

APTARGROUP INC
Form 10-Q
October 29, 2007

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 SEPTEMBER 30, 2007
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 **36-3853103**
(State of Incorporation) **(I.R.S. Employer Identification No.)**
475 WEST TERRA COTTA AVENUE, SUITE E, CRYSTAL LAKE, ILLINOIS 60014
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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 (October 23, 2007).

Common Stock 68,333,551

AptarGroup, Inc.
Form 10-Q
Quarter Ended September 30, 2007
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 Nine Months Ended September 30, 2007 and 2006</u>	1
	<u>Condensed Consolidated Balance Sheets September 30, 2007 and December 31, 2006</u>	2
	<u>Condensed Consolidated Statements of Cash Flows Nine Months Ended September 30, 2007 and 2006</u>	4
	<u>Notes to Condensed Consolidated Financial Statements</u>	5
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	19
<u>Item 4.</u>	<u>Controls and Procedures</u>	19
<u>Part II.</u>	<u>OTHER INFORMATION</u>	
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	20
<u>Item 6.</u>	<u>Exhibits</u>	20
	<u>Signature</u>	21
<u>Certification</u>		
<u>Certification</u>		
<u>Section 1350 Certification</u>		
<u>Section 1350 Certification</u>		

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 September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net Sales	\$ 485,692	\$ 404,905	\$ 1,408,409	\$ 1,178,998
Operating Expenses:				
Cost of sales (exclusive of depreciation shown below)	330,438	274,517	949,293	796,821
Selling, research & development and administrative	65,773	57,406	205,303	177,863
Depreciation and amortization	32,065	28,340	92,246	83,503
	428,276	360,263	1,246,842	1,058,187
Operating Income	57,416	44,642	161,567	120,811
Other Income (Expense):				
Interest expense	(4,880)	(4,479)	(14,335)	(12,186)
Interest income	2,222	1,012	5,600	2,753
Equity in results of affiliates	158	177	426	420
Minority interests	(22)	38	(4)	(94)
Miscellaneous, net	(303)	(219)	(1,513)	(1,154)
	(2,825)	(3,471)	(9,826)	(10,261)
Income Before Income Taxes	54,591	41,171	151,741	110,550
Provision for Income Taxes	15,196	12,928	45,798	34,829
Net Income	\$ 39,395	\$ 28,243	\$ 105,943	\$ 75,721
Net Income Per Common Share:				
Basic	\$ 0.58	\$ 0.41	\$ 1.54	\$ 1.08
Diluted	\$ 0.56	\$ 0.40	\$ 1.48	\$ 1.05

Average Number of Shares

Outstanding:

Basic	68,488	69,292	68,902	69,838
Diluted	70,909	70,878	71,717	72,066

Dividends Declared Per Common

Share	\$ 0.13	\$ 0.11	\$ 0.37	\$ 0.31
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See accompanying notes to condensed consolidated financial statements.

Table of Contents

AptarGroup, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In thousands, except per share amounts

	September 30, 2007	December 31, 2006
Assets		
Current Assets:		
Cash and equivalents	\$ 270,073	\$ 170,576
Accounts and notes receivable, less allowance for doubtful accounts of \$11,433 in 2007 and \$10,963 in 2006	380,187	320,969
Inventories, net	263,426	226,455
Prepaid expenses and other current assets	64,280	44,820
	977,966	762,820
Property, Plant and Equipment:		
Buildings and improvements	253,036	236,743
Machinery and equipment	1,365,264	1,212,386
	1,618,300	1,449,129
Less: Accumulated depreciation	(1,004,897)	(872,241)
	613,403	576,888
Land	15,342	14,189
	628,745	591,077
Other Assets:		
Investments in affiliates	3,933	3,388
Goodwill	219,903	207,882
Intangible assets, net	18,408	19,820
Other non-current assets	5,736	7,025
	247,980	238,115
Total Assets	\$ 1,854,691	\$ 1,592,012

See accompanying notes to condensed consolidated financial statements.

Table of Contents

AptarGroup, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In thousands, except per share amounts

	September 30, 2007	December 31, 2006
Liabilities and Stockholders Equity		
Current Liabilities:		
Notes payable	\$ 181,089	\$ 100,583
Current maturities of long-term obligations	25,976	26,841
Accounts payable and accrued liabilities	340,368	272,761
	547,433	400,185
Long-Term Obligations	146,545	168,877
Deferred Liabilities and Other:		
Deferred income taxes	30,999	33,741
Retirement and deferred compensation plans	45,615	40,134
Deferred and other non-current liabilities	8,539	2,112
Commitments and contingencies		
Minority interests	580	563
	85,733	76,550
Stockholders Equity:		
Preferred stock, \$.01 par value, 1 million shares authorized, none outstanding		
Common stock, \$.01 par value	790	392
Capital in excess of par value	220,565	195,343
Retained earnings	923,667	844,921
Accumulated other comprehensive income	187,751	109,505
Less treasury stock at cost, 10.8 and 9.3 million shares as of September 30, 2007 and December 31, 2006	(257,793)	(203,761)
	1,074,980	946,400
Total Liabilities and Stockholders Equity	\$ 1,854,691	\$ 1,592,012

See accompanying notes to condensed consolidated financial statements.

