

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 March 31, 2015

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

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

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

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

Large accelerated filer

☒

Accelerated filer

☐

Non-accelerated filer

☐

(Do not check if a smaller reporting company)

Smaller reporting company

☐

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

As of April 30, 2015, there were 71,948,340 shares of the Registrant's common stock outstanding.

TABLE OF CONTENTS

|                                      | <u>Page</u>   |
|--------------------------------------|---|
| <u>PART I. FINANCIAL INFORMATION</u> |   |
| <u>ITEM 1.</u>                       | FINANCIAL STATEMENTS (UNAUDITED)  |
|                                      | <a href="#"><u>Condensed Consolidated Statements of Income for the Three Months ended March 31, 2015 and 2014</u></a>               |
|                                      | <a href="#"><u>3</u></a>  |
|                                      | <a href="#"><u>Condensed Consolidated Statements of Comprehensive Income for the Three Months ended March 31, 2015 and 2014</u></a> |
|                                      | <a href="#"><u>4</u></a>  |
|                                      | <a href="#"><u>Condensed Consolidated Balance Sheets at March 31, 2015 and December 31, 2014</u></a>                                |
|                                      | <a href="#"><u>5</u></a>  |
|                                      | <a href="#"><u>Condensed Consolidated Statement of Equity for the Three Months ended March 31, 2015</u></a>                         |
|                                      | <a href="#"><u>6</u></a>  |
|                                      | <a href="#"><u>Condensed Consolidated Statements of Cash Flows for the Three Months ended March 31, 2015 and 2014</u></a>           |
|                                      | <a href="#"><u>7</u></a>  |
|                                      | <a href="#"><u>Notes to Condensed Consolidated Financial Statements</u></a>   |
|                                      | <a href="#"><u>8</u></a>  |
| <u>ITEM 2.</u>                       | MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS   |
|                                      | <a href="#"><u>19</u></a>   |
| <u>ITEM 3.</u>                       | QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK  |
|                                      | <a href="#"><u>29</u></a>   |
| <u>ITEM 4.</u>                       | CONTROLS AND PROCEDURES   |
|                                      | <a href="#"><u>30</u></a>   |
| <u>PART II. OTHER INFORMATION</u>    |   |
| <u>ITEM 1.</u>                       | LEGAL PROCEEDINGS   |
|                                      | <a href="#"><u>30</u></a>   |
| <u>ITEM 1A.</u>                      | RISK FACTORS  |
|                                      | <a href="#"><u>30</u></a>   |
| <u>ITEM 2.</u>                       | UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS   |
|                                      | <a href="#"><u>31</u></a>   |
| <u>ITEM 5.</u>                       | OTHER INFORMATION   |
|                                      | <a href="#"><u>32</u></a>   |
| <u>ITEM 6.</u>                       | EXHIBITS  |
|                                      | <a href="#"><u>33</u></a>   |
| <u>SIGNATURE</u>                     | <a href="#"><u>34</u></a>   |
| <u>EXHIBIT INDEX</u>                 | <a href="#"><u>F-1</u></a>  |

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<br>March 31, |          |
|--|---------------------------------|----------|
|  | 2015                            | 2014     |
| Net sales                                    | \$ 335.9                        | \$ 346.8 |
| Cost of goods and services sold              | 226.2                           | 240.4    |
| Gross profit                                 | 109.7                           | 106.4    |
| Research and development                     | 7.5                             | 10.0     |
| Selling, general and administrative expenses | 55.2                            | 56.4     |
| Other (income) expense (Note 11)             | (0.8)                           | 0.7      |
| Operating profit                             | 47.8                            | 39.3     |
| Interest expense                             | 4.1                             | 4.0      |
| Interest income                              | 0.4                             | 0.4      |
| Income before income taxes                   | 44.1                            | 35.7     |
| Income tax expense                           | 12.5                            | 9.8      |
| Equity in net income of affiliated companies | 1.3                             | 1.2      |
| Net income                                   | \$ 32.9                         | \$ 27.1  |
| Net income per share:                        |                                 |          |
| Basic  | \$ 0.46                         | \$ 0.38  |
| Diluted                                      | \$ 0.45                         | \$ 0.38  |
| Weighted average shares outstanding:         |                                 |          |
| Basic  | 71.7                            | 70.6     |
| Diluted                                      | 73.3                            | 72.3     |
| Dividends declared per share                 |                                 |          |
|  | \$ 0.11                         | \$ 0.10  |

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<br>March 31, |         |
|---|---------------------------------|---------|
|   | 2015                            | 2014    |
| Net income  | \$ 32.9                         | \$ 27.1 |
| Other comprehensive (loss) income, net of tax:  |                                 |         |
| Foreign currency translation adjustments  | (56.3)                          | (1.8)   |
| Defined benefit pension and other postretirement plan adjustments, net of tax of \$0.8 and \$0.2 respectively | 1.8                             | 0.2     |
| Net gains on derivatives, net of tax of \$1.2 and \$0.2, respectively   | 3.4                             | 0.2     |
| Other comprehensive loss, net of tax  | (51.1)                          | (1.4)   |
| Comprehensive (loss) income   | \$ (18.2)                       | \$ 25.7 |

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

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

|  | March 31,<br>2015 | December 31,<br>2014 |
|--|-------------------|----------------------|
| ASSETS   |                   |                      |
| Current assets:  |                   |                      |
| Cash and cash equivalents  | \$ 207.1          | \$ 255.3             |
| Accounts receivable, net   | 189.5             | 179.0                |
| Inventories  | 183.4             | 181.5                |
| Deferred income taxes  | 8.7               | 7.8                  |
| Other current assets   | 36.4              | 35.7                 |
| Total current assets   | 625.1             | 659.3                |
| Property, plant and equipment  | 1,349.1           | 1,390.8              |
| Less accumulated depreciation and amortization   | 673.3             | 685.0                |
| Property, plant and equipment, net   | 675.8             | 705.8                |
| Investments in affiliated companies  | 59.3              | 60.6                 |
| Goodwill   | 104.4             | 108.6                |
| Deferred income taxes  | 64.1              | 66.1                 |
| Intangible assets, net   | 40.2              | 42.0                 |
| Other noncurrent assets  | 27.1              | 28.5                 |
| Total Assets   | \$ 1,596.0        | \$ 1,670.9           |
| LIABILITIES AND EQUITY   |                   |                      |
| Current liabilities:   |                   |                      |
| Notes payable and other current debt   | \$ 98.8           | \$ 27.2              |
| Accounts payable   | 88.5              | 103.1                |
| Pension and other postretirement benefits  | 2.5               | 2.6                  |
| Accrued salaries, wages and benefits   | 38.8              | 52.9                 |
| Income taxes payable   | 15.0              | 14.9                 |
| Other current liabilities  | 53.0              | 51.8                 |
| Total current liabilities  | 296.6             | 252.5                |
| Long-term debt   | 231.9             | 309.5                |
| Deferred income taxes  | 15.4              | 15.7                 |
| Pension and other postretirement benefits  | 61.4              | 83.7                 |
| Other long-term liabilities  | 49.6              | 52.6                 |
| Total Liabilities  | 654.9             | 714.0                |
| Commitments and contingencies (Note 13)  |                   |                      |
| Equity:  |                   |                      |
| Preferred stock, 3.0 million shares authorized; 0 shares issued and outstanding  | —                 | —                    |
| Common stock, \$0.25 par value; 100.0 million shares authorized; issued: 72.0 million and 71.4 million; outstanding: 71.9 million and 71.3 million | 18.0              | 17.8                 |
| Capital in excess of par value   | 170.4             | 160.2                |
| Retained earnings  | 927.2             | 902.2                |
| Accumulated other comprehensive loss   | (170.3)           | (119.2)              |
| Treasury stock, at cost (0.1 million and 0.1 million shares)   | (4.2)             | (4.1)                |
| Total Equity   | 941.1             | 956.9                |
| Total Liabilities and Equity   | \$ 1,596.0        | \$ 1,670.9           |

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)

West Pharmaceutical Services, Inc. and Subsidiaries

(In millions)

|   | Common Stock |         | Capital in<br>Excess of Par<br>Value | Treasury<br>Stock | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>loss | Total    |
|---|--------------|---------|--------------------------------------|-------------------|----------------------|---|----------|
|   | Shares       | Amount  |                                      |                   |                      |   |          |
| Balance, December 31, 2014                          | 71.4         | \$ 17.8 | \$ 160.2                             | \$ (4.1)          | \$ 902.2             | \$ (119.2)                                    | \$ 956.9 |
| Net income  | —            | —       | —                                    | —                 | 32.9                 | —   | 32.9     |
| Stock-based compensation                            | —            | 0.1     | 3.9                                  | 0.1               | —                    | —   | 4.1      |
| Shares issued under stock plans                     | 0.7          | 0.1     | 8.9                                  | —                 | —                    | —   | 9.0      |
| Shares repurchased for employee tax<br>withholdings | (0.1)        | —       | (5.5)                                | (0.2)             | —                    | —   | (5.7)    |
| Excess tax benefit from employee stock<br>plans     | —            | —       | 2.9                                  | —                 | —                    | —   | 2.9      |
| Dividends declared                                  | —            | —       | —                                    | —                 | (7.9)                | —   | (7.9)    |
| Other comprehensive loss, net of tax                | —            | —       | —                                    | —                 | —                    | (51.1)  | (51.1)   |
| Balance, March 31, 2015                             | 72.0         | \$ 18.0 | \$ 170.4                             | \$ (4.2)          | \$ 927.2             | \$ (170.3)                                    | \$ 941.1 |

See accompanying notes to condensed consolidated financial statements.

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

|   | Three Months Ended<br>March 31, |          |
|---|---------------------------------|----------|
|   | 2015                            | 2014     |
| Cash flows from operating activities:   |                                 |          |
| Net income  | \$ 32.9                         | \$ 27.1  |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: |                                 |          |
| Depreciation  | 21.0                            | 20.6     |
| Amortization  | 1.0                             | 1.2      |
| Stock-based compensation  | 5.3                             | 4.3      |
| Other non-cash items, net   | (1.0)                           | (1.2)    |
| Changes in assets and liabilities   | (61.1)                          | (43.2)   |
| Net cash (used in) provided by operating activities   | (1.9)                           | 8.8      |
| Cash flows from investing activities:   |                                 |          |
| Capital expenditures  | (30.4)                          | (31.7)   |
| Purchases of short-term investments   | —                               | (9.2)    |
| Sales and maturities of short-term investments  | —                               | 5.0      |
| Other, net  | (0.2)                           | 0.3      |
| Net cash used in investing activities   | (30.6)                          | (35.6)   |
| Cash flows from financing activities:   |                                 |          |
| Borrowings under revolving credit agreements  | 6.3                             | 125.3    |
| Repayments under revolving credit agreements  | (1.0)                           | (93.3)   |
| Repayments of long-term debt  | (0.6)                           | (0.6)    |
| Dividend payments   | (7.9)                           | (7.1)    |
| Excess tax benefit from employee stock plans  | 2.9                             | 2.7      |
| Shares repurchased for employee tax withholdings  | (5.7)                           | (4.1)    |
| Proceeds from exercise of stock options and stock appreciation rights                       | 6.6                             | 2.4      |
| Employee stock purchase plan contributions  | 0.7                             | 0.8      |
| Other   | (0.1)                           | 0.1      |
| Net cash provided by financing activities   | 1.2                             | 26.2     |
| Effect of exchange rates on cash  | (16.9)                          | 0.6      |
| Net decrease in cash and cash equivalents   | (48.2)                          | —        |
| Cash and cash equivalents at beginning of period  | 255.3                           | 230.0    |
| Cash and cash equivalents at end of period  | \$ 207.1                        | \$ 230.0 |

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**Note 1: Summary of Significant Accounting Policies**

**Basis of Presentation:** The condensed consolidated financial statements included in this report are unaudited and have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial reporting and 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 months ended March 31, 2015 should be read in conjunction with the consolidated financial statements and notes thereto of West Pharmaceutical Services, Inc. (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, 2014 ("2014 Annual Report"). The results of operations for any interim period are not necessarily indicative of results for the full year.

**Note 2: New Accounting Standards**

**Recently Adopted Standards**

In April 2014, the Financial Accounting Standards Board ("FASB") issued guidance for the reporting of discontinued operations, which also contained new disclosure requirements for both discontinued operations and other disposals that do not meet the definition of a discontinued operation. We adopted this guidance as of January 1, 2015, on a prospective basis. The adoption did not have a material impact on our financial statements.

**Standards Issued Not Yet Adopted**

In April 2015, the FASB issued guidance on the accounting for fees paid by a customer in a cloud computing arrangement. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Management is currently evaluating the impact that this guidance will have on our financial statements, if any.

In April 2015, the FASB issued guidance which changes the classification of debt issuance costs, from being an asset on the balance sheet to netting the costs against the carrying value of the debt. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Management believes that the adoption of this guidance will not have a material impact on our financial statements.

In January 2015, the FASB issued guidance which removes the concept of extraordinary items from U.S. GAAP. This guidance eliminates the requirement for companies to spend time assessing whether items meet the criteria of being both unusual and infrequent. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Management believes that the adoption of this guidance will not have a material impact on our financial statements.

In August 2014, the FASB issued guidance which defines management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This guidance is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. Management believes that the adoption of this guidance will not have a material impact on our financial statements.



In June 2014, the FASB issued guidance that clarifies the accounting for share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. In this case, the performance target would be required to be treated as a performance condition, and should not be reflected in estimating the grant-date fair value of the award. The guidance also addresses when to recognize the related compensation cost. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Management believes that the adoption of this guidance will not have a material impact on our financial statements.

In May 2014, the FASB issued guidance on the accounting for revenue from contracts with customers that will supersede most existing revenue recognition guidance, including industry-specific guidance. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the guidance requires enhanced disclosures regarding the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This guidance is effective for interim and annual reporting periods beginning on or after December 15, 2016. The FASB has proposed delaying this standard by one year. If the proposal is approved, early adoption would be permitted as of the original effective date. Entities can choose to apply the guidance using either a full retrospective approach or a modified retrospective approach. Management is currently evaluating the impact that this guidance will have on our financial statements, if any, including which transition method it will adopt.

**Note 3: Net Income Per Share**

The following table reconciles net income and 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<br>March 31, |         |
|--|---------------------------------|---------|
|  | 2015                            | 2014    |
| <b>Numerator:</b>  |                                 |         |
| Net income   | \$ 32.9                         | \$ 27.1 |
| <b>Denominator:</b>  |                                 |         |
| Weighted average common shares outstanding   | 71.7                            | 70.6    |
| Dilutive effect of stock options, stock appreciation rights and performance share awards, based on the treasury stock method | 1.6                             | 1.7     |
| Weighted average shares assuming dilution  | 73.3                            | 72.3    |

There were 0.8 million and 0.2 million antidilutive shares outstanding during the three months ended March 31, 2015 and 2014, respectively.

