative, nonmonetary notional amount   MBbls</a>	105,891			105,891	105,891	105,891				262,269
<a href="#">Derivative, Average Price Risk Option Strike Price   \$ / bbl</a>	64.02			64.02	64.02	64.02				
<a href="#">Euro Member Countries, Euro   Forward Contracts [Member]</a>										
<a href="#">Derivative [Line Items]</a>										
<a href="#">Notional amount   €</a>							€ 10.0			
<a href="#">Singapore, Dollars   Forward Contracts [Member]</a>										
<a href="#">Derivative [Line Items]</a>										
<a href="#">Notional amount</a>				\$ 601.5				\$ 601.5		
<a href="#">United States of America, Dollars   Forward Contracts [Member]</a>										
<a href="#">Derivative [Line Items]</a>										
<a href="#">Notional amount</a>						\$ 13.4			\$ 13.4	

[Long \[Member\] | Designated as Hedging Instrument \[Member\] | Singapore, Dollars | Foreign Exchange Forward \[Member\]](#)

**[Derivative \[Line Items\]](#)**

[Notional amount](#) \$ 23.8

[Long \[Member\] | Designated as Hedging Instrument \[Member\] | United States of America, Dollars | Foreign Exchange Forward \[Member\]](#)

**[Derivative \[Line Items\]](#)**

[Notional amount](#) 35.1

[Long \[Member\] | Designated as Hedging Instrument \[Member\] | Japan, Yen | Foreign Exchange Forward \[Member\]](#)

**[Derivative \[Line Items\]](#)**

[Notional amount | ¥](#) ¥ 5,992.8

[Short \[Member\] | Designated as Hedging Instrument \[Member\] | Singapore, Dollars | Foreign Exchange Forward \[Member\]](#)

**[Derivative \[Line Items\]](#)**

[Notional amount](#) € 1.9 15.4

[Short \[Member\] | Designated as Hedging Instrument \[Member\] | United States of America, Dollars | Foreign Exchange Forward \[Member\]](#)

**[Derivative \[Line Items\]](#)**

[Notional amount](#) 30.2 0.0

[Short \[Member\] | Designated as Hedging Instrument \[Member\] | Japan, Yen | Foreign Exchange Forward \[Member\]](#)

