

BEMIS CO INC  
Form 10-K  
February 29, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-K**

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

**For the Fiscal Year Ended December 31, 2011**

**Commission File Number 1-5277**

**BEMIS COMPANY, INC.**

(Exact name of Registrant as specified in its charter)

**Missouri**  
(State or other jurisdiction of  
incorporation or organization)

**43-0178130**  
(I.R.S. Employer  
Identification No.)

**One Neenah Center, 4th Floor, P.O. Box 669, Neenah, Wisconsin 54957-0669**

(Address of principal executive offices)

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Registrant's telephone number, including area code: **(920) 727-4100**

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

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Common Stock, par value \$.10 per share	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES  NO

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§232.405) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

Large Accelerated Filer <input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-Accelerated Filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company <input type="checkbox"/>

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). YES  NO

The aggregate market value of the voting and non-voting common equity held by nonaffiliates of the Registrant on June 30, 2011, based on a closing price of \$33.78 per share as reported on the New York Stock Exchange, was \$3,516,333,187.

As of February 21, 2012, the Registrant had 103,090,342 shares of Common Stock issued and outstanding.

### Documents Incorporated by Reference

Portions of the Proxy Statement - Annual Meeting of Shareholders May 3, 2012 - Part III

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**PART I ITEMS 1, 1A, 1B, 2, and 3**

**ITEM 1 BUSINESS**

Bemis Company, Inc., a Missouri corporation (the Registrant or Company), continues a business formed in 1858. The Company was incorporated in 1885 as Bemis Bro. Bag Company with the name changed to Bemis Company, Inc. in 1965. The Company is a principal manufacturer of flexible packaging products and pressure sensitive materials, selling to customers throughout North America, Latin America, Europe, and Asia Pacific. In 2011, approximately 89 percent of the Company's sales were derived from the Flexible Packaging segment and approximately 11 percent were derived from the Pressure Sensitive Materials segment.

The majority of the Company's products are sold to customers in the food industry. Other customers include companies in the following types of businesses: chemical, agribusiness, medical, pharmaceutical, personal care, electronics, automotive, construction, graphic industries, and other consumer goods. Further information about the Company's operations in its business segments and geographic areas is available in Note 21 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

As of December 31, 2011, the Company had over 20,000 employees, about 13,900 of whom were classified as production employees. Many of the North American production employees are covered by collective bargaining contracts involving five different international unions, two independent unions, and 26 individual contracts with terms ranging from one to five years. During 2011, six contracts covering 1,102 employees at six different locations in the United States were successfully negotiated. Ten domestic labor agreements covering 1,150 employees are scheduled to expire in 2012. Many of the production employees and some of the salaried workforce who are located outside the United States are covered by collective bargaining contracts involving 23 different unions with terms ranging from one to two years.

Working capital fluctuates throughout the year in relation to the level of customer volume and other marketplace conditions. Inventory levels reflect a reasonable balance between raw material pricing and availability, and the Company's commitment to promptly fill customer orders. Manufacturing backlogs are not a significant factor in the industries in which the Company operates. The business of each of the segments is not seasonal to any significant extent.

The Company is the owner or licensee of a number of United States and foreign patents and patent applications that relate to certain of its products, manufacturing processes, and equipment. The Company also has a number of trademarks and trademark registrations in the United States and in foreign countries. The Company's patents, licenses, and trademarks collectively provide a competitive advantage. However, the loss of any single patent or license alone would not have a material adverse effect on the Company's results as a whole or those of either of its segments.

The Company's business activities are organized around its two business segments, Flexible Packaging and Pressure Sensitive Materials. Both internal and external reporting conform to this organizational structure. A summary of the Company's business activities reported by its two business segments follows.

**Flexible Packaging Segment**

The flexible packaging segment manufactures a broad range of packaging for food, consumer goods, and industrial applications. Multilayer flexible polymer film structures and laminates are sold for food, medical, and personal care products as well as non-food applications utilizing vacuum or modified atmosphere packaging. Additional products include blown and cast stretch film products, carton sealing tapes and application equipment, custom thermoformed and injection molded plastic packaging, multiwall paper bags, printed paper roll stock, and bag closing materials. Markets for our products include processed and fresh meat, liquids, frozen foods, cereals, snacks, cheese, coffee, condiments, candy, pet food, bakery, seed, lawn and garden, tissue, fresh produce, personal care and hygiene, disposable diapers, printed shrink overwrap for the food and beverage industry, agribusiness, pharmaceutical, minerals, and medical device packaging.

