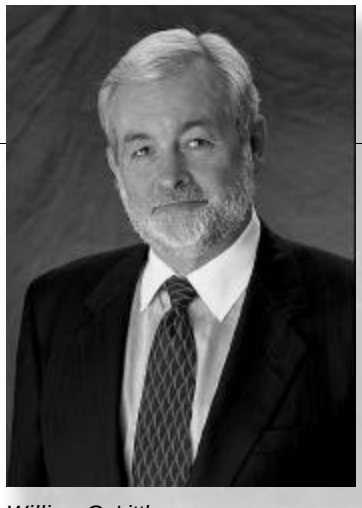
To My Fellow **Shareholders:**



William G. Little,
Chairman and Chief Executive Officer

As we have announced in recent months, largely because of changing market conditions, West Pharmaceutical Services' revenue for the year 2000 declined. While market conditions had a negative impact on our annual operating profits, we are working diligently to recover value.

Net income for 2000 was $1.6 million, or $0.11 per share, compared with net income of $38.7 million, or $2.59 per share, in 1999. Excluding fourth quarter restructuring charges and unusual tax benefits in both years, net income in 2000 was $15.5 million, or $1.08 per share, compared with $36.3 million, or $2.44 per share, in 1999. Net sales for 2000 were $430.1 million compared with $469.1 million in 1999. The strong U.S. dollar reduced reported sales and net income by $19.0 million and $0.19 per share, respectively.

Sales in our international Device Product Development segment increased 5.1% at constant exchange rates. In domestic markets, sales did not meet expectations, largely because our customers were impacted by the combination of year 2000 inventory adjustments, project delays and recalls caused by regulatory actions and product postponements related to mergers.

One of the challenges faced by the Company in 2000 was the impact of customers canceling or postponing projects in our Contract Services segment. While we recognize that our services businesses will always be subject to a degree of market unpredictability, we believe the restructuring and consolidation steps we've taken will begin to build a healthy, more predictable growth.

Our business is focused on delivering and dispensing pharmaceutical and healthcare products, and we are committed to supporting our customers' product development needs. We see 2001 as a recovery year, driven by the benefits of $57 million in capital investments made in 2000.

Building Value Through Investments

Investments in our pharmaceutical Device Product Development segment prepare West to meet customers' increasing needs for high-quality, precision manufactured packaging and device components.

For example, within our pharmaceutical seals operations, we've expanded capacity in our Clearwater, Florida, and Stolberg, Germany, plants. In addition, we've added electronic vision inspection systems, new presses, dies and assembly equipment.

Within our elastomer operations in North America, we've invested in new programs that will provide customers with ready-to-use stoppers, IV components and medical device components. These innovations will establish West as the market leader for exceptional quality, ready-to-use parenteral components. We are expanding facilities and investing in new presses and processing equipment in our German and

French plants to meet market demand, while in our Singapore plant, we are introducing new technologies including precision injection molding, FluroTec® coatings and most recently, thermoplastic elastomer injection molding. The investments in our Singapore facility enable West to meet the growing market needs of the Asia/Pacific region for healthcare products and services.

Globally, our investments include research and development focused on advanced elastomeric formulations to meet the needs of new, increasingly complex biotechnology drug compounds. We have also made quality improvements to meet Current Good Manufacturing Practices and continue to maintain our ISO certifications.

Within our plastics and multi-component businesses, we're undergoing plant expansions and adding clean room manufacturing and assembly in both our Montgomery, Pennsylvania, and Lewes, England, plants. These initiatives meet the needs of our customers who continue to focus on precision, cleanliness and complex product design.

A number of West's drug delivery initiatives progressed significantly in 2000. West now has three products in early stage clinical trials: nasal morphine for pain, nasal leuprolide for endometriosis and a flu vaccine based on our branded ChiSys™ technology. Two new products advanced to the clinical stage: oral budesonide, using West's TARGIT® technology, and a second indication for leuprolide in Europe to treat infertility. More significantly, West completed its first product license agreements with a development partner covering morphine and other compounds for the treatment of pain and sedation.

West also entered into a license option agreement with Allergan, Inc., Irvine, Cal., at the close of 2000 to develop a system for delivering drugs to the eye using proprietary technology. A further agreement was reached with Teva Pharmaceuticals Industries Ltd., Israel, one of the world's leading generic pharmaceutical products companies, to develop a new drug delivery system.

We have also expanded the capabilities of our contract laboratory service located at global headquarters in Lionville, Pennsylvania. The laboratory is qualified to provide testing and analyses required by the United States Food and Drug Administration.

Seizing New Opportunities

Through the combination of our heritage, our market position, and our widely used product line, we are well-positioned to take advantage of opportunities in healthcare markets today.

Quality

To meet our customers' demands for quality, we are planning to implement Six Sigma, an emerging global standard. Our goal is to employ Six Sigma as a quality platform to assure customer satisfaction and provide a significant competitive advantage. We expect Six Sigma, a program that will take several years to implement fully, to drive continuous improvement in the quality of all phases of our processes.

Systems

Under the banner eWest, we have embarked on a program of global enterprise resource planning that will leverage the power of electronic commerce as it relates to meeting our customers' ongoing needs for service and support. At the same time, eWest will drive efficiencies and improved business processes internally. In Phase One, starting in 2001, we are planning to provide customers with on-line, around-the-clock technical support.

Technologies

Through technology transfer agreements, we have introduced advanced processing for elastomeric pharmaceutical components in the United States. The B2-Coating now available at our Jersey Shore, Pennsylvania, facility adds to similar capabilities in our Eschweiler, Germany, plant. We introduced the FluroTec lamination process to our facility in St. Petersburg, Florida. FluroTec products are also processed in our Eschweiler and Singapore plants.

Sales

We are focusing our marketing efforts through a series of sales campaigns. The September 2000 campaign for Westar® ready-to-sterilize components yielded significant interest and encouraging sales potential. The campaign for B2-Coated product started in the first quarter of 2001. Additional sales campaigns are planned through the early months of 2002.

Each campaign showcases our capabilities and technologies. The campaign communicates to our customers the benefits of the investments we have made in equipment, training, control systems, product development, and manufacturing capabilities.

Our Commitment

Our Company participates in one of the finest markets in the world, and, as part of our commitment to building shareholder value while at the same time taking full advantage of market opportunities, we have engaged UBS Warburg LLC. The team from Warburg is conducting a review of all strategic alternatives.

We firmly believe that the strength of our customer base, the growth opportunities inherent in worldwide healthcare delivery and the dedication of our employees around the world provide the basis for a bright future. We believe our strategy is sound, and we look forward to the opportunities ahead.

I offer my thanks to you, my fellow shareholders, for your support. I believe the actions we have taken to recover from 2000 will build value for our company. I look forward to greeting many of you at our annual meeting on Tuesday, May 1, 2001.

Sincerely,

William G. Little
Chairman and Chief Executive Officer
March 1, 2001

A World of **Opportunity**

West Pharmaceutical Services is making the most of a world of opportunity.

With advanced closure systems that protect the integrity of packaged drugs…with capabilities for the design and manufacture of innovative delivery systems that improve ease of use and patient compliance…with new drug delivery formulations that have the potential to improve drug performance…with these technologies and more, West is seizing opportunities to grow by adding value to its customers' products and contributing to the betterment of healthcare around the world.

A Quality Solution for Hanford Pharmaceuticals

West is making the most of an opportunity to apply its value-added technologies on behalf of Hanford Pharmaceuticals. Hanford is America's largest producer of injectable penicillin, penicillin derivatives and injectable cephalosporins (a penicillin alternative). From its facilities in Syracuse, N.Y., Hanford manufactures high-quality pharmaceuticals for a client list that includes the world's leading pharmaceutical companies.

Just as major pharmaceutical companies rely on Hanford for specialized manufacturing services, Hanford outsources certain functions to suppliers whose specialized technologies provide products and services that meet strict quality standards. Hanford is especially concerned with the quality of the elastomeric stoppers used to secure its products. Reflecting a continuing commitment to exceed all government standards, Hanford has become one of the most demanding customers of product components. Pharmaceutical stoppers must be washed and sterilized before being introduced into the filling line, a costly, time-consuming process. As Hanford's business grew, its management team looked for ways to focus more on drug manufacturing and less on packaging component preparation.

West provided a solution for Hanford: Westar RS ready-to-sterilize stoppers. Westar stoppers are cleaned of particulate matter during three cycles in a Huber pharmaceutical

washer: two washes with USP purified water and one final rinse using USP Water For Injection. Washed components are transferred from the pharmaceutical washer to a Class 100 clean room, where they are packed into a West STERILIZABLEBAG™, which allows the transfer of the stoppers directly into the customer's sterilization unit.

To qualify Westar RS components, Hanford's quality engineers conducted a rigorous audit of West's Jersey Shore, Pa., plant, a facility that operates in full compliance with Current Good Manufacturing Practices and is registered with the United States Food and Drug Administration (FDA). The audit focused on West's ability to conform to the strict FDA standards related to the preparation of the USP purified water and Water for Injection used to process Westar stoppers. West demonstrated the integrity of its systems and its ability to meet Hanford's requirements for washed stoppers. In mid-1999, Hanford began using Westar RS stoppers.

By converting to Westar stoppers, Hanford eliminated washing from its filling process for certain products, which has allowed Hanford to increase manufacturing capacity. Because of the success of integrating Westar stoppers into its operations, Hanford has steadily increased its volume, placing the company among the largest users of Westar components.

Delivering Value with Performance-enhanced Components

West Pharmaceutical Services' performance-enhanced packaging components deliver value to customers worldwide. As a result of the post-manufacturing treatments that West applies to the closures, its customers are able to improve their filling line performance, reduce the level of visible and subvisible particulate matter in the packaged drug and have a packaging component that provides a barrier against organic and inorganic extractables.

For example, West enhances performance of stoppers by treating them with Teflon® film. The Teflon creates a barrier between the drug and the closure, limiting the interaction between the rubber component and the drug. Barrier properties are especially valued for packaging drugs developed through biotechnology, and West's Teflon-treated stoppers are used to package several of the world's leading biotech drug products.

To satisfy customers' quality requirements, West is applying electronic vision inspection technology to the manufacture of Teflon-treated stoppers. The system inspects each part by comparing a digital image against standards scanned into a computer. The installation and validation of a vision inspection system at the Jersey Shore, Pa., plant represents West's first application of this technology for elastomeric closures. Vision inspection systems have been a staple in the company's metals and plastics manufacturing facilities.

Because of the growing demand for performance-enhanced products, West is expanding its processing capabilities with the addition of B2-Coating and FluroTec lamination technologies in its U.S. facilities. These capabilities add to the processing West currently has available in Germany and Singapore.

