WEST PHARMACEUTICAL SERVICES INC
Form 10-Q/A
August 07, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

AMENDMENT No. 1 TO QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For The Quarterly Period Ended June 30, 2002

Commission File Number 1-8036

WEST PHARMACEUTICAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	23-1210010
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number
101 Gordon Drive, PO Box 645, Lionville, PA	19341-0645
(Address of principal executive offices)	(Zip Code)

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

N/A

Former name, former address and former fiscal year, if changed since last report.

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 twelve months, and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .

June 30, 2002 -- 14,462,107

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

AMENDMENT NO. 1

This Amendment No. 1 is being filed for the purpose of correcting the signatures on the certifications on page 19; no other changes are being made by means of this filing.

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Quarter Ended June 30, 2002

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Part I. Financial Information
Item 1. Financial Statements

West Pharmaceutical Services, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(in thousands, except per share data)

	Quarter Ended				
	June 30, 2002		June 30, 2001		Jun
Net sales	$107,700	100%	$100,500	100%	$21
Cost of goods and services sold	76,700	71	70,900	71	14
Gross profit	31,000	29	29,600	29	6
Selling, general and administrative expenses	21,800	20	18,000	18	4
Restructuring charge	-	-	4,500	4	
Other (income) expense, net	(600)	-	400	-	(
Operating profit	9,800	9	6,700	7	2
Interest expense, net	2,400	2	3,000	3	
Income before income taxes and minority interests	7,400	7	3,700	4	1
Provision for income taxes	2,200	2	1,100	1	
Minority interests	-	-	-	-	
Income from consolidated operations	5,200	5%	2,600	3%	1
Equity in net income of affiliated companies	100		200		
Income from continuing operations	5,300		2,800		1
Earnings (loss) from discontinued operations, net of tax	-		300		
Net income	$ 5,300		$ 3,100		$ 1
Net income per share:					
Basic					
Continuing operations	$ 0.37		$ 0.20		$
Discontinued operations	$ -		$ 0.02		$
	$ 0.37		$ 0.22		$
Assuming Dilution					
Continuing operations	$ 0.37		$ 0.20		$
Discontinued operations	$ -		$ 0.02		$
	$ 0.37		$ 0.22		$
Average common shares outstanding	14,430		14,336		1
Average shares assuming dilution	14,507		14,356		1

See accompanying notes to consolidated financial statements.

West Pharmaceutical Services, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(in thousands)

	Unaudited June 30, 2002	Dec. 31, 2001
ASSETS		
Current assets:		
Cash, including equivalents	$ 28,000	$ 42,100
Accounts receivable	70,700	61,800
Inventories	40,400	34,300
Income tax refundable.........................	3,400	5,700
Deferred income tax benefits	2,400	2,400
Other current assets	8,600	12,200
Total current assets	153,500	158,500
Property, plant and equipment	491,800	459,500
Less accumulated depreciation and amortization.....	269,300	249,200
	222,500	210,300
Investments in affiliated companies	19,800	20,800
Goodwill	35,600	32,600
Prepaid pension asset.............................	50,600	48,300
Deferred income tax benefits	23,000	21,400
Intangible assets.................................	7,800	7,900
Other assets......................................	12,300	11,500
Total Assets	$525,100	$511,300
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 6,600	$ 4,300
Notes payable	6,700	4,400
Accounts payable	20,400	22,600
Accrued expenses:		
Salaries, wages, benefits	16,700	16,000
Income taxes payable	10,300	5,400
Restructuring costs.........................	1,200	2,200
Deferred income taxes.......................	1,500	1,600
Other	20,100	18,800
Total current liabilities	83,500	75,300
Long-term debt, excluding current portion..........	172,000	184,300
Deferred income taxes	47,700	46,800
Other long-term liabilities	28,100	28,100
Shareholders' equity..............................	193,800	176,800
Total Liabilities and Shareholders' Equity.........	$525,100	$511,300

See accompanying notes to consolidated financial statements.