**Note 4: Inventories**

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

| (\$ in millions) | March 31,<br>2015 | December 31,<br>2014 |
|------------------|-------------------|----------------------|
| Finished goods   | \$ 80.1           | \$ 76.0              |
| Work in process  | 27.6              | 25.6                 |
| Raw materials    | 75.7              | 79.9                 |
|                  | \$ 183.4          | \$ 181.5             |

**Note 5: Debt**

The following table summarizes our long-term debt obligations, net of current maturities:

| (\$ in millions)                                | March 31,<br>2015 | December 31,<br>2014 |
|---|-------------------|----------------------|
| Series B floating rate notes, due July 28, 2015 | \$ 25.0           | \$ 25.0              |
| Euro note B, due February 27, 2016              | 66.3              | 74.3                 |
| Capital leases, due January 1, 2016             | 0.1               | 0.2                  |
| Revolving credit facility, due April 26, 2017   | 32.3              | 29.7                 |
| Term loan, due January 1, 2018                  | 38.7              | 39.2                 |
| Note payable, due January 1, 2020               | 0.3               | 0.3                  |
| Series A notes, due July 5, 2022                | 42.0              | 42.0                 |
| Series B notes, due July 5, 2024                | 53.0              | 53.0                 |
| Series C notes, due July 5, 2027                | 73.0              | 73.0                 |
|   | 330.7             | 336.7                |
| Less: current portion of long-term debt         | 98.8              | 27.2                 |
|   | \$ 231.9          | \$ 309.5             |

Please refer to Note 8, *Debt*, to the consolidated financial statements in our 2014 Annual Report for additional details regarding our debt agreements.

At March 31, 2015, we had \$32.3 million in outstanding borrowings under our multi-currency revolving credit facility, of which \$4.2 million was denominated in Yen, \$22.8 million in Euro, and the remainder in U.S. dollar ("USD"). Of the amount outstanding at March 31, 2015, \$5.3 million was borrowed under the swing-line portion of the credit facility, which was classified as current. The total amount outstanding at December 31, 2014 was classified as long-term.

At March 31, 2015, we had \$38.7 million outstanding under our five-year term loan due January 2018, of which \$2.1 million was classified as current. Please refer to Note 6, *Derivative Financial Instruments*, for a discussion of the interest-rate swap agreement associated with this loan.

**Note 6: Derivative Financial Instruments**

Our ongoing business operations expose us to various risks such as fluctuating interest rates, foreign 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 speculation or trading purposes. All derivatives are recorded on the balance sheet at fair value.

**Interest Rate Risk**

At March 31, 2015, we have a \$38.7 million forward-start interest rate swap outstanding that hedges the variability in cash flows due to changes in the applicable interest rate of our variable-rate five-year term loan related to the purchase of our corporate office and research building. Under this swap, we receive variable interest rate payments based on one-month London Interbank Offering Rates ("LIBOR") plus a margin in return for making monthly fixed interest payments at 5.41%. We designated this swap as a cash flow hedge.

In addition, we have a \$25.0 million interest rate swap agreement outstanding as of March 31, 2015, that is designated as a cash flow hedge to protect against volatility in the interest rates on our floating rate notes maturing on July 28, 2015 (“Series B Notes”). Under this swap, we receive variable interest rate payments based on three-month LIBOR in return for making quarterly fixed rate payments. Including the applicable margin, the interest rate swap agreement effectively fixes the interest rate payable on the Series B Notes at 5.51%.

**Foreign Exchange Rate Risk**

During 2015 and 2014, we entered into several foreign currency hedge contracts that were designated as cash flow hedges of forecasted transactions denominated in foreign currencies, which are described in more detail below.

We entered into a series of foreign currency contracts intended to hedge the currency risk associated with a portion of our forecasted USD-denominated inventory purchases made by certain European subsidiaries, for a total notional amount of €14.5 million (\$17.5 million).

We also entered into a series of foreign currency contracts to hedge the currency risk associated with a portion of our forecasted Euro-denominated sales of finished goods by one of our USD functional-currency subsidiaries for a total notional amount of \$16.8 million.

In addition, we entered into several contracts which involve both a written and a purchased option to hedge the currency risk associated with a portion of our forecasted Yen-denominated inventory purchases made by West in the U.S. The notional amounts of these contracts include ¥1.2 billion of a derivative asset and ¥1.2 billion of a derivative liability, or \$9.9 million each.

Lastly, we entered into several contracts which involve both a written and a purchased option to hedge the currency risk associated with a portion of our forecasted Yen-denominated inventory purchases made by certain European subsidiaries. The notional amounts of these contracts include ¥0.8 billion of a derivative asset and ¥0.8 billion of a derivative liability, or \$6.1 million each.

At March 31, 2015, a portion of our debt consists of borrowings denominated in currencies other than the U.S. dollar. We have designated our €61.1 million (\$66.3 million) Euro note B and our €21.0 million (\$22.8 million) Euro-denominated borrowings under our multi-currency revolving credit facility as a hedge of our net investment in certain European subsidiaries. A cumulative foreign currency translation gain of \$18.2 million pre-tax (\$11.5 million after tax) on this debt was recorded within accumulated other comprehensive loss as of March 31, 2015. We have also designated our ¥500.0 million (\$4.2 million) Yen-denominated borrowings under our multi-currency revolving credit facility as a hedge of our net investment in Daikyo. At March 31, 2015, there was a cumulative foreign currency translation gain on this Yen-denominated debt of \$1.2 million pre-tax (\$0.8 million after tax) which was also included within accumulated other comprehensive loss.

**Commodity Price Risk**

Many of our Packaging Systems 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.

In November 2014, we purchased a series of call options for a total of 134,700 barrels of crude oil to mitigate our exposure to such oil-based surcharges and protect operating cash flows with regard to a portion of our forecasted elastomer purchases through December 2015. With these contracts we may benefit from a decline in crude oil prices, as there is no downward exposure other than the \$0.1 million premium that we paid to purchase the contracts.

During the three months ended March 31, 2015, the loss recorded in cost of goods and services sold related to these call options was immaterial.

Effects of Derivative Instruments on Financial Position and Results of Operations

The following table summarizes the effects of derivative instruments designated as hedges on other comprehensive income (“OCI”) and earnings, net of tax:

|                                   | Amount of Gain (Loss)<br>Recognized in OCI for<br>Three Months Ended<br>March 31, |                 | Amount of (Gain) Loss<br>Reclassified from<br>Accumulated OCI into<br>Income for<br>Three Months Ended<br>March 31, |               | Location of (Gain) Loss Reclassified<br>from Accumulated OCI into Income |
|-----------------------------------|---|-----------------|---|---------------|--|
| (\$ in millions)                  | 2015  | 2014            | 2015  | 2014          |  |
| <b>Cash Flow Hedges:</b>          |   |                 |   |               |  |
| Foreign currency hedge contracts  | \$ 1.8  | \$ (0.1)        | \$ (0.3)  | \$ —          | Net sales  |
| Foreign currency hedge contracts  | 1.7   | (0.1)           | —   | —             | Cost of goods and services sold  |
| Interest rate swap contracts      | (0.2)   | (0.1)           | 0.4   | 0.4           | Interest expense   |
| Forward treasury locks            | —   | —               | —   | 0.1           | Interest expense   |
| Total                             | <u>\$ 3.3</u>   | <u>\$ (0.3)</u> | <u>\$ 0.1</u>   | <u>\$ 0.5</u> |  |
| <b>Net Investment Hedges:</b>     |   |                 |   |               |  |
| Foreign currency-denominated debt | <u>\$ 6.7</u>   | <u>\$ —</u>     | <u>\$ —</u>   | <u>\$ —</u>   | Other (income) expense   |
| Total                             | <u>\$ 6.7</u>   | <u>\$ —</u>     | <u>\$ —</u>   | <u>\$ —</u>   |  |

For the three months ended March 31, 2015 and 2014, there was no material ineffectiveness related to our hedges.

Note 7: 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<br>March 31,<br>2015 | Basis of Fair Value Measurements |               |               |
|-----------------------------------|---------------------------------|----------------------------------|---------------|---------------|
|                                   |                                 | Level 1                          | Level 2       | Level 3       |
| <u>Assets:</u>                    |                                 |                                  |               |               |
| Deferred compensation assets      | \$ 6.6                          | \$ 6.6                           | \$ —          | \$ —          |
| Foreign currency contracts        | 4.4                             | —                                | 4.4           | —             |
|                                   | <u>\$ 11.0</u>                  | <u>\$ 6.6</u>                    | <u>\$ 4.4</u> | <u>\$ —</u>   |
| <u>Liabilities:</u>               |                                 |                                  |               |               |
| Contingent consideration          | \$ 5.1                          | \$ —                             | \$ —          | \$ 5.1        |
| Deferred compensation liabilities | 9.0                             | 9.0                              | —             | —             |
| Interest rate swap contracts      | 3.2                             | —                                | 3.2           | —             |
|                                   | <u>\$ 17.3</u>                  | <u>\$ 9.0</u>                    | <u>\$ 3.2</u> | <u>\$ 5.1</u> |

| (\$ in millions)                  | Balance at           | Basis of Fair Value Measurements |               |               |
|-----------------------------------|----------------------|----------------------------------|---------------|---------------|
|                                   | December 31,<br>2014 | Level 1                          | Level 2       | Level 3       |
| <u>Assets:</u>                    |                      |                                  |               |               |
| Deferred compensation assets      | \$ 6.6               | \$ 6.6                           | \$ —          | \$ —          |
| Foreign currency contracts        | 0.2                  | —                                | 0.2           | —             |
|                                   | <u>\$ 6.8</u>        | <u>\$ 6.6</u>                    | <u>\$ 0.2</u> | <u>\$ —</u>   |
| <u>Liabilities:</u>               |                      |                                  |               |               |
| Contingent consideration          | \$ 5.0               | \$ —                             | \$ —          | \$ 5.0        |
| Deferred compensation liabilities | 8.7                  | 8.7                              | —             | —             |
| Interest rate swap contracts      | 3.6                  | —                                | 3.6           | —             |
|                                   | <u>\$ 17.3</u>       | <u>\$ 8.7</u>                    | <u>\$ 3.6</u> | <u>\$ 5.0</u> |

Deferred compensation assets are included within other noncurrent assets and are also 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 assets, 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 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. Interest rate swap contracts, included within other current and long-term liabilities, are valued based on the terms of the contract and observable market inputs (i.e., LIBOR, Eurodollar synthetic forwards and swap spreads). Refer to Note 6, *Derivative Financial Instruments*, for further discussion of our derivatives.

Level 3 Fair Value Measurements

The fair value of the contingent consideration liability related to our SmartDose™ electronic patch injector system (“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 in our condensed consolidated statements of income. The significant unobservable inputs used in the fair value measurement of the contingent consideration are the sales projections, the probability of success factors, and the discount rate. Significant increases or decreases in any of those inputs in isolation would result in a significantly lower or higher fair value measurement. As development and commercialization of SmartDose 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 contingent consideration liability.

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

|   | Three Months Ended<br>March 31, |        |
|---|---------------------------------|--------|
|   | 2015                            | 2014   |
| Beginning Balance                           | \$ 5.0                          | \$ 4.3 |
| Increase in fair value recorded in earnings | 0.2                             | 0.4    |
| Payments                                    | (0.1)                           | —      |
| Ending Balance                              | \$ 5.1                          | \$ 4.7 |

Refer to Note 11, *Other (Income) Expense*, for further discussion of our acquisition-related contingency.

Other Financial Instruments

We believe that the carrying amounts of our cash and cash equivalents, accounts receivable and short-term borrowings 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 March 31, 2015, the estimated fair value of long-term debt was \$237.2 million compared to a carrying amount of \$231.9 million. At December 31, 2014, the estimated fair value of long-term debt was \$311.4 million and the carrying amount was \$309.5 million.

Note 8: Accumulated Other Comprehensive Loss

The following table presents the changes in the components of accumulated other comprehensive loss, net of tax, for the three months ended March 31, 2015:

| (\$ in millions)  | Losses on<br>cash flow<br>hedges | Unrealized gains<br>on investment<br>securities | Defined benefit<br>pension and other<br>postretirement plans | Foreign<br>currency<br>translation | Total      |
|---|----------------------------------|---|--|------------------------------------|------------|
| Balance, December 31, 2014                                    | \$ (4.3)                         | \$ 4.7  | \$ (64.6)  | \$ (55.0)                          | \$ (119.2) |
| Other comprehensive income (loss)<br>before reclassifications | 3.3                              | —   | 1.2  | (56.3)                             | (51.8)     |
| Amounts reclassified out                                      | 0.1                              | —   | 0.6  | —                                  | 0.7        |
| Other comprehensive income (loss), net<br>of tax              | 3.4                              | —   | 1.8  | (56.3)                             | (51.1)     |
| Balance, March 31, 2015                                       | \$ (0.9)                         | \$ 4.7  | \$ (62.8)  | \$ (111.3)                         | \$ (170.3) |

A summary of the reclassifications out of accumulated other comprehensive loss is presented in the following table (\$ in millions):

| Detail of components  | Three Months Ended<br>March 31, |          | Location on Statement of Income |
|---|---------------------------------|----------|---------------------------------|
|   | 2015                            | 2014     |                                 |
| Gains (losses) on cash flow hedges:                                     |                                 |          |                                 |
| Foreign currency contracts  | \$ 0.4                          | \$ —     | Cost of goods and services sold |
| Interest rate swap contracts  | (0.6)                           | (0.7)    | Interest expense                |
| Forward treasury locks  | (0.1)                           | (0.1)    | Interest expense                |
| Total before tax  | (0.3)                           | (0.8)    |                                 |
| Tax expense   | 0.2                             | 0.3      |                                 |
| Net of tax  | \$ (0.1)                        | \$ (0.5) |                                 |
| Amortization of defined benefit pension and other postretirement plans: |                                 |          |                                 |
| Prior service cost  | \$ 0.3                          | \$ 0.3   | (a)                             |
| Actuarial losses  | (1.3)                           | (0.8)    | (a)                             |
| Total before tax  | (1.0)                           | (0.5)    |                                 |
| Tax expense   | 0.4                             | 0.2      |                                 |
| Net of tax  | \$ (0.6)                        | \$ (0.3) |                                 |
| Total reclassifications for the period, net of tax                      | \$ (0.7)                        | \$ (0.8) |                                 |

(a) These components are included in the computation of net periodic benefit cost. Refer to Note 10, *Benefit Plans*, for additional details.