**[Derivative \[Line Items\]](#)**

[Notional amount](#) € 19.8 \$ 32.3

**Effects of Derivative  
Instruments on OCI and  
Earnings (Details) - USD (\$)  
\$ in Millions**

**3 Months Ended 6 Months Ended  
Jun. 30, Jun. 30, Jun. 30, Jun. 30,  
2019 2018 2019 2018**

<a href="#">Fair Value Hedging [Member]</a>				
<b><a href="#">Derivative Instruments, Gain (Loss) [Line Items]</a></b>				
<a href="#">Derivative, Gain (Loss) on Derivative, Net</a>	\$ (4.5)	\$ (0.8)		\$ (1.4)
<a href="#">Amount of gain (loss) recognized in OCI</a>	1.7		\$ (1.7)	
<a href="#">Cash Flow Hedges [Member]</a>				
<b><a href="#">Derivative Instruments, Gain (Loss) [Line Items]</a></b>				
<a href="#">Amount of gain (loss) recognized in OCI</a>	0.4	0.3	0.8	1.5
<a href="#">Amount of (gain) loss reclassified from accumulated OCI into income</a>	(0.3)	0.4	(0.6)	1.4
<a href="#">Cash Flow Hedges [Member]</a>				
<b><a href="#">Derivative Instruments, Gain (Loss) [Line Items]</a></b>				
<a href="#">Derivative Instruments Not Designated as Hedging Instruments, Gain (Loss), Net</a>	0.2	0.5	0.2	0.5
<a href="#">Net Investment Hedges [Member]</a>				
<b><a href="#">Derivative Instruments, Gain (Loss) [Line Items]</a></b>				
<a href="#">Amount of gain (loss) recognized in OCI</a>	(0.3)	1.2	(0.2)	0.5
<a href="#">Amount of (gain) loss reclassified from accumulated OCI into income</a>	0.0	0.0	0.0	0.0
<a href="#">Foreign Currency Hedge Contracts [Member]   Net sales [Member]   Cash Flow Hedges [Member]</a>				
<b><a href="#">Derivative Instruments, Gain (Loss) [Line Items]</a></b>				
<a href="#">Amount of gain (loss) recognized in OCI</a>	(0.2)	0.5	0.3	0.1
<a href="#">Amount of (gain) loss reclassified from accumulated OCI into income</a>	(0.2)	0.3	(0.4)	0.8
<a href="#">Foreign Currency Hedge Contracts [Member]   Cost of goods and services sold [Member]   Cash Flow Hedges [Member]</a>				
<b><a href="#">Derivative Instruments, Gain (Loss) [Line Items]</a></b>				
<a href="#">Amount of gain (loss) recognized in OCI</a>	0.6	(0.2)	0.5	1.4
<a href="#">Amount of (gain) loss reclassified from accumulated OCI into income</a>	(0.2)	0.1	(0.3)	0.5
<a href="#">Foreign Currency Hedge Contracts [Member]   Other expense [Member]   Fair Value Hedging [Member]</a>				
<b><a href="#">Derivative Instruments, Gain (Loss) [Line Items]</a></b>				
<a href="#">Derivative, Gain (Loss) on Derivative, Net</a>	(4.5)	(0.8)	(9.3)	(1.4)
<a href="#">Amount of gain (loss) recognized in OCI</a>	1.7		(1.7)	
<a href="#">Foreign Currency Hedge Contracts [Member]   Cost of goods and services sold [Member]   Cash Flow Hedges [Member]</a>				
<b><a href="#">Derivative Instruments, Gain (Loss) [Line Items]</a></b>				
<a href="#">Derivative Instruments Not Designated as Hedging Instruments, Gain (Loss), Net</a>	0.2	0.5	0.2	0.5
<a href="#">Forward Treasury Locks [Member]   Interest expense [Member]   Cash Flow Hedges [Member]</a>				
<b><a href="#">Derivative Instruments, Gain (Loss) [Line Items]</a></b>				
<a href="#">Amount of gain (loss) recognized in OCI</a>	0.0	0.0	0.0	0.0

<u>Amount of (gain) loss reclassified from accumulated OCI into income</u>	0.1	0.0	0.1	0.1
<u>Foreign Currency - Denominated Debt [Member]   Other expense [Member]</u>				
<u>  Net Investment Hedges [Member]</u>				
<b><u>Derivative Instruments, Gain (Loss) [Line Items]</u></b>				
<u>Amount of gain (loss) recognized in OCI</u>	(0.3)	1.2	(0.2)	0.5
<u>Amount of (gain) loss reclassified from accumulated OCI into income</u>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0

**Fair Value Measurements****(Details) - USD (\$)****Jun. 30, 2019 Dec. 31, 2018****\$ in Millions****Assets:**

<u>Deferred compensation assets</u>	\$ 9.2	\$ 8.7
<u>Foreign currency contracts</u>	10.3	6.5
<u>Commodity call options</u>	0.1	
<u>Total assets at fair value</u>	19.6	15.2

**Liabilities:**

<u>Contingent consideration</u>	1.7	1.7
<u>Deferred compensation liabilities</u>	10.5	9.8
<u>Foreign currency contracts</u>		0.2
<u>Total liabilities at fair value</u>	12.2	11.7

**Level 1 [Member]****Assets:**

<u>Deferred compensation assets</u>	9.2	8.7
<u>Total assets at fair value</u>	9.2	8.7

**Liabilities:**

<u>Deferred compensation liabilities</u>	10.5	9.8
<u>Total liabilities at fair value</u>	10.5	9.8

**Level 2 [Member]****Assets:**

<u>Foreign currency contracts</u>	10.3	6.5
<u>Commodity call options</u>	0.1	
<u>Total assets at fair value</u>	10.4	6.5

**Liabilities:**

<u>Foreign currency contracts</u>		0.2
<u>Total liabilities at fair value</u>	0.0	0.2

**Level 3 [Member]****Liabilities:**

<u>Contingent consideration</u>	1.7	1.7
<u>Total liabilities at fair value</u>	\$ 1.7	\$ 1.7

**Fair Value Measurements**  
**Level 3 (Details) - USD (\$)**  
**\$ in Millions**

**6 Months Ended 12 Months Ended**  
**Jun. 30, 2019 Dec. 31, 2018**

**Level 3 Fair Value Measurements [Roll Forward]**

<u>Balance, beginning of period</u>	\$ 1.7	\$ 4.9
<u>Increase (decrease) in fair value recorded in earnings</u>	0.3	(2.6)
<u>Payments</u>	(0.3)	(0.6)
<u>Balance, end of period</u>	\$ 1.7	\$ 1.7