Table of Contents

AptarGroup, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

In thousands, brackets denote cash outflows

Nine Months Ended September 30,	2007	2006
Cash Flows From Operating Activities:		
Net income	\$ 105,943	\$ 75,721
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	88,908	80,721
Amortization	3,338	2,782
Stock option based compensation	12,389	11,348
Provision for bad debts	677	1,567
Labor redeployment	(452)	(879)
Minority interests	4	94
Deferred income taxes	(10,151)	(5,043)
Retirement and deferred compensation plans	3,841	2,490
Equity in results of affiliates in excess of cash distributions received	(426)	(371)
Changes in balance sheet items, excluding effects from foreign currency adjustments:		
Accounts receivable	(33,207)	(27,000)
Inventories	(21,639)	(17,963)
Prepaid and other current assets	(4,914)	(1,940)
Accounts payable and accrued liabilities	30,586	26,678
Income taxes payable	12,861	3,234
Other changes, net	(939)	(2,974)
Net Cash Provided by Operations	186,819	148,465
Cash Flows From Investing Activities:		
Capital expenditures	(90,626)	(81,558)
Disposition of property and equipment	2,570	6,689
Intangible assets acquired	(976)	(2,767)
Acquisition of businesses, net of cash acquired	(5,151)	(32,555)
Collection of notes receivable, net	129	265
Net Cash Used by Investing Activities	(94,054)	(109,926)
Cash Flows From Financing Activities:		
Proceeds from notes payable	79,713	10,441
Proceeds from long-term obligations		55,341
Repayments of long-term obligations	(24,408)	(8,290)

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Dividends paid	(25,542)	(21,683)
Proceeds from stock options exercises	12,476	10,717
Purchase of treasury stock	(56,818)	(44,416)
Excess tax benefit from exercise of stock options	2,980	1,125
Net Cash (Used)/Provided by Financing Activities	(11,599)	3,235
Effect of Exchange Rate Changes on Cash	18,331	8,835
Net Increase in Cash and Equivalents	99,497	50,609
Cash and Equivalents at Beginning of Period	170,576	117,635
Cash and Equivalents at End of Period	\$ 270,073	\$ 168,244

Supplemental Non-cash Financing Activities:

Capital lease obligations \$ 1,780

See accompanying 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 - 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.

In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for the fair statement of consolidated financial position, results of operations, 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. 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 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, 2006. The results of operations of any interim period are not necessarily indicative of the results that may be expected for the year.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) 123(R), Share-Based Payment. This statement replaces SFAS 123, Accounting for Stock-Based Compensation and supersedes Accounting Principles Board Opinion (APB) 25. SFAS 123(R) requires that all share-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. Also under the new standard, excess tax benefits related to issuance of equity instruments under share-based payment arrangements are considered financing instead of operating cash flow activities. The Company has adopted the modified prospective method of applying SFAS 123(R), which requires the recognition of compensation expense on a prospective basis.

Effective January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Income Tax Uncertainty in Income Taxes (FIN 48). As a result of the implementation of FIN 48, the Company recognized a \$1.6 million increase in the liability for income tax uncertainties. The increase was accounted for as a reduction to the January 1, 2007 balance of retained earnings, as required by FIN 48.

NOTE 2 - INVENTORIES

At September 30, 2007 and December 31, 2006, approximately 21% of the total inventories are accounted for by using the LIFO method. Inventories, by component net of reserves, consisted of:

	September 30, 2007	December 31, 2006
Raw materials	\$ 94,762	\$ 84,470
Work in progress	64,036	49,377
Finished goods	108,673	95,403
Total	267,471	229,250
Less LIFO Reserve	(4,045)	(2,795)
Total	\$ 263,426	\$ 226,455

Table of Contents**NOTE 3 GOODWILL AND OTHER INTANGIBLE ASSETS**

The changes in the carrying amount of goodwill since the year ended December 31, 2006 are as follows by reporting segment:

	Pharma	Beauty & Home	Closures	Total
Balance as of December 31, 2006	\$ 23,158	\$ 148,073	\$ 36,651	\$ 207,882
Acquisitions (See Note 11)		3,472		3,472
Foreign currency exchange effects	1,708	5,272	1,570	8,549
Balance as of September 30, 2007	\$ 24,866	\$ 156,817	\$ 38,221	\$ 219,903

The table below shows a summary of intangible assets as of September 30, 2007 and December 31, 2006.

	Weighted Average Amortization Period (Years)	September 30, 2007			December 31, 2006		
		Gross Carrying Amount	Accumulated Amortization	Net Value	Gross Carrying Amount	Accumulated Amortization	Net Value
Amortized intangible assets:							
Patents	14	\$ 18,723	\$ (11,585)	\$ 7,138	\$ 17,267	\$ (9,750)	\$ 7,517
License agreements and other	8	22,980	(11,710)	11,270	21,196	(8,893)	12,303
Total intangible assets		\$ 41,703	\$ (23,295)	\$ 18,408	\$ 38,463	\$ (18,643)	\$ 19,820

Aggregate amortization expense for the intangible assets above for the quarters ended September 30, 2007 and 2006 was \$1,150 and \$1,125, respectively. Aggregate amortization expense for the intangible assets above for the nine months ended September 30, 2007 and September 30, 2006 was \$3,338 and \$2,782, respectively.

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

2007	\$ 4,474
2008	4,585
2009	3,853
2010	3,375
2011	1,931

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 September 30, 2007.

NOTE 4 TOTAL COMPREHENSIVE INCOME

AptarGroup's total comprehensive income was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	\$ 39,395	\$ 28,243	\$ 105,943	\$ 75,721
Add: Foreign currency translation adjustments	53,547	(6,714)	78,930	53,573
Net gain/(loss) on derivatives (net of tax)	35		(46)	
Pension liability adjustment (net of tax)	(703)		(639)	(19)
Total comprehensive income	\$ 92,274	\$ 21,529	\$ 184,188	\$ 129,275

Table of Contents**NOTE 5 RETIREMENT AND DEFERRED COMPENSATION PLANS****Components of Net Periodic Benefit Cost:****Three months ended September 30,**

	Domestic Plans		Foreign Plans	
	2007	2006	2007	2006
Service cost	\$ 977	\$ 987	\$ 397	\$ 349
Interest cost	738	661	326	351
Expected return on plan assets	(687)	(604)	(183)	(147)
Amortization of prior service cost	1	1	(23)	18
Amortization of net loss	19	151	267	150
Net periodic benefit cost	\$ 1,048	\$ 1,196	\$ 784	\$ 721

Nine months ended September 30,

	Domestic Plans		Foreign Plans	
	2007	2006	2007	2006
Service cost	\$ 2,901	\$ 2,961	\$ 1,165	\$ 1,022
Interest cost	2,248	1,983	1,145	1,033
Expected return on plan assets	(2,042)	(1,812)	(535)	(432)
Amortization of prior service cost	3	3	10	54
Amortization of net loss	199	453	519	444
Net periodic benefit cost	\$ 3,309	\$ 3,588	\$ 2,304	\$ 2,121

EMPLOYER CONTRIBUTIONS

As of September 30, 2007, the Company has contributed \$2.0 million to its domestic defined benefit plans and approximately \$1.2 million to its foreign plans. The Company presently anticipates contributing an additional \$0.7 million to fund its foreign plans for the remainder of 2007.