B2-Coating is an alternative to silicone oil treatment as a means of providing lubricity. B2-Coating can improve processing speed by reducing friction on closure surfaces as the stoppers pass through filling lines. The B2-Coating

Teflon® is a registered trademark of E.I. du Pont de Nemours and Company.

reduces the possibility of potential silicone contamination throughout the filling process.

FluroTec lamination minimizes interaction between the drug and the closure, providing an excellent barrier against organic and inorganic extractables. The low surface energy of the fluorocarbon film also reduces protein adsorption and provides lubricity without the need for silicone oil.

By adding performance-enhanced processing to U.S. locations, West is improving its global sourcing capabilities, improving turnaround time for supplying customers in North America and shortening customers' supply chains.

Partnering with IVAX for Design Innovation

Opportunities are abundant for companies that have capabilities in the design and manufacture of drug delivery devices. With its technologies in plastic injection molding and assembly of highly complex medical devices, West is serving this market for customers such as IVAX Corporation, Miami, Fla.

IVAX and its London-based Norton Healthcare subsidiary chose West as its partner in the development of an innovative device that is expected to improve patient care for the treatment of pulmonary conditions. West applied its technologies to the development of IVAX's new dry powder multi-dose inhaler.

Based on a breath-actuated metered dose inhaler IVAX has marketed successfully, the multi-dose powder inhaler delivers a dosing accuracy that is expected to be superior to any competing product. Multi-dose powder inhalers are efficient and easy for the patient to use correctly. The inhaler is breath-actuated, which avoids the need for the user to coordinate drug inhalation with actuation of the device.

Developmental work occurred at West's plastic device molding facility in Lewes, England. Project teams consisting of staff from IVAX and from West's facilities in Europe and the United States applied their extensive knowledge of plastic molding to design and build sophisticated tooling, and to design the complex manufacturing and assembly equipment.

Precision tool making was critical to ensure the successful molding of the multi-component device. West, in conjunction with independent toolmakers, used moldflow analysis to uncover any potential problems in the design stage and established cavitation requirements for this large, multi-component project.

West constructed a dedicated clean room at Lewes for both molding and assembly. Working closely with IVAX, West ensured that the clean room satisfied stringent microbiological requirements. Extensive validation work,

undertaken throughout each aspect of the project, has demonstrated the integrity of West's processes. West began shipping devices to the IVAX facility in Waterford, Ireland, in the fourth quarter of 2000. IVAX fills the devices for use in clinical trials.

The development of the multi-dose powder inhaler highlights West's skill at working with pharmaceutical and healthcare customers through multi-disciplinary teams to achieve a shared goal – the application of advanced technologies to improve drug delivery for the benefit of patients globally.

Creating Opportunities with Drug Delivery Technologies

Both new and existing drugs can benefit from new methods of delivering them to the body safely and in the correct dose. Customer demand for efficacious methods of delivery is creating opportunities with technologies that can create a competitive advantage in the market.

West Pharmaceutical Services made major advances in the research and development of new drug delivery platforms during 2000. In the fourth quarter of 2000, West introduced its proprietary ChiSys technology, the Company's first branded drug delivery offering.

ChiSys is applicable for the transmucosal delivery of drugs and is based on chitosan, a bioadhesive excipient derived from the shells of crustaceans that can be formulated as a liquid or powder. Chitosan increases the residence time of drugs on mucosal surfaces, potentially leading to improved bioavailability.

West filed two Investigational New Drug (IND) applications with the FDA for formulations using ChiSys technology. One IND was for ChiSys-morphine for the treatment of breakthrough pain in cancer patients and in other analgesia indications. West completed three clinical trials for ChiSys-morphine: a proof of principle study in healthy volunteers conducted in the United Kingdom, a Phase I clinical trial at the Company's clinical services facility in Evansville, Ind., and a trial in cancer patients at Nottingham City Hospital, Nottingham, England.

ChiSys™ Versatile Transmucosal Delivery

The second IND was for ChiSys-leuprolide for the treatment of endometriosis. Phase I clinical testing for ChiSys-leuprolide will begin in the United States in the first quarter of 2001.

Scientists at West also have developed a ChiSys platform for the nasal delivery of influenza vaccine. A clinical trial in the U.K. has shown promising results for the ChiSys-influenza vaccine system.

West announced its first licensing agreement for ChiSys technology in September 2000. The licensing agreement with Innovative Drug Delivery Systems, Inc. (IDDS), New York, N.Y., covers the use of West's patented technologies for transmucosal delivery of three drug compounds for sedation and the treatment of pain in human health and veterinary applications.

West Pharmaceutical Services (the Company) designs, develops and manufactures systems and products that enhance and add value to the process of dispensing and delivering pharmaceutical and healthcare products. West's technologies include the design and manufacture of packaging components for pharmaceutical, healthcare and consumer products (device product development); research and development of drug delivery systems (drug delivery research and development); contract laboratory services, clinical services and other services that support the manufacturing, filling and packaging of pharmaceutical and healthcare products (contract services).

The following is management's discussion and analysis of the Company's operating results for the three years ended December 31, 2000, and its financial position as of year-end 2000. The information should be read in conjunction with the financial statements and accompanying notes appearing elsewhere in this report.

Results of Operations

The Company's 2000 net income was $1.6 million, or $.11 per share. Net income includes a net charge of $15.5 million in the fourth quarter of 2000 related to a restructuring plan and an unusual tax benefit of $1.5 million due to the favorable resolution of trade tax issues related to the 1997 tax reorganization of the Company's German subsidiaries. The Company's 1999 net income was $38.7 million, or $2.59 per share, and included net tax benefits totaling $2.3 million from a combination of a foreign tax refund from a fourth quarter tax reorganization of European subsidiaries and the favorable settlement of a prior years' tax appeal, and a $.7 million restructuring charge. In 1998, net income was $6.7 million, or $.41 per share, and included a charge of $28.2 million related to in-process research and development associated with the 1998 acquisition of DanBioSyst UK Ltd. (DBS) and a $2.5 million net restructuring charge related to staff reductions.

Excluding the items noted in all three years, the Company's 2000 net income of $15.5 million, or $1.08 per share, compares with 1999 net income of $36.3 million, or $2.44 per share, and 1998 net income of $37.4 million, or $2.28 per share.

Net Sales

Net sales were $430.1 million in 2000 compared with $469.1 million in 1999. The strong U.S. dollar reduced reported sales by about $19 million compared with 1999, while a recent accounting change increased sales by $3.7 million. The $3.7 million represents freight billed to customers. The Company's practice had been to offset these freight cost reimbursements from customers against the costs. At constant exchange rates, sales in 2000 were 4.3% lower than 1999 net sales.

Sales in the Device Product Development segment decreased almost 1% (measured at constant exchange rates) in 2000 compared with 1999. Sales increased in international markets by 5.1% due to higher volume. This increase was offset by low demand in domestic markets where sales decreased by 5.6% largely due to the combined impact of customers' inventory adjustments related to aggressive supply chain management programs and year 2000 contingency build-up, a lower-value product mix and delays due to increased regulatory activity. Pricing also negatively affected sales in this business segment due to competition and continued pressures to drive down healthcare costs. Future sales growth in this segment will be achieved by focusing on the customers' needs and by providing new services and products.

Businesses in the Contract Services segment experienced a sales decline of 20.5% compared with 1999. The current focus by pharmaceutical companies on managing a reduced pipeline of new products, often as a result of merger activities, has resulted in a reduction in the demand for outsourcing, which directly impacts the Contract Services segment. Sales of contract manufacturing and packaging services decreased by 30.1% compared with 1999 and clinical services sales, although 41.2% higher due to full-year ownership, were disappointing. The lower demand was due to a combination of factors: 1) customers' conversion to in-house production; 2) poor market acceptance for certain customers' products; 3) lack of customers' new product launches; and 4) customer product cancellations due to regulatory issues. The Company has increased its capabilities in these business units and is aggressively seeking new customers for its contract services offerings. To date these businesses have had limited success in gaining new customer orders in this highly competitive environment.

Revenues attributable to the Drug Delivery Research and Development segment totaled $1.8 million in 2000 compared with $1.3 million in 1999. In 2000, this segment was focused on further development of proprietary formulations of morphine and leuprolide, both using the Company's patented chitosan-based nasal delivery system, and on the development of a proprietary formulation of budesonide using the Company's TARGIT system. During the third quarter of 2000, the Company completed agreements with Innovative Drug Delivery Systems, Inc. (IDDS) granting IDDS exclusive rights to the Company's transmucosal drug delivery technologies for the delivery of morphine and fentanyl, both well-known pain medications, and midazolam, an anti-anxiety drug frequently administered prior to surgery. The agreements provide for IDDS to make license, option and milestone payments to the Company that could total up to $22 million through 2004. West would also be entitled to royalties on the sale of any licensed products that proceed through to commercialization.

Net sales of $469.1 million in 1999 compare with $449.7 million for 1998. The impact of the strong U.S. dollar reduced reported sales by approximately $10 million compared with 1998. At constant exchange rates, sales in 1999 were 6.5% higher than 1998 net sales.

Sales of manufactured device products increased 7.8% (measured at constant exchange rates) in 1999 compared with 1998, with all geographic regions showing growth. A number of factors contributed to this increase: 1) increased customer demand for higher value components for insulin and vaccines; 2) a switch by certain customers to higher value components to improve their production efficiencies; and 3) increased customer inventories of some products related to year 2000 contingency planning. Sales in European markets increased 9.8%, and in domestic markets sales increased 5.9%. In domestic markets, the increase in sales to healthcare markets was offset in part by a decline in sales to consumer markets, mainly due to competition. Also, sales increased significantly in Asia/Pacific markets due to higher volume.

Contract Services sales increased 1.4% in 1999 compared with 1998. The acquisition of the clinical services business units in April 1999 added $10.1 million to 1999 sales. Sales of contract manufacturing and packaging services decreased by 11% compared with 1998. In addition to the factors noted previously for 2000, the sales decline was the result of two long-time customers' products being converted to in-house production.

Gross Profit

The consolidated gross margin in 2000 was 24.0% and gross profit was $103.4 million. These results compare with a 30.8% gross margin and gross profit of $144.3 million in 1999. Lower margins were reported in 2000 in both the Device Product Development and Contract Services segments.

Margins on manufactured device product sales decreased by more than five percentage points due to the combined impact of several factors: 1) lower volume and a less favorable product mix in domestic markets; 2) higher material costs due largely to the increased cost of dollar-based raw materials to international operations; 3) losses in the U.K. plastics device facility; 4) lower pricing; and 5) major expansion or start-up/development costs at several plants that affected efficiencies.