**Pressure Sensitive Materials Segment**

The pressure sensitive materials segment manufactures pressure sensitive adhesive coated paper and film substrates sold into label, graphic, and technical markets. Products for label markets include narrow-web rolls of pressure sensitive paper, film, and metalized film printing stocks used in high-speed printing and die-cutting. Products for graphic markets include pressure sensitive films used for decorative signage through computer-aided plotters, digital and screen printers, and photographic overlamine and mounting materials including optically clear films with built-in UV inhibitors. Products for technical markets include micro-thin film adhesives used in delicate electronic parts assembly and pressure sensitive applications utilizing foam and tape based stocks to perform fastening and mounting functions.

**Marketing, Distribution, and Competition**

While the Company's sales are made through a variety of distribution methods, more than 90 percent of each segment's sales are made by the Company's direct sales force. Sales offices and plants are located throughout North America, Latin America, Europe, and Asia Pacific to provide prompt and economical service to more than 30,000 customers. The Company's technically trained sales force is supported by product development engineers, design technicians, and a customer service organization.

No single customer accounts for ten percent or more of the Company's total sales. Nevertheless, business arrangements with large customers require a large portion of the manufacturing capacity at a few individual manufacturing sites. Any change in the business arrangement would typically occur over a period of time, which would allow for an orderly transition for both the Company's manufacturing site and the customer.

The major markets in which the Company sells its products are highly competitive. Areas of competition include service, innovation, quality, and price. This competition is significant as to both the size and the number of competing firms. Major competitors

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in the Flexible Packaging segment include Amcor Limited, Berry Plastics Corporation, Bryce Corporation, Exopack Company, Hood Packaging Corporation, Printpack, Inc., Sealed Air Corporation, Sonoco Products Company, Wihuri OY, and Wintpak Ltd. In the Pressure Sensitive Materials segment major competitors include 3M, Acucote, Inc., Avery Dennison Corporation, FLEXcon Corporation, Green Bay Packaging Inc., Ricoh Company, Ltd., Ritrama Inc., Spinnaker Industries, Inc., Technicote Inc., UPM-Kymmene Corporation, and Wausau Coated Products Inc.

The Company considers itself to be a significant factor in the market niches it serves; however, due to the diversity of the Flexible Packaging and Pressure Sensitive Materials segments, the Company's precise competitive position in these markets is not reasonably determinable. Advertising is limited primarily to business and trade publications emphasizing the Company's product features and related technical capabilities.

**Raw Materials**

Polymer resins and films, paper, inks, adhesives, aluminum, and chemicals constitute the basic major raw materials. These are purchased from a variety of global industry sources and the Company is not dependent on any one supplier for its raw materials. While temporary industry-wide shortages of raw materials may occur, the Company expects to continue to successfully manage raw material supplies without significant supply interruptions. Currently, raw materials are readily available.

**Research and Development Expense**

Research and development expenditures were as follows:

(in thousands)	2011	2010	2009
Flexible Packaging	\$ 33,886	\$ 28,271	\$ 17,301
Pressure Sensitive Materials	4,865	6,067	7,041
Total	\$ 38,751	\$ 34,338	\$ 24,342

**Environmental Control**

Compliance with federal, state, and local laws, rules, and regulations which have been enacted or adopted regulating discharges of materials into the environment or otherwise relating to the protection of the environment, is not expected to have a material effect on the capital expenditures, earnings, or competitive position of the Company and its subsidiaries.

**Available Information**

The Company is a large accelerated filer (as defined in Exchange Act Rule 12b-2) and is also an electronic filer. Electronically filed reports (Forms 4, 8-K, 10-K, 10-Q, S-3, S-8, etc.) can be accessed at the Securities and Exchange Commission (SEC) website (<http://www.sec.gov>) or by visiting the SEC's Public Reference Room located at 100 F St., N.E., Washington, DC 20549 (call 1-202-551-8090 or 1-800-732-0330 for hours of operation). Electronically filed and furnished reports can also be accessed through the Company's own website (<http://www.bemis.com>), under Investor Relations/SEC Filings or by writing for free information, including SEC filings, to Investor Relations, Bemis Company, Inc., One Neenah Center, 4th Floor, P.O. Box 669, Neenah, Wisconsin 54957-0669, or calling (920) 727-4100. In addition, the Company's Board Committee charters, Principles of Corporate Governance, and the Company's Code of Conduct can be electronically accessed at the Company's website under Company Overview or, free of charge, by writing directly to the Company, Attention: Corporate Secretary. The Company



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intends to post any amendment to, or waiver from, a provision of the Code of Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer, controller and other persons performing similar functions on the Investor Relations section of its website ([www.bemis.com](http://www.bemis.com)) promptly following the date of such amendment or waiver.

