

APTARGROUP INC
Form 10-Q
August 03, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-1004

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, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-11846

AptarGroup, Inc.

DELAWARE
(State of Incorporation)

36-3853103
(I.R.S. Employer Identification No.)

475 WEST TERRA COTTA AVENUE, SUITE E, CRYSTAL LAKE, ILLINOIS 60014

Edgar Filing: APTARGROUP INC - Form 10-Q

815-477-0424

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

| Class | Outstanding at July 25, 2011 |
|---|------------------------------|
| Common Stock, \$.01 par value per share | 66,775,833 shares |

Table of Contents

AptarGroup, Inc.

Form 10-Q

Quarter Ended June 30, 2011

INDEX

| | | |
|-----------------|---|----|
| <u>Part I.</u> | <u>FINANCIAL INFORMATION</u> | |
| <u>Item 1.</u> | <u>Financial Statements (Unaudited)</u> | |
| | <u>Condensed Consolidated Statements of Income - Three and Six Months Ended June 30, 2011 and 2010</u> | 1 |
| | <u>Condensed Consolidated Balance Sheets - June 30, 2011 and December 31, 2010</u> | 2 |
| | <u>Condensed Consolidated Statements of Changes in Equity - Six Months Ended June 30, 2011 and 2010</u> | 4 |
| | <u>Condensed Consolidated Statements of Cash Flows - Six Months Ended June 30, 2011 and 2010</u> | 5 |
| | <u>Notes to Condensed Consolidated Financial Statements</u> | 6 |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 15 |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures about Market Risk</u> | 21 |
| <u>Item 4.</u> | <u>Controls and Procedures</u> | 21 |
| <u>Part II.</u> | <u>OTHER INFORMATION</u> | |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 22 |
| <u>Item 6.</u> | <u>Exhibits</u> | 22 |
| | <u>Signature</u> | 23 |

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

AptarGroup, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

In thousands, except per share amounts

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------------|---------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net Sales | \$ 614,929 | \$ 522,923 | \$ 1,191,447 | \$ 1,028,392 |
| Operating Expenses: | | | | |
| Cost of sales (exclusive of depreciation shown below) | 409,481 | 345,175 | 792,151 | 676,331 |
| Selling, research & development and administrative | 90,290 | 71,213 | 180,769 | 149,909 |
| Depreciation and amortization | 34,914 | 32,483 | 68,519 | 66,474 |
| | 534,685 | 448,871 | 1,041,439 | 892,714 |
| Operating Income | 80,244 | 74,052 | 150,008 | 135,678 |
| Other Income (Expense): | | | | |
| Interest expense | (4,607) | (3,631) | (9,227) | (7,103) |
| Interest income | 1,544 | 508 | 3,096 | 1,274 |
| Miscellaneous, net | (285) | (1,139) | (706) | (2,141) |
| | (3,348) | (4,262) | (6,837) | (7,970) |
| Income before Income Taxes | 76,896 | 69,790 | 143,171 | 127,708 |
| Provision for Income Taxes | 25,609 | 23,031 | 47,416 | 41,854 |
| Net Income | \$ 51,287 | \$ 46,759 | \$ 95,755 | \$ 85,854 |
| Net Loss/(Income) Attributable to Noncontrolling Interests | \$ 2 | \$ (64) | \$ 11 | \$ (137) |
| Net Income Attributable to AptarGroup, Inc. | \$ 51,289 | \$ 46,695 | \$ 95,766 | \$ 85,717 |
| Net Income Attributable to AptarGroup, Inc. per Common Share: | | | | |
| Basic | \$ 0.77 | \$ 0.69 | \$ 1.43 | \$ 1.27 |
| Diluted | \$ 0.74 | \$ 0.67 | \$ 1.37 | \$ 1.22 |
| Average Number of Shares Outstanding: | | | | |
| Basic | 66,939 | 67,630 | 66,933 | 67,603 |
| Diluted | 69,438 | 69,682 | 69,902 | 70,070 |
| Dividends per Common Share | \$ 0.18 | \$ 0.15 | \$ 0.36 | \$ 0.30 |

Edgar Filing: APTARGROUP INC - Form 10-Q

See accompanying unaudited notes to condensed consolidated financial statements.

Table of Contents**AptarGroup, Inc.**

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

| | June 30, 2011 | December 31, 2010 |
|--|---------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash and equivalents | \$ 341,324 | \$ 376,427 |
| Accounts and notes receivable, less allowance for doubtful accounts of \$8,767 in 2011 and \$8,560 in 2010 | 455,088 | 357,110 |
| Inventories, net | 325,745 | 272,255 |
| Prepaid and other | 82,853 | 58,191 |
| | 1,205,010 | 1,063,983 |
| Property, Plant and Equipment: | | |
| Buildings and improvements | 354,969 | 316,415 |
| Machinery and equipment | 1,767,783 | 1,621,475 |
| | 2,122,752 | 1,937,890 |
| Less: Accumulated depreciation | (1,358,481) | (1,231,557) |
| | 764,271 | 706,333 |
| Land | 22,446 | 18,651 |
| | 786,717 | 724,984 |
| Other Assets: | | |
| Investments in affiliates | 925 | 853 |
| Goodwill | 237,777 | 227,029 |
| Intangible assets, net | 3,851 | 5,242 |
| Miscellaneous | 11,402 | 10,627 |
| | 253,955 | 243,751 |
| Total Assets | \$ 2,245,682 | \$ 2,032,718 |

See accompanying unaudited notes to condensed consolidated financial statements.

Table of Contents**AptarGroup, Inc.**

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

| | June 30, 2011 | December 31, 2010 |
|---|---------------------|----------------------|
| Liabilities and Stockholders Equity | | |
| Current Liabilities: | | |
| Notes payable | \$ 101,571 | \$ 45,440 |
| Current maturities of long-term obligations | 4,736 | 50,126 |
| Accounts payable and accrued liabilities | 372,305 | 327,756 |
| | 478,612 | 423,322 |
| Long-Term Obligations | 257,036 | 258,773 |
| Deferred Liabilities and Other: | | |
| Deferred income taxes | 21,522 | 22,134 |
| Retirement and deferred compensation plans | 33,497 | 39,362 |
| Deferred and other non-current liabilities | 9,573 | 9,353 |
| Commitments and contingencies | | |
| | 64,592 | 70,849 |
| Stockholders Equity: | | |
| AptarGroup, Inc. stockholders equity | | |
| Preferred stock, \$.01 par value, 1 million shares authorized, none outstanding | | |
| Common stock, \$.01 par value, 199 million shares authorized; 82.4 and 81.8 million shares issued as of June 30, 2011 and December 31, 2010, respectively | 823 | 817 |
| Capital in excess of par value | 346,368 | 318,346 |
| Retained earnings | 1,350,679 | 1,279,013 |
| Accumulated other comprehensive income | 230,593 | 123,766 |
| Less treasury stock at cost, 15.7 and 15.0 million shares as of June 30, 2011 and December 31, 2010, respectively | (483,844) | (443,019) |
| Total AptarGroup, Inc. Stockholders Equity | 1,444,619 | 1,278,923 |
| Noncontrolling interests in subsidiaries | 823 | 851 |
| Total Stockholders Equity | 1,445,442 | 1,279,774 |
| Total Liabilities and Stockholders Equity | \$ 2,245,682 | \$ 2,032,718 |

See accompanying unaudited notes to condensed consolidated financial statements.

Table of Contents**AptarGroup, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

In thousands, except per share amounts

| | AptarGroup, Inc. Stockholders Equity | | | | | | | | | | | |
|---|--------------------------------------|-----------|---------------------------------------|---------------------------------|-------------------|--------------------------------------|---------------------------------|---------|----|-----|----|-----------|
| | Comprehensive | Retained | Accumulated Other Comprehensive | Common Stock Par Value | Treasury Stock | Capital in Excess of Par Value | Non- Controlling Interest | Total | | | | |
| | Income | Earnings | Income/(Loss) | | | | | Equity | | | | |
| Balance | | | | | | | | | | | | |
| December 31, 2009: | \$ | 1,150,017 | \$ | 186,099 | \$ | (356,548) | \$ | 272,471 | \$ | 791 | \$ | 1,253,636 |
| Net income | \$ | 85,854 | | 85,717 | | | | 137 | | | | 85,854 |
| Foreign currency translation adjustments | | (160,171) | | (160,175) | | | | 4 | | | | (160,171) |
| Changes in unrecognized pension gains/losses and related amortization, net of tax | | 389 | | 389 | | | | | | | | 389 |
| Changes in treasury locks, net of tax | | 41 | | 41 | | | | | | | | 41 |
| Net gain on derivatives, net of tax | | 7 | | 7 | | | | | | | | 7 |
| Comprehensive loss | \$ | (73,880) | | | | | | | | | | |
| Stock option exercises & restricted stock vestings | | | | | 8 | | 28,127 | | | | | 28,135 |
| Cash dividends declared on common stock | | | | (20,288) | | | | | | | | (20,288) |
| Treasury stock purchased | | | | | | (32,962) | | | | | | (32,962) |
| Balance June 30, 2010: | \$ | 1,215,446 | \$ | 26,361 | \$ | (389,510) | \$ | 300,598 | \$ | 932 | \$ | 1,154,641 |
| Balance | | | | | | | | | | | | |
| December 31, 2010: | \$ | 1,279,013 | \$ | 123,766 | \$ | (443,019) | \$ | 318,346 | \$ | 851 | \$ | 1,279,774 |
| Net income | \$ | 95,755 | | 95,766 | | | | (11) | | | | 95,755 |
| Foreign currency translation adjustments | | 106,004 | | 105,994 | | | | 10 | | | | 106,004 |
| Changes in unrecognized pension gains/losses and related amortization, net of tax | | 784 | | 784 | | | | | | | | 784 |
| Changes in treasury locks, net of tax | | 43 | | 43 | | | | | | | | 43 |

Edgar Filing: APTARGROUP INC - Form 10-Q

| | | | |
|--|---------------------|-------------------|---|
| Net gain on derivatives, net of tax | 6 | 6 | 6 |
| Comprehensive income | \$ 202,592 | | |
| Stock option exercises & restricted stock vestings | | 6 | 1 28,022 28,029 |
| Cash dividends declared on common stock | (24,100) | | (24,100) |
| Non-Controlling interest distribution | | | (27) (27) |
| Treasury stock purchased | | | (40,826) (40,826) |
| Balance June 30, 2011: | \$ 1,350,679 | \$ 230,593 | \$ 823 \$ (483,844) \$ 346,368 \$ 823 \$ 1,445,442 |

See accompanying unaudited notes to consolidated financial statement.