NOTE 6 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 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 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 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

The Company has 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 exchanges, at specified intervals, the difference between fixed-rate and floating-rate amounts, which is calculated based on an agreed upon notional amount.

As of September 30, 2007, the Company recorded the fair value of the derivative instrument of \$0.9 million in other non-current assets with a corresponding increase to debt related to the fixed-to-variable interest rate swap agreement with a notional principal value of \$20 million. No gain or loss related to the change in fair value was recorded in the income statement for the three and nine months ended September 30, 2007 or 2006 as any hedge ineffectiveness for the period was immaterial.

CASH FLOW HEDGES

As of September 30, 2007, the Company had one foreign currency cash flow hedge. A French entity 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 6.7 million Brazilian Real (\$3.7 million) as of September 30, 2007. There were no foreign currency forward contracts utilized to hedge cash flow exposures as of September 30, 2006.

Table of Contents

During the nine months ended September 30, 2007, 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 the hedging instrument excluded from the assessment of hedge effectiveness. The Company's foreign currency forward contracts hedge forecasted transactions for a maximum of five years (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 September 30, 2007, the Company recorded the fair value of foreign currency forward exchange contracts of \$1.0 million in prepaid expenses and other current assets, \$0.2 million in accounts payable and accrued liabilities and \$2.1 million in deferred and other non-current liabilities in the balance sheet. All forward exchange contracts outstanding as of September 30, 2007 had an aggregate contract amount of \$96.4 million.

NOTE 7 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. Management believes the resolution of these claims and lawsuits will not have a material adverse or positive effect on the Company's financial position, results of operations or cash flow.

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 September 30, 2007.

NOTE 8 STOCK REPURCHASE PROGRAM

During the quarter ended September 30, 2007, the Company repurchased 545 thousand shares for an aggregate amount of \$19.7 million. During the nine months ended September 30, 2007, the Company repurchased approximately 1.6 million shares for an aggregate amount of \$56.8 million. As of September 30, 2007, the Company has outstanding authorizations to repurchase up to approximately 2.5 million shares. The timing of and total amount expended for the share repurchase depend upon market conditions.

NOTE 9 EARNINGS PER SHARE

AptarGroup's authorized common stock consists of 99 million shares, having a par value of \$.01 each. Information related to the calculation of earnings per share is as follows:

	Three months ended			
	September 30, 2007		September 30, 2006	
	Diluted	Basic	Diluted	Basic
Consolidated operations				
Income available to common stockholders	\$ 39,395	\$ 39,395	\$ 28,243	\$ 28,243

Average equivalent shares

Shares of common stock	68,488	68,488	69,292	69,292
Effect of dilutive stock based compensation				
Stock options	2,415		1,582	
Restricted stock	6		4	
Total average equivalent shares	70,909	68,488	70,878	69,292
Net income per share	\$ 0.56	\$ 0.58	\$ 0.40	\$ 0.41

Table of Contents

	Nine months ended			
	September 30, 2007		September 30, 2006	
	Diluted	Basic	Diluted	Basic
Consolidated operations				
Income available to common stockholders	\$ 105,943	\$ 105,943	\$ 75,721	\$ 75,721
Average equivalent shares				
Shares of common stock	68,902	68,902	69,838	69,838
Effect of dilutive stock based compensation				
Stock options	2,804		2,222	
Restricted stock	11		6	
Total average equivalent shares	71,717	68,902	72,066	69,838
Net income per share	\$ 1.48	\$ 1.54	\$ 1.05	\$ 1.08

NOTE 10 SEGMENT INFORMATION

The Company operates in the packaging components industry, which includes the development, manufacture and sale of consumer product dispensing systems. Operations that sell spray and lotion 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 closures to each market served by AptarGroup form the Closures 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, 2006. The Company evaluates performance of its business segments and allocates resources based upon earnings before interest expense in excess of interest income, stock option and corporate expenses, income taxes and unusual items (collectively referred to as Segment Income).

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Total Sales:				
Beauty & Home	\$ 261,135	\$ 214,084	\$ 758,561	\$ 623,119
Closures	127,065	114,111	369,628	329,571
Pharma	100,817	79,019	290,036	235,662
Other	336	290	1,038	902
Total Sales	489,353	407,504	1,419,263	1,189,254
Less: Intersegment Sales:				
Beauty & Home	\$ 2,522	\$ 1,684	\$ 7,804	\$ 7,828

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Closures	546	303	1,596	833
Pharma	258	387	419	955
Other	335	225	1,035	640
Total Intersegment Sales	\$ 3,661	\$ 2,599	\$ 10,854	\$ 10,256
Net Sales:				
Beauty & Home	\$ 258,613	\$ 212,400	\$ 750,757	\$ 615,291
Closures	126,519	113,808	368,032	328,738
Pharma	100,559	78,632	289,617	234,707
Other	1	65	3	262
Net Sales	\$ 485,692	\$ 404,905	\$ 1,408,409	\$ 1,178,998
Segment Income:				
Beauty & Home	\$ 25,561	\$ 18,487	\$ 78,136	\$ 54,872
Closures	12,494	11,825	39,838	34,548
Pharma	29,407	21,731	78,445	58,642
Corporate Expenses & Other	(10,213)	(7,405)	(35,943)	(28,079)
Income before interest and taxes	\$ 57,249	\$ 44,638	\$ 160,476	\$ 119,983
Interest expense, net	(2,658)	(3,467)	(8,735)	(9,433)
Income before income taxes	\$ 54,591	\$ 41,171	\$ 151,741	\$ 110,550

NOTE 11 ACQUISITIONS

On February 15, 2007 the Company acquired Moderne Verpackungssysteme GmbH (MVS) for approximately \$5.2 million in cash. No debt was assumed in the transaction. MVS, located in Germany, is a supplier of bag-on-valve assembled products.