In the Contract Services segment, low demand and contract cancellations for contract manufacturing and packaging services caused this business unit to operate below breakeven margins. Margins for the clinical services business unit also declined versus 1999 due to lower demand and competition.

The 1999 consolidated gross margin of 30.8% compared favorably with the 30.1% gross margin in 1998, with gross profit increasing from $135.2 million in 1998 to $144.3 million in 1999. Margins on manufactured device product sales increased by more than one percentage point due to the combined impact of increased volume, a more profitable product mix in all markets and cost savings and efficiency programs. Margins on contract manufacturing and packaging services sales declined due to the combined impact of lower volume in the last half of 1999 and the loss of two profitable contracts, as a result of customers converting to in-house production. The margin decline was mitigated by the higher-margin services of the clinical services business units.

Expenses

Selling, general and administrative expenses as a percent of sales were 15.7% in 2000, 16.6% in 1999, and 15.7% in 1998.

Selling, general and administrative expenses totaled $67.7 million in 2000, $77.9 million in 1999 and $70.5 million in 1998. The $10.2 million decrease in these expenses in 2000 compared with 1999 primarily relates to higher income on U.S. pension plan assets, lower incentive compensation, the impact of the stronger U.S. dollar, lower severance costs and a smaller adjustment to the estimated cost for environmental remediation activities. These favorable factors more than offset increased spending on drug delivery research and development and the expenses of acquired companies.

The $7.4 million increase in these expenses in 1999 compared with 1998 primarily relates to expenses of acquired companies, spending on drug delivery research and development, management information systems' costs (in part related to year 2000 remediation and contingency planning), severance costs and revised estimates of costs for environmental remediation activities. These increases more than offset the following favorable factors: higher income on U.S. pension plan assets and the impact of the stronger U.S. dollar.

Restructuring Charges and Other Income

In November 2000, the Company announced a series of initiatives designed to streamline operations and improve efficiencies. As part of this plan, the Company will close contract packaging and plastic device manufacturing plants in Puerto Rico and close its site management office in Cleveland, Ohio, during the first half of 2001. The Company also closed its sterile fill operation in Lakewood, N.J. The pre-tax charge related to these actions totaled $20.8 million. Approximately $3.9 million of the charge relates to asset disposal costs and severance and benefits for the approximately 180 employees affected by the restructuring activities. The remainder consists of a goodwill write-off and plant and equipment write-downs to net realizable value.

In 1999, the Company revised its business plan related to its plastics component manufacturing operations which resulted in a

$3.5 million reversal of the restructuring charge recorded in 1996. In addition, the Company recorded a charge of $4.2 million associated with the write-off of a plastic product line that had not gained market acceptance.

Transactions included in the other income category netted to income of $.3 million in 2000, compared to income of $1.2 million in 1999 and $2.5 million in 1998. Interest income, included therein, totaled $2.7 million in 2000, $2.5 million in 1999 and $2.7 million in 1998, a result of cash flow from operations available for investment and, in 2000, interest related to a tax refund. Foreign currency losses were $1.1 million in 2000 compared with $.9 million in 1999, and were immaterial in 1998. The strong U.S. dollar compared with Euro-based currencies was responsible for the losses. Net losses on sales of equipment and other assets totaled $1.0 million in 2000 compared with $.6 million in both 1999 and 1998.

Interest

Interest costs totaled $14.1 million in 2000 compared with $11.0 million in 1999 and $7.5 million in 1998, of which $1.0 million in 2000, $.6 million in 1999 and $.3 million in 1998 were capitalized as part of the cost of capital asset acquisitions.

The average consolidated debt level increased in both 2000 and 1999 despite a strong operating cash flow in 1999. Higher debt levels were largely due to the Company's repurchase of its stock on the open market (402,100 shares in 2000 at an average cost of $26.77 per share and 530,800 shares in 1999 at an average cost of $34.10 per share) and the purchase of two million shares at $30.00 per share in a Dutch Auction self-tender (October 1998). Also, the acquisition of the clinical services business unit in April 1999, DBS in March 1998 and Betraine Limited in July 1998 contributed to the increase in debt. In 2000, capital expenditures were higher than operating cash flow and interest rates were also higher.

Income Taxes

The effective tax rate on consolidated income was 71.7% in 2000, 32.5% in 1999, and 76.1% in 1998. Unusual events have impacted the effective tax rate in each of these years. Excluding the impact of these unusual items would result in comparative tax rates of 36.4% for 2000, 37.5% for 1999 and 37.8% for 1998. These comparative tax rates reflect changes in the geographic mix of earnings and changes in the statutory tax rate in several countries during the three-year period.

The unusual items impacting the reported effective tax rates are as follows: In 2000, lower tax benefits on certain components of the restructuring charge were partially offset by $1.5 million of tax benefits realized upon the favorable resolution of trade tax issues related to the 1997 tax reorganization of the Company's German subsidiaries.

In 1999, two events produced a net tax benefit of $2.3 million. A foreign dividend made possible by a tax reorganization of the Company's European subsidiaries late in the year triggered the refund of taxes previously paid. The Company also realized a favorable settlement of a prior years' tax appeal.

In 1998, the reported effective tax rate was increased by a non-deductible $28.2 million charge for acquired in-process research and development.

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 increased in 2000 and 1999. Daikyo's results in 2000 and 1999 benefited from higher margins and a stronger Japanese yen versus the U.S. dollar. Additionally, in 1999 Daikyo's results included higher sales volumes and the benefit of a legal settlement of a patent infringement. Contributions from Mexican operations were flat after having increased in 1999. Equity in losses of DBS related to the Company's then 30% ownership interest were recorded until April 1998 when it became a wholly owned subsidiary.

Financial Position

The cash balance at December 31, 2000, was $42.7 million and working capital totaled $93.8 million, a ratio of current assets to current liabilities of 2.2-to-1. In July 2000, the Company signed a $135 million revolving credit agreement with a group of six banks. The credit agreement consists of a $70 million, five-year revolving credit facility and a $65 million, 364-day line of credit. Interest cost on these facilities is charged at London Inter-Bank Offering Rates (LIBOR) plus a margin dependent on the Company's debt to total capital ratio. The interest rate on the initial borrowings under this facility was 7.4%. Commitment fees on these credit agreements also fluctuate according to the Company's debt to total capital ratio with a maximum commitment fee of 17.5 basis points on the 364-day facility and 20.0 basis points on the five-year facility. Consolidated debt totaled $199.4 million at December 31, 2000, compared with $171.1 million at year-end 1999. Debt to total invested capital (total debt, minority interests and shareholders' equity) was 49.2% at December 31, 2000.

For the year, funds generated from operations totaled $48.6 million versus $69.4 million in 1999 as a result of the lower net income. Capital spending for 2000 increased to $57.3 million, primarily due to facility, maintenance and efficiency upgrades on Device Product Development segment assets. Other investment activity in 2000 included a $2.0 million additional investment in a genotyping technology company, and a $1.0 million payment to acquire an exclusive technology license, which will enable the

Company to manufacture a patented reconstitution device to deliver lyophilized drugs. Cash dividends totaled $9.8 million ($.69 per share) and $10.8 million was used to repurchase common stock (402,100 shares at an average price of $26.77 per share). These net cash outflows were financed primarily through $30.3 million of increased borrowings.

2001 Requirements

Capital expenditures:

Cash requirements for capital projects in 2001 are projected to be about $60 million. Capital projects will focus on completion of the capacity expansion at two European plants, new product development and technology upgrades to reduce cost and improve quality. In addition, a program to install enterprise resource planning capability will start in 2001. This program is intended to drive internal efficiencies and improved business processes.

Foreign exchange exposure:

In accordance with the Company's foreign exchange management policy, the adverse consequences resulting from foreign currency exposure are mitigated by engaging in certain hedging activities. Foreign exchange forward contracts are used to minimize exposure related to foreign currency transactions and commitments for raw material purchases. The Company has entered into interest rate swap agreements to minimize risk to interest rate increases. The Note "Financial Instruments" to the Consolidated Financial Statements explains the impact of such hedges and interest rate swaps on the Company's results of operations and financial position.

Remedial activities:

Cash requirements for remedial activity related to environmental cleanup are expected to be relatively small in 2001 as the Company continues to work with local environmental authorities to finalize the remediation plan at a U.S. manufacturing site. The Company has been indemnified by other financially responsible parties against future government claims relating to groundwater contamination at a Puerto Rico site, and the Company does not anticipate any remedial expenses with respect to this site.

The Company believes its financial condition and current capitalization provide sufficient flexibility to meet cash flow requirements in the future. In late 2000, the Company's Board of Directors authorized management to engage UBS Warburg LLC to review all of the Company's strategic alternatives and identify opportunities to enhance shareholder value, which may include disposition of assets or business combinations involving the Company.

Forward-Looking Information

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

Consolidated Statements of Income

West Pharmaceutical Services, Inc. and Subsidiaries for the years ended December 31, 2000, 1999 and 1998.

(in thousands, except per share data)	**2000**		1999		1998	
Net sales	**$ 430,100**	**100%**	$ 469,100	100%	$ 449,700	100%
Cost of goods and services sold	**326,700**	**76**	324,800	69	314,500	70
Gross profit	**103,400**	**24**	144,300	31	135,200	30
Selling, general and administrative expenses	**67,700**	**16**	77,900	17	70,500	16
Restructuring charge	**20,800**	**5**	700	—	4,000	1
Acquired research and development	—	—	—	—	28,200	6
Other (income), net	**(300)**	—	(1,200)	—	(2,500)	(1)
Operating profit	**15,200**	**3**	66,900	14	35,000	8
Interest expense	**13,100**	**3**	10,400	2	7,200	2
Income before income taxes and minority interests	**2,100**	—	56,500	12	27,800	6
Provision for income taxes	**1,500**	—	18,400	4	21,200	5
Minority interests	**200**	—	200	—	100	—
Income from consolidated operations	**400**	—	37,900	8%	6,500	1%
Equity in net income of affiliated companies	**1,200**		800		200	
Net income	**$ 1,600**		$ 38,700		$ 6,700	
Net income per share:						
Basic	**$ .11**		$ 2.59		$ .41	
Assuming dilution	**$ .11**		$ 2.57		$ .40	
Average common shares outstanding	**14,407**		14,914		16,435	
Average shares assuming dilution	**14,409**		15,048		16,504	

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

Consolidated Statements of Comprehensive Income

West Pharmaceutical Services, Inc. and Subsidiaries for the years ended December 31, 2000, 1999 and 1998.