Table of Contents**AptarGroup, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

In thousands, brackets denote cash outflows

| Six Months Ended June 30, | 2011 | 2010 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Net income | \$ 95,755 | \$ 85,854 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Depreciation | 66,780 | 64,640 |
| Amortization | 1,739 | 1,834 |
| Stock option based compensation | 9,414 | 8,198 |
| Provision for bad debts | 634 | 45 |
| Deferred income taxes | (3,528) | (5,099) |
| Retirement and deferred compensation plan expense | 5,721 | 5,415 |
| Changes in balance sheet items, excluding effects from foreign currency adjustments: | | |
| Accounts receivable | (57,820) | (74,621) |
| Inventories | (34,888) | (29,196) |
| Prepaid and other current assets | (22,987) | (5,343) |
| Accounts payable and accrued liabilities | 16,551 | 84,567 |
| Income taxes payable | 2,447 | 15,784 |
| Retirement and deferred compensation plans | (15,823) | (10,669) |
| Other changes, net | 1,512 | (8,587) |
| Net Cash Provided by Operations | 65,507 | 132,822 |
| Cash Flows from Investing Activities: | | |
| Capital expenditures | (78,943) | (59,824) |
| Disposition of property and equipment | 2,529 | 521 |
| Intangible assets acquired | | (76) |
| Acquisition of business net of cash acquired | | (3,014) |
| Notes receivable, net | 54 | (24) |
| Net Cash Used by Investing Activities | (76,360) | (62,417) |
| Cash Flows from Financing Activities: | | |
| Proceeds/(Repayments) from notes payable | 47,423 | (19,880) |
| Repayments of long-term obligations | (48,360) | (24,158) |
| Dividends paid | (24,100) | (20,288) |
| Proceeds from stock option exercises | 13,858 | 17,366 |
| Purchase of treasury stock | (40,826) | (32,962) |
| Excess tax benefit from exercise of stock options | 4,346 | 2,272 |
| Net Cash Used by Financing Activities | (47,659) | (77,650) |
| Effect of Exchange Rate Changes on Cash | 23,409 | (78,451) |
| Net Decrease in Cash and Equivalents | (35,103) | (85,696) |
| Cash and Equivalents at Beginning of Period | 376,427 | 332,964 |
| Cash and Equivalents at End of Period | \$ 341,324 | \$ 247,268 |

See accompanying unaudited notes to condensed consolidated financial statements.

Table of Contents

AptarGroup, Inc.

Notes to Condensed Consolidated Financial Statements

(Amounts in Thousands, Except per Share Amounts, or Otherwise Indicated)

(Unaudited)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of AptarGroup, Inc. and its subsidiaries. The terms AptarGroup or Company as used herein refer to AptarGroup, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of consolidated financial position, results of operations, changes in equity and cash flows for the interim periods presented. The accompanying unaudited condensed consolidated financial statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. Accordingly, these unaudited condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. The results of operations of any interim period are not necessarily indicative of the results that may be expected for the year.

As previously discussed in the AptarGroup Form 10-Q for the quarterly period ended March 31, 2011, the Company revised certain foreign currency cash flow effects that should not have been reported within cash flows from operating activities on the Consolidated Statements of Cash Flows. Accordingly, the Company changed the classification of these foreign currency effects to appropriately reflect such amounts within effect of exchange rate changes on cash within the Condensed Consolidated Statements of Cash Flows and are revising our Statement of Cash Flows for the six months ended June 30, 2010 presented herein.

Effective at the beginning of fiscal year 2011, AptarGroup s new organizational structure consists of three market-focused lines of business which are Beauty + Home, Pharma and Food + Beverage. This new structure is a strategic step to become more closely aligned with our customers and the markets in which they operate. Prior period information has been conformed to the new reporting structure.

ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates to the FASB s Accounting Standards Codification.

In October 2009, the FASB issued an update to existing guidance on revenue recognition for arrangements with multiple deliverables. This update will allow companies to allocate consideration received for qualified separate deliverables using estimated selling price for both delivered and undelivered items when vendor-specific objective evidence or third-party evidence is unavailable. Additional disclosures discussing the nature of multiple element arrangements, the types of deliverables under the arrangements, the general timing of their delivery, and significant factors and estimates used to determine estimated selling prices are required. The standard is effective for fiscal years beginning on or after June 15, 2010. The adoption of this standard had no impact on the Consolidated Financial Statements.

In January 2010, the FASB issued new guidelines and clarifications for improving disclosures about fair value measurements. This guidance requires disclosure of details of significant transfers in and out of Level 1 and Level 2 fair value measurements. The guidance also clarifies the existing disclosure requirements for the level of disaggregation of fair value measurements and the disclosures on inputs and valuation techniques.

Edgar Filing: APTARGROUP INC - Form 10-Q

The Company adopted these provisions effective January 1, 2010. The adoption did not have any impact on our consolidated financial statements. In addition, the guidance also requires the presentation of purchases, sales, issuances and settlements within Level 3 on a gross basis rather than a net basis. We adopted this additional guidance pertaining to Level 3 fair value measurements effective January 1, 2011. The adoption of this guidance did not have any impact on our financial statements as it contains only disclosure requirements.

INCOME TAXES

The Company computes taxes on income in accordance with the tax rules and regulations of the many taxing authorities where the income is earned. The income tax rates imposed by these taxing authorities may vary substantially. Taxable income may differ from pretax income for financial accounting purposes. To the extent that these differences create differences between the tax basis of an asset or liability and its reported amount in the financial statements, an appropriate provision for deferred income taxes is made.

In its determination of which foreign earnings are permanently reinvested in foreign operations, the Company considers numerous factors, including the financial requirements of the U.S. parent company and those of its foreign subsidiaries, the U.S. funding needs for dividend payments and stock repurchases, and the tax consequences of remitting earnings to the U.S. From this analysis, current year repatriation decisions are made in an attempt to provide a proper mix of debt and shareholder capital both within the U.S. and for non-U.S. operations. The Company's policy is to permanently reinvest its accumulated foreign earnings and only will make a distribution out of current year earnings to meet the cash needs at the parent company. As such, the company does not provide taxes on earnings that are deemed to be permanently reinvested. The effective tax rate for 2011 includes the estimated tax cost of repatriating \$93 million of current year earnings, of which approximately \$81 million was repatriated in the second quarter of 2011.

The Company provides a liability for the amount of tax benefits realized from uncertain tax positions. This liability is provided whenever the Company determines that a tax benefit will not meet a more-likely-than-not threshold for recognition. See Note 12 for more information.

Table of ContentsNOTE 2 - INVENTORIES

At June 30, 2011 and December 31, 2010, approximately 18% and 20%, respectively, of the total inventories are accounted for by using the LIFO method. Inventories, by component and net of reserves, consisted of:

| | June 30, 2011 | December 31, 2010 |
|-------------------|------------------|----------------------|
| Raw materials | \$ 124,387 | \$ 106,870 |
| Work in progress | 83,906 | 67,591 |
| Finished goods | 123,437 | 102,423 |
| Total | 331,730 | 276,884 |
| Less LIFO Reserve | (5,985) | (4,629) |
| Total | \$ 325,745 | \$ 272,255 |

NOTE 3 - GOODWILL AND OTHER INTANGIBLE ASSETS

As previously discussed in Note 1, we have changed our segments to align with our new organization structure. Upon this change, we reassigned our goodwill based on relative fair value to our reporting units. This reassignment is reflected in the below table in our gross opening goodwill balance.

The changes in the carrying amount of goodwill since the year ended December 31, 2010 are as follows by reporting segment:

| | Beauty + Home | Pharma | Food + Beverage | Corporate and Other | Total |
|-----------------------------------|------------------|-----------|--------------------|------------------------|------------|
| Goodwill | \$ 171,515 | \$ 37,678 | \$ 17,836 | \$ 1,615 | \$ 228,644 |
| Accumulated impairment losses | | | | (1,615) | (1,615) |
| Balance as of December 31, 2010 | \$ 171,515 | \$ 37,678 | \$ 17,836 | \$ | \$ 227,029 |
| Foreign currency exchange effects | 6,894 | 3,265 | 589 | | 10,748 |
| Goodwill | \$ 178,409 | \$ 40,943 | \$ 18,425 | \$ | \$ 237,777 |
| Accumulated impairment losses | | | | | |
| Balance as of June 30, 2011 | \$ 178,409 | \$ 40,943 | \$ 18,425 | \$ | \$ 237,777 |

The table below shows a summary of intangible assets as of June 30, 2011 and December 31, 2010.