**Note 9: Stock-Based Compensation**

The 2011 Omnibus Incentive Compensation Plan (the "2011 Plan") provides for the granting of stock options, stock appreciation rights, restricted stock awards and performance awards to employees and non-employee directors. The terms and conditions of awards to be granted are determined by our Board's nominating and corporate governance and compensation committees. Vesting requirements vary by award. At March 31, 2015, there were 3,249,041 shares remaining in the 2011 Plan for future grants.

During the three months ended March 31, 2015, we granted 500,388 stock options at a weighted average exercise price of \$54.07 per share based on the grant-date fair value of our stock to key employees under the 2011 Plan. The weighted average grant date fair value of options granted was \$10.18 per share as determined by the Black-Scholes option valuation model using the following weighted average assumptions: a risk-free interest rate of 1.67%; expected life of 5.8 years based on prior experience; stock volatility of 19.1% based on historical data; and a dividend yield of 1.0%. Stock option expense is recognized over the vesting period, net of forfeitures.

In addition, during the three months ended March 31, 2015, we granted 94,222 performance vesting share ("PVS") awards at a weighted grant-date fair value of \$54.07 per share to key employees under the 2011 Plan. Each PVS award entitles the holder to one share of our common stock if the annual growth rate of revenue and return on invested capital targets are achieved over a three-year performance period. The actual payout may vary from 0% to 200% of an employee's targeted award. The fair value of PVS 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.

Total stock-based compensation expense was \$5.3 million and \$4.3 million for the three months ended March 31, 2015 and 2014, respectively.

**Note 10: Benefit Plans**

The components of net periodic benefit cost for the three months ended March 31 were as follows (\$ in millions):

|                                      | Pension benefits |               | Other retirement benefits |                 | Total         |               |
|--------------------------------------|------------------|---------------|---------------------------|-----------------|---------------|---------------|
|                                      | 2015             | 2014          | 2015                      | 2014            | 2015          | 2014          |
| Service cost                         | \$ 2.7           | \$ 2.5        | \$ 0.1                    | \$ 0.1          | \$ 2.8        | \$ 2.6        |
| Interest cost                        | 3.9              | 4.2           | 0.1                       | 0.1             | 4.0           | 4.3           |
| Expected return on assets            | (5.7)            | (4.8)         | —                         | —               | (5.7)         | (4.8)         |
| Amortization of prior service credit | (0.3)            | (0.3)         | —                         | —               | (0.3)         | (0.3)         |
| Recognized actuarial losses (gains)  | 1.6              | 1.2           | (0.3)                     | (0.4)           | 1.3           | 0.8           |
| Net periodic benefit cost            | <u>\$ 2.2</u>    | <u>\$ 2.8</u> | <u>\$ (0.1)</u>           | <u>\$ (0.2)</u> | <u>\$ 2.1</u> | <u>\$ 2.6</u> |

|                           | Pension benefits |               | Other retirement benefits |                 | Total         |               |
|---------------------------|------------------|---------------|---------------------------|-----------------|---------------|---------------|
|                           | 2015             | 2014          | 2015                      | 2014            | 2015          | 2014          |
| U.S. plans                | \$ 1.5           | \$ 2.1        | \$ (0.1)                  | \$ (0.2)        | \$ 1.4        | \$ 1.9        |
| International plans       | 0.7              | 0.7           | —                         | —               | 0.7           | 0.7           |
| Net periodic benefit cost | <u>\$ 2.2</u>    | <u>\$ 2.8</u> | <u>\$ (0.1)</u>           | <u>\$ (0.2)</u> | <u>\$ 2.1</u> | <u>\$ 2.6</u> |

**Note 11: Other (Income) Expense**

Other (income) expense consists of:

| (\$ in millions)                  | Three Months Ended<br>March 31, |               |
|-----------------------------------|---------------------------------|---------------|
|                                   | 2015                            | 2014          |
| Development income                | \$ (0.4)                        | \$ (0.4)      |
| Acquisition-related contingencies | 0.2                             | 0.4           |
| Foreign exchange and other        | (0.6)                           | 0.7           |
|                                   | <u>\$ (0.8)</u>                 | <u>\$ 0.7</u> |

During both the three months ended March 31, 2015 and 2014, we recognized development income of \$0.4 million within our Pharmaceutical Delivery Systems segment ("Delivery Systems"), which related to a nonrefundable customer payment of \$20.0 million received in June 2013 in return for the exclusive use of SmartDose within a specific therapeutic area. As of March 31, 2015, there was \$17.1 million of unearned income related to this payment, of which \$1.5 million was included in other current liabilities and \$15.6 million was included in other long-term liabilities. The unearned income is being recognized as development 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.



During the three months ended March 31, 2015 and 2014, the SmartDose contingent consideration increased by \$0.2 million and \$0.4 million, respectively, due to the time value of money and changes made to sales projections. These adjustments are included within Delivery Systems' results.

During the three months ended March 31, 2015, we recorded foreign exchange and other income of \$0.6 million, due to foreign exchange transaction gains. During the three months ended March 31, 2014, we recorded foreign exchange and other expense of \$0.7 million, consisting primarily of foreign exchange transaction losses.

**Note 12: 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. For the three months ended March 31, 2015, our effective tax rate was 28.4%, compared with 27.6% for the same period in 2014. The increase in the effective tax rate primarily reflects changes in our geographic mix of earnings.

**Note 13: 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 2014 Annual Report.

**Note 14: Segment Information**

Our business operations are organized into two reportable segments, which are aligned with the underlying markets and customers they serve. Our reportable segments are the Pharmaceutical Packaging Systems segment (“Packaging Systems”) and Delivery Systems. Packaging Systems develops, manufactures and sells primary packaging components and systems for injectable drug delivery, including stoppers and seals for vials, closures and other components used in syringe, intravenous and blood collection systems, and prefillable syringe components. Delivery Systems develops, manufactures and sells safety and administration systems, multi-component systems for drug administration, and a variety of custom contract-manufacturing solutions targeted to the healthcare and consumer-products industries. In addition, Delivery Systems is responsible for the continued development and commercialization of our line of proprietary, multi-component systems for injectable drug administration and other healthcare applications.

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.

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

| (\$ in millions)               | Three Months Ended<br>March 31, |                 |
|--------------------------------|---------------------------------|-----------------|
|                                | 2015                            | 2014            |
| Net sales:                     |                                 |                 |
| Packaging Systems              | \$ 242.5                        | \$ 252.9        |
| Delivery Systems               | 93.5                            | 94.0            |
| Intersegment sales elimination | (0.1)                           | (0.1)           |
| Total net sales                | <u>\$ 335.9</u>                 | <u>\$ 346.8</u> |
| Operating profit (loss):       |                                 |                 |
| Packaging Systems              | \$ 60.9                         | \$ 51.4         |
| Delivery Systems               | (0.5)                           | (0.2)           |
| Corporate                      | (12.6)                          | (11.9)          |
| Total operating profit         | <u>\$ 47.8</u>                  | <u>\$ 39.3</u>  |
| Interest expense               | 4.1                             | 4.0             |
| Interest income                | 0.4                             | 0.4             |
| Income before income taxes     | <u>\$ 44.1</u>                  | <u>\$ 35.7</u>  |

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

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 Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and accompanying notes included in our 2014 Annual Report. These 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 2014 Annual Report and in Part II, Item 1A of this Quarterly Report on Form 10-Q.

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

Non-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. The constant-currency amounts are calculated by translating the current year's functional currency results at the prior-year period's exchange rate. These re-measured results excluding effects from currency translation 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 results.

Our Operations

Our business operations are organized into two reportable segments, which are aligned with the underlying markets and customers they serve. Our reportable segments are Packaging Systems and Delivery Systems. Packaging Systems develops, manufactures and sells primary packaging components and systems for injectable drug delivery, including stoppers and seals for vials, closures and other components used in syringe, intravenous and blood collection systems, and prefillable syringe components. Delivery Systems develops, manufactures and sells safety and administration systems, multi-component systems for drug administration, and a variety of custom contract-manufacturing solutions targeted to the healthcare and consumer-products industries. In addition, Delivery Systems is responsible for the continued development and commercialization of our line of proprietary, multi-component systems for injectable drug administration and other healthcare applications. We also maintain global partnerships to share technologies and market products with affiliates in Japan and Mexico.

First Quarter 2015 Financial Performance Highlights

- Reported net sales were \$335.9 million, a decrease of 3.1% from the same period in 2014. Excluding foreign currency effects, net sales increased by \$22.6 million, or 6.5%.
- Gross profit was \$109.7 million, an increase of 3.1% from the same period in 2014, and our gross margin increased by 2.0 margin points to 32.7%.
- Operating profit was \$47.8 million, an increase of 21.6% from the same period in 2014, and our operating profit margin increased by 2.9 margin points to 14.2%.

- Net income was \$32.9 million, or \$0.45 per diluted share, compared to \$27.1 million, or \$0.38 per diluted share, in the same period in 2014.
- Our financial position remains strong, with cash and cash equivalents of \$207.1 million and a borrowing capacity under our multi-currency revolving credit facility of \$264.7 at March 31, 2015.
- The translation of our non-U.S. dollar-denominated sales is expected to adversely affect 2015 sales and net income per share, as compared to 2014.

Overall, the strong results of Packaging Systems and an unfavorable foreign currency impact, primarily resulting from the weakening of the value of the Euro compared to the U.S. dollar, were the main factors affecting net income and net income per diluted share for the three months ended March 31, 2015, as compared to the same period in 2014. Excluding foreign currency effects, net sales increased during the three months ended March 31, 2015, as compared to the same period in 2014, due to continued growth in Packaging Systems' high-value product offerings.

We anticipate continued revenue and margin improvement on a long-term basis, driven by customers' increasing demand for higher product quality, which results in higher revenues and margin per unit sold in Packaging Systems and an increasing percentage of total sales from higher margin proprietary products in Delivery Systems.

In April 2015, we appointed Eric M. Green to serve as our Chief Executive Officer, effective April 24, 2015, succeeding Donald E. Morel, Jr., Ph.D., who previously served as Chairman of our Board of Directors and Chief Executive Officer. Dr. Morel intends to continue to serve as Chairman of our Board of Directors until June 30, 2015. He plans to retire effective as of July 1, 2015.

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 management 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.

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:

| (\$ in millions)               | Three Months Ended<br>March 31, |          | % Change |             |
|--------------------------------|---------------------------------|----------|----------|-------------|
|                                | 2015                            | 2014     | Reported | Ex-currency |
| Packaging Systems              | \$ 242.5                        | \$ 252.9 | (4.1)%   | 7.7%        |
| Delivery Systems               | 93.5                            | 94.0     | (0.5)%   | 3.3%        |
| Intersegment sales elimination | (0.1)                           | (0.1)    | —        | —           |
| Consolidated net sales         | \$ 335.9                        | \$ 346.8 | (3.1)%   | 6.5%        |

Consolidated net sales decreased by \$10.9 million, or 3.1%, for the three months ended March 31, 2015, as compared to the same period in 2014, including an unfavorable foreign currency impact of \$33.5 million. Excluding foreign currency effects, net sales for the three months ended March 31, 2015 increased by \$22.6 million, or 6.5%, as compared to the same period in 2014. Consolidated net sales originating in the United States for the three months ended March 31, 2015 were \$155.3 million, an increase of 7.8% from the same period in 2014. Consolidated net sales generated outside of the United States (mainly in Europe) for the three months ended March 31, 2015 were \$180.6 million, a decrease of 10.9% from the same period in 2014 due to an unfavorable foreign currency impact. The average Euro to USD exchange rate decreased from \$1.37 for the three months ended March 31, 2014 to \$1.13 for the three months ended March 31, 2015.

**Packaging Systems** – Packaging Systems’ net sales decreased by \$10.4 million, or 4.1%, for the three months ended March 31, 2015, as compared to the same period in 2014, including an unfavorable foreign currency impact of \$29.9 million. Excluding foreign currency effects, net sales for the three months ended March 31, 2015 increased by \$19.5 million, or 7.7%, as compared to the same period in 2014, due to continued growth in our high-value product offerings. Our high-value product offerings represented 46.6% of Packaging Systems' net sales for the three months ended March 31, 2015, as compared to 42.0% for the same period in 2014. An improvement in product mix and higher sales volumes contributed 6.6 percentage points of the increase, and sales price increases contributed 1.1 percentage points of the increase.

**Delivery Systems** – Delivery Systems’ net sales decreased by \$0.5 million, or 0.5%, for the three months ended March 31, 2015, as compared to the same period in 2014, including an unfavorable foreign currency impact of \$3.6 million. Excluding foreign currency effects, net sales for the three months ended March 31, 2015 increased by \$3.1 million, or 3.3%, as compared to the same period in 2014, primarily due to increases in SmartDose development agreement revenue and sales of safety systems and CZ products. Contract manufacturing sales benefited from an increase in sales of glucose monitoring devices. Proprietary net sales represented 24.3% of Delivery Systems' net sales for the three months ended March 31, 2015, as compared to 22.5% for the same period in 2014. Sales volumes contributed 2.8 percentage points of the increase, and sales price increases contributed the remainder of the increase.

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 margins, consolidated and by reportable segment:

| (\$ in millions)          | Three Months Ended<br>March 31, |          |
|---------------------------|---------------------------------|----------|
|                           | 2015                            | 2014     |
| Packaging Systems:        |                                 |          |
| Gross Profit              | \$ 94.9                         | \$ 89.4  |
| Gross Margin              | 39.1%                           | 35.4%    |
| Delivery Systems:         |                                 |          |
| Gross Profit              | \$ 14.8                         | \$ 17.0  |
| Gross Margin              | 15.9%                           | 18.1%    |
| Consolidated Gross Profit | \$ 109.7                        | \$ 106.4 |
| Consolidated Gross Margin | 32.7%                           | 30.7%    |

Consolidated gross profit increased by \$3.3 million, or 3.1%, for the three months ended March 31, 2015, as compared to the same period in 2014, despite an unfavorable foreign currency impact of \$11.4 million. Consolidated gross margin increased by 2.0 margin points for the three months ended March 31, 2015, as compared to the same period in 2014.

**Packaging Systems** – Packaging Systems’ gross profit increased by \$5.5 million, or 6.2%, for the three months ended March 31, 2015, as compared to the same period in 2014, despite an unfavorable foreign currency impact of \$11.1 million. Packaging Systems’ gross margin increased by 3.7 margin points for the three months ended March 31, 2015, as compared to the same period in 2014, primarily as a result of product mix improvements and production efficiencies.

