

This report contains 12 pages  
(including cover page)

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For The Quarterly Period Ended June 30, 1994

Commission File Number 0-5884

THE WEST COMPANY, INCORPORATED

(Exact name of registrant as specified in its charter)

Pennsylvania

23-1210010

(State or other jurisdiction  
of incorporation or organization)

(I.R.S. Employer Identification  
Number)

101 Gordon Drive, PO Box 645, Lionville, PA

1934100645

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code 215-594-2900

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during  
the preceding twelve months, and (2) has been subject to such filing  
requirements for the past 90 days. Yes  . No  .

June 30, 1994 - - - 16,015,990

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

Index

Form 10-Q for the  
Quarter Ended June 30, 1994

Page

Part I - Financial Information

Item 1. Financial Statements

Consolidated Statements of Income for the Three and Six Months ended June 30, 1994 and July 4, 1993 3  
 Condensed Consolidated Balance Sheets as of June 30, 1994 and December 31, 1993 4  
 Condensed Consolidated Statements of Cash Flows for the Six Months ended June 30, 1994 and July 4, 1993 5  
 Notes to Interim Financial Statements 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 8

Part II - Other Information

Item 1. Legal Proceedings 10  
 Item 4. Submission of Matters to a Vote of Security Holder 11  
 Item 6. Exhibits and Reports on Form 8-K 11

SIGNATURES 12

Item 1. Financial Statements  
 The West Company, Incorporated and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME  
 (in thousands, except per share data)

	Three Months Ended				Six Months Ended			
	June 30, 1994		July 4, 1993		June 30, 1994		July 4, 1993	
Net sales	\$ 91,500	100 %	\$ 87,100	100 %	\$ 178,600	100 %	\$ 174,000	100 %
Cost of goods sold	61,700	67	60,200	69	119,900	67	123,000	71
Gross profit	29,800	33	26,900	31	58,700	33	51,000	29
Selling, general and administrative expenses	16,900	18	15,800	18	32,400	18	30,700	18
Other expense (income), net	500	1	300	-	1,200	1	(700)	(1)
Operating profit	12,400	14	10,800	13	25,100	14	21,000	12
Interest expense	700	1	700	1	1,300	1	1,400	1
Income before income taxes and minority interests	11,700	13	10,100	12	23,800	13	19,600	11
Provision for income taxes	4,200	4	3,800	4	8,900	5	7,600	4
Minority interests	600	1	500	1	1,100	-	800	1
Income from consolidated operations	6,900	8 %	5,800	7 %	13,800	8 %	11,200	6 %
Equity in net income of affiliated companies	600		400		700		600	
Income before cumulative effect of change in accounting method	7,500		6,200		14,500		11,800	
Cumulative effect to January 1, 1993 of the change in accounting for income taxes	-		-		-		1,000	
Net income	\$ 7,500		\$ 6,200		\$ 14,500		\$ 12,800	
Net income per share:								
Income before cumulative effect of change in accounting method	\$ .47		\$ .39		\$ .91		\$ .75	
Cumulative effect of change in accounting method	-		-		-		.06	
	\$ .47		\$ .39		\$ .91		\$ .81	
Average shares outstanding	15,993		15,811		15,975		15,787	

The Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, in 1993.  
 See accompanying notes to financial statements.

The West Company, Incorporated and Subsidiaries

CONSOLIDATED BALANCE SHEETS  
 (in thousands, except per share data)

ASSETS	June 30, 1994	Dec. 31, 1993
Current assets:		
Cash, including equivalents	\$ 8,800	\$ 5,200

Accounts receivable	54,900	43,300
Inventories	38,100	34,500
Other current assets	13,800	10,200
Total current assets	115,600	93,200
Net property, plant and equipment	186,100	172,800
Investments in affiliated companies	19,000	17,800
Intangibles and other assets	31,000	23,600
Total Assets	\$ 351,700	\$ 307,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 11,500	\$ 5,400
Notes payable	9,400	2,300
Accounts payable	15,200	14,100
Other current liabilities	32,100	25,000
Total current liabilities	\$ 68,200	\$ 46,800
Long-term debt, excluding current portion	26,000	24,600
Deferred income taxes	20,200	18,400
Other long-term liabilities	19,800	18,600
Minority interests	13,700	10,900
Shareholders' equity	203,800	188,100
Total Liabilities and Shareholders' Equity	\$ 351,700	\$ 307,400
Shareholders' equity per share	\$ 12.72	\$ 11.82

See accompanying notes to financial statements.