Edgar Filing: APTARGROUP INC - Form 10-Q

| | Weighted Average Amortization Period (Years) | June 30, 2011 | | | December 31, 2010 | | |
|-------------------------------------|--|-----------------------------|-----------------------------|--------------|-----------------------------|-----------------------------|--------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net Value | Gross Carrying Amount | Accumulated Amortization | Net Value |
| Amortized intangible assets: | | | | | | | |
| Patents | 12 | \$ 23,043 | \$ (21,002) | \$ 2,041 | \$ 18,489 | \$ (16,008) | \$ 2,481 |
| License agreements and other | 4 | 22,797 | (20,987) | 1,810 | 25,345 | (22,584) | 2,761 |
| Total intangible assets | 8 | \$ 45,840 | \$ (41,989) | \$ 3,851 | \$ 43,834 | \$ (38,592) | \$ 5,242 |

Aggregate amortization expense for the intangible assets above for the quarters ended June 30, 2011 and 2010 was \$1,034 and \$921, respectively. Aggregate amortization expense for the intangible assets above for the six months ended June 30, 2011 and 2010 was \$1,739 and \$1,834, respectively.

Future estimated amortization expense for the years ending December 31 is as follows:

| | | |
|------|--------|---|
| 2011 | \$ 448 | (remaining estimated amortization for 2011) |
| 2012 | 649 | |
| 2013 | 631 | |
| 2014 | 799 | |
| 2015 | 290 | |

Future amortization expense may fluctuate depending on changes in foreign currency rates. The estimates for amortization expense noted above are based upon foreign exchange rates as of June 30, 2011.

Table of ContentsNOTE 4 RETIREMENT AND DEFERRED COMPENSATION PLANS**Components of Net Periodic Benefit Cost:**

| Three months ended June 30, | Domestic Plans | | Foreign Plans | |
|------------------------------------|----------------|----------|---------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Service cost | \$ 1,319 | \$ 1,220 | \$ 514 | \$ 397 |
| Interest cost | 1,094 | 1,072 | 647 | 562 |
| Expected return on plan assets | (1,002) | (1,054) | (460) | (328) |
| Amortization of net loss | 416 | 164 | 199 | 61 |
| Amortization of prior service cost | 1 | 1 | 97 | 85 |
| Net periodic benefit cost | \$ 1,828 | \$ 1,403 | \$ 997 | \$ 777 |

| Six months ended June 30, | Domestic Plans | | Foreign Plans | |
|------------------------------------|----------------|----------|---------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Service cost | \$ 2,689 | \$ 2,367 | \$ 1,030 | \$ 830 |
| Interest cost | 2,228 | 2,079 | 1,295 | 1,174 |
| Expected return on plan assets | (2,042) | (2,044) | (921) | (685) |
| Amortization of net loss | 847 | 318 | 399 | 127 |
| Amortization of prior service cost | 2 | 2 | 194 | 178 |
| Net periodic benefit cost | \$ 3,724 | \$ 2,722 | \$ 1,997 | \$ 1,624 |

EMPLOYER CONTRIBUTIONS

In order to meet or exceed minimum funding levels required by U.S. law, the Company has contributed approximately \$12.2 million to its domestic defined benefit plan during the first half of 2011 and does not anticipate any further contribution during 2011. The Company also expects to contribute approximately \$2.2 million to its foreign defined benefit plans in 2011 and has contributed approximately \$0.5 million during the first half of 2011.

NOTE 5 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company maintains a foreign exchange risk management policy designed to establish a framework to protect the value of the Company's non-functional denominated transactions from adverse changes in exchange rates. Sales of the Company's products can be denominated in a currency different from the currency in which the related costs to produce the product are denominated. Changes in exchange rates on such inter-country sales or intercompany loans can impact the Company's results of operations. The Company's policy is not to engage in speculative foreign currency hedging activities, but to minimize its net foreign currency transaction exposure defined as firm commitments and transactions recorded and denominated in currencies other than the functional currency. The Company may use foreign currency forward exchange contracts, options and cross currency swaps to economically hedge these risks.

The Company maintains an interest rate risk management strategy to minimize significant, unanticipated earnings fluctuations that may arise from volatility in interest rates.

For derivative instruments designated as hedges, the Company formally documents the nature and relationships between the hedging instruments and the hedged items, as well as the risk management objectives, strategies for undertaking the various hedge transactions, and the method of assessing hedge effectiveness. Additionally, in order to designate any derivative instrument as a hedge of an anticipated transaction, the significant

Edgar Filing: APTARGROUP INC - Form 10-Q

characteristics and expected terms of any anticipated transaction must be specifically identified, and it must be probable that the anticipated transaction will occur.

FAIR VALUE HEDGES

During 2011, the Company has maintained an interest rate swap to convert a portion of its fixed-rate debt into variable-rate debt. Under the interest rate swap contract, the Company exchanged, at specified intervals, the difference between fixed-rate and floating-rate amounts, which was calculated based on an agreed upon notional amount. On May 31, 2011, this interest rate swap contract matured and was not renewed. No gain or loss was recorded in the income statement in 2010 or the three and six months ended June 30, 2011 as any hedge ineffectiveness for the period was immaterial.

CASH FLOW HEDGES

As of June 30, 2011, the Company had one foreign currency cash flow hedge. A French subsidiary of AptarGroup, AptarGroup Holding SAS, has hedged the risk of variability in Euro equivalent associated with the cash flows of an intercompany loan granted in Brazilian Real. The forward contracts utilized were designated as a hedge of the changes in the cash flows relating to the changes in foreign currency rates relating to the loan and related forecasted interest. The notional amount of the foreign currency forward contracts utilized to hedge cash flow exposure was 1.3 million Brazilian Real (\$0.8 million) as of June 30, 2011. The notional amount of the foreign currency forward contracts utilized to hedge cash flow exposure was 2.7 million Brazilian Real (\$1.5 million) as of June 30, 2010.

During the six months ended June 30, 2011, the Company did not recognize any net gain (loss) as any hedge ineffectiveness for the period was immaterial, and the Company did not recognize any net gain (loss) related to the portion of

Table of Contents

the hedging instrument excluded from the assessment of hedge effectiveness. The Company's foreign currency forward contracts hedge forecasted transactions for approximately nine months (March 2012).

HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

A significant number of the Company's operations are located outside of the United States. Because of this, movements in exchange rates may have a significant impact on the translation of the financial condition and results of operations of the Company's foreign entities. A weakening U.S. dollar relative to foreign currencies has an additive translation effect on the Company's financial condition and results of operations. Conversely, a strengthening U.S. dollar has a dilutive effect. The Company in some cases maintains debt in these subsidiaries to offset the net asset exposure. The Company does not otherwise actively manage this risk using derivative financial instruments. In the event the Company plans on a full or partial liquidation of any of its foreign subsidiaries where the Company's net investment is likely to be monetized, the Company will consider hedging the currency exposure associated with such a transaction.

OTHER

As of June 30, 2011, the Company has recorded the fair value of foreign currency forward exchange contracts of \$0.4 million in prepaid and other, \$1.8 million in accounts payable and accrued liabilities, and \$2.5 million in deferred and other non-current liabilities in the balance sheet. All forward exchange contracts outstanding as of June 30, 2011 had an aggregate contract amount of \$88.6 million.

**Fair Value of Derivative Instruments in the Condensed Consolidated Balance Sheets as of June 30, 2011
and December 31, 2010**

| Derivative Contracts Designated as Hedging Instruments | Balance Sheet Location | June 30, 2011 | December 31, 2010 |
|---|--|------------------|----------------------|
| Derivative Assets | | | |
| Interest Rate Contracts | Miscellaneous | \$ | \$ 155 |
| | | \$ | \$ 155 |
| Derivative Liabilities | | | |
| Foreign Exchange Contracts | Accounts payable and accrued liabilities | \$ 350 | \$ 309 |
| Foreign Exchange Contracts | Deferred and other non-current liabilities | | 377 |
| | | \$ 350 | \$ 686 |
| Derivative Contracts Not Designated as Hedging Instruments | | | |
| Derivative Assets | | | |
| Foreign Exchange Contracts | Prepaid and other | \$ 437 | \$ 1,660 |
| | | \$ 437 | \$ 1,660 |
| Derivative Liabilities | | | |
| Foreign Exchange Contracts | Accounts payable and accrued liabilities | \$ 1,460 | \$ 1,089 |
| Foreign Exchange Contracts | Deferred and other non-current liabilities | 2,532 | 2,448 |
| | | \$ 3,992 | \$ 3,537 |

The Effect of Derivative Instruments on the Condensed Consolidated Statements of Income

Edgar Filing: APTARGROUP INC - Form 10-Q

for the Quarters Ended June 30, 2011 and June 30, 2010

| Derivatives in Cash Flow Hedging Relationships | Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) | | |
|--|--|------|-----|
| | 2011 | 2010 | |
| Foreign Exchange Contracts | \$ | \$ | (1) |
| | \$ | \$ | (1) |

| Derivatives Not Designated as Hedging Instruments | Location of Gain or (Loss) Recognized in Income on Derivative | Amount of Gain or (Loss) Recognized in Income on Derivative | |
|---|---|---|----------|
| | | 2011 | 2010 |
| Foreign Exchange Contracts | Other (Expense), Miscellaneous, net | \$ (286) | \$ 1,244 |
| | | \$ (286) | \$ 1,244 |

Table of Contents**The Effect of Derivative Instruments on the Condensed Consolidated Statements of Income****for the Six Months Ended June 30, 2011 and June 30, 2010**

| Derivatives in Cash Flow Hedging Relationships | Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) | |
|---|---|-------------|
| | 2011 | 2010 |
| Foreign Exchange Contracts | \$ 10 | \$ 12 |
| | \$ 10 | \$ 12 |

| Derivatives Not Designated as Hedging Instruments | Location of Gain or (Loss) Recognized in Income on Derivative | Amount of Gain or (Loss) Recognized in Income on Derivative | |
|--|--|--|-------------|
| | | 2011 | 2010 |
| Foreign Exchange Contracts | Other (Expense), Miscellaneous, net | \$ (3,528) | \$ (1,127) |
| | | \$ (3,528) | \$ (1,127) |

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Company, in the normal course of business, is subject to a number of lawsuits and claims both actual and potential in nature including the proceeding noted below. While management believes the resolution of these claims and lawsuits will not have a material adverse effect on the Company's financial position or results of operations or cash flows, claims and legal proceedings are subject to inherent uncertainties, and unfavorable outcomes could occur that could include amounts in excess of any accruals which management has established. Were such unfavorable final outcomes to occur, it is possible that they could have a material adverse effect on our financial position, results of operations and cash flows.