West Pharmaceutical Services, Inc. and Subsidiaries
Consolidated Statement of Shareholders' Equity (unaudited)
(in thousands)

	Common Stock	Capital in excess of par value	Retained Earnings	Other comprehensive income (loss)	T
Balance, December 31, 2001	$ 4,300	$ 31,600	$254,000	$ (27,400)	$ (
Net income			11,400		
Shares issued under stock plans		(400)			
Cash dividends declared			(5,500)		
Foreign currency translation adjustment				8,100	
Minimum pension liability adjustment				(200)	
Balance, June 30, 2002	$ 4,300	$ 31,200	$259,900	$ (19,500)	$ (

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Cash flows provided by operating activities:		
Income from continuing operations............	$ 11,800	$ 8,100
Depreciation and amortization................	16,200	16,000
Other non-cash items, net....................	(2,900)	(4,300)
Changes in assets and liabilities	(4,300)	(5,700)
Net cash provided by operating activities	20,800	14,100
Cash flows used in investing activities:		
Property, plant and equipment acquired	(20,700)	(22,600)
Customer advances, net of repayments	(1,300)	(100)

Net cash used in investing activities	(22,000)	(22,700)
Cash flows(used in)provided by financing activities:		
Net borrowings under revolving credit agreements	(3,000)	12,600
Other long-term debt,net	(9,300)	(200)
Other notes payable, net	600	-
Dividend payments	(5,500)	(5,100)
Sale of common stock, net	3,200	500
Purchase of treasury stock	-	(100)
Net cash (used in) provided by financing activities	(14,000)	7,700
Net cash provided by discontinued operations	-	300
Effect of exchange rates on cash	1,100	(2,800)
Net(decrease)in cash, including equivalents	$(14,100)	$(3,400)

See accompanying notes to consolidated financial statements

West Pharmaceutical Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
(In thousands, except share and per share data)

The interim consolidated financial statements for the six-month period ended June 30, 2002 should be read in conjunction with the consolidated financial statements and notes thereto of West Pharmaceutical Services, Inc.(the Company), appearing in the Company's 2001 Annual Report on Form 10-K. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. Interim results are based on the Company's accounts without audit.

1. Interim Period Accounting Policy

In the opinion of management, the unaudited Condensed Consolidated Balance Sheet and Consolidated Statement of Shareholders Equity as of June 30, 2002 and the related unaudited Consolidated Statements of Income and the unaudited Condensed Consolidated Statement of Cash Flows for the three and six-month periods then ended and for the comparative periods in 2001 contain all adjustments, consisting only of normal recurring accruals, necessary to present fairly the financial position as of June 30, 2002 and the results of operations and cash flows for the respective periods. The results of operations for any interim period are not necessarily indicative of results for the full year.

Reclassification

Certain items have been reclassified to conform to current classifications. In particular, interest expense is recorded net of interest income. Interest income was previously recorded in other (income) expense. The impact of the reclassification decreased previously reported second quarter and six-months 2001 other (income) expense and decreased interest expense by $400 and $800, respectively.

Operating Expenses

To better relate costs to benefits received or activity in an interim period, certain operating expenses have been annualized for interim reporting purposes. Such expenses include certain employee benefit costs and annual quantity discounts.

Income Taxes

The tax rate used for interim periods is the estimated annual effective consolidated tax rate, based on the current estimate of full year results, except that taxes applicable to prior year adjustments, if any, are recorded as identified.

The effective tax rate for the second quarter of 2002 was 30.7%. Excluding the non-recurring foreign exchange gain in the first quarter of 2002, the estimated annual tax rate for 2002 is 33%, compared with a 36% estimated rate used in the second quarter of 2001. The estimated annual rate for 2002 decreased from that of the first quarter due to expected benefits resulting from the utilization of foreign tax credits. The reduction in the annual rate resulted in a tax benefit of $200 in the second quarter of 2002. The 2002 estimated annual tax rate of 33% is equal to 2001's full year effective tax rate, excluding unusual items.

West Pharmaceutical Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
(continued)

2. Inventories at June 30, 2002 and December 31, 2001 are summarized as follows:

	6/30/02	12/31/01
Finished goods	$19,400	$15,700
Work in process	7,600	6,300
Raw materials	13,400	12,300
	$40,400	$34,300

3. Comprehensive income (loss) for the three and six-months ended June 30, 2002 and June 30, 2001 was as follows:

	Three Months Ended		Six Months Ended	
	6/30/02	6/30/01	6/30/02	6/30/01
Net income	$ 5,300	$ 3,100	$ 11,400	$ 8,500
Foreign currency				

translation adjustments...........	13,800	(4,500)	8,100	(14,400)
Minimum pension liability adjustments......................	(300)	-	(200)	-
Fair value adjustment on derivative financial instruments...	(100)	200	-	(200)
Comprehensive income(loss)..........	$ 18,700	$ (1,200)	$ 19,300	$ (6,100)

