

BEMIS CO INC
Form 10-Q
July 28, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2017

Commission File Number 1-5277

BEMIS COMPANY, INC.
(Exact name of registrant as specified in its charter)

Missouri	43-0178130
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Neenah Center 4th Floor, P.O. Box 669 Neenah, Wisconsin	54957-0669
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (920) 527-5000

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company. YES NO

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date. As of July 26, 2017, the registrant had 90,804,503 shares of Common Stock, \$0.10 par value, issued and outstanding.

Forward-Looking Statements

Unless otherwise indicated, references to "Bemis Company," the "Company," "we," "our," and "us" in this Quarterly Report on Form 10-Q refer to Bemis Company, Inc. and its consolidated subsidiaries.

This Quarterly Report contains certain estimates, predictions, and other "forward-looking statements" (as defined in the Private Securities Litigation Reform Act of 1995, and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended). Forward-looking statements are generally identified with the words "believe," "expect," "anticipate," "intend," "estimate," "target," "may," "will," "project," "should," "continue," "outlook," "approximately," "would," "could," or the negative thereof or other similar expressions or discussion of future goals or aspirations, which are predictions of or indicate future events and trends and which do not relate to historical matters. Such statements are based on information available to management as of the time of such statements and relate to, among other things, expectations of the business environment in which we operate, projections of future performance (financial and otherwise), including those of acquired companies, perceived opportunities in the market and statements regarding our strategy and vision. Forward-looking statements involve known and unknown risks, uncertainties, and other factors, which may cause actual results, performance, or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Factors that could cause actual results to differ from those expected include, but are not limited to:

- The costs, availability, and terms of acquiring our raw materials (particularly for polymer resins and adhesives), as well as our ability to pass any price changes on to our customers;
- Our ability to retain and build upon the relationships and sales of our key customers;
- The potential loss of business or increased costs due to customer or vendor consolidation;
- The ability of our operations to maintain working efficiencies, as well as properly adjust to continuing changes in global politics, legislation, and economic conditions;
- A failure to realize the full potential of our restructuring activities;
- Variances in key exchange rates that could affect the translation of the financial statements of our foreign entities;
- Our ability to effectively implement and update our global enterprise resource planning ("ERP") systems;
- Our ability to realize the benefits of our acquisitions and divestitures, and whether we are able to properly integrate those businesses we have acquired;
- Fluctuations in interest rates and our borrowing costs, along with other key financial variables;
- A potential failure in our information technology infrastructure or applications and their ability to protect our key functions from cyber-crime and other malicious content;
- Unexpected outcomes in our current and future administrative and litigation proceedings;
- Changes in governmental regulations, particularly in the areas of environmental, health and safety matters, fiscal incentives, and foreign investment;
- Changes in the competitive conditions within our markets, as well as changes in the demand for our goods;
- Our ability to effectively introduce new products into the market and to protect or retain our intellectual property rights;
- Changes in our ability to attract and retain high performance employees;
- Changes in the value of our goodwill and other intangible assets;
- Changes in import and export regulation that could subject us to liability or impair our ability to compete in international markets;
- Our ability to manage all costs associated with our pension plans; and
- Changes in our credit rating.

These and other risks, uncertainties, and assumptions identified from time to time in our filings with the Securities and Exchange Commission, including without limitation, those described under Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016 and our quarterly reports on Form 10-Q, could cause actual future results to differ materially from those projected in the forward-looking statements. In addition, actual future results could differ materially from those projected in the forward-looking statements as a result of changes in the assumptions used in making such forward-looking statements.

PART I — FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BEMIS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)
(in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net sales	\$1,012.1	\$1,021.3	\$2,007.5	\$1,989.2
Cost of products sold	826.2	804.3	1,623.7	1,563.4
Gross profit	185.9	217.0	383.8	425.8
Operating expenses:				
Selling, general, and administrative expenses	97.6	100.4	192.2	199.8
Research and development	11.1	11.6	23.6	23.1
Restructuring and acquisition-related costs	23.8	19.6	28.2	20.4
Other operating income	(3.1)	(3.6)	(6.1)	(5.9)
Operating income	56.5	89.0	145.9	188.4
Interest expense	16.0	14.0	32.0	29.4
Other non-operating income	(0.6)	(0.6)	(1.5)	(0.5)
Income before income taxes	41.1	75.6	115.4	159.5
Provision for income taxes	13.1	24.7	36.3	52.4
Net income	\$28.0	\$50.9	\$79.1	\$107.1
Basic earnings per share	\$0.31	\$0.54	\$0.86	\$1.13
Diluted earnings per share	\$0.30	\$0.53	\$0.85	\$1.12
Cash dividends paid per share	\$0.30	\$0.29	\$0.60	\$0.58

See accompanying notes to condensed consolidated financial statements.

BEMIS COMPANY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

(in millions)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net income	\$28.0	\$50.9	\$79.1	\$107.1
Other comprehensive (loss) income:				
Translation adjustments	(4.0)	30.9	25.9	74.7
Pension and other postretirement liability adjustments, net of tax (a)	2.3	5.7	4.4	9.0
Other comprehensive (loss) income	(1.7)	36.6	30.3	83.7
Total comprehensive income	\$26.3	\$87.5	\$109.4	\$190.8
(a) Tax expense related to pension and other postretirement liability adjustments	\$1.3	\$3.6	\$2.7	\$5.0

See accompanying notes to condensed consolidated financial statements.

BEMIS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

(in millions)

	June 30, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	\$55.0	\$74.2
Trade receivables	475.3	461.9
Inventories	608.5	549.4
Prepaid expenses and other current assets	101.4	80.0
Total current assets	1,240.2	1,165.5
Property and equipment, net	1,311.6	1,283.8
Goodwill	1,036.5	1,028.8
Other intangible assets, net	149.0	155.2
Deferred charges and other assets	93.0	82.4
Total other long-term assets	1,278.5	1,266.4
TOTAL ASSETS	\$3,830.3	\$3,715.7
LIABILITIES		
Current portion of long-term debt	\$5.0	\$2.0
Short-term borrowings	14.0	15.3
Accounts payable	507.0	378.0
Employee-related liabilities	70.0	79.6
Accrued income and other taxes	31.2	31.2
Other current liabilities	67.9	70.0
Total current liabilities	695.1	576.1
Long-term debt, less current portion	1,516.8	1,527.8
Deferred taxes	229.9	219.7
Other liabilities and deferred credits	123.8	132.4
Total liabilities	2,565.6	2,456.0
Commitments and contingencies (See Note 11)		
EQUITY		
Common stock issued (129.1 and 128.8 shares, respectively)	12.9	12.9
Capital in excess of par value	581.8	581.5
Retained earnings	2,365.0	2,341.7
Accumulated other comprehensive loss	(417.5)	(447.8)
Common stock held in treasury (37.1 and 36.1 shares at cost, respectively)	(1,277.5)	(1,228.6)
Total equity	1,264.7	1,259.7

TOTAL LIABILITIES AND EQUITY	\$3,830.3	\$3,715.7
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See accompanying notes to condensed consolidated financial statements.