A competitor has filed a lawsuit against AptarGroup, Inc. alleging that certain processes utilized by AptarGroup, Inc. in the manufacture of a specific type of diptube infringe patents owned by the counterparty. This lawsuit seeks an exclusion order barring the manufacture of this specific diptube. The Company believes it has meritorious defenses against the suit and we do not believe that an unfavorable outcome is probable. Therefore, no accrual has been recorded related to this matter.

Under its Certificate of Incorporation, the Company has agreed to indemnify its officers and directors for certain events or occurrences while the officer or director is, or was serving, at its request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a directors and officers liability insurance policy that covers a portion of its exposure. As a result of its insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal. The Company has no liabilities recorded for these agreements as of June 30, 2011.

NOTE 7 STOCK REPURCHASE PROGRAM

During the three and six months ended June 30, 2011, the Company repurchased approximately 600 thousand and 800 thousand shares for aggregate amounts of \$31.2 million and \$40.8 million, respectively. As of June 30, 2011, the Company had remaining authorization to repurchase 861 thousand additional shares. The timing of and total amount expended for the share repurchase depends upon market conditions. There is no time limit on the repurchase authorization.

Edgar Filing: APTARGROUP INC - Form 10-Q

On July 19, 2011, the Company's Board of Directors authorized the Company to repurchase an additional four million shares of its outstanding common stock. There is no expiration date for this repurchase program.

NOTE 8 EARNINGS PER SHARE

AptarGroup's authorized common stock consists of 199 million shares, having a par value of \$.01 each. Information related to the calculation of earnings per share is as follows:

| | June 30, 2011 | | Three months ended | | June 30, 2010 | |
|---|---------------|--------|--------------------|--------|---------------|--------|
| | Diluted | | Basic | | Diluted | Basic |
| Consolidated operations | | | | | | |
| Income available to common shareholders | \$ | 51,289 | \$ | 51,289 | \$ | 46,695 |
| | | | | | \$ | 46,695 |
| Average equivalent shares | | | | | | |
| Shares of common stock | | 66,939 | | 66,939 | | 67,630 |
| Effect of dilutive stock based compensation | | | | | | |
| Stock options | | 2,495 | | | 2,032 | |
| Restricted stock | | 4 | | | 20 | |
| Total average equivalent shares | | 69,438 | | 66,939 | | 69,682 |
| Net income per share | \$ | 0.74 | \$ | 0.77 | \$ | .67 |
| | | | | | \$ | .69 |

Edgar Filing: APTARGROUP INC - Form 10-Q

Table of Contents

| | June 30, 2011 | | Six months ended | | June 30, 2010 | |
|---|---------------|--------|------------------|--------|---------------|--------|
| | Diluted | | Basic | | Diluted | Basic |
| Consolidated operations | | | | | | |
| Income available to common stockholders | \$ | 95,766 | \$ | 95,766 | \$ | 85,717 |
| Average equivalent shares | | | | | | |
| Shares of common stock | | 66,933 | | 66,933 | | 67,603 |
| Effect of dilutive stock based compensation | | | | | | |
| Stock options | | 2,963 | | | | 2,451 |
| Restricted stock | | 6 | | | | 16 |
| Total average equivalent shares | | 69,902 | | 66,933 | | 70,070 |
| Net income per share | \$ | 1.37 | \$ | 1.43 | \$ | 1.22 |

NOTE 9 SEGMENT INFORMATION

The Company operates in the packaging components industry, which includes the development, manufacture and sale of consumer product dispensing systems. The Company is organized into three reporting segments. Operations that sell dispensing systems primarily to the personal care, fragrance/cosmetic and household markets form the Beauty + Home segment. Operations that sell dispensing systems to the pharmaceutical market form the Pharma segment. Operations that sell dispensing systems primarily to the food and beverage markets form the Food + Beverage segment.

The accounting policies of the segments are the same as those described in Note 1, Summary of Significant Accounting Policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. The Company evaluates performance of its business segments and allocates resources based upon segment income. Segment income is defined as earnings before interest expense in excess of interest income, certain corporate expenses and income taxes. Beginning in 2011, the Company changed the segment income measure to include stock option and certain information technology costs that were historically maintained within Corporate & Other. Prior period information has been conformed to incorporate this change.

Financial information regarding the Company's reportable segments is shown below:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------------------------|-----------------------------|---------|---------------------------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| Total Revenue: | | | | |
| Beauty + Home | \$ | 406,699 | \$ | 346,323 |
| Pharma | | 139,077 | | 117,857 |
| Food + Beverage | | 74,525 | | 62,095 |
| Other | | 36 | | 46 |
| Total Revenue | | 620,337 | | 526,321 |
| Less: Intersegment Sales: | | | | |
| Beauty + Home | \$ | 3,961 | \$ | 2,489 |
| Pharma | | 374 | | 33 |
| Food + Beverage | | 1,037 | | 830 |
| Other | | 36 | | 46 |
| Total Intersegment Sales | \$ | 5,408 | \$ | 3,398 |
| Net Sales: | | | | |
| Beauty + Home | \$ | 402,738 | \$ | 343,834 |
| Pharma | | 138,703 | | 117,824 |
| Food + Beverage | | 73,488 | | 61,265 |
| Other | | | | |

Edgar Filing: APTARGROUP INC - Form 10-Q

| | | | | | | | | |
|----------------------------------|----|----------------|----|---------|----|------------------|----|-----------|
| Net Sales | \$ | 614,929 | \$ | 522,923 | \$ | 1,191,447 | \$ | 1,028,392 |
| Segment Income: | | | | | | | | |
| Beauty + Home | \$ | 39,877 | \$ | 35,881 | \$ | 72,530 | \$ | 66,992 |
| Pharma | | 40,369 | | 32,773 | | 79,257 | | 63,419 |
| Food + Beverage | | 8,613 | | 10,700 | | 16,185 | | 18,315 |
| Corporate & Other | | (8,900) | | (6,441) | | (18,670) | | (15,189) |
| Income before interest and taxes | \$ | 79,959 | \$ | 72,913 | \$ | 149,302 | \$ | 133,537 |
| Interest expense, net | | (3,063) | | (3,123) | | (6,131) | | (5,829) |
| Income before income taxes | \$ | 76,896 | \$ | 69,790 | \$ | 143,171 | \$ | 127,708 |

NOTE 10 ACQUISITIONS

In March 2010, the Company acquired certain equipment, inventory and intellectual property rights for approximately \$3.0 million in cash. No debt was assumed in the transaction. The purchase price approximated the fair value of the assets acquired and therefore no goodwill was recorded. The results of operations subsequent to the acquisition are included in the statement of income. The assets acquired are included in the Food + Beverage reporting segment.

Table of Contents

This acquisition did not have a material impact on the results of operations in 2011 or 2010 and therefore no proforma information is required.

NOTE 11 STOCK-BASED COMPENSATION

The Company issues stock options and restricted stock units to employees under Stock Awards Plans approved by shareholders. Stock options are issued to non-employee directors for their services as directors under Director Stock Option Plans approved by shareholders. Options are awarded with the exercise price equal to the market price on the date of grant and generally become exercisable over three years and expire 10 years after grant. Restricted stock units generally vest over three years.

Compensation expense recorded attributable to stock options for the first half of 2011 was approximately \$9.4 million (\$6.6 million after tax), or \$0.10 per basic share and \$0.09 per diluted share. The income tax benefit related to this compensation expense was approximately \$2.8 million. Approximately \$8.7 million of the compensation expense was recorded in selling, research & development and administrative expenses and the balance was recorded in cost of sales. Compensation expense recorded attributable to stock options for the first half of 2010 was approximately \$8.2 million (\$5.7 million after tax), or \$0.08 per basic and diluted share. The income tax benefit related to this compensation expense was approximately \$2.5 million. Approximately \$7.5 million of the compensation expense was recorded in selling, research & development and administrative expenses and the balance was recorded in cost of sales.

