WEST Pharmaceutical SERVICES

2002 Annual Report

The Power of Presence

Presence

A vial stopper, a *Flip-Off* button, an aluminum seal . . . all are critically important components for the delivery of Amy's inoculation.

Each and every day, millions of people like Amy will benefit from West Pharmaceutical Services' products for safe and effective drug delivery.

Products that include specially formulated elastomeric stoppers, syringe plungers and components for intravenous delivery. Products and technologies that include nasal drug delivery and innovative drug reconstitution systems.

When the world's leading pharmaceutical and biologic manufacturers think of safe, patient-friendly and effective components for delivery of their products, they think of West.

That's the power of presence.

Corporate Governance

The Sarbanes-Oxley Act and related Securities and Exchange Commission initiatives, together with new listing standards proposed by the New York Stock Exchange, have dramatically altered the corporate governance landscape for public companies, their boards of directors, senior executives and board committees, and changed the relationship among boards, management and independent auditors.

Created in response to corporate and accounting scandals that have rocked the markets and led to a legitimate public outcry, these new rules are intended to restore confidence in public company oversight – both within and outside the board room – the integrity of executive management, and the quality and transparency of financial statements.

These goals will be achieved through a combination of expanded disclosure requirements, limitations and restrictions designed to ensure independent financial statement auditing and proper board oversight, stronger checks and balances throughout the governance process, and civil and criminal penalties.

Our Board of Directors and senior management have been working diligently to understand and comply fully with this new regulatory environment.

In many respects, West Pharmaceutical Services is well-positioned to meet the challenges presented by these requirements. Practices central to good governance have been in place at West for many years. In 1994, our Board adopted formal guidelines for defining directors who are independent of management and elected its first Chairman, Independent Directors, who confers with the Chief Executive Officer to assure that the board members receive appropriate information from management and that meeting agendas contain items the independent directors believe are important to their understanding and evaluation of the Company and its affairs. Our independent directors also hold regularly scheduled meetings without management to evaluate the CEO, consider succession planning and review and monitor the Company's strategic plans.

Our Nominating and Corporate Governance Committee, established in 1995 and composed entirely of independent directors, oversees a variety of governance topics, including board composition and structure, committee and board qualifications, and director recruitment standards and criteria. Our Audit Committee, which is also composed entirely of independent directors, has a long-established and robust process for monitoring financial statement integrity and the internal audit function.

Your Board and management will continue our efforts to remain at the forefront of corporate governance, seeking excellence in accountability and integrity for the benefit of our shareholders.

John R. Gailey III
Vice President, General Counsel and Secretary

West Pharmaceutical Services

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Vision

A World of Healthy People

Charter

West Pharmaceutical Services is a global pharmaceutical technology company that applies proprietary technologies to enhance the effectiveness of drug and biologic delivery systems.

Mission

Our mission is to become the world's leading developer of delivery systems that improve the safety and effectiveness of pharmaceuticals and biologics. We will achieve our goal by applying the following values:

- Respect for the individual
- Teamwork
- Customer focus
- Commitment to quality
- Ethical behavior
- Environmental consciousness

Dear Friends:

Throughout our 80 years of operations, we have faced difficult and challenging times – none more so than now.

The January 29, 2003, explosion and fire at our Kinston, North Carolina, facility took the lives of six people, injured many and destroyed our largest compounding facility in North America.

Our thoughts and prayers are constantly with the families of those whose lives were lost and those who have suffered injuries.

West expresses heartfelt gratitude to the countless volunteers and residents of Kinston who responded to the emergency; to the overwhelming spirit of selflessness and generosity from our customers, shareholders and friends; and to the relentless efforts of our employees who are helping our people and our company recover from this terrible event.

Ordinary people are capable of extraordinary accomplishments in times of need. In the coming months, I have no doubt that our company and employees will prove this to be true.

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

Business Profile

Pharmaceutical Systems

The Pharmaceutical Systems segment develops, manufactures and sells components and systems for injectable, transmucosal, oral and pulmonary drug delivery, including those used for parenteral drug delivery. This segment includes West's contract laboratory business, which provides extractables and leachables analysis and other pharmaceutical package testing services.

Products

Serum and lyophilization stoppers; discs; syringe tips and plungers; components for intravenous delivery systems; dropper bulbs; sleeve stoppers; flashback bulbs; metal seals; plastic buttons; plastic components.

Drug Delivery Systems

The Drug Delivery Systems segment focuses on commercializing West's patented drug delivery technologies.

Products

West's patented drug delivery technologies include:

- Unique nasal formulations for systemic or local delivery
- Transmucosal and parenteral vaccine delivery
- Parenteral delivery

Financial Highlights

West Pharmaceutical Services, Inc. and Subsidiaries

(dollars in thousands, except per share data)	**2002**	2001	2000
Net sales	**$419,700**	$392,300	$372,500
Income from continuing operations	**12,800**	19,700	20,000
Net income (loss)	**18,400**	(5,200)	1,600
Net income (loss) per share:			
Continuing operations	**.89**	1.38	1.39
Discontinued operations	**.39**	(1.74)	(1.28)
	1.28	(.36)	.11
Dividends paid per share	**.77**	.73	.69

Income from continuing operations for 2002 includes a restructuring charge (net of tax) of $7.4 million, tax benefits of $2.4 million related to a change in tax law, a charge of $0.8 million related to the restructuring of one of the Company's affiliates, and a foreign exchange gain (net of tax) of $0.8 million. The net impact of these adjustments decreased income from continuing operations by $5.0 million, or $.35 per share.

Income from continuing operations for 2001 includes a restructuring charge (net of tax) of $1.3 million, or $.08 per share.

Income from continuing operations for 2000 includes a restructuring charge (net of tax) of $4.9 million and a $1.5 million tax benefit connected with the reorganization of operations in Germany. The net impact of these adjustments decreased 2000 income from continuing operations by $3.4 million, or $.23 per share.

To My Fellow Shareholders:

Following the January 29 accident at our Kinston facility, our immediate concern was for the well-being and safety of our employees, their families and the surrounding community. On behalf of our employees worldwide, I wish to thank all of those people who assisted West in the aftermath of the accident: the firefighters, police, National Guard, Army Reserve and emergency personnel; the doctors, nurses and medical professionals; the city, county and state workers in North Carolina; the many caring residents in Kinston and Lenoir County; and our customers, shareholders and Board of Directors.

I am proud of the response of our employees around the world to the Kinston accident. They were sensitive to the needs of their fellow employees in North Carolina and have demonstrated their commitment to maintaining supply of our products through the rapid implementation of our disaster recovery plan.

The completion of the disaster recovery plan has resulted in minimal delays and no major shortages of product for our customers. This business recovery effort included shifting production to other West sites in the United States, Europe and Singapore.

A Productive Year

Looking back, 2002 was a productive transitional year for West Pharmaceutical Services. We saw steady sales growth in our Pharmaceutical Systems Division, we sharpened our focus in the Drug Delivery Systems Division and we prepared for a smooth and orderly transition of leadership. We developed and implemented a new business plan to grow the Company in

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

pharmaceutical and device component markets and to move our drug delivery technologies toward commercialization in pharmaceutical markets. For the year, West reported net income of $18.4 million, or $1.28 per share, compared to a net loss of $5.2 million, or $0.36 per share, in 2001. Reported results for both periods include the effects of non-recurring items on continuing operations and include results of discontinued operations.

Sales grew 7% to $419.7 million. Pharmaceutical Systems Division sales grew 10% to $412.8 million, overcoming lower licensing and clinical services revenue in the Drug Delivery Systems Division. Operating profit from continuing operations was $26.7 million in 2002 compared to $39.9 million in 2001. In addition to restructuring costs in both years and a $1.7 million foreign exchange gain in 2002, operating results in 2002 were affected by a decline in pension income and an increase in spending on research and development programs in Drug Delivery Systems. Reduced net borrowing costs, resulting from lower market rates and lower outstanding debt, helped mitigate the effects of higher operating costs on net income and earnings per share.

Growth Strategy in Pharmaceutical Systems

Our strategy concentrates on supplying components, devices and formulation technology to serve the drug delivery needs of pharmaceutical, biotechnology and medical device companies.

Three industry trends are expected to continue to drive growth in our Pharmaceutical Systems Division: increased regulatory oversight of our customers' manufacturing facilities resulting in demand for clean, low-particulate product; the increasing number of biotechnology drugs coming to market; and growth in pre-filled syringe systems. Our products and services are well-positioned to benefit from these trends.

Because of increasingly stringent regulatory requirements, our customers are selecting *Westar* processed products to reduce their in-house processing and manufacturing costs. *Westar* components are processed in our environment-controlled, FDA-registered facility. Our washing process is validated for particulate reduction, uniform silicone, bioburden and endotoxin reduction. Sales of *Westar* products in North America continue to grow significantly ahead of our projections. In Europe and Asia Pacific, ready-to-sterilize processing, a manufacturing process similar to *Westar*, also continues to exceed original sales projections. To position ourselves for the markets of the future, we are working to standardize *Westar* globally in 2003.

Growing markets for biotechnology products take advantage of *Westar* as well as our film-laminated components, such as the Flurotec® coated stopper, licensed through our business partner in Japan, Daikyo Seiko, Ltd. Growing markets for pre-filled syringes provide a tremendous opportunity for *Westar*, film and lubricity coatings, and for our global manufacturing capabilities.

We are improving our manufacturing efficiencies to ensure that increased profit margins follow, and I am optimistic that we can take advantage of favorable market trends to grow our business.

Focus on Nasal Delivery Technologies

After a strong 2001, revenues in the Drug Delivery Systems Division were sharply lower, primarily due to delays in securing anticipated licensing revenue and a significant slowdown in our clinical services group in the second half of the year. While this is clearly disappointing, we are close to completing several development programs that we anticipate will lead to product and technology licenses.

Going forward, the drug delivery group will focus on advancing our lead nasal technology, and the products that use that technology, through clinical testing with our commercial partners. Despite the slow progress in 2002, I remain confident in the commercial viability of our proprietary technologies and the quality and breadth of our development programs. In the future, the opportunity may exist for West to link its device portfolio with its formulation technology and product concepts to provide a complete product solution for our customers.

Corporate Governance

Corporate governance and accountability continues to receive a great deal of news coverage. The highly publicized actions at a few companies have created an atmosphere of severe mistrust and lack of confidence among investors. Many people have felt the pain from the fallout of these scandals and it will take time to regain the confidence of the investing public.

Flurotec® is a registered trademark of Daikyo Seiko, Ltd.

Until that confidence returns, companies with strong customer relationships, sound financial fundamentals, proven products with growing demand, strong governance and conservative management will thrive and prosper. I believe West is such a company.

Many of the governance changes being proposed have been in place at West for several years. Our Company has a strong, engaged and active Board of Directors, one in which we can place a great deal of confidence as they work with management to make sure the interests of our shareholders, customers and employees are being served. The members of our Board provide a vast resource of industry knowledge and experience.

Chairman William G. Little and I were the only members of management on the Board throughout 2002; beginning March 31, 2003, upon Mr. Little's retirement, I will be the remaining management director. The Board has a Chairman of the Independent Directors and each of the four key Board committees – Audit, Finance, Compensation, and Nominating and Corporate Governance – is chaired by and composed of independent directors.

In July 2002, we strengthened our Board with the addition of Dr. Robert Young, President of Fox Chase Cancer Center, and Patrick Zenner, former chief executive of Hoffmann-La Roche, Inc., North America. Dr. Young is a physician and hospital administrator and Immediate Past President of the American Cancer Society. Mr. Zenner spent 31 years with Hoffmann-La Roche in a variety of positions from sales and marketing to strategic planning. The experience in medicine and pharmaceutical manufacturing these men bring to the Board is clearly benefiting West as we execute our strategy to become a leading drug delivery systems company.

West People

William G. Little retired as Chief Executive Officer in April 2002 and will retire as Chairman and director at the end of March 2003. Bill joined West in May 1991 as President and Chief Executive Officer. He was elected Chairman of the Board in May 1995.

I would like to thank Bill for his numerous contributions to our Company these past 11 years. His support and guidance during those years and in particular this past year have been extremely valuable. The experience I have gained working with Bill will no doubt contribute to a bright future for our company.

West is well-positioned as we look forward. Our customers are among the world's leading pharmaceutical and healthcare companies. Our products enable the safe and efficacious delivery of drug products to millions of people around the world. Our employees are talented, skillful and knowledgeable. They are dedicated to their work and focused on our mission of providing products and services of the highest quality.

All of us at West are grateful for your support this past year and the many letters and calls we have received since January 29. I look forward to meeting many of you at our annual meeting on April 29, 2003. If you cannot attend the meeting, I encourage you to listen to a live webcast, which will be available through our website, www.westpharma.com.

Sincerely,

Donald E. Morel, Jr., Ph.D.
President and Chief Executive Officer
March 7, 2003

The Power of Products

With well over 150 active elastomer formulations and more than 100 physical configurations, the breadth and scope of West's products remains unmatched in pharmaceutical component markets worldwide. These products and a multitude of related products have played a significant role in safe and effective drug delivery for 80 years.

Today, West customers are on the crest of change: pharmaceutical and biologic products are becoming more complex, global standardization is setting new quality levels and high-volume blockbuster drugs are giving way to specialized smaller volume products.

Westar *products are packaged in a Class 100 clean room and delivered in special bags ready for introduction directly into a steam sterilizer.*

Westar Ready-to-Sterilize Components

When drug manufacturers are faced with growing regulatory demands and shrinking resources, stoppers and syringe components processed as *Westar* components provide an immediate and important solution. *Westar* is a validated post-manufacturing process for washing elastomeric components. Components are delivered in special bags ready for introduction directly into the customer's steam sterilizer. By the end of 2003, West facilities worldwide will have the ability to process products to *Westar* standards.

Flurotec Barrier Films

When sensitive pharmaceutical or complex biologic drug compounds need high-performance packaging components, specially developed inert film coatings may offer the solution. The West and Daikyo Seiko, Ltd. partnership brings Flurotec stoppers and syringe components to these growing markets worldwide. Flurotec components offer a level of assurance to drug manufacturers that takes on a new importance at a time when the unit cost of drugs may soar to thousands of dollars.

B2 Lubricity Coating

Extremely low levels of extractable silicone oil and reduced levels of particulate count are key factors in the parenteral manufacturing process. Stoppers treated with B2-Coating, with its documented improvements in both areas, successfully address industry needs.

That's the power of products.

The Power of Innovation

West's innovative technologies include the development of formulations that expand the options available for delivering drugs to the human body – options such as nasal routes of delivery.

West is focusing its formulation technologies on the nasal administration of drugs in several therapeutic areas, including pain management and metabolic diseases.

In 2002, West signed an agreement with Ionix Pharmaceuticals, Ltd., Cambridge, England, for the development of a transmucosal delivery formulation for an intranasal opioid drug candidate. The Ionix drug has potential for treating a range of pain indications and will initially be tested for post-operative pain.

West's pain management program, *ChiSys* with morphine, currently under license agreement, is scheduled to enter Phase III clinical trials in 2003.

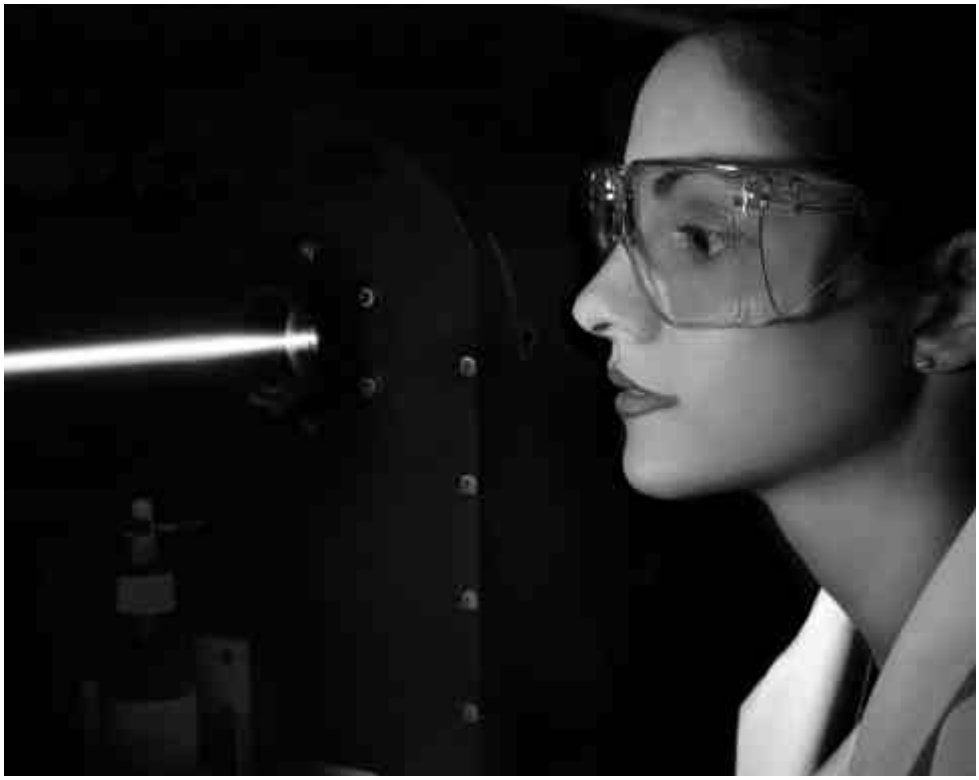
For metabolic diseases, West is advancing its *ChiSys* formulations for the treatment of osteoporosis. *ChiSys* based osteoporosis programs have successfully completed Phase I trials and are well-positioned for clinical advancement.