**Fair Value Measurements**  
**Other Financial Instruments**  
**(Details) - USD (\$)**  
**\$ in Millions**

**Jun. 30, 2019 Dec. 31, 2018**

**Other Financial Instruments [Abstract]**

<u>Long-term debt, fair value</u>	\$ 203.2	\$ 192.6
<u>Long-term debt</u>	\$ 196.0	\$ 196.0

Accumulated Other Comprehensive Loss Components (Details) - USD (\$) \$ in Millions	3 Months Ended				6 Months Ended	
	Jun.	Mar.	Jun.	Mar.	Jun.	Jun.
	30, 2019	31, 2019	30, 2018	31, 2018	30, 2019	30, 2018
<b><u>Changes in the Components of Accumulated Other Comprehensive Loss, Net of Tax [Roll Forward]</u></b>						
<u>Balance, beginning</u>		\$			\$	
		(154.2)			(154.2)	
<u>Other comprehensive income (loss) before reclassifications</u>					2.8	
<u>Amounts reclassified out</u>					(0.8)	
<u>Other comprehensive income (loss), net of tax</u>	\$ 1.2	0.8	\$ (47.9)	\$ 21.5	2.0	\$ (26.4)
<u>Balance, ending</u>	(152.2)				(152.2)	
<u>Gains (Losses) on Cash Flow Hedges [Member]</u>						
<b><u>Changes in the Components of Accumulated Other Comprehensive Loss, Net of Tax [Roll Forward]</u></b>						
<u>Balance, beginning</u>		(0.4)			(0.4)	
<u>Other comprehensive income (loss) before reclassifications</u>					(0.9)	
<u>Amounts reclassified out</u>					(0.6)	
<u>Other comprehensive income (loss), net of tax</u>					(1.5)	
<u>Balance, ending</u>	(1.9)				(1.9)	
<u>Unrealized Gains on Investment Securities [Member]</u>						
<b><u>Changes in the Components of Accumulated Other Comprehensive Loss, Net of Tax [Roll Forward]</u></b>						
<u>Balance, beginning</u>		0.4			0.4	
<u>Other comprehensive income (loss) before reclassifications</u>					0.0	
<u>Amounts reclassified out</u>					0.0	
<u>Other comprehensive income (loss), net of tax</u>					0.0	
<u>Balance, ending</u>	0.4				0.4	
<u>Defined Benefit Pension and Other Postretirement Plans [Member]</u>						
<b><u>Changes in the Components of Accumulated Other Comprehensive Loss, Net of Tax [Roll Forward]</u></b>						
<u>Balance, beginning</u>		(40.4)			(40.4)	
<u>Other comprehensive income (loss) before reclassifications</u>					0.0	
<u>Amounts reclassified out</u>					(0.2)	
<u>Other comprehensive income (loss), net of tax</u>					(0.2)	
<u>Balance, ending</u>	(40.6)				(40.6)	
<u>Foreign Currency Translation [Member]</u>						
<b><u>Changes in the Components of Accumulated Other Comprehensive Loss, Net of Tax [Roll Forward]</u></b>						
<u>Balance, beginning</u>		\$			\$	
		(113.8)			(113.8)	
<u>Other comprehensive income (loss) before reclassifications</u>					3.7	

<u>Amounts reclassified out</u>		0.0
<u>Other comprehensive income (loss), net of tax</u>		3.7
<u>Balance, ending</u>	\$	\$
	(110.1)	(110.1)

**Accumulated Other  
Comprehensive Loss  
Reclassifications (Details) -  
USD (\$)  
\$ in Millions**

3 Months Ended				6 Months Ended	
Jun. 30, 2019	Mar. 31, 2019	Jun. 30, 2018	Mar. 31, 2018	Jun. 30, 2019	Jun. 30, 2018

**Reclassification out of Accumulated Other Comprehensive Loss [Line Items]**

<u>Net sales</u>	\$		\$	\$	\$
	469.7		447.5	913.2	863.2
<u>Cost of goods and services sold</u>	(311.8)		(305.3)	(608.5)	(586.6)
<u>Interest expense</u>	(2.0)		(2.2)	(4.3)	(4.1)
<u>Prior service cost</u>	0.1		0.6	0.3	1.1
<u>Actuarial losses</u>	0.0		(0.4)	0.0	(0.8)
<u>Income before income taxes</u>	79.6		60.1	149.5	113.8
<u>Tax expense (benefit)</u>	(15.5)		(6.0)	(31.6)	(18.5)
<u>Net income</u>	66.1	\$	56.1	\$	99.7
		55.4		43.6	

