

APTARGROUP INC
Form 10-Q
August 06, 2012
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, 2012

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 August 3, 2012 |
|---|-------------------------------|
| Common Stock, \$.01 par value per share | 66,593,619 shares |

Table of Contents

AptarGroup, Inc.

Form 10-Q

Quarter Ended June 30, 2012

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, 2012 and 2011</u> | 1 |
| | <u>Condensed Consolidated Statements of Comprehensive (Loss) Income - Three and Six Months Ended June 30, 2012 and 2011</u> | 2 |
| | <u>Condensed Consolidated Balance Sheets - June 30, 2012 and December 31, 2011</u> | 3 |
| | <u>Condensed Consolidated Statements of Changes in Equity - Six Months Ended June 30, 2012 and 2011</u> | 5 |
| | <u>Condensed Consolidated Statements of Cash Flows - Six Months Ended June 30, 2012 and 2011</u> | 6 |
| | <u>Notes to Condensed Consolidated Financial Statements</u> | 7 |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 16 |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures about Market Risk</u> | 23 |
| <u>Item 4.</u> | <u>Controls and Procedures</u> | 23 |
| <u>Part II.</u> | <u>OTHER INFORMATION</u> | |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 24 |
| <u>Item 6.</u> | <u>Exhibits</u> | 24 |
| | <u>Signature</u> | 25 |

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, | |
|--|-----------------------------|------------------|---------------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Net Sales | \$ 577,503 | \$ 614,929 | \$ 1,170,001 | \$ 1,191,447 |
| Operating Expenses: | | | | |
| Cost of sales (exclusive of depreciation and amortization shown below) | 390,225 | 409,481 | 791,295 | 792,151 |
| Selling, research & development and administrative | 87,625 | 90,290 | 176,124 | 180,769 |
| Depreciation and amortization | 32,597 | 34,914 | 65,151 | 68,519 |
| | 510,447 | 534,685 | 1,032,570 | 1,041,439 |
| Operating Income | 67,056 | 80,244 | 137,431 | 150,008 |
| Other Income (Expense): | | | | |
| Interest expense | (3,904) | (4,607) | (9,146) | (9,227) |
| Interest income | 794 | 1,544 | 1,822 | 3,096 |
| Equity in results of affiliates | (158) | | (289) | |
| Miscellaneous, net | (1,247) | (285) | (1,000) | (706) |
| | (4,515) | (3,348) | (8,613) | (6,837) |
| Income before Income Taxes | 62,541 | 76,896 | 128,818 | 143,171 |
| Provision for Income Taxes | 20,889 | 25,609 | 43,353 | 47,416 |
| Net Income | \$ 41,652 | \$ 51,287 | \$ 85,465 | \$ 95,755 |
| Net Loss Attributable to Noncontrolling Interests | \$ 34 | \$ 2 | \$ 30 | \$ 11 |
| Net Income Attributable to AptarGroup, Inc. | \$ 41,686 | \$ 51,289 | \$ 85,495 | \$ 95,766 |
| Net Income Attributable to AptarGroup, Inc. per Common Share: | | | | |
| Basic | \$ 0.63 | \$ 0.77 | \$ 1.29 | \$ 1.43 |
| Diluted | \$ 0.61 | \$ 0.74 | \$ 1.24 | \$ 1.37 |
| Average Number of Shares Outstanding: | | | | |
| Basic | 66,580 | 66,939 | 66,388 | 66,933 |
| Diluted | 68,758 | 69,438 | 68,940 | 69,902 |

Edgar Filing: APTARGROUP INC - Form 10-Q

| | | | | | | | | |
|-----------------------------------|----|-------------|----|------|----|-------------|----|------|
| Dividends per Common Share | \$ | 0.22 | \$ | 0.18 | \$ | 0.44 | \$ | 0.36 |
|-----------------------------------|----|-------------|----|------|----|-------------|----|------|

See accompanying unaudited notes to condensed consolidated financial statements.

