

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 September 30, 2020
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:

Title of each class	Trading Symbol	Name of each exchange on which registered
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 October 19, 2020, there were 73,927,188 shares of the registrant’s common stock outstanding.

TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
ITEM 1.	FINANCIAL STATEMENTS (UNAUDITED)
	Condensed Consolidated Statements of Income for the Three and Nine Months ended September 30, 2020 and 2019
	3
	Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months ended September 30, 2020 and 2019
	4
	Condensed Consolidated Balance Sheets at September 30, 2020 and December 31, 2019
	5
	Condensed Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2020 and 2019
	6
	Notes to Condensed Consolidated Financial Statements
	7
ITEM 2.	MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
	28
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
	41
ITEM 4.	CONTROLS AND PROCEDURES
	41
PART II. OTHER INFORMATION	
ITEM 1.	LEGAL PROCEEDINGS
	41
ITEM 1A.	RISK FACTORS
	41
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
	42
ITEM 6.	EXHIBITS
	42
SIGNATURE	43
EXHIBIT INDEX	F-1

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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	\$ 548.0	\$ 456.1	\$ 1,566.7	\$ 1,369.3
Cost of goods and services sold	353.4	308.3	1,010.0	916.8
Gross profit	194.6	147.8	556.7	452.5
Research and development	12.5	9.3	34.0	28.7
Selling, general and administrative expenses	76.2	64.8	225.7	203.7
Other expense (income) (Note 15)	6.7	6.4	6.2	1.6
Operating profit	99.2	67.3	290.8	218.5
Interest expense	2.1	2.1	6.1	6.4
Interest income	(0.2)	(1.0)	(1.2)	(2.5)
Other nonoperating (income) expense	(0.4)	1.3	(0.3)	0.2
Income before income taxes	97.7	64.9	286.2	214.4
Income tax expense	21.1	10.9	52.1	42.5
Equity in net income of affiliated companies	(5.7)	(2.3)	(13.7)	(5.9)
Net income	\$ 82.3	\$ 56.3	\$ 247.8	\$ 177.8
Net income per share:				
Basic	\$ 1.11	\$ 0.76	\$ 3.35	\$ 2.40
Diluted	\$ 1.09	\$ 0.75	\$ 3.28	\$ 2.36
Weighted average shares outstanding:				
Basic	73.9	74.0	73.9	73.9
Diluted	75.8	75.5	75.6	75.3

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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income	\$ 82.3	\$ 56.3	\$ 247.8	\$ 177.8
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	29.4	(23.8)	(4.9)	(20.1)
Defined benefit pension and other postretirement plan adjustments, net of tax of \$0.1, \$0.7, \$1.2, and \$0.7, respectively	(0.2)	2.4	(4.0)	2.2
Net (loss) gain on derivatives, net of tax of \$0.2, \$1.5, \$0.4 and \$0.7, respectively	(0.9)	3.2	(1.0)	1.7
Other comprehensive income (loss), net of tax	28.3	(18.2)	(9.9)	(16.2)
Comprehensive income	\$ 110.6	\$ 38.1	\$ 237.9	\$ 161.6

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
West Pharmaceutical Services, Inc. and Subsidiaries
(in millions, except per share data)

	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 519.4	\$ 439.1
Accounts receivable, net	373.0	319.3
Inventories	294.9	235.7
Other current assets	51.0	64.6
Total current assets	1,238.3	1,058.7
Property, plant and equipment	1,939.1	1,820.1
Less: accumulated depreciation and amortization	1,055.7	980.8
Property, plant and equipment, net	883.4	839.3
Operating lease right-of-use assets	67.5	70.1
Investments in affiliated companies	209.6	192.7
Goodwill	109.3	107.8
Intangible assets, net	30.6	29.8
Deferred income taxes	22.3	14.0
Pension and other postretirement benefits	—	4.3
Other noncurrent assets	21.8	24.7
Total Assets	\$ 2,582.8	\$ 2,341.4
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable and other current debt	\$ 2.3	\$ 2.3
Accounts payable	180.3	156.8
Pension and other postretirement benefits	2.2	2.2
Accrued salaries, wages and benefits	96.1	73.0
Income taxes payable	30.2	6.4
Operating lease liabilities	9.9	9.6
Other current liabilities	126.7	91.3
Total current liabilities	447.7	341.6
Long-term debt	253.4	255.0
Deferred income taxes	4.5	15.5
Pension and other postretirement benefits	51.6	52.5
Operating lease liabilities	59.9	62.4
Other long-term liabilities	46.8	41.2
Total Liabilities	863.9	768.2
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; 200.0 million and 100.0 million shares authorized; shares issued: 75.3 million and 75.3 million; shares outstanding: 73.9 million and 74.1 million	18.8	18.8
Capital in excess of par value	268.2	272.7
Retained earnings	1,773.4	1,549.4
Accumulated other comprehensive loss	(159.5)	(149.6)
Treasury stock, at cost (1.4 million and 1.2 million shares)	(182.0)	(118.1)
Total Equity	1,718.9	1,573.2
Total Liabilities and Equity	\$ 2,582.8	\$ 2,341.4

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
West Pharmaceutical Services, Inc. and Subsidiaries
(in millions)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 247.8	\$ 177.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	77.3	74.6
Amortization	3.3	2.5
Stock-based compensation	27.6	18.8
Non-cash restructuring charges	—	1.6
Pension settlement charge	3.4	2.7
Contingent consideration payments in excess of acquisition-date liability	(0.7)	(0.3)
Other non-cash items, net	(9.5)	(0.6)
Changes in assets and liabilities	(25.4)	(16.3)
Net cash provided by operating activities	323.8	260.8
Cash flows from investing activities:		
Capital expenditures	(116.7)	(88.8)
Acquisition of business	—	(18.9)
Purchase of intangibles	(3.8)	—
Other, net	(1.4)	0.3
Net cash used in investing activities	(121.9)	(107.4)
Cash flows from financing activities:		
Borrowings under revolving credit agreements	—	28.0
Repayments under revolving credit agreements	—	(28.0)
Repayments of long-term debt	(1.7)	—
Debt issuance costs	—	(0.9)
Dividend payments	(35.5)	(33.3)
Proceeds from stock-based compensation awards	19.7	25.5
Employee stock purchase plan contributions	4.6	4.0
Shares purchased under share repurchase programs	(115.5)	(83.1)
Net cash used in financing activities	(128.4)	(87.8)
Effect of exchange rates on cash	6.8	(7.0)
Net increase (decrease) in cash and cash equivalents	80.3	58.6
Cash, including cash equivalents at beginning of period	439.1	337.4
Cash, including cash equivalents at end of period	\$ 519.4	\$ 396.0

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Basis of Presentation and 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 nine months ended September 30, 2020, 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, 2019 (the “[2019 Annual Report](#)”). The results of operations for any interim period are not necessarily indicative of results for the full year.

West has been actively monitoring the novel coronavirus (“COVID-19”) situation and its impact globally. Our production facilities continued to operate during the year as they had prior to the COVID-19 pandemic, other than for enhanced safety measures intended to prevent the spread of the virus and higher levels of production at certain plant locations to meet additional customer demand. The remote working arrangements and travel restrictions imposed by various governments had limited impact on our ability to maintain operations during the year, as our manufacturing operations have generally been exempted from stay-at-home orders.

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. 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.

Note 2: New Accounting Standards

Recently Adopted Standards

In April 2019, the Financial Accounting Standards Board (“FASB”) issued guidance which clarifies and improves areas 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. We adopted this guidance as of January 1, 2020, on a prospective basis. The adoption did not have a material impact 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. We adopted this guidance as of January 1, 2020, on a prospective basis. The adoption did 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. We adopted this guidance as of January 1, 2020.

The adoption did not have a material impact on our financial statements. Please refer to Note 10, [Fair Value Measurements](#), for additional details.

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, including accounts receivable, at each reporting date. Under the previous guidance, an entity reflected credit losses on financial assets measured on an amortized cost basis only when it was probable that losses had incurred, generally considering only past events and current conditions when determining incurred loss. The new guidance requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset, based not only on historical experience and current conditions, but also on reasonable and supportable forecasts. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. We adopted this guidance as of January 1, 2020, on a modified retrospective basis, to the accounts receivable and contract asset balances as of January 1, 2020. Under the current expected credit loss model, we have adopted a provision matrix approach, utilizing historical loss rates based on the number of days past due, adjusted to reflect current economic conditions and forecasts of future economic conditions. The effect of the adoption on the financial statement line items of accounts receivable and contract assets was not material as of January 1, 2020. As a result of our adoption, we recorded a cumulative-effect adjustment of \$0.1 million within retained earnings in our condensed consolidated balance sheet as of January 1, 2020, to reflect the incremental estimated lifetime expected credit losses on the accounts receivable balance as of January 1, 2020. We have not presented the amortized cost basis within each credit quality indicator by year of origination as all of our accounts receivable are due within one year or less.

Standards Issued Not Yet Adopted

In March 2020, the FASB issued guidance which provides optional expedients and exceptions to address the impact of reference rate reform where contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate need to be discontinued. This guidance was effective upon issuance and generally can be applied through December 31, 2022. We are currently evaluating the impact to our financial statements, the transition, and disclosure requirements of this guidance.

In December 2019, the FASB issued guidance which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Accounting Standards Codification (“ASC”) Topic 740 and by clarifying and amending existing ASC Topic 740 guidance. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2020. 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 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.

Note 3: Revenue

Our revenue results from the sale of goods or services and reflects the consideration to which we expect to be entitled in exchange for those goods or services. We record revenue based on a five-step model, in accordance with ASC Topic 606. Following the identification of a contract with a customer, we identify the performance obligations (goods or services) in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize the revenue when (or as) we satisfy the performance obligations by transferring the promised goods or services to our customers. A good or service is transferred when (or as) the customer obtains control of that good or service.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Biologics	32 %	26 %	29 %	25 %
Generics	18 %	20 %	19 %	20 %
Pharma	27 %	30 %	28 %	31 %
Contract-Manufactured Products	23 %	24 %	24 %	24 %
	100 %	100 %	100 %	100 %

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
High-Value Components	47 %	42 %	45 %	43 %
Standard Packaging	25 %	28 %	26 %	29 %
Delivery Devices	5 %	6 %	5 %	4 %
Contract-Manufactured Products	23 %	24 %	24 %	24 %
	100 %	100 %	100 %	100 %

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Americas	49 %	48 %	49 %	48 %
Europe, Middle East, Africa	42 %	44 %	43 %	44 %
Asia Pacific	9 %	8 %	8 %	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, 2019	\$ 9.8
Contract assets, September 30, 2020	16.2
Change in contract assets - increase (decrease)	\$ 6.4
Deferred income, December 31, 2019	\$ (34.9)
Deferred income, September 30, 2020	(56.7)
Change in deferred income - decrease (increase)	\$ (21.8)

The Company has entered into new capacity reservation agreements, receiving cash up-front to be able to meet customer demand, which caused an increase in the Contract Liability account balance. The Company expects revenue related to the capacity reservation agreements to be recognized over the next 1 to 2 years.

During the nine months ended September 30, 2020, \$23.0 million of revenue was recognized that was included in deferred income at the beginning of the year.

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 September 30, 2020, there was \$5.0 million of unearned income related to this payment, of which \$0.9 million was included in other current liabilities and \$4.1 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 September 30, 2020 and 2019, we derecognized accounts receivable of \$8.9 million and \$7.9 million, respectively, under these agreements. Discount fees related to the sale of such accounts receivable on our condensed consolidated income statements for the nine months ended September 30, 2020 and 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 three and nine months ended September 30, 2019, we recorded a provision of \$0.9 million and \$4.9 million, respectively, for 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 product back on the market, and on October 21, 2020 we received market clearance from the Food and Drug Administration ("FDA") for our Vial2BagAdvanced™ 20mm Admixture Device.

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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income	\$ 82.3	\$ 56.3	\$ 247.8	\$ 177.8
Weighted average common shares outstanding	73.9	74.0	73.9	73.9
Dilutive effect of equity awards, based on the treasury stock method	1.9	1.5	1.7	1.4
Weighted average shares assuming dilution	75.8	75.5	75.6	75.3

During the three months ended September 30, 2020 and 2019, there were 0.0 million and 0.1 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 0.2 million and 0.3 million antidilutive shares outstanding during the nine months ended September 30, 2020 and 2019, respectively.

In December 2019, we announced a share repurchase program for calendar-year 2020 authorizing the repurchase of up to 848,000 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 will depend on a variety of factors, including market conditions. There were no shares purchased during the three months ended September 30, 2020. During the nine months ended September 30, 2020, we purchased 761,500 shares of our common stock under the program at a cost of \$115.5 million, or an average price of \$151.65 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)	September 30, 2020	December 31, 2019
Raw materials	\$ 125.4	\$ 100.9
Work in process	55.8	37.4
Finished goods	113.7	97.4
	<u>\$ 294.9</u>	<u>\$ 235.7</u>

Note 6: Leases

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. 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(\$ in millions)	2020	2019	2020	2019
Operating lease cost	\$ 3.1	\$ 3.4	\$ 9.3	\$ 9.7
Short-term lease cost	0.3	0.1	0.6	0.5
Variable lease cost	1.2	0.8	2.8	2.3
Total lease cost	<u>\$ 4.6</u>	<u>\$ 4.3</u>	<u>\$ 12.7</u>	<u>\$ 12.5</u>

Supplemental cash flow information related to leases were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(\$ in millions)	2020	2019	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 3.2	\$ 3.2	\$ 9.6	\$ 9.4
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 0.3	\$ 0.3	\$ 4.6	\$ 8.4

As of September 30, 2020 and December 31, 2019, the weighted average remaining lease term for operating leases was 11.2 years and 11.7 years, respectively.

As of September 30, 2020 and December 31, 2019, the weighted average discount rate was 3.74% and 3.76%, respectively.