(in thousands)	Foreign currency translation adjustments	Unrealized gains (losses) on securities	Minimum pension liability adjustment (net of tax)	Total other comprehensive income (loss)	Net income	Total comprehensive income (loss)
Cumulative balance, January 1, 1998	$ 3,400	$ 100	$ —	$ 3,500		
Comprehensive income 1998	4,100	(400)		3,700	$ 6,700	$ 10,400
Cumulative balance, December 31, 1998	7,500	(300)		7,200		
Comprehensive income 1999	(13,600)	1,100		(12,500)	$ 38,700	$ 26,200
Cumulative balance, December 31, 1999	(6,100)	800		(5,300)		
Comprehensive loss 2000	**(8,200)**	**(700)**	**(300)**	**(9,200)**	**$ 1,600**	**$ (7,600)**
Cumulative balance, December 31, 2000	**$ (14,300)**	**$ 100**	**$ (300)**	**$ (14,500)**		

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

Consolidated Balance Sheets

West Pharmaceutical Services, Inc. and Subsidiaries at December 31, 2000 and 1999.

(in thousands, except per share data)	**2000**	1999
ASSETS		
Current assets:		
Cash, including equivalents (2000 – $29,000; 1999 – $26,100)	**$ 42,700**	$ 45,300
Accounts receivable, less allowance (2000 – $1,200; 1999 – $1,800)	**60,900**	74,600
Inventories	**41,000**	42,100
Income tax refundable	**7,700**	6,500
Deferred income tax benefits	**7,700**	7,300
Other current assets	**13,100**	8,900
Total current assets	**173,100**	184,700
Property, plant and equipment	**521,400**	489,200
Less accumulated depreciation and amortization	**285,600**	261,600
	235,800	227,600
Investments in affiliated companies	**22,000**	20,200
Goodwill	**52,400**	66,500
Prepaid pension asset	**40,200**	24,800
Deferred income tax benefits	**18,000**	11,800
Other assets	**15,900**	16,200
	$ 557,400	$ 551,800
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	**$ 500**	$ 2,200
Notes payable	**3,100**	27,400
Accounts payable	**27,600**	25,500
Accrued expenses:		
Salaries, wages and benefits	**11,300**	15,600
Income taxes payable	**7,200**	3,600
Restructuring costs	**4,200**	100
Deferred income taxes	**1,900**	1,900
Other	**23,500**	27,700
Total current liabilities	**79,300**	104,000
Long-term debt, excluding current portion	**195,800**	141,500
Deferred income taxes	**51,000**	48,000
Other long-term liabilities	**25,500**	26,300
Minority interests	**1,000**	800
Shareholders' equity:		
Preferred stock, shares authorized: 3,000; shares issued and outstanding: 2000 – 0; 1999 – 0		
Common stock, par value $.25 per share; shares authorized: 50,000; shares issued: 2000 – 17,165; 1999 – 17,165; shares outstanding: 2000 – 14,310; 1999 – 14,664	**4,300**	4,300
Capital in excess of par value	**32,100**	31,700
Retained earnings	**269,800**	278,100
Accumulated other comprehensive (loss)	**(14,500)**	(5,300)
	291,700	308,800
Less treasury stock (2000 – 2,855 shares; 1999 – 2,501 shares)	**86,900**	77,600
Total shareholders' equity	**204,800**	231,200
	$ 557,400	$ 551,800

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, 2000, 1999 and 1998.

(in thousands, except per share data)	Common stock	Capital in excess of par value	Retained earnings	Other comprehensive income (loss)	Treasury stock	Total
Balance, January 1, 1998	$4,200	$24,000	$252,500	$ 3,500	$ (6,500)	$277,700
Net income			6,700			6,700
Shares issued under stock plans		300			3,300	3,600
Shares issued for acquisition	100	8,600				8,700
Shares repurchased					(60,400)	(60,400)
Cash dividends declared ($.62 per share)			(9,900)			(9,900)
Changes – other comprehensive income (loss)				3,700		3,700
Balance, December 31, 1998	4,300	32,900	249,300	7,200	(63,600)	230,100
Net income			38,700			38,700
Shares issued under stock plans		(1,200)			4,100	2,900
Shares repurchased					(18,100)	(18,100)
Cash dividends declared ($.66 per share)			(9,900)			(9,900)
Changes – other comprehensive income (loss)				(12,500)		(12,500)
Balance, December 31, 1999	4,300	31,700	278,100	(5,300)	(77,600)	231,200
Net income			**1,600**			**1,600**
Shares issued under stock plans		**400**			**1,500**	**1,900**
Shares repurchased					**(10,800)**	**(10,800)**
Cash dividends declared ($.70 per share)			**(9,900)**			**(9,900)**
Changes – other comprehensive income (loss)				**(9,200)**		**(9,200)**
Balance, December 31, 2000	**$4,300**	**$32,100**	**$269,800**	**$ (14,500)**	**$(86,900)**	**$204,800**

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, 2000, 1999 and 1998.

(in thousands)	**2000**	1999	1998
Cash flows from operating activities:			
Net income	**$ 1,600**	$ 38,700	$ 6,700
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	**37,000**	35,700	32,300
Acquired in-process research and development	**—**	—	28,200
Restructuring charge	**20,800**	700	4,000
Loss on sales of equipment and other assets	**1,000**	600	600
Deferred income taxes	**100**	8,500	5,900
Pension and other retirement plans	**(15,800)**	(9,200)	(6,000)
Equity in undistributed earnings of affiliated companies, net	**(1,000)**	(500)	(100)
Decrease (increase) in accounts receivable	**10,400**	(10,200)	(700)
Decrease (increase) in inventories	**(500)**	(1,200)	(2,400)
Decrease (increase) in other current assets	**(900)**	(1,400)	800
(Decrease) increase in other current liabilities	**(3,700)**	6,900	500
Other operating items	**(400)**	800	1,200
Net cash provided by operating activities	**48,600**	69,400	71,000
Cash flows from investing activities:			
Property, plant and equipment acquired	**(57,300)**	(46,200)	(41,800)
Proceeds from sales of assets	**300**	100	1,200
Payments for acquisitions, net of cash acquired	**(3,400)**	(17,200)	(34,900)
Customer advances, net of repayments	**(100)**	1,600	1,700
Net cash used in investing activities	**(60,500)**	(61,700)	(73,800)
Cash flows from financing activities:			
Borrowings (repayments) under revolving credit agreements, net	**70,000**	(46,000)	65,000
Proceeds from senior notes	**—**	100,000	—
Proceeds from other long-term debt	**—**	—	1,500
Repayment of other long-term debt	**(16,200)**	(3,000)	(19,100)
Other notes payable, net	**(23,500)**	(16,800)	800
Issuance of common stock, net	**1,500**	2,800	2,600
Dividend payments	**(9,800)**	(10,300)	(9,400)
Purchase of treasury stock	**(10,800)**	(18,100)	(60,400)
Net cash provided by (used in) financing activities	**11,200**	8,600	(19,000)
Effect of exchange rates on cash	**(1,900)**	(2,300)	800
Net (decrease) increase in cash and cash equivalents	**(2,600)**	14,000	(21,000)
Cash and cash equivalents at beginning of year	**45,300**	31,300	52,300
Cash and cash equivalents at end of year	**$ 42,700**	$ 45,300	$ 31,300
Supplemental cash flow information:			
Interest paid, net of amounts capitalized	**$ 12,900**	$ 9,000	$ 5,100
Income taxes paid	**$ 2,100**	$ 15,100	$ 14,700

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

Notes to Consolidated Financial Statements

(in thousands, except share and per share data)

Summary of Significant Accounting Policies

Basis of Presentation: The financial statements are prepared in conformity with generally accepted accounting principles 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). Material intercompany transactions and accounts are eliminated in consolidation. Certain items have been reclassified to conform with current classifications. Investments in affiliated companies in which ownership exceeds 20% are accounted for on the equity method.

Statement of Cash Flows: Cash flows from operating activities are reported under the indirect method; 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, except for the cost of inventories of West Pharmaceutical Services Lakewood, Inc. (West Lakewood), a wholly owned subsidiary, which is determined on the first-in, first-out (FIFO) 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 uses interest rate swaps and forward exchange contracts to minimize the economic exposure related to fluctuating interest and foreign exchange rates. Amounts to be paid or received under interest rate swaps are accrued as interest expense, and presented in the financial statements on a net basis. Gains and losses on hedges of existing assets and liabilities are recognized monthly and offset gains and losses on the underlying transaction. Gains and losses related to firm commitments, primarily raw material purchases including local needs in foreign subsidiaries, are deferred and recognized as part of the underlying transaction.

The Company will adopt Financial Accounting Standards Statement No. 133, "Accounting for Derivative Financial Instruments and Hedging Activities," as amended, beginning in 2001. This accounting standard 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 generally matched with the recognition of the item or risk being hedged. The change in fair value of a derivative instrument with no hedging designation or purpose is recognized immediately into earnings. On January 1, 2001, the Company will record a $300 charge to other comprehensive income, principally due to recording the fair market value of interest rate swap agreements which hedge variable interest rate notes payable.

Marketable Securities: Investments in debt and marketable securities are classified under one of three categories: held-to-maturity, available-for-sale and trading, based on management's intentions. Investments in marketable securities are stated at fair market value. Unrealized gains and losses on trading securities are included in income. Unrealized gains and losses on securities available-for-sale are accumulated in other comprehensive income, a separate component of shareholders' equity. Cost of marketable securities is determined on the moving average method.

Revenue Recognition: Sales of manufactured components and contract manufacturing and packaging services are recorded at the time title passes, which generally occurs when the goods are shipped. In 2000, the Company adopted Emerging Issues Task Force Issue 00-10, "Accounting for Shipping and Handling Revenues and Costs." Accordingly, as of January 1, 2000, freight charge reimbursements are reported as net sales and freight expenses are reported as cost of goods and services sold. Full-year freight expense for 2000 was $3,700. Freight revenues and expenses were reported on a net basis in prior years.

Clinical service revenue and related direct costs are recognized as specific contract terms are fulfilled under the percentage of completion method (the units of delivery method). Fees for individual contract clinical services are fixed upon execution of the contract and provide for payment for all work performed. Pass-through costs that are paid directly by clients, and for which the Company does not bear the risk of performance, are excluded from revenue. 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.

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. 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.

Impairment of Asset Value: The Company continually evaluates the appropriateness of the remaining estimated useful life and the carrying value of its operating assets, goodwill and other intangible assets. Carrying values in excess of undiscounted estimates of related cash flows are expensed when such determination is made.

Depreciation and Amortization: For financial reporting purposes, 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 is being amortized on the straight-line method over periods ranging from 13 to 40 years.