Table of Contents

The excess of the purchase price over the fair value of assets acquired and liabilities assumed was allocated to Goodwill. Goodwill of approximately \$3.5 million was recorded on the acquisition. The condensed consolidated statement of income includes MVS results of operations from February 15, 2007, the date of the acquisition and the acquisition is included in the Beauty and Home reporting segment.

NOTE 12 STOCK-BASED COMPENSATION

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) 123(R), Share-Based Payment . This statement replaced SFAS 123, Accounting for Stock-Based Compensation and supersedes Accounting Principles Board Opinion (APB) 25. SFAS 123(R) requires that all share-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. Also under the new standard, excess tax benefits related to issuance of equity instruments under share-based payment arrangements are considered financing instead of operating cash flow activities. The Company has adopted the modified prospective method of applying SFAS 123(R), which requires the recognition of compensation expense on a prospective basis. Accordingly, prior period financial statements have not been restated.

SFAS 123(R) upon adoption requires the application of the non-substantive vesting approach which means that an award is fully vested when the employee's retention of the award is no longer contingent on providing subsequent service. Under this approach, compensation costs are recognized over the requisite service period of the award instead of ratably over the vesting period stated in the grant. As such, costs would be recognized immediately, if the employee is retirement eligible on the date of grant or over the period from the date of grant until retirement eligibility if retirement eligibility is reached before the end of the vesting period stated in the grant. For awards granted prior to adoption, the Company will continue to recognize compensation costs ratably over the vesting period with accelerated recognition of the unvested portion upon actual retirement.

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 nine months of 2007 was approximately \$12.4 million (\$8.7 million after tax), or \$0.13 per share basic and \$0.12 per share diluted. Compensation expense recorded attributable to stock options for the first nine months of 2006 was approximately \$11.3 million (\$7.4 million after tax), or \$0.11 per share basic and \$0.10 per share diluted. In both years, the majority of the compensation expense was recorded in selling, research & development and administrative expenses.

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 \$9.32 and \$8.05 per share in 2007 and 2006, 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:

Nine months ended September 30,	2007	2006
Dividend Yield	1.4%	1.6%
Expected Stock Price Volatility	24.6%	24.8%
Risk-free Interest Rate	4.8%	4.3%
Expected Life of Option (years)	7.0	7.0

There have been no grants under the Director Stock Option Plan during 2007. The fair value of stock options granted under the Director Stock Option Plans in 2006 was \$8.63 per share. 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: Nine months ended September 30,	2007	2006
Dividend Yield		1.5%
Expected Stock Price Volatility		24.8%
Risk-free Interest Rate		5.1%
Expected Life of Option (years)		7.0

Table of Contents

A summary of option activity under the Company's stock option plans as of September 30, 2007, and changes during the period then ended is presented below:

	Stock Awards Plans		Director Stock Option Plans	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, January 1, 2007	7,327,874	\$ 18.70	220,000	\$ 20.68
Granted	1,249,500	30.49		
Exercised	(765,072)	14.51	(54,000)	13.77
Forfeited or expired	(12,199)	23.47		
Outstanding at September 30, 2007	7,800,103	\$ 20.99	166,000	\$ 22.93
Exercisable at September 30, 2007	5,355,491	\$ 17.64	138,000	\$ 22.34

Weighted-Average Remaining Contractual Term (Years):

Outstanding at September 30, 2007	6.2	6.4
Exercisable at September 30, 2007	5.1	6.2

Aggregate Intrinsic Value (\$000):

Outstanding at September 30, 2007	\$ 131,657	\$ 2,479
Exercisable at September 30, 2007	\$ 108,368	\$ 2,144

Intrinsic Value of Options Exercised (\$000) During the Nine Months Ended:

September 30, 2007	\$ 15,274	\$ 1,024
September 30, 2006	\$ 9,938	\$ 36

The fair value of shares vested during the nine months ended September 30, 2007 and 2006 was \$9.5 million and \$8.2 million, respectively. Cash received from option exercises was approximately \$12.5 million and the actual tax benefit realized for the tax deduction from option exercises was approximately \$4.3 million in the nine months ended September 30, 2007. As of September 30, 2007, the remaining valuation of stock option awards to be expensed in future periods was \$6.7 million and the related weighted-average period over which it is expected to be recognized is 1.4 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 September 30, 2007, and changes during the period then ended is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2007	15,700	\$ 24.66
Granted	14,512	30.63

Vested	(9,114)		23.27
Nonvested at September 30, 2007	21,098	\$	29.36

Compensation expense recorded attributable to restricted stock unit grants for the first nine months of 2007 and 2006 was approximately \$400 and \$200, respectively. The fair value of units vested during the nine months ended September 30, 2007 and 2006 was \$212 and \$409, respectively. The intrinsic value of units vested during the nine months ended September 30, 2007 and 2006 was \$290 and \$749, respectively. As of September 30, 2007 there was \$93 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 13 REDEPLOYMENT PROGRAM

The Company announced in the third quarter of 2005 a plan to reduce and redeploy certain personnel in its French fragrance/cosmetic operations. The objective of this plan is to better align production equipment and personnel between several sites in France to ultimately reduce costs and maintain competitiveness. This plan will be implemented in phases over a three year period and is now expected to be completed in the fourth quarter of 2007. The plan anticipates a headcount reduction by the end of 2007 of approximately 90 people. Total costs associated with the Redeployment Program are expected to be approximately \$7 to \$9 million before taxes over the Redeployment Program period and primarily relate to employee severance costs. The following table below highlights the pre-tax amount incurred in the period and the ending liability at the end of September 30, 2007. All charges related to the Redeployment Program are included in Cost of Sales in the condensed consolidated statement of income.