Non-invasive nasal administration of drugs is of interest to customers because of its fast onset of action. The *ChiSys* formulated drugs are retained on the nasal mucosal membranes, a large surface area. The drug avoids first-pass metabolism, allowing it to penetrate the blood stream quickly.

West's drug delivery systems can benefit both customers' pipeline and approved products by providing alternate presentations and line extension opportunities. The new delivery technologies have the potential to improve patient care and convenience and create a competitive advantage for West's customers.

That's the power of innovation.

West uses a laser light instrument to measure the droplet size of a nasally administered drug dose. The dose is sprayed into the laser, obscuring the light; the instrument then calculates the size of the droplets.



The Power of Technology

West's products are more than just parts in a delivery system or device. They are the end result of proven technologies that deliver the performance characteristics required for the pharmaceutical market. They incorporate West's vast expertise and intellectual property related to drug delivery system technologies. They can enhance the effectiveness of a drug product's administration. They can help pharmaceutical companies build brand identity. They may even provide life-saving safety features.

A case in point is the *D-I-D* (Decoration-Identification-Differentiation) System, West's proprietary technology for applying identification to the plastic *Flip-Off* buttons and aluminum seals used to secure drug vials. Engineering advances in molding and imaging technology have provided West with an opportunity to offer the *D-I-D* System as a solution to the growing global problem of counterfeit drugs. The *D-I-D* System offers an effective means for drug manufacturers to create custom packaging components for their injectable drugs that may make a difference in the quality of global healthcare.

West's technologies enhance the pharmaceutical seals and plastic buttons that protect and identify drug products. West can print, emboss or deboss a company name, product name, logo or usage instructions on the top surface of the button and on the aluminum seal. This helps identify a product as genuine.

D-I-D System enhancements also provide point-of-use instructions that can improve compliance with dosing regimens and help reduce the risk associated with storage and handling errors and improper administration and reconstitution. Instructions for dosage, product strength and handling printed on buttons and seals remain with the vial until the drug is administered.

Orders for *D-I-D* System enhanced seals have increased since West initiated a sales and marketing campaign in 2002. Customers recognize the value of the *D-I-D* System as an aid in combating drug counterfeiting and as a means for building brand identity. Recent *D-I-D* System applications include plastic buttons with logos molded into the plastic and printing on buttons and seals in custom inks. Some customers are ordering as many as seven versions of enhanced seals to designate different dosage strengths. A number of projects for *D-I-D* System applications are currently progressing toward commercial production.

That's the power of technology.

West designed a Flip-Off *seal with* D-I-D *System enhancements for the United States Pharmacopoeia (www.usp.org). The USP uses the seal to secure samples of drug product reference standards it sends to clients such as pharmaceutical companies and governmental agencies. The West seal helps identify the product as genuine and promotes the USP identity. The USP is a non-government organization that promotes the public health by establishing state-of-the-art standards to ensure the quality of medicines and other healthcare technologies.*

The Power of Knowledge

The combined knowledge, talent and experience of West's employees is a valuable resource for the Company's customers. It also provides West with a competitive edge because West is more than willing to share that knowledge with customers.

That's the idea behind West's Educational Series: take a wealth of information – and the West subject matter experts – to the customer.

A customer such as Gensia Sicor Pharmaceuticals, Inc., (www.gensiasicor.com) Irvine, Cal. Gensia Sicor manufactures acute-care multisource products used in the fields of oncology, cardiology and anesthesiology. The company also offers full service contract manufacturing support and services to a number of pharmaceutical and biotechnology companies.

Customers such as Gensia Sicor Pharmaceuticals, Inc., have benefited from West's Educational Series. Jason Taylor, West account manager, (center), meets with Ken Domagalski, Gensia's vice president of quality assurance and quality control (left) and Dave Nielsen, Gensia's executive director of manufacturing (right), at Gensia's headquarters in Irvine, Cal.

In November 2002, West presented an Educational Series seminar exclusively for Gensia Sicor employees near their California headquarters. The seminar included presentations on parenteral packaging, elastomer manufacturing, films and coatings, ready-to-sterilize components, pharmaceutical seals, manufacturing standards and control, regulatory focus on pharmaceutical packaging and outsourcing laboratory services. West's experts were able to reach out to customers and share the knowledge they live and breathe every day. By making personal contact with customers – by having a presence in the customer's world – West employees add immeasurable value to their business relationships.

The more customers know and understand about West's manufacturing technologies and the Company's ability to provide products and services that meet the requirements of a highly regulated industry, the more likely they are to remain West customers and choose West for new projects.

That's the power of knowledge.

Financial Review

Company Overview

West Pharmaceutical Services, Inc. (the Company) applies value-added technologies to the process of bringing pharmaceutical, healthcare and consumer products to global markets. The Company's operations are organized into two segments: Pharmaceutical Systems and Drug Delivery Systems.

The Pharmaceutical Systems segment focuses on the design, manufacture and sale of stoppers, closures, medical device components and assemblies made from elastomers, metals and plastics. Several hundred proprietary rubber formulations are molded from natural rubber and synthetic elastomers into a variety of stopper sizes, shapes and colors. The stoppers are used in packaging serums, vaccines, antibiotics, anesthetics, intravenous solutions and other drugs and solutions to assure the integrity of these solutions during the product's approved shelf life. The Pharmaceutical Systems segment also offers a broad line of aluminum seals that help customers differentiate and distinguish drug solutions. Other products offered include plastic containers, bottles and closures for the pharmaceutical, consumer, medical device and diagnostic markets and plastic systems used for lyophilized drug reconstitution and delivery. The Pharmaceutical Systems segment is composed of two operating divisions (the Americas and Europe/Asia) consisting of four business units, which manufacture and sell similar products in their respective regions.

The Drug Delivery Systems segment consists of a research and development unit concentrating on the development and commercialization of the Company's patented technologies, and a clinical services organization that conducts Phase I through IV clinical trials. The Drug Delivery Systems segment allows clients to source their projects through a supply chain product development process, starting with initial feasibility studies and formulation optimization and moving through to clinical development. The Company's patented technologies include *ChiSys*, a transmucosal system for the delivery of small molecular weight drugs, proteins and peptides, and *Targit*, an oral system for the specific delivery of therapeutic agents to the colon.

Results of Operations

In December 2002, the Company sold its consumer healthcare research unit for $2 million. In November of 2001, the Company sold its contract manufacturing and packaging operations for a total sale price of $29.8 million. These transactions both involved the disposal of a component of the Company for which operations and cash flows were clearly distinguished from the rest of the Company, and accordingly, all periods have been restated to reflect the results of these businesses as discontinued operations. The Financial Review of the Company's operating results for the three years ended December 31, 2002, and its financial position as of December 31, 2002, should be read in conjunction with the accompanying consolidated financial statements appearing elsewhere in this report.

Net Sales

The following table summarizes the Company's sales by product group:

($ in millions)	**2002**	2001	2000
Pharmaceutical packaging	**$ 291.4**	$ 262.2	$ 236.1
Medical devices	**85.9**	83.9	91.1
Personal care/food packaging	**30.3**	26.9	27.4
Laboratory and other services	**5.2**	3.4	8.3
Net sales – Pharmaceutical Systems	**412.8**	376.4	362.9
Clinical services	**5.3**	7.8	7.8
Development/licensing revenue	**1.6**	8.1	1.8
Net sales – Drug Delivery Systems	**6.9**	15.9	9.6
Net sales – consolidated	**$ 419.7**	$ 392.3	$ 372.5

Net sales were $419.7 million in 2002, 7% above the $392.3 million reported in 2001. Sales in the Pharmaceutical Systems segment increased by almost 10% in 2002 versus 2001 levels. International sales grew by 15%, while domestic sales grew by 5%. The Company's *Westar* products are meeting an increasing demand for pre-cleaned rubber stoppers and syringe components for the pharmaceutical industry. *Westar* is a process for preparing rubber components for direct introduction into customers' steam sterilizers. The conversion of customers to higher-margin *Westar* products from standard products, as well as increased volumes made possible by plant expansions in Europe, contributed to the strong sales performance in 2002. Consistent sales increases were experienced in all pharmaceutical packaging and processing products, led by serum and lyophilized stoppers, and prefillable syringe components. Sales of medical device components also increased, led by a 12% increase in sales of disposable syringe components. Overall price increases accounted for 1.5% of the sales increase over 2001. Foreign exchange rates did not

impact comparisons, as the dollar's decline against European currencies was largely offset by currency devaluation in South America.

Revenues in the Drug Delivery Systems segment declined to $6.9 million in 2002, a $9 million decrease from 2001 results. Project delays and cancellations led to lower licensing-related revenues from *ChiSys* and other technologies. In addition, a decrease in the number of studies conducted in the pharmaceutical outsourcing market contributed to lower sales for the clinical services unit.

Net sales of $392.3 million in 2001 compare with sales of $372.5 million in 2000. The strong U.S. dollar in 2001 reduced reported sales versus 2000 by approximately $8 million. At constant exchange rates, sales in 2001 were 7% higher than 2000 net sales. Pharmaceutical Systems segment sales increased by 6% (measured at constant exchange rates) in 2001 versus 2000, with sales growing at a 9% rate in international markets and at 4% domestically. Both sales volumes and product mix were favorable in the Pharmaceutical Systems segment sales comparison to the prior year. 2001 revenues in the Drug Delivery Systems segment increased by $6.3 million over 2000 results, reflecting increased licensing revenue from *ChiSys* technology-based development projects, including two Phase II trials: one utilizing the Company's nasal morphine system and a second for a nasal flu vaccine.

Operating Profit

The following table summarizes the Company's operating profit by reportable segment, including corporate administration, U.S. pension plan income and other charges recorded in consolidated operating profit for the three years ended December 31, 2002:

($ in millions)	**2002**	2001	2000
Pharmaceutical Systems segment	**$65.4**	$55.2	$55.8
Drug Delivery Systems segment	**(15.1)**	(4.3)	(9.8)
Corporate costs	**(18.1)**	(16.2)	(14.4)
Pension income	**2.7**	8.1	14.1
Restructuring costs	**(9.9)**	(2.9)	(5.5)
Foreign exchange gain	**1.7**	–	–
Consolidated operating profit	**$26.7**	$39.9	$40.2

Operating profit in the Pharmaceutical Systems segment increased by $10.2 million over 2001, reflecting the increased gross profit resulting from the sales volume increases addressed above. Gross margin was 28.5%, 28.4% and 28.9% in 2002, 2001 and 2000, respectively. Costs associated with bringing new production capacity on-line in Europe, production inefficiencies connected to plant transfers and start-up plastic device manufacturing at plants in the U.K., and higher insurance costs offset the volume-related margin improvements. The Company completed a plant expansion in France during 2002 and expects to complete a German plant expansion project during 2003. Both projects should result in improved gross margins in 2003. Selling, general and administrative costs in the Pharmaceutical Systems segment were approximately 13% of net sales in each period.

2002 operating losses in the Drug Delivery Systems segment were $10.8 million above those recorded in 2001, reflecting the $6.5 million decline in licensing revenues described earlier and a $3.6 million increase in research and development expense and business development costs in the drug delivery unit. The increased research and development costs were incurred in funding studies related to a near-term licensing opportunity for a generic version of a popular nasally delivered allergy product. Gross profit in the clinical services unit declined $1.5 million compared to 2001, reflecting the lower revenues in that unit. Reduced incentive compensation costs partially offset the lower profits generated by the Drug Delivery Systems segment. The Company anticipates that the development work in 2002, together with increased focus on its *ChiSys* technology, will lead to licensing opportunities in 2003.

Corporate administrative and other expenses increased $1.9 million in 2002 over 2001 levels. Higher executive compensation costs, increased funding of the internal audit function and higher consulting charges for international tax planning contributed to the increases. Corporate costs in 2001 exceeded 2000 spending by $1.8 million, principally as a result of an information systems project. Certain costs previously reported as Corporate have been allocated to the respective segment that they support. These costs consist principally of rent, information services and human resource functions incurred at the North American headquarters facility. All prior periods have been restated to reflect these allocations.

Pension income related to the Company's pension plans has dramatically decreased in each of the last two years. The decline in the performance of global equity markets has decreased the fair market value of plan assets over that period, resulting in lower pension plan income. The Company projects that pension plans will generate pension expense of approximately $6.5 million in 2003 as a result of the closing asset values at December 31, 2002, and higher post-retirement costs.

The following table summarizes the restructuring provisions and payments for the three-year period ended December 31, 2002:

($ in millions)	Severance and benefits	Other	Totals
Balance, December 31, 1999	$ .1	$ –	$ .1
2000 Restructuring expense	2.8	2.7	5.5
Non-cash write-offs	–	(2.7)	(2.7)
Cash payments	(0.2)	–	(0.2)
Balance, December 31, 2000	2.7	–	2.7
2001 Restructuring expense (credit)	4.9	(2.0)	2.9
Non-cash write-offs	.2	2.0	2.2
Cash payments	(5.7)	–	(5.7)
Balance, December 31, 2001	2.1	–	2.1
2002 Restructuring expense	**.8**	**9.1**	**9.9**
Non-cash write-offs	**–**	**(8.6)**	**(8.6)**
Cash payments	**(2.1)**	**–**	**(2.1)**
Balance, December 31, 2002	**$ .8**	**$ .5**	**$ 1.3**

Restructuring charges of $9.9 million were recorded in 2002 associated with the termination of an information systems implementation project ($6.9 million), a write-down of a technology company investment ($2.8 million), the closure of a sales office in Korea ($0.1 million) and employee terminations at the Nottingham, U.K., drug delivery site ($0.1 million). In 2001, the Company recorded a net $2.9 million restructuring charge consisting of a $4.9 million provision for the termination of 35 mid- and senior-level management positions, offset by a $2.0 million adjustment related to the carrying value of an asset held for sale from the 2000 restructuring program. In 2000, the Company recorded a $5.5 million provision principally related to the decision to close a plastic device manufacturing facility in Puerto Rico.

During the first quarter of 2002, the Company's subsidiary in Argentina recorded a foreign exchange gain of $1.7 million on assets denominated in non-peso currencies due to the devaluation of the Argentine peso. The Company maintains operations in Argentina, Brazil, Venezuela and Colombia, generating annual sales of approximately $14 million. The region is currently beset by political and social unrest, including the recent general strikes in Venezuela that could destabilize local currencies. Although the Company has successfully passed foreign currency costs on to customers through price increases, no assurance can be given on its ability to do so in the future.

Interest Expense (net)

The following table summarizes the Company's net interest expense for the three-year period ended December 31, 2002:

($ in millions)	**2002**	2001	2000
Interest expense	**$ 11.3**	$ 14.3	$ 13.9
Capitalized interest	**(0.7)**	(0.8)	(0.8)
Interest income	**(1.1)**	(1.5)	(2.0)
Interest expense (net)	**$ 9.5**	$ 12.0	$ 11.1

Net interest expense declined $2.5 million in 2002 versus 2001 levels due to lower average debt levels and interest rates. The lower debt levels in 2002 were generated by the $28 million fourth quarter 2001 proceeds received from the sale of the contract manufacturing and packaging operation (see "Discontinued Operations"). Debt levels also benefited from a tax refund received in 2002 associated with the divestiture of the contract manufacturing and packaging business and a production facility in Puerto Rico. The Company also increased its global utilization of cash in order to reduce outstanding debt, resulting in lower interest income and interest expense.

Net interest expense in 2001 increased over 2000 results, largely reflecting the impact of fourth quarter 2000 sales results, which decreased 2001 operating cash flow and resulted in higher average debt levels during 2001.

Income Taxes

The effective tax rate on consolidated income from continuing operations was 24.0% in 2002, 30.7% in 2001 and 34.7% in 2000. The restructuring charges incurred in the last three years generate specific tax consequences, which affect the Company's effective tax rate. In addition, the 2002 foreign exchange gain resulting from the currency devaluation in Argentina, a $2.4 million tax benefit from a change in U.S. tax law in 2002 related to loss disallowance rules and a $1.5 million tax benefit in 2000 connected with the reorganization of operations in Germany also impacted the Company's effective tax rate.

Management believes that a better indication of the Company's tax rate on continuing operations can be determined by excluding the effect of the specific tax consequences of the restructuring charges, tax refunds and foreign exchange gain discussed above. The following table

reconciles the effective tax rate to the comparative tax rate excluding the items mentioned above:

	2002	2001	2000
Effective tax rate (as reported)	**24.0%**	30.7%	34.7%
Impact of:			
Restructuring charges	**(4.1%)**	2.3%	(4.6%)
Foreign exchange gain	**(2.3%)**	–	–
Tax refunds	**14.4%**	–	5.2%
Comparative tax rate	**32.0%**	33.0%	35.3%

Excluding the impact of restructuring and other items noted above, the comparative tax rates would have been 32.0% for 2002, 33.0% for 2001 and 35.3% for 2000. These tax rates reflect the changes in the geographic mix of earnings and changes in the statutory rate in several countries during the three-year period.