Maturities of operating lease liabilities were as follows:

(\$ in millions) Year	September 30, 2020	December 31, 2019
2020 (remaining three months)	\$ 3.4	\$ 12.1
2021	11.8	10.4
2022	9.7	8.6
2023	8.7	7.8
2024	8.2	7.3
Thereafter	42.6	41.8
	84.4	88.0
Less: imputed lease interest	(14.6)	(16.0)
Total lease liabilities	\$ 69.8	\$ 72.0

Note 7: Affiliated Companies

At September 30, 2020 and December 31, 2019, the aggregate carrying amount of our investment in affiliated companies that are accounted for under the equity method was \$194.2 million and \$179.3 million, respectively, and the aggregate carrying amount of our investment in affiliated companies that are not accounted for under the equity method was \$15.4 million and \$13.4 million at September 30, 2020 and December 31, 2019, respectively. 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.

On November 1, 2019, in connection with the amendment of certain commercial agreements with Daikyo Seiko, Ltd. (“Daikyo”), we increased our ownership interest from 25% to 49% in Daikyo in exchange for \$85.1 million in cash and \$4.9 million in shares of our treasury stock to certain stockholders of Daikyo. We believe that the increase in ownership interest will not have a material impact on our financial statements.

Our purchases from, and royalty payments made to, affiliates totaled \$36.6 million and \$97.0 million, respectively, for the three and nine months ended September 30, 2020, as compared to \$33.0 million and \$85.2 million, respectively, for the same period in 2019. As of September 30, 2020 and December 31, 2019, the payable balance due to affiliates was \$28.5 million and \$20.8 million, respectively. The majority of these transactions related to a distributorship agreement with Daikyo that allows us to purchase and re-sell Daikyo products.

Sales to affiliates were \$2.7 million and \$7.7 million, respectively, for the three and nine months ended September 30, 2020, as compared to \$2.2 million and \$6.9 million, respectively, for the same periods in 2019. As of September 30, 2020 and December 31, 2019, the receivable balance due from affiliates was \$1.7 million and \$1.9 million, respectively.

Please refer to Note 7, *Affiliated Companies*, to the consolidated financial statements in our [2019 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 September 30, 2020.

(\$ in millions)	September 30, 2020	December 31, 2019
Term Loan, due December 31, 2024 (1.10%)	\$ 88.4	\$ 90.0
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
	256.4	258.0
Less: unamortized debt issuance costs	0.7	0.7
Total debt	255.7	257.3
Less: current portion of long-term debt	2.3	2.3
Long-term debt, net	\$ 253.4	\$ 255.0

Please refer to Note 8, *Debt*, to the consolidated financial statements in our [2019 Annual Report](#) for additional details regarding our debt agreements.

Credit Agreement - Credit Facility

At September 30, 2020, the borrowing capacity available under our \$300.0 million multi-currency revolving credit facility (the “Credit Facility”), including outstanding letters of credit of \$2.5 million, was \$297.5 million.

Credit Agreement Amendment - Term Loan

At September 30, 2020, we had \$88.4 million in borrowings under the Term Loan, of which \$2.3 million was classified as current and \$86.1 million was classified as long-term. Please refer to Note 9, [Derivative Financial Instruments](#), for a discussion of the foreign currency hedge associated with the Term Loan.

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 both September 30, 2020 and December 31, 2019, the total amount of these forward exchange contracts was Singapore Dollar (“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 September 30, 2020, we had outstanding foreign currency contracts to purchase and sell certain pairs of currencies, as follows:

(in millions)				
Currency	Purchase	USD	Sell	Euro
USD	74.7		—	64.8
Yen	9,876.6		55.9	32.5
SGD	57.9		33.3	7.2

In December 2019, we entered into the cross-currency swap for \$90 million, which we designated as a hedge of our net investment in Daikyo. The notional amount of the cross-currency swap is ¥9.8 billion (\$90 million) and the swap termination date is December 31, 2024. Under the cross-currency swap, we receive floating interest rate payments based on three-month U.S. Dollar (“USD”) LIBOR plus a margin, in return for paying floating interest rate payments based on three-month Japanese Yen (“Yen”) LIBOR plus a margin.

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 September 2020, we purchased several series of call options for a total of 439,732 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 September 30, 2020, we had outstanding contracts to purchase 137,035 barrels of crude oil from October 2020 to March 2022, at a weighted-average strike price of \$60.47 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 September 30, 2020 and December 31, 2019.

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

	Amount of Loss (Gain) Recognized in Income for the Three Months Ended September 30,		Amount of Loss (Gain) Recognized in Income for the Nine Months Ended September 30,		Location on Statement of Income
(\$ in millions)	2020	2019	2020	2019	
Fair Value Hedges:					
Hedged item (intercompany loan)	\$ 9.3	\$ (8.4)	\$ 25.1	\$ (14.1)	Other expense (income)
Derivative designated as hedging instrument	\$ (9.3)	\$ 8.4	\$ (25.1)	\$ 14.1	Other expense (income)
Amount excluded from effectiveness testing	\$ (1.9)	\$ 4.3	\$ (5.9)	\$ (5.0)	Other expense (income)
Total	<u>\$ (1.9)</u>	<u>\$ 4.3</u>	<u>\$ (5.9)</u>	<u>\$ (5.0)</u>	

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 amounts recognized in earnings, pre-tax, for forward point components for the three and nine months ended September 30, 2020 and 2019 were \$1.3 million, \$5.0 million, and \$2.2 million, \$6.4 million, respectively.

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:

	Amount of (Loss) Gain Recognized in OCI for the Three Months Ended September 30,		Amount of (Gain) Loss Reclassified from Accumulated OCI into Income for the Three Months Ended September 30,		Location of (Gain) Loss Reclassified from Accumulated OCI into Income
(\$ in millions)	2020	2019	2020	2019	
Fair Value Hedges					
Foreign currency hedge contracts	\$ (0.1)	\$ (0.6)	\$ (0.7)	\$ 2.9	Other expense (income)
Total	<u>\$ (0.1)</u>	<u>\$ (0.6)</u>	<u>\$ (0.7)</u>	<u>\$ 2.9</u>	
Cash Flow Hedges:					
Foreign currency hedge contracts	\$ (0.5)	\$ 0.7	\$ 0.2	\$ (0.3)	Net sales
Foreign currency hedge contracts	—	0.6	0.1	(0.2)	Cost of goods and services sold
Forward treasury locks	—	—	0.1	0.1	Interest expense
Total	<u>\$ (0.5)</u>	<u>\$ 1.3</u>	<u>\$ 0.4</u>	<u>\$ (0.4)</u>	
Net Investment Hedges:					
Foreign currency-denominated debt	\$ —	\$ 0.7	\$ —	\$ —	Other expense (income)
Cross-currency swap	(3.0)	—	—	—	Other expense (income)
Total	<u>\$ (3.0)</u>	<u>\$ 0.7</u>	<u>\$ —</u>	<u>\$ —</u>	

	Amount of Gain (Loss) Recognized in OCI for the Nine Months Ended September 30,		Amount of (Gain) Loss Reclassified from Accumulated OCI into Income for the Nine Months Ended September 30,		Location of (Gain) Loss Reclassified from Accumulated OCI into Income
(\$ in millions)	2020	2019	2020	2019	
Fair Value Hedges					
Foreign currency hedge contracts	\$ 2.8	\$ 3.9	\$ (3.3)	\$ (3.3)	Other expense (income)
Total	\$ 2.8	\$ 3.9	\$ (3.3)	\$ (3.3)	
Cash Flow Hedges:					
Foreign currency hedge contracts	\$ —	\$ 1.0	\$ (0.3)	\$ (0.7)	Net sales
Foreign currency hedge contracts	(0.3)	1.1	(0.1)	(0.5)	Cost of goods and services sold
Forward treasury locks	—	—	0.2	0.2	Interest expense
Total	\$ (0.3)	\$ 2.1	\$ (0.2)	\$ (1.0)	
Net Investment Hedges:					
Foreign currency-denominated debt	\$ —	\$ 0.5	\$ —	\$ —	Other (income)
Cross-currency swap	(2.0)	—	—	—	Other (income)
Total	\$ (2.0)	\$ 0.5	\$ —	\$ —	

The following table summarizes the effects of derivative instruments designated as fair value, cash flow, and net investment hedges by line item in our condensed consolidated statements of income:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	\$ 0.2	\$ (0.3)	\$ (0.3)	\$ (0.7)
Cost of goods and services sold	0.1	(0.2)	(0.1)	(0.5)
Interest expense	0.1	0.1	0.2	0.2
Other expense (income)	(0.7)	2.9	(3.3)	(3.3)

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 September 30,		Amount of Loss Recognized in Income for the Nine Months Ended September 30,		Location on Statement of Income
	2020	2019	2020	2019	
Commodity call options	\$ 0.1	\$ 0.1	\$ 0.3	\$ 0.3	Cost of goods and services sold
Total	\$ 0.1	\$ 0.1	\$ 0.3	\$ 0.3	

For the three and nine months ended September 30, 2020 and 2019, 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 September 30, 2020	Basis of Fair Value Measurements		
		Level 1	Level 2	Level 3
<u>Assets:</u>				
Deferred compensation assets	\$ 11.2	\$ 11.2	\$ —	\$ —
Foreign currency contracts	1.1	—	1.1	—
Commodity call options	0.1	—	0.1	—
	<u>\$ 12.4</u>	<u>\$ 11.2</u>	<u>\$ 1.2</u>	<u>\$ —</u>
<u>Liabilities:</u>				
Contingent consideration	\$ 3.5	\$ —	\$ —	\$ 3.5
Deferred compensation liabilities	12.8	12.8	—	—
Cross-currency swap	4.0	—	4.0	—
Foreign currency contracts	13.7	—	13.7	—
	<u>\$ 34.0</u>	<u>\$ 12.8</u>	<u>\$ 17.7</u>	<u>\$ 3.5</u>

(\$ in millions)	Balance at	Basis of Fair Value Measurements		
	December 31, 2019	Level 1	Level 2	Level 3
<u>Assets:</u>				
Deferred compensation assets	\$ 11.3	\$ 11.3	\$ —	\$ —
Foreign currency contracts	7.7	—	7.7	—
Commodity call options	0.1	—	0.1	—
	<u>\$ 19.1</u>	<u>\$ 11.3</u>	<u>\$ 7.8</u>	<u>\$ —</u>
<u>Liabilities:</u>				
Contingent consideration	\$ 3.3	\$ —	\$ —	\$ 3.3
Deferred compensation liabilities	12.8	12.8	—	—
Cross-currency swap	1.4	—	1.4	—
Foreign currency contracts	0.3	—	0.3	—
	<u>\$ 17.8</u>	<u>\$ 12.8</u>	<u>\$ 1.7</u>	<u>\$ 3.3</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. The fair value of the cross-currency swap, included within other long-term liabilities, is valued using a market approach. 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 expense (income) 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. Sales projections were derived using upside, base and downside forecasted cases for each partnership and applying probability-weighted scenarios of 10%, 50% and 40% to the three cases, respectively, to reflect the likelihood of West meeting the estimated sales projection targets. The probability of success factors included the probabilities of successful FDA approval for each partnership drug, which was estimated in a range of 19% to 100% based on the development phase of each respective drug, and the probability of the successful execution of supply agreements with each partnership, which was estimated in the range of 25% to 100% based on historical, current, and future supply agreements with the respective partnerships. The fair value of this liability utilized a risk-adjusted discount rate of 19% to present value the cash flows. The discount rate is calculated by determining the after-tax required returns on debt and equity and weighting each return by the respective percent of debt and equity to total capital. Key inputs for the discount rate include the risk-free rate on the 20-Year United States Treasury maturity, equity risk premium, company-specific risk premium, pre-tax cost of debt, and U.S. tax rate, among others. 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, 2018	\$ 1.7
Increase in fair value recorded in earnings	2.1
Payments	(0.5)
Balance, December 31, 2019	3.3
Increase in fair value recorded in earnings	0.9
Payments	(0.7)
Balance, September 30, 2020	\$ 3.5

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 September 30, 2020, the estimated fair value of long-term debt was \$266.4 million compared to a carrying amount of \$253.4 million. At December 31, 2019, the estimated fair value of long-term debt was \$263.3 million and the carrying amount was \$255.0 million.