West Pharmaceutical Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
(Continued)

4. Net sales to external customers and operating profit (loss) by operating segment for the three and six-months ended June 30, 2002 and June 30, 2001 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
Net Sales:	2002	2001	2002	2001
Pharmaceutical Systems..........	$104,300	$ 94,900	$203,400	$190,600
Drug Delivery Systems...........	3,400	5,600	8,000	9,200
Consolidated Total	$107,700	$100,500	$211,400	$199,800

	Three Months Ended June 30		Six Months Ended June 30	
Operating Profit (Loss):	2002	2001	2002	2001
Pharmaceutical Systems..........	$ 21,600	$ 17,300	$ 42,200	$ 35,600
Drug Delivery Systems...........	(3,600)	(900)	(5,800)	(3,200)
Corporate and unallocated.......	(8,200)	(9,700)	(13,900)	(14,500)
Consolidated Total	$ 9,800	$ 6,700	$ 22,500	$ 17,900

Corporate and unallocated items include a first quarter 2002 non-recurring foreign exchange gain of $1,700 and a second quarter 2001 non-recurring restructuring charge of $4,500.

Compared with December 31, 2001, there were no material changes in the amount of assets as of June 30, 2002 for any operating segment.

5. Common stock issued at June 30, 2002 was 17,165,141 shares, of which 2,703,034 shares were held in treasury. Dividends of $.19 per common share were paid in the second quarter of 2002 and a dividend of $.19 per share payable August 7, 2002 to holders of record on July 24, 2002 was declared on June 18, 2002.

6. The Company has accrued the estimated cost of environmental compliance expenses related to soil or ground water contamination at current and former manufacturing facilities. The ultimate cost to be incurred by the Company and the timing of such payments cannot be fully determined. However, based on consultants' estimates of the costs of remediation in accordance with applicable regulatory requirements, the Company believes the accrued liability of $1,400 at June 30, 2002 is sufficient to cover the future costs of these remedial actions, which will be carried out over the next several years. The Company has not anticipated any possible recovery from insurance or other sources.

7. The following table details the activity related to the Company's restructuring reserve, which consists of accrued severance and benefit costs:

Balance, December 31,2001	$ 2,200
Payments	(1,000)
Balance, June 30, 2002	$ 1,200

The remaining restructuring accrual balance relates principally to restructuring programs announced in 2001 and 2000. Terminations under these programs totaled 215 employees as of June 30, 2002. The final severance actions under these plans commenced in the second quarter of 2002. The Company expects to complete all remaining payments, principally consisting of pre-retirement medical benefits, within the next two years.

8. In November 2001, the Company sold its contract manufacturing and packaging business located in Lakewood, NJ. The results of this business have been reflected as discontinued operations in the accompanying consolidated financial statements.

At December 31, 2001 the Company was required to hold $4.3 million of the sales proceeds in trust for the repayment of certain debentures issued by the contract manufacturing and packaging business, which became due and payable upon the sale. These debentures were repaid in the first quarter of 2002 resulting in a $400, net of tax, charge which was included in the loss on disposal of discontinued operations.

9. Effective January 1, 2002, the Company adopted Financial Accounting Standards Statement No. 142, "Goodwill and Other Intangible Assets." SFAS 142 eliminated the previous requirement to amortize goodwill and indefinite-lived intangible assets. Instead, goodwill and intangible assets with indefinite lives are tested for impairment on at least an annual basis or sooner if an event occurs which indicates that there could be impairment. The SFAS 142 impairment test begins with an estimate of the fair value of the reporting unit or intangible asset.

The Company has determined its reporting units to be each of the four geographic regions in the Pharmaceutical Systems Segment, the drug delivery business unit, and the clinical services business unit. If the fair value of the reporting unit is less than the carrying value, the goodwill or intangible asset is considered impaired. Once impairment is determined, an impairment loss is recognized for the amount that the carrying amount exceeds the fair value. The Company performed an impairment test of its goodwill as of January 1, 2002 and determined that no impairment of the recorded goodwill existed. As required by the statement, the Company did not record amortization expense for goodwill in 2002 as compared to the $300 and $600, net of tax, recorded in the prior year three and six-month periods. The goodwill balance as of June 30, 2002 was $35,600 as compared to $32,600 as of December 31, 2001. The increase of $3,000 is solely the result of foreign currency translation adjustments.