Equity in Affiliates

The contribution to earnings from a 25% ownership interest in Daikyo Seiko, Ltd. and a 49% ownership interest in three companies in Mexico was a $0.3 million loss in 2002, following income of $0.5 million and $1.2 million for 2001 and 2000, respectively. The loss in 2002 was mainly due to the restructuring of plant operations in Mexico. Equity in net income (loss) of affiliated companies includes $0.8 million related to this restructuring. Excluding the restructuring, affiliate income was equal to 2001 levels, with slightly improved Daikyo results offsetting losses in Mexico.

Company purchases from all affiliates totaled approximately $11.5 million in 2002 and $12.6 million in 2001, the majority of which relates to a non-exclusive distributorship agreement allowing the Company to purchase and re-sell Daikyo products. Sales to affiliates were $1.0 million and $0.5 million in 2002 and 2001, respectively.

Income from Continuing Operations

The Company's 2002 net income from continuing operations was $12.8 million, or $0.89 per share. These results included restructuring charges of $9.9 million ($7.4 million, net of tax), or $0.51 per share, primarily related to the termination of an information systems project and a write-down of an investment in a genetic research technology company. Results also included $0.8 million, or $0.06 per share, of severance and plant shutdown costs from the Company's affiliates in Mexico, of which it owns 49%. Offsetting these costs were a $1.7 million ($0.8 million, net of tax), or $0.05 per share, foreign exchange gain associated with the devaluation of the Argentine peso and a $2.4 million, or $0.17 per share, tax benefit associated with the 2001 sale of a manufacturing facility in Puerto Rico.

Net income from continuing operations in 2001 was $19.7 million, or $1.38 per share. Results in 2001 included a restructuring charge of $2.9 million ($1.3 million, net of tax), or $.08 per share. The charge consisted of a $4.9 million ($3.3 million, net of tax) employee severance provision, offset by a $2.0 million adjustment to the carrying value of a plastic device manufacturing facility held for sale from the 2000 restructuring program.

Net income from continuing operations in 2000 was $20.0 million, or $1.39 per share. Results for 2000 included $5.5 million ($4.9 million, net of tax), or $0.34 per share of restructuring costs connected principally to the decision to close a plastic device manufacturing facility located in Puerto Rico. The Company also realized a $1.5 million, or $0.11 per share, tax benefit connected with the reorganization of operations in Germany.

Discontinued Operations

On December 4, 2002, the Company sold its consumer healthcare research unit for $2 million to Concentrics Research, LLC, a company formed by the former employee management team, and Bindley Capital Partners, LLC. As a result of receiving an offer to purchase the business, the Company reduced the carrying value of the assets to fair market value in the third quarter of 2002, resulting in a pre-tax charge of $0.6 million.

In connection with the sale of the contract manufacturing and packaging unit in 2001, the Company was required to hold $4.3 million of the proceeds in a trust account at December 31, 2001, for the payment of certain debentures in 2002. The payment of these debentures resulted in a $0.4 million, or $0.03 per share, loss recorded in discontinued operations in 2002.

The Company also recorded a $5.9 million, or $0.40 per share, tax benefit in discontinued operations connected with the disposition of the contract manufacturing and packaging business. This tax benefit and related refund resulted from a change in U.S. tax law in 2002 related to loss disallowance rules.

In 2001, the Company sold all the operating assets of its contract manufacturing and packaging business unit to DPT Lakewood, Inc. for a sale price of $29.8 million, consisting of cash of $28 million and a $1.8 million note due in 2003. The sale resulted in a net loss of $25.2 million, or $1.76 per share.

Liquidity and Capital Resources

The cash balance at December 31, 2002, was $33.2 million and working capital totaled $73.6 million, a ratio of current assets to current liabilities of 1.8 to 1. Consolidated debt totaled $175 million at December 31, 2002, compared with $193 million at year-end 2001. Debt to total invested capital (total debt and shareholders' equity) was 46.5% at December 31, 2002.

Cash flows generated from operations totaled $45.7 million in 2002, as compared to $37.5 million in 2001. The increase in cash flow largely resulted from tax refunds and lower restructuring payments.

Capital spending for 2002 totaled $37.7 million, with the majority of the spending on manufacturing equipment and plant expansion activity in France and Germany. The Company anticipates that 2003 capital spending will be approximately $45 million, with significant projects scheduled to increase *Westar* product capacity at its Jersey Shore, Pa., plant and the expansion of the Stolberg, Germany, metal and plastics facility.

Cash provided by investing activities in 2002 includes the receipt of a $4.3 million deposit held in trust from the sale of the contract manufacturing and packaging business, proceeds of $2.0 million from the sale of the consumer healthcare research unit and $0.4 million of proceeds from surplus equipment sales. Cash used in investing activities in 2002 includes a $1 million advance to the Company's affiliate in Mexico to fund restructuring activities and $0.3 million of net advances to customers for development of molds and tools to be used in the production of customer products.

Financing cash flows include proceeds from stock option exercises of $3.3 million and dividends paid to shareholders totaling $11.1 million ($0.77 per share). Discontinued operations provided cash flow of $8.2 million, principally from the receipt of a tax refund. The remaining cash flow was used to reduce the Company's outstanding debt.

The following table summarizes the Company's contractual obligations at December 31, 2002, and the effect the obligations are expected to have on its liquidity and cash flow in future periods:

	Payments Due by Period				
($ in millions)	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Unconditional purchase obligations	$ 4.9	$ –	$ –	$ –	$ 4.9
Notes payable	4.1	–	–	–	4.1
Long-term debt	11.7	59.2	–	100.0	170.9
Operating lease obligations	6.4	11.6	10.3	30.1	58.4
Total contractual obligations	$ 27.1	$ 70.8	$ 10.3	$ 130.1	$ 238.3

The Company also has a $0.5 million letter of credit supporting the payment of insurance obligations assumed by the acquirer of the contract manufacturing and packaging business.

The Company's principal source of short- and medium-term liquidity is a $114.5 million multi-currency revolving credit facility with a group of six banks. The credit agreement consists of a $44.5 million, 364-day line of credit renewable annually each July at the option of the banks and a $70.0 million committed revolving credit facility maturing in July 2005. Interest cost on these facilities is charged at the applicable London Inter-Bank Offering Rates (LIBOR) plus a margin dependent on the Company's debt to total capital ratio. Commitment fees on these agreements also fluctuate according to the Company's debt to total capital ratio with a maximum commitment fee of 20 basis points on the 364-day facility and 25 basis points on the five-year facility. The credit agreement contains several compliance covenants, the most restrictive of which is the requirement not to exceed a debt to total capital ratio of 55%. Failure to meet this or other debt covenants would cause all borrowings under the revolving credit facility to become immediately due and payable.

The Company believes that its financial condition, capitalization structure and expected income from operations will be sufficient to meet the Company's future expected cash requirements, at least through July 2005, at which time the Company's revolving credit facility expires. The Company fully expects to obtain similar credit facilities at that time.

Critical Accounting Policies and Estimates

The Financial Review discusses consolidated financial statements that are prepared in accordance with accounting principles generally accepted in the United States. The application of these principles requires management to make estimates and assumptions, some of which are subjective and complex, that affect the amounts reported in the consolidated financial statements. Management believes the following accounting policies and estimates are critical to understanding and evaluating the results of operations and financial position of the Company:

Revenue Recognition: Sales of manufactured components are recorded at the time title passes, which generally occurs when the goods are shipped. Some customers receive pricing rebates upon attaining established sales volumes. Management records rebate costs based on its assessment of the likelihood that these volumes will be attained. The Company also establishes product return liabilities for customer quality claims when such amounts are deemed probable and can be reasonably estimated. Revenue associated with drug delivery systems development is recognized as services are provided. The timing

of non-refundable licensing fee recognition is subject to management's estimate of future costs to be incurred on the related development agreement.

Impairment of Assets: Effective January 1, 2002, the Company adopted Financial Accounting Standards Statement No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 eliminated the requirement to amortize goodwill and other indefinite-lived intangible assets. Instead, goodwill is tested for impairment as part of the reporting unit to which it belongs. The Company has determined its reporting units to be the geographic regions in the Pharmaceutical Systems segment, and the drug delivery and clinical services units of the Drug Delivery Systems segment. As required by the statement, the Company did not record goodwill amortization expense in 2002. Goodwill expense was $1.2 million and $1.3 million in 2001 and 2000, respectively. The Company reviews goodwill and long-lived assets (principally property, plant and equipment and patents) on an annual basis and whenever circumstances indicate that the carrying value of these assets may not be recoverable. For assets to be held and used in the business, management estimates the future cash flow to be derived from the related asset or business unit. For other assets held for sale, management determines fair value by estimating the anticipated proceeds to be received upon the sale of the asset. Changes in management's estimate of fair value, including management's estimate of future cash flows, could have a material impact on the Company's future results of operations and financial position.

The majority of the Company's assets are associated with profitable operations within the Pharmaceutical Systems division; however, the Company's plastics unit in the United Kingdom has generated consecutive years of operating losses. The principal customer for this unit has recently completed a manufacturing and distribution agreement with a major pharmaceutical company for a multi-component metered dose inhaler. The Company's fair value projections significantly rely on the achievement of sales projected from these agreements.

In the drug delivery unit, the Company's revenue projections include estimated licensing revenues, primarily dependent on the success of the Company's *ChiSys* technology. A key milestone for 2003 will be the advancement of one of the Company's products to Phase III clinical trials. While the Company expects improved performance in this unit in 2003, it does not project operating profit until 2004.

The Company has also reviewed the operating projections for the clinical services unit, which generated an operating loss in 2002 following several years of positive performance. The Company views the 2002 performance to be a temporary condition caused by unexpected project cancellations; however, it does note a decline in the number of studies outsourced by the pharmaceutical industry. The Company will monitor industry demand during 2003 to determine if these trends are expected to continue.

Employee Benefits: The measurement of the obligations under the Company's defined benefit pension and post-retirement medical plans are subject to a number of assumptions. These include the rate of return on plan assets and the rate at which the future obligations are discounted to present value. The Company's plan assets have decreased from $206.6 million at December 31, 2000, to $142.2 million at December 31, 2002, largely as a result of the recent performance of global equity markets. The unrecognized loss on plan assets resulting from the difference between expected and actual asset returns, together with the impact of other changes in actuarial assumptions, totaled $60.8 million at December 31, 2002. This actuarial loss is amortized into future pension expense over a 13-year period. For U.S. plans, which account for over 90% of global plan assets, the Company has reduced its long-term rate of return assumption from 9.5% to 9%. This return assumption was determined by reviewing the expected mix of plan assets (approximately 65% equity and 35% debt securities) and the projected return over a 10-year period. The Company has also reduced its discount rate to 6.5% to reflect current market conditions. As a result of the asset performance and the decline in rate of return and discount rate assumptions, the Company estimates that 2003 pension plan expense will be approximately $6.5 million, as compared with net pension income of $3 million in 2002. Changes in these estimates, including the market performance of plan assets and other actuarial assumptions, could have a material impact on the Company's future results of operations and financial position.

Income Taxes: The Company estimates income taxes payable based upon current domestic and international tax legislation. In addition, deferred income tax assets and liabilities are established to recognize differences between the tax bases and financial statement carrying values of the Company's assets and liabilities. Valuation allowances are recorded to reduce deferred assets to amounts that are more likely than not to be realized. The recoverability of tax assets is subject to the

Company's estimates of future profitability, generally at the local subsidiary company and country level. Changes in tax legislation, business plans and other factors may affect the ultimate recoverability of tax assets or final tax payments, which could result in adjustments to tax expense in the period such change is determined.

Foreign Currency: The Company has subsidiaries outside the United States accounting for approximately 46% of consolidated net sales. Virtually all of these sales and related operating costs are denominated in the currency of the local country and translated into U.S. dollars at the average exchange rate for the period. The assets and liabilities of these subsidiaries are translated at the exchange rate in effect at the end of the period. As a result, the Company's results of operations and financial position are exposed to changing exchange rates. In addition, at any point in time, the Company's foreign subsidiaries may hold assets or liabilities not denominated in their local currency. These items may give rise to foreign currency transaction gains and losses. The Company periodically uses forward contracts to hedge certain transactions, but generally does not hedge foreign currency exposures.

New Accounting Standards

In July 2002, the Financial Accounting Standards Board (FASB) issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 requires that a liability for costs associated with a disposal activity, including those related to employee termination benefits, be recognized when the liability is incurred, and not necessarily at the date of an entity's commitment to an exit plan as had been the practice under the prior accounting guidance. The Company adopted SFAS 146 on January 1, 2003.

In November 2002, FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45) was issued. FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. The disclosure requirements of FIN 45 are effective for financial statements ending after December 15, 2002. FIN 45 also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The recognition provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The Company believes that FIN 45 will not have a material effect on its consolidated financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." This statement provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions for entities that retain the intrinsic value method of accounting. The Company intends to continue the intrinsic value method of accounting. The Company will disclose the pro-forma effect on net income and earnings per share of applying the fair value method to all stock-based compensation awards in the notes to its interim and annual financial statements as required by the statement.

Subsequent Event

On January 29, 2003, an explosion and fire occurred at the Company's Kinston, N.C., plant. Six people lost their lives and many others were injured in the accident, which caused substantial damage to the building, machinery, equipment and inventories. The Company is aggressively implementing a manufacturing recovery plan to restore production to pre-accident levels using resources and capacity at other plant locations, as well as selected third-party vendors. Management is also working with customers and the Food and Drug Administration to satisfy critical product requirements while minimizing the effects on customers' production plans and inventories.

At this time, the Company has identified items associated with the Kinston accident that are likely to have financial implications and has estimated certain of those items. Management expects that, as a result of capacity limitations, up to $5 million of sales that would otherwise have occurred in the first and second quarters of 2003 will be delayed, but that the revenue is substantially recoverable in the second half of the year. The Company maintains business interruption insurance under which it expects to recover lost profits attributable to lost sales or additional costs associated with the recovery plan.

The Company currently expects to incur pre-tax costs of between $4.0 million and $6.0 million, net of insurance recoveries during the first half of 2003. The estimated costs are for retained risk, or deductibles, under applicable insurance policies, for costs not normally or fully compensable by insurance, and the cost of reinstating or replacing insurance coverage in the wake of the loss. Management is confident that, except for these costs, the property and business interruption losses are fully insured.

The Company is not able, at this time, to estimate the ultimate impact of any liability claims and related costs that may arise as a result of the accident.

Forward-Looking Information

The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make certain forward-looking statements in publicly released materials, both written and oral, including statements contained in this report and filings with the Securities and Exchange Commission.

Forward-looking statements may be identified by the use of words such as "estimate," "expect," "intend," "believe" and similar expressions. Forward-looking statements are based on current expectations of future events. The forward-looking statements are and will be based on management's then-current views and assumptions about future events and operation performance, and speak only as of their dates.

Investors should realize that if underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results could vary materially from our expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements.

In addition, we undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events and developments or otherwise.

Some of the factors that could cause the Company's actual results to differ materially from those expressed in any forward-looking statement include, but are not limited to: sales demand; timing of customers' projects; successful development of proprietary drug delivery technologies and systems; regulatory, licensee and/or market acceptance of products based on those technologies; competitive pressures; the strength or weakness of the U.S. dollar; inflation; the cost of raw materials; the availability of credit facilities; and statutory tax rates.

With respect to the explosion and fire at the Company's Kinston, N.C., plant, the following risks and uncertainties should also be taken into consideration: the timely replacement of production capacity; the adequacy and timing of insurance recoveries for property losses and/or liability to third parties and related costs; the ability of the Company to successfully shift production and compounding capacity to other plant sites in a timely manner, including the successful integration of experienced personnel to other production sites; and regulatory approvals and customer acceptance of goods from alternate sites.

Consolidated Statements of Income

West Pharmaceutical Services, Inc. and Subsidiaries for the years ended December 31, 2002, 2001 and 2000.