## The West Company Incorporated and Subsidiaries

### CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Six Months Ended	
	June 30, 1994	July 4, 1993
Cash flows from operating activities:		
Net income, plus net non-cash items	\$ 26,700	\$ 26,300
Changes in assets and liabilities	(9,500)	(11,200)
Net cash provided by operating activities	17,200	15,100
Cash flows from investing activities:		
Property, plant and equipment acquired	(11,000)	(19,000)
Proceeds from sale of assets	800	6,200
Payments for acquisitions, net of cash acquired	(4,500)	-
Net cash used in investing activities	(14,700)	(12,800)
Cash flows from financing activities:		
New long-term debt	-	2,200
Repayment of long-term debt	(900)	(600)
Notes payable, net	3,800	(2,900)
Dividend payments	(3,500)	(3,200)
Sale of common stock, net	1,500	1,700
Net cash provided by (used in) financing activities	900	(2,800)
Effect of exchange rates on cash	200	0
Net increase (decrease) in cash, including equivalents	\$ 3,600	\$ (500)

See accompanying notes to financial statements.

The interim consolidated financial statements for the three and six month periods ended June 30, 1994 are based on the Company's accounts without audit and should be read in conjunction with the consolidated financial statements and notes thereto of The West Company, Incorporated appearing in the Company's 1993 Annual Report on Form 10-K.

1. Interim Period Accounting Policy  
-----

In the opinion of management, the unaudited Condensed Consolidated Balance Sheet as of June 30, 1994 and the related unaudited Consolidated Statement of Income for the three and six months periods then ended and the unaudited Condensed Consolidated Statement of Cash Flows for the six month period then ended and for the comparative periods in 1993 contain all adjustments, consisting only of normal recurring accruals, necessary to present fairly the financial position as of June 30, 1994 and the results of operations and cash flows for the respective periods. The results of operations for any interim period are not necessarily indicative of results for the full year.

In the fourth quarter of 1993, the Company standardized its reporting year end to December 31 thereby eliminating the one month lag for all international operations. Consequently the first six months of 1994, include the first six calendar months for all operations, but 1993 comparative information reflects the six months from December 1992 through May 1993 for all international subsidiaries.

Operating Expenses  
-----

Certain operating expenses have been annualized for interim reporting purposes.

Income Taxes  
-----

The tax rate used for interim periods is the estimated annual effective consolidated tax rate, based on current estimates of full year results, except that taxes applicable to operating results in Brazil are recorded on a basis discrete to the period and prior year adjustments, if any, are recorded as identified.

The West Company, Incorporated and Subsidiaries  
Notes to Interim Financial Statements  
(Continued)

2. Inventories at June 30, 1994 and December 31, 1993 are summarized as follows:

(in thousands)	1994	Audited 1993
	-----	-----
Finished goods	\$ 17,100	\$ 14,100
Work in process	5,400	4,700
Raw materials and supplies	15,600	15,700
	-----	-----
	\$ 38,100	\$ 34,500
	-----	-----

3. The carrying value of property, plant and equipment is determined as follows:

(in thousands)	1994	Audited 1993
----------------	------	-----------------

Property, plant and equipment	\$ 351,300	\$ 322,800
Less accumulated depreciation	165,200	150,000
Net property, plant and equipment	\$ 186,100	\$ 172,800

4. Common stock issued at June 30, 1994 was 16,844,735 shares, of which 828,745 shares were held in treasury. Dividends of \$.11 per common share were paid in each quarter of 1994.
5. The Company has accrued the estimated cost of environmental compliance expenses related to current and former manufacturing facilities. The ultimate cost to be incurred by the Company cannot be fully determined; however, based on information currently available, the Company believes the accrued liability is sufficient to cover the future costs of required remedial actions.

Management's Discussion and Analysis of Financial

Condition and Results of Operations.

Results of Operations for the Three and Six Months Ended

June 30, 1994 Versus the Comparable 1993 Periods.