Table of Contents**AptarGroup, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Unaudited)

In thousands, except per share amounts

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------------|---------------------------|-------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Net Income | \$ 41,652 | \$ 51,287 | \$ 85,465 | \$ 95,755 |
| Other Comprehensive (Loss)/Income: | | | | |
| Foreign currency translation adjustments | (70,504) | 38,260 | (28,822) | 106,004 |
| Changes in treasury locks, net of tax | 165 | 22 | 180 | 43 |
| Net gain (loss) on derivatives, net of tax | | | (7) | 6 |
| Defined benefit pension plan, net of tax | | | | |
| Amortization of prior service cost included in net income, net of tax | 60 | 27 | 121 | 107 |
| Amortization of net loss included in net income, net of tax | 684 | 164 | 1,371 | 677 |
| Total defined benefit pension plan, net of tax | 744 | 191 | 1,492 | 784 |
| Total other comprehensive (loss)/ income | (69,595) | 38,473 | (27,157) | 106,837 |
| Comprehensive (Loss)/Income | (27,943) | 89,760 | 58,308 | 202,592 |
| Comprehensive Loss/(Income) Attributable To Noncontrolling Interests | 38 | (5) | 35 | 1 |
| Comprehensive (Loss)/Income Attributable to AptarGroup, Inc. | \$ (27,905) | \$ 89,755 | \$ 58,343 | \$ 202,593 |

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, 2012 | December 31, 2011 |
|--|---------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash and equivalents | \$ 300,873 | \$ 377,616 |
| Accounts and notes receivable, less allowance for doubtful accounts of \$7,007 in 2012 and \$8,257 in 2011 | 421,735 | 389,020 |
| Inventories | 299,321 | 285,155 |
| Prepaid and other | 88,198 | 92,159 |
| | 1,110,127 | 1,143,950 |
| Property, Plant and Equipment: | | |
| Buildings and improvements | 349,613 | 342,146 |
| Machinery and equipment | 1,728,491 | 1,687,521 |
| | 2,078,104 | 2,029,667 |
| Less: Accumulated depreciation | (1,324,074) | (1,295,185) |
| | 754,030 | 734,482 |
| Land | 19,932 | 20,233 |
| | 773,962 | 754,715 |
| Other Assets: | | |
| Investments in affiliates | 3,706 | 3,812 |
| Goodwill | 230,784 | 233,689 |
| Intangible assets, net | 4,706 | 4,374 |
| Miscellaneous | 23,953 | 18,755 |
| | 263,149 | 260,630 |
| Total Assets | \$ 2,147,238 | \$ 2,159,295 |

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, 2012 | December 31, 2011 |
|---|---------------------|----------------------|
| Liabilities and Stockholders Equity | | |
| Current Liabilities: | | |
| Notes payable | \$ 125,948 | \$ 179,552 |
| Current maturities of long-term obligations | 4,796 | 4,116 |
| Accounts payable and accrued liabilities | 331,738 | 335,181 |
| | 462,482 | 518,849 |
| Long-Term Obligations | 253,454 | 254,910 |
| Deferred Liabilities and Other: | | |
| Deferred income taxes | 26,173 | 27,390 |
| Retirement and deferred compensation plans | 48,581 | 58,930 |
| Deferred and other non-current liabilities | 8,638 | 8,644 |
| Commitments and contingencies | | |
| | 83,392 | 94,964 |
| 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; 83.4 and 82.8 million shares issued as of June 30, 2012 and December 31, 2011, respectively | 845 | 827 |
| Capital in excess of par value | 403,135 | 364,855 |
| Retained earnings | 1,465,708 | 1,409,388 |
| Accumulated other comprehensive income | 33,166 | 60,318 |
| Less treasury stock at cost, 16.8 and 16.9 million shares as of June 30, 2012 and December 31, 2011, respectively | (555,705) | (545,612) |
| Total AptarGroup, Inc. Stockholders Equity | 1,347,149 | 1,289,776 |
| Noncontrolling interests in subsidiaries | 761 | 796 |
| Total Stockholders Equity | 1,347,910 | 1,290,572 |
| Total Liabilities and Stockholders Equity | \$ 2,147,238 | \$ 2,159,295 |