(in thousands, except per share data)	**2002**		2001		2000	
Net sales	**$419,700**	**100%**	$392,300	100%	$372,500	100%
Cost of goods and services sold	**302,100**	**72**	277,500	71	265,000	71
Gross profit	**117,600**	**28**	114,800	29	107,500	29
Selling, general and administrative expenses	**82,600**	**20**	72,000	18	59,500	16
Restructuring charge, net	**9,900**	**2**	2,900	1	5,500	1
Other (income) expense, net	**(1,600)**	**–**	–	–	2,300	1
Operating profit	**26,700**	**6**	39,900	10	40,200	11
Interest expense, net	**9,500**	**2**	12,000	3	11,100	3
Income before income taxes and minority interests	**17,200**	**4**	27,900	7	29,100	8
Provision for income taxes	**4,100**	**1**	8,600	2	10,100	3
Minority interests	**–**	**–**	100	–	200	–
Income from consolidated operations	**13,100**	**3%**	19,200	5%	18,800	5%
Equity in net income (loss) of affiliated companies	**(300)**		500		1,200	
Income from continuing operations	**12,800**		19,700		20,000	
Discontinued operations, net of tax	**5,600**		(24,900)		(18,400)	
Net income (loss)	**$ 18,400**		$ (5,200)		$ 1,600	
Net income (loss) per share:						
Basic						
Continuing operations	**$ .89**		$ 1.38		$ 1.39	
Discontinued operations	**.39**		(1.74)		(1.28)	
	$ 1.28		$ (.36)		$ .11	
Assuming dilution						
Continuing operations	**$ .89**		$ 1.37		$ 1.39	
Discontinued operations	**.39**		(1.73)		(1.28)	
	$ 1.28		$ (.36)		$ .11	
Average common shares outstanding	**14,434**		14,336		14,407	
Average shares assuming dilution	**14,434**		14,348		14,409	
Dividends declared per common share	**$ .78**		$ .74		$ .70	

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Comprehensive Income (Loss)

West Pharmaceutical Services, Inc. and Subsidiaries for the years ended December 31, 2002, 2001 and 2000.

(in thousands)	**2002**	2001	2000
Net income (loss)	**$ 18,400**	$ (5,200)	$ 1,600
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	**16,500**	(9,700)	(8,200)
Unrealized losses on securities of affiliates	**(300)**	(100)	(700)
Minimum pension liability adjustments	**(2,300)**	(2,800)	(300)
Cumulative effect of change in accounting principle for derivatives and hedging activities	**–**	(200)	–
Net realized losses on derivative instruments	**200**	100	–
Unrealized losses on derivatives	**(100)**	(200)	–
Comprehensive income (loss)	**$ 32,400**	$ (18,100)	$ (7,600)

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheets

West Pharmaceutical Services, Inc. and Subsidiaries at December 31, 2002 and 2001.

(in thousands, except per share data)	2002	2001
ASSETS		
Current assets:		
Cash, including cash equivalents	**$ 33,200**	$ 42,100
Accounts receivable, less allowance (2002 – $800; 2001 – $500)	**66,200**	59,500
Inventories	**41,300**	34,300
Income tax refundable	**3,600**	5,700
Deferred income tax benefits	**5,200**	2,400
Other current assets	**11,800**	14,500
Total current assets	**161,300**	158,500
Property, plant and equipment	**499,600**	458,800
Less accumulated depreciation and amortization	**276,300**	248,700
	223,300	210,100
Investments in and advances to affiliated companies	**18,000**	20,800
Goodwill	**35,500**	30,700
Pension asset	**53,000**	48,300
Deferred income tax benefits	**27,600**	21,400
Patents	**7,300**	7,600
Other intangibles	**1,700**	200
Other assets	**9,100**	13,700
Total Assets	**$536,800**	$511,300
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	**$ 11,700**	$ 4,300
Notes payable	**4,100**	4,400
Accounts payable	**19,200**	22,200
Accrued expenses:		
Salaries, wages and benefits	**17,000**	15,800
Income taxes payable	**9,400**	5,400
Restructuring costs	**1,400**	2,200
Deferred income taxes	**2,400**	1,600
Other	**22,500**	19,400
Total current liabilities	**87,700**	75,300
Long-term debt, excluding current portion	**159,200**	184,300
Deferred income taxes	**56,200**	46,800
Other long-term liabilities	**32,200**	28,100
Total liabilities	**335,300**	334,500
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, shares authorized: 3,000; shares issued and outstanding: 2002 – 0; 2001 – 0		
Common stock, par value $.25 per share; shares authorized: 50,000; shares issued: 2002 – 17,165; 2001 – 17,165; shares outstanding: 2002 – 14,480; 2001 – 14,344	**4,300**	4,300
Capital in excess of par value	**30,900**	31,600
Retained earnings	**261,200**	254,000
Accumulated other comprehensive (loss)	**(13,400)**	(27,400)
	283,000	262,500
Less treasury stock (2002 – 2,685 shares; 2001 – 2,821 shares)	**(81,500)**	(85,700)
Total shareholders' equity	**201,500**	176,800
Total Liabilities and Shareholders' Equity	**$536,800**	$511,300

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Shareholders' Equity

West Pharmaceutical Services, Inc. and Subsidiaries for the years ended December 31, 2002, 2001 and 2000.

(in thousands, except per share data)	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive (loss)	Treasury stock	Total
Balance, January 1, 2000	$ 4,300	$ 31,700	$ 278,100	$ (5,300)	$ (77,600)	$ 231,200
Net income			1,600			1,600
Shares issued under stock plans		400			1,500	1,900
Shares repurchased					(10,800)	(10,800)
Cash dividends declared ($.70 per share)			(9,900)			(9,900)
Changes – other comprehensive (loss)				(9,200)		(9,200)
Balance, December 31, 2000	4,300	32,100	269,800	(14,500)	(86,900)	204,800
Net (loss)			(5,200)			(5,200)
Shares issued under stock plans		(500)			1,300	800
Shares repurchased					(100)	(100)
Cash dividends declared ($.74 per share)			(10,600)			(10,600)
Changes – other comprehensive (loss)				(12,900)		(12,900)
Balance, December 31, 2001	4,300	31,600	254,000	(27,400)	(85,700)	176,800
Net income			**18,400**			**18,400**
Shares issued under stock plans		**(700)**			**4,300**	**3,600**
Shares repurchased					**(100)**	**(100)**
Cash dividends declared ($.78 per share)			**(11,200)**			**(11,200)**
Changes – other comprehensive (loss)				**14,000**		**14,000**
Balance, December 31, 2002	**$ 4,300**	**$ 30,900**	**$ 261,200**	**$ (13,400)**	**$ (81,500)**	**$ 201,500**

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows

West Pharmaceutical Services, Inc. and Subsidiaries for the years ended December 31, 2002, 2001 and 2000.

(in thousands)	**2002**	2001	2000
Cash flows provided by operating activities:			
Net income (loss)	**$ 18,400**	$ (5,200)	$ 1,600
Adjustments to reconcile net income (loss) to net cash provided by operating activities of continuing operations:			
(Income) loss from discontinued operations	**(5,600)**	(300)	18,400
Loss on disposal of discontinued operations	**–**	25,200	–
Depreciation and amortization	**33,000**	31,900	30,200
Restructuring charge, net	**9,900**	2,900	5,500
Loss on sales of equipment and other assets	**600**	600	1,000
Deferred income taxes	**1,500**	1,400	4,200
Pension and other retirement plans	**(4,800)**	(10,000)	(15,800)
Loss (equity) in undistributed earnings of affiliated companies, net	**200**	(300)	(1,000)
Changes in assets and liabilities, net of effects of businesses sold:			
(Increase) decrease in accounts receivable	**(3,700)**	(7,500)	2,600
(Increase) decrease in inventories	**(4,700)**	(900)	(800)
(Increase) decrease in other current assets	**(2,800)**	700	(700)
(Decrease) increase in other current liabilities	**4,700**	(2,100)	2,600
Other operating items	**(1,000)**	1,100	(500)
Net cash provided by operating activities of continuing operations	**45,700**	37,500	47,300
Cash flows used in investing activities:			
Property, plant and equipment acquired	**(37,700)**	(45,200)	(47,700)
Proceeds from sales of assets	**2,400**	31,300	300
Deposit held in trust from sale of assets	**4,300**	(4,300)	–
Advance to affiliate	**(1,000)**	–	–
Payments for acquisitions	**–**	(1,100)	(3,400)
Customer advances, net of repayments	**(300)**	(1,500)	(100)
Net cash used in investing activities of continuing operations	**(32,300)**	(20,800)	(50,900)
Cash flows (used in) provided by financing activities:			
Borrowings (repayments) under revolving credit agreements, net	**(10,400)**	(2,400)	70,000
Repayment of industrial revenue bond	**(6,100)**	–	–
Repayment of subordinated debenture	**(4,300)**	–	–
Repayment of other long-term debt	**(800)**	(5,200)	(16,200)
Other notes payable, net	**(3,500)**	1,700	(23,500)
Issuance of common stock	**3,300**	700	1,500
Dividend payments	**(11,100)**	(10,500)	(9,800)
Purchase of treasury stock	**(100)**	(100)	(10,800)
Net cash (used in) provided by financing activities of continuing operations	**(33,000)**	(15,800)	11,200
Net cash provided by (used in) discontinued operations	**8,200**	600	(8,300)
Effect of exchange rates on cash	**2,500**	(2,100)	(1,900)
Net decrease in cash and cash equivalents	**(8,900)**	(600)	(2,600)
Cash and cash equivalents at beginning of year	**42,100**	42,700	45,300
Cash and cash equivalents at end of year	**$ 33,200**	$ 42,100	$ 42,700
Supplemental cash flow information:			
Interest paid, net of amounts capitalized	**$ 10,600**	$ 13,500	$ 12,900
Income taxes (refunded) paid	**$ (4,700)**	$ 5,700	$ 2,100

The accompanying notes are an integral part of the financial statements.

Notes to Consolidated Financial Statements

(in thousands, except share and per share data)

Note 1: Summary of Significant Accounting Policies

Basis of Presentation: The financial statements are prepared in conformity with accounting principles generally accepted in the United States. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses and the disclosure of contingencies in the financial statements. Actual amounts realized may differ from these estimates.

Principles of Consolidation: The consolidated financial statements include the accounts of West Pharmaceutical Services, Inc. and all majority-owned subsidiaries (the Company). Investments in affiliated companies in which ownership exceeds 20% are accounted for on the equity method. Investments in which ownership is less than 20% are accounted for on the cost method. Material intercompany transactions and accounts are eliminated in consolidation. Certain items have been reclassified to conform with current classifications.

Cash and Cash Equivalents: Cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Inventories: Inventories are valued at the lower of cost or market. The cost of inventories located in the United States is determined on the last-in, first-out (LIFO) method. The cost of inventories located outside the United States is determined principally on the average cost method.

Foreign Currency Translation: Foreign currency transaction gains and losses and translation gains and losses of subsidiaries operating in high-inflation economies are recognized in the determination of net income. Foreign currency translation adjustments of other subsidiaries and affiliates operating outside the United States are accumulated in other comprehensive income, a separate component of shareholders' equity.

Financial Instruments: The Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Financial Instruments and Hedging Activities," as amended, on January 1, 2001. SFAS 133 requires the Company to recognize all derivatives as either assets or liabilities and measure those instruments at fair value as of the balance sheet date. The change in fair value of a derivative designated and qualified as part of a hedging transaction is recorded each period in earnings or other comprehensive income depending on the type of hedging instrument. The change in fair value of a derivative instrument with no hedging designation or purpose is recognized immediately into earnings.

The Company uses interest rate swaps and forward exchange contracts to minimize the economic exposure related to fluctuating interest and foreign exchange rates. Interest rate swaps are designated as cash flow hedges; therefore, unrealized gains and losses are recorded in other comprehensive income. As the underlying transaction occurs, any unrealized gains or losses on the related hedge are reclassified from other comprehensive income to the statement of income (interest expense), offsetting the income effects of the transaction to which they relate. Gains and losses on forward exchange contracts designated as fair value hedges, primarily related to raw material purchase commitments, are deferred and recognized as part of the underlying transaction. The Company also engages in hedges of its net investment in foreign operations in order to minimize the economic exposure to fluctuating foreign exchange rates. Fair value adjustments for hedges of the net investment in foreign operations are reported in other comprehensive income as foreign currency translation adjustments and are released to earnings upon disposal of the investment.

Revenue Recognition: Sales of manufactured components are recorded at the time title passes, which generally occurs when the goods are shipped. Some customers receive pricing rebates upon attaining established sales volumes. Management records rebate costs based on its assessment of the likelihood that these volumes will be attained. The Company also establishes product return liabilities for customer quality claims when such amounts are deemed probable and can be reasonably estimated.

Clinical service revenue and related direct costs are recognized as specific contract terms are fulfilled under the percentage of completion method. Fees for individual contract clinical services are fixed upon execution of the contract and provide for payment for all work performed. The termination of a contract typically results in no material adjustments to the revenue or costs previously recognized.

Revenue associated with drug delivery systems development is recognized when earned in accordance with the terms of contract research agreements with the customer. Non-refundable license and milestone fees are recognized as revenue when related services under the agreements are performed. The timing of non-refundable licensing fee recognition is subject to management's estimate of future costs to be incurred on the related development agreement.

Property, Plant and Equipment: Property, plant and equipment assets are carried at cost. Maintenance and minor repairs and renewals are charged to expense as incurred. Costs incurred for computer software developed or obtained for internal use are capitalized for application development activities and immediately expensed for preliminary project activities or post-implementation activities. Upon sale or retirement of depreciable assets, costs and related depreciation are eliminated, and gains or losses are recognized in the determination of net income. Depreciation is computed principally on the straight-line method over the estimated useful lives of the assets, or the remaining term of the lease, if shorter. For income tax purposes, depreciation is computed using accelerated methods.

Goodwill and Other Intangibles: Effective January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Accordingly, goodwill and indefinite-lived intangible assets are no longer amortized. Instead, goodwill and intangible assets with indefinite lives are tested for impairment on

at least an annual basis or more frequently if an event occurs that indicates that there could be an impairment. The first step of the impairment test compares the fair value of a reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the second step is performed. The second step compares the carrying amount of the goodwill to its implied fair value. The implied fair value is determined by allocating the fair value of the reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. If the fair value of the goodwill is less than the carrying amount, an impairment loss is recorded.

Other intangible assets, including patents and licensed technology, are recorded at cost and are amortized on a straight-line method over their useful lives. The Company capitalizes patent application costs and expenses other costs incurred in patent development.

Tooling: The Company builds tools, molds and dies for certain customers. The tooling is built and paid for by the Company and reimbursed by the customer based upon the tooling agreement. Reimbursement is either in lump sum or as units are produced under long-term supply agreements. At December 31, 2002 and 2001, other noncurrent assets included $5,000 and $4,700, respectively, of unreimbursed tooling costs. During 2002 and 2001, the Company received reimbursements of $7,300 and $12,600, respectively.

Impairment of Long-Lived Assets: Long-lived assets including property, plant and equipment, and intangible assets subject to amortization are reviewed for impairment whenever circumstances indicate that the carrying value of these assets may not be recoverable. An asset is considered impaired if the carrying value of the asset exceeds the sum of the future expected undiscounted cash flows to be derived from the asset. Once an asset is considered impaired, an impairment loss is recorded for the difference between the asset's carrying value and its fair value. This loss is included in income from continuing operations before taxes. For assets to be held and used in the business, management determines fair value by estimating the future cash flows to be derived from the asset and discounts these flows to a net present value using an appropriate discount rate. For assets held for sale or for investment purposes, management determines fair value by estimating the anticipated proceeds to be received upon sale of the asset.

Research and Development: Research, development and engineering expenditures are for the creation and application of new or improved products and processes, and drug delivery systems. Expenditures primarily include salaries and outside services for those directly involved in research and development activities. Research and development costs of $21,500 in 2002, $17,800 in 2001 and $17,100 in 2000, were expensed as incurred.

Environmental Remediation and Compliance Costs: Environmental remediation costs are accrued when such costs are probable and reasonable estimates are determinable. Cost estimates are not discounted and include investigation, cleanup and monitoring activities; such estimates are adjusted, if necessary, based on additional findings. In general, environmental compliance costs are expensed. Environmental compliance costs at current operating sites are capitalized if they increase the value of the property and/or prevent environmental hazards from occurring.

Income Taxes: Deferred income taxes are recognized by applying enacted statutory tax rates, applicable to future years, to temporary differences between the tax bases and financial statement carrying values of the Company's assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets to amounts that are more likely than not to be realized. United States income taxes and withholding taxes are accrued on the portion of earnings of international subsidiaries and affiliates (which are corporate joint ventures) intended to be remitted to the parent company.

Stock-Based Compensation: The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock.

The Company did not record compensation cost related to stock option and stock purchase plans for the years ended 2002, 2001 and 2000, because grants are at 100% of fair market value on the grant date. If the fair value based method prescribed in SFAS No. 123, "Accounting for Stock-Based Compensation," had been applied to stock option grants in the most recent three years, the Company's net income (loss) and basic and diluted net income (loss) per share would have been reduced as summarized below:

	2002	2001	2000
Net income (loss), as reported	**$ 18,400**	$ (5,200)	$ 1,600
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of tax	**(1,300)**	(1,500)	(1,100)
Pro forma net income (loss)	**$ 17,100**	$ (6,700)	$ 500
Net income (loss) per share:			
Basic, as reported	**$ 1.28**	$ (.36)	$ .11
Basic, pro forma	**$ 1.19**	$ (.46)	$ .03
Diluted, as reported	**$ 1.28**	$ (.36)	$ .11
Diluted, pro forma	**$ 1.19**	$ (.46)	$ .03

Net Income (Loss) Per Share: Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during each period. Net income (loss) per share assuming dilution considers the potential issuance of common shares under the Company's stock option and award plans, based on the treasury stock method. The treasury stock method assumes use of exercise proceeds to repurchase common stock at the average fair market value in the period.