**Delivery Systems** – Delivery Systems’ gross profit decreased by \$2.2 million, or 12.9%, for the three months ended March 31, 2015, as compared to the same period in 2014. Delivery Systems’ gross margin decreased by 2.2 margin points for the three months ended March 31, 2015, as compared to the same period in 2014, primarily as a result of an increase in lower-margin service revenue and increased overhead and depreciation related to new capabilities supporting both proprietary and contract manufacturing programs.

**Research and Development ("R&D") Costs**

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

| (\$ in millions)       | Three Months Ended<br>March 31, |         |
|------------------------|---------------------------------|---------|
|                        | 2015                            | 2014    |
| Packaging Systems      | \$ 3.0                          | \$ 4.3  |
| Delivery Systems       | 4.5                             | 5.7     |
| Consolidated R&D Costs | \$ 7.5                          | \$ 10.0 |

Consolidated R&D costs decreased by \$2.5 million, or 25.0%, for the three months ended March 31, 2015, as compared to the same period in 2014, including the impact of foreign currency, which decreased R&D costs by \$0.2 million.

**Packaging Systems** – Packaging Systems' R&D costs decreased by \$1.3 million, or 30.2%, for the three months ended March 31, 2015, as compared to the same period in 2014, due to higher project spending during the three months ended March 31, 2014 and the impact of foreign currency, which decreased R&D costs by \$0.2 million.

**Delivery Systems** – Delivery Systems' R&D costs decreased by \$1.2 million, or 21.1%, for the three months ended March 31, 2015, as compared to the same period in 2014 due to the reassignment of personnel to clinical trial production activities for SmartDose and the completion of development work on the SelfDose self-injection system in 2014. Efforts remain focused on the further development of SmartDose and CZ 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<br>March 31, |         |
|--------------------------|---------------------------------|---------|
|                          | 2015                            | 2014    |
| Packaging Systems        | \$ 31.9                         | \$ 32.9 |
| Delivery Systems         | 10.7                            | 11.6    |
| Corporate                | 12.6                            | 11.9    |
| Consolidated SG&A costs  | \$ 55.2                         | \$ 56.4 |
| SG&A as a % of net sales | 16.4%                           | 16.2%   |

Consolidated SG&A costs decreased by \$1.2 million, or 2.1%, for the three months ended March 31, 2015, as compared to the same period in 2014, including the impact of foreign currency, which decreased SG&A costs by \$2.9 million. Consolidated SG&A costs were 16.4% and 16.2% of consolidated net sales for the three months ended March 31, 2015 and 2014, respectively.

**Packaging Systems** – Packaging Systems' SG&A costs decreased by \$1.0 million, or 3.0%, for the three months ended March 31, 2015, as compared to the same period in 2014, due to the impact of foreign currency, which decreased SG&A costs by \$2.6 million, partially offset by increased compensation costs mostly related to merit increases and incentive compensation cost increases, as well as increased sales costs.

**Delivery Systems** – Delivery Systems' SG&A costs decreased by \$0.9 million, or 7.8%, for the three months ended March 31, 2015, as compared to the same period in 2014, due to the impact of foreign currency, which decreased SG&A costs by \$0.3 million and decreased sales costs, both of which were partially offset by an increase in incentive compensation costs.

**Corporate** – Corporate's SG&A costs increased by \$0.7 million, or 5.9%, for the three months ended March 31, 2015, as compared to the same period in 2014, due to increased stock-based compensation expense and incentive compensation costs, both of which were partially offset by a decrease in U.S. pension costs. The increase in stock-based compensation expense was primarily due to the impact of higher share prices on our incentive and deferred compensation plan liabilities, which are indexed to our share price.

**Other (Income) Expense**

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

| (Income) expense<br>(\$ in millions) | Three Months Ended<br>March 31, |        |
|--------------------------------------|---------------------------------|--------|
|                                      | 2015                            | 2014   |
| Packaging Systems                    | \$ (0.9)                        | \$ 0.8 |
| Delivery Systems                     | 0.1                             | (0.1)  |
| Consolidated other (income) expense  | \$ (0.8)                        | \$ 0.7 |

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

Consolidated other (income) expense changed by \$1.5 million for the three months ended March 31, 2015, as compared to the same period in 2014.

**Packaging Systems** – Packaging Systems' other (income) expense changed by \$1.7 million for the three months ended March 31, 2015, as compared to the same period in 2014, primarily due to foreign exchange transaction gains.

**Delivery Systems** – Delivery Systems' other expense (income) changed by \$0.2 million for the three months ended March 31, 2015, as compared to the same period in 2014, due to foreign exchange transaction losses.

Since February 2013, when the Venezuelan government announced a devaluation of the bolivar, we have used the official exchange rate of 6.3 bolivars to the U.S. dollar to re-measure our Venezuelan subsidiary's financial statements in U.S. dollars. From December 2013 through February 2015, the Venezuelan government announced a series of changes to the regulations governing its currency exchange market, which included the expanded use of one currency exchange mechanism and the creation of two additional currency exchange mechanisms. As the majority of our currency purchases are transacted at the official exchange rate of 6.3 bolivars per U.S. dollar, we have continued to re-measure our Venezuelan subsidiary's financial statements using the official exchange rate. At March 31, 2015, we had \$2.0 million in net monetary assets denominated in Venezuelan bolivars, including \$1.0 million in cash and cash equivalents, and \$4.0 million in non-monetary assets. Use of the official exchange rate has been restricted by the Venezuelan government to companies providing critical supplies, such as food and medicine. There is no guarantee that we will have access to the official exchange rate in the future. If we are no longer able to use the official exchange rate in the future, if we determine that we should use one of the other currency exchange mechanisms in Venezuela in the future, or if there is a significant devaluation in the official exchange rate, a pre-tax charge of \$6.0 million could be required. We will continue to actively monitor the political and economic developments in Venezuela.

Operating Profit

The following table presents operating profit (loss), consolidated and by reportable segment, and corporate:

| (\$ in millions)                     | Three Months Ended<br>March 31, |         |
|--------------------------------------|---------------------------------|---------|
|                                      | 2015                            | 2014    |
| Packaging Systems                    | \$ 60.9                         | \$ 51.4 |
| Delivery Systems                     | (0.5)                           | (0.2)   |
| Corporate                            | (12.6)                          | (11.9)  |
| Consolidated operating profit        | \$ 47.8                         | \$ 39.3 |
| Consolidated operating profit margin | 14.2%                           | 11.3%   |

Consolidated operating profit increased by \$8.5 million, or 21.6%, for the three months ended March 31, 2015, as compared to the same period in 2014, despite an unfavorable foreign currency impact of \$8.6 million. Consolidated operating profit margin increased by 2.9 margin points for the three months ended March 31, 2015 as compared to the same period in 2014.

**Packaging Systems** – Packaging Systems' operating profit increased by \$9.5 million, or 18.5%, for the three months ended March 31, 2015, as compared to the same period in 2014, despite an unfavorable foreign currency impact of \$8.6 million, due to the factors described above.

**Delivery Systems** – Delivery Systems' operating loss increased by \$0.3 million, or 150.0%, for the three months ended March 31, 2015, as compared to the same period in 2014, due to the factors described above.

**Corporate** – Corporate costs increased by \$0.7 million, or 5.9%, for the three months ended March 31, 2015, as compared to the same period in 2014, due to the factors described above.



Interest Expense, Net

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

| (\$ in millions)      | Three Months Ended<br>March 31, |        |
|-----------------------|---------------------------------|--------|
|                       | 2015                            | 2014   |
| Interest expense      | \$ 4.4                          | \$ 4.5 |
| Capitalized interest  | (0.3)                           | (0.5)  |
| Interest income       | (0.4)                           | (0.4)  |
| Interest expense, net | \$ 3.7                          | \$ 3.6 |

Interest expense, net, increased by \$0.1 million, or 2.8%, for the three months ended March 31, 2015, as compared to the same period in 2014, as a decrease in capitalized interest was partially offset by lower interest expense resulting from less debt outstanding during the three months ended March 31, 2015, as compared to the same period in 2014.

Income Taxes

The provision for income taxes was \$12.5 million and \$9.8 million for the three months ended March 31, 2015 and 2014, respectively, and the effective tax rates were 28.4% and 27.6%, respectively.

The increase in the effective tax rate for the three months ended March 31, 2015, as compared to the same period in 2014, primarily reflects changes in our geographic mix of earnings.

Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies represents the contribution to earnings from our 25% ownership interest in Daikyo and our 49% ownership interest in four companies in Mexico. Equity in net income of affiliated companies increased by \$0.1 million, or 8.3%, for the three months ended March 31, 2015, as compared to the same period in 2014, primarily due to favorable operating results in Mexico.

Net Income

Net income for the three months ended March 31, 2015 and 2014 was \$32.9 million and \$27.1 million, respectively.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table presents cash flow data for the three months ended March 31:

| (\$ in millions)                                    | 2015     | 2014   |
|---|----------|--------|
| Net cash (used in) provided by operating activities | \$ (1.9) | \$ 8.8 |
| Net cash used in investing activities               | (30.6)   | (35.6) |
| Net cash provided by financing activities           | 1.2      | 26.2   |

**Net Cash (Used in) Provided by Operating Activities** – Net cash used in operating activities for the three months ended March 31, 2015 was \$1.9 million, a change of \$10.7 million from the net cash provided by operating activities for the three months ended March 31, 2014. Net cash used in operating activities for the three months ended March 31, 2015 changed due to a voluntary \$20.0 million pension plan contribution, partially offset by an increase in net income.

**Net Cash Used in Investing Activities** – Net cash used in investing activities for the three months ended March 31, 2015 was \$30.6 million, a decrease of \$5.0 million from the same period in 2014. Net cash used in investing activities for the three months ended March 31, 2015 decreased as we sold our remaining short-term investments in 2014. During the three months ended March 31, 2014, we had purchased \$9.2 million, and sold \$5.0 million, of short-term investments that had maturities between ninety-one days and one year at the time of purchase. The capital spending for the three months ended March 31, 2015 included spending for new products, expansion activity, and emerging markets, including projects in the U.S., Europe, and Asia.

In October 2014, we announced plans to expand our global manufacturing operations to include a new facility in Waterford, Ireland, which will produce packaging components for insulin injector cartridges and other high-value packaging components. Our building permit has been approved by the local authorities and final approval is expected by mid-May 2015. Ground-breaking is planned for June 2015.

**Net Cash Provided by Financing Activities** – Net cash provided by financing activities for the three months ended March 31, 2015 was \$1.2 million, a decrease of \$25.0 million from the same period in 2014. Net cash provided by financing activities for the three months ended March 31, 2015 decreased due to a reduction in net borrowings during the three months ended March 31, 2015, as compared to the same period in 2014.

On October 29, 2014, our Board of Directors authorized the repurchase of up to \$100.0 million of our common stock from time to time on the open market or in privately negotiated transactions as permitted under the regulations of the Securities and Exchange Commission. The extent to which we repurchase the shares and the timing of any repurchases will be determined by us based on our evaluation of market conditions and other factors. The program is expected to be completed no later than December 31, 2015. As of March 31, 2015, no shares had been repurchased under the program.

**Liquidity and Capital Resources**

The table below presents selected liquidity and capital measures:

| (\$ in millions)                   | March 31, 2015 | December 31, 2014 |
|------------------------------------|----------------|-------------------|
| Cash and cash equivalents          | \$ 207.1       | \$ 255.3          |
| Working capital                    | 328.5          | 406.8             |
| Total debt                         | 330.7          | 336.7             |
| Total equity                       | 941.1          | 956.9             |
| Net debt-to-total invested capital | 11.6%          | 7.8%              |

*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. Net debt is defined as total debt less cash and cash equivalents, and total invested capital is defined as the sum of net debt and total equity.*

**Cash and cash equivalents** – Our cash and cash equivalents balance at March 31, 2015 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 March 31, 2015 included \$3.8 million of cash held by subsidiaries within the U.S., and \$203.3 million of cash held by subsidiaries outside of the U.S., primarily in Germany, Singapore, China, and Israel, which is available to fund operations and growth of non-U.S. subsidiaries. Repatriating the cash into the U.S. could trigger U.S. federal, state and local income tax obligations; however, we may temporarily access cash held by our non-U.S. subsidiaries without becoming subject to U.S. income tax by entering into short-term intercompany loans.

**Working capital** – Working capital at March 31, 2015 decreased by \$78.3 million, or 19.2%, as compared to December 31, 2014, including a decrease of \$14.9 million due to foreign currency translation. Excluding the impact of currency exchange rates, cash and cash equivalents decreased by \$31.2 million, accounts receivable and inventories increased by \$21.2 million and \$11.4 million, respectively, and total current liabilities increased by \$67.7 million. Accounts receivable and inventories increased primarily due to increased sales activity and timing, as accounts receivable and inventories are typically lower at year-end due to plant shutdowns; accounts receivable turnover measurements declined slightly between December 31, 2014 and March 31, 2015, while inventory turnover measurements remained consistent for those period ends. The increase in current liabilities was primarily due to the reclassification of Euro Note B from long-term debt to current liabilities as of March 31, 2015, partially offset by decreases in accounts payable and accrued salaries, wages and benefits.

**Debt and credit facilities** – The \$6.0 million decrease in total debt at March 31, 2015, as compared to December 31, 2014, resulted from foreign currency rate fluctuations of \$10.7 million, partially offset by net borrowings of \$4.7 million.

Our sources of liquidity include our multi-currency revolving credit facility, which expires in April 2017 and contains a \$300.0 million committed credit facility and an accordion feature allowing the maximum to be increased through a term loan to \$350.0 million upon approval by the banks. Borrowings under the multi-currency revolving credit facility bear interest at a rate equal to one-month LIBOR plus a margin ranging from 1.25 to 2.25 percentage points, which is based on the ratio of our senior debt to modified EBITDA. At March 31, 2015, we had \$32.3 million in outstanding borrowings under this facility, of which \$4.2 million was denominated in Yen, \$22.8 million in Euro, and the remainder in USD. Of the amount outstanding at March 31, 2015, \$5.3 million was borrowed under the swing-line portion of the facility and was classified as current, and \$27.0 million was classified as long-term. The total amount outstanding at December 31, 2014 was classified as long-term. These borrowings, together with outstanding letters of credit of \$3.0 million, resulted in a borrowing capacity available under this facility of \$264.7 million at March 31, 2015. 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 to not exceed established leverage ratios. In addition, the agreements contain other customary covenants, none of which we consider restrictive to our operations. At March 31, 2015, 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 multi-currency revolving 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 2014 Annual Report. During the three months ended March 31, 2015, there were no material changes outside of the ordinary course of business to our commitments and contractual obligations.