**Reclassification out of Accumulated Other Comprehensive Loss [Member]**

**Reclassification out of Accumulated Other Comprehensive Loss [Line Items]**

<u>Net income</u>	0.4		(0.3)	0.8	(1.2)
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**Reclassification out of Accumulated Other Comprehensive Loss [Member] | Gains (Losses) on Cash Flow Hedges [Member]**

**Reclassification out of Accumulated Other Comprehensive Loss [Line Items]**

<u>Income before income taxes</u>	0.5		(0.5)	0.8	(1.8)
<u>Tax expense (benefit)</u>	(0.2)		0.1	(0.2)	0.4
<u>Net income</u>	0.3		(0.4)	0.6	(1.4)

**Reclassification out of Accumulated Other Comprehensive Loss [Member] | Amortization of Defined Benefit Pension and Other Postretirement Plans [Member]**

**Reclassification out of Accumulated Other Comprehensive Loss [Line Items]**

<u>Prior service cost</u>	[1]0.1		0.6	0.3	1.1
<u>Actuarial losses</u>	[1]0.0		(0.4)	0.0	(0.8)
<u>Income before income taxes</u>	0.1		0.2	0.3	0.3
<u>Tax expense (benefit)</u>	0.0		(0.1)	(0.1)	(0.1)
<u>Net income</u>	0.1		0.1	0.2	0.2

**Foreign Currency Contract [Member] | Reclassification out of Accumulated Other Comprehensive Loss [Member] | Gains (Losses) on Cash Flow Hedges [Member]**

**Reclassification out of Accumulated Other Comprehensive Loss [Line Items]**

<u>Net sales</u>	0.3	(0.3)	0.5	(0.9)
<u>Cost of goods and services sold</u>	0.3	(0.1)	0.5	(0.7)
<u>Forward Treasury Locks [Member]   Reclassification out of Accumulated Other Comprehensive Loss [Member]   Gains (Losses) on Cash Flow Hedges [Member]</u>				
<b><u>Reclassification out of Accumulated Other Comprehensive Loss [Line Items]</u></b>				
<u>Interest expense</u>	\$ (0.1)	\$ (0.1)	\$ (0.2)	\$ (0.2)

[1] These components are included in the computation of net periodic benefit cost. Please refer to Note 14, *Benefit Plans*, for additional details.

Supplemental Equity Information (Details) - \$ / shares	3 Months Ended			
	Jun. 30, 2019	Mar. 31, 2019	Jun. 30, 2018	Mar. 31, 2018
<a href="#">Equity [Abstract]</a>				
<a href="#">Dividends declared per share</a>	\$ 0.15	\$ 0.15	\$ 0.14	\$ 0.14