Note 11: Accumulated Other Comprehensive Loss

The following table presents the changes in the components of accumulated other comprehensive income ("AOCI") (loss), net of tax, for the nine months ended September 30, 2020:

(\$ in millions)	(Losses) gains on derivatives	Change in equity affiliate investment AOCI	Defined benefit pension and other postretirement plans	Foreign currency translation	Total
Balance, December 31, 2019	\$ (0.8)	\$ 0.4	\$ (40.3)	\$ (108.9)	\$ (149.6)
Other comprehensive income (loss) before reclassifications	2.5	—	(6.2)	(4.9)	(8.6)
Amounts reclassified out from accumulated other comprehensive income (loss)	(3.5)	—	2.2	—	(1.3)
Other comprehensive income (loss), net of tax	(1.0)	—	(4.0)	(4.9)	(9.9)
Balance, September 30, 2020	\$ (1.8)	\$ 0.4	\$ (44.3)	\$ (113.8)	\$ (159.5)

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,		Location on Statement of Income
	2020	2019	2020	2019	
Detail of components					
Gains (losses) on derivatives:					
Foreign currency contracts	\$ (0.3)	\$ 0.3	\$ 0.3	\$ 0.8	Net sales
Foreign currency contracts	(0.1)	0.3	0.3	0.8	Cost of goods and services sold
Foreign currency contracts	1.1	(4.3)	5.1	5.0	Other expense (income)
Forward treasury locks	(0.1)	(0.1)	(0.3)	(0.3)	Interest expense
Total before tax	0.6	(3.8)	5.4	6.3	
Tax benefit (expense)	(0.3)	1.3	(1.9)	(2.0)	
Net of tax	\$ 0.3	\$ (2.5)	\$ 3.5	\$ 4.3	
Amortization of defined benefit pension and other postretirement plans:					
Prior service credit	\$ 0.1	\$ 0.1	\$ 0.4	\$ 0.4	(a)
Actuarial losses	0.2	0.2	—	0.2	(a)
Settlements	(1.1)	(2.7)	(3.4)	(2.7)	(a)
Total before tax	(0.8)	(2.4)	(3.0)	(2.1)	
Tax benefit (expense)	0.3	0.6	0.8	0.5	
Net of tax	\$ (0.5)	\$ (1.8)	\$ (2.2)	\$ (1.6)	
Total reclassifications for the period, net of tax	\$ (0.2)	\$ (4.3)	\$ 1.3	\$ 2.7	

(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 nine months ended September 30, 2020:

(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, 2019	75.3	\$ 18.8	\$ 272.7	1.2	\$ (118.1)	\$ 1,549.4	\$ (149.6)	\$ 1,573.2
Effect of modified retrospective application of a new accounting standard (see Note 2)	—	—	—	—	—	(0.1)	—	(0.1)
Net income	—	—	—	—	—	74.3	—	74.3
Activity related to stock-based compensation	—	—	(5.1)	(0.3)	17.9	—	—	12.8
Shares purchased under share repurchase program	—	—	—	0.8	(115.5)	—	—	(115.5)
Dividends declared (\$0.16 per share)	—	—	—	—	—	(11.8)	—	(11.8)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(42.7)	(42.7)
Balance, March 31, 2020	75.3	\$ 18.8	\$ 267.6	1.7	\$ (215.7)	\$ 1,611.8	\$ (192.3)	\$ 1,490.2
Net income	—	—	—	—	—	91.2	—	91.2
Activity related to stock-based compensation	—	—	(4.5)	(0.2)	24.9	—	—	20.4
Other comprehensive income, net of tax	—	—	—	—	—	—	4.5	4.5
Balance, June 30, 2020	75.3	\$ 18.8	\$ 263.1	1.5	\$ (190.8)	\$ 1,703.0	\$ (187.8)	\$ 1,606.3
Net income	—	—	—	—	—	82.3	—	82.3
Activity related to stock-based compensation	—	—	5.1	(0.1)	8.8	—	—	13.9
Dividends declared (\$0.16 per share)	—	—	—	—	—	(11.9)	—	(11.9)
Other comprehensive income, net of tax	—	—	—	—	—	—	28.3	28.3
Balance, September 30, 2020	75.3	\$ 18.8	\$ 268.2	1.4	\$ (182.0)	\$ 1,773.4	\$ (159.5)	\$ 1,718.9

The following table presents the changes in shareholders’ equity for the nine months ended September 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
Net income	—	—	—	—	—	56.3	—	56.3
Activity related to stock-based compensation	—	—	(4.9)	(0.3)	21.2	—	—	16.3
Dividends declared (\$0.16 per share)	—	—	—	—	—	(11.9)	—	(11.9)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(18.2)	(18.2)
Balance, September 30, 2019	75.3	\$ 18.8	\$ 268.5	1.3	\$ (126.6)	\$ 1,497.3	\$ (170.4)	\$ 1,487.6

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 September 30, 2020, there were 2,756,301 shares remaining in the 2016 Plan for future grants.

During the nine months ended September 30, 2020, we granted 230,580 stock options at a weighted average exercise price of \$175.22 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 \$39.58 per share as determined by the Black-Scholes option valuation model using the following weighted average assumptions: a risk-free interest rate of 1.3%; expected life of 5.7 years based on prior experience; stock volatility of 22.3% based on historical data; and a dividend yield of 0.4%. Stock option expense is recognized over the vesting period, net of forfeitures.

During the nine months ended September 30, 2020, we granted 52,187 stock-settled performance share unit (“PSU”) awards at a weighted average grant-date fair value of \$175.18 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 nine months ended September 30, 2020, we granted 8,072 stock-settled restricted share unit (“RSU”) awards at a weighted average grant-date fair value of \$194.21 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.

Stock-based compensation expense was \$10.0 million and \$27.6 million for the three and nine months ended September 30, 2020, respectively. For the three and nine months ended September 30, 2019, stock-based compensation expense was \$5.4 million and \$18.8 million, respectively.

Note 14: Benefit Plans

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

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2020	2019	2020	2019	2020	2019
Service cost	\$ 0.4	\$ 0.4	\$ —	\$ —	\$ 0.4	\$ 0.4
Interest cost	1.7	1.9	—	0.1	1.7	2.0
Expected return on assets	(2.8)	(3.1)	—	—	(2.8)	(3.1)
Amortization of prior service credit	0.1	0.1	(0.2)	(0.2)	(0.1)	(0.1)
Recognized actuarial losses (gains)	0.4	0.5	(0.6)	(0.7)	(0.2)	(0.2)
Settlements	1.1	2.7	—	—	1.1	2.7
Net periodic benefit cost	<u>\$ 0.9</u>	<u>\$ 2.5</u>	<u>\$ (0.8)</u>	<u>\$ (0.8)</u>	<u>\$ 0.1</u>	<u>\$ 1.7</u>

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2020	2019	2020	2019	2020	2019
U.S. plans	\$ 0.5	\$ 2.0	\$ (0.8)	\$ (0.8)	\$ (0.3)	\$ 1.2
International plans	0.4	0.5	—	—	0.4	0.5
Net periodic benefit cost	<u>\$ 0.9</u>	<u>\$ 2.5</u>	<u>\$ (0.8)</u>	<u>\$ (0.8)</u>	<u>\$ 0.1</u>	<u>\$ 1.7</u>

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

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2020	2019	2020	2019	2020	2019
Service cost	\$ 1.0	\$ 1.1	\$ —	\$ —	\$ 1.0	\$ 1.1
Interest cost	5.5	6.8	0.1	0.2	5.6	7.0
Expected return on assets	(8.8)	(8.9)	—	—	(8.8)	(8.9)
Amortization of prior service credit	0.1	0.1	(0.5)	(0.5)	(0.4)	(0.4)
Recognized actuarial losses (gains)	1.4	1.6	(1.4)	(1.8)	—	(0.2)
Settlements	3.4	2.7	—	—	3.4	2.7
Net periodic benefit cost	<u>\$ 2.6</u>	<u>\$ 3.4</u>	<u>\$ (1.8)</u>	<u>\$ (2.1)</u>	<u>\$ 0.8</u>	<u>\$ 1.3</u>

(\$ in millions)	Pension benefits		Other retirement benefits		Total	
	2020	2019	2020	2019	2020	2019
U.S. plans	\$ 1.5	\$ 1.9	\$ (1.8)	\$ (2.1)	\$ (0.3)	\$ (0.2)
International plans	1.1	1.5	—	—	1.1	1.5
Net periodic benefit cost	<u>\$ 2.6</u>	<u>\$ 3.4</u>	<u>\$ (1.8)</u>	<u>\$ (2.1)</u>	<u>\$ 0.8</u>	<u>\$ 1.3</u>

During the three and nine months ended September 30, 2020, we recorded a \$1.1 million and \$3.4 million pension settlement charge, respectively, within other nonoperating (income) expense, as we determined that normal-course lump-sum payments for our U.S. qualified and non-qualified defined benefit pension plan exceeded the threshold for settlement accounting under U.S. GAAP for the year.

Note 15: Other Expense (Income)

Other expense (income) consists of:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Restructuring and related charges:				
Severance and post-employment benefits	\$ 4.5	\$ 0.6	\$ 4.5	\$ 2.2
Asset-related charges	—	0.1	—	0.1
Other charges	—	1.1	—	1.5
Total restructuring and related charges	4.5	1.8	4.5	3.8
Argentina currency devaluation	—	1.0	—	1.0
Fixed asset impairments	0.9	0.8	7.2	2.3
Development and licensing income	(0.2)	(0.2)	(0.6)	(0.6)
Contingent consideration	0.8	0.1	0.9	0.4
Foreign exchange transaction losses (gains)	1.0	5.1	(4.5)	(3.5)
Other items	(0.3)	(2.2)	(1.3)	(1.8)
Total other expense (income)	\$ 6.7	\$ 6.4	\$ 6.2	\$ 1.6

Restructuring and Related Charges

In July 2020, our Board of Directors approved a restructuring plan designed to optimize certain organizational structures within the Company to better support our continued growth and business priorities. These changes are expected to be implemented over a period of up to twenty-four months from the date of approval. The plan is expected to require restructuring and related charges of approximately \$15 million to \$17 million. Since its approval, we recorded a net pre-tax amount equal to \$4.5 million in restructuring related charges associated with this plan. All charges recorded to date are severance related and recorded within other expense (income) in the condensed consolidated statements of income.

The following table presents activity related to our restructuring obligations related to our 2020 restructuring plan:

(\$ in millions)	Severance and benefits	Total
Balance, December 31, 2019	\$ —	\$ —
Charges	4.5	4.5
Cash payments	—	—
Balance, September 30, 2020	\$ 4.5	\$ 4.5

In February 2018, our Board of Directors approved a restructuring plan designed to realign our manufacturing capacity with demand. These changes were expected to be implemented over a period of up to twenty-four months from the date of approval. The plan was expected to require restructuring and related charges of approximately \$16 million. Since its approval, we have recorded \$13.7 million in restructuring and related charges associated with this plan. The plan was considered complete as of December 31, 2019.

During the three months ended September 30, 2019, we recorded \$1.8 million in restructuring and related charges associated with this plan, consisting of \$0.6 million for severance charges, \$0.1 million for non-cash asset write-downs associated with the discontinued use of certain equipment, and \$1.1 million for other non-cash charges.

During the nine months ended September 30, 2019, we recorded \$3.8 million in restructuring and related charges associated with this plan, consisting of \$2.2 million for severance charges, \$0.1 million for non-cash asset write-downs associated with the discontinued use of certain equipment, and \$1.5 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	Total
Balance, December 31, 2019	\$ 1.4	\$ 1.4
Cash payments	(1.2)	(1.2)
Balance, September 30, 2020	\$ 0.2	\$ 0.2

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 are complete.

Other Items

During both the three and nine months ended September 30, 2020 and 2019, we recorded development income of \$0.2 million and \$0.6 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.

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 \$21.1 million and \$10.9 million for the three months ended September 30, 2020 and 2019, respectively, and the effective tax rate was 21.6% and 16.8%, respectively. The provision for income taxes was \$52.1 million and \$42.5 million for the nine months ended September 30, 2020 and 2019, respectively, and the effective tax rate was 18.2% and 19.8%, respectively.

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 [2019 Annual Report](#).

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 and other 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.

The Chief Operating Decision Maker (“CODM”) evaluates 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 the CODM considers 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales:				
Proprietary Products	\$ 421.5	\$ 345.2	\$ 1,194.5	\$ 1,045.9
Contract-Manufactured Products	126.6	111.1	372.5	323.6
Intersegment sales elimination	(0.1)	(0.2)	(0.3)	(0.2)
Consolidated net sales	<u>\$ 548.0</u>	<u>\$ 456.1</u>	<u>\$ 1,566.7</u>	<u>\$ 1,369.3</u>
Operating profit (loss):				
Proprietary Products	\$ 107.5	\$ 72.9	\$ 312.9	\$ 238.7
Contract-Manufactured Products	18.8	11.6	52.1	33.5
Corporate	(22.4)	(14.4)	(67.1)	(48.9)
Other unallocated items	(4.7)	(2.8)	(7.1)	(4.8)
Total operating profit	<u>\$ 99.2</u>	<u>\$ 67.3</u>	<u>\$ 290.8</u>	<u>\$ 218.5</u>
Interest expense	2.1	2.1	6.1	6.4
Interest income	(0.2)	(1.0)	(1.2)	(2.5)
Other nonoperating (income) expense	(0.4)	1.3	(0.3)	0.2
Income before income taxes	<u>\$ 97.7</u>	<u>\$ 64.9</u>	<u>\$ 286.2</u>	<u>\$ 214.4</u>

The intersegment sales elimination, which is required for the presentation of consolidated net sales, represents the elimination of components sold between our segments.

Other unallocated items during the three months ended September 30, 2020 consisted of \$4.5 million in restructuring and related charges and \$0.2 million of amortization expense associated with an acquisition of an intangible asset. Other unallocated items during the nine months ended September 30, 2020 consisted of \$4.5 million in restructuring and related charges, \$2.2 million in severance related costs, and \$0.4 million of amortization expense associated with an acquisition of an intangible asset.

Other unallocated items during the three and nine months ended September 30, 2019 consisted of \$1.8 million and \$3.8 million, respectively, in restructuring and related charges. In addition, during the three and nine months ended September 30, 2019, other unallocated items included a charge of \$1.0 million as a result of the continued devaluation of Argentina's currency.

Please refer to Note 15, [Other Expense \(Income\)](#), for further discussion of certain unallocated items referenced above.

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 2019 Annual Report. Our historical financial statements may not be indicative of our future performance. This Management’s Discussion and Analysis 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 2019 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 exclude the impact from acquisitions and/or divestitures and translate 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, analytical lab and other services and integrated solutions. Our customers include the leading biologic, generic, pharmaceutical, diagnostic, and additional 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, and enables us to partner with our customers in order 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 and integrated solutions, primarily 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.

Impact of COVID-19

West has been actively monitoring the COVID-19 situation and its impact globally. Our primary objectives have remained the same throughout the pandemic: to support the safety of our team members and their families and continue to support patients around the world. Our production facilities continued to operate during the year as they had prior to the COVID-19 pandemic, other than for enhanced safety measures intended to prevent the spread of the virus and higher levels of production at certain plant locations to meet additional customer demand. Our capital and financial resources, including overall liquidity, remain strong. The remote working arrangements and travel restrictions imposed by various governments had limited impact on our ability to maintain operations during the year, as our manufacturing operations have generally been exempted from stay-at-home orders. However, we cannot predict the impact of the progression of the COVID-19 pandemic on future results due to a variety of factors, including the continued good health of our employees, the ability of suppliers to continue to operate and deliver, the ability of West and its customers to maintain operations, continued access to transportation resources, the changing needs and priorities of customers, any further government and/or public actions taken in response to the pandemic and ultimately the length of the pandemic. We will continue to closely monitor the COVID-19 pandemic in order to ensure the safety of our people and our ability to serve our customers and patients worldwide.