**OFF-BALANCE SHEET ARRANGEMENTS**

At March 31, 2015, we had no off-balance sheet financing arrangements other than operating leases, unconditional purchase obligations incurred in the ordinary course of business, and outstanding letters of credit related to various insurance programs, as noted in our 2014 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 2014 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 March 31, 2015, 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,” “anticipate,” “estimate” and other words of similar meaning in conjunction with, among other things, discussions of future operations and financial performance, as well as our strategy for growth, product development, market position and expenditures. All statements that address operating performance or events or developments that we expect or anticipate will occur in the future - including statements relating to sales and earnings per share growth, cash flows or uses, and statements expressing views about future operating results - are forward-looking statements.

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

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

- sales demand and our ability to meet that demand;
- competition from other providers in our businesses, including customers’ in-house operations, and from lower-cost producers in emerging markets, which can impact unit volume, price and profitability;
- customers’ changing inventory requirements and manufacturing plans that alter existing orders or ordering patterns for the products we supply to them;
- the timing, regulatory approval and commercial success of customer products that incorporate our packaging and delivery products and systems;

- whether customers agree to incorporate West’s 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 the Company’s products, and the rate, timing and success of regulatory approval for the drug products that incorporate the Company’s components and systems;
- the timely and adequate availability of filling capacity, which is essential to conducting definitive stability trials and the timing of first commercialization of customers’ products in CZ prefilled syringes;
- average profitability, or mix, of products sold in any reporting period, including lower-than-expected sales growth of our high-value pharmaceutical packaging products, of CZ products, and of other proprietary safety and administration devices;
- maintaining or improving production efficiencies and overhead absorption;
- dependence on third-party suppliers and partners, some of which are single-source suppliers of critical materials and products, including our Japanese partner and affiliate, Daikyo;
- the loss of key personnel or highly-skilled employees;
- the availability and cost of skilled employees required to meet increased production, managerial, research and other needs, including professional employees and persons employed under collective bargaining agreements;
- interruptions or weaknesses in our supply chain, which could cause delivery delays or restrict the availability of raw materials, key purchased components and finished products;
- the successful and timely implementation of price increases necessary to offset rising production costs, including raw material prices, particularly petroleum-based raw materials;
- the cost and progress of development, regulatory approval and marketing of new products;
- our ability to obtain and maintain licenses in any jurisdiction in which we do business;
- the relative strength of the U.S. dollar in relation to other currencies, particularly the Euro, the Danish Krone, the Singapore Dollar, and Japanese Yen; and
- the potential adverse effects of recently enacted U.S. and 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 2014 Annual Report. Except as required by law or regulation, we do not intend to update any forward-looking statements.

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

There have been no material changes in our exposure to market risk or the information provided in Part II, Item 7A of our 2014 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 March 31, 2015, our disclosure controls and procedures are effective.

**Changes in Internal Controls**

During the quarter ended March 31, 2015, 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**

There are no material changes to the risk factors disclosed in Part I, Item 1A of our 2014 Annual Report.

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

The following table shows information with respect to purchases of our common stock made during the three months ended March 31, 2015 by us or any of our “affiliated purchasers” as defined in Rule 10b-18(a)(3) under the Exchange Act.

| Period                | Total number of<br>shares purchased<br>(1)(2) | Average price paid<br>per share | Total number of shares<br>purchased as<br>part of publicly<br>announced plans or<br>programs (3) | Maximum number<br>of shares that may<br>yet be purchased<br>under the plans or<br>programs (3) |
|-----------------------|---|---------------------------------|--|--|
| January 1 – 31, 2015  | 300   | \$ 52.04                        | —  | (3)  |
| February 1 – 28, 2015 | 108,126                                       | 51.53                           | —  | (3)  |
| March 1 – 31, 2015    | 27,311  | 51.53                           | —  | (3)  |
| Total                 | 135,737                                       | \$ 51.53                        | —  | (3)  |

- (1) Includes 25,786 shares purchased on behalf of employees enrolled in the Non-Qualified Deferred Compensation Plan for Designated Employees (Amended and Restated Effective January 1, 2008). Under the plan, Company match contributions are delivered to the plan’s investment administrator, who then purchases shares in the open market and credits the shares to individual plan accounts.
- (2) Includes 109,951 shares of common stock acquired from employees who tendered already-owned shares to satisfy the withholding tax obligations on the vesting of restricted stock awards, as part of the 2011 Plan.
- (3) In October 2014, our Board of Directors authorized a share repurchase program of up to \$100.0 million of our common stock, which is expected to be completed no later than December 31, 2015. As of March 31, 2015, no shares had been repurchased under this program.

ITEM 5. OTHER INFORMATION

Our 2015 Annual Meeting of Shareholders was held on May 5, 2015 at the Company's corporate headquarters. Our shareholders voted on four proposals at the Annual Meeting. The proposals are described in detail in our definitive proxy statement dated March 24, 2015. As of March 9, 2015, the record date, there were 71,947,844 shares outstanding. Shareholders representing 66,434,701, or 92.33%, of the common shares outstanding were present in person or were represented by proxy at the Annual Meeting. The final results for the votes on each proposal are set forth below.

**Proposal 1:** Our shareholders elected the following directors to serve on our Board until the 2016 Annual Meeting of Shareholders:

| Name                 | For        | Withheld | Broker Non-Votes |
|----------------------|------------|----------|------------------|
| Mark A. Buthman      | 63,705,464 | 108,906  | 2,620,331        |
| William F. Feehery   | 63,705,544 | 108,826  | 2,620,331        |
| Thomas W. Hofmann    | 63,704,544 | 109,826  | 2,620,331        |
| Paula A. Johnson     | 63,707,535 | 106,835  | 2,620,331        |
| Myla P. Lai-Goldman  | 63,711,158 | 103,212  | 2,620,331        |
| Douglas A. Michels   | 63,705,650 | 108,720  | 2,620,331        |
| Donald E. Morel, Jr. | 63,676,852 | 137,518  | 2,620,331        |
| John H. Weiland      | 63,670,212 | 144,158  | 2,620,331        |
| Anthony Welters      | 63,554,501 | 259,869  | 2,620,331        |
| Patrick J. Zenner    | 63,624,169 | 190,201  | 2,620,331        |

**Proposal 2:** Our shareholders approved, on an advisory basis, named executive officer compensation:

| For        | Against | Abstain | Broker Non-Votes |
|------------|---------|---------|------------------|
| 62,915,220 | 846,095 | 53,055  | 2,620,331        |

**Proposal 3:** Our shareholders approved the amendments to our Amended and Restated Articles of Incorporation to adopt a majority voting standard in uncontested director elections:

| For        | Against | Abstain | Broker Non-Votes |
|------------|---------|---------|------------------|
| 63,777,515 | 21,555  | 15,300  | 2,620,331        |

**Proposal 4:** Our shareholders ratified the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the 2015 fiscal year. The votes regarding this proposal were as follows:

| For        | Against | Abstain | Broker Non-Votes |
|------------|---------|---------|------------------|
| 66,196,940 | 234,293 | 3,468   | Not applicable   |



ITEM 6. EXHIBITS

| <u>Exhibit Number</u> | <u>Description</u>   |
|-----------------------|--|
| 3.1                   | Our Amended and Restated Articles of Incorporation.  |
| 3.2                   | Our Bylaws, as amended through May 5, 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.  |
| 4.3                   | Article I and V of our Bylaws, as amended through May 5, 2015.   |
| 4.4                   | Instruments defining the rights of holders of long-term debt securities of West and its subsidiaries have been omitted. <sup>(1)</sup>                     |
| 10.1                  | Employment Agreement, dated as of April 13, 2015, between us and Eric M. Green, is incorporated by reference from our Form 8-K dated April 15, 2015.       |
| 10.2                  | Indemnification Agreement, dated as of April 24, 2015, between us and Eric M. Green, is incorporated by reference from our Form 8-K dated April 30, 2015.  |
| 10.3                  | Sign-On Retention Award Notice, dated as of April 24, 2015, from us to Eric M. Green, is incorporated by reference from our Form 8-K dated April 30, 2015. |
| 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               | XBRL Instance Document   |
| 101.SCH               | XBRL Taxonomy Extension Schema Document  |
| 101.CAL               | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.LAB               | XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE               | XBRL Taxonomy Extension Presentation Linkbase Document   |
| 101.DEF               | XBRL Taxonomy Extension Definition Linkbase Document   |

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

\* Furnished, not filed.

**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/ William J. Federici  
William J. Federici  
Senior Vice President and Chief Financial Officer

May 6, 2015

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u>   |
|-----------------------|--|
| 3.1                   | Our Amended and Restated Articles of Incorporation.  |
| 3.2                   | Our Bylaws, as amended through May 5, 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.  |
| 4.3                   | Article I and V of our Bylaws, as amended through May 5, 2015.   |
| 4.4                   | Instruments defining the rights of holders of long-term debt securities of West and its subsidiaries have been omitted. <sup>(1)</sup>                     |
| 10.1                  | Employment Agreement, dated as of April 13, 2015, between us and Eric M. Green, is incorporated by reference from our Form 8-K dated April 15, 2015.       |
| 10.2                  | Indemnification Agreement, dated as of April 24, 2015, between us and Eric M. Green, is incorporated by reference from our Form 8-K dated April 30, 2015.  |
| 10.3                  | Sign-On Retention Award Notice, dated as of April 24, 2015, from us to Eric M. Green, is incorporated by reference from our Form 8-K dated April 30, 2015. |
| 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               | XBRL Instance Document   |
| 101.SCH               | XBRL Taxonomy Extension Schema Document  |
| 101.CAL               | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.LAB               | XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE               | XBRL Taxonomy Extension Presentation Linkbase Document   |
| 101.DEF               | XBRL Taxonomy Extension Definition Linkbase Document   |

(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.

Exhibit 3.1

AMENDED AND RESTATED ARTICLES OF INCORPORATION  
OF WEST PHARMACEUTICAL SERVICES, INC.

1. The name of the Corporation is West Pharmaceutical Services, Inc.
2. The location and post office address of the Corporation's registered office in Pennsylvania is c/o Corporation Service Company, 2595 Interstate Drive, Suite 103, Harrisburg, PA 17110.
3. The Corporation is incorporated under the Pennsylvania Business Corporation Law and shall have unlimited power to engage in and to do any lawful act concerning any or all lawful business, including manufacturing, processing, research and development, for which corporations may be incorporated under the Pennsylvania Business Corporation Law.
4. The term for which the Corporation is to exist is perpetual.
5. Capital Stock. The aggregate number of shares of capital stock which the Corporation shall have authority to issue is 103,000,000 shares, consisting of (i) 3,000,000 shares of Preferred Stock, par value \$.25 per share ("Preferred Stock") and (ii) 100,000,000 shares of Common Stock, par value \$.25 per share ("Common Stock").

The following is a statement of the designations, preferences qualifications, limitations, restrictions and the special or relative rights granted to or imposed upon the shares of each such class:

Preferred Stock

- (a) Issue in Series. Preferred Stock may be issued from time to time in one or more series, each such series to have the terms stated herein and in the resolution of the board of directors providing for its issue. All shares of any one series of Preferred Stock shall be identical, but shares of different series of Preferred Stock need not rank equally or be identical except insofar as provided by law or hereunder.
- (b) Creation of Series. The board of directors shall have authority by resolution to cause to be created one or more series of Preferred Stock, and to determine and fix with respect to each series, prior to the issuance of

any shares of the series to which such resolution relates:

- (i) The distinctive designation of the series and the number of shares which shall constitute the series, which number may be increased or decreased (but not below the number of shares then outstanding) from time to time by action of the board of directors;
  - (ii) The dividend rate and the times of payment of dividends on the shares of the series, whether dividends shall be cumulative, and, if so, from what date or dates;
-

(iii) The price or prices at which, and the terms and conditions on which, the shares of the series may be redeemed at the option of the Corporation;

(iv) Whether or not the shares of the series shall be entitled to the benefit of a retirement or sinking fund to be applied to the purchase or redemption of such shares and, if so entitled, the annual amount of such fund and the terms and provisions relative to the operation thereof;

(v) Whether or not the shares of the series shall be convertible into, or exchangeable for, shares of any other series of the same or any other class or classes of stock of the Corporation, and if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and any adjustments thereof, if any, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;

(vi) The rights of the shares of the series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

(vii) Whether or not the shares of the series shall have priority over or parity with or be junior to the shares of any other series or class in any respect or shall be entitled to the benefit of limitations restricting the issuance of shares of any other series or class having priority over or being on a parity with the shares of such series in any respect, or restricting the payment of dividends on, or the making of other distributions in respect of shares of any other series or class ranking junior to the shares of the series as to dividends or assets, or restricting the purchase or redemption of the shares of any such junior series or class, and the terms of any such restrictions;

(viii) Whether the series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights; and

(ix) Any other preferences qualifications, privileges and other relative or special rights and limitations of that series.

(c) Dividends. Holders of Preferred Stock shall be entitled to receive, when and as declared by the board of directors, out of funds legally available for the payment thereof, dividends at the rates fixed by the board of directors for the respective series, and no more, before any dividends shall be declared and paid, or set apart for payment, on Common Stock with respect to the same dividend period.

(d) Preference on Liquidation. In the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, holders of each series of Preferred Stock shall be entitled to receive the amount fixed for such series plus, in the case of any series on which dividends shall have been determined by the board of directors to be cumulative, an amount equal to all dividends accumulated and unpaid thereon to the date of final distribution whether or not earned or declared. If the assets of the Corporation are not sufficient to pay such amounts in full, holders of all shares of Preferred Stock shall participate ratably in the

---

distribution of assets in proportion to the full amounts to which they are entitled or in such order or priority, if any, as shall have been fixed in the resolution or resolutions providing for the issuance of the series of Preferred Stock. Neither the merger nor consolidation of the Corporation into or with any other corporation, nor a sale, transfer or lease of all or part of its assets, shall be deemed a liquidation of the Corporation within the meaning of this paragraph.

(e) Redemption. The Corporation at the option of the board of directors may redeem all or part of the shares of any series of Preferred Stock on the terms and conditions fixed for such series. In case of the redemption of less than all outstanding shares of any series of Preferred Stock, the shares to be redeemed shall be selected by lot or in such other manner as the board of directors determines.