Change in Shareholders' Equity (Details) - USD (\$) \$ in Millions	3 Months Ended				6 Months Ended	
	Jun. 30, 2019	Mar. 31, 2019	Jun. 30, 2018	Mar. 31, 2018	Jun. 30, 2019	Jun. 30, 2018
<b><u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u></b>						
<u>Balance</u>	\$ 1,369.5	\$ 1,396.3	\$ 1,305.3	\$ 1,279.9	\$ 1,396.3	\$ 1,279.9
<u>Cumulative effect of new accounting principle in period of adoption</u>				11.4		
<u>Net income</u>	66.1	55.4	56.1	43.6	\$ 121.5	99.7
<u>Activity related to stock-based compensation</u>	19.7	10.7	12.2	7.2		
<u>Share purchased under share repurchase program (in shares)</u>					800,000	
<u>Shares purchased under share repurchase program</u>		(83.1)	(22.9)	(47.9)	\$ (83.1)	
<u>Dividends declared</u>	(11.4)	(10.6)	(20.9)	(10.4)		
<u>Other comprehensive income, net of tax</u>	1.2	0.8	(47.9)	21.5	2.0	(26.4)
<u>Balance</u>	1,445.1	1,369.5	1,281.9	1,305.3	1,445.1	1,281.9
<u>Common Stock [Member]</u>						
<b><u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u></b>						
<u>Balance</u>	\$ 18.8	\$ 18.8	\$ 18.8	\$ 18.8	\$ 18.8	\$ 18.8
<u>Balance (in shares)</u>	75,300,000	75,300,000	75,300,000	75,200,000	75,300,000	75,200,000
<u>Shares issued under stock plans (in shares)</u>	0	0	0	100,000		
<u>Activity related to stock-based compensation</u>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0		
<u>Balance</u>	\$ 18.8	\$ 18.8	\$ 18.8	\$ 18.8	\$ 18.8	\$ 18.8
<u>Balance (in shares)</u>	75,300,000	75,300,000	75,300,000	75,300,000	75,300,000	75,300,000
<u>Additional Paid-in Capital [Member]</u>						
<b><u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u></b>						
<u>Balance</u>	\$ 278.5	\$ 282.0	\$ 308.5	\$ 309.3	\$ 282.0	\$ 309.3
<u>Activity related to stock-based compensation</u>	(5.1)	(3.5)	(3.8)	(0.8)		
<u>Balance</u>	273.4	278.5	304.7	308.5	273.4	304.7
<u>Treasury Stock [Member]</u>						
<b><u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u></b>						
<u>Balance</u>	\$ (172.6)	\$ (103.7)	\$ (149.0)	\$ (109.1)	\$ (103.7)	\$ (109.1)
<u>Balance (in shares)</u>	1,800,000	1,200,000	1,700,000	1,300,000	1,200,000	1,300,000
<u>Shares issued under stock plans (in shares)</u>	(200,000)	(200,000)	(200,000)	(100,000)		
<u>Activity related to stock-based compensation</u>	\$ 24.8	\$ 14.2	\$ 16.0	\$ 8.0		
<u>Share purchased under share repurchase program (in shares)</u>		800,000	300,000	500,000		

<u>Shares purchased under share repurchase program</u>		\$ (83.1)	\$ (22.9)	\$ (47.9)		
<u>Balance</u>	\$ (147.8)	\$ (172.6)	\$ (155.9)	\$ (149.0)	\$ (147.8)	\$ (155.9)
<u>Balance (in shares)</u>	1,600,000	1,800,000	1,800,000	1,700,000	1,600,000	1,800,000
<u>Retained Earnings [Member]</u>						
<b><u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u></b>						
<u>Balance</u>	\$ 1,398.2	\$ 1,353.4	\$ 1,222.8	\$ 1,178.2	\$ 1,353.4	\$ 1,178.2
<u>Cumulative effect of new accounting principle in period of adoption</u>				11.4		
<u>Net income</u>	66.1	55.4	56.1	43.6		
<u>Dividends declared</u>	11.4	10.6	(20.9)	(10.4)		
<u>Balance</u>	1,452.9	1,398.2	1,258.0	1,222.8	1,452.9	1,258.0
<u>AOCI Attributable to Parent [Member]</u>						
<b><u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u></b>						
<u>Balance</u>	(153.4)	(154.2)	(95.8)	(117.3)	(154.2)	(117.3)
<u>Other comprehensive income, net of tax</u>	1.2	0.8	(47.9)	21.5		
<u>Balance</u>	\$ (152.2)	\$ (153.4)	\$ (143.7)	\$ (95.8)	\$ (152.2)	\$ (143.7)

Stock-Based Compensation (Details) - USD (\$) \$ / shares in Units, \$ in Millions	3 Months Ended		6 Months Ended	
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018
<b><u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u></b>				
<u>Shares available for issuance under the 2016 Plan (in shares)</u>	3,117,575		3,117,575	
<u>Stock options, granted (in shares)</u>			344,616	
<u>Stock options, weighted average exercise price (in dollars per share)</u>			\$ 102.51	
<u>Stock options, weighted average grant date fair value (in dollars per share)</u>			\$ 24.51	
<u>Risk-free interest rate (in hundredths)</u>			2.30%	
<u>Expected life (in years)</u>			5 years 7 months 6 days	
<u>Stock volatility (in hundredths)</u>			22.50%	
<u>Dividend yield (in hundredths)</u>			0.70%	
<u>Stock-based compensation expense</u>	\$ 7.2	\$ 6.0	\$ 13.4	\$ 9.4
<u>Performance Share Unit (PSUs) [Member]</u>				
<b><u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u></b>				
<u>Granted (in shares)</u>			82,458	
<u>Grant date fair value (in dollars per share)</u>			\$ 102.51	
<u>PSU payout, minimum (in hundredths)</u>	0.00%		0.00%	
<u>PSU payout, maximum (in hundredths)</u>	200.00%		200.00%	
<u>Restricted Stock Units (RSUs) [Member]</u>				
<b><u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u></b>				
<u>Granted (in shares)</u>			9,940	
<u>Grant date fair value (in dollars per share)</u>			\$ 108.23	