Note 2: Discontinued Operations

In December 2002, the Company sold its consumer healthcare research business located in Indianapolis, Ind. This business unit was previously a part of the Drug Delivery Systems segment. The sales price, which is subject to a final working capital adjustment, totaled $2,000, consisting of $1,900 cash and $100 in escrow. Cash proceeds from the sale were used to repay the Company's debt. During 2002 but prior to the sale of the business, the Company recorded a goodwill impairment charge of $600; as a result, there was no gain or loss recorded on the sale of the business. The results of this business have been reflected as discontinued operations in the accompanying consolidated financial statements for all periods presented.

In 2001, the Company sold its contract manufacturing and packaging business located in Lakewood, N.J. The sales price totaled $29,800, consisting of $28,000 of cash and a $1,800 note due in 2003. The proceeds, excluding $4,300 held in trust for the repayment of debentures, were used to repay outstanding debt. As a result of the transaction, the Company recorded a $25,200, net of tax, loss in 2001. The results of this business have been reflected as discontinued operations in the accompanying consolidated financial statements for all periods presented.

At December 31, 2001, the Company was required to hold $4,300 of the proceeds from the contract manufacturing and packaging sale in trust for the payment of debentures that 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 that was included in discontinued operations in 2002.

During 2002, the Company recorded a $5,900 tax benefit in income from discontinued operations. The tax benefit and the related tax refund were associated with the 2001 disposition of the contract manufacturing and packaging business and was due to a change in U.S. tax law in 2002 related to loss disallowance rules.

Net sales and income from discontinued operations were as follows:

	2002	2001	2000
Net sales	**$ 5,400**	$ 66,000	$ 57,600
Pretax (loss) income from discontinued operations	**(700)**	800	(27,000)
Pretax loss on disposal of business segment	**–**	(29,600)	–
Income tax benefit	**6,300**	3,900	8,600
Net income (loss) from discontinued operations	**$ 5,600**	$ (24,900)	$ (18,400)

Assets and liabilities of the discontinued operations included in other current assets, other assets and other current liabilities were as follows:

	2001
Accounts receivable	$ 2,300
Property, plant and equipment, net	200
Goodwill	1,900
Accounts payable	(300)
Accrued expenses	(600)
	$ 3,500

Net cash provided by (used in) discontinued operations were as follows:

	2002	2001	2000
Operating activities	**$ 8,300**	$ 1,900	$ 1,300
Property, plant and equipment acquired	**(100)**	(1,300)	(9,600)
Net cash provided by (used in) discontinued operations	**$ 8,200**	$ 600	$ (8,300)

Note 3: Acquisitions and Investments

In September 2002, the Company advanced $1,000 to its 49% owned affiliates in Mexico in connection with a plant shutdown (see "Affiliated Companies"). The note is denominated in U.S. dollars at a 4% annual interest rate with repayment due in three years.

In 2001, the Company purchased the remaining 17.9% minority ownership of West Pharmaceutical Services Hispania, S.A. for approximately $1,500. The purchase price consisted of $1,100 of cash and $400 of notes payable. The purchase price exceeded the net book value of the minority interest liability, resulting in goodwill of $500.

During 2000, the Company invested $2,000 in a firm involved with genotyping technology, bringing the cumulative investment in this firm to $3,300, representing an 18.53% ownership interest. In 2002, the firm discontinued development activities and began marketing the technology for license or sale. In connection with the change in strategy, the Company determined the fair value of its investment to be $500, resulting in a $2,800 impairment charge recorded in 2002 (see "Restructuring Charges").

Note 4: Restructuring Charges

The following table details activity related to the Company's restructuring obligations:

	Severance and benefits	Other	Continuing operations	Discontinued operations	Total
Balance, December 31, 1999	$ 100	$ –	$ 100	$ –	$ 100
2000 Restructuring expense	2,800	2,700	5,500	15,300	20,800
Non-cash write-offs	–	(2,700)	(2,700)	(13,700)	(16,400)
Cash payments	(200)	–	(200)	(100)	(300)
Balance, December 31, 2000	2,700	–	2,700	1,500	4,200
2001 Restructuring expense (credit)	4,900	(2,000)	2,900	–	2,900
Non-cash write-offs	200	2,000	2,200	(500)	1,700
Cash payments	(5,700)	–	(5,700)	(900)	(6,600)
Balance, December 31, 2001	2,100	–	2,100	100	2,200
2002 Restructuring expense	**800**	**9,100**	**9,900**	**600**	**10,500**
Non-cash write-offs	**–**	**(8,600)**	**(8,600)**	**(600)**	**(9,200)**
Cash payments	**(2,100)**	**–**	**(2,100)**	**–**	**(2,100)**
Balance, December 31, 2002	**$ 800**	**$ 500**	**$ 1,300**	**$ 100**	**$ 1,400**

In 2002, the Company's continuing operations included a $9,900 restructuring charge connected with the termination of an information systems implementation project, an impairment of a technology company investment (see "Acquisitions and Investments"), the closure of a sales office in Korea and employee terminations at the Nottingham, U.K., drug delivery site. The $800 severance provision covered 19 employee terminations connected with these actions that were completed in the fourth quarter of 2002. In addition to severance, the restructuring charge included a $5,800 write-off of construction in progress, $500 for contract termination fees related to the information systems project and a $2,800 impairment of the technology company investment. The Company also recorded a $600 goodwill impairment charge based on an offer to purchase the consumer healthcare research business (see "Discontinued Operations").

In 2001, the Company's continuing operations included a net restructuring charge of $2,900. The charge consisted of a restructuring provision of $4,900 relating to the termination of mid- and senior-level management positions and a $2,000 adjustment to the carrying value of the plastic device manufacturing facility held for sale from the 2000 restructuring program. Final terminations completed under this program totaled 35 positions.

In 2000, the Company's continuing operations included $5,500 of restructuring charges, principally related to the decision to close and divest a plastic device manufacturing facility located in Puerto Rico. The charge consisted of severance and other costs totaling $2,800 and a $2,700 adjustment to the property, plant and equipment carrying values to reflect the estimated net realizable value of the facility. Restructuring charges included in discontinued operations included a $9,200 goodwill write-down to the site management organization of the clinical services business unit, a $5,000 reduction to the estimated realizable value of assets to be sold in the former contract manufacturing and packaging business and $1,100 of severance, benefit and asset disposal costs. Terminations under all 2000 restructuring programs are complete and totaled 180 positions.

The remaining accrual balances at December 31, 2002, include $800 for labor claims in South America and post-employment medical obligations, the $500 contract termination fee accrual and $100 of remaining obligations connected to the formerly owned contract manufacturing and packaging business. The majority of these obligations will be paid within the next year.

Note 5: Other Income (Expense)

	2002	2001	2000
Foreign exchange gains (losses)	**$ 2,300**	$ 100	$ (1,100)
Loss on sales of equipment and other assets	**(600)**	(600)	(1,000)
Other	**(100)**	500	(200)
	$ 1,600	$ –	$ (2,300)

In March 2002, the Company's subsidiary in Argentina recorded a pre-tax foreign currency exchange gain of $1,700 on net assets denominated in non-peso currencies due to the devaluation of the Argentine peso.

Note 6: Income Taxes

Income before income taxes and minority interests was derived as follows:

	2002	2001	2000
Domestic operations	**$ (8,900)**	$ 17,400	$ 32,400
International operations	**26,100**	10,500	(3,300)
	$ 17,200	$ 27,900	$ 29,100

The related provision for income taxes consists of:

	2002	2001	2000
Current provision:			
Federal	**$ (5,600)**	$ 1,900	$ 2,500
State	**(200)**	100	100
International	**8,400**	5,200	3,300
	2,600	7,200	5,900
Deferred provision:			
Federal	**(800)**	3,300	5,500
International	**2,300**	(1,900)	(1,300)
	1,500	1,400	4,200
Provision for income taxes	**$ 4,100**	$ 8,600	$ 10,100

A reconciliation of the United States statutory corporate tax rate to the Company's effective consolidated tax rate on income before income taxes and minority interests follows:

	2002	2001	2000
Statutory corporate tax rate	**35.0%**	35.0%	35.0%
Tax on international operations (less than) in excess of United States tax rate	**(3.8)**	(6.4)	1.3
Restructuring	**5.8**	(2.1)	4.6
German tax reorganization	–	–	(5.2)
Foreign exchange gain	**2.0**	–	–
Loss disallowance adjustment	**(14.4)**	–	–
United States tax on repatriated foreign earnings	**1.6**	.8	1.3
State income taxes, net of federal tax benefit	**(1.3)**	.5	.3
Other	**(.9)**	2.9	(2.6)
Effective tax rate	**24.0%**	30.7%	34.7%

In the third quarter of 2002, the Company recorded a tax benefit associated with the 2001 disposition of its contract manufacturing and packaging business and the shutdown of a plastic device manufacturing facility. Of the total benefit, $5,900 was recorded in discontinued operations and $2,400 was reflected in continuing operations. The tax benefit and the related tax refund were a result of a change in U.S. tax law in 2002 related to loss disallowance rules.

Results for 2000 include a $1,500 tax benefit realized upon the favorable resolution of tax issues connected to the 1997 reorganization of the Company's German subsidiaries.

The net current and noncurrent components of deferred income taxes recognized in the balance sheet at December 31 are as follows:

	2002	2001
Current assets	**$ 5,200**	$ 2,400
Noncurrent assets	**27,600**	21,400
Current liabilities	**(2,400)**	(1,600)
Noncurrent liabilities	**(56,200)**	(46,800)
	$ (25,800)	$ (24,600)

The following is a summary of the significant components of the Company's deferred tax assets and liabilities as of December 31:

	2002	2001
Deferred tax assets:		
Severance and deferred compensation	**$ 8,800**	$ 6,700
Net operating loss carryforwards	**6,400**	11,900
Foreign tax credit carryforwards	**5,800**	1,500
Restructuring charges	**2,100**	2,100
Capital loss carryforwards	**1,100**	–
Other	**8,200**	9,200
Valuation allowance	**(9,800)**	(10,700)
Total deferred tax assets	**$ 22,600**	$ 20,700
Deferred tax liabilities:		
Accelerated depreciation	**$ 24,700**	$ 25,900
Severance and deferred compensation	**19,700**	18,200
Other	**4,000**	1,200
Total deferred tax liabilities	**$ 48,400**	$ 45,300
Total deferred taxes	**$ (25,800)**	$ (24,600)

At December 31, 2002, subsidiaries had state and foreign operating tax loss carryforwards of $78,100 and $25,100, respectively. These loss carryforwards are available to apply against the future taxable income of the subsidiaries. Management estimates that of the total state and foreign operating tax loss carryforwards, $66,100 and $10,800, respectively, are unlikely to be utilized and therefore have been fully reserved. State loss carryforwards expire as follows: $2,300 in 2003, $5,200 in 2005, $4,300 in 2007 and $66,300 after 2007. Foreign loss carryforwards will expire as follows: $300 in 2004, $14,200 in 2005 and $10,600 has no expiration date.

At December 31, 2002, undistributed earnings of foreign subsidiaries, on which deferred income taxes have not been provided, amounted to $148,900. It is the Company's intention to reinvest these undistributed earnings of foreign subsidiaries, and it is not practicable to determine the amount of income or withholding tax that would be payable upon the remittance of those earnings. Such earnings would become taxable upon the sale or liquidation of foreign subsidiaries or upon the remittance of dividends. Tax credits that would become available upon distribution of such earnings could reduce income taxes then payable at the United States statutory rate. As of December 31, 2002, the Company had available foreign tax credit carryforwards of approximately $5,800 expiring as follows: $300 in 2003, $300 in 2004, $400 in 2005, $300 in 2006 and $4,500 in 2007. Based upon current estimates, management estimates that approximately $3,300 may not be utilized and therefore has been fully reserved for.

The Internal Revenue Service (IRS) has completed and closed its audits of the Company's U.S. tax returns through 1997. The IRS is currently conducting audits of the 1998 and 1999 tax returns.

Note 7: Segment Information

The Company's operations are comprised of two reportable segments: Pharmaceutical Systems and Drug Delivery Systems. The Pharmaceutical Systems segment focuses on the design, manufacture and distribution of stoppers, closures, medical device components and assemblies made from elastomers, metals and plastics. The Pharmaceutical Systems segment is composed of two regional operating segments (the Americas and Europe/Asia) which have been aggregated. These operating segments manufacture and sell similar products in their respective regions. The Drug Delivery Systems segment consists of a research and development unit concentrating on the commercialization of the Company's patented drug delivery technologies, and a clinical services unit that conducts Phase I through IV clinical trials. The Company has aggregated these two operating segments into a single reportable segment as neither meets the quantitative thresholds for a reportable segment, and they meet the majority of the aggregation criteria.

The Company's executive management evaluates the performance of these operating segments based on operating profit and cash flow generation. Certain costs, including rent, information services and human resource functions previously reported as Corporate expenses, have been allocated to the respective segment that they support. All prior periods have been restated to reflect these allocations. General Corporate expenses, restructuring charges and other unusual items, are not reflected in operating profit reviewed by segment management. Corporate segment assets include pension assets, investments in affiliated companies and net assets of discontinued operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The following tables provide information on sales by significant product groups:

Sales by product group	**2002**	2001	2000
Pharmaceutical packaging	**$ 291,400**	$ 262,200	$ 236,100
Medical devices	**85,900**	83,900	91,100
Personal care/food packaging	**30,300**	26,900	27,400
Laboratory & other services	**5,200**	3,400	8,300
Pharmaceutical Systems	**$ 412,800**	$ 376,400	$ 362,900
Clinical services	**5,300**	7,800	7,800
Development/licensing revenue	**1,600**	8,100	1,800
Drug Delivery Systems	**$ 6,900**	$ 15,900	$ 9,600
Net sales	**$ 419,700**	$ 392,300	$ 372,500

The Pharmaceutical Systems segment includes sales to one customer of approximately $54,600, $50,600 and $55,200 in 2002, 2001 and 2000, respectively.

The following table presents sales by the country in which the legal subsidiary is domiciled and assets are located. Long-lived assets include property, plant and equipment, patents and licensed technology.

	Sales			Long-lived assets		
	2002	2001	2000	**2002**	2001	2000
United States	**$225,000**	$218,300	$209,300	**$111,300**	$118,700	$115,400
Germany	**45,200**	36,600	37,200	**38,700**	29,200	26,700
Other European countries	**115,300**	103,400	92,300	**64,700**	52,500	50,200
Other	**34,200**	34,000	33,700	**15,900**	17,300	17,600
	$419,700	$392,300	$372,500	**$230,600**	$217,700	$209,900

The following table provides summarized financial information for the Company's segments:

	Pharmaceutical Systems	Drug Delivery Systems	Corporate	Consolidated
2002				
Net sales	**$ 412,800**	**$ 6,900**	**$ –**	**$ 419,700**
Operating profit (loss)	**65,400**	**(15,100)**	**(23,600)**	**26,700**
Segment assets	**405,400**	**16,800**	**114,600**	**536,800**
Capital expenditures	**31,600**	**1,700**	**4,400**	**37,700**
Depreciation and amortization expense	**28,700**	**1,800**	**2,500**	**33,000**
2001				
Net sales	$ 376,400	$ 15,900	$ –	$ 392,300
Operating profit (loss)	55,200	(4,300)	(11,000)	39,900
Segment assets	375,800	19,800	115,700	511,300
Capital expenditures	39,400	1,200	4,600	45,200
Depreciation and amortization expense	27,300	1,800	2,800	31,900
2000				
Net sales	$ 362,900	$ 9,600	$ –	$ 372,500
Operating profit (loss)	55,800	(9,800)	(5,800)	40,200
Segment assets	360,000	18,800	178,600	557,400
Capital expenditures	44,900	800	2,000	47,700
Depreciation and amortization expense	25,400	1,900	2,900	30,200

Note 8: Net Income (Loss) Per Share

The following table reconciles shares used in the calculation of basic net income (loss) per share to the shares used in the calculation of net income (loss) per share assuming dilution. There is no adjustment to the net income (loss) of the Company in the calculation of net income (loss) per share assuming dilution.

	2002	2001	2000
Income from continuing operations	**$ 12,800**	$ 19,700	$ 20,000
Discontinued operations, net of tax	**5,600**	(24,900)	(18,400)
Net income (loss)	**$ 18,400**	$ (5,200)	$ 1,600
Average common shares outstanding	**14,434**	14,336	14,407
Assumed stock options exercised and awards vested	**–**	12	2
Average shares assuming dilution	**14,434**	14,348	14,409

Note 9: Comprehensive Income (Loss)

Comprehensive income (loss) consists of reported net income (loss) and other comprehensive income (loss), which reflects revenue, expenses and gains and losses which generally accepted accounting principles exclude from net income (loss). For the Company, the items excluded from current net income (loss) are cumulative foreign currency translation adjustments, unrealized gains or losses on available-for-sale securities of affiliates, fair value adjustments on derivative financial instruments and additional minimum pension liability adjustments.