Research and Development: Research, development and engineering expenditures for the creation and application of new or improved products and processes, and drug delivery systems, the totals of which amounted to $19,200 in 2000, $16,700 in 1999 and $14,500 in 1998, are 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 qualify as 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.

Net Income Per Share: Basic net income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during each period. Net income 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.

Other Income (Expense)

	2000	1999	1998
Interest income	**$2,700**	$2,500	$2,700
Foreign exchange (losses) gains	**(1,100)**	(900)	200
Loss on sales of equipment and other assets	**(1,000)**	(600)	(600)
Other	**(300)**	200	200
	$ 300	$1,200	$2,500

Restructuring Charges

In 2000, the Company announced a series of initiatives designed to streamline operations and improve efficiencies. As part of the plan, the Company will close contract packaging and plastic device manufacturing plants in Puerto Rico and close its site management office in Cleveland, Ohio, during the first half of 2001. The Company also closed its sterile fill operation in Lakewood, New Jersey. These actions and other personnel reductions affect approximately 180 employees. The Company recorded a pre-tax restructuring charge of $20,800 in the fourth quarter of 2000 related to these decisions. The charge covers a $9,200 goodwill write-down related to the site management organization of the clinical services business unit, a $7,700 reduction to estimated net realizable value of assets to be sold and $3,900 of accrued severance and related benefits and asset disposal costs.

In 1999, the Company revised its business plan related to its plastics component manufacturing operations. The 1999 plan included investment in new capacity and capabilities at the Company's Puerto Rico facility, which resulted in a $3,500 adjustment of the restructuring charge recorded in 1996 related to this operation. In addition, the Company wrote off the $4,200 carrying value of equipment and intangibles related to a proprietary plastic product line that had not gained market acceptance.

In 1998, the Company recorded a pre-tax charge of $4,000. The charge related to employee reductions associated with identified manufacturing and other operating efficiencies. The charge included severance and benefits for 90 employees including manufacturing and staff positions and other related charges. At December 31, 2000, the total payout of severance and benefits to date associated with this charge was $3,900.

Acquisitions and Investments

During 2000, the Company invested $2,000 in a firm involved with genotyping technology. The Company's cumulative investment in this firm is $3,300 at December 31, 2000, representing an 18.53% ownership interest. The Company is conditionally committed to investing an additional $300, which would bring its cumulative ownership percentage to 19.95%.

On April 20, 1999, the Company acquired the assets of the Clinical Services Division (CSD) of Collaborative Clinical Research, Inc. CSD provides clinical research services to the pharmaceutical and biotechnology industries. Its focus is on the identification, placement, monitoring and management of clinical-trial programs. The CSD purchase price was comprised of a combination of $15,900 in cash, and the assumption of $2,300 of current liabilities. The acquisition was accounted for as a purchase and CSD was consolidated beginning May 1, 1999. The allocation of the purchase price follows:

Current assets	$ 2,900
Equipment and leasehold improvements	800
Goodwill	14,500

The excess of the purchase price over the net assets acquired is being amortized on a straight-line basis over 20 years. Pro forma results assuming the acquisition of CSD as of January 1, 1999, would not materially change reported sales or net income.

On July 1, 1998, the Company acquired Betraine Limited for British pounds sterling (BPS) 7,200 ($11,800 at July 1, 1998). Betraine manufactures precision injection molded plastic components for the healthcare and consumer products industries. The acquisition was accounted for as a purchase and Betraine was consolidated beginning July 1, 1998. The acquisition was financed with existing cash. The excess of the purchase price over the net assets acquired is being amortized on a straight-line basis over 20 years.

On March 31, 1998, the Company acquired for BPS 20,000 ($33,500 at March 31, 1998) the remaining 70% interest in DanBioSyst UK Ltd. (DBS), making DBS a wholly owned subsidiary. DBS is engaged in drug delivery system research and development. This transaction was accounted for by the purchase method, and was financed with cash of $9,400; 320,406 shares of restricted common stock valued at $8,700; and short-term notes of $15,400. DBS was consolidated beginning April 1, 1998. The allocation of the purchase price, determined by an independent appraiser using the income approach, follows:

Current assets	$ 1,300
Equipment and leasehold improvements	800
In-process research and development	28,200
Patents	2,800
Other intangibles	400

In-process research and development was written off at the date of acquisition. This value relates to various drug delivery platforms which DBS had in different stages of the development process. The appraisal was based on licensing of such delivery systems with significant revenues generated beginning in 2003. A discount rate of 32% was used.

The initial 30% interest in DBS was acquired in 10% increments over the period 1994 through 1996.

Income Taxes

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

	2000	1999	1998
Domestic operations	**$(3,900)**	$36,000	$ 8,600
International operations	**6,000**	20,500	19,200
	$ 2,100	$56,500	$27,800

The related provision for income taxes consists of:

	2000	1999	1998
Current provision:			
Federal	**$ (1,900)**	$ 3,300	$ 8,800
State	**100**	300	900
International	**3,200**	6,300	5,600
	1,400	9,900	15,300
Deferred provision:			
Federal	**1,500**	7,200	4,200
International	**(1,400)**	1,300	1,700
	100	8,500	5,900
Provision for income taxes	**$ 1,500**	$18,400	$21,200

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:

	2000	1999	1998
Statutory corporate tax rate	**35.0%**	35.0%	35.0%
Tax on international operations in excess of United States tax rate	**(13.6)**	2.9	1.2
Restructuring costs without tax benefits	**92.4**	–	–
Tax reorganization benefit	**(70.9)**	(3.1)	–
Acquired research and development	–	–	35.5
United States tax on repatriated international earnings	**18.1**	.6	.8
State income taxes, net of Federal tax benefit	–	.4	2.3
Settlement of tax audit	–	(1.8)	–
Other	**10.7**	(1.5)	1.3
Effective tax rate	**71.7%**	32.5%	76.1%

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

In the fourth quarter of 1999, the Company completed a tax reorganization of its European subsidiaries. The reorganization made possible payment of a dividend which triggered refund of taxes previously paid.

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

	2000	1999
Net current assets	**$ 5,800**	$ 5,400
Net noncurrent liabilities	**$ 33,000**	$ 36,200

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

	2000	1999
Deferred tax assets:		
Loss on asset dispositions and plant closings	**$ 1,800**	$ 2,400
Severance and deferred compensation	**8,600**	9,200
German tax reorganization	**3,800**	4,900
Net operating loss carryovers	**8,000**	3,800
Foreign tax credit carryovers	**1,400**	1,100
Restructuring charge	**4,100**	–
Other	**3,000**	3,800
Valuation allowance	**(6,800)**	(4,900)
Total	**$ 23,900**	$20,300
Deferred tax liabilities:		
Accelerated depreciation	**$ 28,200**	$34,400
Severance and deferred compensation	**15,900**	11,900
Other	**7,000**	4,800
Total	**$ 51,100**	$51,100

At December 31, 2000, subsidiaries had state and foreign operating tax loss carryovers of $37,100 and $20,600, respectively. These loss carryovers are available to apply against the future taxable income of the subsidiaries. The carryover periods expire beginning with $8,400 in 2002 and continue through 2007.

At December 31, 2000, undistributed earnings of international subsidiaries, on which deferred income taxes have not been provided, amounted to $140,700. 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, 2000, the Company had available foreign tax credit carryovers of approximately $1,400 expiring in 2001 through 2005.

Net Income Per Share

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

	2000	1999	1998
Net income	**$ 1,600**	$38,700	$ 6,700
Average common shares outstanding	**14,407**	14,914	16,435
Assumed stock options exercised and awards vested	**2**	134	69
Average shares assuming dilution	**14,409**	15,048	16,504

Comprehensive Income

Comprehensive income consists of reported net income and other comprehensive income which reflects revenue, expenses and gains and losses which generally accepted accounting principles exclude from net income. For the Company, the items excluded from current net income are cumulative foreign currency translation adjustments, unrealized gains or losses on available-for-sale securities and additional minimum pension liability adjustments. Comprehensive income and the cumulative balance of each item of other comprehensive income is displayed in the accompanying Consolidated Statements of Comprehensive Income.

Inventories

	2000	1999
Finished goods	**$17,300**	$14,000
Work in process	**9,400**	12,800
Raw materials	**14,300**	15,300
	$41,000	$42,100

Included above are inventories located in the United States that are valued on the LIFO basis, amounting to $11,900 and $11,800 at December 31, 2000 and 1999, respectively, which are approximately $6,700 and $6,800, respectively, lower than replacement value.

Affiliated Companies

At December 31, 2000, the following affiliated companies were accounted for under the equity method:

	Location	Fiscal year end	Ownership interest
West Pharmaceutical Services Mexico, S.A. de C.V.	Mexico	Dec. 31	49%
Aluplast S.A. de C.V.	Mexico	Dec. 31	49%
Pharma-Tap S.A. de C.V.	Mexico	Dec. 31	49%
Daikyo Seiko, Ltd.	Japan	Oct. 31	25%

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

	2000	1999
Balance Sheets:		
Current assets	**$106,100**	$ 95,400
Noncurrent assets	**127,600**	111,100
Total assets	**$233,700**	$206,500
Current liabilities	**$ 59,100**	$ 62,100
Noncurrent liabilities	**105,400**	74,300
Owners' equity	**69,200**	70,100
Total liabilities and owners' equity	**$233,700**	$206,500

	2000	1999	1998
Income Statements:			
Net sales	**$87,200**	$78,200	$69,500
Gross profit	**21,800**	17,000	14,500
Net income	**4,800**	3,400	1,000

Unremitted income of affiliated companies included in consolidated retained earnings amounted to $12,600, $11,600 and $11,100 at December 31, 2000, 1999 and 1998, respectively. Dividends received from affiliated companies were $200 in 2000, $300 in 1999 and $200 in 1998.

The Company's equity in unrealized gains and losses of Daikyo Seiko, Ltd.'s investment in securities available for sale included in other comprehensive income, a separate component of shareholders' equity, was $100, $800 and $(300) at December 31, 2000, 1999 and 1998, respectively. The unrealized losses in 2000 and 1998 are net of income tax benefits of $500 and $300, respectively. The unrealized gain in 1999 is net of an income tax provision of $1,000.

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	**2000**	1999
Land		**$ 3,200**	$ 3,100
Buildings and improvements	7-50	**111,500**	103,700
Machinery and equipment	3-20	**320,700**	304,700
Molds and dies	4-7	**54,300**	53,500
Construction in progress		**31,700**	24,200
		$521,400	$489,200

Debt

Short-Term: Notes payable in the amounts of $3,100 and $27,400 at December 31, 2000 and 1999, respectively, are payable within one year and bear interest at a weighted average interest rate of 8% and 7%, respectively.