<b>Benefit Plans (Details) - USD</b> <b>(\$)</b> <b>\$ in Millions</b>	<b>3 Months Ended</b>		<b>6 Months Ended</b>	
	<b>Jun. 30,</b>	<b>Jun. 30,</b>	<b>Jun. 30,</b>	<b>Jun. 30,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b><u>Defined Benefit Plans and Other Postretirement Benefit Plans [Line Items]</u></b>				
<u>Service cost</u>	\$ 0.3	\$ 2.7	\$ 0.7	\$ 5.5
<u>Interest cost</u>	2.5	2.4	5.0	4.8
<u>Expected return on assets</u>	(2.9)	(3.9)	(5.8)	(7.8)
<u>Amortization of prior service credit</u>	(0.1)	(0.6)	(0.3)	(1.1)
<u>Recognized actuarial losses (gains)</u>	0.0	0.4	0.0	0.8
<u>Net periodic benefit cost</u>	(0.2)	1.0	(0.4)	2.2
<u>Domestic Plan [Member]</u>				
<b><u>Defined Benefit Plans and Other Postretirement Benefit Plans [Line Items]</u></b>				
<u>Net periodic benefit cost</u>	(0.7)	0.5	(1.4)	1.2
<u>Foreign Plan [Member]</u>				
<b><u>Defined Benefit Plans and Other Postretirement Benefit Plans [Line Items]</u></b>				
<u>Net periodic benefit cost</u>	0.5	0.5	1.0	1.0
<u>Pension Benefits [Member]</u>				
<b><u>Defined Benefit Plans and Other Postretirement Benefit Plans [Line Items]</u></b>				
<u>Service cost</u>	0.3	2.7	0.7	5.5
<u>Interest cost</u>	2.5	2.4	4.9	4.7
<u>Expected return on assets</u>	(2.9)	(3.9)	(5.8)	(7.8)
<u>Amortization of prior service credit</u>	0.0	(0.5)	0.0	(0.8)
<u>Recognized actuarial losses (gains)</u>	0.6	1.0	1.1	1.9
<u>Net periodic benefit cost</u>	0.5	1.7	0.9	3.5
<u>Pension Benefits [Member]   Domestic Plan [Member]</u>				
<b><u>Defined Benefit Plans and Other Postretirement Benefit Plans [Line Items]</u></b>				
<u>Net periodic benefit cost</u>	0.0	1.2	(0.1)	2.5
<u>Pension Benefits [Member]   Foreign Plan [Member]</u>				
<b><u>Defined Benefit Plans and Other Postretirement Benefit Plans [Line Items]</u></b>				
<u>Net periodic benefit cost</u>	0.5	0.5	1.0	1.0
<u>Other Retirement Benefits [Member]</u>				
<b><u>Defined Benefit Plans and Other Postretirement Benefit Plans [Line Items]</u></b>				
<u>Service cost</u>	0.0	0.0	0.0	0.0
<u>Interest cost</u>	0.0	0.0	0.1	0.1
<u>Amortization of prior service credit</u>	(0.1)	(0.1)	(0.3)	(0.3)
<u>Recognized actuarial losses (gains)</u>	(0.6)	(0.6)	(1.1)	(1.1)
<u>Net periodic benefit cost</u>	(0.7)	(0.7)	(1.3)	(1.3)

Other Retirement Benefits [Member] | Domestic Plan [Member]