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**Explanation of Terms Describing the Company's Products**

**Barrier laminate** A multilayer plastic film made by laminating two or more films together with the use of adhesive or a molten plastic to achieve a barrier for the planned package contents.

**Barrier products** Products that provide protection and extend the shelf life of the contents of the package. These products provide this protection by combining different types of plastics and additives into a multilayered plastic package. These products protect the contents from such things as oxygen, moisture, light, odor, or other environmental factors.

**Blown film** A plastic film that is extruded through an annular die in the form of a tube and then expanded by an internal column of air in the manufacturing process.

**Bundling films** A film manufactured by a modified blown film process that is used for wrapping and holding multipacks of products such as canned goods and bottles of liquids, replacing corrugate and fiberboard.

**Cast film** A plastic film that is extruded through a straight slot die as a flat sheet during its manufacturing process.

**Coextruded film** A blown or cast film extruded with multiple layers extruded simultaneously.

**Controlled atmosphere packaging** A package which limits the flow of elements, such as oxygen, carbon dioxide or moisture, into or out of the package.

**Crystallized Polyester (PET)** CPET. The process of using a combination of formulated resin blends and thermoforming conditions to increase the crystallinity of PET trays, which increases the heat distortion temperature of the trays to 450 degrees Fahrenheit. This allows foods packaged in these trays to go directly from freezer to oven for heating of the food.

**EZ Open Packaging** Any one of a series of technologies employed to allow the consumer easy access to a packaged product. Peelable closures, laser or other physical scoring/abrasion of a packaging film may be used. EZ Open can be combined with reclose features such as plastic zippers or the inclusion of pressure sensitive materials into the packaging film.

**Flexible polymer film** A non-rigid plastic film. Generally the shape of the package changes as the product contained in it is removed.

**Flexographic printing** The most common flexible packaging printing process in North America using a raised rubber or alternative material image mounted on a printing cylinder.

**Graphic products** Pressure sensitive materials used for decorative signage, promotional items and displays, and advertisements.

**In-line overlamination** The ability to add a protective coating to a printed material during the printing process.

**IWS** Individually Wrapped Slices. A term used to describe individually wrapped slices of process cheese foods.

**IWS Inner Wrap** The plastic film used to wrap each slice of process cheese. Typically, these films are cast coextrusions of polypropylene resins.

**Label products** Pressure sensitive materials made up and sold in roll form.

**Labelstock** Pressure sensitive material designed for the label markets.

**Laminate/Barrier laminate** A multilayer plastic film made by laminating two or more films together with the use of adhesive or a molten plastic to achieve the distribution and use requirements for the planned package contents. Alternately, a barrier layer can also be included as one of the

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films or in the laminating medium to protect the packaged products from such things as moisture, oxygen or other environmental factors.

Liner or Inner Liner Films A multilayer coextruded film that is used as the inner liner for bag-in-box packaging applications for products such as cereal or crackers. The films typically are comprised of high density polyethylenes and may contain barrier resins such as EVOH or nylon.

Modified atmosphere packaging A package in which the normal atmospheric composition of air inside the package has been modified by replacing it with a gas such as nitrogen.

Monolayer film A single layer extruded plastic film.

Multiwall paper bag A package made from two or more layers, at least one of which is paper, which have not been laminated.

Pouches and bags An option that delivers a semi-finished package, instead of rollstock, to a customer for filling product and sealing/closing the package for distribution.

Pressure sensitive material A material coated with adhesive such that upon contact with another material it will stick.

Prime label A pressure sensitive label used as the primary decorative label or secondary label, typically on a consumer product.

Retort A food processing technique in which the food product is placed in a package and then thermally treated (in the range of 250 degrees Fahrenheit) to extend the food product's shelf life under room temperature storage conditions. High oxygen and moisture barrier flexible or rigid packaging materials can be used for the primary package.