The components of accumulated other comprehensive income (loss) are as follows:

	2002	2001
Foreign currency translation	**$ (7,500)**	$ (24,000)
Unrealized gains (losses) on securities of affiliates	**(300)**	–
Minimum pension liability	**(5,400)**	(3,100)
Derivative financial instruments	**(200)**	(300)
	$ (13,400)	$ (27,400)

Note 10: Inventories

	2002	2001
Finished goods	**$ 18,900**	$ 15,700
Work in process	**7,400**	6,300
Raw materials	**15,000**	12,300
	$ 41,300	$ 34,300

Included in the amounts above are inventories located in the United States that are valued on the LIFO basis, amounting to $15,200 and $12,300 at December 31, 2002 and 2001, respectively, which are approximately $7,100 and $6,900, respectively, lower than replacement value.

Note 11: Goodwill and Intangibles

Effective January 1, 2002, the Company adopted SFAS 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 more frequently if an event occurs that indicates that there could be an impairment.

The Company performed an impairment test of its goodwill at adoption and determined that no impairment of the recorded goodwill existed. The Company has since performed the annual impairment test required by SFAS 142 and determined that there is no impairment. As required by the statement, the Company did not record amortization expense for goodwill in 2002 as compared to the $1,200, net of tax, recorded in 2001 and 2000.

The goodwill balance as of December 31, 2002, was $35,500 compared to $30,700 as of December 31, 2001. The increase in the balance is due solely to foreign currency translation adjustments.

The goodwill balance as of December 31, 2001, excludes $1,900 of goodwill related to the consumer healthcare research business. This business was sold in December 2002, therefore goodwill has been included in non-current assets held for sale. In September 2002, the Company recorded a $600 goodwill impairment charge, included in discontinued operations, based on a third party offer to purchase the business. Upon the final sale in December 2002, the remaining goodwill balance of $1,300 was included in the disposal.

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

	2002	2001
Pharmaceutical Systems	**$ 33,500**	$ 28,700
Drug Delivery Systems	**2,000**	2,000
	$ 35,500	$ 30,700

The following table reconciles the reported net income (loss) and earnings (loss) per share to that which would have resulted had the non-amortization provisions of SFAS 142 been applied to the periods ended December 31, 2001 and 2000:

	2001	2000
As reported		
Income from continuing operations	$ 19,700	$ 20,000
Discontinued operations	(24,900)	(18,400)
Net (loss) income	$ (5,200)	$ 1,600
Goodwill amortization, net of tax	1,200	1,200
As adjusted	$ (4,000)	$ 2,800
As reported basic earnings (loss) per share		
Continuing operations	$ 1.38	$ 1.39
Discontinued operations	(1.74)	(1.28)
	$ (.36)	$ .11
As adjusted	$ (.28)	$ .19
As reported diluted earnings (loss) per share		
Continuing operations	$ 1.37	$ 1.39
Discontinued operations	(1.73)	(1.28)
	$ (.36)	$ .11
As adjusted	$ (.28)	$ .19

The cost and respective accumulated amortization for the Company's patents, was $11,400 and $4,100, respectively, as of December 31, 2002, and $10,900 and $3,300, respectively, as of December 31, 2001. The cost basis of patents includes the effects of foreign currency translation adjustments. There were no intangibles purchased or acquired during 2002. The weighted average life of patents purchased or acquired in 2001 and 2000 was 17 years and 15 years, respectively. Amortization expense for the years ended December 31, 2002, 2001, and 2000 was $800, $600 and $700, respectively. Estimated amortization for each of the next five years is approximately $700 per year.

Note 12: Property, Plant and Equipment

A summary of property, plant and equipment at December 31 is presented in the following table:

	Years of expected useful life	**2002**	2001
Land		**$ 3,000**	$ 2,700
Buildings and improvements	5-50	**120,100**	105,700
Machinery and equipment	2-15	**301,900**	272,900
Molds and dies	2-7	**56,900**	54,600
Construction in progress		**17,700**	22,900
		$ 499,600	$ 458,800

Note 13: Affiliated Companies

At December 31, 2002, the following affiliated companies were accounted for under the equity method:

	Location	Ownership interest
West Pharmaceutical Services Mexico, S.A. de C.V.	Mexico	49%
Aluplast S.A. de C.V.	Mexico	49%
Pharma-Tap S.A. de C.V.	Mexico	49%
Daikyo Seiko, Ltd.	Japan	25%

The Company records equity in net income (loss) of affiliated companies for the period ended October 31.

A summary of the financial information for these companies is presented below:

	2002	2001
Balance Sheets:		
Current assets	**$ 80,100**	$ 86,200
Noncurrent assets	**126,200**	136,900
Total assets	**$ 206,300**	$ 223,100
Current liabilities	**$ 62,400**	$ 64,900
Noncurrent liabilities	**80,100**	93,400
Owners' equity	**63,800**	64,800
Total liabilities and owners' equity	**$ 206,300**	$ 223,100

	2002	2001	2000
Income Statements:			
Net sales	**$ 81,800**	$ 81,500	$ 87,200
Gross profit	**18,100**	18,500	21,800
Net income	**1,200**	2,500	4,800

During 2002, the Company's Mexican affiliates recorded a restructuring charge related to the consolidation of two of its rubber molding operations. Equity in net income (loss) of affiliated companies includes $800 related to this restructuring. The amount represents severance charges for approximately 114 employees. As of December 31, 2002, all employees have been terminated and all related payments have been made.

In connection with the plant consolidation, the Company advanced $1,000 to its Mexican affiliate. The note, which is denominated in U.S. dollars, is at a 4% interest rate and is due in 2005.

Unremitted income of affiliated companies included in consolidated retained earnings amounted to $12,700, $12,900 and $12,600 at December 31, 2002, 2001 and 2000, respectively. Dividends received from affiliated companies were $100 in 2002, $200 in 2001 and $200 in 2000.

The Company's equity in unrealized gains and losses of Daikyo Seiko, Ltd.'s investment in securities available for sale included in accumulated other comprehensive income, a separate component of shareholders' equity, was $(300), $0 and $100 at December 31, 2002, 2001 and 2000, respectively. The unrealized losses in 2002, 2001 and 2000 are net of income tax benefits of $200, $100 and $500, respectively.

Company purchases and royalty payments to affiliates totaled approximately $11,500 and $12,600, respectively, in 2002 and 2001, of which $1,800 and $400 was due and payable as of December 31, 2002 and 2001, respectively. These transactions primarily relate to a non-exclusive distributorship agreement allowing the Company to purchase and re-sell Daikyo products. Sales to affiliates were $1,000 and $500, respectively, in 2002 and 2001, of which $200 and $0 were receivable as of December 31, 2002 and 2001.

Note 14: Benefit Plans

The Company and certain domestic and international subsidiaries sponsor defined benefit pension plans. In addition, the Company provides minimal life insurance benefits for certain United States retirees and pays a portion of healthcare (medical and dental) costs for retired United States salaried employees and their dependents. Benefits for participants are coordinated with Medicare and the plan mandates Medicare risk (HMO) coverage wherever possible and caps the total contribution for non-HMO coverage.

The expense (income) components of net pension income are as follows:

	Pension benefits			Other retirement benefits		
	2002	2001	2000	**2002**	2001	2000
Service cost	**$ 3,300**	$ 3,500	$ 3,400	**$ 400**	$ 300	$ 300
Interest cost	**9,700**	9,600	9,200	**600**	600	500
Expected return on assets	**(16,000)**	(19,100)	(21,300)	–	–	–
Amortization of unrecognized transition asset	**(700)**	(700)	(700)	–	–	–
Amortization of prior service cost	**600**	500	500	**(1,400)**	(1,400)	(1,500)
Recognized actuarial losses (gains)	**100**	(1,900)	(5,100)	–	(100)	(100)
Pension (income)	**$ (3,000)**	$ (8,100)	$(14,000)	**$ (400)**	$ (600)	$ (800)

The following tables provide a reconciliation of the benefit obligation, plan assets and funded status of the plans:

	Pension benefits		Other retirement benefits	
	2002	2001	**2002**	2001
Change in benefit obligation:				
Benefit obligation, January 1	**$(141,900)**	$(132,000)	**$ (8,100)**	$ (7,200)
Service cost	**(3,300)**	(3,500)	**(400)**	(300)
Interest cost	**(9,700)**	(9,600)	**(600)**	(600)
Participants' contributions	**(300)**	(300)	**(300)**	(200)
Actuarial loss	**(13,300)**	(5,200)	**(900)**	(400)
Amendments/ transfers in	**(2,400)**	(400)	**(500)**	–
Benefits/expenses paid	**8,800**	10,000	**700**	600
Curtailment loss	–	(1,300)	–	–
Foreign currency translation	**(2,000)**	400	–	–
Benefit obligation, December 31	**$(164,100)**	$(141,900)	**$ (10,100)**	$ (8,100)
Change in plan assets:				
Fair value of assets, January 1	**$ 173,700**	$ 206,600	$ –	$ –
Actual return on assets	**(24,800)**	(23,700)	–	–
Employer contribution	**1,000**	800	**400**	400
Participants' contributions	**300**	300	**300**	200
Benefits/expenses paid	**(8,800)**	(10,000)	**(700)**	(600)
Foreign currency translation	**800**	(300)	–	–
Fair value of plan assets, December 31	**$ 142,200**	$ 173,700	$ –	$ –
Funded status:				
Assets (less than) in excess benefits	**$ (21,900)**	$ 31,800	**$ (10,100)**	$ (8,100)
Unrecognized net actuarial loss (gain)	**60,800**	6,200	**(200)**	(1,100)
Unrecognized transition asset	**1,200**	400	–	–
Unrecognized prior service cost	**5,200**	3,300	**800**	(1,100)
	$ 45,300	$ 41,700	$ **(9,500)**	$ (10,300)
December 31:				
Prepaid asset	**$ 53,000**	$ 48,300	$ –	$ –
Other long-term liabilities	**(17,200)**	(11,200)	**(9,500)**	(10,300)
Accumulated other comprehensive income	**7,800**	4,400	–	–
Other intangibles	**1,700**	200	–	–
	$ 45,300	$ 41,700	**$ (9,500)**	$ (10,300)

In 2001, the Company paid termination benefits and severance pay from the pension plan assets to employees terminated during the 2000 restructuring program. These charges, which were included in the restructuring charge recorded in 2000, increased the benefit obligation by $1,300.

The aggregate projected benefit obligation and aggregate fair value of plan assets for pension plans with obligations in excess of plan assets were $164,100 and $142,200, respectively, as of December 31, 2002, and $19,600 and $8,100, respectively, as of December 31, 2001. Weighted average assumptions as of December 31 are as follows:

	Pension benefits		Other retirement benefits	
	2002	2001	**2002**	2001
Discount rate	**6.4%**	7.1%	**6.5%**	7.3%
Rate of compensation increase	**4.8%**	5.0%	–	–
Long-term rate of return on assets	**8.9%**	9.4%	–	–

The assumed healthcare cost trend used is 6.5% for all participants in 2002, decreasing to 5.5% by 2005. Increasing or decreasing the assumed trend rate for healthcare costs by one percentage point would result in a $500 increase or decrease, respectively, in the accumulated benefit obligation. The related change in the aggregate service and interest cost components of the 2002 plan expense would be a $100 increase or decrease, respectively.

The Company provides certain post-employment benefits for terminated and disabled employees, including severance pay, disability-related benefits and healthcare benefits. These costs are accrued over the employee's active service period or, under certain circumstances, at the date of the event triggering the benefit.

The Company also sponsors a defined contribution savings plan for certain salaried and hourly United States employees. Company contributions are equal to 50% of each participant's contribution up to 6% of the participant's base compensation. Company contributions were $1,300 in 2002, 2001 and 2000.

Note 15: Debt

Short-Term: Notes payable in the amounts of $4,100 and $4,400 at December 31, 2002 and 2001, respectively, are payable within one year and bear interest at a weighted average interest rate of 5% and 4%, respectively.

Long-Term:

At December 31,	**2002**	2001
Unsecured:		
Senior notes, due 2009 (6.81%)	**$ 100,000**	$ 100,000
Revolving credit facility, due 2005 (3.4%)	**59,200**	67,600
Tax-exempt industrial revenue bonds, due 2005 (1.77%)	**–**	6,100
Subordinated debentures, due 2002 (6.50%)	**–**	3,700
Other notes, due 2003 (6.8% to 9.2%)	**11,700**	11,200
Total long-term debt	**170,900**	188,600
Less current portion	**11,700**	4,300
	$ 159,200	$ 184,300

In April 1999, the Company entered into an agreement with five insurance companies to borrow a total of $100,000 for ten years at a coupon rate of 6.81%; the effective interest rate is 6.91%. Interest is payable quarterly. The proceeds were used to repay debt under existing lines of credit, for the acquisition of the clinical services business and for general corporate purposes.

In July 2000, the Company signed a $135,000 multi-currency revolving credit agreement. The credit agreement consisted of a $70,000, five-year revolving credit facility and a $65,000, 364-day line of credit. In July 2002 and 2001, the 364-day line of credit was renewed at $44,500, making the total available line $114,500 at December 31, 2002 and 2001. Interest on these facilities is charged at the applicable London Inter-Bank Offering Rates (LIBOR) plus a margin dependent on the Company's debt to total capital ratio. Commitment fees on these credit agreements also fluctuate according to the Company's debt to total capital ratio with a maximum commitment fee of 20 basis points on the 364-day facility and 25 basis points on the five-year facility. As of December 31, 2002 and 2001, the Company had borrowed $59,200 and $44,500, respectively, directly under the five-year facility. These borrowings were recorded as long-term debt. Notes payable of $23,100 under uncommitted facilities were also classified as long-term debt as of December 31, 2001, as the Company had the intent and ability to refinance these obligations on a long-term basis under the five-year facility.

At December 31, 2001, $4,300 par value subordinated debentures were outstanding. The debentures were reflected in the balance sheet net of a $600 unamortized discount. These debentures were repaid during 2002 (see "Discontinued Operations").

During 2002, the Company repaid the $6,100 industrial revenue bonds. The bonds, which were not due until 2005, were repaid early. At issuance of the bonds, proceeds that were not required for the respective construction projects were invested by the Company. The excess funds and earnings were restricted to servicing the debt.

Long-term debt maturing in the years following 2003 is: $0 in 2004, $59,200 in 2005, $0 in 2006, $0 in 2007 and $100,000 thereafter.

Certain of the financing agreements, among other things, require the maintenance of working capital, interest coverage, debt-to-capitalization and tangible net worth ratios, and restrict the sale of assets.

Interest costs incurred during 2002, 2001 and 2000 were $11,300, $14,300 and $13,900, respectively, of which $700, $800 and $800, respectively, were capitalized as part of the cost of acquiring certain assets.

Interest expense, net in 2002, 2001, and 2000, included interest income of $1,100, $1,500 and $2,000, respectively.

At December 31, 2002, the Company has one interest rate swap contract outstanding with a notional value of British Pounds Sterling 6,950 at a fixed interest rate of 7.23% through 2003. Three interest rate swaps with notional values of $3,000 each, to fix the interest rates at 6.54%, 6.775% and 6.51% matured in April, July and August 2001, respectively. Under the terms of the contract, the Company makes periodic interest payments based on the fixed rate of interest on the notional principal amount to a counterparty that makes payments based on a market interest rate. The net interest expense recognized in connection with these agreements was $300 in 2002 and $200 in both 2001 and 2000.

Note 16: Financial Instruments

The following disclosure reflects the estimated fair value of financial instruments of the Company as of December 31:

	Carrying value		Estimated fair value	
Asset (liability)	**2002**	2001	**2002**	2001
Cash and cash equivalents	**$ 33,200**	$ 42,100	**$ 33,200**	$ 42,100
Short- and long-term debt	**(175,000)**	(193,000)	**(175,500)**	(187,500)
Interest rate swaps	**(200)**	(300)	**(200)**	(300)
Forward exchange contracts (a)	**–**	–	–	–

(a) The estimated fair value of forward exchange contracts was less than $100 at December 31, 2002 and 2001.

Methods used to estimate the fair market values of the above listed financial instruments are as follows: cash and cash equivalents, due to their short maturity, are estimated at carrying values that approximate market; debt is estimated based on current market quotes for instruments of similar maturity; interest rate swaps and forward exchange rate contracts are valued at published market prices, market prices of comparable instruments or quotes.

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Financial Instruments and Hedging Activities," as amended. SFAS 133 requires the Company to recognize all derivatives as either assets or liabilities and measure those instruments at fair value as of the balance sheet date. The change in fair value is recorded each period in earnings or other comprehensive income depending on its hedging designation. At the adoption of the statement, the Company recorded a charge to other comprehensive income of $200, net of tax, to recognize the fair value of its derivative instruments.

The Company uses interest rate swaps and forward exchange contracts to minimize the economic exposure related to fluctuating interest and foreign exchange rates. Derivatives used by the Company are highly effective as all of the critical terms of the derivative instruments match the hedged item. Effectiveness is measured on a quarterly basis. The Company did not record any amounts to the statement of income as a result of ineffectiveness for the year ended December 31, 2002.

The Company has designated its interest rate swap, which matures in October 2003, as a cash flow hedge; therefore, unrealized gains and losses are recorded in other comprehensive income. As the underlying transaction occurs, any unrealized gains or losses on the related hedge are reclassified from other comprehensive income to the statement of income (interest expense), offsetting the income effects of the transaction to which they relate. Gains and losses on forward exchange contracts designated as fair value hedges, primarily related to raw material purchase commitments, are deferred and recognized in the statement of income as part of the underlying transaction.