2020 Financial Performance Summary

Consolidated net sales increased by \$91.9 million, or 20.1%, for the three months ended September 30, 2020, as compared to the same period in 2019. Excluding foreign currency translation effects, consolidated net sales for the three months ended September 30, 2020 increased by \$83.2 million, or 18.2%, as compared to the same period in 2019. The increase in net sales was primarily driven by the performance of our Proprietary Products segment, which delivered 20.3% organic growth compared to the same period in 2019. Contributing to this increase in sales were volumes related to COVID-19 antiviral treatments and treatment of underlying COVID-19 symptoms.

Consolidated net sales increased by \$197.4 million, or 14.4%, for the nine months ended September 30, 2020, as compared to the same period in 2019. Excluding foreign currency translation effects as well as incremental sales of \$1.2 million from our 2019 acquisition of our South Korea distributor, consolidated net sales for the nine months ended September 30, 2020 increased by \$206.9 million, or 15.1%, as compared to the same period in 2019. The increase in net sales was primarily driven by the performance of our Proprietary Products segment, which delivered 15.1% organic growth compared to the same period in 2019. Contributing to this increase in sales were volumes related to COVID-19 antiviral treatments and treatment of underlying COVID-19 symptoms.

Net income for the three months ended September 30, 2020 was \$82.3 million, or \$1.09 per diluted share, as compared to \$56.3 million, or \$0.75 per diluted share, for the same period in 2019. Net income improvement of \$26.0 million was largely driven by the \$34.6 million improvement in our operating profit from growth in our Proprietary Products segment. Additionally, our results include a tax benefit of \$2.0 million, or \$0.02 per diluted share, associated with stock-based compensation compared to a tax benefit of \$4.0 million, or \$0.05 per diluted share, associated with stock-based compensation for the three months ended September 30, 2019.

Net income for the nine months ended September 30, 2020 was \$247.8 million, or \$3.28 per diluted share, as compared to \$177.8 million, or \$2.36 per diluted share, for the same period in 2019. Net income improvement of \$70.0 million was largely driven by the \$74.2 million improvement in our operating profit from growth in our Proprietary Products segment. Additionally, our results include a tax benefit of \$14.0 million, or \$0.18 per diluted share, associated with stock-based compensation compared to a tax benefit of \$13.2 million, or \$0.17 per diluted share, associated with stock-based compensation for the nine months ended September 30, 2019.

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 September 30, 2020 and 2019:

(\$ in millions)	Three Months Ended September 30,		Percentage Change	
	2020	2019	As-Reported	Organic
Proprietary Products	\$ 421.5	\$ 345.2	22.1 %	20.3 %
Contract-Manufactured Products	126.6	111.1	14.0 %	11.7 %
Intersegment sales elimination	(0.1)	(0.2)	—	—
Consolidated net sales	<u>\$ 548.0</u>	<u>\$ 456.1</u>	<u>20.1 %</u>	<u>18.2 %</u>

Consolidated net sales increased by \$91.9 million, or 20.1%, for the three months ended September 30, 2020, as compared to the same period in 2019, including a favorable foreign currency translation impact of \$8.7 million. Excluding foreign currency translation effects, consolidated net sales for the three months ended September 30, 2020 increased by \$83.2 million, or 18.2%, as compared to the same period in 2019.

Proprietary Products – Proprietary Products net sales increased by \$76.3 million, or 22.1%, for the three months ended September 30, 2020, as compared to the same period in 2019, including a favorable foreign currency translation impact of \$6.3 million. Excluding foreign currency translation effects, net sales for the three months ended September 30, 2020 increased by \$70.0 million, or 20.3%, as compared to the same period in 2019, primarily due to growth in our high-value product offerings, including our FluroTec[®]-coated components, Daikyo[®] and Novapure[®] film-components, Westar[®] components and Envision[®] components, which included approximately \$32 million in COVID-19 related activity for antiviral treatments and treatment of underlying COVID-19 symptoms.

Contract-Manufactured Products – Contract-Manufactured Products net sales increased by \$15.5 million, or 14.0%, for the three months ended September 30, 2020, as compared to the same period in 2019, including a favorable foreign currency translation impact of \$2.4 million. Excluding foreign currency translation effects, net sales for the three months ended September 30, 2020 increased by \$13.0 million, or 11.7%, as compared to the same period in 2019, due to an increase in the sale of healthcare-related injection and diagnostic devices.

The intersegment sales elimination, which is required for the presentation of consolidated net sales, represents the elimination of components sold between our segments.

The following table presents net sales, consolidated and by reportable segment, for the nine months ended September 30, 2020 and 2019:

(\$ in millions)	Nine Months Ended September 30,		Percentage Change	
	2020	2019	As-Reported	Organic
Proprietary Products	\$ 1,194.5	\$ 1,045.9	14.2 %	15.1 %
Contract-Manufactured Products	372.5	323.6	15.1 %	15.1 %
Intersegment sales elimination	(0.3)	(0.2)	—	—
Consolidated net sales	\$ 1,566.7	\$ 1,369.3	14.4 %	15.1 %

Consolidated net sales increased by \$197.4 million, or 14.4%, for the nine months ended September 30, 2020, as compared to the same period in 2019, including an unfavorable foreign currency translation impact of \$10.7 million. Excluding foreign currency translation effects, as well as incremental sales of \$1.2 million from our 2019 acquisition, consolidated net sales for the nine months ended September 30, 2020 increased by \$206.9 million, or 15.1%, as compared to the same period in 2019.

Proprietary Products – Proprietary Products net sales increased by \$148.6 million, or 14.2%, for the nine months ended September 30, 2020, as compared to the same period in 2019, including an unfavorable foreign currency translation impact of \$10.7 million. Excluding foreign currency translation effects, as well as incremental sales of \$1.2 million from our 2019 acquisition of our South Korea distributor, net sales for the nine months ended September 30, 2020 increased by \$158.1 million, or 15.1%, as compared to the same period in 2019, primarily due to growth in our high-value product offerings, including our FluroTec-coated components, Westar[®] components, Daikyo[®] and Novapure[®] film-components, Daikyo Crystal Zenith[®] products and our self-injection delivery platforms, which included approximately \$52 million in COVID-19 related activity for antiviral treatments and treatment of underlying COVID-19 symptoms.

Contract-Manufactured Products – Contract-Manufactured Products net sales increased by \$48.9 million, or 15.1%, for the nine months ended September 30, 2020, as compared to the same period in 2019, due to an increase in the sale of healthcare-related injection and diagnostic devices, with no impact from foreign currency translation.

The intersegment sales elimination, which is required for the presentation of consolidated net sales, represents the elimination of components sold between our segments.

Gross Profit

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Proprietary Products:				
Gross profit	\$ 171.9	\$ 131.8	\$ 492.8	\$ 406.3
Gross profit margin	40.8 %	38.2 %	41.3 %	38.8 %
Contract-Manufactured Products:				
Gross profit	\$ 22.7	\$ 16.0	\$ 63.9	\$ 46.2
Gross profit margin	17.9 %	14.4 %	17.2 %	14.3 %
Consolidated gross profit	\$ 194.6	\$ 147.8	\$ 556.7	\$ 452.5
Consolidated gross profit margin	35.5 %	32.4 %	35.5 %	33.0 %

Consolidated gross profit increased by \$46.8 million, or 31.7%, for the three months ended September 30, 2020, as compared to the same period in 2019, including a favorable foreign currency translation impact of \$2.5 million for the three months ended September 30, 2020, as compared to the same period in 2019. Consolidated gross profit margin increased by 3.1 margin points for the three months ended September 30, 2020, as compared to the same period in 2019.

Consolidated gross profit margin increased by \$104.2 million, or 23.0% for the nine months ended September 30, 2020, as compared to the same period in 2019, including an unfavorable foreign currency translation impact of \$4.2 million for the nine months ended September 30, 2020, as compared to the same period in 2019. Consolidated gross profit margin increased by 2.5 margin points for the nine months ended September 30, 2020, as compared to the same period in 2019.

Proprietary Products - Proprietary Products gross profit increased by \$40.1 million, or 30.4%, for the three months ended September 30, 2020, as compared to the same period in 2019, including a favorable foreign currency translation impact of \$2.1 million. Proprietary Products gross profit margin increased by 2.6 margin points for the three months ended September 30, 2020, as compared to the same periods in 2019, due to a favorable mix of products sold, sales price increases and production efficiencies, partially offset by increased overhead costs including compensation costs.

Proprietary Products gross profit increased by \$86.5 million, or 21.3%, for the nine months ended September 30, 2020, as compared to the same period in 2019, including an unfavorable foreign currency translation impact of \$4.2 million. Proprietary Products gross profit margin increased by 2.5 margin points for the nine months ended September 30, 2020, as compared to the same period in 2019, due to favorable mix of products sold, sales price increases and production efficiencies, partially offset by increased overhead costs including compensation costs and COVID-19 related expenses.

Contract-Manufactured Products - Contract-Manufactured Products gross profit increased by \$6.7 million, or 41.9%, for the three months ended September 30, 2020, as compared to the same period in 2019, including a favorable foreign currency translation impact of \$0.4 million. Contract-Manufactured Products gross profit margin increased by 3.5 margin points for the three months ended September 30, 2020, as compared to the same period in 2019, due to a favorable mix of products sold and production efficiencies, partially offset by increased overhead costs including compensation costs.

Contract-Manufactured Products gross profit increased by \$17.7 million, or 38.3%, for the nine months ended September 30, 2020, as compared to the same period in 2019, with no impact from foreign currency translation. Contract-Manufactured Products gross profit margin increased by 2.9 margin points for the nine months ended September 30, 2020, as compared to the same period in 2019, due to a favorable mix of products sold and production efficiencies, partially offset by increased overhead costs including compensation costs.

Research and Development (“R&D”) Costs

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Proprietary Products	\$ 12.5	\$ 9.3	\$ 34.0	\$ 28.7
Contract-Manufactured Products	—	—	—	—
Consolidated R&D costs	<u>\$ 12.5</u>	<u>\$ 9.3</u>	<u>\$ 34.0</u>	<u>\$ 28.7</u>

Consolidated R&D costs increased by \$3.2 million, or 34.4%, and \$5.3 million, or 18.5% for the three and nine months ended September 30, 2020, respectively, as compared to the same period in 2019. Efforts remain focused on the continued investment in self-injection systems development, fluid transfer admixture devices, elastomeric packaging components, and formulation development.

All of the R&D costs incurred during the three and nine months ended September 30, 2020 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Proprietary Products	\$ 50.6	\$ 46.3	\$ 144.7	\$ 142.3
Contract-Manufactured Products	3.7	4.1	11.4	12.5
Corporate	21.9	14.4	69.6	48.9
Consolidated SG&A costs	<u>\$ 76.2</u>	<u>\$ 64.8</u>	<u>\$ 225.7</u>	<u>\$ 203.7</u>
<i>SG&A as a % of net sales</i>	<u>13.9 %</u>	<u>14.2 %</u>	<u>14.4 %</u>	<u>14.9 %</u>

Consolidated SG&A costs increased by \$11.4 million, or 17.6%, for the three months ended September 30, 2020, respectively, as compared to the same period in 2019, due to an increase in compensation costs and an unfavorable foreign currency translation impact of \$0.3 million.

Consolidated SG&A costs increased by \$22.0 million, or 10.8%, for the nine months ended September 30, 2020, respectively, as compared to the same period in 2019, due to an increase in compensation costs, partially offset by incremental cost incurred in 2019 associated with our voluntary recall and a favorable foreign currency translation impact of \$1.3 million.

Proprietary Products - Proprietary Products SG&A costs increased by \$4.3 million, or 9.3%, for the three months ended September 30, 2020, respectively, as compared to the same period in 2019. Proprietary Products SG&A costs increased primarily due to an increase in compensation costs and an unfavorable foreign currency translation impact of \$0.3 million.

Proprietary Products SG&A costs increased by \$2.4 million, or 1.7%, for the nine months ended September 30, 2020, respectively, as compared to the same period in 2019. Proprietary Products SG&A costs increased primarily due to an increase in compensation costs, partially offset by incremental costs incurred in 2019 associated with our voluntary recall and a favorable foreign currency translation impact of \$1.3 million.

Contract-Manufactured Products - Contract-Manufactured Products SG&A costs decreased by \$0.4 million, or 9.8% for the three months ended September 30, 2020, as compared to the same period in 2019.

Contract-Manufactured Products SG&A costs decreased by \$1.1 million, or 8.8% for the nine months ended September 30, 2020, as compared to the same period in 2019.

Corporate - Corporate SG&A costs increased by \$7.5 million, or 52.1%, for the three months ended September 30, 2020, respectively, as compared to the same period in 2019, primarily due to an increase in compensation costs.

Corporate SG&A costs increased by \$20.7 million, or 42.3%, for the nine months ended September 30, 2020, respectively, as compared to the same period in 2019, primarily due to an increase in compensation costs.

Other Expense (Income)

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

Expense (Income) (\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Proprietary Products	\$ 1.3	\$ 3.3	\$ 1.2	\$ (3.4)
Contract-Manufactured Products	0.2	0.3	0.4	0.2
Corporate	0.7	—	0.1	—
Unallocated items	4.5	2.8	4.5	4.8
Consolidated other expense (income)	<u>\$ 6.7</u>	<u>\$ 6.4</u>	<u>\$ 6.2</u>	<u>\$ 1.6</u>

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, fixed asset impairments and miscellaneous income and charges, are generally recorded within segment results.

Consolidated other expense (income) changed by \$0.3 million or 4.7% for the three months ended September 30, 2020, as compared to the same period in 2019, due to the factors described below. Consolidated other expense (income) changed by \$4.6 million or 287.5% for the nine months ended September 30, 2020, as compared to the same period in 2019, due to the factors described below.