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 | | | | | | |
|-----------------------------------|---|--------------------------------------|---|------------------------|----------------|--------------------------------|--------------------------|--------------|
| | | Retained Earnings | Accumulated Other Comprehensive Income/(Loss) | Common Stock Par Value | Treasury Stock | Capital in Excess of Par Value | Non-Controlling Interest | Total Equity |
| Balance December 31, 2010: | | \$ 1,279,013 | \$ 123,766 | \$ 817 | \$ (443,019) | \$ 318,346 | \$ 851 | \$ 1,279,774 |
| | Net income (loss) | 95,766 | | | | | (11) | 95,755 |
| | Foreign currency translation adjustments | | 105,994 | | | | 10 | 106,004 |
| | Changes in unrecognized pension gains/losses and related amortization, net of tax | | 784 | | | | | 784 |
| | Changes in treasury locks, net of tax | | 43 | | | | | 43 |
| | Net gain on derivatives, net of tax | | 6 | | | | | 6 |
| | 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 |
| Balance December 31, 2011: | | \$ 1,409,388 | \$ 60,318 | \$ 827 | \$ (545,612) | \$ 364,855 | \$ 796 | \$ 1,290,572 |
| | Net income (loss) | 85,495 | | | | | (30) | 85,465 |
| | Foreign currency translation adjustments | | (28,817) | | | | (5) | (28,822) |
| | Changes in unrecognized pension gains/losses and related amortization, net of tax | | 1,492 | | | | | 1,492 |
| | Changes in treasury locks, net of tax | | 180 | | | | | 180 |
| | Net loss on derivatives, net of tax | | (7) | | | | | (7) |
| | Stock option exercises & restricted stock vestings | | | 18 | 3 | 38,280 | | 38,301 |
| | Cash dividends declared on common stock | (29,175) | | | | | | (29,175) |
| | Treasury stock purchased | | | | (10,096) | | | (10,096) |
| Balance June 30, 2012: | | \$ 1,465,708 | \$ 33,166 | \$ 845 | \$ (555,705) | \$ 403,135 | \$ 761 | \$ 1,347,910 |

See accompanying unaudited notes to condensed consolidated financial statements.

Table of Contents

AptarGroup, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

In thousands, brackets denote cash outflows

| Six Months Ended June 30, | 2012 | 2011 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Net income | \$ 85,465 | \$ 95,755 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Depreciation | 64,485 | 66,780 |
| Amortization | 666 | 1,739 |
| Stock option based compensation | 8,689 | 9,414 |
| Provision for doubtful accounts | (605) | 634 |
| Deferred income taxes | (478) | (3,528) |
| Defined benefit plan expense | 7,154 | 5,721 |
| Equity in results of affiliates in excess of cash distributions received | 289 | |
| Changes in balance sheet items, excluding effects from foreign currency adjustments: | | |
| Accounts receivable | (40,455) | (57,820) |
| Inventories | (20,793) | (34,888) |
| Prepaid and other current assets | 5,163 | (22,987) |
| Accounts payable and accrued liabilities | 10,447 | 16,551 |
| Income taxes payable | 796 | 2,447 |
| Retirement and deferred compensation plans | (20,978) | (15,823) |
| Other changes, net | (15,680) | 1,512 |
| Net Cash Provided by Operations | 84,165 | 65,507 |
| Cash Flows from Investing Activities: | | |
| Capital expenditures | (95,351) | (78,943) |
| Disposition of property and equipment | 1,229 | 2,529 |
| Investment in unconsolidated affiliate | (279) | |
| Notes receivable, net | 95 | 54 |
| Net Cash Used by Investing Activities | (94,306) | (76,360) |
| Cash Flows from Financing Activities: | | |
| (Repayments) / Proceeds from notes payable | (53,792) | 47,423 |
| Proceeds of long-term obligations | 539 | |
| Repayments of long-term obligations | | (48,360) |
| Dividends paid | (29,175) | (24,100) |
| Credit facility costs | (1,121) | |
| Proceeds from stock option exercises | 25,003 | 13,858 |
| Purchase of treasury stock | (10,096) | (40,826) |
| Excess tax benefit from exercise of stock options | 4,380 | 4,346 |
| Net Cash Used by Financing Activities | (64,262) | (47,659) |
| Effect of Exchange Rate Changes on Cash | (2,340) | 23,409 |
| Net Decrease in Cash and Equivalents | (76,743) | (35,103) |
| Cash and Equivalents at Beginning of Period | 377,616 | 376,427 |
| Cash and Equivalents at End of Period | \$ 300,873 | \$ 341,324 |