Rigid Packaging A form of packaging in which the shape of the package is retained as its contents are removed in use. Bottles, trays and clamshell packaging are examples.

Rollstock The principal form in which flexible packaging material is delivered to a customer. Finished film wound on a core is converted in a process at the end user's plant that forms, fills, and seals the package of product for delivery to customers.

Rotogravure printing A high quality, long run printing process utilizing a metal engraved cylinder.

Sheet products Pressure sensitive materials cut into sheets and sold in sheet form.

Shrink film/ Barrier shrink film A packaging film consisting of polyethylene and/or polypropylene resins extruded via a tubular process. The film is cooled and then reheated and stretched at a temperature near its melting point. The film can be irradiated with an electron beam in a second process to cross link the molecules for added heat resistance and strength. The film is made to shrink around a product to be packaged by an application of a thermal treatment. Alternately, a layer of an oxygen barrier material can be included to manufacture a barrier shrink film product.

Stretch film A plastic film with a significant ability to stretch which is used to wrap pallets of goods in the shipping process.

Technical products Technically engineered pressure sensitive materials used primarily for fastening and mounting functions, for example in cell phones, appliances, and electronic devices.

Thermoformed plastic packaging A package formed by applying heat to a film to shape it into a tray or cavity and then sealing a flat film on top of the package after it has been filled.

UV inhibitors Chemical agents included in a film to protect products against ultraviolet rays.

Variable information label A pressure sensitive label that is typically printed with a bar code or other type of variable information.

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**ITEM 1A RISK FACTORS**

The following factors, as well as factors described elsewhere in this Form 10-K, or in other filings by the Company with the Securities and Exchange Commission, could adversely affect the Company's consolidated financial position, results of operations or cash flows. Other factors not presently known to us or that we presently believe are not material could also affect our business operations and financial results.

**Raw materials. Raw material cost increases or shortages could adversely affect our results of operations.**

As a manufacturer, our sales and profitability are dependent on the availability and cost of raw materials, which are subject to price fluctuations. Inflationary and other increases in the costs of raw materials have occurred in the past and are expected to recur, and our performance depends in part on our ability to reflect changes in costs in selling prices for our products. In the past, we have been generally successful in managing increased raw material costs and increasing selling prices when necessary. Past performance may or may not be replicable in the future. Natural disasters such as hurricanes, in addition to terrorist activity and government regulation of environmental emissions, may negatively impact the production or delivery capacity of our raw material suppliers in the chemical and paper industries. This could result in increased raw material costs or supply shortages, which may have a negative impact on our profitability if we are unable to pass along the increased costs in our selling prices or, in the case of a shortage, secure raw materials from alternative sources.

**Acquisitions. We may not be able to successfully integrate businesses that we acquire.**

We have made numerous acquisitions in the past and are actively seeking new acquisitions that we believe will provide meaningful opportunities to grow our business and improve profitability. Acquired businesses may not achieve the levels of revenue, profit, productivity, or otherwise perform as we expect. Acquisitions involve special risks, including, without limitation, the potential assumption of unanticipated liabilities and contingencies as well as difficulties in integrating acquired businesses. While we believe that our acquisitions will improve our competitiveness and profitability, we can give no assurance that acquisitions will be successful or accretive to earnings.

**Goodwill and other intangible assets. A significant write down of goodwill and/or other intangible assets would have a material adverse effect on our reported results of operations and net worth.**

We review our goodwill balance for impairment at least once a year using the business valuation methods allowed in accordance with current accounting standards. These methods include the use of a weighted-average cost of capital to calculate the present value of the expected future cash flows of our reporting units. Future changes in the cost of capital, expected cash flows, or other factors may cause our goodwill and/or other intangible assets to be impaired, resulting in a non-cash charge against results of operations to write down these assets for the amount of the impairment. In addition, if we make changes in our business strategy or if external conditions adversely affect our business operations, we may be required to record an impairment charge for goodwill or intangibles, which would lead to decreased assets and reduced net operating performance. If a significant write down is required, the charge would have a material adverse effect on our reported results of operations and net worth. We have identified the valuation of intangibles as a critical accounting estimate. See Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates and Judgments Intangible assets and goodwill included in Item 7 of this Annual Report on Form 10-K.