Long-Term:

At December 31,	**2000**	1999
Unsecured:		
Senior notes, due 2009 (6.81%)	**$100,000**	$100,000
Revolving credit facility, due 2005 (7.43%)	**70,000**	–
Tax-exempt industrial revenue bonds, due 2005 (4.2% to 5.95%) (a)	**10,800**	10,900
Subordinated debentures, due 2007 (6.5%)	**3,600**	3,400
Other notes, due 2001 to 2005 (6.80% to 9.24%)	**11,900**	25,900
Collateralized:		
Mortgage notes (6.94%)	–	3,500
Total long-term debt	**196,300**	143,700
Less current portion	**500**	2,200
	$195,800	$141,500

(a) The proceeds of industrial revenue bonds that were not required for the respective construction projects have been invested by the Company. Use of these excess funds and earnings thereon is restricted to servicing the debt. The aggregate of unexpended proceeds and earnings thereon of $1,700 is reflected as a reduction of the principal outstanding on the bonds.

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 CSD and for general corporate purposes.

In July 2000, the Company signed a $135,000 revolving credit agreement with a group of six banks. The credit agreement consists of a $70,000 five-year revolving credit facility and a $65,000 364-day line of credit. Interest on these facilities is charged at London Inter-Bank Offering Rates (LIBOR) plus a margin dependent on the Company's debt to total capital ratio. The interest rate on the initial borrowings under these facilities was 7.4%. Commitment fees on these credit agreements also fluctuate according to the Company's debt to total capital ratio with a maximum commitment fee of 17.5 basis points on the 364-day and 20.0 basis points on the five-year facility. As of December 31, 2000, the Company had borrowed $49,100 directly under the five-year facility. These borrowings were recorded as long-term debt. Additional notes payable of $20,900 under uncommitted facilities were also classified as long-term debt, as the Company has the intent and ability to re-finance these obligations on a long-term basis under the five-year facility.

At December 31, 2000, $4,300 at par value of West Lakewood's subordinated debentures were outstanding. The subordinated debentures are reflected in the balance sheet net of discount, which is being amortized through the maturity date of the subordinated debentures, March 1, 2007. The unamortized discount totaled $700 and $900 at December 31, 2000 and 1999, respectively. The holders have the right to convert such subordinated debentures into cash for an amount approximating 50% of the par value of the subordinated debentures converted. Interest is payable semiannually.

Long-term debt maturing in the years following 2001 is: $500 in 2002, $10,700 in 2003, $100 in 2004 and $80,900 in 2005.

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 2000, 1999 and 1998 were $14,100, $11,000 and $7,500, respectively, of which $1,000, $600 and $300, respectively, were capitalized as part of the cost of acquiring certain assets.

At December 31, 2000, the Company has four interest rate swap contracts outstanding, three with notional values of $3,000 each, to fix the interest rates at 6.54%, 6.775% and 6.51% through April, July and August 2001, respectively, and one with a notional value of BPS 6,950 at a fixed interest rate of 7.23% through 2003. Under the terms of these agreements, the Company makes periodic interest payments based on these fixed rates of interest on the notional principal amounts to a counterparty that makes payments based on a market interest rate. The net interest expense recognized in connection with these agreements was less than $200 in 2000 and 1999 and $100 in 1998.

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)	**2000**	1999	**2000**	1999
Cash and cash equivalents	**$ 42,700**	$ 45,300	**$ 42,700**	$ 45,300
Short- and long-term debt	**(199,400)**	(171,100)	**(197,900)**	(167,100)
Interest rate swaps (a)	**–**	–	**(300)**	–
Forward exchange contracts (a)	**–**	–	–	–

(a) The estimated fair value of the interest rate swaps was less than $100 at December 31, 1999. The estimated fair value of forward exchange contracts was less than $100 at December 31, 2000 and 1999.

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 (see preceding Note "Debt") and forward exchange rate contracts are valued at published market prices, market prices of comparable instruments or quotes.

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 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.

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		
	2000	1999	1998	**2000**	1999	1998
Service cost	**$ 3,400**	$ 4,400	$ 3,600	**$ 300**	$ 400	$ 500
Interest cost	**9,200**	8,900	8,500	**500**	400	500
Expected return on assets	**(21,300)**	(17,600)	(15,400)	**–**	–	–
Amortization of unrecognized transition asset	**(700)**	(700)	(800)	**–**	–	–
Amortization of prior service cost	**500**	400	400	**(1,500)**	(1,500)	(1,500)
Recognized actuarial gains	**(5,100)**	(2,000)	(1,800)	**(100)**	–	–
Curtailment gain	**–**	(200)	–	**–**	–	–
Pension (income)	**$(14,000)**	$(6,800)	$ (5,500)	**$ (800)**	$(700)	$ (500)

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

	Pension benefits		Other retirement benefits	
	2000	1999	**2000**	1999
Change in benefit obligation:				
Benefit obligation, January 1	**$(122,300)**	$(131,900)	**$ (5,800)**	$ (8,400)
Service cost	**(3,400)**	(4,400)	**(300)**	(400)
Interest cost	**(9,200)**	(8,900)	**(500)**	(400)
Participants' contributions	**(300)**	(200)	**(100)**	(100)
Actuarial gain (loss)	**(3,500)**	18,100	**(100)**	3,300
Amendments/ Transfers in	**(1,000)**	(3,300)	**(600)**	–
Benefits/expenses paid	**6,800**	6,600	**200**	200
Curtailment gain	**–**	200	**–**	–
Settlement	**–**	900	**–**	–
Foreign exchange impact	**900**	600	**–**	–
Benefit obligation, December 31	**$(132,000)**	$(122,300)	**$ (7,200)**	$ (5,800)
Change in plan assets:				
Fair value of assets, January 1	**$ 229,300**	$ 189,400	**$ –**	$ –
Actual return on assets	**(16,200)**	44,500	–	**–**
Employer contribution	**700**	700	**100**	100
Participants' contributions	**300**	200	**100**	100
Transfers in	**–**	1,400	–	–
Benefits/expenses paid	**(6,800)**	(6,600)	**(200)**	(200)
Foreign exchange impact	**(700)**	(300)	**–**	**–**
Fair value of plan assets, December 31	**$ 206,600**	$ 229,300	**$ –**	$ –
Funded status:				
Assets in excess (less than) benefits	**$ 74,600**	$ 107,000	**$ (7,200)**	$ (5,800)
Unrecognized net actuarial (gain) loss	**(43,800)**	(90,300)	**(1,600)**	(2,000)
Unrecognized transition asset	**(700)**	(1,300)	**–**	–
Unrecognized prior service cost	**3,500**	2,900	**(2,500)**	(4,600)
Additional minimum liability	**(700)**	–	**–**	–
December 31:				
Prepaid pension asset	**$ 40,200**	$ 24,800	**$ –**	$ –
Accrued liability	**$ (7,300)**	$ (6,500)	**$ (11,300)**	$(12,400)

In 1999, the Company curtailed its pension plan for active non-employee directors. A gain of $200 was recognized on the curtailment. The accrued pension obligation to the active directors was settled by issuing common stock equivalent units. The number of stock equivalent units was determined by dividing each director's accrued pension liability by $33.60, the average market price of the Company's stock over a 30-day period prior to the settlement.

The aggregate projected benefit obligation and aggregate fair value of plan assets for pension plans with obligations in excess of plan assets were $17,200 and $8,700, respectively, as of December 31, 2000, and $15,800 and $9,300, respectively, as of December 31, 1999. Weighted average assumptions as of December 31 follow:

	Pension benefits		Other retirement benefits	
	2000	1999	**2000**	1999
Discount rate	**7.6%**	7.8%	**7.8%**	8.0%
Rate of compensation increase	**5.2%**	5.3%	**–**	–
Long-term rate of return on assets	**9.1%**	9.1%	**–**	–

The assumed healthcare cost trend used is 7.5% for all participants in 2000, decreasing to 5.5% by 2006. Increasing or decreasing the assumed trend rate for healthcare costs by one percentage point would result in a $500 increase and decrease, respectively, in the accumulated benefit obligation. The related change in the aggregate service and interest cost components of the 2000 plan expense is a $100 increase and 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 under certain circumstances or 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. Total expense of $1,300, $1,300 and $1,200 was incurred for Company contributions in 2000, 1999 and 1998, respectively.

Capital Stock

Purchases (sales) of common stock held in treasury during the three years ended December 31, 2000, are as follows:

	2000	1999	1998
Shares held, January 1	**2,501,400**	2,139,500	277,200
Purchases	**402,100**	530,800	2,026,300
Stock option exercises	**(48,700)**	(168,900)	(164,000)
Shares held, December 31	**2,854,800**	2,501,400	2,139,500

In March 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 402,100 shares in 2000 at an average price of $26.77 per share. In 1999, the Company acquired 530,800 shares at an average price of $34.10 per share. Cumulative purchases under the plan total 932,900 shares.

In October 1998, the Company purchased 2,000,000 shares of its common stock in a Dutch Auction self-tender at a price of $30.00 per share.

In 1992, the Company made an offering under 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 offer has been extended to December 31, 2001. An employee's purchases are limited annually to 10% of base compensation. Shares are purchased in the open market, or treasury shares are used.

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, 2000, 520,000 shares of common stock are 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:

	2000	1999	1998
Options outstanding, January 1	**1,059,600**	1,220,600	1,285,200
Granted	**820,000**	151,500	132,500
Exercised	**(47,800)**	(232,700)	(144,100)
Forfeited	**(164,800)**	(79,800)	(53,000)
Options outstanding, December 31	**1,667,000**	1,059,600	1,220,600
Options exercisable, December 31	**751,300**	636,300	594,200
Weighted Exercise Price	**2000**	1999	1998
Options outstanding, January 1	**$29.15**	$28.08	$27.23
Granted	**25.98**	33.26	30.46
Exercised	**24.56**	24.09	22.32
Forfeited	**28.32**	28.90	28.84
Options outstanding, December 31	**$27.86**	$29.15	$28.08
Options exercisable, December 31	**$29.41**	$28.09	$27.67

The range of exercise prices at December 31, 2000, is $21.53 to $38.84 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 use 25% of their cash bonus, after certain adjustments for taxes payable, to purchase common stock of the Company at current fair market value. Bonus participants are given a restricted stock award equal to one share for each four shares of common stock purchased with bonus awards. These 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 awards were granted for 4,500 shares in 2000, 3,600 shares in 1999 and 3,800 shares in 1998. Restricted stock forfeitures of 1,500

shares, 3,900 shares and 300 shares occurred in 2000, 1999 and 1998, respectively. Compensation expense is being recognized over the vesting period based on the fair market value of common stock on the award date: $26.06 per share in 2000, $32.81 per share in 1999 and $31.47 per share in 1998.