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BEMIS COMPANY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 (Unaudited)
 (in millions)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities		
Net income	\$79.1	\$107.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	85.0	81.3
Excess tax benefit from share-based payment arrangements	—	(4.3)
Share-based compensation	8.8	9.4
Deferred income taxes	2.3	8.3
Income of unconsolidated affiliated company	(1.4)	(0.9)
Loss on sale or write-off of property and equipment	4.7	1.7
Changes in working capital, excluding effect of acquisitions and currency	25.2	(62.1)
Changes in other assets and liabilities	(3.2)	12.5
Net cash provided by operating activities	200.5	153.0
Cash flows from investing activities		
Additions to property and equipment	(97.2)	(77.9)
Business acquisitions and adjustments, net of cash acquired	—	(107.3)
Proceeds from sale of property and equipment	0.5	0.2
Net cash used in investing activities	(96.7)	(185.0)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	2.2	0.2
Repayment of long-term debt	—	(23.7)
Net (repayment) borrowing of commercial paper	(13.3)	174.2
Net repayment of short-term debt	(1.6)	(3.7)
Cash dividends paid to shareholders	(56.7)	(59.6)
Common stock purchased for the treasury	(48.9)	(44.3)
Excess tax benefit from share-based payment arrangements	—	4.3
Stock incentive programs and related tax withholdings	(8.5)	(14.6)
Net cash (used in) provided by financing activities	(126.8)	32.8
Effect of exchange rates on cash and cash equivalents	3.8	1.8
Net (decrease) increase in cash and cash equivalents	(19.2)	2.6
Cash and cash equivalents balance at beginning of year	74.2	59.2
Cash and cash equivalents balance at end of period	\$55.0	\$61.8

See accompanying notes to condensed consolidated financial statements.

BEMIS COMPANY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF EQUITY
 (Unaudited)
 (in millions)

	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock Held In Treasury	Total
Balance at December 31, 2015	\$ 12.8	\$ 573.2	\$ 2,216.0	\$ (509.9)	\$(1,084.7)	\$ 1,207.4
Net income			107.1			107.1
Other comprehensive income				83.7		83.7
Cash dividends declared on common stock			(55.6)			(55.6)
Stock incentive programs and related tax withholdings (0.6 shares)	0.1	(14.7)				(14.6)
Excess tax benefit from share-based payment arrangements		4.3				4.3
Share-based compensation		9.4				9.4
Purchase of 1.0 shares of common stock for the treasury					(44.3)	(44.3)
Balance at June 30, 2016	\$ 12.9	\$ 572.2	\$ 2,267.5	\$ (426.2)	\$(1,129.0)	\$ 1,297.4
Balance at December 31, 2016	\$ 12.9	\$ 581.5	\$ 2,341.7	\$ (447.8)	\$(1,228.6)	\$ 1,259.7
Net income			79.1			79.1
Other comprehensive income				30.3		30.3
Cash dividends declared on common stock			(55.8)			(55.8)
Stock incentive programs and related tax withholdings (0.3 shares)		(8.5)				(8.5)
Share-based compensation		8.8				8.8
Purchase of 1.0 shares of common stock for the treasury					(48.9)	(48.9)
Balance at June 30, 2017	\$ 12.9	\$ 581.8	\$ 2,365.0	\$ (417.5)	\$(1,277.5)	\$ 1,264.7

See accompanying notes to condensed consolidated financial statements.

BEMIS COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Bemis Company, Inc. (the "Company") in accordance with accounting principles for interim financial information generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position and results of operations. It is management's opinion, however, that all material adjustments (consisting of normal recurring accruals) have been made which are necessary for a fair statement of its financial position, results of operations and cash flows. For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Note 2 — New Accounting Guidance

Recently Adopted Accounting Standards

In March 2016, the Financial Accounting Standards Board ("FASB") issued guidance that changed certain aspects of accounting for share-based payments to employees. The new guidance requires all income tax effects of awards to be recognized in the income statement when the awards vest or are settled and recognized in the statement of cash flows as operating cash flows. The guidance also allows employee tax withholdings above the minimum statutory requirement without triggering liability accounting. Finally, the Company made a policy election to account for forfeitures as they occur. The guidance was adopted by the Company in the first quarter of 2017 and applied prospectively.

If this guidance was adopted in the first quarter of 2016, diluted earnings per share in the first quarter would have increased by \$0.04 from \$0.59 to \$0.63 due to a reduction in income tax expense. The impact to operating cash flow in the first quarter of 2016 would have been an increase of \$4.2 million with a corresponding decrease in financing cash flows. Stock awards typically vest in the first quarter so the impact is concentrated in the first three months of each year. The impact in future years will be dependent on Bemis stock performance and the number of shares vesting each year. The impact in 2017 was a \$0.9 million reduction of income tax expense and an equivalent benefit to operating cash flow.

Recently Issued Accounting Standards

In March 2017, the FASB issued guidance that will change how employers that sponsor defined benefit pension and other postretirement benefit plans present the cost of the benefits in the income statement. Under the new guidance, employers will present only the service cost component of the net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. In addition, only the service cost component will be eligible for capitalization in assets. Employers will present the other components separately from the line item that includes the service cost and outside of any subtotal of operating income, if one is presented. Employers will have to disclose the line used to present the other components of net periodic benefit cost, if the components are not presented separately in the income statement. The guidance is required to be applied by the Company in the first quarter of 2018. The Company does not expect this standard to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued new guidance that narrows the application of when an integrated set of assets and activities is considered a business and provides a framework to assist entities in evaluating whether both an input and a substantive process are present to be considered a business. It is expected that the new guidance will reduce the number of transactions that would need to be further evaluated and accounted for as a business. The guidance is required to be applied by the Company in the first quarter of 2018, but early adoption is permitted. The Company does not expect this standard to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued new guidance to simplify the subsequent measurement of goodwill by removing the requirement to perform a hypothetical purchase price allocation to compute the implied fair value of goodwill to measure impairment. Instead, any goodwill impairment will equal the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Further, the guidance eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. This guidance is required to be applied by the Company in the first quarter of 2020, with early adoption permitted for impairment tests performed after January 1, 2017. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In August 2016, the FASB issued guidance to simplify elements of cash flow classification. The guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The new guidance requires cash payments for debt prepayment or debt extinguishment costs to be classified as cash outflows for financing activities. It also requires cash payments made soon after an acquisition's consummation date (approximately three months or less) to be classified as cash outflows for investing activities. Payments made thereafter should be classified as cash outflows for financing activities up to the amount of the original contingent consideration liability. Payments made in excess of the amount of the original contingent consideration liability should be classified as cash outflows for operating activities. The guidance is required to be applied by the Company in the first quarter of 2018, but early adoption is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In February 2016, the FASB issued guidance that requires lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to today's accounting. The guidance also eliminates today's real estate-specific provisions and changes the guidance on sale-leaseback transactions, initial direct costs and lease executory costs for all entities. All entities will classify leases to determine how to recognize lease-related revenue and expense. The guidance is required to be applied by the Company in the first quarter of 2019, but early adoption is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In May 2014, the FASB issued new guidance which supersedes current revenue recognition requirements. This guidance is based on the principle that revenue is recognized 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 July 2015, the FASB voted to defer for one year the effective date of the new revenue standard. The guidance is required to be applied by the Company in the first quarter of fiscal 2018 using one of two retrospective applications methods. The FASB also decided to permit entities to early adopt the standard.

The Company has elected to adopt the new revenue guidance as of January 1, 2018. In preparation for adoption of the new guidance, the Company has assessed contracts entered with key customers and other forms of agreements with customers globally and has evaluated the provisions under the five-step model specified by the new guidance. In addition, the Company continues to monitor additional interpretive guidance related to the new standard as it becomes available, as well as comparing our conclusions on specific interpretative issues to other peers in our industry, to the extent that such information is available. Based on its procedures to date, the Company has preliminarily concluded the new revenue recognition guidance will not have a material impact on its consolidated financial statements. However, this conclusion could change as the Company finalizes its assessment during 2017. Adoption of the new standard will result in expanded revenue disclosures. The Company will decide which retrospective application to apply once the assessment is finalized.