Proprietary Products - Proprietary Products other expense (income) changed by \$2.0 million or 60.6% for the three months ended September 30, 2020, as compared to the same period in 2019, primarily due to a reduction in hedge settlement losses partially offset by an increase in the SmartDose contingent consideration charge.

Proprietary Products other expense (income) changed by \$4.6 million or 135.3% for the nine months ended September 30, 2020, as compared to the same period in 2019, primarily due to an increase in the fixed asset impairments recorded and an increase in the SmartDose contingent consideration charge.

Contract-Manufactured Products - Contract-Manufactured Products other expense (income) changed by \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2020, respectively, as compared to the same periods in 2019.

Corporate - Corporate other expense (income) changed by \$0.7 million and \$0.1 million for the three and nine months ended September 30, 2020, respectively, as compared to the same periods in 2019.

Unallocated items - During the three and nine months ended September 30, 2020, we recorded \$4.5 million in restructuring and related charges. During the three and nine months ended September 30, 2019, we recorded \$1.8 million and \$3.8 million, respectively, in restructuring and related charges and a charge of \$1.0 million as a result of the continued devaluation of Argentina's currency.

Operating Profit

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Proprietary Products	\$ 107.5	\$ 72.9	\$ 312.9	\$ 238.7
Contract-Manufactured Products	18.8	11.6	52.1	33.5
Corporate	(22.4)	(14.4)	(67.1)	(48.9)
Adjusted consolidated operating profit	\$ 103.9	\$ 70.1	\$ 297.9	\$ 223.3
Adjusted consolidated operating profit margin	19.0 %	15.4 %	19.0 %	16.3 %
Unallocated items	(4.7)	(2.8)	(7.1)	(4.8)
Consolidated operating profit	\$ 99.2	\$ 67.3	\$ 290.8	\$ 218.5
Consolidated operating profit margin	18.1 %	14.8 %	18.6 %	16.0 %

Consolidated operating profit increased by \$31.9 million, or 47.4%, for the three months ended September 30, 2020, as compared to the same period in 2019, including a favorable foreign currency translation impact of \$2.1 million for the three months ended September 30, 2020, as compared to the same period in 2019.

Consolidated operating profit increased by \$72.3 million, or 33.1%, for the nine months ended September 30, 2020, respectively, as compared to the same period in 2019, including an unfavorable foreign currency translation impact of \$3.0 million for the nine months ended September 30, 2020, as compared to the same period in 2019.

Proprietary Products - Proprietary Products operating profit increased by \$34.6 million, or 47.5%, for the three months ended September 30, 2020, as compared to the same period in 2019, including a favorable foreign currency translation impact of \$1.7 million, due to the factors described above.

Proprietary Products operating profit increased by \$74.2 million, or 31.1%, for the nine months ended September 30, 2020, as compared to the same period in 2019, including an unfavorable foreign currency translation impact of \$3.1 million, due to the factors described above.

Contract-Manufactured Products - Contract-Manufactured Products operating profit increased by \$7.2 million, or 62.1%, for the three months ended September 30, 2020, as compared to the same period in 2019, including a favorable foreign currency translation impact of \$0.4 million, due to the factors described above.

Contract-Manufactured Products operating profit increased by \$18.6 million, or 55.5%, for the nine months ended September 30, 2020, respectively, as compared to the same period in 2019, including a favorable foreign currency translation impact of \$0.1 million, due to the factors described above.

Corporate- Corporate costs increased by \$8.0 million, or 55.6%, for the three months ended September 30, 2020, as compared to the same period in 2019, due to the factors described above.

Corporate costs increased by \$18.2 million, or 37.2%, for the nine months ended September 30, 2020, respectively, as compared to the same period in 2019, due to the factors described above.

Unallocated items –Other unallocated items during the three months ended September 30, 2020 consisted of \$4.5 million in restructuring and related charges and \$0.2 million of amortization expense associated with an acquisition of an intangible asset. Other unallocated items during the nine months ended September 30, 2020 consisted of \$4.5 million in restructuring and related charges, \$2.2 million in severance related costs, and \$0.4 million of amortization expense associated with an acquisition of an intangible asset.

Other unallocated items during the three and nine months ended September 30, 2019 consisted of \$1.8 million and \$3.8 million, respectively, in restructuring and related charges. In addition, during the three and nine months ended September 30, 2019, other unallocated items included a charge of \$1.0 million as a result of the continued devaluation of Argentina's currency.

Interest Expense, Net

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Interest expense	\$ 2.4	\$ 2.2	\$ 7.1	\$ 7.0
Capitalized interest	(0.3)	(0.1)	(1.0)	(0.6)
Interest income	(0.2)	(1.0)	(1.2)	(2.5)
Interest expense, net	<u>\$ 1.9</u>	<u>\$ 1.1</u>	<u>\$ 4.9</u>	<u>\$ 3.9</u>

Interest expense, net, increased by \$0.8 million, or 72.7%, for the three months ended September 30, 2020, respectively, as compared to the same periods in 2019, primarily due to a decrease in interest income during the three months ended September 30, 2020.

Interest expense, net, increased by \$1.0 million, or 25.6%, for the nine months ended September 30, 2020, respectively, as compared to the same periods in 2019, primarily due to a decrease in interest income during the nine months ended September 30, 2020.

Other Nonoperating (Income) Expense

Other nonoperating (income) expense changed by \$1.7 million or 130.8% for the three months ended September 30, 2020, as compared to the same period in 2019, primarily due to a decrease in pension settlement charges of \$1.6 million. In the current year and prior year, we determined that normal-course lump-sum payments for our U.S. qualified and non-qualified defined benefit pension plan exceeded the threshold for settlement accounting under U.S. GAAP for the year.

Other nonoperating (income) expense changed by \$0.5 million or 250.0% for the nine months ended September 30, 2020, as compared to the same period in 2019, primarily due to a reduction in interest costs offset by an increase in pension settlement charges of \$0.7 million. In the current and prior year, we determined that normal-course lump-sum payments for our U.S. qualified and non-qualified defined benefit pension plan exceeded the threshold for settlement accounting under U.S. GAAP for the year.

Income Tax Expense

The provision for income taxes was \$21.1 million and \$10.9 million for the three months ended September 30, 2020 and 2019, respectively, and the effective tax rate was 21.6% and 16.8%, respectively. The increase in the effective tax rate is primarily due to a decrease in stock-based compensation deductions for the three months ended September 30, 2020 as compared to the same period in 2019.

The provision for income taxes was \$52.1 million and \$42.5 million for the nine months ended September 30, 2020 and 2019, respectively, and the effective tax rate was 18.2% and 19.8%, respectively. The decrease in the effective tax rate is primarily due to an increase in stock-based compensation deductions for the nine months ended September 30, 2020 as compared to the same period in 2019.

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, which increased to 49% during the fourth quarter of 2019, and our 49% ownership interest in five companies majority-owned by a long-time partner located in Mexico. Please refer to Note 7, [Affiliated Companies](#), for further discussion. Equity in net income of affiliated companies increased by \$3.4 million for the three months ended September 30, 2020, as compared to the same period in 2019, due to favorable operating results at Daikyo and the Mexico affiliates, partially offset by amortization expense related to our increase in ownership interest in Daikyo of \$0.5 million.

Equity in net income of affiliated companies increased by \$7.8 million for the nine months ended September 30, 2020, as compared to the same period in 2019, due to favorable operating results at Daikyo and the Mexico affiliates, partially offset by amortization expense related to our increase in ownership interest in Daikyo of \$2.5 million.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table presents cash flow data for the nine months ended September 30:

(\$ in millions)	2020		2019	
Net cash provided by operating activities	\$	323.8	\$	260.8
Net cash used in investing activities	\$	(121.9)	\$	(107.4)
Net cash used in financing activities	\$	(128.4)	\$	(87.8)

Net Cash Provided by Operating Activities – Net cash provided by operating activities increased by \$63.0 million for the nine months ended September 30, 2020, as compared to the same period in 2019, primarily due to improved operating results.

Net Cash Used in Investing Activities – Net cash used in investing activities increased by \$14.5 million for the nine months ended September 30, 2020, as compared to the same period in 2019, due to an increase in capital expenditures in 2020, partially offset by the business acquisition of our South Korea distributor in 2019.

Net Cash Used in Financing Activities – Net cash used in financing activities increased by \$40.6 million for the nine months ended September 30, 2020, as compared to the same period in 2019, primarily due to increases in purchases under our share repurchase programs.

Liquidity and Capital Resources

The table below presents selected liquidity and capital measures:

(\$ in millions)	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 519.4	\$ 439.1
Accounts receivable, net	\$ 373.0	\$ 319.3
Inventories	\$ 294.9	\$ 235.7
Accounts payable	\$ 180.3	\$ 156.8
Debt	\$ 255.7	\$ 257.3
Equity	\$ 1,718.9	\$ 1,573.2
Working capital	\$ 790.6	\$ 717.1

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 September 30, 2020 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 September 30, 2020 included \$166.5 million of cash held by subsidiaries within the U.S., and \$352.9 million of cash held by subsidiaries outside of the U.S. During the nine months ended September 30, 2020, we purchased 761,500 shares of our common stock under our calendar-year 2020 share repurchase program at a cost of \$115.5 million, or an average price of \$151.65 per share.

Working capital – Working capital at September 30, 2020 increased by \$73.5 million, or 10.2%, as compared to December 31, 2019, which includes an unfavorable foreign currency translation impact of \$16.4 million. Excluding the impact of currency exchange rates, cash and cash equivalents, accounts receivable, inventories and total current liabilities increased by \$73.5 million, \$49.3 million, \$55.3 million and \$100.6 million, respectively. The increase in accounts receivable was due to increased sales activity. The increase in inventories that occurred in the period was to ensure we have sufficient inventory on hand to support the needs of our customers. The increase in total current liabilities was primarily due to an increase in accounts payable, salaries and wages payable, accrued expenses and income taxes payable.

Debt and credit facilities – The \$1.6 million decrease in total debt at September 30, 2020, as compared to December 31, 2019, resulted from debt repayments under our Term Loan.

Our sources of liquidity include our Credit Facility. At September 30, 2020, we had no outstanding borrowings under the Credit Facility. At September 30, 2020, the borrowing capacity available under the Credit Facility, including outstanding letters of credit of \$2.5 million, was \$297.5 million. We do not expect any significant limitations on our ability to access this source of funds.

Pursuant to the financial covenants in our debt agreements, we are required to maintain established interest coverage ratios and not to exceed established leverage ratios. In addition, the agreements contain other customary covenants, none of which we consider restrictive to our operations. At September 30, 2020, 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 2019 Annual Report. During the three months ended September 30, 2020, there were no material changes outside of the ordinary course of business to our commitments and contractual obligations.

OFF-BALANCE SHEET ARRANGEMENTS

At September 30, 2020, 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 2019 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 2019 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 September 30, 2020, 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;
- 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 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 Crystal Zenith 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;
- 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 2019 Annual Report as well as Part II, section 1A of this quarterly 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 2019 Annual Report.

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 September 30, 2020, our disclosure controls and procedures are effective.

Changes in Internal Controls

During the quarter ended September 30, 2020, 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

We are providing the disclosure below and supplementing the risk factors described in Part I, Item 1A of our 2019 Annual Report with the following risk factor. The additional risk factor identified should be read in conjunction with the risk factors described in the 2019 Annual Report and the information under the “Forward Looking Statements” in the 2019 Annual Report.

Our results of operations and financial condition may be adversely affected by the novel coronavirus (COVID-19) pandemic and other public health epidemics.

Our results of operations and financial condition may be adversely affected if the progression of the COVID-19 pandemic interferes with our ability, or that of our employees, contractors, suppliers, customers and other business partners, to carry out and deliver on business obligations.

COVID-19 may have an adverse effect on our operations, supply chains and distribution systems. Known potential impacts are illness in our workforce as well as a reduction in access to raw materials for production and access to transportation of product. There could be other unknown and unforeseeable impacts. These impacts may also increase our expenses, including costs associated with preventive and precautionary measures that we, companies with which we conduct business and governments are taking. Government measures include actions that restrict or prohibit travel, which in turn may impact our operations by limiting our employees’ ability to come to work, or the employees of companies upon which our supply chain depends. The impacts of the pandemic and the aforesaid measures taken by other companies and governments may cause us to experience significant and unpredictable reductions or increases in demand for certain of our products. This is especially possible in the event customers re-prioritize their needs due to the changing environment.

Despite our efforts to manage these COVID-19 related risks, their ultimate impact on the Company will be determined by factors beyond our knowledge or control, including the duration of COVID-19 and further actions taken to control its spread and mitigate its public health effects.

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

During the three months ended September 30, 2020, 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 December 2019, we announced a share repurchase program for calendar-year 2020 authorizing the repurchase of up to 848,000 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 will depend on a variety of factors, including market conditions. There were no shares purchased during the three months ended September 30, 2020. During the nine months ended September 30, 2020, we purchased 761,500 shares of our common stock under the program at a cost of \$115.5 million, or an average price of \$151.65 per share.

ITEM 6. EXHIBITS

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

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 and Chief Financial Officer

October 23, 2020

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
3.1	Our Amended and Restated Articles of Incorporation are incorporated by reference from our Form 10-Q report for the quarter ended June 30, 2020.
3.2	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.
4.1	Form of stock certificate for common stock is incorporated by reference from our annual report on Form 10-K dated May 6, 1999.
4.2	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 June 30, 2020.
4.3	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.
4.4 ⁽¹⁾	Instruments defining the rights of holders of long-term debt securities of West and its subsidiaries have been omitted.
10.10	Non-Qualified Deferred Compensation Plan for Designated Employees, as amended and restated effective January 1, 2020.
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	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.
32.2*	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.
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	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set.

⁽¹⁾ 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.



West Pharmaceutical Services, INC.

**NON-QUALIFIED DEFERRED COMPENSATION PLAN
FOR DESIGNATED EMPLOYEES**

**(Amended and Restated Effective as of January 1, 2020, except as otherwise
noted herein or required by applicable law)**

Plan Document

THE WEST PHARMACEUTICAL SERVICES, INC.