The Company uses historical data to estimate expected life and volatility. The weighted-average fair value of stock options granted under the Stock Awards Plans was \$11.36 and \$9.18 per share in 2011 and 2010, respectively. These values were estimated on the respective dates of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| Stock Awards Plans: Six months ended June 30, | 2011 | 2010 |
|--|-------|-------|
| Dividend Yield | 1.7% | 1.8% |
| Expected Stock Price Volatility | 23.3% | 22.7% |
| Risk-free Interest Rate | 2.7% | 3.7% |
| Expected Life of Option (years) | 6.9 | 6.9 |

The fair value of stock options granted under the Director Stock Option Plan during the second quarter of 2011 was \$12.00. The fair value of stock options granted under the Director Stock Option Plan during the second quarter of 2010 was \$10.07. These values were estimated on the respective date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| Director Stock Option Plans: Six months ended June 30, | 2011 | 2010 |
|---|-------|-------|
| Dividend Yield | 1.6% | 1.7% |
| Expected Stock Price Volatility | 22.9% | 22.6% |
| Risk-free Interest Rate | 2.5% | 3.4% |
| Expected Life of Option (years) | 6.9 | 6.9 |

A summary of option activity under the Company's stock option plans during the first half of 2011 is presented below:

Edgar Filing: APTARGROUP INC - Form 10-Q

| | Stock Awards Plans | | Director Stock Option Plans | |
|---|--------------------|---------------------------------|-----------------------------|---------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding, January 1, 2011 | 8,208,736 | \$ 28.91 | 219,000 | \$ 30.40 |
| Granted | 1,284,150 | 48.21 | 85,500 | 51.26 |
| Exercised | (729,093) | 19.81 | (30,500) | 21.81 |
| Forfeited or expired | (12,697) | 35.17 | | |
| Outstanding at June 30, 2011 | 8,751,096 | \$ 32.49 | 274,000 | \$ 37.86 |
| Exercisable at June 30, 2011 | 6,234,768 | \$ 28.85 | 129,836 | \$ 29.18 |
| Weighted-Average Remaining Contractual Term (Years): | | | | |
| Outstanding at June 30, 2011 | 6.3 | | 7.6 | |
| Exercisable at June 30, 2011 | 5.1 | | 5.6 | |
| Aggregate Intrinsic Value (\$000): | | | | |
| Outstanding at June 30, 2011 | \$ 171,387 | | \$ 3,965 | |
| Exercisable at June 30, 2011 | \$ 144,128 | | \$ 3,006 | |
| Intrinsic Value of Options Exercised (\$000) During the Six Months Ended: | | | | |
| June 30, 2011 | \$ 22,232 | | \$ 884 | |
| June 30, 2010 | \$ 18,711 | | \$ 245 | |

Table of Contents

The fair value of shares vested during the six months ended June 30, 2011 and 2010 was \$11.1 million and \$11.7 million, respectively. Cash received from option exercises was approximately \$13.9 million and the actual tax benefit realized for the tax deduction from option exercises was approximately \$5.9 million in the six months ended June 30, 2011. As of June 30, 2011, the remaining valuation of stock option awards to be expensed in future periods was \$11.1 million and the related weighted-average period over which it is expected to be recognized is 1.5 years.

The fair value of restricted stock unit grants is the market price of the underlying shares on the grant date. A summary of restricted stock unit activity as of June 30, 2011, and changes during the period then ended is presented below:

| | Shares | Weighted-Average Grant-Date Fair Value |
|-------------------------------------|-----------------|---|
| Nonvested at January 1, 2011 | 22,303 | \$ 34.71 |
| Granted | 5,035 | 49.63 |
| Vested | (10,045) | 34.44 |
| Nonvested at June 30, 2011 | 17,293 | \$ 39.21 |

Compensation expense recorded attributable to restricted stock unit grants for the first half of 2011 and 2010 was approximately \$227 thousand and \$432 thousand, respectively. The fair value of units vested during the six months ended June 30, 2011 and 2010 was \$346 thousand and \$298 thousand, respectively. The intrinsic value of units vested during the six months ended June 30, 2011 and 2010 was \$492 thousand and \$330 thousand, respectively. As of June 30, 2011 there was \$144 thousand of total unrecognized compensation cost relating to restricted stock unit awards which is expected to be recognized over a weighted-average period of 1.5 years.

NOTE 12 INCOME TAX UNCERTAINTIES

The Company had approximately \$10.3 and \$10.9 million recorded for income tax uncertainties as of June 30, 2011 and December 31, 2010, respectively. The \$0.6 million reduction in income tax uncertainties reflects the settlement of a tax examination. The amount, if recognized, that would impact the effective tax rate is \$9.5 and \$10.1 million, respectively. The Company estimates that it is reasonably possible that the liability for uncertain tax positions will decrease between \$1 and \$6 million in the next twelve months from the resolution of various uncertain positions as a result of the completion of tax audits, litigation and the expiration of the statute of limitations in various jurisdictions.

NOTE 13 FAIR VALUE

Authoritative guidelines require the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

Edgar Filing: APTARGROUP INC - Form 10-Q

As of June 30, 2011, the fair values of our financial assets and liabilities were categorized as follows:

| | Total | | Level 1 | | Level 2 | | Level 3 | |
|---------------------------------|-------|-------|---------|--|---------|-------|---------|--|
| Assets | | | | | | | | |
| Interest rate swap (a) | \$ | | \$ | | \$ | | \$ | |
| Forward exchange contracts (b) | | 437 | | | | 437 | | |
| Total assets at fair value | \$ | 437 | \$ | | \$ | 437 | \$ | |
| Liabilities | | | | | | | | |
| Forward exchange contracts (b) | \$ | 4,342 | \$ | | \$ | 4,342 | \$ | |
| Total liabilities at fair value | \$ | 4,342 | \$ | | \$ | 4,342 | \$ | |

As of December 31, 2010, the fair values of our financial assets and liabilities were categorized as follows:

| | Total | | Level 1 | | Level 2 | | Level 3 | |
|---------------------------------|-------|-------|---------|--|---------|-------|---------|--|
| Assets | | | | | | | | |
| Interest rate swap (a) | \$ | 155 | \$ | | \$ | 155 | \$ | |
| Forward exchange contracts (b) | | 1,660 | | | | 1,660 | | |
| Total assets at fair value | \$ | 1,815 | \$ | | \$ | 1,815 | \$ | |
| Liabilities | | | | | | | | |
| Forward exchange contracts (b) | \$ | 4,223 | \$ | | \$ | 4,223 | \$ | |
| Total liabilities at fair value | \$ | 4,223 | \$ | | \$ | 4,223 | \$ | |

Table of Contents

- (a) Based on third party quotation from financial institution
- (b) Based on observable market transactions of spot and forward rates

The carrying amounts of the Company's other current financial instruments such as cash and equivalents, notes payable and current maturities of long-term obligations approximate fair value due to the short-term maturity of the instrument. The fair value of the Company's long-term obligations is based on interest rates that are currently available to the Company for issuance of debt with similar terms and maturities. The calculated fair value of the Company's long term obligations was \$276 million as of June 30, 2011 and \$274 million as of December 31, 2010.

NOTE 14 FACILITIES CONSOLIDATION AND SEVERANCE

In the second quarter of 2009, the Company announced a plan to consolidate two French dispensing closure manufacturing facilities and several sales offices in North America and Europe and has subsequently expanded the program to include additional headcount reductions. The total costs associated with the consolidation/severance programs are \$7.7 million. The plan has been substantially completed, subject to the settlement of remaining reserve balances.

As of June 30, 2011 we have recorded the following activity associated with our consolidation/severance programs:

| | Beginning Reserve at 12/31/10 | Net Charges for the Six Months Ended 6/30/11 | Cash Paid | FX Impact | Ending Reserve at 6/30/11 |
|--------------------|--|---|------------------|------------------|--|
| Employee severance | \$ 1,299 | \$ | \$ (35) | \$ 108 | \$ 1,372 |
| Other costs | 106 | | (50) | | 56 |
| Totals | \$ 1,405 | \$ | \$ (85) | \$ 108 | \$ 1,428 |

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS, OR OTHERWISE INDICATED)

RESULTS OF OPERATIONS

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|--------|---------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Net Sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales (exclusive of depreciation and amortization shown below) | 66.6 | 66.0 | 66.5 | 65.8 |
| Selling, research & development and administration | 14.7 | 13.6 | 15.2 | 14.6 |
| Depreciation and amortization | 5.7 | 6.2 | 5.7 | 6.4 |
| Operating Income | 13.0 | 14.2 | 12.6 | 13.2 |
| Other income (expense) | (0.5) | (0.8) | (0.6) | (0.8) |
| Income before income taxes | 12.5 | 13.4 | 12.0 | 12.4 |
| Net income | 8.3% | 8.9% | 8.0% | 8.4% |
| Effective Tax Rate | 33.3% | 33.0% | 33.1% | 32.8% |

NET SALES

We reported net sales of \$614.9 million for the quarter ended June 30, 2011, 18% above second quarter 2010 net sales of \$522.9 million. The average U.S. dollar exchange rate weakened compared to the Euro and other foreign currencies, such as the Brazilian Real and Swiss Franc, in the second quarter of 2011 compared to the second quarter of 2010, and as a result, changes in exchange rates accounted for approximately 10% of the 18% sales increase. Custom tooling sales increased \$3.9 million and acquisitions did not have a significant impact on sales.

For further discussion on net sales by reporting segment, please refer to the segment analysis of net sales and segment income on the following pages.