During the year ended December 31, 2002, unrealized losses of $100, net of tax, were recorded to other comprehensive income and $200, net of tax, was reclassified from other comprehensive income to the statement of income (interest expense). As of December 31, 2002, net losses on derivatives of $200 were included in accumulated other comprehensive income. The remaining balance will be reclassified to the statement of income during 2003 as the swap expires in October 2003.

Notional amounts upon which current interest rate swap contracts are based do not represent amounts exchanged and are not a measure of the Company's exposure. Failure by the contract counterparty to make interest payments under an interest rate swap contract would result in an accounting loss to the Company only if interest rates exceeded the fixed rate to be paid by the Company. The accounting loss corresponds to the cost to replace the swap contract.

In 2002, the Company entered into an arrangement to hedge the net investment in a foreign operation. The Company's strategy was to minimize the exposure to foreign currency fluctuations by employing borrowings in the functional currency of the foreign operation to hedge the net assets denominated in the operation's functional currency. The 10,000 British Pound Sterling borrowed under the Company's five-year long-term revolving credit facility has been designated as a hedge of the Company's investment in its U.K. subsidiaries. As of December 31, 2002, a $1,500 loss is included in the cumulative foreign currency translation adjustment related to this hedge.

Note 17: Capital Stock

Purchases (sales) of common stock held in treasury during the three years ended December 31, 2002, are as follows:

	2002	2001	2000
Shares held, January 1	**2,821,300**	2,854,800	2,501,400
Purchases	**2,900**	2,400	402,100
Stock option exercises	**(121,400)**	(35,900)	(48,700)
Donation of shares	**(18,100)**	–	–
Shares held, December 31	**2,684,700**	2,821,300	2,854,800

In April 2002, the Company's Board of Directors authorized the donation of up to 40,000 shares of the Company's stock over the next three years to a related party charitable organization. During 2002, the Company donated 18,100 shares held in treasury to this organization.

In 2000, the Company established a nonqualified deferred compensation plan for designated executive officers. Deferred amounts are invested in funds at the executives' election. The plan requires that a portion of the deferred amount be invested in the Company's stock. Purchases of the Company's stock by the plan were 2,900 shares in 2002 and 2,400 shares annually in both 2001 and 2000. As of December 31, 2002, there were 7,700 shares of the Company's stock held by the plan.

In 1999, the Company's Board of Directors authorized the purchase of up to one million shares of the Company's common stock in open market or privately negotiated transactions. The Company acquired 399,700 shares in 2000 at an average price of $26.77 per share. The Company has not aquired any shares under this plan in 2001 and 2002. Cumulative purchases under the plan total 930,500 shares.

The Company maintains an employee stock purchase plan, which provides for the sale of the Company's common stock to substantially all employees at 85% of fair market value. The plan expires on December 31, 2006. An employee's purchases are limited annually to 10% of base compensation. Shares are purchased in the open market.

Note 18: Stock Option and Award Plans

The Company has two long-term incentive plans for officers and key management employees of the Company and its subsidiaries. Options may no longer be granted under one of the plans. The plans provide for the grant of stock options, stock appreciation rights, restricted stock awards and performance awards. At December 31, 2002, there were 331,000 shares of common stock available for future grants. A committee of the Board of Directors determines the terms and conditions of grants, except that the exercise price of certain options cannot be less than 100% of the fair market value of the stock on the date of grant. All stock options and stock appreciation rights are exercisable at the date indicated in connection with their issuance, but not later than 10 years after the date of grant. Option activity is summarized in the following table:

	2002	2001	2000
Options outstanding, January 1	**1,865,200**	1,667,000	1,059,600
Granted	**316,000**	360,000	820,000
Exercised	**(134,600)**	(59,700)	(47,800)
Forfeited	**(18,700)**	(102,100)	(164,800)
Options outstanding, December 31	**2,027,900**	1,865,200	1,667,000
Options exercisable, December 31	**1,393,900**	1,020,700	751,300

Weighted Average Exercise Price	**2002**	2001	2000
Options outstanding, January 1	**$27.65**	$27.86	$29.15
Granted	**28.35**	26.02	25.98
Exercised	**27.20**	22.26	24.56
Forfeited	**28.74**	28.50	28.32
Options outstanding, December 31	**$27.78**	$27.65	$27.86
Options exercisable, December 31	**$28.04**	$28.77	$29.41

The range of exercise prices at December 31, 2002, was $23.66 to $32.84 per share.

Under the Company's management incentive plan, participants are paid cash bonuses on the attainment of certain financial goals. Bonus participants are required to receive 25% of the value of their bonus, after certain adjustments for taxes payable, in shares of the Company's common stock at current fair market value. Bonus participants are given a restricted stock award equal to one share for each four shares of common stock

issued with bonus awards. The restricted stock awards vest at the end of four years provided that the participant has not made a disqualifying disposition of the stock purchased. Restricted stock award grants were 4,100 shares in 2002 and 4,500 shares in 2000. Restricted stock forfeitures of 700 shares, 1,300 shares and 1,500 shares occurred in 2002, 2001 and 2000, respectively. Compensation expense is recognized over the vesting period based on the fair market value of common stock on the award date: $28.83 per share in 2002 and $26.06 per share in 2000. There were no restricted stock awards granted in 2001.

In 1999, the Company replaced its previously existing non-qualified stock option plan for non-employee directors. The new plan made 125,000 shares available for future grants to plan participants. Options granted under the new plan vest over a three-year period. At December 31, 2002, 47,000 options remain available for future grants. The Company's former plan was terminated in 1999 and no future grants will be made under that plan; 12,000 options granted under the former plan remain outstanding at December 31, 2002. The exercise price on all options is established at the market value of the Company's common stock on the date of grant. Option activity under the non-employee directors' plan(s) is summarized below:

	2002	2001	2000
Options outstanding, January 1	**66,000**	79,500	96,000
Granted	**37,500**	–	–
Exercised	**(3,000)**	(6,000)	(3,000)
Forfeited	**(10,500)**	(7,500)	(13,500)
Options outstanding, December 31	**90,000**	66,000	79,500
Options exercisable, December 31	**52,500**	52,500	49,500

Weighted Average Exercise Price	**2002**	2001	2000
Options outstanding, January 1	**$31.55**	$30.62	$30.04
Granted	**27.89**	–	–
Exercised	**28.13**	22.69	22.69
Forfeited	**28.50**	28.78	28.25
Options outstanding, December 31	**$30.50**	$31.55	$30.62
Options exercisable, December 31	**$32.36**	$31.22	$29.27

The range of exercise prices at December 31, 2002, was $25.73 to $32.84 per share.

Stock options outstanding under all plans totaled 2,117,900 at December 31, 2002. The weighted average remaining contractual life at December 31, 2002, for all plans is 5.4 years. For 2002, 2001 and 2000, stock options of 2,117,900, 862,700 and 1,677,000, respectively, were excluded from the computation of diluted earnings per share due to their antidilutive effect.

The weighted average fair value per option granted in 2002, 2001 and 2000 using the Black-Scholes option-pricing model, was $5.04, $4.95 and $6.47, respectively. The following assumptions were used to compute the fair value of the option grants in 2002, 2001 and 2000: a risk-free interest rate of 3.3%, 4.4% and 6.0%, respectively; stock volatility of 26.8%, 23.1% and 23.2%, respectively; and dividend yields of 4.4%, 3.0% and 2.8%, respectively. Expected lives averaged 6 years for options granted in 2002, 5 years for options granted in 2001 and 6 years for options granted in 2000 under the key management employee plan.

Note 19: Commitments and Contingencies

At December 31, 2002, the Company was obligated under various operating lease agreements with terms ranging from one month to 20 years. Rental expense in 2002, 2001 and 2000 was $6,500, $6,300 and $6,200, respectively. Minimum rentals for noncancelable operating leases with initial or remaining terms in excess of one year are: 2003–$6,400; 2004–$6,000; 2005–$5,600; 2006–$5,000; 2007–$5,300 and thereafter $30,100. Minimum operating lease payments have been reduced by related minimum sublease income.

At December 31, 2002, outstanding unconditional contractual commitments for the purchase of equipment and raw materials amounted to $4,900, all of which is due to be paid in 2003.

The Company has accrued the undiscounted estimated cost of environmental compliance expenses related to soil or groundwater contamination at current and former manufacturing facilities. In 2002, the Company reduced its accrued liability by $400 to reflect the acceptance of finalized remediation plans by relevant state regulatory authorities at two sites. Based on consultants' estimates of the costs of remediation in accordance with applicable regulatory requirements, the Company believes the accrued liability of $900, included in other current liabilities at December 31, 2002, is sufficient to cover the future costs of these remedial actions, which are expected to be carried out over the next several years. The Company has not anticipated any possible recovery from insurance or other sources.

At December 31, 2002, the Company had outstanding letters of credit of $500. The letters of credit act as a guarantee of payment to certain third parties in accordance with specified terms and conditions.

Note 20: New Accounting Standards

In July 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 requires that a liability for costs associated with a disposal activity, including those related to employee termination benefits, be recognized when the liability is incurred, and not necessarily at the date of an entity's commitment to an exit plan as had been the practice under the prior accounting guidance. The Company adopted SFAS 146 on January 1, 2003.

In November 2002, FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45) was issued. FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. The disclosure requirements of FIN 45 are effective for financial statements ending after December 15, 2002. FIN 45 also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The recognition provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The Company believes that FIN 45 will not have a material effect on its consolidated financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." This statement provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions for entities that retain the 'intrinsic value' method of accounting. The Company intends to continue the intrinsic value method of accounting. The Company will disclose the pro-forma effect on net income and earnings per share of applying the fair value method to all stock-based compensation awards in the notes to its interim and annual financial statements as required by the statement.

Note 21: Subsequent Event

On January 29, 2003, an explosion and fire occurred at the Company's Kinston, N.C., plant. Six people lost their lives and many others were injured in the accident, which caused substantial damage to the building, machinery, equipment and inventories. The Company is aggressively implementing a manufacturing recovery plan to restore production to pre-accident levels utilizing resources and capacity at other plant locations, as well as selected third-party vendors. Management is also working with customers and the Food and Drug Administration to satisfy critical product requirements while minimizing the effects on customers' production plans and inventories.

At this time, the Company has identified items associated with the Kinston accident that are likely to have financial implications and has estimated certain of those items. Management expects that, as a result of capacity limitations, up to $5 million of sales that would otherwise have occurred in the first and second quarters of 2003 will be delayed, but that the revenue is substantially recoverable in the second half of the year. The Company maintains business interruption insurance under which it expects to recover lost profits attributable to lost sales or additional costs associated with the recovery plan.

The Company currently expects to incur pre-tax costs of between $4.0 million and $6.0 million, net of insurance recoveries during the first half of 2003. The estimated costs are for retained risk, or deductibles, under applicable insurance policies, for costs not normally or fully compensable by insurance, and the cost of reinstating or replacing insurance coverage in the wake of the loss. Management is confident that, except for these costs, the property and business interruption losses are fully insured.

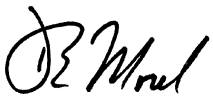
The Company is not able at this time to estimate the ultimate impact of any liability claims and related costs that may arise as a result of the accident.

Report of Management

The Company's management is responsible for the integrity, reliability and objectivity of publicly reported financial information. Management believes that the financial statements as of and for the year ended December 31, 2002, have been prepared in conformity with accounting principles generally accepted in the United States of America and that information presented in this Annual Report is consistent with those statements. In preparing the financial statements, management makes informed judgments and estimates where necessary, with appropriate consideration given to materiality.

In meeting its responsibility for preparing financial statements, management maintains a system of internal accounting controls to assure the safety of its assets against unauthorized acquisition, use or disposition. This system is designed to provide reasonable assurance that assets are safeguarded and transactions are recorded properly and executed in accordance with management's authorization, allowing for preparation of reliable financial statements. There are inherent limitations in the effectiveness of all internal control systems. The design of the Company's system recognizes that errors or irregularities may occur and that estimates and judgments are required to assess the relative cost and expected benefits of the controls. Management believes the Company's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period.

The independent accountants are appointed by the Board of Directors, with the approval of the shareholders. As part of their engagement, the independent accountants audit the Company's financial statements, express their opinion thereon, and review and evaluate selected systems, accounting procedures and internal controls to the extent they consider necessary to support their report.



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

Linda R. Altemus
Vice President and Chief Financial Officer

Report of Independent Accountants

To the Shareholders and the Board of Directors of
West Pharmaceutical Services, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of West Pharmaceutical Services, Inc. and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the Consolidated Financial Statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" in 2002 and Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, and Financial Accounting Standards No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets," in 2001.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 3, 2003

Five-Year Summary

West Pharmaceutical Services, Inc. and Subsidiaries

(in thousands of dollars, except per share data)		2002	2001	2000	1999	1998
SUMMARY OF OPERATIONS						
Net sales	$	**419,700**	392,300	372,500	390,200	367,200
Operating profit	$	**26,700**	39,900	40,200	60,300	22,500
Income from continuing operations	$	**12,800**	19,700	20,000	36,400	1,400
Income (loss) from discontinued operations	$	**5,600**	(24,900)	(18,400)	2,300	5,300
Net income (loss)	$	**18,400**	(5,200)	1,600	38,700	6,700
Income per share from continuing operations:						
Basic (a)	$	**.89**	1.38	1.39	2.44	.09
Assuming dilution (b)	$	**.89**	1.37	1.39	2.42	.08
Income (loss) per share from discontinued operations:						
Basic (a)	$	**.39**	(1.74)	(1.28)	.15	.32
Assuming dilution (b)	$	**.39**	(1.73)	(1.28)	.15	.32
Average common shares outstanding		**14,434**	14,336	14,407	14,914	16,435
Average shares assuming dilution		**14,434**	14,348	14,409	15,048	16,504
Dividends paid per common share	$	**.77**	.73	.69	.65	.61
Research, development and engineering expenses	$	**21,500**	17,800	17,100	14,200	12,200
Capital expenditures	$	**37,700**	45,200	47,700	39,300	35,100
YEAR-END FINANCIAL POSITION						
Working capital	$	**73,600**	83,200	93,800	80,700	53,000
Total assets	$	**536,800**	511,300	557,400	551,800	508,100
Total invested capital:						
Total debt	$	**175,000**	193,000	199,400	171,100	141,100
Minority interests	$	**–**	–	1,000	800	600
Shareholders' equity	$	**201,500**	176,800	204,800	231,200	230,100
Total invested capital	$	**376,500**	369,800	405,200	403,100	371,800
PERFORMANCE MEASUREMENTS						
Gross margin (c)	%	**28.0**	29.3	28.9	33.9	33.1
Operating profitability (d)	%	**6.4**	10.2	10.8	15.5	6.1
Tax rate	%	**24.0**	30.7	34.7	31.4	93.1
Asset turnover ratio (e)		**.80**	.73	.67	.74	.74
Return on average shareholders' equity	%	**9.8**	(2.7)	.7	16.8	2.6
Total debt as a percentage of total invested capital	%	**46.5**	52.2	49.2	42.5	37.9
Stock price range		**$ 32.50 - 16.25**	28.35 - 22.75	31.88 - 19.63	40.44 - 30.88	35.69 - 25.75

Performance measurements represent indicators commonly used in the financial community. They are not measures of financial performance under generally accepted accounting principles.

(a) Based on average common shares outstanding.

(b) Based on average shares, assuming dilution.

(c) Net sales minus cost of goods sold, including applicable depreciation and amortization, divided by net sales.

(d) Operating profit divided by net sales.

(e) Net sales divided by average total assets.