NON-QUALIFIED DEFERRED COMPENSATION PLAN FOR DESIGNATED EMPLOYEES

(Amended and Restated Effective January 1, 2020)

West Pharmaceutical Services, Inc. (the “**Company**”) hereby adopts this West Pharmaceutical Services, Inc. Non-Qualified Deferred Compensation Plan For Designated Employees (the “**Plan**”), as amended and restated effective January 1, 2020, except as otherwise noted herein, to permit eligible employees of the Company to defer receipt of a specified portion of their cash and equity-based compensation:

1. Eligible Employees. Employees of the Company or participating subsidiaries (as designated by the Company’s Senior Vice President and Chief Human Resources Officer) are eligible to make the elections set forth in this Plan if they are: (a) employed in the United States by the Company or a designated subsidiary and are designated as a Senior Director or higher by the Company, (b) any employee who was eligible for and participated in the Plan by making elective deferrals hereunder on or prior to January 1, 2020, or (c) any other employee of the Company or its subsidiaries who is specially designated by the Compensation Committee as eligible to participate in the Plan (each an “**Eligible Employee**”). An Eligible Employee who at any time makes a valid deferral election under the Plan is a “Participant.”

2. Deferrable Compensation. An Eligible Employee may separately elect, in the form and manner determined by the Committee, to defer cash or stock compensation as follows:

i. any whole percentage of his or her annual aggregate base salary paid by the Company for services rendered exclusive of any additional allowances, payments or non-cash benefits (“**Base Salary**”);

ii. any whole percentage of his or her annual bonus (“**Bonus**”) earned and payable under the Company’s Annual Incentive Plan (“**Annual Incentive Plan**”), or any successor plan thereto, whether payable in cash or stock issued under the 2004 Stock-Based Compensation Plan, the 2007 Omnibus Incentive Compensation Plan, the 2011 Omnibus Incentive Compensation Plan, the 2016 Omnibus Incentive Compensation Plan and/or any successor plan(s) (collectively, the “**Omnibus Plans**”) or;

iii. effective June 1, 2007 and for periods that end on or before December 31, 2021, any whole number of shares of deferred stock (including Performance-Vesting Restricted Stock and Performance-Vesting Stock Units, as applicable) (“**PV Stock**”) awarded under the Company’s Long-Term Incentive Plan (the “**LTIP**”), the Omnibus Plans, and/or any successor plan(s) thereto, to the extent such PV Stock is earned under the applicable plan. For avoidance of doubt, PV Stock granted or vested for periods that end after January 1, 2022 are not eligible for deferral under the Plan.

iv. any who percentage of his or her other compensation that is not otherwise described by the foregoing provisions, but only to the extent specifically designated by the Committee as eligible for deferral, and subject to all terms and conditions as the Committee may establish in order to defer any such other compensation (“**Other Designated Compensation**”).

1. Elections to Defer.

(a) Base Salary or Other Designated Compensation. An Eligible Employee who wants to defer payment of any portion of his or her Base Salary or Other Designated Compensation in any calendar year must notify the Compensation Committee or its delegate in writing on or before December 31 of the prior year (or such earlier time as may be permitted by Code Section 409A and as designated by the Committee), stating the amount of his or her Base Salary or Other Designated Compensation to be deferred. This election becomes irrevocable on December 31 of such prior year (or such earlier time as may be permitted by Code Section 409A and as designated by the Committee); provided, however, that the Committee may designate such other time and manner for deferral of Other Designated Compensation that is not inconsistent with the rules under Code Section 409A.

(b) Bonus Elections.

(i) For bonuses earned on or prior to December 31, 2019,

(A) An Eligible Employee who wants to defer payment of any portion of his or her Bonus in any calendar year shall notify the Compensation Committee or its delegate in writing on or before June 30 of the year prior to the year the Bonus would otherwise be paid. The election must state the amount of a Participant's Bonus which is to be deferred, and the election is irrevocable as of such June 30.

(B) For Bonuses paid with respect to services rendered and performance achieved before January 1, 2019, a Participant who is designated by the Committee as an officer ("**Officer**") and who has elected to defer any portion of his or her Bonus, shall be permitted at the time of his or her election to designate that a portion of such Bonus will be deemed to be invested in common stock of the Company ("Common Stock") and ultimately distributable in Common Stock in accordance with Section 8(g)(ii). The portion of such Participant's Bonus so designated will be referred to as "**Deferred Bonus Stock**." The portion of the Participant's Bonus deferred hereunder that is not so designated shall be referred to as the "**Deferred Cash Bonus**." No Participants, including Officers, are eligible to designate any portion of such Participant's Bonus as Deferred Bonus Stock with respect to Bonuses paid for services rendered or performance achieved on or after January 1, 2019.

(ii) For bonuses earned on or after January 1, 2020, an Eligible Employee who wants to defer payment of any portion of his or her Bonus in any calendar year shall notify the Compensation Committee or its delegate in writing on or before December 31 of the year prior to the year the Bonus would otherwise be earned (not paid). The election must state the amount of a Participant's Bonus which is to be deferred, and the election is irrevocable as of such December 31.

(c) PV Stock. An Eligible Employee who wants to defer payment of any portion of his or her PV Stock earned in any calendar year prior to 2021 must notify the Compensation Committee or its delegate in writing on or before December 31 of the second year of any performance-based vesting period applicable to such PV Stock (or such earlier time as may be permitted by Code Section 409A and as designated by the Committee), stating the amount of his or her PV Stock which shall be deferred. PV Stock is not eligible for deferral on or after January 1, 2022.

(d) Special Rules for pre-2020 New-Hires.

(i) Base Salary. Notwithstanding Section 3(a) above, on or before December 31, 2019, a newly Eligible Employee who is hired by the Company during a calendar year, may elect to participate in the Plan by notifying the Compensation Committee or its delegate in writing within the first 30 days after commencing employment or becoming eligible, stating the amount of his or her Base Salary to be deferred. Such election shall be effective on the first day of the payroll period following the end of such 30-day period and shall apply only with respect to Base Salary earned after the effective date of such election. An election so made shall be irrevocable on the first day of the applicable payroll period. This special enrollment rule shall not apply to new hires or newly eligible employees who become eligible on or after January 1, 2020. Such newly-hired and newly-eligible employees shall be eligible to enroll during the normal annual enrollment period applicable to all continuing employees (typically during November-December).

a. Bonuses and PV Stock. The special pre-2020 newly-hired or newly-eligible enrollment period contained in Section 3(d)(i) shall not apply to elections to defer Bonuses or PV Stock in the year a Participant is hired (or first becomes eligible to participate).

i. Revocation for Unforeseeable Emergency or Disability. If a Participant has an Unforeseeable Emergency as described in Section 8(d) or incurs a Disability as defined in Section 409A, then such Participant may make a request in writing to the Compensation Committee or its delegate to suspend any elections to make any deferrals to the Plan during the year such Unforeseeable Emergency or Disability is incurred. Upon approval by the Compensation Committee or its delegate, such contributions shall cease immediately.

2. Matching Contributions.

i. Base Salary. For years prior to 2007, the Company will contribute to the Plan an amount equal to 50% of the first 6% of Base Salary that a Participant elects to defer on a pre-tax basis. Matching contributions under this Section 4(a) ("**Pre-2007 Base Salary Matching Contributions**") shall not be made for deferrals of Base Salary in excess of 6% or any portion of a Bonus or PV Stock deferred by a Participant.

ii. Deferred Incentive Shares. The Company shall make a matching contribution ("**Deferred Incentive Shares**") equal to 25% of the aggregate fair market value of the Deferred Bonus Stock that a Participant elects to defer. Fair market value shall be measured as of the date such Deferred Bonus Stock would otherwise be paid to such Participant. For the avoidance of doubt, (i) only Officers shall be eligible to elect to defer Deferred Bonus Stock and any related Deferred Incentive Shares matching contribution on and after January 1, 2016, and (ii) no Participants shall be eligible to earn any additional Deferred Incentive Shares (other than through crediting of Dividend Equivalents for previously Deferred Bonus Stock) for services rendered or performance achieved on or after January 1, 2019.

iii. 401(k) Plan True-up. Effective for calendar years beginning on or after January 1, 2007 and ending on December 31, 2018,

b. With respect to any Participant who earns Base Salary in excess of Section 401(a)(17) of the Internal Revenue Code of 1986, as amended (the "**Code**"), except as provided in Sections 4(c)(ii), the Company will make matching contributions ("**2007-18 Base Salary Matching Contributions**") equal to 100% of the Participant's Base Salary deferred on a pre-tax basis and remaining to such Participant's Account plus amounts deferred under the West Pharmaceutical Services, Inc. 401(k) Plan (the "**401(k) Plan**") on a pre-tax basis only (not inclusive of after-tax or Roth 401(k) contributions), if applicable, up to 3% of such Participant's total annual Base Salary and 50% of the Participant's Base Salary deferred in excess of 3%, but no greater than 5%, of such Participant's total annual Base Salary deferred. Such matching contributions shall be calculated without regard to Section 401(a)(17) of the Code. The total amount of matching contributions made for the Participant with respect to a calendar year (including a "true up" contributions) under the 401(k) Plan whether on pre-tax or after-tax contributions (or in accordance with Section 8 hereof), if any, shall be deducted from the 2007-18 Base Salary Matching Contributions made hereunder. 2007-18 Base Salary Matching Contributions under this Section 4(c) shall not be made for deferrals of Base Salary in excess of 5% of a Participant's total annual Base Salary. Notwithstanding the foregoing, for purposes of this Section 4(c)(i), Base Salary shall mean Base Salary and Other Designated Compensation (to the extent so designated by the Committee in accordance with the Plan).

c. Notwithstanding Section 4(c)(i), on or before December 31, 2018, a Participant may elect to opt out of being credited with any 2007-18 Base Salary Matching Contributions, and, such Participant will only be credited with matching contributions under the 401(k) Plan, if applicable.

d. No contributions shall be made under this section with respect to contributions made to the 401(k) plan on or after January 1, 2019.

3. Other Contributions.

i. Effective October 1, 2014, the Company may credit any Eligible Employee's account with a contribution of any amount determined in its discretion ("**Discretionary Contributions**").

ii. The Company shall enter into a written arrangement with the Eligible Employee ("**Discretionary Contribution Agreement**") detailing the material terms of such Discretionary Contribution, including the vesting schedule, distribution options and investment options available. Any elections applicable to the distribution of such Discretionary Contributions shall comply with Section 409A of the Code and the other rules set forth in the Plan.

iii. Effective for the year beginning January 1, 2017, with respect to any Eligible Employee who is first hired by the Company on or after January 1, 2017 or any Eligible Employee employed by Tech Group North America, Inc., Tech Group Grand Rapids, Inc., or West Pharmaceutical Services Delaware Acquisition, Inc. (the "**Group**"), in each case, who earns Base Salary and Other Designated Compensation for such year in excess of the limits in Section 401(a)(17) of the Code ("**Excess Compensation**"), the Company will make a non-elective contribution ("**NEC**") equal to 1% of such Participant's Excess Compensation for such year; and effective for the year beginning on January 1, 2018, with respect to any Eligible Employee who is first hired by the Company on or after January 1, 2017 or any Eligible Employee employed by the Group, in each case, who earns Excess Compensation for such year, the Company will make a NEC equal to 2% of such Participant's Excess Compensation for such year. Effective for each year beginning on and after January 1, 2019, with respect to each Eligible Employee who earns Excess Compensation for such year, the Company will make a NEC equal to 3% of such Participant's Excess Compensation for such year. Such NEC shall be calculated without regard to Section 401(a)(17) of the Code.

a. Notwithstanding anything herein to the contrary, any NEC hereunder shall be allocated to such Eligible Employee only if such Eligible Employee was (a) employed by the Company or the applicable participating subsidiary on the last day of the year to which the NEC relates, (b) terminates employment due to death or a disability (as defined in the 401(k) Plan) during such year, (c) dies or becomes disabled while on qualified military service (as defined in the 401(k) Plan) during such year or (d) terminates employment during the year after attaining age 55 with 10 years of service.

b. An Eligible Employee who has been allocated NEC amounts under an Account shall be considered a Participant with respect to any such NEC amounts.