Note 3 — Restructuring

2016 Restructuring and Cost Savings Plan ("2016 Plan")

During the second quarter of 2016, the Company initiated a restructuring and cost savings plan ("2016 Plan") to improve efficiencies and reduce fixed costs. As a part of this plan, four Latin American facilities within the Global Packaging segment will be closed. Most of the production from these facilities will be transferred to other facilities. As of June 30, 2017, manufacturing operations had ceased at three of these manufacturing facilities. Based on current estimates and actual charges to date, the Company expects total pre-tax restructuring costs of approximately \$31 million, with employee termination costs accounting for approximately \$15 million of the total. In addition, the Company expects to incur approximately \$3 million in fixed asset related costs and \$12 to \$13 million in other costs which primarily represent the cost to move and re-install equipment. Expenses in the second quarter of 2017 were

\$2.6 million which consisted mainly of the cost to re-install moved equipment. Expenses to date for the program are \$28.2 million.

An analysis of the 2016 Plan accruals follows:

(in millions)	Employee Costs	Fixed Asset Related	Other Costs	Total Restructuring Costs
Reserve balance at December 31, 2016	\$ 9.4	\$ —	\$ 2.3	\$ 11.7
Net expense accrued	0.1	0.6	5.9	6.6
Utilization (cash payments or otherwise settled)	(4.0)	(0.3)	(5.2)	(9.5)
Translation adjustments and other	0.1	(0.2)	(0.1)	(0.2)
Reserve balance at June 30, 2017	\$ 5.6	\$ 0.1	\$ 2.9	\$ 8.6

Plant closings associated with the 2016 Plan are expected to be completed by the end of 2017. Cash payments in the three and six months ended June 30, 2017 totaled \$4.5 million and \$9.5 million, respectively. Cash payments for the balance of 2017 are expected to be approximately \$8.2 million. The costs related to restructuring activities have been recorded on the consolidated statement of income as restructuring and acquisition-related costs. The accruals related to restructuring activities have been recorded on the consolidated balance sheet primarily as other current liabilities.

2017 Restructuring and Cost Savings Plan ("2017 Plan")

On June 30, 2017, the Company announced restructuring activities targeted to improve efficiency and profitability that further positions the Company for long-term success. As a part of this plan, the Company announced the intention to close two production facilities and move work performed at these facilities to other Bemis locations to optimize manufacturing capacity. In addition, the Company announced it will reduce administrative positions by approximately 300 over the next three years. The Company noted the initial actions represent the first steps in the Company's cost savings plan to improve efficiency and profitability.

Based on current estimates and actual charges to date related to the initial steps of the plan, the Company expects total pre-tax restructuring costs of approximately \$35 to \$38 million, primarily related to the closure of the two production facilities and the reduction of 300 administrative positions, which includes \$17 to \$19 million in employee termination costs, approximately \$12 million in fixed asset related costs, and \$6 to \$7 million in other project costs, including the move and re-installation of equipment. Expenses in the second quarter of 2017 were \$20.4 million which consisted primarily of employee termination costs and fixed asset write-downs of equipment. The estimated 2017 Plan costs incurred by reportable segment follow:

(in millions)	U.S. Packaging	Global Packaging	Corporate	Total
Expense incurred to date	\$ 6.7	\$ 12.4	\$ 1.3	\$ 20.4
Estimated future expense	10.1	4.3	—	14.4
Estimated costs of initial program steps	\$ 16.8	\$ 16.7	\$ 1.3	\$ 34.8

An analysis of the 2017 Plan accruals follows:

(in millions)	Employee Costs	Fixed Asset Related	Other Costs	Total Restructuring Costs
Net expense accrued	16.2	4.2	—	20.4
Utilization (cash payments or otherwise settled)	—	(4.2)	—	(4.2)
Reserve balance at June 30, 2017	\$ 16.2	\$ —	\$ —	—\$ 16.2

Plant closings related to the initial steps of the plan are expected to be completed by the end of 2018. Cash payments in 2017 are expected to be approximately \$3 to \$4 million. The costs related to restructuring activities have been recorded on the consolidated statement of income as restructuring and acquisition-related costs. The accruals related to

restructuring activities have been recorded on the consolidated balance sheet as other current liabilities.

Note 4 — Financial Assets and Financial Liabilities Measured at Fair Value

The fair values of the Company's financial assets and financial liabilities listed below reflect the amounts that would be received to sell the assets or paid to transfer the liabilities in an orderly transaction between market participants at the measurement date (exit price).

The Company's non-derivative financial instruments include cash and cash equivalents, trade receivables, accounts payable, short-term borrowings, and long-term debt. At June 30, 2017 and December 31, 2016, the carrying value of these financial instruments, excluding long-term debt, approximates fair value because of the short-term maturities of these instruments.

Fair value disclosures are classified based on the fair value hierarchy. Level 1 fair value measurements represent exchange-traded securities which are valued at quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Level 2 fair value measurements are determined using input prices that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Level 3 fair value measurements are determined using unobservable inputs, such as internally developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

The fair value measurements of the Company's long-term debt represent non-active market exchange-traded securities which are valued at quoted prices or using input prices that are directly observable or indirectly observable through corroboration with observable market data. The carrying values and estimated fair values of long-term debt at June 30, 2017 and December 31, 2016 follow:

(in millions)	June 30, 2017		December 31, 2016	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
Long-term debt, less current portion	\$ 1,516.8	\$ 1,581.3	\$ 1,527.8	\$ 1,592.3

The fair values for derivatives are based on inputs other than quoted prices that are observable for the asset or liability. These inputs include interest rates. The financial assets and financial liabilities are primarily valued using standard calculations / models that use as their basis readily observable market parameters. Industry standard data providers are the primary source for forward and spot rate information for both interest rates and currency rates, with resulting valuations periodically validated through third-party or counterparty quotes. The fair value of the Company's derivatives follows:

(in millions)	Fair Value of June 30, 2017 (Level 2)	Fair Value of December 31, 2016 (Level 2)
	Interest rate swaps — net asset position	\$ 3.9

Note 5 — Derivative Instruments

The Company enters into derivative transactions to manage exposures arising in the normal course of business. The Company does not enter into derivative transactions for speculative or trading purposes. The Company recognizes all derivative instruments on the balance sheet at fair value. Derivatives not designated as hedging instruments are

adjusted to fair value through income. Depending on the nature of derivatives designated as hedging instruments, changes in the fair value are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in shareholders' equity through other comprehensive income until the hedged item is recognized. Gains or losses, if any, related to the ineffective portion of any hedge are recognized through earnings in the current period.

The Company enters into interest rate swap contracts to economically convert a portion of the Company's fixed-rate debt to variable rate debt. During the fourth quarter of 2011, the Company entered into four interest rate swap agreements with a total notional amount of \$400 million. These contracts were designated as fair value hedges of the Company's \$400 million 4.50 percent fixed-rate debt due in 2021. The variable rate for each of the interest rate swaps is based on the six-month London Interbank Offered Rate (LIBOR), set in arrears, plus a fixed spread. The variable rates are reset semi-annually at each net settlement date. Fair values of these interest rate swaps are determined using discounted cash flow or other appropriate

methodologies. Asset positions are included in deferred charges and other assets with a corresponding increase in long-term debt. Liability positions are included in other liabilities and deferred credits with a corresponding decrease in long-term debt.

The Company enters into forward exchange contracts to manage foreign currency exchange rate exposures associated with certain foreign currency denominated receivables and payables. Forward exchange contracts generally have maturities of less than six months and relate primarily to the U.S. dollar for the Company's Brazilian operations. The Company has not designated these derivative instruments as hedging instruments. At June 30, 2017 and December 31, 2016, the Company had outstanding forward exchange contracts with notional amounts aggregating \$2.0 million and \$4.1 million, respectively. The net settlement amount (fair value) related to active forward exchange contracts is recorded on the balance sheet as either a current or long-term asset or liability and as an element of other operating income which offsets the related transaction gains or losses. The net settlement amounts are immaterial for all periods presented.