**Defined Benefit Plans and Other Postretirement Benefit  
Plans [Line Items]**

<u>Net periodic benefit cost</u>	\$ (0.7)	\$ (0.7)	\$ (1.3)	\$ (1.3)
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Other Expense (Details) - USD (\$) \$ in Millions	3 Months Ended		6 Months Ended	
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018
<b><u>Other Income and Expenses [Abstract]</u></b>				
<u>Severance and post-employment benefits</u>	\$ 1.3	\$ 1.3	\$ 1.6	\$ 3.3
<u>Asset-related charges</u>	0.0	0.3	0.0	0.4
<u>Other charges</u>	0.1	0.6	0.4	1.8
<u>Total restructuring and related charges</u>	1.4	2.2	2.0	5.5
<u>Development and licensing income</u>	(0.2)	(0.2)	(0.4)	(0.4)
<u>Contingent consideration</u>	0.1	0.3	0.3	0.6
<u>Other items</u>	(3.8)	(1.2)	(6.7)	(1.5)
<u>Total other (income) expense</u>	\$ (2.5)	\$ 1.1	\$ (4.8)	\$ 4.2

Other Expense Items (Details) - USD (\$) \$ in Millions	3 Months Ended		6 Months Ended	
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018
<b><u>Other Income and Expenses [Abstract]</u></b>				
<u>Increase (decrease) of other items</u>	\$ (2.6)		\$ (5.2)	
<u>Foreign exchange transaction (gain) loss</u>	\$ (4.8)	\$ (1.2)	\$ (8.6)	\$ (0.8)

Other Expense Restructuring and Related Charges (Details) - USD (\$) \$ in Millions	3 Months Ended		6 Months Ended		Dec. 31, 2019
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018	
<b><u>Restructuring Cost and Reserve [Line Items]</u></b>					
<u>Payments to acquire property, plant, and equipment</u>			\$ 57.1	\$ 48.2	
<u>Severance charges</u>	\$ 1.3	\$ 1.3	1.6	3.3	
<u>Other charges</u>	0.1	0.6	0.4	1.8	
<u>Restructuring and related charges</u>	1.4	2.2	2.0	5.5	
<b><u>Restructuring Reserve [Roll Forward]</u></b>					
<u>Charges</u>	1.4	2.2	2.0	5.5	
<u>Non-cash asset-write-downs</u>			(0.4)	(0.4)	
<u>Severance and benefits [Member]</u>					
<b><u>Restructuring Reserve [Roll Forward]</u></b>					
<u>Balance, December 31, 2018</u>			2.3		
<u>Charges</u>			1.6		
<u>Cash payments</u>			(1.6)		
<u>Non-cash asset-write-downs</u>			0.0		
<u>Balance, June 30, 2019</u>	2.3		2.3		
<u>Asset-related charges [Member]</u>					
<b><u>Restructuring Reserve [Roll Forward]</u></b>					
<u>Cash payments</u>			0.0		
<u>Other charges [Member]</u>					
<b><u>Restructuring Reserve [Roll Forward]</u></b>					
<u>Cash payments</u>			0.0		
<u>2018 Restructuring Plan [Member]</u>					
<b><u>Restructuring Cost and Reserve [Line Items]</u></b>					
<u>Restructuring and related cost, cumulative cost incurred</u>	10.8		10.8		
<u>Severance charges</u>	1.3	1.3	1.6	3.3	
<u>Asset impairment charges, equipment</u>		0.3		0.4	
<u>Other charges</u>	0.1	0.6	0.4	1.8	
<u>Restructuring and related charges</u>	1.4	\$ 2.2	2.0	\$ 5.5	
<b><u>Restructuring Reserve [Roll Forward]</u></b>					
<u>Balance, December 31, 2018</u>			2.3		
<u>Charges</u>			2.0		
<u>Cash payments</u>			(1.6)		
<u>Non-cash asset-write-downs</u>			(0.4)		
<u>Balance, June 30, 2019</u>	2.3		2.3		
<u>2018 Restructuring Plan [Member]   Asset-related charges [Member]</u>					
<b><u>Restructuring Reserve [Roll Forward]</u></b>					
<u>Balance, December 31, 2018</u>			0.0		
<u>Charges</u>			0.0		

<u>Non-cash asset-write-downs</u>		0.0	
<u>Balance, June 30, 2019</u>	0.0	0.0	
<u>2018 Restructuring Plan [Member]   Other charges [Member]</u>			
<b><u>Restructuring Reserve [Roll Forward]</u></b>			
<u>Balance, December 31, 2018</u>		0.0	
<u>Charges</u>		0.4	
<u>Non-cash asset-write-downs</u>		(0.4)	
<u>Balance, June 30, 2019</u>	0.0	0.0	
<u>2018 Restructuring Plan [Member]   Maximum [Member]</u>			
<b><u>Restructuring Cost and Reserve [Line Items]</u></b>			
<u>Restructuring and related cost, expected cost 2016 Restructuring Plan [Member]</u>			\$ 16.0
<b><u>Restructuring Reserve [Roll Forward]</u></b>			
<u>Balance, June 30, 2019</u>	\$ 0.2	\$ 0.2	