The following table sets forth, for the periods indicated, net sales by geographic location:

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---------------|-----------------------------|------------|------------|------------|---------------------------|------------|------------|------------|
| | 2011 | % of Total | 2010 | % of Total | 2011 | % of Total | 2010 | % of Total |
| Domestic | \$ 165,077 | 27% | \$ 156,813 | 30% | \$ 325,065 | 27% | \$ 304,113 | 30% |
| Europe | 357,878 | 58% | 294,774 | 56% | 692,984 | 58% | 587,559 | 57% |
| Other Foreign | 91,974 | 15% | 71,336 | 14% | 173,398 | 15% | 136,720 | 13% |

Edgar Filing: APTARGROUP INC - Form 10-Q

COST OF SALES (EXCLUSIVE OF DEPRECIATION SHOWN BELOW)

Our cost of sales as a percent of net sales increased to 66.6% in the second quarter of 2011 compared to 66.0% in the same period a year ago.

The following factors negatively impacted our cost of sales percentage in the second quarter of 2011:

Increasing Raw Material Costs. Raw material costs, in particular plastic resin, increased in the second quarter of 2011 over 2010. While the majority of these cost increases are passed along to our customers in our selling prices, we experienced a lag in the timing of passing on these cost increases to our customers.

Increased Sales of Custom Tooling. Sales of custom tooling increased \$3.9 million in the second quarter of 2011 compared to the prior year second quarter. Traditionally, sales of custom tooling generate lower margins than our regular product sales and thus, an increase in sales of custom tooling negatively impacted cost of sales as a percentage of sales.

The following factors positively impacted our cost of sales percentage in the second quarter of 2011:

Improved Utilization of Overhead Costs in Certain Operations. Several of our business operations saw increases in unit volumes produced and sold. As a result of these higher production levels, overhead costs were better utilized, thus positively impacting cost of goods sold as a percentage of net sales.

Table of Contents

Mix of Products Sold. Compared to the prior year, our Pharma and Food + Beverage segment sales represented a higher percentage of our overall sales. This positively impacts our cost of sales percentage as margins on our pharmaceutical, food and beverage products typically are higher than the overall company average.

SELLING, RESEARCH & DEVELOPMENT AND ADMINISTRATIVE

Our Selling, Research & Development and Administrative expenses (SG&A) increased by approximately \$19.1 million in the second quarter of 2011 compared to the same period a year ago. On a constant currency basis, the increase would have been approximately \$12.3 million in the quarter. The majority of the increase is due to professional fees and personnel cost increases. SG&A as a percentage of net sales also increased to 14.7% compared to 13.6% in the same period of the prior year due to the increases noted above.

SG&A increased by approximately \$30.9 million in the first half of 2011 compared to the same period a year ago. Changes in currency rates accounted for approximately \$7.1 million of the increase in SG&A in the first half of 2011. The increase is due primarily to the reason mentioned above as well as higher stock option expense in the first half of 2011 versus the prior year. For the first half of 2011, SG&A as a percentage of net sales increased primarily due to the higher expenses discussed above. The percentage increased to 15.2% compared to 14.6% of net sales in the first half of 2010.

DEPRECIATION AND AMORTIZATION

Reported depreciation and amortization expenses increased to \$34.9 million in the second quarter of 2011 compared to \$32.5 million in the second quarter of 2010. However, on a constant currency basis, the 2011 reported expense would have decreased approximately \$0.5 million in the quarter. Due to the increase in sales during 2011, depreciation and amortization as a percentage of net sales decreased to 5.7% in the second quarter of 2011 compared to 6.2% for the same period a year ago.

Depreciation and amortization increased approximately \$2.0 million in the first half of 2011 to \$68.5 million compared to \$66.5 million in the first half of 2010. On a constant currency basis, the 2011 reported expense would have decreased approximately \$1.0 million during the first half of 2011. Depreciation and amortization as a percentage of net sales decreased to 5.7% compared to 6.4% for the same period a year ago due to the increase in sales.

OPERATING INCOME

Operating income increased approximately \$6.1 million in the second quarter of 2011 to \$80.2 million compared to \$74.1 million in the same period in the prior year. Increasing sales in each segment and improved capacity utilization in our Pharma segment contributed to the rise in operating income. Operating income as a percentage of net sales decreased to 13.0% in the second quarter of 2011 compared to 14.2% for the same period in the prior year mainly due to the negative factors impacting cost of sales and SG&A noted above.

Operating income increased approximately \$14.3 million in the first half of 2011 to \$150.0 million compared to \$135.7 million in the same period in the prior year. The increase is primarily due to the same reasons mentioned above for the second quarter results. Operating income as a percentage of sales decreased to 12.6% in the first half of 2011 compared to 13.2 % for the same period in the prior year.

NET OTHER EXPENSE

Edgar Filing: APTARGROUP INC - Form 10-Q

Net other expenses in the second quarter of 2011 decreased to \$3.3 million from \$4.3 million in the same period in the prior year. The reduction is due to a decrease of \$0.9 million in miscellaneous expenses which primarily relates to a reduction of foreign currency losses.

Net other expenses for the six months ended June 30, 2011 also decreased to \$6.8 million from \$8.0 million in the same period in the prior year due primarily to lower foreign currency losses offset by slightly higher net interest expense.

EFFECTIVE TAX RATE

The reported effective tax rate increased to 33.3% and 33.1% for the three and six months ended June 30, 2011 compared to 33.0% and 32.8% for the same periods ended June 30, 2010. The increase is mainly related to a higher dividend repatriation plan in 2011 compared to 2010.

NET INCOME ATTRIBUTABLE TO APTARGROUP, INC.

We reported net income attributable to AptarGroup, Inc. of \$51.3 million and \$95.8 million in the three and six months ended June 30, 2011, respectively, compared to \$46.7 million and \$85.7 million for the same periods in the prior year.

Table of ContentsBEAUTY + HOME SEGMENT

Beginning with the first quarter of 2011, we are reporting new business segments that reflect our realigned internal financial reporting structure. Prior period information has been conformed to the current presentation.

Operations that sell dispensing systems primarily to the personal care, fragrance/cosmetic and household markets form the Beauty + Home segment.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------|---------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net Sales | \$ 402,738 | \$ 343,834 | \$ 779,000 | \$ 683,243 |
| Segment Income (1) | 39,877 | 35,881 | 72,530 | 66,922 |
| Segment Income as a percentage of Net Sales | 9.9% | 10.4% | 9.3% | 9.8% |

(1) The Company evaluates performance of its business segments and allocates resources based upon segment income. Segment income is defined as earnings before interest expense in excess of interest income, certain corporate expenses and income taxes. Beginning in 2011, the Company changed the segment income measure to include stock option and certain information technology costs that were historically maintained within Corporate & Other. Prior period information has been conformed to incorporate this change.

Net sales for the quarter ended June 30, 2011 increased 17% to \$402.7 million compared to \$343.8 million in the second quarter of the prior year. Excluding changes in exchange rates, sales increased 8% in the second quarter of 2011 compared to the same quarter of the prior year. Demand for our fragrance and cosmetic dispensing systems has remained strong. This led to a 15% increase in fragrance and cosmetic sales, excluding foreign currency changes. Sales to the personal care market also increased approximately 5%, excluding foreign currency changes, in the second quarter of 2011 compared to the same period in the prior year.

Net sales increased 14% in the first six months of 2011 to \$779.0 million compared to \$683.2 million in the first six months of the prior year. The weakening of the U.S. dollar compared to the Euro positively impacted sales and represented approximately 5% of the 14% increase in sales. Sales of our products, excluding foreign currency changes, to the fragrance/cosmetic and personal care markets increased approximately 16% and 4%, respectively, in the first half of 2011 compared to the first half of 2010 primarily due to the reasons noted above.

Segment income for the second quarter of 2011 increased approximately 11% to \$39.9 million compared to \$35.9 million reported in the prior year. Segment income increased primarily due to the higher sales noted above, but was partially offset by input cost increases (including resin) and higher professional fees.

Segment income in the first six months of 2011 increased approximately 8% to \$72.5 million compared to \$66.9 million reported in the same period in the prior year. The increase in segment income in the first half of 2011 was primarily due to the reasons mentioned above for the second quarter results, offset slightly by higher expenses related to stock option and operational issues during the first quarter of 2011.

PHARMA SEGMENT

Operations that sell dispensing systems to the pharmaceutical market form the Pharma segment.

Edgar Filing: APTARGROUP INC - Form 10-Q

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------|---------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net Sales | \$ 138,703 | \$ 117,824 | \$ 270,707 | \$ 231,265 |
| Segment Income | 40,369 | 32,773 | 79,257 | 63,419 |
| Segment Income as a percentage of Net Sales | 29.1% | 27.8% | 29.3% | 27.4% |

Net sales for the Pharma segment increased by 18% in the second quarter of 2011 to \$138.7 million compared to \$117.8 million in the second quarter of 2010. Sales, excluding changes in foreign currency rates, increased 5%. Sales excluding foreign currency changes to the prescription market increased 2% while sales to the consumer health care market increased 14%.

Net sales for the first six months of 2011 increased approximately 17% to \$270.7 million compared to \$231.3 million in the first six months of the prior year. The weakening of the U.S. dollar compared to the Euro positively impacted sales and represented approximately 7% of the 17% increase in sales. Sales, excluding foreign currency changes, to the prescription and consumer health care markets increased approximately 7% and 16%, respectively, in the first six months of 2011 compared to the same period in the prior year.

Segment income in the second quarter of 2011 increased approximately 23% to \$40.4 million compared to \$32.8 million reported in the same period in the prior year. This increase is mainly attributed to higher sales, improved capacity utilization and leveraging of our cost structure from increased unit volumes.