Net Sales

Net sales for the quarter were \$4.4 million higher in 1994 versus the same period in 1993. Increased demand for products in U.S. consumer products markets and higher sales in Europe due in large part to the acquisition of a 51% interest in Schubert Seals A/S were the primary reasons for the improvement. These increases were offset in part by lower sales in Brazil because of reduced government demand there.

For the six months, net sales were \$4.6 million higher compared to the same period in 1993. The standardization of reporting periods in the fourth quarter of 1993 increased reported sales comparisons by \$2.8 million. In addition, sales to U.S. consumer products markets and machinery sales increased. Offsetting these increases were the absence of Tri/West Systems, Inc. sales (sold in the third quarter of 1993) and unfavorable exchange rate variances due to a stronger U.S. dollar.

Gross Profit

Gross profit for the second quarter of 1994 increased 11% compared to the same quarter in 1993. Margins improved significantly to 32.6% from 30.8% because of operating efficiencies and increased sales activity. Especially notable is the improvement in margins on consumer products sales in the U.S., which doubled.

For the six month period, gross profit was 15% higher in 1994 versus the same period in 1993. Again, as it was for the quarter, improved operating efficiencies in the U.S. contributed to the improvement. Also, the standardization of reporting periods for international operations accounted for \$2.0 million of the increase in gross profit comparisons.

Selling, general and administrative (SG&A) expenses increased by \$1.1 million, or 7%, in the second quarter of 1994 versus the same quarter in 1993. For the six months, SG&A expenses are up \$1.7 million, or 6%, in 1994 compared to 1993. Expenses for outside services, rental and other expenses related to the new headquarters facility and contributions increased 1994 spending. Reporting period standardization also contributed to the unfavorable variance. Part of these expenses were offset by cost savings because of staff reductions over the

last three years and favorable exchange rate variances.

Other expense for the quarter increased to \$0.5 million from \$0.3 million in 1993. For the first six months of 1994, other expense increased to \$1.2 million from \$0.7 million of other income in the comparable 1993 period. Continued high inflation in Brazil increased translation losses while interest income was lower. Also, other income for the six months 1993 included a gain from the sale of the Company's former headquarters and research center facilities.

#### Interest Expense and Minority Interests

Interest expense for the second quarter of 1994 was unchanged from the same period in 1993 and interest expense was lower by \$0.1 million for the six months 1994 compared to 1993. Lower average debt levels and a stronger U.S. dollar in Europe were the major causes.

Minority interests reflect higher earnings by the Company's majority-owned subsidiaries in Europe including 49% minority holding in Schubert Seals A/S, in which the Company acquired a 51% interest in May, 1994.

#### Taxes

The tax rate for the quarter was 35.4%. This reflects the reduction of the current estimate of the 1994 effective tax rate to 37.25% because of lower state tax liabilities. The effective tax rate at the end of the first six months 1993 was 39%, but was 38% at the end of 1993, due to the favorable settlement of an audit issue in the fourth quarter 1993.

#### Net Income

Net income for the second quarter of 1994 was \$7.5 million, or \$.47 per share, compared to net income for the second quarter of 1993 of \$6.2 million, or \$.39 per share. Net income for six months ended June 30, 1994 was \$14.5 million, or \$.91 per share, compared to net income of \$11.8 million, or \$.75 per share, (before the cumulative adjustment of deferred taxes to adopt Financial Accounting Standards No. 109 (SFAS 109), Accounting for Income Taxes) in the comparable period of 1993. The Company's adoption of SFAS 109 added \$1 million, or \$.06 per share, to the 1993 six months earnings.

#### Financial Position

Working capital at June 30, 1994 was \$47.4 million compared to \$46.4 million at December 31, 1993. The working capital ratio at June 30, 1994 was 1.69 to 1.

Cash on hand and cash flows from operations were adequate to fund the acquisition payments for Schubert Seals A/S and Senetics, and capital expenditures, and to repay long-term debt and pay dividends equal to \$.22 per share. Management believes the Company's current capitalization will provide sufficient cash to meet requirements in the near future. Total debt as a percentage of total invested capital was 17.4% at the end of June 30, 1994, compared to 14.0% at the end of December 31, 1993.