Goodwill by reportable segment as of June 30, 2002 and December 31, 2001 was as follows:

	6/30/02	12/31/01
Pharmaceutical Systems	31,700	28,700
Drug Delivery Systems	3,900	3,900
	35,600	32,600

The cost and respective accumulated amortization for the Company's intangible assets, mainly patents, was $11,500 and $3,700, respectively, as of June 30, 2002, and $11,200 and $3,300, respectively, as of December 31, 2001. The cost basis of intangibles includes the effects of foreign currency translation adjustments. There were no intangibles purchased or acquired during 2002. Intangible amortization expense for the three and six-month periods ended June 30, 2002 was $200 and $400, respectively, and is estimated to be $700 for the full year. Estimated amortization for each of the subsequent five fiscal years will be approximately $700 per year.

The following reconciles the reported net income and earnings per share to that which would have resulted had SFAS No. 142 been applied to the three and six-month periods ended June 30, 2001.

	Three Months Ended 6/30/01	Six Months Ended 6/30/01
As reported		
Income from continuing operations	$ 2,800	$ 8,100
Discontinued operations	300	400
Net income	3,100	8,500
Goodwill amortization, net of tax	300	600
As adjusted	$ 3,400	$ 9,100

As reported basic earnings per share		
Continuing operations	$ 0.20	$ 0.57
Discontinued operations	0.02	0.03
	$ 0.22	$ 0.60
As adjusted	$ 0.24	$ 0.64
As reported diluted earnings per share		
Continuing operations	$ 0.20	$ 0.57
Discontinued operations	0.02	0.03
	$ 0.22	$ 0.60
As adjusted	$ 0.24	$ 0.64

West Pharmaceutical Services, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
(Continued)

10. During the first quarter of 2002, the Company's Argentina subsidiary recorded a foreign currency translation gain of $1,700 on net assets denominated in non-peso currencies due to the devaluation of the Argentine peso. The foreign currency gain was subject to both Argentine federal income taxes and US dividend withholding taxes. The devaluation of assets denominated in the Argentine peso totaled $3,200 as of June 30, 2002 and is recorded as a cumulative translation adjustment to shareholder's equity.

11. In July 2002, the Company announced that companies in which it has an equity investment, will consolidate two rubber molding operations in Mexico into a single facility. The Company therefore expects to take a third quarter 2002 charge of $0.07 per share, representing its pro rata share of the costs of consolidating the operations.

Item 2.
Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Months and Six Months ended June 30, 2002 versus June 30, 2001

Net Sales

Net sales for the second quarter of 2002 were $107.7 million compared to $100.5 million in the second quarter of 2001. At constant exchange rates, sales for the second quarter 2002 increased 7% from the prior year quarter.

Second quarter 2002 sales for the Pharmaceutical Systems segment were $104.3 million, a $9.4 million increase from prior year reported sales of $94.9 million. At constant exchange rates, sales increased by 10%. International markets continued to grow significantly resulting in 13% sales growth at constant exchange rates. Sales in domestic markets increased 6% from the prior year quarter. The increase in both international and domestic markets is primarily due to volume increases in pharmaceutical packaging products, including serum and lyo stoppers in domestic markets and prefilled syringe systems in international markets.

The Drug Delivery Systems segment had second quarter 2002 revenues of $3.4 million, a $2.2 million or 39% decrease from the prior year quarter. The decline in revenues is attributed to the lack of current period licensing revenues in the drug delivery business unit.

Net sales for the first half of 2002 were $211.4 million compared to $199.8 million in the first six months of 2001. At constant exchange rates, sales for the first half of 2002 increased 7%. Excluding exchange rate variances, Pharmaceutical Systems segment sales were 8% higher than the prior year led primarily by increased sales in international markets. Drug Delivery Systems revenues decreased $1.2 million due to lower licensing revenues in the drug delivery business unit partially offset by increased revenues in the clinical services business unit.

Gross Profit

The consolidated gross margin for the second quarter was 28.8%, compared with 29.4% in the second quarter of 2001. Pharmaceutical Systems margins increased to 29.4% as compared to 28.8% in the prior year quarter. Margins in the North America region improved due to positive sales mix, favorable material yields and lower lab and engineering costs. The favorable results in North America were offset by decreased margins in Europe, primarily in the U.K., where the Company's plastic device facility is experiencing production delays and lower than anticipated demand for one of its principal products. Production inefficiencies and capacity constraints at other plants also contributed to decreased margins in Europe. Expansions at two European plants are expected to come on-line during the fourth quarter 2002 and in mid 2003 providing additional capacity. Drug Delivery Systems segment margins declined significantly from the second quarter of 2001 mainly due to lower licensing revenues in the drug delivery business unit.