(f) Voting Rights. Except as otherwise required by law or as otherwise provided in any certificate creating any series of Preferred Stock, the holders of such of the series of Preferred Stock, if any, as shall have been granted such power pursuant to any certificate creating any series of Preferred Stock shall, together with the holders of Common Stock, exclusively possess voting power in the election of directors and for all other purposes, and the holders of the other series of Preferred Stock shall have no voting power and shall not be entitled to any notice of any meeting of shareholders.

Series A Junior Participating Preferred Stock

(a) Designation and Amount. There shall be a series of Preferred Stock designated as “Series A Junior Participating Preferred Stock” and the aggregate number of shares constituting such series shall be 50,000.

(b) Dividends and Distributions.

(i) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the board of directors out of funds legally available for the purpose, quarterly dividends payable in cash on March 31, June 30, September 30 and December 31 in each year (each such date being referred to herein as a “Quarterly Dividend Payment Date”), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after January 16, 1990 (the “Rights Declaration Date”) (i) declare any dividend on Common Stock payable in

---

shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(ii) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in paragraph (I) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(iii) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

(c) Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(i) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (a) declare any dividend on Common Stock payable in shares of Common Stock, (b) subdivide the outstanding Common Stock, or (c) combine the~ outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

---

(ii) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(iii) (A) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a “default period”) which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) directors.

(B) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (C) of this paragraph (c)(iii) or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of directors shall be exercised unless the holders of ten percent (10)% in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect directors to fill such vacancies, if any, in the board of directors as may then exist up to two (2) directors or, if such right is exercised at an annual meeting, to elect two (2) directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect directors in any default period and during the continuance of such period, the number of directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

(C) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect directors, the board of directors may order, or any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this subparagraph (C) shall be given to each holder of record of

---



Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this subparagraph (C), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the shareholders.

(D) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of directors until the holders of Preferred Stock shall have exercised their right to elect two (2) directors voting as a class, after the exercise of which right (x) the directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the board of directors may (except as provided in subparagraph (B) of this paragraph (c)(iii) be filled by vote of a majority of the remaining directors theretofore elected by the holders of the class of stock which elected the director whose office shall have become vacant. References in this subparagraph (D) to directors elected by the holders of a particular class of stock shall include directors elected by such directors to fill vacancies as provided in clause (y) of the preceding sentence.

(E) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect directors shall cease, (y) the term of any directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of directors shall be such number as may be provided for in the Articles of Incorporation or Bylaws irrespective of any increase made pursuant to the provisions of subparagraph (B) of this paragraph (c)(iii) (such number being subject, however, to change thereafter in any manner provided by law or in the Articles of Incorporation or Bylaws). Any vacancies in the board of directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining directors.

(iv) Except as set forth herein, holders of Series A Junior participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(d) Certain Restrictions

(i) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in paragraph (b) are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

---

(A) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(B) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(C) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock; or

(D) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the board of directors) to all holders of such shares upon such terms as the board of directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(ii) the Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (d)(i), purchase or otherwise acquire such shares at such time and in such manner.

(e) Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the board of directors, subject to the conditions and restrictions on issuance set forth herein.

(f) Liquidation, Dissolution or Winding Up.

(i) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series

---

A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received \$10 per share, plus an amount equal to accrued and unpaid dividends any distribution thereon, whether or not declared, to the date of such payment (the “Series A Liquidation Preference”). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the “Common Adjustment”) equal to the quotient obtained by dividing (a) the Series A Liquidation Preference by (b) 1,000 (as appropriately adjusted as set forth in paragraph (iii) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (b), the “Adjustment Number”). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior participating Preferred Stock and common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and common Stock, on a per share basis, respectively.

(ii) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(iii) In the event the Corporation shall at any time after the Rights Declaration Date (a) declare any dividend on Common Stock payable in shares of Common Stock, (b) subdivide the outstanding Common Stock, or (c) combine the outstanding common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(g) Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in

---

shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

- (h) No Redemption. The shares of Series A Junior Participating Preferred Stock shall not be redeemable.
  - (i) Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of Preferred Stock as to the payment of dividends and the distribution of assets unless the terms of any such series shall provide otherwise.
  - (j) Amendment. The Articles of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.
  - (k) Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.
- Common Stock
- (a) Dividends. Holders of Common Stock shall be entitled to receive such dividends as may be declared by the board of directors, except that the Corporation will not declare, pay or set apart for payment any dividend on shares of Common Stock (other than dividends payable in Common Stock), or directly or indirectly make any distribution on, redeem, purchase or otherwise acquire any such shares, if at the time of such action the Corporation is in default with respect to any dividend due and payable on, or any sinking or purchase fund requirement relating to, any shares of Preferred Stock.
  - (b) Distribution of Assets. In the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, holders of Common Stock shall be entitled to receive pro rate all of the remaining assets of the Corporation available for distribution to its shareholders after all amounts to which the holders of Preferred Stock are entitled have been paid or set aside in cash for payment.
  - (c) Voting Rights. Except as otherwise required by law or provided in any certificate creating any series of Preferred Stock, the holders of Common Stock shall have the exclusive right to vote in the election of directors and for all other purposes, each such holder being entitled to one vote for each share thereof held.
-

## 6. Vote Required for Certain Significant Transactions

(a) Higher Vote for Certain Significant Transactions. In addition to any affirmative vote required by law or these Articles of Incorporation, and except as otherwise expressly provided in paragraph (b) of this Article 6:

(i) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Related Person (as hereinafter defined), or (b) any other corporation (whether or not itself a Related Person) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of a Related Person; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Related Person or any Affiliate of any Related Person of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) of \$1,000,000 or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Related Person or any Affiliate of any Related Person in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$1,000,000 or more; or

(iv) the purchase by the Corporation or any Subsidiary (in one transaction or a series of transactions within a two year period) of any outstanding shares of capital stock of the Corporation which entitles the holder thereof to vote generally in the election of directors (the "Voting Stock") in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$1,000,000 or more; or

(v) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of a Related Person or any Affiliate of any Related Person; or

(vi) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving a Related Person) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Related Person or any Affiliate of any Related Person;

shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of voting Stock, voting together as a single class. (For purposes of this Article 6, each share of the Voting Stock shall have the number of votes granted to it pursuant to Article 5 of these Articles of Incorporation). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

---

The term “Significant Transaction” as used in this Article 6 shall mean any transaction which is referred to in any one or more of paragraphs (i) through (vi) of paragraph (a) of this Article 6.

(b) When Higher Vote is Not Required. The provisions of paragraph (a) of this Article 6 shall not be applicable to any particular Significant Transaction, and such Significant Transaction shall require only such action as is required by law, the Bylaws of the Corporation, and any other provision of these Articles of Incorporation, if all of the conditions specified in either of the following paragraphs (i) and (ii) are met:

(i) The Significant Transaction shall have been approved by a majority of the continuing Directors (as hereinafter defined) or

(ii) All of the following conditions shall have been met:

(A) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Significant Transaction of consideration other than cash to be received per share by holders of Common Stock in such Significant Transaction shall be at least equal to the highest of the following:

(1) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers’ fees) paid by the Related Person for any shares of Common Stock acquired by it (a) within the two-year period immediately prior to the first public announcement of the proposal of the significant Transaction (the “Announcement Date”), or (b) in the transaction in which it became a Related Person, whichever is higher; and

(2) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Related Person became a Related Person, whichever is higher; and

(3) the earnings per share of Common Stock for the four full consecutive fiscal quarters immediately preceding the Announcement Date as to which financial results have been published by the Corporation, multiplied by the then highest price/earnings multiple (if any) of such Related Person or any of its Affiliates as customarily computed and reported in the financial community; and

(4) the price per share equal to the Fair Market Value per share of Common Stock determined pursuant to subparagraph (A)(2) of this paragraph (b)(ii), multiplied by a fraction the numerator of which is the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers’ fees) paid by the Related Person for any shares of Common Stock acquired by it within the two-year period immediately prior to the Announcement Date and the denominator of which is the Fair Market Value per share of Common Stock on the first day in such two-year period upon which the Related Person acquired any shares of Common Stock.

---

(B) The consideration to be received by the holders of Common Stock in such Significant Transaction shall be either cash or the same type of consideration used by the Related Person in acquiring the largest portion of its holdings of Common Stock prior to the first public announcement of the proposed Significant Transaction.

(C) After such Related Person has become a Related Person and prior to the consummation of such Significant Transaction: (1) there shall have been (a) no failure to pay nor reduction in the annual rate of dividends paid on the Common Stock (as such rate may be adjusted from time to time to reflect changes in the Corporation's capitalization) unless such failure to pay or reduction is approved by a majority of the continuing Directors; and (2) such Related Person shall not have become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Related Person becoming a Related Person.

(D) After such Related Person has become a Related Person, such Related Person shall not have received the benefit, directly or indirectly (except proportionately as a shareholder of the Corporation), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Significant Transaction or otherwise.

(E) A proxy or information statement describing the proposed Significant Transaction and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public shareholders of the Corporation at least 30 days prior to the consummation of such Significant Transaction (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

(c) Certain Definitions. For the purposes of this Article 6:

- (i) A "person" shall mean any individual, firm, corporation or other entity.
  - (ii) "Related Person" shall mean any person (other than the Corporation or any Subsidiary) who or which:
    - (A) is the beneficial owner, directly or indirectly, of more than 10% of the voting power of the outstanding Voting Stock; or
    - (B) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then-outstanding Voting Stock; or
    - (C) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Related Person, if such assignment or succession shall
-

have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

If two or more person shall at any time be “Related Persons,” each Related Person whose involvement in a transaction causes it to be a Significant Transaction shall be treated as: (a) “the Related Person” for purposes of the application of the requirements of paragraph (b) of this Article 6 to such transaction, and (b) “the Related Person in question” for purposes of determining whether a person is a “Continuing Director” with respect to such transaction.

(iii) A person shall be a “beneficial owner” of any Voting Stock:

(A) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(B) which such person or any of its Affiliates or Associates has (1) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (2) the right to vote pursuant to any agreement, arrangement or understanding; or

(C) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

(iv) For the purposes of determining whether a person is a Related Person pursuant to paragraph (c)(ii), the number of share of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph (c)(iii) but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(v) “Affiliate” or “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulation under the Securities Exchange Act of 1934, as in effect on May 5, 1983.

(vi) “Subsidiary” means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Related Person set forth in paragraph (c)(ii), the term “Subsidiary” shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

(vii) “Continuing Director” means any member of the board of directors of the Corporation (the “Board”) who (a) was a member of the Board as of May 5, 1983, or (b) is not affiliated with the Related Person and was a member of the Board prior to the time that the Related Person became a Related Person, or (c) is a successor of a Continuing Director who is

---



unaffiliated with the Related Person and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board.

(viii) “Fair Market Value” means: (a) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Deals, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board in good faith; and (b) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board in good faith.

(ix) In the event of any Significant Transaction in which the Corporation survives, the phrase “consideration other than cash to be received” as used in subparagraph (A) of paragraph (b)(ii) of this Article 6 shall include the shares of Common Stock, and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

(x) The Continuing Directors of the Corporation shall have the power and duty to determine for the purposes of this Article 6, on the basis of information known to them after reasonable inquiry, (a) whether a person is a Related Person, (b) the number of shares of Voting Stock beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another, and (d) whether the assets which are the subject of any Significant Transaction have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Significant Transaction has an aggregate Fair Market Value of \$1,000,000 or more.

(d) No Effect on Fiduciary Obligations of Related Persons. Nothing contained in this Article 6 shall be construed to relieve any Related Person from any fiduciary obligation imposed by law.

7. Evaluation of Certain Proposals by the Board of Directors. The board of directors of the Corporation, when evaluating any proposal from another party to (a) make a tender offer for securities of the Corporation, (b) merge or consolidate the Corporation with another corporation, (c) purchase or otherwise acquire substantially all of the properties or assets of the Corporation, (d) engage in any transaction of the sort specified in paragraph (a) of Article 6 of these Articles of Incorporation, or (e) engage in any other transaction having a similar effect upon the properties, operations or control of the Corporation, shall, in connection with the exercise of its judgment in determining what is the best interests of the Corporation and its shareholders, give due consideration to the following:

---

(i) the character, integrity, business philosophy and financial status of the other party or parties to the transaction;

(ii) the consideration to be received by the Corporation or its shareholders in connection with such transaction, as compared to: (a) the current market price or value of the Corporation's properties or securities; (b) the estimated future value of the Corporation, its properties or securities; and (c) such other measures of the value of the Corporation, its properties or securities as the directors may deem appropriate.

(iii) the projected social, legal and economic effects of the proposed action or transaction upon the Corporation, its employees, suppliers and customers and the communities in which the Corporation does business;

(iv) the general desirability of the Corporation's continuing as an independent entity; and

(v) such other factors as the board of directors may deem relevant.

## 8. Directors

(a) Number, Election and Term. Except as otherwise fixed by or pursuant to the provisions of Article 5 hereof relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or in the event of and during a default period to elect directors under specified circumstances, the number of the directors of the Corporation shall be fixed from time to time pursuant to the Bylaws of the Corporation. At the annual meeting of shareholders held in 2012, and at each succeeding annual meeting of the shareholders of the Corporation, the directors shall not be classified, and the directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or in the event and during a default period, shall be elected and shall hold office until the next annual meeting of shareholders and until their respective successors are elected and qualified, or until the earlier of his or her death, resignation, retirement, disqualification or removal from office. Subject to paragraph (c) of this Article 8, at each meeting of the stockholders for the election of directors at which a quorum is present, the persons receiving a majority of the votes cast at such election shall be elected; provided, however, that at any meeting of the stockholders for which the Secretary of the Corporation determines that the number of nominees for director exceeds the number of directors to be elected, directors shall be elected by a plurality of the votes of the shares represented in person or represented by proxy at such meeting and entitled to vote on the election of directors. For purposes of this paragraph (a), a majority of the votes cast means that the number of shares voted "for" a director must exceed the number of votes cast "against" that director. Votes cast shall include "for" and "against" a nominee, but shall exclude "abstentions" and "broker non-votes" with respect to that nominee's election. If a director is not elected, the director shall tender his or her resignation to the Board of Directors. The Board of Directors will publicly disclose its decision with respect to whether to accept or reject the resignation, or whether other action should be taken and the rationale behind it within ninety (90) days from the date of the

---

certification of the election results. The Board of Directors shall have the authority to adopt and amend appropriate Bylaws to implement this paragraph (a).

(b) Vacancies. Vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, shall be filled only by a majority of the directors then in office, though less than a quorum, and each person so elected shall be a director to serve for the balance of the unexpired term and until his successor is duly elected and qualified.