**Patents and proprietary technology. Our success is dependent on our ability to develop and successfully introduce new products and to acquire and retain intellectual property rights.**

Our ability to develop and successfully market new products and to develop, acquire, and retain necessary intellectual property rights is essential to our continued success, but cannot reasonably be assured.

**Facility consolidation activities** **Our facility consolidation activities and cost saving initiatives may not achieve the results we anticipate.**

We have undertaken and will continue to undertake facility consolidation activities and cost reduction initiatives to optimize our asset base, improve operating efficiencies and generate cost savings. We cannot be certain that we will be able to complete these initiatives as planned or that the estimated operating efficiencies or cost savings from such activities will be fully realized or maintained over time. In addition, we may not be successful in migrating production from one facility to another.

**Funded status of pension plans** **Recognition of pension liabilities may cause a significant reduction in stockholders' equity.**

Current accounting standards issued by the Financial Accounting Standards Board (FASB) require balance sheet recognition of the funded status of our defined benefit pension and postretirement benefit plans. If the fair value of our pension plans' assets at a future reporting date decreases or if the discount rate used to calculate the projected benefit obligation (PBO) as of that date decreases, we will be required to record the incremental change in the excess of PBO over the fair value of the assets as a reduction of stockholders' equity. The resulting non-cash after-tax charge would not reduce reported earnings as this amount would represent future expense. Rather, it would be recorded directly as a decrease in the Accumulated Other Comprehensive Income component of stockholders' equity. While we cannot estimate the future funded status of our pension liability with any certainty at this time, we believe that if the market value of assets or the discount rate used to calculate our pension liability materially decreases, the adjustment could significantly reduce our stockholders' equity. A significant reduction in stockholders' equity may impact our compliance with debt covenants or could cause a downgrade in our credit ratings that could also adversely impact our future cost and speed of borrowing and have an adverse affect on our financial condition, results of operations and liquidity. We have identified pension assumptions as critical accounting estimates. See Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates and Judgments Pension costs and Pension assumptions sensitivity analysis included in Item 7 of this Annual Report on Form 10-K.

**Multiemployer Pension Plans**

We participate in three multiemployer pension plans administered by labor unions representing some of our employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. Our required contributions to these funds are increasing because of a shrinking contribution base as a result of the insolvency or withdrawal of other

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companies that currently contribute to these funds, inability or failure of withdrawing companies to pay their withdrawal liability, lower than expected returns on pension fund assets or other funding deficiencies. In the event that we withdraw from participation in one of these plans, then applicable law could require us to make an additional lump-sum contribution to the plan, and we would have to reflect that as an expense in our consolidated statement of operations and as a liability on our consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan's funding of vested benefits. In the ordinary course of our renegotiation of collective bargaining agreements with labor unions that maintain these plans, we may decide to discontinue participation in a plan, and in that event, we could face a withdrawal liability. All multiemployer plans in which we participate are reported to have significant underfunded liabilities. Such underfunding could increase the size of our potential withdrawal liability.

**Information technology. A failure in our information technology infrastructure or applications could negatively affect our business.**

We depend on information technology to record and process customer's orders, manufacture and ship products in a timely manner, and maintain the financial accuracy of our business records. We are in the process of implementing a global Enterprise Resource Planning (ERP) system that will redesign and deploy new processes and a common information system across our plants over a period of several years. There can be no certainty that this system will deliver the expected benefits. The failure to achieve our goals may impact our ability to (1) process transactions accurately and efficiently and (2) remain in step with the changing needs of the trade, which could result in the loss of customers. In addition, the failure to either deliver the application on time, or anticipate the necessary readiness and training needs, could lead to business disruption and loss of customers and revenue. Finally, failure or abandonment of the ERP system could result in a write-off of part or all of the costs that have been capitalized on the project.

Our information systems could also be penetrated by outside parties intent on extracting information, corrupting information, or disrupting business processes. Such unauthorized access could disrupt our business and could result in the loss of assets, which could result in the loss of customer confidence and business, and cause us to incur time and expense in remediation efforts.