The Company is exposed to credit loss in the event of non-performance by counterparties in forward exchange contracts and interest-rate swap contracts. Collateral is generally not required of the counterparties or of the Company. In the event a counterparty fails to meet the contractual terms of a currency swap or forward exchange contract, the Company's risk is limited to the fair value of the instrument. The Company actively monitors its exposure to credit risk through the use of credit approvals and credit limits, and by selecting major international banks and financial institutions as counterparties. The Company has not had any historical instances of non-performance by any counterparties, nor does it anticipate any future instances of non-performance.

The fair values, balance sheet presentation, and the hedge designation status of derivative instruments at June 30, 2017 and December 31, 2016 are presented in the table below:

(in millions)	Balance Sheet Location	Fair Value (Level 2) As of	
		June 30, 2017	December 31, 2016
Asset Derivatives			
Interest rate swaps — designated as hedge	Deferred charges and other assets	\$3.9	\$ 1.3

The income statement impact of derivatives is presented in the table below:

(in millions)	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2017	2016	2017	2016
Designated as hedges					
Interest rate swaps	Interest expense	\$ 1.0	\$ 1.5	\$ 1.9	\$ 2.9
Not designated as hedges					
Forward exchange contracts	Other operating income	—	(0.2)	(0.3)	(0.9)
Total		\$ 1.0	\$ 1.3	\$ 1.6	\$ 2.0

Note 6 — Inventories

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Inventories are valued at the lower of cost, as determined by the first-in, first-out ("FIFO") method, or net realizable value. Inventory values using the FIFO method of accounting approximate replacement cost. Inventories are summarized as follows:

(in millions)	June 30, December 31,	
	2017	2016
Raw materials and supplies	\$ 192.1	\$ 172.2
Work in process and finished goods	416.4	377.2
Total inventories	\$ 608.5	\$ 549.4

Note 7 — Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill attributable to each reportable business segment follow:

(in millions)	U.S. Packaging Segment	Global Packaging Segment	Total
Reported balance at December 31, 2016	\$ 632.4	\$ 396.4	\$1,028.8
Currency translation	0.4	7.3	7.7
Reported balance at June 30, 2017	\$ 632.8	\$ 403.7	\$1,036.5

The components of amortized intangible assets follow:

(in millions)	June 30, 2017		December 31, 2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contract based	\$9.3	\$ (1.2)	\$8.9	\$ (1.0)
Technology based	79.8	(54.4)	79.5	(52.0)
Marketing related	14.1	(9.1)	14.2	(8.9)
Customer based	207.5	(97.0)	203.9	(89.4)
Reported balance	\$310.7	\$ (161.7)	\$306.5	\$ (151.3)

Amortization expense for intangible assets was \$8.4 million and \$7.5 million during the first six months of 2017 and 2016, respectively. Estimated amortization expense is \$8.4 million for the remainder of 2017, \$16.8 million for 2018, \$16.7 for 2019, \$15.8 million for 2020, \$13.7 million for 2021, and \$12.2 million for 2022. The Company does not have any accumulated impairment losses.

Note 8 — Components of Net Periodic Benefit Cost

Benefit costs for defined benefit pension and other postretirement plans are shown below. The funding policy and assumptions disclosed in the Company's 2016 Annual Report on Form 10-K are expected to continue unchanged throughout 2017.

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	2017	2016	2017	2016	2017	2016	2017	2016
Service cost - benefits earned during the period	\$1.9	\$1.9	\$—	\$—	\$3.7	\$3.8	\$—	\$—
Interest cost on projected benefit obligation	7.6	8.2	0.1	0.1	15.2	16.4	0.1	0.1
Expected return on plan assets	(12.1)	(12.9)	—	—	(24.2)	(25.8)	—	—
Settlement loss	0.3	5.8	—	—	0.3	5.9	—	—
Amortization:								
Prior service cost	0.2	0.2	(0.2)	(0.2)	0.4	0.4	(0.2)	(0.2)
Actuarial net loss (gain)	3.5	3.7	(0.2)	(0.1)	7.0	7.3	(0.4)	(0.3)
Net periodic benefit cost	\$1.4	\$6.9	\$(0.3)	\$(0.2)	\$2.4	\$8.0	\$(0.5)	\$(0.4)

Costs for defined contribution pension plans were \$7.6 million and \$15.5 million for the three and six months ended June 30, 2017, respectively. Costs for defined contribution pension plans were \$5.6 million and \$13.3 million for the three and six months ended June 30, 2016, respectively. The Company recognizes pension settlement charges related to supplemental pension plan lump sum payments.

Note 9 — Accumulated Other Comprehensive Loss

The components and activity of accumulated other comprehensive loss are as follows:

(in millions)	Foreign Currency Translation	Pension And Other Postretirement Liability Adjustments	Accumulated Other Comprehensive Loss
December 31, 2015	\$ (366.5)	\$ (143.4)	\$ (509.9)
Other comprehensive income before reclassifications	74.7	—	74.7
Amounts reclassified from accumulated other comprehensive loss	—	9.0	9.0
Net current period other comprehensive income	74.7	9.0	83.7
June 30, 2016	\$ (291.8)	\$ (134.4)	\$ (426.2)
December 31, 2016	\$ (330.7)	\$ (117.1)	\$ (447.8)
Other comprehensive income before reclassifications	25.9	—	25.9
Amounts reclassified from accumulated other comprehensive loss	—	4.4	4.4
Net current period other comprehensive income	25.9	4.4	30.3
June 30, 2017	\$ (304.8)	\$ (112.7)	\$ (417.5)

The following table summarizes amounts reclassified from accumulated other comprehensive loss:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Pension and postretirement costs (See Note 8)	\$3.6	\$9.7	\$7.1	\$13.6
Tax benefit	(1.3)	(3.0)	(2.7)	(4.6)
Pension and postretirement costs, net of tax	\$2.3	\$6.7	\$4.4	\$9.0

Accumulated other comprehensive loss associated with pension and other postretirement liability adjustments are net of tax effects of \$68.5 million and \$71.2 million as of June 30, 2017 and December 31, 2016, respectively.

Note 10 — Earnings Per Share Computations

A reconciliation of basic and diluted earnings per share is below:

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
(in millions, except per share amounts)				
Numerator				
Net income	\$ 28.0	\$ 50.9	\$ 79.1	\$ 107.1
Denominator				
Weighted average common shares outstanding	94.7	92.2	94.8	

— basic			
Dilutive 0.3 shares	1.0	0.3	1.0
Weighted average common and common equivalent shares outstanding — diluted	95.7	92.5	95.8
Per common share income			
Basic	\$ 0.31	\$ 0.54	\$ 0.86
Diluted	\$ 0.30	\$ 0.53	\$ 0.85
			\$ 1.13
			\$ 1.12

Certain stock awards outstanding were not included in the computation of diluted earnings per share above because they would not have had a dilutive effect. The excluded stock awards represented an aggregate of 0.6 million shares for the

three and six months ended June 30, 2017. There were no anti-dilutive stock awards outstanding for the three and six months ended June 30, 2016.

Note 11 — Legal Proceedings

The Company is involved in a number of lawsuits incidental to its business, including environmental-related litigation and routine litigation arising in the ordinary course of business. Although it is difficult to predict the ultimate outcome of these cases, the Company believes, except as discussed below, that any ultimate liability would not have a material adverse effect on the Company's consolidated financial condition or results of operations.