	Beginning Reserve	Charges For The Nine Months Ended	Cash Paid	FX Impact	Ending Reserve At
	At 01/01/07	09/30/07			09/30/07
Employee severance	\$ 995	\$ 646	\$ (1,218)	\$ 113	\$ 536
Other costs		271	(285)	14	
Totals	\$ 995	\$ 917	\$ (1,503)	\$ 127	\$ 536

Table of Contents**NOTE 14 INCOME TAX UNCERTAINTIES**

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a \$1.6 million increase in the liability for income tax uncertainties. This increase was accounted for as a reduction to the January 1, 2007 balance of retained earnings, as required by FIN 48. The Company's policy is to recognize interest and penalties accrued related to unrecognized tax benefits as a component of income taxes. The total amount of accrued interest and penalties as of January 1, 2007 was \$1.1 million.

As of January 1, 2007, the total amount of unrecognized tax benefits is \$7.0 million, of which \$6.2 million, if recognized, would impact the effective tax rate. In the first quarter of 2007, the Company incurred unfavorable tax audit settlements of \$500 thousand which were part of the January 1, 2007 unrecognized tax benefits. For the next twelve months, the Company does not anticipate material changes to its income tax uncertainties.

The Company or its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The major tax jurisdictions the Company files in with years still subject to income tax examinations are listed below.

Tax Jurisdiction		Tax Years Subject to Examination
United States	Federal	2003 2006
United States	States	2002 2006
France		2004 2006
Germany		2002 2006
Italy		2002 2006
Switzerland		1997 2006

NOTE 15 STOCK SPLIT

On April 18, 2007, the Board of Directors approved a two-for-one stock split that was effected in the form of a stock distribution to shareholders of record as of the close of business on May 2, 2007 for distribution on May 9, 2007. All historical weighted average share and per share amounts were restated in this Form 10-Q to reflect the stock split.

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 September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales (exclusive of depreciation shown below)	68.0	67.8	67.4	67.5
Selling, research & development and administration	13.6	14.2	14.6	15.1
Depreciation and amortization	6.6	7.0	6.5	7.1
Operating Income	11.8	11.0	11.5	10.3
Other income (expense)	(0.6)	(0.9)	(0.7)	(0.9)
Income before income taxes	11.2	10.1	10.8	9.4
Net income	8.1%	7.0%	7.5%	6.4%
Effective Tax Rate	27.8%	31.4%	30.2%	31.5%

NET SALES

Net sales for the quarter and nine months ended September 30, 2007 were a record \$485.7 million and \$1.4 billion, respectively, and represented increases of 20% and 19%, respectively, over the same periods a year ago. The average U.S. dollar exchange rate weakened compared to the Euro in 2007 compared to 2006, and as a result, changes in exchange rates positively impacted sales and accounted for approximately 6% of sales growth for the quarter and nine months ended September 30, 2007. Sales from acquired companies accounted for approximately 1% of the increase in sales for the quarter and nine months ended September 30, 2007. The remaining sales growth was due primarily to increased demand for our innovative dispensing systems.

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 September 30,				Nine Months Ended September 30,			
	% of		% of		% of		% of
2007	Total	2006	Total	2007	Total	2006	Total

Domestic	\$	127,363	26%	\$	122,412	30%	\$	374,805	27%	\$	353,759	30%
Europe		297,877	61%		238,371	59%		873,710	62%		711,430	60%
Other												
Foreign		60,452	13%		44,122	11%		159,894	11%		113,809	10%

COST OF SALES (EXCLUSIVE OF DEPRECIATION SHOWN BELOW)

Our cost of sales as a percent of net sales increased to 68.0% in the third quarter of 2007 compared to 67.8% in the third quarter of 2006.

The following factors positively impacted our cost of sales percentage in the third quarter of 2007:

Leveraging of Fixed Manufacturing Costs. The increase in sales volumes across all three market segments allowed us to better leverage our fixed overhead manufacturing expenses as a percentage of our net sales.

Favorable Product Mix. Increased sales of our products to the pharmaceutical market which traditionally generate higher margins helped positively impact our cost of sales percentage in the third quarter. In addition, the success of our bag-on-valve product line utilizing our value added accessories for continuous spray sun care products also had a positive impact on our cost of sales percentage.

Lower Compliance Costs For The Pharma Industry. In the prior year we incurred additional costs in our Pharma segment due to more stringent quality standards on certain of our products. These costs include, among others, higher personnel-related costs to assure the level of quality demanded by this market and higher scrap associated with the destruction of non-usable components. A majority of these costs did not reoccur in 2007 and as a result had a positive impact on our cost of sales percentage in the first nine months of 2007.

The following factors negatively impacted our cost of sales percentage in the third quarter of 2007:

Table of Contents

Rising Raw Material Costs. Raw material costs, in particular nickel and plastic resin, were higher in the third quarter of 2007 over 2006.

Weakening of the U.S. Dollar. We are a net importer from Europe into the U.S. and other countries of products produced in Europe with costs denominated in Euros. As a result, when the U.S. dollar or other currencies weaken against the Euro, products produced in Europe (with costs denominated in Euros) and sold in currencies that are weaker compared to the Euro, have a negative impact on cost of sales as a percentage of net sales.

Our cost of sales as a percent of net sales decreased slightly to 67.4% for the first nine months compared to 67.5% in the first nine months of 2006. The decrease is primarily due to the same factors mentioned above.

SELLING, RESEARCH & DEVELOPMENT AND ADMINISTRATIVE

Our Selling, Research & Development and Administrative expenses (SG&A) increased by approximately \$8.4 million in the third quarter of 2007 compared to the same period a year ago. Changes in currency rates accounted for approximately \$2.9 million of the increase in SG&A in the quarter while acquisitions accounted for approximately \$0.5 million of the increase in SG&A in the quarter. The remainder of the increase is due primarily to normal inflationary cost increases. SG&A as a percentage of net sales decreased to 13.6% compared to 14.2% of net sales in the same period of the prior year primarily due to the leveraging of higher sales volumes.