**Credit rating. A downgrade in our credit rating could increase our borrowing costs and negatively affect our financial condition and results of operations.**

In addition to using cash provided by operations, we regularly issue commercial paper to meet our short-term liquidity needs. Our credit ratings are important to our ability to issue commercial paper at favorable rates of interest. A downgrade in our credit rating could increase the cost of borrowing by increasing the spread over prevailing market rates that we pay for our commercial paper or the fees associated with our bank credit facility. If for any reason the commercial paper market was not available, we would borrow on our existing credit agreements. If these were no longer available to us, we would be required to seek alternative sources of financing. We would expect to meet our financial liquidity needs by accessing the bank market, which would further increase our borrowing costs.

**Interest rates. An increase in interest rates could reduce our reported results of operations.**

At December 31, 2011, our variable rate borrowings approximated \$455.0 million (which includes \$400 million fixed rate notes that have been effectively converted to variable rate debt through the use of a fixed to variable rate interest rate swap). Fluctuations in interest rates can increase borrowing costs and have an adverse impact on results of operations. Accordingly, increases in short-term interest rates will directly impact the amount of interest we pay. For each one percent increase in variable interest rates, our annual interest expense would increase by \$4.6 million on the \$455.0 million of variable rate debt outstanding as of December 31, 2011.

**Domestic and international economic conditions.**

Disruption in the domestic and international equity and financial markets may impact local economies in which we conduct business. We are not able to predict the future impact of other market disruptions on our liquidity and consolidated statements of financial position, results of operations, and cash flows.

**Foreign operations. Conditions in foreign countries and changes in foreign currency exchange rates may significantly reduce our reported results of operations.**

We have operations in the United States, Canada, Mexico, South America, Europe, and Asia Pacific. In 2011, approximately 33 percent of our sales were generated by entities operating outside of the United States. Fluctuations in currencies can cause transaction and translation losses. In addition, our revenues and net income may be adversely affected by economic conditions, political situations, and changing laws and regulations in foreign countries, as to which we have no control.

**Numerous other factors over which we may have limited or no control may affect our performance and profitability.**

Other factors that may influence our earnings, financial position, and liquidity include: legal and administrative cases and proceedings (whether civil, such as environmental or product related, or criminal), settlements, judgments, and investigations; developments or assertions by or against us relating to intellectual property rights and intellectual property licenses; adoption of new, or changes in, accounting policies or practices and the application of such policies and practices; changes in business mix; customer and supplier business reorganizations or combinations; increase in cost of debt; ability to retain adequate levels of insurance coverage at acceptable rates; fluctuations in pension and employee benefit costs; loss of significant contract(s); risks and uncertainties relating to investment in development activities and new facilities; timely development and successful market acceptance of new products; pricing of competitive products; disruptions in transportation networks; increased participation in potentially less stable emerging markets; reliability of utility services; impact of computer viruses; general or specific economic conditions and the ability and willingness of purchasers to substitute other products for the products that we manufacture; financial condition and inventory strategies of customers and suppliers; credit risks; changes in customer order patterns; employee work stoppages at plants; increased competition; changes in government regulations and the impact of changes in the world political environment, including the ability to estimate the impact of foreign currency exchange rates on financial results; the impact of epidemiological events on the economy and on our customers and suppliers; and acts of war, terrorism, weather, and other natural disasters.

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**ITEM 1B UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2 PROPERTIES**

Properties utilized by the Company at December 31, 2011, were as follows:

**Flexible Packaging Segment**

This segment has 73 manufacturing plants located in 18 states, the Commonwealth of Puerto Rico, and eleven non-US countries, of which 64 are owned directly by the Company or its subsidiaries and nine are leased from outside parties. Initial building lease terms generally provide for minimum terms of five to 21 years and have one or more renewal options. The initial term of building leases in effect at December 31, 2011, expire between 2012 and 2026.

**Pressure Sensitive Materials Segment**

This segment has seven manufacturing plants located in three states and two non-US countries, all of which are owned directly by the Company or its subsidiaries.

**Corporate and General**

The Company considers its plants and other physical properties to be suitable, adequate, and of sufficient productive capacity to meet the requirements of its business. The manufacturing plants operate at varying levels of utilization depending on the type of operation and market conditions. The executive offices of the Company, which are leased, are located in Neenah, Wisconsin.

**ITEM 3 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, management 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*



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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 laws in proceedings associated with seventeen sites around the United States. These proceedings were instituted by the United States Environmental Protection Agency and certain state environmental agencies at various times beginning in 1983. Superfund and similar state 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, we expect the Company's 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 has reserved an amount that it believes to be adequate to cover its exposure.

*São Paulo Tax Dispute*