Environmental Matters

The Company is a potentially responsible party ("PRP") pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (commonly known as "Superfund") and similar state and foreign laws in proceedings associated with 17 sites in the United States and one in Brazil. These proceedings were instituted by the United States Environmental Protection Agency and certain state and foreign environmental agencies at various times beginning in 1983. Superfund and similar state and foreign laws create liability for investigation and remediation in response to releases of hazardous substances in the environment. Under these statutes, joint and several liability may be imposed on waste generators, site owners and operators, and others regardless of fault. Although these regulations could require the Company to remove or mitigate the effects on the environment at various sites, perform remediation work at such sites, or pay damages for loss of use and non-use values, the Company expects its liability in these proceedings to be limited to monetary damages. The Company expects its future liability relative to these sites to be insignificant, individually and in the aggregate.

The Company is involved in other environmental-related litigation arising in the ordinary course of business. The Company accrues environmental costs when it is probable that these costs will be incurred and can be reasonably estimated. The Company's reserve for environmental liabilities at June 30, 2017 and December 31, 2016 was \$3.9 million and \$3.5 million, respectively, and is included in other liabilities and deferred credits on the accompanying consolidated balance sheet.

Brazil Tax Dispute - Goodwill Amortization

During October 2013, Dixie Toga, Ltda ("Dixie Toga"), a Bemis subsidiary, received an income tax assessment in Brazil for the tax years 2009 through 2011 that relates to the amortization of certain goodwill generated from the acquisition of Dixie Toga. The income tax assessed for those years is approximately \$11.5 million, translated to U.S. dollars at the June 30, 2017 exchange rate. The Company expects that tax examinations for years after 2011 will include similar assessments as the Company continues to claim the tax benefits associated with the goodwill amortization. An ultimate adverse resolution on these assessments, including interest and penalties, could be material to the Company's consolidated results of operations and/or cash flows.

The Company has been advised by its legal and tax advisors that its position with respect to the deductions is allowable under the tax laws of Brazil. The Company is contesting the disallowance and believes it is more likely than not the tax benefit will be sustained in its entirety and consequently has not recorded a liability. In May of 2017, the Company received a favorable administrative decision. The government is appealing this decision to the next administrative level. The Company intends to litigate the matter if it is not resolved at the administrative appeals levels. The ultimate outcome could take several years. At this time, the Company believes that final resolution of the assessment will not have a material impact on the Company's consolidated financial statements.

Brazil Investigation

On September 18, 2007, the Secretariat of Economic Law, a governmental agency in Brazil, which has now been replaced by the General Superintendence of the Administrative Council for Economic Defense ("CADE"), initiated an investigation into possible anti-competitive practices in the Brazilian flexible packaging industry against a number of Brazilian companies including Itap Bemis, a Dixie Toga subsidiary. The investigation relates to periods prior to the Company's acquisition of control of Dixie Toga and its subsidiaries.

In late November 2016, the investigative arm of CADE issued an advisory opinion recommending, among other actions, the imposition of fines on Itap Bemis. In July 2017, the Attorney General's Office of CADE recommended the termination of the investigation with respect to all companies and individuals, concluding that the evidence is insufficient for conviction. The case is now awaiting the opinion of the Federal Public Prosecutor as to how to proceed.

In the event of an adverse decision, it is difficult to predict possible fines, but based on CADE's current fining practice, the fines assessed could be as high as \$60 million, depending on CADE's determination of the applicable revenue base for the calculation of the fine. The Company intends to vigorously defend its position and plans to appeal any adverse decision by the Tribunal. Upon appeal, the Company would likely be required to post bond, deposit funds equal to the assessed fines, or provide other collateral. The Company is unable at this time to predict the outcome of this matter, but believes it is not probable that an adverse judgment would stand after exhausting all appeals which are likely to take several years and therefore no provision has been made in the consolidated financial statements.

Note 12 — Segments of Business

The Company's business activities are organized around and aggregated into its two principal business segments, U.S. Packaging and Global Packaging, based on their similar economic characteristics, products, production process, types of customers, and distribution methods. Both internal and external reporting conforms to this organizational structure, with no significant differences in accounting policies applied. Intersegment sales (which are not significant) are generally priced to reflect nominal markups.

The Company evaluates the performance of its segments and allocates resources to them based primarily on operating profit, which is defined as profit before restructuring and acquisition-related costs, general corporate expense, interest expense, other non-operating income, and income taxes.

Sales to the Kraft Heinz Company, and its subsidiaries, accounted for approximately 10 percent of the Company's sales for all periods presented. The Company sells to Kraft Heinz primarily through its U.S. Packaging segment.

A summary of the Company's business activities reported by its two business segments follows:

Business Segments (in millions)	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Sales including intersegment sales:				
U.S. Packaging	\$672.7	\$678.0	\$1,327.6	\$1,344.7
Global Packaging	355.6	355.4	706.1	668.9
Intersegment sales:				
U.S. Packaging	(11.2)	(7.0)	(17.2)	(13.2)
Global Packaging	(5.0)	(5.1)	(9.0)	(11.2)
Total net sales	\$1,012.1	\$1,021.3	\$2,007.5	\$1,989.2
Segment operating profit				
U.S. Packaging	\$80.1	\$103.5	\$163.6	\$205.2
Global Packaging	17.7	28.1	44.9	44.4
Restructuring and acquisition-related costs	23.8	19.6	28.2	20.4
General corporate expenses	17.5	23.0	34.4	40.8
Operating income	56.5	89.0	145.9	188.4
Interest expense	16.0	14.0	32.0	29.4
Other non-operating (income) expense	(0.6)	(0.6)	(1.5)	(0.5)

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Income before income taxes	\$41.1	\$75.6	\$115.4	\$159.5
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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three and Six Months Ended June 30, 2017

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements.

(dollars in millions, except per share amounts)	Three Months Ended June 30,				Six Months Ended June 30,			
	2017		2016		2017		2016	
Net sales	\$1,012.1	100.0 %	\$1,021.3	100.0 %	\$2,007.5	100.0 %	\$1,989.2	100.0 %
Cost of products sold	826.2	81.6	804.3	78.8	1,623.7	80.9	1,563.4	78.6
Gross profit	185.9	18.4	217.0	21.2	383.8	19.1	425.8	21.4
Operating expenses								
Selling, general, and administrative expenses	97.6	9.6	100.4	9.8	192.2	9.6	199.8	10.0
Research and development	11.1	1.1	11.6	1.1	23.6	1.2	23.1	1.2
Restructuring and acquisition-related costs	23.8	2.4	19.6	1.9	28.2	1.4	20.4	1.0
Other operating income	(3.1)	(0.3)	(3.6)	(0.4)	(6.1)	(0.3)	(5.9)	(0.3)
Operating income	56.5	5.6	89.0	8.7	145.9	7.3	188.4	9.5
Interest expense	16.0	1.6	14.0	1.4	32.0	1.6	29.4	1.5
Other non-operating income	(0.6)	(0.1)	(0.6)	(0.1)	(1.5)	(0.1)	(0.5)	—
Income before income taxes	41.1	4.1	75.6	7.4	115.4	5.7	159.5	8.0
Provision for income taxes	13.1	1.3	24.7	2.4	36.3	1.8	52.4	2.6
Net income	\$28.0	2.8 %	\$50.9	5.0 %	\$79.1	3.9 %	\$107.1	5.4 %
Effective income tax rate		31.9 %		32.7 %		31.5 %		32.9 %
Diluted earnings per share	\$0.30		\$0.53		\$0.85		\$1.12	
Adjusted diluted earnings per share (1)	\$0.48		\$0.67		\$1.06		\$1.27	

(1) Refer to "Presentation of Non-GAAP Financial Information"

Overview

Bemis Company, Inc. is a major supplier of flexible and rigid plastic packaging used by leading food, consumer products, healthcare, and other companies worldwide. Historically, about 80 percent of our total net sales are to customers in the food industry. Sales of our packaging products are widely diversified among food categories and can be found in nearly every aisle of the grocery store.