In 1999, the Company replaced its previously existing non-qualified stock option plan for non-employee directors. The new plan established 125,000 shares available for future grants to plan participants. Options granted under the new plan vest over a three-year period; 45,000 options were granted under the new plan in 1999. At December 31, 2000, 80,000 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; 34,500 options granted under the former plan remain outstanding at December 31, 2000. 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:

	2000	1999	1998
Options outstanding, January 1	**96,000**	66,500	63,500
Granted	**–**	45,000	15,000
Exercised	**(3,000)**	(15,500)	(12,000)
Forfeited	**(13,500)**	–	–
Options outstanding, December 31	**79,500**	96,000	66,500
Options exercisable, December 31	**49,500**	51,000	51,500
Weighted Average Exercise Price	**2000**	1999	1998
Options outstanding, January 1	**$30.04**	$26.97	$25.49
Granted	**–**	32.84	30.72
Exercised	**22.69**	25.25	23.81
Forfeited	**28.25**	–	–
Options outstanding, December 31	**$30.62**	$30.04	$26.97
Options exercisable, December 31	**$29.27**	$27.57	$25.88

The range of exercise prices at December 31, 2000, is $22.69 to $32.84 per share.

Stock options outstanding under all plans totaled 1,746,500 at December 31, 2000. The weighted average remaining contractual life at December 31, 2000, for all plans is 6.1 years. In 2000, 1,677,000 stock options were excluded from the computation of diluted earnings per share because of their antidilutive effect.

The Company has elected to measure compensation cost using the intrinsic value method of accounting. Accordingly, no compensation cost has been recognized related to stock option and stock purchase plans because grants are at 100% of fair market value on the grant date. If the fair-value based method of accounting had been applied to stock option grants in the most recent three years, the Company's net income and basic net income per share would have been reduced as summarized below:

	2000	1999	1998
Net income:			
As reported	**$ 1,600**	$ 38,700	$ 6,700
Pro forma	**$ 500**	$ 37,800	$ 5,700
Net income per share:			
As reported	**$ .11**	$ 2.59	$ .41
Pro forma	**$ .03**	$ 2.53	$ .35

The following assumptions were used to compute the fair value of the option grants in 2000, 1999 and 1998 using the Black-Scholes option-pricing model: a risk-free interest rate of 6.0%, 6.5% and 5.75%, respectively; stock volatility of 23.2%, 20.2% and 22.4%, respectively; and dividend yields of 2.8%, 2.2% and 2.0%, respectively. Expected lives averaged 6 years for options granted in 2000 and 3 years for options granted in 1999 and 1998 under the key management employee plan. Expected lives of 5 years were used for 1999 option grants and 2 years for 1998 grants under the directors' plans.

Commitments and Contingencies

At December 31, 2000, the Company was obligated under various operating lease agreements with terms ranging from one month to 20 years. Rental expense in 2000, 1999 and 1998 was $8,600, $8,400 and $7,600, respectively. Minimum rentals for noncancelable operating leases with initial or remaining terms in excess of one year are: 2001–$9,600; 2002–$10,000; 2003–$10,200; 2004–$9,900; 2005–$8,700 and thereafter $35,000. Minimum operating lease payments have been reduced by related minimum sublease income.

At December 31, 2000, outstanding unconditional contractual commitments for the purchase of software, equipment and raw materials amounted to $6,600, all of which is due to be paid in 2001.

The Company has accrued the estimated cost of environmental compliance expenses related to soil or groundwater contamination at current and former manufacturing facilities. The ultimate cost to be incurred by the Company and the timing of such payments cannot be fully determined. However, based on consultants' estimates of the costs of remediation in accordance with applicable regulatory requirements, the Company believes the accrued liability of $1,500 at December 31, 2000, is sufficient to cover the future costs of these remedial actions, which are expected to be carried out over an extended period. The Company has not anticipated any possible recovery from insurance or other sources.

Segment Information

West Pharmaceutical Services, Inc. serves the healthcare and consumer products industries through design, manufacture and sales of stoppers, closures, medical device components and assemblies made from elastomers, metal and plastics. This segment is referred to as Device Product Development and it consists of four regional business units that manufacture and sell these products to customers mainly in their respective regions. The Company also provides contract services to healthcare and consumer companies consisting of manufacture and/or packaging of drugs and personal care items, clinical services and laboratory testing. This segment is referred to as Contract Services and consists of three business units. Finally, the Company is engaged in research and development of drug delivery systems for biopharmaceutical and other drugs to improve their therapeutic performance and/or the method of administration. This segment, consisting of two business units, is referred to as Drug Delivery Research and Development.

The Company's executive management evaluates performance of these segments based on operating profit, and allocates resources to them based on an assessment of market growth and profitability potential. Operating profit is income before interest expense, income taxes, minority interests and equity in affiliates. Corporate expenses, including global functional management costs and unusual items (restructuring charges and the 1998 acquired in-process research and development charge) are not allocated to segments. The accounting policies of the segments are the same as those reported in the Summary of Significant Accounting Policies on page 16. Total net sales generated from the Device Product Development segment include sales to one customer of approximately $55,200, $54,600 and $53,200 in 2000, 1999 and 1998, respectively.

Summarized financial information concerning the Company's segments is shown in the following table. The consolidated total of operating profit corresponds to operating profit in the accompanying Consolidated Statements of Income.

	Device product development	Contract services	Drug delivery research and development	Corporate and unallocated items	Consolidated total
2000					
Net sales	**$361,900**	**$ 66,700**	**$ 1,800**	**$ (300)**	**$430,100**
Interest income	**1,700**	**700**	**–**	**300**	**2,700**
Operating profit (loss)	**70,000**	**(12,000)**	**(9,000)**	**(33,800)**	**15,200**
Segment assets	**359,300**	**83,900**	**13,500**	**100,700**	**557,400**
Capital expenditures	**43,500**	**10,900**	**800**	**2,100**	**57,300**
Depreciation and amortization expense	**25,300**	**7,400**	**1,400**	**2,900**	**37,000**
1999					
Net sales	$384,000	$ 83,800	$ 1,300	$ –	$469,100
Interest income	1,200	300	–	1,000	2,500
Operating profit (loss)	93,400	4,300	(7,700)	(23,100)	66,900
Segment assets	354,000	105,000	12,500	80,300	551,800
Capital expenditures	34,100	7,200	800	4,100	46,200
Depreciation and amortization expense	26,500	5,700	1,300	2,200	35,700
1998					
Net sales	$365,600	$ 82,600	$ 1,500	$ –	$449,700
Interest income	1,600	100	–	1,000	2,700
Operating profit (loss)	83,800	9,700	(5,300)	(53,200)	35,000
Segment assets	339,800	80,500	13,400	74,400	508,100
Capital expenditures	31,500	6,700	1,400	2,200	41,800
Depreciation and amortization expense	24,000	4,400	1,300	2,600	32,300

The following table presents sales by country in which the legal subsidiary is domiciled and assets are located.

	Sales			Long-lived assets		
	2000	1999	1998	**2000**	1999	1998
United States	**$266,900**	$296,100	$282,300	**$149,900**	$ 143,400	$ 137,900
Germany	**37,200**	52,100	50,000	**26,900**	25,400	29,100
Other European countries	**92,300**	89,900	85,400	**50,200**	50,500	50,800
Other	**33,700**	31,000	32,000	**17,600**	16,800	17,300
	$430,100	$469,100	$449,700	**$244,600**	$ 236,100	$ 235,100

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, 2000, have been prepared in conformity with accounting principles generally accepted in the United States and that information presented in this Annual Report is consistent with those statements. In preparing the financial statements, management makes informed judgements 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 executed in accordance with management's authorization and recorded properly, 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 judgements are required to assess the relative cost and expected benefits of the controls. Management believes that 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.

William G. Little
Chairman and Chief Executive Officer

Anna Mae Papso
Corporate Vice President, Finance

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, comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of West Pharmaceutical Services, Inc. and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, 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.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 23, 2001

Ten-Year Summary

West Pharmaceutical Services, Inc. and Subsidiaries

(in thousands, except per share data)		2000	1999	1998
SUMMARY OF OPERATIONS				
Net sales	$	**430,100**	469,100	449,700
Operating profit (loss)	$	**15,200**	66,900	35,000
Income (loss) before income taxes and minority interests	$	**2,100**	56,500	27,800
Provision for income taxes	$	**1,500**	18,400	21,200
Minority interests	$	**200**	200	100
Income (loss) from consolidated operations	$	**400**	37,900	6,500
Equity in net income of affiliated companies	$	**1,200**	800	200
Income (loss) before change in accounting method	$	**1,600**	38,700	6,700
Income (loss) before change in accounting method per share:				
Basic (a)	$	**.11**	2.59	.41
Assuming dilution (b)	$	**.11**	2.57	.40
Average common shares outstanding		**14,407**	14,914	16,435
Average shares assuming dilution		**14,409**	15,048	16,504
Dividends paid per common share	$	**.69**	.65	.61
Research, development and engineering expenses	$	**19,200**	16,700	14,500
Capital expenditures	$	**57,300**	46,200	41,800
YEAR-END FINANCIAL POSITION				
Working capital	$	**93,800**	80,700	53,000
Total assets	$	**557,400**	551,800	508,100
Total invested capital:				
Total debt	$	**199,400**	171,100	141,100
Minority interests	$	**1,000**	800	600
Shareholders' equity	$	**204,800**	231,200	230,100
Total	$	**405,200**	403,100	371,800
PERFORMANCE MEASUREMENTS				
Gross margin (c)	%	**24.1**	30.8	30.1
Operating profitability (d)	%	**3.5**	14.3	7.8
Tax rate	%	**71.7**	32.5	76.1
Asset turnover ratio (e)		**.78**	.89	.91
Return on average shareholders' equity	%	**.7**	16.8	2.6
Total debt as a percentage of total invested capital	%	**49.2**	42.5	37.9
Shareholders' equity per share	$	**14.31**	15.77	15.31
Stock price range	$	**31.88-19.63**	40.44-30.88	35.69-25.75

(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 (loss) divided by net sales.

(e) Net sales divided by average total assets; 1993 asset turnover ratio is based on 12 months' sales for international subsidiaries.

2000 includes tax benefits totaling $.11 per share realized upon the favorable resolution of trade tax issues connected to the 1997 tax reorganization of the Company's German subsidiaries, and 2000 includes a net restructuring charge that reduced operating results by $1.08 per share.