Table of Contents

Segment income in the first six months of 2011 increased approximately 25% to \$79.3 million compared to \$63.4 million reported in the same period of the prior year. This increase in segment income is due primarily to the same reasons mentioned above for the second quarter results, offset somewhat by higher stock option expenses during the first quarter of 2011.

FOOD + BEVERAGE SEGMENT

Operations that sell dispensing systems primarily to the food and beverage markets form the Food + Beverage segment.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------|---------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net Sales | \$ 73,488 | \$ 61,265 | \$ 141,740 | \$ 113,884 |
| Segment Income | 8,613 | 10,700 | 16,185 | 18,315 |
| Segment Income as a percentage of Net Sales | 11.7% | 17.5% | 11.4% | 16.1% |

Net sales for the quarter ended June 30, 2011 increased approximately 20% to \$73.5 million compared to \$61.3 million in the second quarter of the prior year. Sales, excluding changes in foreign currency rates, increased 14%. Tooling sales represented a 7% increase compared to the prior year. The pass through of higher resin costs on sales of closures represented a 3% increase over the prior year. Excluding foreign currency changes, sales to the food market increased 16% while the beverage market increased approximately 14%, mainly due to higher custom tooling sales.

Net sales for the first six months of 2011 increased approximately 24% to \$141.7 million compared to \$113.9 million in the first six months of the prior year. The weakening of the U.S. dollar compared to the Euro positively impacted sales and represented approximately 3% of the 24% increase in sales. Sales excluding foreign currency changes to the food market increased 16% while the beverage markets increased approximately 34%. Consistent with the second quarter, these increases are mainly due to higher custom tooling sales and stronger demand across all regions and markets.

Segment income in the second quarter of 2011 decreased approximately 20% to \$8.6 million compared to \$10.7 million during the same period in the prior year. Although we showed strong sales growth, a large percentage of this growth is tooling related which carries lower margins than normal product sales. Also, resin price increases and higher structure costs due to the implementation of this new segment combined to more than offset the increase in income resulting from the increase in sales.

Segment income in the first six months of 2011 decreased approximately 12% to \$16.2 million compared to \$18.3 million reported in the same period of the prior year. As noted above, strong sales growth is being offset by lower tooling margins, input cost increases and higher structure costs.

FOREIGN CURRENCY

A significant number of our operations are located outside of the United States. Because of this, movements in exchange rates may have a significant impact on the translation of the financial statements of our foreign entities. Our primary foreign exchange exposure is to the Euro, but we have foreign exchange exposure to the Brazilian Real, British Pound, Swiss Franc and South American and Asian currencies, among others. We manage our exposures to foreign exchange principally with forward exchange contracts to hedge certain transactions and firm purchase and sales

Edgar Filing: APTARGROUP INC - Form 10-Q

commitments denominated in foreign currencies. A weakening U.S. dollar relative to foreign currencies has an additive translation effect on our financial statements. Conversely, a strengthening U.S. dollar has a dilutive effect. In some cases, we sell products denominated in a currency different from the currency in which the related costs are incurred. Changes in exchange rates on such inter-country sales could materially impact our results of operations.

QUARTERLY TRENDS

Our results of operations in the second half of the year typically are negatively impacted by customer plant shutdowns in the summer months in Europe and plant shutdowns in December. In the future, our results of operations in a quarterly period could be impacted by factors such as changes in product mix, changes in material costs, changes in growth rates in the industries to which our products are sold, recognition of equity based compensation expense for retirement eligible employees in the period of grant and changes in general economic conditions in any of the countries in which we do business.

We generally incur increased stock option expense in the first quarter compared with the rest of the fiscal year. Our estimated stock option expense on a pre-tax basis (in \$ millions) for 2011 compared to the prior year is as follows:

| | 2011 | | 2010 | |
|----------------------------|------|------|------|------|
| First Quarter | \$ | 7.7 | \$ | 6.0 |
| Second Quarter | | 1.7 | | 2.2 |
| Third Quarter (estimated) | | 1.7 | | 1.6 |
| Fourth Quarter (estimated) | | 1.6 | | 1.4 |
| | \$ | 12.7 | \$ | 11.2 |

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash flow from operations and our revolving credit facility. Cash and equivalents decreased to \$341.3 million at June 30, 2011 from \$376.4 million at December 31, 2010 primarily due to the repatriation of \$81 million from Europe to the United States, which was subsequently used to pay down short-term debt. Total short and long-term interest bearing debt increased in the second quarter of 2011 to \$363.3 million from \$354.3 million at December 31, 2010. Additional borrowings related to share repurchases, increased capital expenditures and higher working capital was largely offset by a reduction in borrowings from the utilization of the repatriation from Europe. The ratio of our Net Debt (interest bearing debt less cash and cash equivalents) to Net Capital (stockholders equity plus Net Debt) was 1.5% at the end of June 2011 compared to a negative 1.8% at December 31, 2010.

In the first six months of 2011, our operations provided approximately \$65.5 million in cash flow compared to \$132.8 million for the same period a year ago. The decrease in cash flow is primarily attributable to an increase in working capital to fund the growth of the business.

We used \$76.4 million in cash for investing activities during the first half of 2011, compared to \$62.4 million during the same period a year ago. The increase in cash used for investing activities is due primarily to an increase in capital expenditures in the first half of 2011 compared to the first half of 2010. Cash outlays for capital expenditures for 2011 are estimated to be in the range of \$170 to \$180 million but this range could vary due to changes in exchange rates as well as the timing of capital projects.

We used \$47.7 million in cash for financing activities during the first half of 2011 compared to \$77.7 million during the same period a year ago. The decrease in cash used by financing activities is due to additional proceeds received from notes payable to fund the growth of the business as discussed above.

Our revolving credit facility and certain long-term obligations require us to satisfy certain financial and other covenants including:

| | <u>Requirement</u> | <u>Level at June 30, 2011</u> |
|-----------------------------|--------------------|-------------------------------|
| Debt to total capital ratio | Maximum of 55% | 20% |

Based upon the above debt to total capital ratio covenant we had the ability to borrow approximately an additional \$1.4 billion at June 30, 2011 before the 55% requirement would be exceeded.

Our foreign operations have historically met cash requirements with the use of internally generated cash or borrowings. These foreign subsidiaries have financing arrangements with several foreign banks to fund operations located outside the U.S., but all these lines are uncommitted. Cash generated by foreign operations has generally been reinvested locally. The majority of our \$341.3 million in cash and equivalents is located outside of the U.S.

We believe we are in a strong financial position and have the financial resources to meet business requirements in the foreseeable future. We have historically used cash flow from operations as our primary source of liquidity. In the event that customer demand would decrease significantly for a prolonged period of time and negatively impact cash flow from operations, we would have the ability to restrict and significantly reduce capital expenditure levels, which historically have been the most significant use of cash for us. A prolonged and significant reduction in capital expenditure levels could increase future repairs and maintenance costs as well as have a negative impact on operating margins if we were unable to invest in new innovative products.

On July 19, 2011, the Board of Directors declared a quarterly dividend of \$0.22 per share payable on August 23, 2011 to stockholders of record as of August 2, 2011 which represents a 22% increase in the dividend rate.

OFF-BALANCE SHEET ARRANGEMENTS

Edgar Filing: APTARGROUP INC - Form 10-Q

We lease certain warehouse, plant and office facilities as well as certain equipment under noncancelable operating leases expiring at various dates through the year 2029. Most of the operating leases contain renewal options and certain equipment leases include options to purchase during or at the end of the lease term. Other than operating lease obligations, we do not have any off-balance sheet arrangements.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2011, the FASB amended the guidance for the presentation of comprehensive income. The amended guidance eliminates certain options for presenting comprehensive income but does not change which components of comprehensive income are recognized in net income or other comprehensive income. The amended guidance is intended to enhance comparability between entities that report under generally accepted accounting principles and those that report under international financial reporting standards. This guidance will be effective for the Company's fiscal year ending December 31, 2012. The Company has determined that this new guidance will not have a material impact on its consolidated financial statements.

Other accounting standards that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our consolidated financial statements upon adoption.

OUTLOOK

As we look to the third quarter, we anticipate continued growth at a pace that is in line with our long-term normalized growth

Table of Contents

rates. We continue to be optimistic about our future and the many new opportunities that are being identified by our market-focused organization. We remain committed to investing in research and development and in high-growth areas of our business, including the food, beverage and consumer healthcare markets, as well as expanding in developing regions of the world. Currently we expect third quarter diluted earnings per share to be in the range of \$0.70 to \$0.75 per share compared to \$0.68 in the prior year.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis and certain other sections of this Form 10-Q contain forward-looking statements that involve a number of risks and uncertainties. Words such as expects, anticipates, believes, estimates, and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. Forward-looking statements are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are based on our beliefs as well as assumptions made by and information currently available to us. Accordingly, our actual results may differ materially from those expressed or implied in such forward-looking statements due to known or unknown risks and uncertainties that exist in our operations and business environment, including but not limited to:

- economic, environmental and political conditions worldwide;
- the cost of materials and other input costs (particularly resin, metal, anodization costs and transportation and energy costs);
- the availability of raw materials and components (particularly from sole sourced suppliers) as well as the financial viability of these suppliers;
- changes in customer and/or consumer spending levels;
- our ability to increase prices;
- significant fluctuations in foreign currency exchange rates;
- our ability to contain costs and improve productivity;
- changes in capital availability or cost, including interest rate fluctuations;
- the timing and magnitude of capital expenditures;
- our ability to identify potential new acquisitions and to successfully acquire and integrate such operations or products;
- direct or indirect consequences of acts of war or terrorism;
- the impact of natural disasters;
- changes or difficulties in complying with government regulation;
- work stoppages due to labor disputes;
- fiscal and monetary policy, including changes in worldwide tax rates;

Edgar Filing: APTARGROUP INC - Form 10-Q

- competition, including technological advances;
- our ability to protect and defend our intellectual property rights, as well as litigation involving intellectual property rights;
- the outcome of any legal proceeding that has been or may be instituted against us and others;
- our ability to meet future cash flow estimates to support our goodwill impairment testing;
- the demand for existing and new products;
- our ability to manage worldwide customer launches of complex technical products, in particular in developing markets;
- the success of our customers' products, particularly in the pharmaceutical industry;
- our ability to manage executive successions effectively;
- difficulties in product development and uncertainties related to the timing or outcome of product development;
- significant product liability claims; and
- other risks associated with our operations.