Other Expense Other (Income) Development and Licensing Income (Details) - USD (\$) \$ in Millions	3 Months Ended		6 Months Ended			
	Jun. 30,	Jun. 30,	Jun. 30,	Jun. 30,	Dec. 31,	Jun. 30,
	2019	2018	2019	2018	2018	2013
<b><u>Development and licensing income</u></b> <b><u>[Line Items]</u></b>						
<u>Development and licensing income</u>	\$ 0.2	\$ 0.2	\$ 0.4	\$ 0.4		
<u>Deferred income</u>	32.9		32.9		\$ 33.4	
<u>SmartDose [Member]</u>						
<b><u>Development and licensing income</u></b> <b><u>[Line Items]</u></b>						
<u>Development and licensing income</u>	\$ 0.2	\$ 0.2	\$ 0.4	\$ 0.4		
<u>Deferred income</u>						\$ 20.0

Income Taxes (Details) - USD (\$) \$ in Millions	3 Months Ended		6 Months Ended	
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018
<b><u>Income Tax Disclosure [Abstract]</u></b>				
<u>Tax expense (benefit)</u>	\$ 15.5	\$ 6.0	\$ 31.6	\$ 18.5
<u>Effective income tax rate</u>	19.40%	9.90%	21.10%	16.20%
<b><u>New Accounting Pronouncements or Change in Accounting Principle [Line Items]</u></b>				
<u>Tax Cuts and Jobs Act of 2017, provisional income tax expense</u>		\$ 4.8		\$ 4.5

Segment Information (Details) \$ in Millions	3 Months Ended		6 Months Ended	
	Jun. 30, 2019 USD (\$)	Jun. 30, 2018 USD (\$)	Jun. 30, 2019 USD (\$) segment	Jun. 30, 2018 USD (\$)
<b><u>Segment Reporting [Abstract]</u></b>				
<u>Number of reportable segments   segment</u>			2	
<u>Restructuring and related charges</u>	\$ 1.4	\$ 2.2	\$ 2.0	\$ 5.5
<b><u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u></b>				
<u>Net sales</u>	469.7	447.5	913.2	863.2
<u>Total operating (loss) profit</u>	80.5	60.3	151.2	113.7
<u>Interest expense</u>	2.0	2.2	4.3	4.1
<u>Interest income</u>	(0.6)	(0.3)	(1.5)	(0.9)
<u>Other nonoperating income</u>	(0.5)	(1.7)	(1.1)	(3.3)
<u>Income before income taxes</u>	79.6	60.1	149.5	113.8
<b><u>Proprietary Products [Member]</u></b>				
<b><u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u></b>				
<u>Net sales</u>	360.3	346.0	700.7	672.2
<u>Total operating (loss) profit</u>	88.8	71.7	165.8	134.5
<b><u>Contract-Manufactured Products [Member]</u></b>				
<b><u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u></b>				
<u>Net sales</u>	109.4	101.5	212.5	191.0
<u>Total operating (loss) profit</u>	11.4	9.0	21.9	18.5
<b><u>Corporate [Member]</u></b>				
<b><u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u></b>				
<u>Total operating (loss) profit</u>	(18.3)	(18.2)	(34.5)	(33.8)
<b><u>Other unallocated items [Member]</u></b>				
<b><u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u></b>				
<u>Total operating (loss) profit</u>	\$ (1.4)	\$ (2.2)	\$ (2.0)	\$ (5.5)

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes the need for transparency and accountability in financial reporting.

2. The second part of the document outlines the various methods and techniques used to collect and analyze data. It includes a detailed description of the experimental procedures and the statistical tools employed.

3. The third part of the document presents the results of the study, showing the trends and patterns observed in the data. It includes several tables and graphs to illustrate the findings.

4. The fourth part of the document discusses the implications of the results and the potential applications of the findings. It also addresses the limitations of the study and suggests areas for future research.

5. The final part of the document provides a conclusion and a summary of the key points discussed throughout the paper.

1. Introduction  
2. Literature Review  
3. Methodology  
4. Results  
5. Discussion  
6. Conclusion  
7. References  
8. Appendix  
9. Glossary  
10. Index

