Market Conditions

The markets into which our products are sold are highly competitive. Our leading market positions in packaging for perishable food and medical device products reflect our focus on value-added, proprietary products that provide food safety and sterility benefits. We also manufacture products for which our technical know-how and economies of scale offer us a competitive advantage. The primary raw materials for our business segments are polymer resins and films, paper, inks, adhesives, aluminum, and chemicals.

During March of 2017, certain of our large U.S. core consumer packaged goods customers lowered their volume projections for the balance of 2017. We expect these lower volumes, together with the operational inefficiencies associated with the lower volumes, to reduce our sales and earnings for 2017.

Additionally, the political instability and incrementally challenging economic environment in Brazil are impacting our business. As consumers, retailers, and our customers react to the situation in the region, our unit volumes and mix of products sold are adversely impacted. The challenges associated with the economic environment in Brazil have and will continue to put pressure on our sales and earnings for 2017.

Restructuring

Refer to Note 3 — Restructuring for details for both the 2016 and 2017 Plan regarding expenses incurred and cash payments to date, in addition to disaggregation of costs by segment and cost category.

2017 Restructuring and Cost Savings Plan ("2017 Plan")

During June 2017, we announced initial details on our restructuring and cost savings plan to improve profitability primarily in our U.S. and Latin American businesses by reducing our manufacturing and administrative cost structure. This plan targets an annual savings run rate of \$55 to \$60 million, with savings starting in 2017 and fully realized during 2019. Estimated total costs to implement the plan are \$100 to \$120 million.

As part of this plan, we announced that we will close two manufacturing facilities and reduce approximately 300 administrative positions for a combined savings of approximately \$30 million when fully implemented. Cash payments related to the initial steps of the plan are estimated at approximately \$25 million.

We continue to evaluate opportunities that build towards our cost savings target of \$55 to \$60 million and plan to provide final details, including total cash expenditures associated with the cost savings plan, when we release our third quarter earnings.

During the second quarter of 2017, we recorded restructuring charges totaling approximately \$24 million, or \$0.18 per share, most of which related to the initial steps in our 2017 Plan. These charges consisted primarily of employee termination costs and fixed asset write-downs of equipment. Management anticipates less than \$5 million of cash expenditures during 2017 related to our 2017 Restructuring Plan.

Acquisitions

Acquisition of SteriPack Group

On April 29, 2016, we acquired the medical device packaging operations and related value-added services of SteriPack Group, a global manufacturer of sterile packaging solutions for medical device and pharmaceutical applications. This acquisition includes a facility in Ireland as well as packaging production assets in Malaysia and the United States. These operations recorded annual net sales of approximately \$65 million in fiscal 2015. The cash purchase price was \$115.5 million.

Results of Operations — Second Quarter 2017

Consolidated Overview

(in millions, except per share amounts)	2017	2016
Net sales	\$1,012.1	\$1,021.3
Net income	28.0	50.9
Diluted earnings per share	0.30	0.53
Adjusted diluted earnings per share (See below)	0.48	0.67

Net sales for the second quarter of 2017 decreased 0.9 percent compared to the same period of 2016. The impact of currency translation reduced net sales by 0.2 percent. The SteriPack acquisition increased net sales by 0.5 percent.

Diluted earnings per share for the second quarter of 2017 were \$0.30 compared to \$0.53 reported in the same quarter of 2016. Results for 2017 included an \$0.18 per share charge for restructuring costs related primarily to planned plant closures in Latin America and the U.S. Packaging segment. Results for 2016 included a \$0.09 per share charge for restructuring costs related primarily to anticipated plant closures and related severance in Latin America. Results for 2016 also included a \$0.05 per share charge for acquisition-related costs comprised primarily of costs associated with the SteriPack acquisition.

U.S. Packaging Business Segment

(dollars in millions)	2017	2016
Net sales	\$661.5	\$671.0
Operating profit	80.1	103.5
Operating profit as a percentage of net sales	12.1 %	15.4 %

U.S. Packaging net sales of \$661.5 million for the second quarter of 2017 represented a decrease of 1.4 percent compared to the same period of 2016. Compared to the prior second quarter, unit volumes were up approximately one percent. This was offset by a decrease in net sales driven primarily by mix of products sold and contractual selling price reductions previously negotiated with some customers to secure business for the long-term.

U.S. Packaging operating profit decreased to \$80.1 million in the second quarter of 2017, or 12.1 percent of net sales, compared to \$103.5 million, or 15.4 percent of net sales, in 2016. Compared to the prior year, lower profits were driven by the impact of mix of products sold, previously-negotiated contractual selling price reductions on select products, and inefficiencies related to an ERP system implementation at one of our manufacturing facilities.

Global Packaging Business Segment

(dollars in millions)	2017	2016
Net sales	\$350.6	\$350.3
Operating profit	17.7	28.1
Operating profit as a percentage of net sales	5.0 %	8.0 %

Global Packaging net sales for the second quarter of 2017 were \$350.6 million, approximately flat with the same period of 2016. Currency translation reduced net sales by 0.6 percent. Acquisitions increased net sales by 1.6 percent. Organic sales decline of 0.9 percent reflects decreased unit volumes of approximately three percent, partially offset by sales price and mix.

Global Packaging operating profit for the second quarter of 2017 was \$17.7 million compared to \$28.1 million for the same period in 2016. The net impact of currency translation decreased operating profit by \$0.6 million during the second quarter, as compared to the prior year, primarily due to currencies in Latin America. Compared to the prior year, lower profits in Global Packaging were driven primarily by a 10 percent unit volume decline in Latin America

and the associated impacts of the challenging economic environment in Brazil.

Consolidated Gross Profit

(dollars in millions)	2017	2016		
Gross profit	\$185.9	\$217.0		
Gross profit as a percentage of net sales	18.4	% 21.2	%	

Compared to the prior year, lower gross profit was impacted by mix of products sold, previously-negotiated contractual selling price reductions on select products, inefficiencies related to an ERP system implementation at one of the Company's U.S. manufacturing facilities, and the challenging economic environment in Brazil.

Consolidated Selling, General, and Administrative Expenses

(dollars in millions)	2017	2016		
Selling, general, and administrative expenses (SG&A)	\$97.6	\$100.4		
SG&A as a percentage of net sales	9.6	% 9.8	%	

SG&A expenses declined due primarily to our pay-for-performance practices and continued cost controls.

Interest Expense

(dollars in millions)	2017	2016		
Interest expense	\$16.0	\$14.0		
Effective interest rate	4.2	% 3.7	%	

Interest expense in 2017 increased primarily as a result of new notes that were issued in September 2016.

Results of Operations — Six Months Ended June 30, 2017

Consolidated Overview

(in millions, except per share amounts)	2017	2016
Net sales	\$2,007.5	\$1,989.2
Net income	79.1	107.1
Diluted earnings per share	0.85	1.12
Adjusted diluted earnings per share (See below)	1.06	1.27

Net sales for the six months ended June 30, 2017, increased 0.9 percent from the same period of 2016. The impact of currency translation increased net sales by 0.4 percent. The SteriPack acquisition increased net sales by 1.2 percent.

Diluted earnings per share from continuing operations for the six months ended June 30, 2017 were \$0.85 compared to \$1.12 reported in the same period of 2016. Results for 2017 included a \$0.21 per share charge for restructuring costs related primarily to planned plant closures in Latin America and the U.S. Packaging segment. Results for 2016 included a \$0.09 per share charge for restructuring costs related primarily to planned plant closures in Latin America. Results for 2016 also included a \$0.06 per share charge for acquisition-related costs comprised primarily of costs associated with the Emplal Participações S.A. and SteriPack acquisitions. These costs were recorded both in operating income and interest expense.