The consolidated gross profit margin for the six-month period was 29.5% compared with 29.6% in the same period of 2001. The same factors that influenced the quarter comparisons affected the six-month comparisons.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $3.8 million (21%) as compared with the second quarter of 2001. The major contributors to the increase include a $1.3 million decrease in pension income, a $1.1 million increase in research and development expenses in the drug delivery business unit and a $0.4 million increase in information systems costs associated with the Company's e-West business systems initiative.

For the six-month period ending June 30, 2002, selling, general and administrative expenses increased by $6.1 million (17%). Lower pension income, increased research and development costs in the drug delivery business unit, higher information systems costs and higher incentive compensation costs contributed to the increase.

Other (income) expense

Other (income) expense consists principally of foreign exchange transaction items and miscellaneous equipment sales. Second quarter 2002 other income exceeded the prior year quarter, primarily due to current period foreign exchange transaction gains versus prior period losses in the Company's European subsidiaries. The six-month period for 2002 contains the first quarter $1.7 million non-recurring foreign currency translation gain on net assets denominated in non-peso currencies due to the devaluation of the Argentine peso.

Operating Profit (Loss)

Operating profit for the second quarter of 2002 was $9.8 million compared to $6.7 million in the second quarter 2001. Excluding the non-recurring restructuring charge, operating profit for the second quarter 2001 was $11.2 million. Pharmaceutical Systems operating profit was $21.6 million compared to $17.3 million in 2001. The increase in operating profit is due to increased sales in both the domestic and international markets and a slight shift in sales mix to higher value products, partially offset by production inefficiencies in Europe. Drug Delivery Systems had an operating loss of $3.6 million in the second quarter of 2002 as compared to a loss of $0.9 million in 2001. The absence of licensing revenues and increased research and development spending in the drug delivery unit were the main contributors to the additional operating losses. Corporate and unallocated operating losses were $8.2 million in 2002 compared to $9.7 million in 2001. Excluding the restructuring charge in the second quarter of 2001, corporate and unallocated operating losses for 2001 were $5.2 million. Additional losses are a result of decreased pension income and increased information systems costs.

For the six-month period, 2002 operating profit was $22.5 million compared to $17.9 million for the same period of 2001. Excluding the 2002 non-recurring foreign exchange gain and the 2001 restructuring charge, operating profit was $20.8 million in 2002 and $22.4 million in 2001. The same factors that influenced the quarter comparisons affected the six-month comparisons.

Management's Discussion and Analysis of Financial Condition and

Results of Operations for the Three Months and Six Months ended

June 30, 2002 versus June 30, 2001, continued

Interest expense, net

Net interest costs declined by $0.6 million (18%) as compared to the second quarter of 2001. The decrease is due to lower interest rates as well as lower debt levels in the current year. For the six-month period, net interest expense declined by $1.5 million. This decrease is mainly due to the decrease in 2002 debt levels. Debt decreased as a result of the Company's formation of an international financing structure. This structure was formed to facilitate the use of existing cash balances to pay down outstanding debt.

Provision for income taxes

The effective tax rate for the second quarter of 2002 was 30.7%. Excluding the non-recurring foreign exchange gain in the first quarter of 2002, the estimated annual tax rate for 2002 is 33% compared with a 36% estimated rate used in the second quarter of 2001. The estimated annual rate for 2002 decreased from the rate used in the first quarter due to expected benefits resulting from the utilization of foreign tax credits. The reduction in the annual rate resulted in a tax benefit of $0.2 million in the second quarter of 2002. The 2002 estimated annual tax rate of 33% is equal to 2001's full year effective tax rate, excluding unusual items.

Equity in net income of affiliated companies

Earnings in net income of affiliates decreased slightly from the prior year quarter. Earnings from Daikyo Seiko, Ltd., a Japanese company in which the Company has a 25% ownership interest, were down for the six-month period due to increased depreciation and other costs connected with a manufacturing plant upgrade completed in 2001. Results from the Company's Mexican affiliates were consistent with those in the second quarter and six-month periods of 2001. The Company expects to take a third quarter charge of $0.07 per share for the Company's pro rata share of the costs to consolidate two rubber molding operations in Mexico.