(c) Cumulative Voting in Certain Circumstances

(i) Except as and to the extent otherwise provided in this paragraph (c) shareholders of the Corporation shall not be entitled to cumulative voting rights in any election of directors of the Corporation.

(ii) There shall be cumulative voting in any election of directors of the Corporation on or after the occurrence of both of the following events:

(A) the public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), by the Corporation or a 40% Shareholder that a 40% Shareholder has become such.

and

(B) such 40% Shareholder makes, or in any way participates in, directly or indirectly, any "solicitation" of "proxies" (as such terms are defined or used in Regulation 14A under the Exchange Act) or becomes a "participant" in any "election contest" (as such terms are defined or used in Rule 14a-11 of the Exchange Act) with respect to the Corporation; seeks to advise or influence any person (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to the voting of any securities of the Corporation: or executes any written consent in lieu of a meeting of holders of the Voting Stock.

"40% Shareholder" shall mean any Person who or which, together with all Affiliates and Associate of such Person, shall be the Beneficial Owner of 40% or more of the Voting Stock but shall not include (i) the Corporation, (ii) any wholly owned Subsidiary, (iii) any employee benefit plan of the Corporation or of any Subsidiary, or (iv) any Person holding securities of the Corporation for or pursuant to the terms of any such plan.

Notwithstanding the foregoing, no Person shall become a "40% Shareholder" as the result of an acquisition of Common Stock by the Corporation which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 40% or more of the Voting Stock; provided, however, that if a Person who would otherwise be a 40% Shareholder but for the provisions of this sentence shall, after such share purchases by the Corporation, become the Beneficial Owner of any additional Voting Stock then such Person shall be deemed to be a "40% Shareholder."

---

(iii) Certain Definitions. For purposes of this Article 8:

“Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in rule 12b-2 of the General Rules and Regulations under the Exchange Act as in effect on May 3, 1990.

A Person shall be deemed the “Beneficial Owner” of and shall be deemed to “beneficially own” any securities:

(A) which such Person or any such Person’s affiliates or Associates beneficially owns, directly or indirectly:

(B) which such Person or any of such Person’s Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing), or upon the exercise of conversion rights, exchange rights, rights (other than the Rights granted pursuant to the Flip-In Rights Agreement and Flip-Over-Rights Agreement between the Corporation and American Stock Transfer & Trust Company, dated as of January 16, 1990), warrants or options, or otherwise or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person’s Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or

(C) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person’s Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any securities of the Corporation.

“Person” shall mean any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

“Subsidiary” shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by the Corporation.

“Voting Stock” means Common Stock and any other securities of the Corporation entitled to vote generally for the election of directors or any security convertible into or exchangeable for or exercisable for the purchase of Common Stock or other securities of the Corporation entitled to vote generally for the election of directors.

9. Uncertificated Shares. Any and all classes or series of shares of capital stock of the Corporation, or any part thereof, may be represented by uncertificated shares to the extent determined by the board of directors, except as required by applicable law, including that shares represented by a certificate that is issued and outstanding shall continue to be represented thereby u

---

ntil the certificate is surrendered to the Corporation. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required by applicable law to be set forth or stated on certificates. Except as otherwise expressly provided by law, the rights and obligations of the holders of shares represented by certificates and the rights and obligations of the holders of uncertificated shares of the same class and series shall be identical.

10. Vote Required for Amendment of Articles 6, 7, 8 or 10. Any provision in these Articles of Incorporation or in the Bylaws of the Corporation to the contrary notwithstanding, no provisions of Articles 6, 7, 8 or 10 of these Articles shall be altered, amended, supplemented or repealed by the shareholders of the Corporation, and no provision of the Bylaws or of these Articles of Incorporation inconsistent with such provisions shall be adopted by the shareholders of the Corporation, except by the affirmative vote of the holders of at least 80% of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for this purpose as one class.

**Exhibit 3.2**

As Amended through May 5, 2015

**WEST PHARMACEUTICAL SERVICES, INC. BYLAWS**  
**ARTICLE I**  
**SHAREHOLDERS**

**Section 1. Meetings.**

- (a) Annual Meeting. The annual meeting of the shareholders for the election of directors and for other business shall be held at such time as may be fixed by the board of directors, on the first Thursday of May in each year (or, if such is a legal holiday, on the next following day,) or on such other day as may be fixed by the board of directors.
- (b) Special Meetings. Special Meetings of the shareholders may be called at any time by the Chairman of the Board, the President, or a majority of the board of directors. Such special meetings of the shareholders shall be held at such places, within or without the Commonwealth of Pennsylvania, as shall be specified in the notices thereof. Only business within the purpose or purposes described in the notice thereof required by these bylaws may be conducted at a special meeting of the shareholders. No shareholder shall have the power to require that a meeting of the shareholders be held or that any matter be voted on by the shareholders at any special meeting, except as required by law.
- (c) Place. Meetings of the shareholders shall be held at such place as may be fixed by the board of directors.

**Section 2. Notice.**

- (a) Valid Notice. Written notice of the time and place of all meetings of shareholders and of the purpose of each special meeting of shareholders shall be given to each shareholder entitled to vote thereat at least five days before the date of the meeting, unless a greater period of notice is required by law in a particular case. If such notice is mailed, it shall be deemed to have been delivered to a shareholder on the third day after it is deposited in the United States mail, postage prepaid, addressed to the shareholder at his or her address as it appears on the record of shareholders of the Company, or, if he or she shall have filed with the Secretary of the Company a written request that notices to him or her be mailed to some other address, then directed to him or her at such other address. Such further notice shall be given as may be required by law or otherwise by these bylaws.
  - (b) Waivers of Notice. No notice of any meeting of shareholders need be given to any shareholder who submits a signed waiver of notice, whether before or after the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the shareholders need be specified in a written waiver of notice. The attendance of any shareholder at a meeting of shareholders shall constitute a waiver of notice of such meeting, except when the shareholder attends a meeting for the express purpose of objecting, at the
-

beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened.

**Section 3.                      Voting**

(a)            Votes. Except as otherwise provided herein, or in the Articles of Incorporation, or by applicable law, every shareholder shall have the right at every shareholders' meeting to one vote for every share standing in his name on the books of the Company which is entitled to vote at such meeting. Every shareholder may vote either in person or by proxy. No shareholder shall be entitled to participate in any meeting of shareholders by means of conference telephone or similar communications equipment unless the board of directors shall have provided by resolution for such participation.

(b)            Proxies. Any shareholder entitled to vote at any meeting of the shareholders or to express consent to or dissent from corporate action in writing without a meeting may vote in person or may authorize another person or persons to vote at any such meeting and express such consent or dissent for him or her by proxy executed in writing by the shareholder. A shareholder may authorize a valid proxy by executing a written instrument signed by such shareholder, or by causing his or her signature to be affixed to such writing by any reasonable means, including, but not limited to, by facsimile signature or photographic, photostatic, or similar reproduction or by transmitting or authorizing the transmission of a telegram or any other means of electronic communication that results in a writing to the person designated as the holder of the proxy, a proxy solicitation firm or a like authorized agent. No such proxy shall be voted or acted upon after the expiration of three years from the date of such proxy unless such proxy provides for a longer period. A shareholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by filing another duly executed proxy bearing a later date with the Secretary of the Company. Proxies by telegram or other electronic communication must either set forth or be submitted with information from which it can be determined that the telegram or other electronic communication was authorized by the shareholder. Any copy, facsimile telecommunication or other reliable reproduction of a writing or transmission created pursuant to this section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

**Section 4.                      Quorum and Required Vote**. Except as otherwise provided herein, or in the Articles of Incorporation, or by applicable law, the presence, in person or by proxy, of the holders of a majority of the outstanding shares of stock of the Company entitled to vote at a meeting shall constitute a quorum. If a quorum is not present, no business shall be transacted except to adjourn to a future time. In all matters other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the shareholders. Subject to the Articles of Incorporation, at each meeting of the stockholders for the election of directors at which a quorum is present, the persons receiving a majority of the votes cast at such election

---

shall be elected; provided, however, that at any meeting of the stockholders for which the Secretary of the Company determines that the number of nominees for director exceeds the number of directors to be elected, directors shall be elected by a plurality of the votes of the shares represented in person or represented by proxy at such meeting and entitled to vote on the election of directors. For purposes of this Article I, Section 4, a majority of the votes cast means that the number of shares voted “for” a director must exceed the number of votes cast “against” that director. Votes cast shall include votes “for” and “against” a nominee, but shall exclude “abstentions” and “broker non-votes” with respect to that nominee’s election. If a director is not elected, the director shall offer to tender his or her resignation to the board of directors. The board of directors will publicly disclose its decision with respect to whether to accept or reject the resignation, or whether other action should be taken, and the rationale behind such decision within ninety (90) days from the date of the certification of the election results.

**Section 5.                      Nomination of Directors.**

(a)            Director Nominations. Nominations for election of directors at a meeting of shareholders may be made by the board of directors.

(b)            Shareholder Recommendations. Recommendations for nomination for election of directors at a meeting of shareholders may be made by any shareholder entitled to vote for election of directors at such meeting, provided, that such recommendation for nomination made by such a shareholder shall be made by written notice (the “Recommendation Notice”) of the shareholder’s desire to have a director nominated at the meeting given to and received by the Secretary of the Company in the manner and within the time specified in this Section 5. The Recommendation Notice shall be delivered to the Secretary of the Company not less than 90 days prior to the anniversary date of the immediately preceding meeting of shareholders called for the election of directors; provided, however, that in the event less than 21 days’ notice or prior public disclosure of the date of the meeting is given to shareholders or made, the Recommendation Notice shall be delivered to the Secretary of the Company not later than the earlier of (i) the seventh day following the day on which notice of the date of the meeting was first mailed to shareholders or such public disclosure was made, whichever occurs first, or (ii) the fourth day prior to the meeting. In lieu of delivery to the Secretary, the Recommendation Notice may be mailed to the Secretary by certified mail, return receipt requested, but shall be deemed to have been given only upon actual receipt by the Secretary. If the board of directors of the Company determines that the nominee or nominees contained in a Recommendation Notice should be included as a nominee for election to the board of directors of the Company at a meeting of shareholders called for such purpose, such nominee or nominees shall be included as a director nominee on the Company’s proxy statement related to such meeting of shareholders.

(c)            Shareholder Nominations. Notwithstanding the foregoing, nominations for election of directors at a meeting of shareholders called for such purpose may be made by any shareholder entitled to vote for the election of directors at such meeting, provided that such shareholder solicits its own proxy from the shareholders of the Company (i.e., the Company shall in no way be obligated to include such nominee or nominees on the Company’s proxy statement

---

related to such meeting of shareholders); provided, however, that such nominations made by such a shareholder shall be made by written notice (the "Nomination Notice") of the shareholder's intent to nominate a director at the meeting given to and received by the Secretary of the Company in the manner and within the time specified in this Section 5. The Nomination Notice shall be delivered to the Secretary of the Company not less than 90 days prior to the anniversary date of the immediately preceding meeting of shareholders called for the election of directors; provided, however, that in the event less than 21 days' notice or prior public disclosure of the date of the meeting is given to shareholders or made, the Nomination Notice shall be delivered to the Secretary of the Company not later than the earlier of (i) the seventh day following the day on which notice of the date of the meeting was first mailed to shareholders or such public disclosure was made, whichever occurs first, or (ii) the fourth day prior to the meeting. In lieu of delivery to the Secretary, the Nomination Notice may be mailed to the Secretary by certified mail, return receipt requested, but shall be deemed to have been given only upon actual receipt by the Secretary.

- (d) Contents of the Recommendation Notice and the Nomination Notice. Each of the Recommendation Notice and the Nomination Notice shall be in writing and shall contain or be accompanied by:
- (1) the name and address, as they appear on the Company's books, of the shareholder giving the Recommendation Notice or the Nomination Notice, as applicable;
  - (2) a representation that the shareholder giving the Recommendation Notice or the Nomination Notice, as applicable, is the holder of record of the Company's shares and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the Recommendation Notice or the Nomination Notice, as applicable and setting forth as to the shareholder or beneficial owner on whose behalf the Recommendation Notice or the Nomination Notice, as applicable, is made: (i) the number and class of the Company's securities which are, directly or indirectly, owned beneficially and of record, by such shareholder and such beneficial owner, (ii) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of the Company's securities or with a value derived in whole or in part from the value of any class or series of the Company's securities, whether or not such instrument or right shall be subject to settlement in the underlying class or series of the Company's securities or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by such shareholder or beneficial owner and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of the Company's securities, (iii) any proxy, contract, arrangement, understanding, or relationship pursuant to which such shareholder or beneficial owner has a right to vote any shares of any security of the Company, (iv) any short interest of such shareholder or beneficial owner in any of the Company's securities (for purposes of this bylaw a person shall be
-



deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (v) any rights to dividends on the Company's securities owned beneficially by such shareholder or beneficial owner that are separated or separable from the underlying securities of the Company, (vi) any proportionate interest in the Company's securities or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such shareholder or beneficial owner is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, (vii) any performance-related fees (other than an asset-based fee) that such shareholder or beneficial owner is entitled to based on any increase or decrease in the value of the Company's securities or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such shareholder's or beneficial owner's immediate family sharing the same household (which information shall be supplemented by such shareholder and beneficial owner not later than 10 days after the record date for the meeting to disclose such ownership as of the record date), and (viii) any other information relating to such shareholder and beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, (or pursuant to any successor act or regulation) (the "Exchange Act") and the rules and regulations promulgated thereunder;

(3) as to each proposed nominee, (i) his name, age, business address and, if known, residence address, (ii) his principal occupation or employment, (iii) the number and class of the Company's securities beneficially owned by him, (iv) information necessary to determine if such nominee is an "Independent Director" meeting the requirements of Section 7 of Article II of these bylaws and (v) such other information regarding such nominee as would have been required to be included in a proxy statement filed pursuant to Regulation 14A of the Securities and Exchange Commission under the Exchange Act and Rule 14a-11 thereunder, had proxies been solicited with respect to such nominee by the management or board of directors of the Company;

(4) a description of all arrangements or understandings among the shareholder giving the Recommendation Notice or the Nomination Notice, as applicable, and each proposed nominee and any other person or persons (naming such person or persons) pursuant to which the recommendation or recommendations or nomination or nominations are to be made by the shareholder; and

(5) the consent of each proposed nominee to serve as a director of the Company if so elected.

---

The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of the nominee to serve as a director.

(e) Determination of Compliance. If a judge or judges of election shall not have been appointed pursuant to these bylaws, the chairman of the meeting may, if the facts warrant, determine and declare to the meeting that any nomination made at the meeting was not made in accordance with the procedures of this Section 5 and, in such event, the nomination shall be disregarded. Any decision by the chairman of the meeting shall be conclusive and binding upon all shareholders of the Company for any purpose.