U.S. Packaging Business Segment

(dollars in millions)	2017	2016
Net sales	\$1,310.4	\$1,331.5
Operating profit	163.6	205.2
Operating profit as a percentage of net sales	12.5 %	15.4 %

U.S. Packaging net sales decreased 1.6 percent in the six months ended June 30, 2017, compared to the same period of 2016. Compared to the prior year, unit volumes were relatively flat during the first six months of the year. The decrease in net sales was driven by mix of products sold and contractual selling price reductions previously negotiated with some customers to secure business for the long-term, partially offset by higher input costs that are passed through to customers.

Operating profit for the six months ended June 30, 2017 was \$163.6 million, or 12.5 percent of net sales, compared to \$205.2 million, or 15.4 percent of net sales, in 2016. Compared to the prior year, lower profits were driven by mix of products sold, previously-negotiated contractual selling price reductions on select products, and inefficiencies related to an ERP system implementation at one of the Company's manufacturing facilities.

Global Packaging Business Segment

(dollars in millions)	2017	2016
Net sales	\$697.1	\$657.7
Operating profit	44.9	44.4
Operating profit as a percentage of net sales	6.4 %	6.8 %

Global Packaging net sales increased 6.0 percent in the six months ended June 30, 2017 compared to the same period of 2016. The impact of currency translation increased net sales by 1.1 percent, primarily due to currencies in Latin America. The SteriPack acquisition increased net sales by 3.7 percent. Compared to the prior year, unit volumes were relatively flat during the first six months of the year. The remaining increase of 1.2 percent reflects the net impact of sales price and mix.

Operating profit for the six months ended June 30, 2017 was \$44.9 million, or 6.4 percent of net sales, compared to \$44.4 million, or 6.8 percent of net sales, in 2016. The net impact of currency translation increased operating profit during the first six months of 2017 by \$0.6 million as compared to the prior year, primarily due to currencies in Latin America.

Interest Expense

(dollars in millions)	2017	2016
Interest expense	\$32.0	\$29.4
Effective interest rate	4.2 %	4.0 %

Interest expense in 2017 increased primarily as a result of new notes that were issued in September 2016.

Consolidated Income Taxes

(dollars in millions)	2017	2016
Income taxes	\$36.3	\$52.4
Effective tax rate	31.5 %	32.9 %

As anticipated, our 2017 first quarter results included a discrete income tax benefit of approximately \$0.9 million corresponding to the adoption of new accounting guidance related to employee share-based payment accounting (See Note 2). Our effective income tax rate for the first six months of 2017 including this benefit was approximately 31.5 percent. We expect an effective income tax rate for 2017 of approximately 32 percent, which incorporates the new

accounting standard for stock-based compensation.

We expect similar discrete income tax impacts in future years that will vary dependent upon the value of share based payouts in those years.

Presentation of Non-GAAP Information

This Quarterly Report on Form 10-Q refers to non-GAAP financial measures: adjusted diluted earnings per share, organic sales growth, and net debt. These non-GAAP financial measures adjust for factors that are unusual or unpredictable. These measures exclude the impact of certain amounts related to the effect of changes in currency exchange rates, acquisitions, and restructuring, including employee-related costs, equipment relocation costs, accelerated depreciation and the write-down of equipment. These measures also exclude gains or losses on sales of significant property and divestitures, certain litigation matters, and certain acquisition-related expenses, including transaction expenses, due diligence expenses, professional and legal fees, purchase accounting adjustments for inventory and order backlog and changes in the fair value of deferred acquisition payments. This adjusted information should not be construed as an alternative to results determined in accordance with accounting principles generally accepted in the United States of America (GAAP). Management of the Company uses the non-GAAP measures to evaluate operating performance and believes that these non-GAAP measures are useful to enable investors to perform comparisons of current and historical performance of the Company.

A reconciliation of reported diluted earnings per share to adjusted diluted earnings per share for the three and six months ended June 30, 2017 and 2016 follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Diluted earnings per share, as reported	\$0.30	\$0.53	\$0.85	\$1.12
Non-GAAP adjustments per share, net of taxes:				
Restructuring costs (1)	0.18	0.09	0.21	0.09
Acquisition-related costs (2)	—	0.05	—	0.06
Diluted earnings per share, as adjusted	\$0.48	\$0.67	\$1.06	\$1.27

(1) Restructuring costs include costs primarily related to the 2016 Plan focused on plant closures in Latin America and the 2017 Plan focused on aligning the Company's cost structure to its environment.

Acquisition-related costs are comprised primarily of acquisition costs associated with the Emplal Participações (2) S.A. and SteriPack acquisitions and were recorded both in operating income and interest expense (reflecting fees to extinguish portions of the Emplal seller's debt).

A reconciliation of total debt to net debt at June 30, 2017 and December 31, 2016 follows:

(in millions)	June 30, 2017	December 31, 2016
Current portion of long-term debt	\$5.0	\$2.0
Short-term borrowings	14.0	15.3
Long-term debt, less current portion	1,516.8	1,527.8
Total debt	1,535.8	1,545.1
Less cash and cash equivalents	(55.0)	(74.2)
Net debt	\$1,480.8	\$1,470.9

The components of changes in net sales for the three and six months ended June 30, 2017 follow:

	Three Months Ended June 30, 2017 Percent Change YoY	Six Months Ended June 30, 2017 Percent Change YoY		
U.S. Packaging:				
Organic sales decline	(1.4)%	(1.6)%		
U.S. Packaging	(1.4)%	(1.6)%		
Global Packaging:				
Currency effect	(0.6)%	1.1 %		
Acquisition effect	1.6 %	3.7 %		
Organic sales (decline) growth	(0.9)%	1.2 %		
Global Packaging	0.1 %	6.0 %		
Total Company:				
Currency effect	(0.2)%	0.4 %		
Acquisition effect	0.5 %	1.2 %		
Organic sales decline	(1.2)%	(0.7)%		
Total change in net sales	(0.9)%	0.9 %		

We determine the effect of changes in currency exchange rates by translating the respective period's sales using the same currency exchange rates that were in effect during the prior year. When we acquire businesses, we exclude sales in the current period for which there are no comparable sales in the prior period. Organic sales growth (decline) is calculated by comparing current period sales translated at prior year rates and eliminating the effect of acquisitions to reported sales in the prior year.

Liquidity and Capital Resources

Net Debt to Total Capitalization

Net debt to total capitalization (which includes total debt net of cash balances divided by total debt net of cash balances plus equity) was 53.9 percent at June 30, 2017 and December 31, 2016. Total debt as of June 30, 2017 and December 31, 2016 was \$1.5 billion.

Cash Flow

Net cash provided by operating activities was \$200.5 million for the first six months of 2017, compared to \$153.0 million for the first six months of 2016. This improvement was driven primarily by continued increases in days payable outstanding.

Net cash used in investing activities was \$96.7 million for the first six months of 2017 compared to \$185.0 million for the same period of 2016. Capital expenditures were \$97.2 million for the first six months of 2017 compared to \$77.9 million for the first six months of 2016, reflecting continued investment to support productivity improvements in the U.S. Packaging segment and growth initiatives in the Global Packaging segment. Cash used for acquisitions totaled

\$107.3 million for the first six months of 2016, primarily related to our SteriPack acquisition.

Net cash used in financing activities was \$126.8 million for the six months ended June 30, 2017, compared to net cash provided of \$32.8 million for the same period of 2016. Net change in total debt was payments of \$12.7 million and borrowings of \$147.0 million for the six months ended June 30, 2017 and 2016, respectively.