4. Investment of Deferred Compensation Accounts.

iv. The Company shall establish separate bookkeeping accounts (each part of a Participant's "**Account**") as set forth in this Section 6. Such Accounts will be maintained on the books of the Company and will be used solely to calculate the amount payable to each Participant and shall not constitute separate funds of assets. Amounts will be credited to such Accounts as of the date such amounts would have been distributed or paid to a Participant but for an election to defer such amounts hereunder. If a Bonus or share of Deferred PV Stock is not earned under the Annual Incentive Plan or the LTIP, or any successor plan(s) thereto, as applicable, no amount shall be credited to a Participant's Accounts.

v. A Participant's Base Salary and Other Designated Compensation deferred pursuant to Section 3(a) plus his or her Deferred Cash Bonus shall be allocated to his or her "**Cash Deferral Account**" as of the last day of the payroll period to which it relates.

vi. Pre-2007 Base Salary Matching Contributions made pursuant to Section 4(a) on or before March 31, 2000 shall be allocated to a Participant's "**Participant-Directed Matching Contribution Account**" as of the last day of the payroll period to which they relate.

vii. Pre-2007 Base Salary Matching Contributions made pursuant to Section 4(a) on or after April 1, 2000 and all 2007-18 Base Salary Matching Contributions shall be allocated to a Participant's "**Stock-Invested Matching Contribution Account**" as of the last day of the payroll period to which they relate or, with respect to 2007-18 Base Salary Matching Contributions, the date the amount of such 2007-18 Base Salary Matching Contributions is determined in the next following calendar year. Collectively, amounts credited to a Participant's Stock-Invested Matching Contribution Account and his or her Participant-Directed Matching Contribution Account, shall be referred to as his or her "**Matching Contribution Account**."

viii. Deferred Bonus Stock, Deferred PV Stock, and Deferred Incentive Shares will be allocated to a separate "**Deferred Stock Account**" and subject to the rules of Section 8(g)(ii).

ix. Discretionary Contributions shall generally be subject to the same rules applicable to a Participant's Cash Deferral Account, unless specifically provided otherwise in the Participant's Discretionary Contribution Agreement.

x. NEC amounts shall be allocated to a separate "**NEC Account**," as of the date the amount of such NEC is determined in the calendar year after the year to which such NEC relates, and such NEC Account shall generally be subject to the same rules applicable to a Cash Deferral Account, except to the extent provided with respect to vesting and distribution in Sections 7 and 8 hereof and except as otherwise provided by the Committee.

xi. Investment of Cash Deferral Account and Participant-Directed Matching Contribution Account.

i. Each Participant shall direct the deemed investment of his or her Cash Deferral Account and Participant-Directed Matching Contribution Account among the investment funds offered under the Plan ("**Investment Funds**") by complying with administrative procedures established by the Compensation Committee. A Participant's election shall specify the whole percentage of his or her Cash Deferral Account and Participant-Directed Matching Contribution Account deemed to be invested in an Investment Fund. A Participant's election shall remain in effect until a new election is made. A Participant may change an election of Investment Funds or transfer existing amounts invested in his or her Account(s) among Investment Funds by complying with the administrative procedures established by the Compensation Committee. The Compensation Committee shall establish procedures to review the investment elections made by a Participant and shall retain the authority to override any investment election if it determines, in its sole discretion, that such an override is in the Company's best interests. In addition, any discretionary investments in or divestments of amounts deemed invested in Company Stock shall be subject to the Company's Securities Trading Policy.

ii. Investment Funds. The Company shall make available to each Participant literature summarizing the investment characteristics of each Investment Fund.

iii. Valuation of Participant Accounts. Any increase or decrease in the fair market value of an Investment Fund shall be computed and credited to or deducted from the Cash Deferral Account or Participant-Directed Matching Contribution Account, as applicable, of all Participants who are deemed to have invested in the Investment Fund in accordance with policies and procedures established by the Compensation Committee.

xii. Investment of Stock-Invested Matching Contribution Account.

iv. The Stock-Invested Matching Contribution Account of each Participant shall be deemed to be invested in Common Stock. Except as set forth herein, a Participant shall not be able to direct or invest amounts in his or her Stock-Invested Matching Contribution Account. Notwithstanding

the foregoing, effective January 1, 2008, a Participant who has been credited with three years of service, may direct the investment of his Stock-Invested Matching Contribution Account among the other Investment Funds offered under the Plan, and also may choose to re-invest any portion of their Stock-Invested Matching Contribution Account in Common Stock after previously investing it in the other available Investment Funds.

v. Any increase or decrease in the fair market value of the common stock of the Company shall be computed and credited to or deducted from the Stock-Invested Matching Contribution Accounts of all of the Participants who are invested in the common stock of the Company in accordance with policies and procedures established by the Compensation Committee.

xiii. Investment of Deferred Stock Account.

c. The Deferred Stock Account of each Participant shall be deemed to be invested in Common Stock. A Participant shall not have the ability to direct or invest amounts in his or her Deferred Stock Account.

d. Any increase or decrease in the fair market value of the common stock of the Company shall be computed and credited to or deducted from the Deferred Stock Accounts of all of the Participants who are invested in the common stock of the Company in accordance with policies and procedures established by the Compensation Committee.

xiv. Indemnity. By electing to make contributions to this Plan, each Participant hereby recognizes and agrees that the Company and any other individual responsible for administering the Plan (including the Compensation Committee, its delegate or any trustee responsible for holding assets under the Plan) are in no way responsible for the investment performance of the Participant's Accounts.

xv. Dividends on Company Stock. Any dividends paid on that portion of a Participant's Account that is deemed invested in Company Stock shall be treated as earnings hereunder, and, shall, in the manner determined by the Committee be credited to a Participant's Account and remain deemed invested in Company Stock and shall be distributed in Company Stock. With respect to Deferred PV Stock, such amount shall be credited with dividends at the target level in a manner similar to that provided under the terms of the LTIP.

5. Vesting.

i. Cash Deferrals and 2007-18 Base Salary Matching Contributions. A Participant shall always be 100% vested in his or her Cash Deferral Account and 2007-18 Base Salary Matching Contributions made pursuant to Section 4(c).

ii. Pre-2007 Base Salary Matching Contributions. A Participant shall be 40% vested in Pre-2007 Base Salary Matching Contributions made on his or her behalf under Section 4 after two years of employment with the Company or any of its subsidiaries (prior to such two-year period, no portion of the Pre-2007 Base Salary Matching Contributions shall be vested). A Participant's vested interest in Pre-2007 Base Salary Matching Contributions will increase by 20% per year of employment, so that he or she is 100% vested after five years of employment with the Company or any of its subsidiaries. A "year of employment" will be credited to a Participant for each 12 month period, beginning on his or her date of hire by the Company or any of its subsidiaries (and each anniversary thereof), during which he or she is continuously employed by the Company or any of its subsidiaries, as determined in the Company's sole discretion.

iii. Bonus Stock and Deferred PV Stock. Any Bonus Stock deferred under Section 3(b) and any Deferred PV Stock deferred under Section 2(c) shall be immediately 100% vested.

iv. Deferred Incentive Shares.

e. Subject to Sections 7(d)(ii) through 7(d)(v), all Incentive Shares credited to a Participant's Account will vest on the fourth anniversary of the date that the Bonus Stock with respect to which such Incentive Share relates ("**Underlying Stock**") was granted to a Participant.

f. If a Participant receives a distribution with respect to any share of Underlying Stock prior to the fourth anniversary of the grant date of the Underlying Stock, the Incentive Shares that relates to such Underlying Stock will be immediately forfeited by such Participant.

g. If a participant sells, assigns, exchanges, pledges, hypothecates or otherwise encumbers any of the Underlying Stock, the Incentive Shares that relate to such Underlying Stock will be immediately forfeited by such Participant.

h. If, as determined by the Committee in its sole and absolute discretion, a Participant terminates employment with the Company due to death, disability or retirement under a qualified pension plan maintained by the Company (collectively referred to as a "**Qualified Termination**"), then the following percentage of Incentive Shares shall vest and all unvested shares shall be immediately forfeited:

1. 25% if at least one but less than two years has elapsed since the grant date of the Underlying Stock.
2. 50% if at least two but less than three years has elapsed since the grant date of the Underlying Stock.
3. 75% if at least three but less than four years has elapsed since the grant date of the Underlying Stock.

i. If, as determined by the Committee in its sole and absolute discretion, a Participant's service with the Company terminates for any reason other than a Qualified Termination, all unvested Incentive Shares shall immediately be forfeited.

v. Discretionary Contributions shall be 100% vested at the time contributed, unless provided otherwise in the Participant's Discretionary Contribution Agreement.

vi. An Eligible Employee shall be 100% vested in his or her NEC Account only after three years of employment with the Company or any of its subsidiaries (and, prior to the end of such three-year period, no interest in such NEC Account or any NEC amounts shall be vested). A "year of employment" will be credited in the manner described in Section 7(b).

vii. Change in Control.

(i) Notwithstanding anything in this Plan to the contrary, a Participant shall immediately be 100% vested in matching contributions made pursuant to Section 4 after a Change in Control, as defined below.

(ii) A "**Change in Control**" shall mean a change in control of a nature that would be required to be reported in response to Item 1 of the Current Report on Form 9-K as in effect on April 28, 1998, pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "**Act**"), provided that, without limitation, a Change in Control shall be deemed to have occurred if:

4. any "**Person**" (as such term is used in sections 13(d) and 14(d) of the Act), other than:

- (a) the Company,
- (b) any Person who on the date hereof is a director or Participant of the Company, or
- (c) a trustee or fiduciary holding securities under an employee benefit plan of the Company,

5. is or becomes the “beneficial owner,” (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company’s then outstanding securities; or

6. during any period of two consecutive years during the term of this Plan, individuals who at the beginning of such period constitute the board of directors of the Company (the “**Board**”) cease for any reason to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least two-thirds of the directors then in office who were directors at the beginning of the period; or

7. the shareholders of the Company approve:

- (d) a plan of complete liquidation of the Company; or
- (e) an agreement for the sale or disposition of all or substantially all of the Company’s assets; or
- (f) a merger, consolidation, or reorganization of the Company with or involving any other corporation, other than a merger, consolidation, or reorganization that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or the surviving entity, or an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) outstanding immediately after such merger, consolidation, or reorganization.

6. Distribution of Deferred Compensation.

viii. Distributions of Certain Amounts Following Fifth Anniversary. For allocations to a Participant’s Cash Deferral Account and the vested portion of a Participant’s Deferred Stock Account only, during each calendar year, unless a Participant elects otherwise in accordance with Section 8(b), the amount contributed to each Account for each plan year plus any earnings and losses, shall be distributed on the first to occur of:

- a. The first normal payroll date on or after the January 15 that occurs following the fifth anniversary of the end of year such amounts would have been paid to the Participant absent his or her deferral hereunder; or,
- b. The first normal payroll date on or after the date which is six months following the Participant’s termination of employment.

ix. Election to Receive Certain Amounts at a Different Time. Notwithstanding Section 8(a), a Participant may elect in writing and only to the extent described in this Section 8(b) to have amounts that would be distributed in accordance with Section 8(a) distributed at a different time.

c. With respect to amounts described in Section 8(a) that were earned and vested on or before December 31, 2004 (“**Grandfathered Amounts**”), the election must be made in writing by December 31 of the year which is two years’ prior to the date the Grandfathered Amounts would otherwise be distributed under the Plan. A Participant may elect to receive his or her Grandfathered Amounts on either: (A) a subsequent date that is at least 24 months later than the date the amounts would otherwise be distributed hereunder, or (B) termination of employment. A Participant is permitted to make subsequent deferrals under this Section 8(b)(i) provided that such subsequent elections satisfy the requirements in the previous sentence. Notwithstanding any election under this Section 8(b), Grandfathered Amounts will be distributed by the end of the month following the Participant’s termination of employment if it occurs earlier.

d. With respect to amounts described in Section 8(a) that were earned and vested on or after January 1, 2005 (“**Non-Grandfathered Amounts**”), the election must be made in writing by the later of (A) the date his or her election becomes irrevocable as described in Section 3, or (B) December 31, 2008. A Participant may elect to receive his or her Non-Grandfathered Amounts on either: (A) a subsequent date that is at least 24 months later than the date the amounts would otherwise be distributed hereunder, or (B) termination of employment. A Participant is not permitted to make subsequent deferrals under this Section 8(b)(ii). Notwithstanding any election under this Section 8(b)(ii), Non-Grandfathered Amounts will be distributed on the date that is six months following the Participant’s termination of employment if it occurs earlier.

x. Distributions of Matching Contributions and NEC. Allocations of Grandfathered and Non-Grandfathered Amounts to a Participant’s Participant-Directed Matching Contribution Account and Stock-Invested Matching Contribution Account, and of any NEC amounts to a NEC Account, are distributable only following the termination of a Participant’s employment with the Company and all of its subsidiaries for any reason, including retirement or death. Distributions of Grandfathered Amounts shall be made by the end of the month following the month of the Participant’s termination of employment, and distributions of Non-Grandfathered Amounts, including NEC amounts, shall be made on the date that is six months following the Participant’s termination of employment.

xi. Distributions in the Event of an Unforeseeable Emergency. Notwithstanding anything herein to the contrary, a Participant may elect to receive a distribution from his Cash Deferral Account and the vested portion of a Participant’s Deferred Stock Account in the event of an Unforeseeable Emergency. An Unforeseeable Emergency shall be defined in accordance with Section 409A(a)(2)(B)(ii) of the Code. The distributed amount may not exceed the amount necessary to eliminate the Unforeseeable Emergency plus pay any applicable taxes. To apply for an Unforeseeable Emergency distribution, a Participant must submit a written application to the Compensation Committee or its delegate indicating (A) the nature of the Unforeseeable Emergency, (B) the amount the Participant needs to alleviate the Unforeseeable Emergency, and (C) the Account from which a distribution, if approved, shall be made. The determination of whether an Unforeseeable Emergency exists shall be made in accordance with the claims procedures in Section 13. Amounts allocated to a Participant’s Participant-Directed Matching Contribution Account, Stock-Invested Matching Contribution Account and the unvested portion of a Participant’s Deferred Stock Account shall not be available for distribution under this Section 8(d).

xii. Valuing Accounts for Distributions. The value of each of the Accounts of a Participant shall be determined as of the effective date of a distribution from the Plan (the “**Valuation Date**”). The value of the Accounts will be adjusted on the Valuation Date to reflect earnings, losses, dividends, stock splits, and previous withdrawals. The relevant portion of each of the Accounts, as applicable, shall then be distributed in accordance with this Section 8.

xiii. Method of Distribution.

e. Subject to Sections 8(g) and 9, and unless elected otherwise under Section 8(f)(ii), all distributions from the Plan shall be made in a cash lump sum.

f. For amounts payable upon termination of employment pursuant to any other subsection of this Section 8, a Participant may elect to receive the distribution in five substantially equal annual installments in accordance with this Section 8(f)(ii).

8. With respect to Grandfathered Amounts, such election must be made by December 31 of the year before the year of a Participant's termination of employment. This election shall continue in effect until changed by the Participant, provided that any such change shall be effective only if the Participant submits appropriate instructions, in accordance with administrative procedures established by the Company, on or before December 31 of the year prior to the year in which the Participant becomes entitled to a distribution.

9. With respect to Non-Grandfathered Amounts, such election must be made by the later of (i) the date the Participant makes his or her first deferral election under the Plan, or (ii) December 31, 2008; provided, however, that any such election that applies to NEC amounts with respect to a Participant who has not otherwise made a deferral election under the Plan (if any) must be made no later than the end of the calendar year prior to the year in which such NEC amounts first apply with respect to a Participant or such other time as the Committee may designate in a manner consistent with Code Section 409A. This election is irrevocable.