SG&A increased by approximately \$27.4 million for the nine months ended September 30, 2007 compared to the same period a year ago. Changes in currency rates accounted for approximately \$8.8 million of the increase in SG&A while acquisitions accounted for approximately \$2.2 million of the increase in SG&A in the first nine months. Another \$0.9 million of the increase relates to an increase of stock option expense which occurred substantially in the first quarter of 2007. The remainder of the increase is due primarily to normal inflationary cost increases. SG&A as a percentage of net sales decreased to 14.6% compared to 15.1% of net sales in the same period of the prior year primarily due to the leveraging of higher sales volumes.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased approximately \$3.7 million in the third quarter of 2007 to \$32.1 million compared to \$28.3 million in the third quarter of 2006. Acquisitions accounted for approximately \$0.3 million of additional depreciation and amortization expense in the quarter while changes in foreign currency rates accounted for another \$1.6 million of the increase. Depreciation and amortization as a percentage of sales decreased to 6.6% of net sales for the third quarter of 2007 compared to 7.0% in the same period of the prior year.

Depreciation and amortization increased approximately \$8.7 million in the first nine months of 2007 to \$92.2 million compared to \$83.5 million for the first nine months of 2006. Acquisitions accounted for approximately \$1.1 million of additional depreciation and amortization expense compared to the prior year. Changes in foreign currency rates accounted for another \$4.7 million of the increase. Depreciation and amortization as a percentage of sales decreased to 6.5% of net sales for the nine months ended September 30, 2007 compared to 7.1% in the same period of the prior year.

OPERATING INCOME

Operating income increased approximately \$12.8 million in the third quarter of 2007 to \$57.4 million compared to \$44.6 million in the same period in the prior year. The increase is primarily due to the increase in sales and favorable product mix mentioned above. Operating income as a percentage of net sales increased to 11.8% in the third quarter of 2007 compared to 11.0% for the same period in the prior year.

Operating income increased approximately \$40.8 million in the first nine months of 2007 to \$161.6 million compared to \$120.8 million in the same period in the prior year. Increases in sales volumes are the primary reason for the overall net increase in operating income for the first nine months of the year. Acquisitions added approximately \$1.9 million to operating income in the first half of the year. Operating income as a percentage of sales increased to 11.5% in the first nine months of 2007 compared to 10.3% for the same period in the prior year.

NET OTHER EXPENSE

Net other expenses in the third quarter of 2007 decreased to \$2.8 million from \$3.5 million in the same period in the prior year primarily reflecting increased interest income of \$1.2 million. The increase in interest income is due primarily to higher average cash on the balance sheet.

Net other expenses for the nine months ended September 30, 2007 decreased slightly to \$9.8 million from \$10.3 million in the same period in the prior year primarily reflecting increased interest income of \$2.8 million offset partially by an increase in interest expense of \$2.1 million. The increase in interest income is due primarily to higher average cash balances while the increase in interest expense is due primarily to higher average interest rates and higher borrowing levels.

EFFECTIVE TAX RATE

The reported effective tax rate decreased to 27.8% for the three months ended September 30, 2007 compared to 31.4% in the third quarter of 2006. The decrease in effective tax rate in the third quarter of 2007 is due primarily to a positive tax benefit in the

Table of Contents

quarter related to tax law changes in Germany. During the third quarter of 2007, the German government approved a reduction in the income tax rate effective January 1, 2008. This tax law change reduced the Company's net deferred tax liability by approximately \$2.3 million, or approximately \$0.03 per share.

The reported effective tax rate decreased slightly to 30.2% for the nine months ended September 30, 2007 compared to 31.5% in the first nine months of the prior year primarily due to the positive effect of the German tax law change recorded in the third quarter of 2007.

NET INCOME

We reported net income of \$39.4 million and \$105.9 million in the third quarter and nine months ended September 30, 2007, respectively, compared to \$28.2 million and \$75.7 million for the same periods in the prior year.

BEAUTY & HOME SEGMENT

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net Sales	\$ 258,613	\$ 212,400	\$ 750,757	\$ 615,291
Segment Income (1)	25,561	18,487	78,136	54,872
Segment Income as a percentage of Net Sales	9.9%	8.7%	10.4%	8.9%

(1) Segment Income is defined as earnings before net interest, stock option and corporate expenses, income taxes and unusual items. The Company evaluates performance of its business units and allocates resources based upon Segment Income. For a reconciliation of Segment Income to income before income taxes, see Note 10 Segment information to the Consolidated Financial Statements in Item 1.

Net sales for the quarter ended September 30, 2007 increased 22% in the third quarter of 2007 to \$258.6 million compared to \$212.4 million in the third quarter of the prior year. Acquisitions accounted for approximately \$1.2 million or 1% of the sales increase. Changes in exchange rates positively impacted sales by approximately 6%

during the quarter. Sales to the personal care market excluding changes in currency and acquisitions increased approximately 23% in the third quarter of 2007 compared to the same period in the prior year, reflecting increased demand for our aerosol valve products in Europe as well as our new and innovative bag-on-valve and accessory products in North America. Sales to the fragrance/cosmetic market excluding changes in currency and acquisitions were strong in the quarter, growing 9% compared to the third quarter of 2006, reflecting the success of our new sampling devices and strong demand for our pumps.

Net sales for the first nine months of 2007 increased 22% in the first nine months of 2007 to \$750.8 million compared to \$615.3 million in the first nine months of the prior year. The weakening U.S. dollar compared to the Euro positively impacted sales and represented approximately 6% of the 22% increase in sales. Acquisitions accounted for approximately 1% of the sales increase. Sales to the personal care and fragrance/cosmetic market excluding foreign currency changes and acquisitions increased approximately 22% and 11%, respectively, in the first nine months of 2007 compared to the same period in the prior year primarily for the reasons mentioned above.

Segment Income in the third quarter of 2007 increased approximately 38% to \$25.6 million compared to \$18.5 million reported in the same period in the prior year. Acquisitions did not materially impact segment income in the quarter. The increase in segment income is due primarily to the increase in sales to the personal care and fragrance/cosmetic market as well as a favorable mix of products sold.

Segment Income in the first nine months of 2007 increased approximately 42% to \$78.1 million compared to \$54.9 million reported in the same period in the prior year. Acquisitions accounted had an immaterial impact on segment income in the first nine months. The increase is primarily due to the same reasons mentioned above.