(f) Exception. The procedures of this Section 5 shall not apply to nominations with respect to which proxies shall have been solicited pursuant to a proxy statement filed pursuant to Regulation 14A of the rules and regulations promulgated by the Securities and Exchange Commission under the Exchange Act.

**Section 6.                      Notice of Business at Annual Meetings.**

(a) Notice Required. At an annual meeting of shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (1) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (2) otherwise properly brought before the meeting by or at the direction of the board of directors or (3) properly brought before the meeting by a shareholder. For business relating to the election of directors of the Company, to be properly brought before an annual meeting by a shareholder, the procedures in Section 5 of this Article II must be complied with. If such business relates to any other matter, the shareholder must give written notice (the "Business Notice") of the shareholder's intent to propose business at the annual meeting to the Secretary of the Company in the manner and within the time specified in this Section 6. The Business Notice shall be delivered to the Secretary of the Company not less than 90 days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that less than 21 days' notice or prior public disclosure of the date of the meeting is given to shareholders or made, the Business Notice shall be delivered to the Secretary of the Company not later than the earlier of (i) the seventh day following the day on which such notice of the date of the meeting was first mailed to shareholders or such public disclosure was made, whichever occurs first, or (ii) the fourth day prior to the meeting. In lieu of delivering to the Secretary, the Business Notice may be mailed to the Secretary by certified mail, return receipt requested, but shall be deemed to have been given only upon receipt by the Secretary.

(b) Content of Notice. The Business Notice shall be in writing and shall contain or be accompanied by the following as to each matter the shareholder proposes to bring before the annual meeting: (1) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (2) the name and address, as they appear on the Company's books, of the shareholder giving the Business Notice, (3) the number and class of the Company's securities which are, directly or indirectly, owned beneficially and of record, by such shareholder and the beneficial owner on

---

whose behalf the Business Notice is made, (4) any Derivative Instrument directly or indirectly owned beneficially by such shareholder or beneficial owner and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of the Company's securities, (5) any proxy, contract, arrangement, understanding, or relationship pursuant to which such shareholder or beneficial owner has a right to vote any shares of any security of the Company, (6) any short interest of such shareholder or beneficial owner in any of the Company's securities (for purposes of this bylaw a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (7) any rights to dividends on the Company's securities owned beneficially by such shareholder or beneficial owner that are separated or separable from the underlying securities of the Company, (8) any proportionate interest in Company's securities or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such shareholder or beneficial owner is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, (9) any performance-related fees (other than an asset-based fee) that such shareholder or beneficial owner is entitled to based on any increase or decrease in the value of the Company's securities or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such shareholder's or beneficial owner's immediate family sharing the same household (which information shall be supplemented by such shareholder and beneficial owner not later than 10 days after the record date for the meeting to disclose such ownership as of the record date), (10) any other information relating to such shareholder and beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and (11) any material interest of the shareholder giving the Business Notice in such business. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 6, except that any shareholder proposal which complies with Rule 14a-8 of the proxy rules (or any successor provision) promulgated by the Securities and Exchange Commission under the Exchange Act and is to be included in the Company's proxy statement for an annual meeting of shareholders shall be deemed to comply with the requirements of this Section 6.

(c) Determination of Compliance. If a judge or judges of election shall not have been appointed pursuant to these bylaws, the chairman of the meeting may, if the facts warrant, determine and declare to the meeting that any business brought before the meeting was not done so in accordance with the procedures of this Section 6 and, in such event, the business shall be disregarded. Any decision by the chairman of the meeting shall be conclusive and binding upon all shareholders of the Company for any purpose.

---

## ARTICLE II DIRECTORS

**Section 1. Number and Term.** Subject to the provisions of the Articles of Incorporation and of applicable law, the board of directors shall have the authority to (i) determine the number of directors to constitute the board, and (ii) fix the terms of office of the directors and classify each director in respect of the time for which he shall hold office.

**Section 2. Powers.** The business of the Company shall be managed by the board of directors, which shall have all powers conferred by applicable law and these bylaws. The board of directors shall elect, remove or suspend officers, determine their duties and compensations, and require security in such amounts as it may deem proper.

**Section 3. Chairman of the Board.** The board of directors shall elect one of its members to be the chairman of the board ("Chairman of the Board") for such term of office as the board of directors shall determine, but no longer than a one-year term. The Chairman of the Board may not be elected to serve more than four annual terms in succession, unless he or she is an employee of the Company or as otherwise determined by board of directors. The Chairman of the Board may be removed at any time with or without cause by the affirmative vote of a majority of the entire board of directors. The Chairman of the Board may be an Independent Director (as hereinafter defined) and shall not be deemed to be an officer of the Company unless he or she is an employee of the Company. The Chairman of the Board shall preside at all meetings of the board of directors and the shareholders and shall have such other powers and duties as may from time to time be assigned by the board of directors. The Chairman of the Board shall make reports to the board of directors and the shareholders, and shall see that all orders and resolutions of the board and any committees thereof are carried into effect. In the absence of the Chairman of the Board, a director selected by a majority of the board of directors shall discharge the duties of the Chairman of the Board.

**Section 4. Committees.** The board of directors shall establish and maintain a Compensation Committee, a Nominating and Governance Committee and an Audit Committee and may establish such other committees as it shall deem appropriate. Each such committee shall consist of one or more directors and shall have such powers and duties as the board of directors shall determine.

**Section 5. Meetings.**

(a) Regular Meetings. Regular meetings shall be held at such times as the board shall designate by resolution. Notice of regular meetings need not be given.

(b) Special Meetings. Special meetings of the board may be called at any time by the Chairman of the Board or the President and shall be called by him upon the written request of one-third of the directors. Notice of the time, place and general nature of the business to be transacted at each special meeting shall be given to each director at least 24 hours (in the case of notice by telephone) or two days (in the case of notice by other means) before such meeting.

---

- (c) Place. Meetings of the board of directors shall be held at such place as the board may designate or as may be designated in the notice calling the meeting.
- (d) Participation. One or more directors may participate in a meeting of the board or a committee of the board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

**Section 6. Quorum.** A majority of all the directors in office shall constitute a quorum for the transaction of business at any meeting and, except as provided in Article VI, the acts of a majority of the directors present at any meeting at which a quorum is present shall be the acts of the board of directors.

**Section 7. Vacancies.** Vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, shall be filled only by a majority of the directors then in office, though less than a quorum, and each person so elected shall be a director to serve for the balance of the unexpired term and until his successor is duly elected and qualified.

**Section 8. Independent Directors.**

- (a) Definition of Independent Director. For purposes of these bylaws, the term “Independent Director” shall mean a director who qualifies as independent in accordance with the Independence tests set forth in Section 303A.02 of the New York Stock Exchange’s Listed Company Manual, as amended. Notwithstanding the foregoing, the ownership of equity or debt securities of the Company, or derivatives thereof, shall not by itself disqualify any person from being classified as an Independent Director.
  - (b) Interpretation and Application of This Bylaw. The board of directors shall have the exclusive right and power to interpret and apply provisions of this bylaw, including, without limitation, the definitions of terms used in and guidelines for the application of this bylaw. In the case of any such interpretation or application to a specific person which results in such person being classified as an Independent Director, the board of directors shall have determined that such person is independent of management and free from any relationship that, in the opinion of the board of directors, would interfere with such person’s exercise of independent judgment as a board member. Each director has a duty to disclose all circumstances that may have a bearing on his or her classification as an Independent Director.
  - (c) Duties of Independent Directors. Independent Directors shall have the following special duties and responsibilities:
    - (1) to evaluate, periodically and at least annually, the performance of the chief executive officer of the Company, including, among other things, a determination of the manner in which he or she is fulfilling responsibilities to directors, shareholders, employees, customers and other constituencies.
-

(2) to assure that the chief executive officer has appropriate leadership succession plans for the Company; and

(3) to review and monitor achievement of the chief executive officer's long-range strategic plans for the Company.

(d) Lead Independent Director. The board of directors may, in its discretion, elect from the Independent Directors one director to be the lead independent director, whose term shall be annual, but who may not be elected to serve more than four annual terms in succession. The lead independent director, if any, shall preside at all meetings of Independent Directors and, in addition, shall have such other duties and responsibilities as may be assigned to him or her from time to time by the board of directors.

**Section 9. Limitation on Liability.** A director shall not be personally liable for monetary damages for any action taken on or after January 27, 1987, or for the failure to take any action on or after the date, unless (i) the director has breached or failed to perform the duties of his office under Section 8363 of the Pennsylvania Directors' Liability Act (Act 145 of 1986, P.L. 1458), relating to standard of care and justifiable reliance, and (ii) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this Section 8 shall not apply to (i) the responsibility or liability of a director pursuant to any criminal statute, or (ii) the liability of a director for the payment of taxes pursuant to local, state or federal law. Any repeal or modification of any provision of this Section 8 of Article II shall be prospective only and shall not affect, to the detriment of any director, any limitation on the personal liability of a director of the Company existing at the time of such repeal or modification.

**ARTICLE III  
OFFICERS**

**Section 1. Election.** At its first meeting after each annual meeting of shareholders, the board of directors shall elect a president, a treasurer, a secretary, a controller and such other officers as it deems advisable. Any two or more offices may be held by the same person.

**Section 2. President.** Except as the board of directors may otherwise prescribe by resolution, the president shall be the chief executive officer of the Company and shall have general supervision over the business and operations of the Company and may perform any act and execute any instrument or other papers for the conduct of such business and operations.

**Section 3. Other Officers.** The duties and powers of the other officers shall be those usually related to their offices or as may be designated by the president, except as otherwise prescribed by resolution of the board of directors.

**Section 4. General.** In the absence of the president or any other officer or officers designated by the board shall exercise the powers and perform the duties of the president. The president, or any officer or employee authorized by him, may appoint, remove or suspend agents

---

or employees of the Company, other than officers appointed by the board, and may determine their duties and compensation.

**ARTICLE IV**  
**INDEMNIFICATION**

**Section 1. Right to Indemnification.** The Company shall indemnify to the extent not prohibited by applicable law, any person who was or is a party (which shall include for purposes of this Article IV the giving of testimony or similar involvement) or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer, employee or agent of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including an employee benefit plan, against any liability, penalty, damages, excise tax assessed with respect to an employee benefit plan, costs, expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, whether or not the indemnified liability arises or arose from any threatened, pending or completed action by or in the right of the Company. The board of directors may, and on request of any such person shall be required to, determine in each case whether applicable law prohibits indemnification, or such determination shall be made by independent legal counsel if the board so directs or if the board is not empowered by law to make such determination. If there has been a change in control (as such term is used in Item 6(a) of Schedule 14A promulgated by the Securities and Exchange Commission under the Exchange Act) of the Company between (1) the time of the action or failure to act giving rise to the claim for indemnification and (2) the time such claim is made, at the option of the person seeking indemnification the permissibility of indemnification shall be determined by independent legal counsel selected jointly by the Company and the person seeking indemnification. The fees and expenses of such counsel shall be paid by the Company. The obligations of the Company to indemnify a director, officer, employee or agent under this Article IV, including the duty to advance expenses, shall be a contract between the Company and such person, and no modification or repeal of any provision of this Article IV shall affect, to the detriment of the director, officer, employee or agent such obligations of the Company in connection with a claim based on any act or failure to act occurring before such modification or repeal.

**Section 2. Advancement of Expenses.** Expenses (including attorney's fees) incurred in defending an action, suit or proceeding referred to in this Article IV shall be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the indemnified person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Company as authorized in this Article IV or otherwise.

**Section 3. Indemnification Not Exclusive.** The indemnification and advancement of expenses provided by this Article IV shall not be deemed exclusive of any other right to which one indemnified may be entitled under any agreement, vote of shareholders or otherwise, both as

---

to action in his official capacity and as to action in another capacity while holding that office, and shall inure to the benefit of the heirs, executors and administrators of any such person.

**Section 4. Insurance, Security and Other Indemnification.** The board of directors shall have the power to (a) authorize the Company to purchase and maintain, at the Company's expense, insurance on behalf of the Company and others to the extent that power to do so has not been restricted by applicable law, (b) create any fund of any nature, whether or not under the control of a trustee, or otherwise secure in any manner any of its indemnification obligations and (c) give other indemnification to the extent not prohibited by applicable law.

**ARTICLE V  
CERTIFICATES OF STOCK**

**Section 1. Share Certificates.** Any or all classes and series of shares of the Company, or any part thereof, may be represented by uncertificated shares to the extent determined by the board of directors, except as otherwise required by applicable law or the Articles of Incorporation. To the extent a shareholder of record holds any shares not represented by uncertificated shares, such shareholder shall be entitled to a share certificate representing such shares held by him. To the extent that share certificates for the Company are issued, each such share certificate shall bear the corporate seal and the signature (which may be a facsimile signature) of the chairman, president or a vice president and the secretary or an assistant secretary or treasurer of the Company.

**Section 2. Transfers.** Shares of stock of the Company shall be transferable on the books of the Company only upon written instructions to the Company (or through its duly authorized transfer agent) by the registered holder or by such register holder's duly authorized attorney, and, with respect to certificated shares of stock, only upon surrender of such share certificate(s), properly endorsed by the registered holder or by such register holder's duly authorized attorney.

**ARTICLE VII  
CERTAIN MATTERS RELATING TO  
PENNSYLVANIA ACT NO. 36 OF 1990**

In accordance with the provisions of Section 2571(b)(2)(I) of the Pennsylvania Associations Code, as amended, Subchapter H, Disgorgement by Certain Controlling Shareholders Following Attempts to Acquire Control, of Chapter 25 of the Pennsylvania Associations Code shall not be applicable to the Company.

**ARTICLE VII  
AMENDMENTS**

Except as restricted by applicable law, the authority to adopt, amend and repeal the bylaws of the Company is expressly vested in the board of directors, subject to the power of the shareholders to change such action. These bylaws may be changed at any regular or special meeting of the board of directors by the vote of a majority of all the directors in office.

**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  
Chief Executive Officer

Date: May 6, 2015

**EXHIBIT 31.2**

**CERTIFICATION**

I, William J. Federici, 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/ William J. Federici  
William J. Federici  
Senior Vice President and Chief Financial Officer

Date: May 6, 2015

**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 March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric M. Green, 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  
Chief Executive Officer

Date: May 6, 2015

**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 March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William J. Federici, 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/ William J. Federici  
William J. Federici  
Senior Vice President and Chief Financial Officer

Date: May 6, 2015