Although we believe that our forward-looking statements are based on reasonable assumptions, there can be no assurance that actual results, performance or achievements will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to Item 1A (Risk Factors) of Part I included in the Company's Annual Report on Form 10-K for additional risk factors affecting the Company.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A significant number of our operations are located outside of the United States. Because of this, movements in exchange rates may have a significant impact on the translation of the financial condition and results of operations of our entities. Our primary foreign exchange exposure is to the Euro, but we also have foreign exchange exposure to the Brazilian Real, British Pound, Swiss Franc and South American and Asian currencies, among others. A weakening U.S. dollar relative to foreign currencies has an additive translation effect on our financial condition and results of operations. Conversely, a strengthening U.S. dollar has a dilutive effect.

Additionally, in some cases, we sell products denominated in a currency different from the currency in which the related costs are incurred. Any changes in exchange rates on such inter-country sales may impact our results of operations.

We manage our exposures to foreign exchange principally with forward exchange contracts to hedge certain firm purchase and sales commitments and intercompany cash transactions denominated in foreign currencies.

The table below provides information as of June 30, 2011 about our forward currency exchange contracts. The majority of the contracts expire before the end of the third quarter of 2011 with the exception of a few contracts on intercompany loans that expire in the third quarter of 2013.

| Buy/Sell | | Contract Amount (in thousands) | Average Contractual Exchange Rate | Min / Max Notional Volumes |
|--------------------------|-----------|-----------------------------------|---|----------------------------------|
| Swiss Franc/Euro | \$ | 33,951 | 0.8244 | 32,887-34,253 |
| British Pound/Euro | | 10,586 | 1.1386 | 7,118-10,586 |
| Czech Koruna/Euro | | 9,568 | 0.0411 | 9,409-9,610 |
| Euro/U.S. Dollar | | 8,540 | 1.4286 | 5,806-8,540 |
| Euro/Brazilian Real | | 4,885 | 3.8498 | 3,508-4,885 |
| Euro/Mexican Peso | | 4,795 | 17.0358 | 4,759-4,897 |
| Euro/Swiss Franc | | 3,844 | 1.2257 | 2,531-3,844 |
| Chinese Yuan/U.S. Dollar | | 3,000 | 0.1551 | 400-3,000 |
| Euro/Argentinian Peso | | 2,900 | 6.0205 | 0-2,900 |
| Euro/Chinese Yuan | | 2,175 | 9.3897 | 1,583-2,369 |
| Euro/Japanese Yen | | 1,116 | 113.7010 | 946-1,116 |
| Mexican Peso/U.S. Dollar | | 1,000 | 0.0850 | 1,000-1,000 |
| Other | | 2,261 | | |
| Total | \$ | 88,621 | | |

As of June 30, 2011, we have recorded the fair value of foreign currency forward exchange contracts of \$0.4 million in prepaid and other, \$1.8 million in accounts payable and accrued liabilities and \$2.5 million in deferred and other non-current liabilities in the balance sheet.

During 2011, the Company maintained an interest rate swap to convert a portion of its fixed-rate debt into variable-rate debt. Under the interest rate swap contract, the Company exchanged, at specified intervals, the difference between fixed-rate and floating-rate amounts, which was calculated based on an agreed upon notional amount. As of May 31, 2011, this interest rate swap contract matured and was not renewed. No gain or loss was recorded in the income statement in 2010 or the three and six months ended June 30, 2011 as any hedge ineffectiveness for the period was immaterial.

As of June 30, 2011, the Company had one foreign currency cash flow hedge. A French subsidiary of AptarGroup, AptarGroup Holding SAS, has hedged the risk of variability in Euro equivalent associated with the cash flows of an intercompany loan granted in Brazilian Real. The forward contracts utilized were designated as a hedge of the changes in the cash flows relating to the changes in foreign currency rates relating to the loan and related forecasted interest. The notional amount of the foreign currency forward contracts utilized to hedge cash flow exposure was 1.3 million Brazilian Real (\$0.8 million) as of June 30, 2011. The notional amount of the foreign currency forward contracts utilized to hedge cash flow exposure was 2.7 million Brazilian Real (\$1.5 million) as of June 30, 2010. During the quarter ended June 30, 2011, the Company did not recognize any net gain (loss) as any hedge ineffectiveness for the period was immaterial, and the Company did not recognize any net gain (loss)

Edgar Filing: APTARGROUP INC - Form 10-Q

related to the portion of the hedging instrument excluded from the assessment of hedge effectiveness. These foreign currency forward contracts hedge forecasted transactions for approximately nine months (March 2012).

ITEM 4. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management has evaluated, with the participation of the chief executive officer and chief financial officer of the Company, the effectiveness of the Company's disclosure controls and procedures (as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of June 30, 2011. Based on that evaluation, the chief executive officer and chief financial officer have concluded that these controls and procedures were effective as of such date.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

No change in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the Company's fiscal quarter ended June 30, 2011 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART II - OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

RECENT SALES OF UNREGISTERED SECURITIES

The employees of AptarGroup S.A.S. and Valois S.A.S., our subsidiaries, are eligible to participate in the FCP Aptar Savings Plan (the Plan). All eligible participants are located outside of the United States. An independent agent purchases shares of our Common Stock available under the Plan for cash on the open market and we do not issue shares. We do not receive any proceeds from the purchase of shares of our Common Stock under the Plan. The agent under the Plan is Banque Nationale de Paris Paribas Fund Services. No underwriters are used under the Plan. All shares are sold in reliance upon the exemption from registration under the Securities Act of 1933 provided by Regulation S promulgated under that Act. During the quarter ended June 30, 2011, the Plan purchased 4,423 shares of our Common Stock on behalf of the participants at an average price of \$51.03 per share, for an aggregate amount of \$226 thousand, and sold 1,689 shares of our Common Stock on behalf of the participants at an average price of \$52.93 per share, for an aggregate amount of \$89 thousand. At June 30, 2011, the Plan owns 27,352 shares of our Common Stock.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table summarizes the Company's purchases of its securities for the quarter ended June 30, 2011:

| Period | Total Number Of Shares Purchased | Average Price Paid Per Share | Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs | Maximum Number Of Shares That May Yet Be Purchased Under The Plans Or Programs |
|-------------|--|---------------------------------|---|---|
| 4/1 4/30/11 | \$ | | | 1,460,943 |
| 5/1 5/31/11 | 452,500 | 52.31 | 452,500 | 1,008,443 |
| 6/1 6/30/11 | 147,500 | 51.35 | 147,500 | 860,943 |
| Total | 600,000 | \$ 52.07 | 600,000 | 860,943 |

The Company announced the existing repurchase program on July 17, 2008. On July 19, 2011, the Company announced that its Board of Directors authorized the Company to repurchase an additional four million of its outstanding shares. There is no expiration date for these repurchase programs.

ITEM 6. EXHIBITS

Edgar Filing: APTARGROUP INC - Form 10-Q

- Exhibit 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- Exhibit 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- Exhibit 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit 101 The following financial information from our Quarterly Report on Form 10-Q for the second quarter of fiscal 2011, filed with the SEC on August 3, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income - Three and Six Months Ended June 30, 2011 and 2010, (ii) the Condensed Consolidated Balance Sheets June 30, 2011 and December 31, 2010, (iii) the Condensed Consolidated Statements of Changes in Equity - Six Months Ended June 30, 2011 and 2010, (iv) the Condensed Consolidated Statements of Cash Flows - Six Months Ended June 30, 2011 and 2010 and (v) the Notes to Condensed Consolidated Financial Statements.(1)
- (1) The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Table of Contents

SIGNATURE

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.

AptarGroup, Inc.
(Registrant)

By /s/ ROBERT W. KUHN
Robert W. Kuhn
Executive Vice President,
Chief Financial Officer and Secretary
(Duly Authorized Officer and
Principal Financial Officer)

Date: August 3, 2011

Table of Contents

INDEX OF EXHIBITS

| Exhibit Number | Description |
|-----------------------|--|
| 31.1 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following financial information from our Quarterly Report on Form 10-Q for the second quarter of fiscal 2011, filed with the SEC on August 3, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income - Three and Six Months Ended June 30, 2011 and 2010, (ii) the Condensed Consolidated Balance Sheets June 30, 2011 and December 31, 2010, (iii) the Condensed Consolidated Statements of Changes in Equity - Six Months Ended June 30, 2011 and 2010, (iv) the Condensed Consolidated Statements of Cash Flows - Six Months Ended June 30, 2011 and 2010 and (v) the Notes to Condensed Consolidated Financial Statements.(1) |
| (1) | The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document. |