1999 includes net tax benefits totaling $.15 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 1999 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 1998 includes for the first time the results of two companies acquired in 1998.

1997 includes the net tax benefit mainly from a German tax reorganization which increased net income per share by $.48.

1996 includes a restructuring charge that reduced operating results by $.91 per share.

1995 includes for the first time the net operating results of the contract manufacturing and packaging subsidiary from May 1.

1994 includes for the first time the results of two companies in which majority ownership was acquired in 1994.

1993 includes 13 months of operating results for international subsidiaries.

Beginning in 1992, the Company's ownership interest in glass manufacturing operating results is reported as equity in net income of affiliates. Prior to the 1992 sale of a majority interest in such operation, operating results were fully consolidated.

1991 includes a restructuring charge that reduced operating results by $1.37 per share.

1997	1996	1995	1994	1993	1992	1991
452,500	458,800	412,900	365,100	348,700	337,500	328,900
63,000	32,700	49,800	45,400	40,600	38,700	(1,600)
57,400	25,800	42,500	42,100	37,500	34,800	(7,700)
13,300	10,800	13,900	13,400	14,300	14,300	4,700
200	100	800	1,900	1,700	1,700	(2,400)
43,900	14,900	27,800	26,800	21,500	18,800	(10,000)
500	1,500	900	500	1,000	900	1,500
44,400	16,400	28,700	27,300	22,500	19,700	(8,500)
2.69	1.00	1.73	1.70	1.42	1.26	(.55)
2.68	.99	1.71	1.69	1.41	1.25	(.55)
16,475	16,418	16,557	16,054	15,838	15,641	15,527
16,572	16,500	16,718	16,215	16,010	15,776	15,527
.57	.53	.49	.45	.41	.40	.40
12,000	11,200	12,000	12,000	11,400	11,100	10,800
34,400	31,700	31,300	27,100	33,500	22,400	25,600
110,200	88,600	86,600	50,400	46,400	37,700	26,500
480,400	479,900	480,100	397,400	309,200	304,400	313,200
89,000	98,400	114,300	57,800	32,300	42,000	58,400
400	300	200	1,900	10,900	10,100	8,400
277,700	252,000	254,100	227,300	188,100	168,600	152,600
367,100	350,700	368,600	287,000	231,300	220,700	219,400
29.2	27.5	28.6	32.1	30.2	28.8	25.6
13.9	7.1	12.1	12.4	11.7	11.5	(.5)
23.2	41.8	32.8	31.8	38.2	41.1	61.7
.94	.96	.94	1.04	1.11	1.10	1.00
16.7	6.5	11.9	13.2	13.2	12.3	(8.9)
24.2	28.1	31.0	20.1	14.0	19.1	26.6
16.76	15.39	15.29	13.81	11.82	10.71	9.81
35.06-27.00	30.00-22.13	30.63-22.63	29.13-21.25	25.25-19.88	24.13-16.75	18.75-11.13

Directors and Officers

Board of Directors

Tenley E. Albright, M.D. [1, 5, 6]
Physician and Surgeon
Chairman, Western Resources, Inc.

John W. Conway [1, 4, 5]
Chairman of the Board, President
and Chief Executive Officer,
Crown Cork & Seal Company, Inc.

George W. Ebright [4, 5, 6]
Former Chairman of the Board and
Chief Executive Officer, Cytogen Corporation

L. Robert Johnson [1, 5, 6]
Managing General Partner, Founders Capital Partners, L.P.

William G. Little
Chairman of the Board and Chief Executive Officer

William H. Longfield [2, 3, 5]
Chairman of the Board and
Chief Executive Officer, C. R. Bard, Inc.

John P. Neafsey[2, 4, 5]
President, JN Associates

Monroe E. Trout, M.D. [2, 3, 5]
Chairman of the Board, Cytyc Corporation; Chairman
Emeritus, Former Chairman of the Board, President
and Chief Executive Officer, American Healthcare Systems

Anthony Welters [3, 5, 6]
Chairman of the Board, President
and Chief Executive Officer, AmeriChoice Corporation

J. Roffe Wike, II [3, 4, 5]
Retired Senior Partner, Cooke & Bieler, Inc.

Geoffrey F. Worden [1, 4, 5]
President, South Street Capital, Inc.

Honorary Director

Masamichi Sudo
President, Daikyo Seiko, Ltd.

Executive Officers

Joseph E. Abbott
Corporate Controller

George R. Bennyhoff
Senior Vice President, Human Resources and Public Affairs

Steven A. Ellers
Executive Vice President

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

Stephen M. Heumann
Vice President, Treasurer and Assistant Secretary

Lawrence P. Higgins
Vice President, Operations

Herbert L. Hugill
Division President, Sales and Contract Services

William G. Little
Chairman of the Board and Chief Executive Officer

Donald E. Morel, Jr., Ph.D.
Division President, Drug Delivery Systems

Anna Mae Papso
Corporate Vice President, Finance

Anthony A. Sinkula, Ph.D.
Vice President and Chief Scientific Officer

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 also has established the position of Chairman, Independent Directors, who will be responsible for conferring with the chief executive officer on board-related matters and for calling meetings of the independent directors as appropriate.

[1] Audit Committee
(L. Robert Johnson, Chairman)

[2] Compensation Committee
(William H. Longfield, Chairman)

[3] Nominating and Corporate
Governance Committee
(Monroe E. Trout, Chairman)

[4] Finance Committee
(John P. Neafsey, Chairman)

[5] Independent Directors
(Monroe E. Trout, Chairman)

[6] Technology Committee
(Tenley E. Albright, Chairwoman)

Market Information

Major Customers

Abbott Laboratories
American Home Products Corporation
American Pharmaceutical Partners
Amgen Inc.
AstraZeneca PLC
Aventis Pharma AG
B. Braun Medical AG
Baxter International Inc.
Bayer AG
BD
Bristol-Myers Squibb Company
Eli Lilly and Company
Fujisawa Healthcare, Inc.
Genentech, Inc.
Glaxo SmithKline
International Paper
Johnson & Johnson
Merck & Co., Inc.
Novartis
Novo Nordisk A/S
Otsuka Pharmaceutical Co., Ltd.
Pfizer, Inc.
Pharmacia Corporation
The Procter & Gamble Company
Roche Holding, Ltd.
Sankyo Co., Ltd.
Sanofi, S.A.
Schering-Plough Corporation
Takeda Chemical Industries Ltd.
Tyco International Ltd.
Warner-Lambert Company

Markets Served by West Customers

Pharmaceutical: products and services related to product development 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 related to contact lens packaging, intraocular lenses, contact lens care solutions; 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

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 2000

First Quarter:	34,511 shares
Second Quarter:	29,546 shares
Third Quarter:	22,898 shares
Fourth Quarter:	14,897 shares

Shareholders of Record

As of December 31, 2000: 1,780

Annual Meeting

Shareholders are cordially invited to attend the annual meeting at global headquarters in Lionville, Pennsylvania, on Tuesday, May 1, 2001, 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 leave a message on our website (www.westpharma.com).

Dividends

West Pharmaceutical Services has paid 121 consecutive quarterly common stock cash dividends since becoming a public company. Dividends are usually declared during the last month of each calendar quarter and are paid on the first Wednesday of February, May, August and November to shareholders of record. 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 Stephen M. Heumann, vice president, treasurer and assistant secretary, at global headquarters by calling (610) 594-3346 or via e-mail to Steve_Heumann@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 the West Pharmaceutical Services internet site at www.westpharma.com.

Quarterly Operating and Per Share Data (Unaudited)

(in thousands of dollars, except per share data)

Quarter ended	Net sales	Gross profit	Net income (loss)	Net income (loss) per share: Basic	Net income (loss) per share: Assuming dilution
March 31, 2000	**$108,700**	**$ 28,200**	**$ 5,100**	**$ .35**	**$ .35**
June 30, 2000	**113,600**	**28,200**	**5,000**	**.35**	**.35**
September 30, 2000(1)	**105,300**	**24,600**	**4,600**	**.32**	**.32**
December 31, 2000(2)	**102,500**	**22,400**	**(13,100)**	**(.91)**	**(.91)**
	$430,100	**$103,400**	**$ 1,600**	**$ .11**	**$ .11**
March 31, 1999	$114,200	$ 34,400	$ 9,500	$ .63	$ .63
June 30, 1999	124,400	39,800	10,400	.70	.69
September 30, 1999(3)	115,100	34,300	8,600	.58	.57
December 31, 1999(4)	115,400	35,800	10,200	.69	.68
	$469,100	$144,300	$ 38,700	$ 2.59	$ 2.57

(1) Third quarter 2000 results include a tax benefit realized upon the favorable resolution of trade tax issues connected to the 1997 reorganization of the Company's German subsidiaries.

(2) Fourth quarter 2000 results include a charge related to initiatives taken to streamline operations. See Note "Restructuring Charges."

(3) Third quarter 1999 results include the tax benefit realized on the favorable settlement of a prior years' tax claim.

(4) Fourth quarter 1999 results include the net tax benefit due mainly to a refund of foreign taxes triggered by a dividend from a foreign subsidiary, a charge related to the write-off of a plastic product line which had not gained market acceptance, and the reversal of a portion of a 1996 restructuring charge because of a change in the business plan. See Notes "Income Taxes" and "Restructuring Charges."

	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
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**
1999	36.69	31.81	31.88	39.38	31.81	39.25	40.44	37.63	37.94	38.25	30.88	30.94	40.44	30.88	30.94
1998	32.25	28.94	30.13	33.13	28.13	28.31	30.38	25.75	28.75	35.69	27.75	35.69	35.69	25.75	35.69

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

Dividends Paid Per Share	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2000	**$.17**	**$.17**	**$.17**	**$.18**	**$.69**
1999	.16	.16	.16	.17	.65
1998	.15	.15	.15	.16	.61

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
Mumbai [1]

Italy
Milan [1]

Japan
Tokyo [1]
Tokyo* [2,4]

Korea
Seoul [1]

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

Serbia-Montenegro
Beograd* [1]
Kovin* [2]

Singapore
Jurong [1,2]

Spain
Madrid [1]

Thailand
Bangkrui Nonthaburi [1]

United States
California
Carlsbad [1]
San Francisco [1]
Valley Center [1]

Florida
Clearwater [2]
St. Petersburg [2]

Illinois
Mount Prospect [1]

Indiana
Evansville [5]
Indianapolis [5]

Missouri
St. Louis [1]

Nebraska
Kearney [1,2]

New Hampshire
Peterborough [1]

New Jersey
Lakewood [1,2,4]

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*
* *Unconsolidated, Affiliated Company*