Available Financing

In addition to using cash provided by operating activities, we issue commercial paper to meet our short-term liquidity needs. As of June 30, 2017, our commercial paper debt outstanding was \$208.0 million. Based on our current credit rating, we enjoy ready access to the commercial paper markets.

On July 22, 2016, we amended our revolving credit facility extending the term of the agreement from August 12, 2018 to July 22, 2021. Our revolving credit facility is supported by a group of major U.S. and international banks. Covenants imposed by the revolving credit facility include minimum net worth calculations and a maximum ratio of debt to total capitalization. The revolving credit agreement includes a \$100 million multicurrency limit to support the financing needs of our international subsidiaries. As of June 30, 2017, there was \$208.0 million of debt outstanding supported by this credit facility, leaving \$892.0 million of available credit. If we were not able to issue commercial paper, we would expect to meet our financial liquidity needs by accessing the bank market, which would increase our borrowing costs. Borrowings under the credit agreement are subject to a variable interest rate. We are in compliance with all debt covenants.

Liquidity Outlook

We expect cash flow from operations and available liquidity described above to be sufficient to support future operating activities. There can be no assurance, however, that the cost or availability of future borrowings will not be impacted by future capital market disruptions.

Dividends

In February 2017, the Board of Directors approved the 34th consecutive annual increase in the quarterly cash dividend on common stock to \$0.30 per share, a 3.4 percent increase.

New Accounting Pronouncements

Refer to Note 2 — New Accounting Guidance in the Condensed Consolidated Financial Statements.

Critical Accounting Estimates and Judgments

Our discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to retirement benefits, intangible assets, and expected future performance of operations. Our estimates and judgments are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. These critical accounting estimates are discussed in detail in “Management’s Discussion and Analysis — Critical Accounting Estimates and Judgments” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

Goodwill is tested at least annually for impairment and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Among the factors that could trigger an impairment review are our current operating results relative to our annual plan or historical performance; competitive pressures and changes in the general economy or in the markets in which we operate. As of our most recent annual goodwill impairment review date of October 1, 2016, our Latin America reporting unit’s fair value was 22.3% in excess of its carrying value. As disclosed in this report, our business in Brazil contracted late in the second quarter of 2017 primarily attributed to the economic environment in which it operates which has also led to further restructuring actions in this region. Due to the recent operating results, we initiated an interim impairment analysis of our Latin America reporting unit during

July 2017. This review did not result in any impairment of the reporting unit's goodwill balance. The carrying value of our Latin America goodwill was \$190 million as of June 30, 2017. To the extent the results of our Brazil business continue to worsen or the future outlook weakens, goodwill may become impaired. In the event we determine that goodwill is impaired for this reporting unit in a future period, we would need to recognize a non-cash impairment charge which could have a material adverse effect on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk during the six-month period ended June 30, 2017. For additional information, refer to Note 4 and Note 5 to the Condensed Consolidated Financial Statements and to Part II, Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, under the direction, supervision, and involvement of the Chief Executive Officer and the Chief Financial Officer, has carried out an evaluation, as of the end of the period covered by this report, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) of the Company. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that disclosure controls and procedures in place at the Company are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As previously disclosed in the Annual Report on Form 10-K for the years ended December 31, 2016 and 2015, the Company is in the process of implementing a new enterprise resource planning (ERP) system which is being completed in phases. For the most recent phase, which was completed during the second quarter of 2017, two of the Company's United States manufacturing and sales operations implemented certain modules of the new ERP. The system implementation did not result in material changes in internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The material set forth in Note 11 of the Notes to Condensed Consolidated Financial Statements is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Information about our risk factors is contained in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. We believe that at June 30, 2017, there has been no material change to this information, except for the updated risk factors below:

Changes in market demand and competition - Changes in consumer demand or buying habits for our goods, an increase in substitutions, or significant innovation by our competitors, may adversely affect our business. Our success depends on our ability to respond timely to changes in customer product needs and market acceptance of our products. We must produce products that meet the quality, performance, and price expectations of our customers. Additionally, because many of our products are used to package consumer goods, our sales and profitability could be negatively impacted by changes in consumer preferences for those underlying products. We also operate in a highly competitive industry. Our response to marketplace competition may result in lower than expected net pricing of our products. For example, in March of 2017, certain of our large U.S. core consumer packaged goods customers lowered their volume projections for the balance of 2017. We expect these lower volumes, together with the operational inefficiencies associated with the lower volumes, to reduce our sales and earnings for 2017.

Global operations — Changing conditions in the U.S. and foreign countries, may significantly impact our reported results of operations.

We have operations globally. Our revenues and net income may be adversely affected by economic conditions, political situations, and changing laws and regulations, as to which we have no control. Additionally, our operations could be disrupted by geopolitical conditions such as boycotts and sanctions, acts of war, terrorist activity or other similar events. Such events could make it difficult or impossible to manufacture or deliver products to our customers, receive production materials from our suppliers, or perform critical functions, which could adversely affect our business globally or in certain regions. While we maintain similar manufacturing capacities at different locations and coordinate multi source supplier programs on many of our materials which would better enable us to respond to these types of events, we cannot be sure that our plans will fully protect us from all such disruptions. Similarly, more ordinary course disruptions that are directly attributable to the foreign nature of our business, such as flight and shipping delays or cancellations, could also significantly impact business operations.

The political instability and incrementally challenging economic environment in Brazil are impacting our business. As consumers, retailers, and our customers react to the situation in the region, our unit volumes and mix of products sold are adversely impacted. We expect the challenges associated to the economic environment in Brazil to put pressure on our sales and earnings for 2017.

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

We did not repurchase any of our equity securities in the three months ended June 30, 2017. As of June 30, 2017, under authority granted by the Board of Directors, we have remaining authorization to repurchase an additional 19,357,891 shares of our common stock.

ITEM 6. EXHIBITS

The Exhibit Index is incorporated herein by reference.

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SIGNATURES

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

BEMIS COMPANY, INC.

Date July 28, 2017 /s/ Michael B. Clauer

Michael B. Clauer, Senior Vice President and Chief Financial Officer

Exhibit Index

Pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), we have filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties thereto. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof and should not be relied upon.

Exhibit	Description	Form of Filing
3(a)	Restated Articles of Incorporation of the Registrant, as amended. (1)	Incorporated by Reference
3(b)	By-Laws of the Registrant, as amended through October 7, 2016. (2)	Incorporated by Reference
4(a)	Form of Indenture dated as of June 15, 1995, between the Registrant and U.S. Bank Trust National Association (formerly known as First Trust National Association), as Trustee. Copies of constituent instruments defining rights of holders of long-term debt of the Company and Subsidiaries, other than the Indenture specified herein, are not filed herewith, pursuant to Instruction (b)(4)(iii)(A) to Item 601 of Regulation S-K, because the total amount of securities Authorized under any such instrument does not exceed 10% of the total assets of the Company and Subsidiaries on a consolidated basis. The registrant hereby agrees that it will, upon request by the SEC, furnish to the SEC a copy of each such instrument. (3)	Incorporated by Reference
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO.	Filed Electronically
31.2	Rule 13a-14(a)/15d-14(a) Certification of CFO.	Filed Electronically
32	Section 1350 Certification of CEO and CFO.	Filed Electronically
101	Interactive data files.	Filed Electronically

(1) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 (File No. 1-5277).

(2) Incorporated by reference to the Registrant's Current Report on Form 8-K dated October 7, 2016 (File No. 1-5277).

(3) Incorporated by reference to the Registrant's Current Report on Form 8-K dated June 30, 1995 (File No. 1-5277).