Discontinued Operations

In November 2001, the Company sold its contract manufacturing and packaging business located in Lakewood, NJ. The results of this business have been reflected as discontinued operations in the accompanying consolidated financial statements.

At December 31, 2001 the Company was required to hold $4.3 million of the sales proceeds in trust for the repayment of certain debentures issued by the contract manufacturing and packaging business, which became due and payable upon the sale. These debentures were repaid in the first quarter of 2002 resulting in a $0.4 million, net of tax, charge which was included in loss on disposal of discontinued operations.

Net Income

Net income for the second quarter of 2002 was $5.3 million, or $.37 per share, compared to $3.1 million, or $.22 per share, in the second quarter 2001. Second quarter 2001 results included a non-recurring restructuring charge of $.20 per share and earnings from discontinued operations of $0.02, net of tax. Excluding these non-recurring items, second quarter 2001 earnings were $0.40 per share. Average common shares outstanding were 14.4 million in the second quarter compared to 14.3 million in the second quarter of 2001. The increase in shares outstanding is the result of employee stock option exercises.

For the six-month period, 2002 net income was $11.4 million, or $0.79 per share. 2002 results include a non-recurring foreign exchange gain of $0.05 and a loss on discontinued operations of $0.03. Net income for the first six months of 2001 was $8.5 million, or $0.60 per share. 2001 results include a restructuring charge of $0.20 and earnings from discontinued operations of $0.03. Excluding non-recurring items, earnings per share were $0.77 for both the 2002 and 2001 six-month periods. Average common shares outstanding for the first six months of 2002 were 14.4 million, compared to 14.3 million in 2001.

FINANCIAL CONDITION

Working capital at June 30, 2002 was $70.0 million compared to $83.2 million at December 31, 2001. The working capital ratio at June 30, 2002 was 1.8 to 1. Accounts receivable increased significantly, reflecting the increase in June 2002 sales levels versus December 2001. Days sales outstanding increased slightly from 2001 due to increased sales in Europe where payment terms are typically longer. Cash flows from operations for the six-month period increased from the prior year due to improved earnings as well as to the receipt of tax refunds related to 2001.

For the six-month period, capital spending was $20.7 million, primarily for facility expansions at two European plants, new equipment purchases and equipment upgrades used in the production of new products and costs associated with an enterprise resource planning initiative. Full year 2002 capital spending is projected to be approximately $43.7 million. The Company paid cash dividends totaling $5.5 million ($0.38 per share) during the first six months of 2002.

Debt as a percentage of total invested capital at June 30, 2002 was 48.9% compared to 52.2% at December 31, 2001. Debt levels decreased by $7.7 million due to the formation of an international financing structure in the first quarter of 2002 designed to utilize existing cash balances to pay down debt. Total shareholder's equity was $193.8 million at June 30, 2002 compared to $176.8 million at December 31, 2001. The increase in equity is due to current year net income, positive currency translation adjustments and employee stock option exercises.

The Company believes its financial condition and current capitalization provide sufficient flexibility to meet future cash flow requirements.

Accounting Changes

Effective January 1, 2002, the Company adopted Financial Accounting Standards Statement No. 142, "Goodwill and Other Intangible Assets." SFAS 142 eliminated the previous requirement to amortize goodwill and indefinite-lived intangible assets. Instead, goodwill and intangible assets with indefinite lives are tested for impairment on at least an annual basis or sooner if an event occurs which indicates that there could be impairment. The SFAS 142 impairment test begins with an estimate of the fair value of the reporting unit or intangible asset. The Company has determined its reporting units to be each of the four geographic regions in the Pharmaceutical Systems Segment, the drug delivery business unit and the clinical services business unit. If the fair value of the reporting unit is less than the carrying value, the goodwill or intangible asset is considered impaired. Once impairment is determined, an impairment loss is recognized for the amount that the carrying amount exceeds the fair value. The Company performed an impairment test of its goodwill as of January 1, 2002 and determined that no impairment of the recorded goodwill existed. As required by the statement, the Company did not record amortization expense for goodwill in 2002 as compared to the $0.3 million and $0.6 million, net of tax, recorded in the prior year quarter and six-month periods.

Market Risk

The Company is exposed to various market risk factors such as fluctuating interest rates and foreign currency rate fluctuations. These risk factors can impact results of operations, cash flows and financial position. These risks are managed periodically with the use of derivative financial instruments such as interest rate swaps and forward exchange contracts. In accordance with Company policy, derivative financial instruments are not used for speculation or trading purposes.