## Part II - Other Information

### Item 1. Legal Proceedings

#### A. Wayne, New Jersey

The Company is a party to an Administrative Consent Order with the New Jersey Department of Environmental Protection (DEP) under which the Company is required to submit and perform a cleanup plan for property formerly owned by the Company in Wayne, New Jersey. The DEP has approved the Company's plan which permits a

plastic waste-disposal area to be capped and to remain in place, subject to placing a use restriction on that portion of the property, and subject to the DEP's further determination of the extent to which groundwater monitoring will be required. The present owner of the property has thus far declined to provide the use restriction and the Company has initiated legal action against him to compel him to provide the use restriction. The DEP has not yet taken final action with respect to any further remedial steps such as ground water monitoring which may be required as part of the cleanup plan.

B. Vega Alta, Puerto Rico

Since 1987 the Company, along with several other major companies, has been considered by the Environmental Protection Agency to be potentially responsible for costs of an environmental clean-up of ground water contamination in an area which includes the site of one of the Company's existing plant locations in Puerto Rico. In this connection, EPA has issued two orders for corrective action work to clean up the ground water and the Company has been named a defendant in a cost recovery action brought by the United States in the United States District Court for the District of Puerto Rico against the Company and other potentially responsible parties.

As a result of these orders, the Company and two other potentially responsible parties have been engaged in the design and construction of a ground water recovery and treatment well (the Ponderosa Well) as the first part of an overall remedy at the site.

Effective June 30, 1993, the Company entered into an agreement with General Electric Company, UNISYS Corporation, Motorola Corporation and Harman Automotive, Inc. under which the Company has paid General Electric Company \$800,000 and General Electric and UNISYS Corporation have agreed to indemnify the Company against all future government claims relating to the contamination of the ground water by volatile organic compounds. As a part of this agreement, the Company has also obtained releases of cost recovery claims from all of the other parties to the agreement.

Under the terms of this agreement, the Company will continue to be responsible for any required clean up of the soils at its facilities in Puerto Rico and for any future toxic tort or natural resource damage claims which may arise from the contamination of the ground water. The indemnity includes protection against any possible claim by the Puerto Rico Aqueduct and Sewer Authority, which once indicated that it might assert a claim against the potentially responsible parties for the cost of its development of other wellfields to replace the water formerly supplied by the contaminated aquifer.

Pursuant to the terms of this Agreement, the Company has stipulated with the United States that it is a liable party.

As a result of this agreement, the Company will avoid the costs of participation in the existing litigation and any further contribution to the cost of remedying the contaminated ground water at this site.

See note number 5 of Notes to Interim Financial Statements beginning on page 6 of this report.

Item 4. Submission of Matters to a Vote of Security Holders

- (a) The Company held its annual meeting of shareholders on May 3, 1994.
- (c) The following nominees were elected Class I directors (with a term expiring in 1997) by the following vote:

	FOR	WITHHELD	BROKER NON-VOTES	ABSTENTIONS
	-----	-----	-----	-----
W. J. Avery	12,363,058	104,000	0	N/A

G. J. Hauptfuhrer, Jr.	12,363,058	104,400	0	N/A
W. G. Little	12,362,858	104,600	0	N/A
M. E. Trout	12,363,058	104,400	0	N/A

The appointment of Coopers & Lybrand as the Company's independent accounts for the year ending December 31, 1994 was approved by the following vote:

FOR	WITHHELD	BROKER NON-VOTES	ABSTENTIONS
---	-----	-----	-----
12,376,747	79,399	6,126	5,183

Item 6. Exhibits and Reports on Form 8-K

- 
- (a) None
  - (b) No reports on Form 8-K have been filed for the three months ended June 30, 1994.

SIGNATURES

-----

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

THE WEST COMPANY, INCORPORATED

-----

(Registrant)

August 11, 1994

/s/ R. J. Land

-----  
(Date)

-----  
(Signature)

R. J. Land  
Sr. Vice President, Finance and  
Chief Financial Officer

August 11, 1994

/s/ A. M. Papso

-----  
(Date)

-----  
(Signature)

A. M. Papso  
Vice President and Corporate  
Controller  
(Chief Accounting Officer)