CLOSURES SEGMENT

The Closures segment designs and manufactures primarily dispensing closures. These products are sold primarily to the personal care, household and food/beverage markets.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net Sales	\$ 126,519	\$ 113,808	\$ 368,032	\$ 328,738
Segment Income	12,494	11,825	39,838	34,548
Segment Income as a percentage of Net Sales	9.9%	10.4%	10.8%	10.5%

Table of Contents

Net sales for the quarter ended September 30, 2007 increased approximately 11% in the third quarter of 2007 to \$126.5 million compared to \$113.8 million in the third quarter of the prior year. Acquisitions accounted for approximately \$1.4 million or 1% of the sales increase. Changes in exchange rates positively impacted sales by approximately 5% during the quarter. Sales excluding changes in foreign currency and acquisitions to the personal care market increased approximately 7% in the third quarter compared to the same period in the prior year, while sales to the food/beverage market increased 16% and sales to the household market decreased 3%. Geographically, sales to North American customers in the third quarter were down compared to the prior year third quarter primarily in the personal care and household markets.

Net sales for the first nine months of 2007 increased approximately 12% to \$368.0 million compared to \$328.7 million in the first nine months of the prior year. Once again, the weakening U.S. dollar compared to the Euro positively impacted sales and represented approximately 4% of the 12% increase. Acquisitions accounted for approximately \$6.8 million or 2% of the sales increase. Sales to the personal care, food and household markets excluding foreign currency and acquisitions increased approximately 7% in the first nine months of 2007 compared to the same period in the prior year.

Segment Income in the third quarter of 2007 increased approximately 6% to \$12.5 million compared to \$11.8 million reported in the same period in the prior year. The increase in segment income is primarily derived from increased sales volumes in Europe during the quarter, partially offset by rising resin costs. Acquisitions had an immaterial impact on segment income in the third quarter.

Segment Income in the first nine months of 2007 increased approximately 15% to \$39.8 million compared to \$34.5 million reported in the same period of the prior year. The increase in segment income is primarily derived from increased sales volumes in the first nine months in Europe. Acquisitions had an immaterial impact on segment income in the first nine months of 2007.

PHARMACEUTICAL SEGMENT

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net Sales	\$ 100,559	\$ 78,632	\$ 289,617	\$ 234,707
Segment Income	29,407	21,731	78,445	58,642
Segment Income as a percentage of Net Sales	29.2%	27.6%	27.1%	25.0%

Our net sales for the Pharmaceutical segment grew by 28% in the third quarter of 2007 to \$100.6 million compared to \$78.6 million in the third quarter of 2006. Changes in foreign currency rates positively impacted the sales growth and accounted for approximately 7% of the 28% sales growth. The remainder of the increase in sales is due primarily to strong sales of our metered dose inhaler valves used on asthma products and our nasal spray pumps primarily used on allergy related products.

Our net sales for the Pharmaceutical segment grew by 23% in the first nine months of 2007 to \$289.6 million compared to \$234.7 million in the first nine months of 2006. Changes in foreign currency rates positively impacted the sales growth by approximately 6% for the first nine months of 2007. The remaining 17% increase in sales was due to the strong demand for our metered dose inhaler valves as well as strong demand for our nasal spray pumps, primarily for allergy related products.

Segment Income in the third quarter of 2007 increased approximately 35% to \$29.4 million compared to \$21.7 million reported in the same period in the prior year. The significant improvement in profitability is primarily due to the increase in product sales as well as improved manufacturing quality leading to lower costs compared to the prior year third quarter.

Segment Income in the first nine months of 2007 increased approximately 34% to \$78.4 million compared to \$58.6 million reported in the same period in the prior year. The higher sales volumes combined with improved manufacturing quality were the main reasons for the increase in profitability in the first nine months of 2007.

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 material 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 South American and Asian currencies, among others. We manage our foreign exchange exposures principally with forward exchange contracts to hedge certain transactions and firm purchase and sales 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 last quarter of the year typically are negatively impacted by 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.

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 increased to \$270.1 million from \$170.6 million at December 31, 2006. Total short and long-term interest bearing debt increased in the first nine months of 2007 to \$353.6 million from \$296.3 million at December 31, 2006. The ratio of our Net Debt (interest bearing debt less cash and cash equivalents) to Net Capital (stockholder's equity plus Net Debt) decreased to 7% at the end of September 2007, compared to 12% at December 31, 2006.

In the first nine months of 2007, our operations provided approximately \$186.8 million in cash flow compared to \$148.5 million for the same period a year ago. In both periods, cash flow from operations was primarily derived from earnings before depreciation, amortization and non-cash stock option expense partially offset by an increase in working capital needs to support the growth of the business. During the first nine months of 2007, we utilized the majority of the operating cash flows to finance capital expenditures and share repurchases.

We used \$94.1 million in cash for investing activities during the first nine months of 2007, compared to \$109.9 million during the same period a year ago. The decrease in cash used for investing activities was primarily due to less cash used for acquisitions of businesses in 2007 compared to 2006, offset partially by an increase in capital expenditures. Cash outlays for capital expenditures for 2007 are estimated to be in the range of \$130 million to \$140 million and could vary due to changes in exchange rates as well as the timing of capital projects.

We used approximately \$11.6 million in cash from financing activities in the first nine months of 2007 compared to \$3.2 million in cash provided in the first nine months of the prior year. We had an increase in cash used from financing activities of approximately \$12.4 million to buy back the Company's stock, an increase of \$16.1 million to repay long term obligations and an increase of approximately \$3.9 million in dividends paid to shareholders. These activities were financed primarily through an increase in short term borrowings.

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

	Requirement	Level at September 30, 2007
Debt to total capital ratio	Maximum of 55%	25%

Based upon the above debt to total capital ratio covenant we would have the ability to borrow an additional \$960 million before the 55% requirement would be exceeded.

Our foreign operations have historically met cash requirements with the use of internally generated cash or borrowings. 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 \$270.1 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 October 17, 2007, the Board of Directors declared a quarterly dividend of \$0.13 per share payable on November 21, 2007 to stockholders of record as of October 31, 2007.