Forward-Looking Information

Certain statements in this report, including management's discussion and analysis, that are not historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including but not limited to (1)sales demand, (2) the timing and success of customers' projects, (3) competitive pressures, (4) the strength or weakness of the U.S. dollar, (5) inflation, (6) the cost of raw materials, (7) continued cost-improvement programs, (8) statutory tax rates and (9) significant asset dispositions. The Company does not intend to update these forward-looking statements.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

The information called for by this item is incorporated by reference to the text appearing in Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations-Market Risk".

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) See Index to Exhibits on pages F-1 of this Report.

(b) A current report on Form 8-K was filed on May 1,2002.

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.

WEST PHARMACEUTICAL SERVICES,INC.
(Registrant)

August 7, 2002 /s/ Linda R. Altemus
Date Vice President and Chief Financial Officer

Certification

To the extent required by the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies, to their knowledge, that (i) this report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and (ii) the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

/s/ Donald E. Morel, Jr. Ph.D.

Donald E. Morel, Jr., Ph.D.
President and Chief Executive Officer

/s/ Linda R. Altemus

Linda R. Altemus
Vice President and Chief Financial Officer

August 7, 2002

INDEX TO EXHIBITS

Exhibit Number	
(3) (a)	Amended and Restated Articles of Incorporation of the Company through January 4, 1999 incorporated by reference to Exhibit (3)(a) of the Company's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-8036).
(3) (b)	Bylaws of the Company, as amended through October 27, 1998, incorporated by reference to Exhibit (3)(b) to the Company's Form 10-Q for the quarter ended September 30, 1998 (File No. 1-8036).
(4)	Miscellaneous long term debt instruments and credit facility agreements of the Company, under which the underlying authorized debt is equal to less than ten percent of the total assets of the Company and its subsidiaries on a consolidated basis, may not be filed as exhibits to this report pursuant to Section (b) (4) (iii) A of Item 601 of Reg S-K. The Company agrees to furnish to the Commission, upon request, copies of any such unfiled instruments (File No. 1-8036).
(4) (a)	Form of stock certificate for common stock incorporated by reference to Exhibit (4) (a) of the Company's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-8036).
(4) (b)	Note Purchase Agreement dated as of April 8, 1999 among the Company and the insurance companies identified on a schedule thereto, incorporated by reference to Exhibit (4)(b) of the Company's Form 10-Q for the quarter ended September 30, 2000 (File No. 1-8036).
(4) (c)	Credit Agreement, dated as of July 26, 2000 among the Company, the banks and other financial institutions identified on a schedule thereto, and PNC Bank, N.A., as agent for the banks (the "Credit Agreement"), incorporated by reference to Exhibit (4) (c) of the Company's Form 10-Q for the quarter ended September 30, 2000 (File No. 1-8036).
(4) (c) (1)	First Amendment dated as of September 14, 2000, to the Credit Agreement, incorporated by reference to Exhibit(4) (c) (1) of the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-8036).
(4) (c) (2)	Second Amendment dated as of November 17, 2000, to the Credit Agreement, incorporated by reference to Exhibit (4) (c) (2) of the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-8036).
(4) (c) (3)	Joinder and Assumption Agreement dated as of February 28, 2001,

	with respect to the Credit Agreement, incorporated by reference to Exhibit (4) (c) (3) of the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-8036).
(4) (c) (4)	Third Amendment dated as of February 28, 2001 to the Credit Agreement, incorporated by reference to Exhibit (4) (c) (4) of the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-8036).

INDEX TO EXHIBITS

Exhibit Number	
(4) (c) (5)	Fourth Amendment dated as of July 13, 2001 to the Credit Agreement, incorporated by reference to Exhibit (10) (a) of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.
(4) (c) (6)	Extension Agreement dated as of January 5, 2001 to the Credit Agreement, incorporated by reference to Exhibit (4) (c) (6) of the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-8036).
(4) (c) (7)	Fifth Amendment dated as of July 17, 2002 to the Credit Agreement.
(10) (a)	Change-In-Control Agreement dated as of June 3, 2002 between the Company and Richard D. Luzzi.
(11)	Not Applicable.
(15)	None.
(18)	None.
(19)	None.
(22)	None.
(23)	Not Applicable.
(99)	None.