10. If installment distributions are elected, the first installment shall be paid on or as soon as practicable following the January 15 immediately following the Participant's termination from employment, and the others on or as soon as practicable following January 15 of the second, third, fourth and fifth years following such termination. Notwithstanding the foregoing, for any employee who is a specified employee within the meaning of Treas. Reg. § 1.409A-1(i) the first distribution shall be delayed until the first normal payroll date following the date that is six months after such Participant's termination of employment to the extent required by applicable law. The Participant shall continue to direct the investment of any amount remaining in his or her Cash Deferral Account and Participant-Directed Matching Contribution Account and the second to fifth installments shall be adjusted to take into account any earnings, losses, stock splits or dividends.

xiv. Form of Distributions. Regardless of the method of distribution required or elected under Section 8(f):

g. Distributions from a Participant's Cash Deferral Account, and either Matching Contribution Account shall be made in cash, unless elected otherwise under Section 8(g)(iii).

h. Distributions of Bonus Stock and amounts allocated to a Participant's Deferred Stock Account must be made in the form of whole shares of Common Stock in accordance with this Section. No partial shares of Common Stock shall be distributed, and cash equal to the fair market value of such fractional Common Stock shall be distributed in lieu thereof.

i. A Participant may elect to receive all or a portion of his or her distribution from his or her Base Salary Deferral Account or either Matching Contribution Account in Common Stock; provided that such election to receive Common Stock in lieu of cash shall be effective only if the Participant submits appropriate instructions, in accordance with administrative procedures established by the Company, on or before December 31 of the year prior to the year in which the Participant becomes entitled to a distribution.

j. Any Common Stock distributable from this Plan in accordance with this Section 8(g) shall be made under and pursuant to the applicable Omnibus Plan(s) or any successor plan(s) thereto as determined by the Compensation Committee.

xv. Discretionary Contributions. Discretionary Contributions shall be distributed in the time and manner set forth in such Participant's Discretionary Contribution Agreement. Any elections as to the time and manner of distribution shall comply with Section 409A and this Section 8. If amounts are payable due to termination of employment, the first election for amounts to be distributed upon termination shall apply.

xvi. Treatment of Unvested Portion of Participant's Account. Incentive Shares that are not vested at the time a Participant terminates employment shall be forfeited and may be used by the Company as determined in its sole discretion.

xvii. Small-Benefit Cash Out. To the extent permitted by Section 409A of the Code, notwithstanding any other provision of this Plan to the contrary, if a Participant's entire Account (plus any amounts that would be aggregated with the Account under Code Section 409A) is less than the amount specified in Section 402(g)(1)(B) of the Code when such Participant terminates employment, his or her entire Account will be paid in a single, cash lump sum six months following termination of employment.

7. Pre-2020 Transfers of Certain Amounts to the 401(k) Plan. With respect to any Participant who is eligible for the 401(k) Plan, on or before December 31, 2019,

xviii. The Company shall distribute from such Participant's Base Salary deferred hereunder (but not Cash Bonuses), the maximum pre-tax amount that may be contributed to the 401(k) Plan by such Participant for such deferral year, and shall contribute such amount to the 401(k) Plan on behalf of such Participant in accordance with the limitations imposed by the Code. Such amount shall not include any earnings on the Base Salary Deferrals, but shall be adjusted for any losses.

xix. The Company shall contribute, from such Participant's 2007-18 Base Salary Matching Contributions an amount equal to the maximum amount such Participant could have been credited with matching contributions under the 401(k) Plan. Such amount shall not include any earnings on the Base Salary Deferrals, but shall be adjusted for any losses.

xx. The Company shall contribute both such amounts to the 401(k) Plan as soon as practicable after the calendar year to which the election relates, but not later than March 15 of the following calendar year.

The foregoing transfer provisions shall not apply to any amounts deferred to the Plan with respect to January 1, 2020 or later earnings.

8. Distributions on Death; Designation of Beneficiary. Notwithstanding anything in the Plan to the contrary, if a Participant dies prior to receiving the entire balance of his or her Accounts, any balance remaining in his or her Accounts shall be paid in a cash lump sum only to the Participant's designated beneficiary as soon as practicable after such Participant's death, or if the Participant has not designated a beneficiary in writing to the Compensation Committee or its delegate, to such Participant's estate. Any designation of beneficiary may be revoked or modified at any time by the Participant or his or her authorized designee.

9. Unsecured Obligation of the Company. The Company's obligations to establish and maintain Accounts for each Participant and to make payments of deferred compensation to him or her under this Plan shall be the general unsecured obligations of the Company. The Company shall be under no obligation to establish any separate fund, purchase any annuity contract, or in any other way make special provision or specifically earmark any funds for the payment of any amounts called for under this Plan, nor shall this Plan or any actions taken under or pursuant to this Plan be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, his or her designated beneficiary, executors or administrators, or any other person or entity. If the Company chooses to establish such a fund or purchase such an annuity contract or make any other arrangement to provide for the payment of any amounts called for under this Plan, such fund contract or arrangement shall remain part of the general assets of the Company, and no person claiming benefits under this Plan shall have any right, title, or interest in or to any such fund, contract or arrangement.

10. Administration. The Plan will be administered by the Compensation Committee or its delegate.

i. The Compensation Committee shall be the named fiduciary for purposes of the claims procedure pursuant to Section 13 and shall have authority to act to the full extent of its absolute discretion to:

- a. interpret the Plan;
- b. resolve and determine all disputes or questions arising under the Plan subject to the provisions of Section 12, including the power to determine the rights of Participants and their beneficiaries (designated under Section 10), and their respective benefits, and to remedy any ambiguities, inconsistencies or omissions in the Plan;
- c. create and revise rules and procedures for the administration of the Plan and prescribe such forms as may be required for Participants to make elections under, and otherwise participate in, the Plan; and
- d. take any other actions and make any other determinations as it may deem necessary and proper for the administration of the Plan.

ii. Any expenses incurred in the administration of the Plan will be paid by the Company or the Employer.

iii. Except as the Compensation Committee may otherwise determine (and subject to the claims procedure set forth in Section 13), all decisions and determinations by the Compensation Committee shall be final and binding upon all Participants and their designated beneficiaries.

iv. No member of the Compensation Committee or its delegate shall participate in any matter involving any questions relating solely to his or her own participation or benefits under the Plan. The Compensation Committee shall be entitled to rely conclusively upon, and shall be fully protected in any action or omission taken by it in good faith reliance upon the advice or opinion of any persons, firms or agents retained by it, including but not limited to accountants, actuaries, counsel and other specialists. Nothing in this Plan shall preclude the Company from indemnifying the Compensation Committee or its delegate for all actions under this Plan, or from purchasing liability insurance to protect such persons with respect to the Plan.

v. With respect to Company Stock, in the event of any (a) stock split, reverse stock split, or stock dividend, or (b) extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off, split-up or other similar change in corporate structure or capitalization or similar event, the number and kinds of shares payable hereunder shall be adjusted by the Company. The determinations and adjustments made by the Committee under this Section shall be conclusive.

vi. The Compensation Committee shall have the full authority to delegate all of its responsibilities (other than fiduciary monitoring obligations) to a person or persons of its choosing. The delegate shall have all the powers that the Compensation Committee deems necessary for the efficient administration of the Plan.

11. Claims Procedure. The Company shall administer a claims procedure as follows:

vii. Initial Claim. A Participant or his or her beneficiary who believes that he or she is entitled to benefits under the Plan (the “**Claimant**”), or the Claimant’s authorized representative acting on behalf of such Claimant, must make a claim for those benefits by submitting a written notification of his or her claim of right to such benefits. Such notification must be on the form and in accordance with the procedures established by the Company. No benefit shall be paid under the Plan until a proper claim for benefits has been submitted.

viii. Procedure for Review. The Compensation Committee shall establish administrative processes and safeguards to ensure that all claims for benefits are reviewed in accordance with the Plan document and that, where appropriate, Plan provisions have been applied consistently to similarly situated Claimants. Any notification to a Claimant required hereunder may be provided in writing or by electronic media, provided that any electronic notification shall comply with the applicable standards imposed under 29 C.F.R. §2520.104b-1(c).

ix. Claim Denial Procedure. If a claim is wholly or partially denied, the Compensation Committee shall notify the Claimant within a reasonable period of time, but not later than 90 days after receipt of the claim, unless the Compensation Committee determines that special circumstances require an extension of time for processing the claim. If the Compensation Committee determines that an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 90-day period. In no event shall such extension exceed a period of 180 days from receipt of the claim. The extension notice shall indicate: (i) the special circumstances necessitating the extension and (ii) the date by which the Compensation Committee expects to render a benefit determination. A benefit denial notice shall be written in a manner calculated to be understood by the Claimant and shall set forth: (i) the specific reason or reasons for the denial, (ii) the specific reference to the Plan provisions on which the denial is based, (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, with reasons therefor, and (iv) the procedure for reviewing the denial of the claim and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a legal action under section 502(a) of Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") following an adverse benefit determination on review.

x. Appeal Procedure. In the case of an adverse benefit determination, the Claimant or his or her representative shall have the opportunity to appeal to the Compensation Committee for review thereof by requesting such review in writing to the Board within 60 days of receipt of notification of the denial. Failure to submit a proper application for appeal within such 60 day period will cause such claim to be permanently denied. The Claimant or his or her representative shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim. A document, record or other information shall be deemed "relevant" to a claim in accordance with 29 C.F.R. §2560.503-1(m)(8). The Claimant or his or her representative shall also be provided the opportunity to submit written comments, documents, records and other information relating to the claim for benefits. The Board shall review the appeal taking into account all comments, documents, records and other information submitted by the Claimant or his or her representative relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

xi. Decision on Appeal. The Board shall notify a Claimant of its decision on appeal within a reasonable period of time, but not later than 60 days after receipt of the Claimant's request for review, unless the Compensation Committee determines that special circumstances require an extension of time for processing the appeal. If the Compensation Committee determines that an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 60-day period. In no event shall such extension exceed a period of 60 days from the end of the initial period. The extension notice shall indicate: (i) the special circumstances necessitating the extension and (ii) the date by which the Compensation Committee expects to render a benefit determination. An adverse benefit decision on appeal shall be written in a manner calculated to be understood by the Claimant and shall set forth: (i) the specific reason or reasons for the adverse determination, (ii) the specific reference to the Plan provisions on which the denial is based, (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the Claimant's claim (the relevance of a document, record or other information will be determined in accordance with 29 C.F.R. §2560-1(m)(8)) and (iv) a statement of the Claimant's right to bring a legal action under section 502(a) of ERISA.

xii. Litigation. In order to operate and administer the claims procedure in a timely and efficient manner, any Claimant whose appeal with respect to a claim for benefits has been denied, and who wants to commence a legal action with respect to such claim, must commence such action in a court of competent jurisdiction within 90 days of receipt of notification of such denial. Failure to file such action by the prescribed time will forever bar the commencement of such action.

xiii. Disputes; Enforcement of Rights. All reasonable legal and other fees and expenses incurred by the Claimant in connection with any disputed claim regarding any right or benefit provided for in this Plan shall be paid by the Company, to the extent permitted by law, provided that the Claimant prevails on the merits of his or her claim in material part as the result of litigation, arbitration or settlement.

12. Delay. Notwithstanding anything in the Plan to the contrary, to the extent permitted by Section 409A of the Code, distributions to Participants shall be delayed if (a) the ability of the Company to remain a going concern is jeopardized, (b) it is necessary to comply with applicable law, or (c) prior to a Change in Control only, to the extent necessary to ensure deduction under Section 162(m) of the Code.

13. Acceleration to Pay Employment Taxes. To the extent permitted by Section 409A of the Code, distributions under the Plan may be accelerated to the extent required to pay employment taxes, as permitted by the Compensation Committee.

14. Top Hat and Non-Qualified Status. This Plan is intended to be a top-hat plan within the meaning of ERISA. The Plan is an unfunded plan for purposes of ERISA and the Code and is not qualified under section 401(a) of the Code.

15. Withholding of Taxes. The rights of a Participant (and his or her beneficiaries) to payments under this Plan shall be subject to the Company's obligations at any time to withhold from such payments any income or other tax on such payments.

16. Assignability. No portion of a Participant's Account(s) may be assigned or transferred in any manner, nor shall any of the Accounts be subject to anticipation, voluntary alienation or involuntary alienation.

17. Amendments and Termination. This Plan may be amended by the Compensation Committee of the Board. This Plan may be terminated at any time by the Board. No amendment or termination may adversely affect a Participant's Accounts existing on the date such amendment or termination is made, nor any election previously made under the Plan as to deferrals for the calendar year in which the amendment or termination occurs.

18. Effective Date; Section 409A. The Plan was originally effective with respect to a Participant's Bonus Stock or Cash Compensation earned after August 30, 1994. This restatement is effective with respect to a Participant's deferrals made on or after January 1, 2020. The Plan is intended to satisfy Code Section 409A and all of the official guidance promulgated thereunder. To the extent a provision in the Plan is inconsistent with Code Section 409A, such provisions shall be deemed amended to comply with Code Section 409A, to avoid the application of the penalty tax and interest provided thereunder.

* * *

To record the adoption of the amendment and restatement of the West Pharmaceutical Services, Inc. Non-Qualified Deferred Compensation Plan for Designated Employees effective as of January 1, 2020, West Pharmaceutical Services, Inc. has caused its authorized officer to execute this Plan document upon authorization provided by the Compensation Committee of the Board of Directors on July 13, 2020.

WEST PHARMACEUTICAL SERVICES, INC.

By: /s/ Annette F. Favorite
Annette F. Favorite
Sr. Vice President & Chief Human Resources Officer

EXHIBIT 31.1

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: October 23, 2020

EXHIBIT 31.2

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 and Chief Financial Officer

Date: October 23, 2020

EXHIBIT 32.1

**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 September 30, 2020, 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: October 23, 2020

**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 September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Bernard J. Birkett, Senior Vice President and Chief Financial 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/ Bernard J. Birkett
Bernard J. Birkett
Senior Vice President and Chief Financial Officer

Date: October 23, 2020