- *2002 includes a net restructuring charge of $.51 per share, tax benefits of $.17 per share resulting from a change in tax law, a $.06 per share charge related to the restructuring of one of the Company's affiliates and a foreign currency exchange gain of $.05 per share.*
- *2001 includes a net restructuring charge that reduced operating results by $.08 per share.*
- *2000 includes tax benefits totaling $.11 per share realized upon the favorable resolution of tax issues connected to the 1997 reorganization of the Company's German subsidiaries, and includes a net restructuring charge that reduced operating results by $.34 per share.*
- *1999 includes net tax benefits totaling $.16 per share related to a favorable determination of a prior years' tax appeal and the refund of taxes paid previously as a result of a dividend, and includes for the first time results of the clinical service business acquired on April 20, 1999.*
- *1998 includes a charge for acquired research and development and a restructuring charge that reduced operating results by $1.72 per share and $.15 per share, respectively, and includes for the first time the results of two companies acquired in 1998.*

Quarterly Operating and Per Share Data (Unaudited)

West Pharmaceutical Services, Inc. and Subsidiaries

(in thousands of dollars, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2002					
Net sales	**$101,700**	**$106,500**	**$104,100**	**$107,400**	**$419,700**
Gross profit	**30,800**	**30,700**	**26,300**	**29,800**	**117,600**
Income (loss) from continuing operations	**6,300**	**5,200**	**(2,000)**	**3,300**	**12,800**
Discontinued operations, net	**(200)**	**100**	**5,600**	**100**	**5,600**
Net income	**6,100**	**5,300**	**3,600**	**3,400**	**18,400**
Basic earnings (loss) per share					
Continuing operations	**.44**	**.36**	**(.14)**	**.23**	**.89**
Discontinued operations	**(.02)**	**.01**	**.39**	**.01**	**.39**
	.42	**.37**	**.25**	**.24**	**1.28**
Diluted earnings (loss) per share					
Continuing operations	**.44**	**.36**	**(.14)**	**.23**	**.89**
Discontinued operations	**(.02)**	**.01**	**.39**	**.01**	**.39**
	.42	**.37**	**.25**	**.24**	**1.28**
2001 (a)					
Net sales	$98,700	$99,900	$95,500	$98,200	$392,300
Gross profit	29,400	29,500	26,400	29,500	114,800
Income from continuing operations	5,500	3,000	5,800	5,400	19,700
Discontinued operations, net	(100)	100	100	(25,000)	(24,900)
Net income (loss)	5,400	3,100	5,900	(19,600)	(5,200)
Basic earnings (loss) per share					
Continuing operations	.39	.20	.40	.38	1.38
Discontinued operations	(.01)	.02	.01	(1.74)	(1.74)
	.38	.22	.41	(1.36)	(.36)
Diluted earnings (loss) per share					
Continuing operations	.39	.20	.40	.38	1.37
Discontinued operations	(.01)	.02	.01	(1.74)	(1.73)
	.38	.22	.41	(1.36)	(.36)

Per common share amounts for the quarters and full years have each been calculated separately. Accordingly, quarterly amounts may not add to the full year amounts because of differences in the average common shares outstanding during each period and, with regard to diluted per common share amounts only, because of the inclusion of the effect of potentially dilutive securities only in the periods in which such effect would have been dilutive.

(a) Results for 2001 include the amortization of goodwill. The Company adopted SFAS 142 as of January 1, 2002, and therefore ceased the amortization of goodwill in 2002.

- *First quarter 2002 results include a foreign currency exchange gain. See Note "Other Income (Expense)."*
- *Third quarter 2002 results include the write-off of the Company's information systems implementation project, the writedown of an investment, the tax benefit resulting from a change in tax law, and the restructuring of one of the Company's affiliates. See Notes "Restructuring Charges," "Income Taxes" and "Affiliated Companies."*
- *Fourth quarter 2002 results include severance provisions primarily associated with the termination of the information systems implementation project. See Note "Restructuring Charges."*
- *Second quarter 2001 results include a charge related to the termination of certain management positions. See Note "Restructuring Charges."*
- *Third quarter 2001 results include an adjustment on the sale of a manufacturing facility held for sale from restructuring. See Note "Restructuring Charges."*
- *Fourth quarter 2001 results include a tax adjustment on the third quarter sale.*

	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			Year		
Stock Price	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close
2002	**$30.53**	**$25.00**	**$30.35**	**$32.50**	**$27.90**	**$32.09**	**$31.99**	**$21.08**	**$21.42**	**$24.80**	**$16.25**	**$24.40**	**$32.50**	**$16.25**	**$24.40**
2001	26.16	22.75	23.35	27.60	22.80	27.00	28.35	23.12	24.60	28.30	23.30	26.60	28.35	22.75	26.60
2000	31.88	23.00	25.31	25.50	19.63	21.63	23.88	19.63	23.25	25.00	20.69	24.56	31.88	19.63	24.56

Close is the last trading day of the quarter or the year.

Dividends Paid Per Share	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2002	**$.19**	**$.19**	**$.19**	**$.20**	**$.77**
2001	.18	.18	.18	.19	.73
2000	.17	.17	.17	.18	.69

Market Information

Major Customers

Abbott Laboratories

American Pharmaceutical Partners

Amgen Inc.

AstraZeneca LP

Aventis SA

B. Braun Medical AG

Baxter Healthcare Corporation

Baxter International Inc.

Bayer AG

Becton, Dickinson and Company

Bristol-Myers Squibb Company

Eli Lilly and Company

Fujisawa Healthcare, Inc.

Genentech, Inc.

GlaxoSmithKline plc

International Paper Company

Johnson & Johnson

Merck & Co., Inc.

Novartis AG

Novo Nordisk A/S

Otsuka Pharmaceutical Co., Ltd.

Pfizer, Inc.

Pharmacia Corporation

Procter & Gamble Company

Roche Holding AG

Sankyo Co., Ltd.

Sanofi-Synthélabo Groupe

Schering-Plough Corporation

Takeda Chemical Industries Ltd.

Tyco International Ltd.

Wyeth

Markets Served by West Customers

Each day, more than 70 million West components are used by our customers in products marketed in the following industries:

Pharmaceutical: products and services related to product development and delivery of over-the-counter and prescription medicines, including injectable, oral, nasal and pulmonary dosage forms.

Biologicals: products and services related to the packaging, delivery and containment of vaccines, blood products and genetic and cellular technologies used to prevent, treat or cure disease or injury.

Medical Device: products related to disposable syringe systems and intravenous administration; products used in mechanical systems for the healthcare industry.

Diagnostic: products related to analysis of human fluids, solids and gases; products used to collect and contain biological material to be tested and the chemical materials used in conducting the analysis.

Ophthalmic: products used to contain and deliver pharmaceuticals related to therapeutic treatment of the eye.

Dental: products related to dental anesthesia and the containment and delivery of dental pharmaceuticals and related supplies.

Veterinary/Agricultural: products related to animal healthcare and agricultural quality and productivity improvements.

Personal Care: products related to cosmetics and toiletries.

Food and Beverage: products that are part of the nutritional care and well-being of infants; products used for the sealing and dispensing of food and beverage items.

Trademarks

All trademarks and registered trademarks printed in italic type are the property of West Pharmaceutical Services, Inc.

Company Locations

West Pharmaceutical Services, Inc. and Subsidiaries and Affiliated Companies

Global Headquarters
Lionville, Pa., U.S.A.

Argentina
Buenos Aires [1]

Australia
Sydney [1]

Brazil
Rio de Janeiro [1]
São Paulo [1, 2]

China
Shanghai [1]
Shenzhen [1]

Colombia
Bogotá [1]

Denmark
Horsens [1, 2]

England
Bodmin [3]
Lewes [1, 2, 3]
Nottingham [4]
St. Austell [1, 2]

France
Le Nouvion en Thiérache [2]
Saint Germain en Laye [1]

Germany
Eschweiler [1, 2, 4]
Stolberg [2]

India
Kalyaninagar [1]

Italy
Milan [1]

Japan
Sano [2, 4, 6]
Tokyo [1]

Korea
Seoul [1]

Mexico
Cuernavaca [2, 6]
Mexico City [1, 6]

Serbia-Montenegro
Beograd [1]
Kovin [2]

Singapore
Jurong [1, 2]

Spain
Madrid [1]

Thailand
Bangkrui Nonthaburi [1]

United States
California
San Clemente [1]
San Francisco [1]
Florida
Clearwater [2]
St. Petersburg [2]
Indiana
Evansville [5]
Nebraska
Kearney [1, 2]
New Hampshire
Peterborough [1]
North Carolina
Charlotte [1]
Kinston [2]
Ohio
Cincinnati [1]
Loveland [1]
Pennsylvania
Erie [3]
Jersey Shore [2]
Lionville [1, 2, 4]
Lititz [2]
Montgomery [2, 4]
Palmyra [1]
Upper Darby [3]
Williamsport [1, 2]

Venezuela
Caracas [1]

1 Sales
2 Manufacturing
3 Mold and Die Production
4 Research and Development
5 Clinical Services
6 Unconsolidated, Affiliated Company

Officers and Directors

Executive Officers

Joseph E. Abbott
Vice President and Corporate Controller

Linda R. Altemus
Vice President and Chief Financial Officer

Michael A. Anderson
Vice President and Treasurer

Steven A. Ellers
President, Pharmaceutical Systems Division

John R. Gailey III
Vice President, General Counsel and Secretary

Herbert L. Hugill
President of the Americas,
Pharmaceutical Systems Division

Robert J. Keating
President, Europe and Asia Pacific,
Pharmaceutical Systems Division

William G. Little
Chairman of the Board

Richard D. Luzzi
Vice President, Human Resources

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

Board of Directors

Tenley E. Albright, M.D., 67, a director since 1993, is a physician and surgeon, a faculty member at Harvard Medical School and Chairman of Western Resources, Inc., a real estate holding company. She serves on the boards of State Street Bank and Trust Company, State Street Corporation and the Whitehead Institute for Biomedical Research. She is also on the surgical staff of the New England Baptist Hospital. *Committee membership: Nominating and Corporate Governance.*

George W. Ebright, 64, a director since 1992, is retired Chairman of the Board and Chief Executive Officer of Cytogen Corp., a biotechnology pharmaceutical company. He is a director of Nabi and Arrow International Incorporated. *Committee memberships: Audit and Finance.*

John W. Conway, 57, a director since 1997, is Chief Executive Officer and Chairman of the Board of Crown, Cork & Seal Company, Inc., a supplier of packaging products. He was the President and Chief Operating Officer of Crown, Cork & Seal Company, Inc. from 1998 to January 2001 and, prior to that time, the Executive Vice President. *Committee memberships: Audit and Finance.*

L. Robert Johnson, 61, a director since 1989, is Managing General Partner of Founders Capital Partners, L.P., a venture capital partnership. He is a director of Indigo Systems Corp. and Chairman of the Board of HealthBanks Inc. Mr. Johnson is a member of the Corporation of the Massachusetts Institute of Technology and a trustee of the Scholarship Foundation of Santa Barbara. *Committee memberships: Compensation and Finance.*

William G. Little, 60, a director since 1991, is Chairman of the Board of the Company. He was the Company's President until 1998 and its Chief Executive Officer until 2002. Mr. Little is a director of Fox Chase Cancer Center and Cytyc Corporation.

Anthony Welters, 48, a director since 1997, is President and Chief Executive Officer of AmeriChoice Corporation, a managed healthcare services holding company, and its predecessor companies, where he also served as Chairman until September 2002. Mr. Welters is a director of C. R. Bard, Inc., Health Care Leadership Council, New York University School of Law, the National Board of the Smithsonian Institution and Vice Chair of Morehouse School of Medicine. *Committee memberships: Audit and Compensation.*

William H. Longfield, 64, a director since 1995, is Chief Executive Officer and Chairman of the Board of C. R. Bard, Inc., a medical device manufacturer. He is a director of Manor Care, Inc., AdvaMed (Advanced Medical Technology Association), Horizon Health Corporation and Cytyc Corporation. He is a trustee of Atlantic Health System and the Health Care Institute of New Jersey. *Committee memberships: Compensation and Nominating and Corporate Governance.*

Geoffrey F. Worden, 63, a director since 1993, is President of South Street Capital, Inc., a consulting and investment company. Mr. Worden is a director of Princess House, Inc. and the New York City Outward Bound Center. He is a trustee and member of the Executive Committee of Outward Bound USA. *Committee memberships: Audit and Nominating and Corporate Governance.*

Donald E. Morel, Jr., Ph.D., 45, a director since 2002, is President and Chief Executive Officer of the Company. He was the Company's President and Chief Operating Officer from May 2001 to April 2002, Division President, Drug Delivery Systems from October 1999 to May 2001, Group President from April 1998 to October 1999 and, before that, Corporate Vice President, Scientific Services.

Robert C. Young, M.D., 63, a director since 2002, is President of Fox Chase Cancer Center. He is also a member of the National Cancer Policy Board at the Institute of Medicine and the Board of Scientific Advisors of the National Cancer Institute. Dr. Young also serves as Immediate Past President of the American Cancer Society. *Committee membership: Nominating and Corporate Governance.*

John P. Neafsey, 63, a director since 1987, is President of JN Associates, an investment consulting firm. He is Chairman of the Board of Alliance Resources, LP, a director of Longhorn Partners Pipeline Company and special director of Olympic Pipeline Company. Mr. Neafsey is a trustee emeritus and presidential counselor of Cornell University and an overseer of Weill/Cornell Medical College. *Committee memberships: Compensation and Finance.*

Patrick J. Zenner, 56, a director since 2002, is the retired President and Chief Executive Officer of Hoffmann-La Roche Inc. Mr. Zenner is a member of the Board of Directors of ArQule, Dendrite International, Praecis Pharmaceuticals Inc., Geron Corporation, Genta Inc., First Horizon Pharmaceutical Corporation, Xoma Ltd. and CuraGen Corporation. *Committee membership: Finance.*

Honorary Director: Masamichi Sudo, President, Daikyo Seiko, Ltd.

The Board of Directors has designated directors who are independent of management as "Independent Directors." The Independent Directors' duties include annual evaluations of the chief executive officer, his leadership succession plans, and achievement of long-range strategic initiatives. The Board has also established the position of Chairman, Independent Directors, who is responsible for conferring with the chief executive officer on board-related matters and for calling meetings of the independent directors as appropriate.

Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Finance Committee	Independent Directors
Geoffrey F. Worden, Chairman	Anthony Welters, Chairman	William H. Longfield, Chairman	John P. Neafsey, Chairman	William H. Longfield, Chairman

Investor Information

Global Headquarters

West Pharmaceutical Services, Inc.
101 Gordon Drive
Lionville, PA 19341, U.S.A.
(610) 594-2900
www.westpharma.com

Stock Listing

New York Stock Exchange
Symbol: WST

Average Daily Trading Volume 2002

First Quarter:	25,252 shares
Second Quarter:	23,220 shares
Third Quarter:	34,378 shares
Fourth Quarter:	23,827 shares

Shareholders of Record

As of December 31, 2002: 1,666

Annual Meeting

Shareholders are cordially invited to attend the annual meeting at global headquarters in Lionville, Pennsylvania, on Tuesday, April 29, 2003, at 9:30 a.m.

Publications

To receive copies of press releases or quarterly and annual reports filed with the United States Securities and Exchange Commission, write to the Investor Relations Department at the global headquarters address, call the investor relations response line at (888) 594-3222, or send a message through our website, www.westpharma.com.

Dividends

West Pharmaceutical Services has paid 129 consecutive quarterly common stock cash dividends since becoming a public company. Dividends are usually declared during the last month of each calendar quarter and, if approved by the Board, are paid to shareholders of record on the first Wednesday of February, May, August and November. The record date is two weeks before the dividend payment date.

Dividend Reinvestment Plan

The West Pharmaceutical Services Dividend Reinvestment Plan for all registered shareholders is a convenient and economical way for shareholders to increase their investment in West through the purchase of additional shares with dividends and voluntary cash payments. All brokerage commissions and costs of administering the plan are paid by West. For details of the plan and an enrollment form, please contact the Dividend Reinvestment Department of American Stock Transfer and Trust Company at the address shown below. Include a reference to West Pharmaceutical Services, Inc. for a prompt response.

Transfer Agent and Registrar

American Stock Transfer and Trust Company acts as transfer agent and registrar for the Company stock and maintains all primary shareholder records. For information concerning share transfer, lost certificates, dividends and change of address, write to American Stock Transfer and Trust Company, 40 Wall Street, New York, NY 10005, or call (800) 937-5449.

Investor Relations

Security analysts, investment professionals and financial writers may direct their inquiries to Michael A. Anderson, vice president and treasurer, at global headquarters. Call (610) 594-3345 or e-mail Mike.Anderson@westpharma.com.

Internet

Current news releases, filings with the Securities and Exchange Commission and other pertinent financial information can be accessed through the investor section of our website, www.westpharma.com.

West's Focus on Quality

Meeting industry-accepted standards for quality has been a driving force at West since its founding in 1923. As those standards have become more rigorous, especially in areas related to clean product, West has continually focused its efforts to make sure it is delivering products that satisfy customers' quality standards. As part of West's quality initiative, the Company meets applicable Current Good Manufacturing Practices and has achieved appropriate ISO certifications.

In 2003, West will introduce a revised global quality policy. The policy focuses on meeting needs that are defined in customer-generated evaluations of West's performance.

Quality Policy

West Pharmaceutical Services' mission is to become the world's leading developer and manufacturer of delivery systems and associated components that contribute to and improve the safety and effectiveness of pharmaceuticals and biologics.

To attain this leading role, West's Quality Policy is to achieve high-level customer satisfaction by focusing on performance measures of key interest to our customers. The primary indicators for monitoring our performance and establishing targets for continuous improvement are:

- Incoming quality of product West delivers to our customers
- Reduction of the number of critical quality problems reported in all stages of our customers' processes
- Timeliness and quality of response to customer issues
- On-time delivery per customer request date based on reasonable lead times as defined by industry-accepted standards
- Product and process innovations

West will provide an environment that generates measurement, analysis and corrective action throughout its organization. West will actively strive to keep current to applicable GxP* standards. Management will support endeavors that allow the continuous improvement of our products, processes and services to become the routine nature of our business. In doing so, every employee will perform in a manner that promotes the objectives of this Quality Policy.

*GxP refers to more than one area of compliance (manufacturing, clinical or laboratory).

West Pharmaceutical Services, Inc.
101 Gordon Drive
Lionville, PA 19341
U.S.A.
(610) 594-2900
www.westpharma.com

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