OFF-BALANCE SHEET ARRANGEMENTS

We lease certain warehouse, plant and office facilities as well as certain equipment under noncancelable operating leases expiring at various dates through the year 2055. 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. We have an option on one building lease to purchase the building during or at the end of the term of the lease at approximately the amount expended by the lessor for the purchase of the building and improvements, which was the fair value of the facility at

the inception of the lease. This lease has been accounted for as an operating lease. If the Company exercises its option to purchase the building, the Company would account for this transaction as a capital expenditure. If the Company does not exercise the purchase option by the end of the lease in 2008, the Company would be required to pay an amount not to exceed \$9.5 million and would receive certain rights to the proceeds from the sale of the related property. The value of the rights to be obtained relating to this property is expected to exceed the amount paid if the purchase option is not exercised. Other than operating lease obligations, we do not have any off-balance sheet arrangements

ADOPTION OF ACCOUNTING STANDARDS

In September 2006, the FASB issued Statement of Accounting Standard (SFAS) No. 157 Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect the adoption of SFAS No. 157 to have a material impact on the financial results or existing covenants of the Company.

Table of Contents

In February 2007, the FASB issued SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company does not expect the adoption of SFAS No. 159 to have a material impact on the financial results of the Company.

OUTLOOK

We expect sales to increase in the fourth quarter compared to the prior year excluding any changes in exchange rates. The continued weakness of the U.S. dollar exchange rates compared to the prior year will have a positive impact on sales in the fourth quarter.

We anticipate that diluted earnings per share for the fourth quarter of 2007 will be in the range of \$0.43 to \$0.46 per share, compared to \$0.38 per share 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:

- difficulties in product development and uncertainties related to the timing or outcome of product development;
- the cost of materials (particularly resin and nickel based components);
- the availability of raw materials and components (particularly from sole sourced suppliers);
- our ability to increase prices;
- our ability to contain costs and improve productivity;
- our ability to meet future cash flow estimates to support our goodwill impairment testing;
- direct or indirect consequences of acts of war or terrorism;
- difficulties in complying with government regulation;
- competition (particularly from Asia) and technological change;
- our ability to protect and defend our intellectual property rights;
- the timing and magnitude of capital expenditures;
- our ability to successfully integrate our recent acquisitions and our ability to identify potential new acquisitions and to successfully acquire and integrate such operations or products;
- significant fluctuations in currency exchange rates;
- economic and market conditions worldwide;
- changes in customer spending levels;
- work stoppages due to labor disputes;
- the timing and recognition of the costs of the workforce redeployment program in France;
- the demand for existing and new products;
- significant product liability claims;
- 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 1 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 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 September 30, 2007 about our forward currency exchange contracts. The majority of the contracts expire before the end of the third quarter of 2008 with the exception of a few contracts on intercompany loans that expire in third quarter of 2013.

Buy/Sell	Contract Amount (in thousands)	Average Contractual Exchange Rate
Euro/U.S. Dollar	\$ 35,082	1.3776
Swiss Francs/Euro	20,580	0.6090
Canadian Dollar/Euro	12,435	0.6956
Euro/Brazilian Real	10,895	3.9742
Euro/British Pound	5,780	0.6853
Czech Koruna/Euro	3,394	0.0355
US Dollar/Columbian Peso	1,589	2,223.0000
Euro/Swiss Franc	1,263	1.6317
Euro/Japanese Yen	1,235	160.1600
US Dollar/Argentinian Peso	1,000	3.3650
Other	3,137	
Total	\$ 96,390	

As of September 30, 2007, we have recorded the fair value of foreign currency forward exchange contracts of \$1.0 million in prepaid expenses and other current assets, \$0.2 million in accounts payable and accrued liabilities and \$2.1 million in deferred and other non-current liabilities in the balance sheet.

At September 30, 2007, we had a fixed-to-variable interest rate swap agreement designated as a hedge with a notional principal value of \$20 million which requires us to pay an average variable interest rate (which was 5.3% at September 30, 2007) and receive a fixed rate of 6.6%. The variable rate is adjusted semiannually based on London Interbank Offered Rates (LIBOR). Variations in market interest rates would produce changes in our net income. If interest rates increase by 100 basis points, net income related to the interest rate swap agreement would decrease approximately \$0.1 million assuming a tax rate of 31.5%. As of September 30, 2007, we recorded the fair value of the fixed-to-variable interest rate swap agreement of \$0.9 million in miscellaneous other assets with an offsetting adjustment to debt. No gain or loss was recorded in the income statement in 2007 as any hedge ineffectiveness for the period is immaterial.

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 September 30, 2007. 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 September 30, 2007 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

During the quarter ended September 30, 2007, the FCP Aptar Savings Plan (the Plan) purchased 700 shares of our common stock on behalf of the participants at an average price of \$36.18 per share, for an aggregate amount of \$25.3 thousand and sold 360 shares of our common stock on behalf of the participants at an average price of \$36.95 per share, for an aggregate amount of \$13.3 thousand. At September 30, 2007, the Plan owns 14,540 shares of our common stock. The employees of AptarGroup S.A.S. and Valois S.A.S., our subsidiaries, are eligible to participate in the Plan. All eligible participants are located outside of the United States. An independent agent purchases shares of 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 Common Stock under the Plan. The agent under the Plan is Banque Nationale de Paris Paribas Asset Management. 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.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table summarizes the Company's purchases of its securities for the quarter ended September 30, 2007:

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
7/1 7/31/07	90,000	\$ 35.49	90,000	2,921,100
8/1 8/31/07	400,100	36.49	400,100	2,521,000
9/1 9/30/07	55,000	34.59	55,000	2,466,000
Total	545,100	\$ 36.13	545,100	2,466,000

On July 19, 2006, the Company announced that its Board of Directors authorized the Company to repurchase four million shares of its outstanding common stock. There is no expiration date for this repurchase program.

ITEM 6. EXHIBITS

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.

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/ Stephen J. Hagge
Stephen J. Hagge
Executive Vice President, Chief
Financial Officer and Secretary
(Duly Authorized Officer and
Principal Financial Officer)

Date: October 29, 2007
21

INDEX OF EXHIBITS

Exhibit

Number Description

- | | |
|------|---|
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