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, comprehensive income, 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. Also, certain financial position data included herein was derived from the audited consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011 but does not include all disclosures required by accounting principles generally accepted in the United States of America. 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, 2011. The results of operations of any interim period are not necessarily indicative of the results that may be expected for the year.

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 May 2011, the FASB amended the guidance on fair value measurement and disclosure requirements. The amended guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between GAAP and International Financial Reporting Standards (IFRS). This guidance is effective for the Company s fiscal year ending December 31, 2012 (including interim periods). The adoption of this standard had no impact on the Consolidated Financial Statements other than disclosure.

In June 2011, the FASB amended the guidance for the presentation of comprehensive income. The objective of this update is to improve the comparability, consistency, and transparency of financial reporting by increasing the prominence of items reported in other comprehensive income. This update requires that all non-owner changes in stockholders equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments in this update are effective for the Company s fiscal year ending December 31, 2012 (including interim periods). In December 2011, the FASB indefinitely deferred the guidance related to the presentation of reclassification adjustments out of other comprehensive income. The adoption of this standard results in the presentation of a new statement of comprehensive income. Otherwise, the adoption had no other impact on the Consolidated Financial Statements.

INCOME TAXES

Edgar Filing: APTARGROUP INC - Form 10-Q

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 2012 includes the tax cost of repatriating \$79 million of current year earnings, all of which was repatriated in the first half of 2012.

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.

NOTE 2 - INVENTORIES

At June 30, 2012 and December 31, 2011, approximately 19% and 21%, respectively, of the total inventories are accounted for by using the LIFO method. Inventories, by component, consisted of:

Edgar Filing: APTARGROUP INC - Form 10-Q

Table of Contents

| | June 30, 2012 | December 31, 2011 |
|-------------------|------------------|----------------------|
| Raw materials | \$ 117,538 | \$ 116,751 |
| Work in process | 72,759 | 69,676 |
| Finished goods | 115,110 | 105,095 |
| Total | 305,407 | 291,522 |
| Less LIFO Reserve | (6,086) | (6,367) |
| Total | \$ 299,321 | \$ 285,155 |

NOTE 3 GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill since the year ended December 31, 2011 are as follows by reporting segment:

| | Beauty + Home | Pharma | Food + Beverage | Corporate & Other | Total |
|-----------------------------------|------------------|-----------|--------------------|----------------------|------------|
| Goodwill | \$ 179,095 | \$ 37,009 | \$ 17,585 | \$ 1,615 | \$ 235,304 |
| Accumulated impairment losses | | | | (1,615) | (1,615) |
| Balance as of December 31, 2011 | \$ 179,095 | \$ 37,009 | \$ 17,585 | \$ | \$ 233,689 |
| Foreign currency exchange effects | (2,182) | (557) | (166) | | (2,905) |
| Goodwill | \$ 176,913 | \$ 36,452 | \$ 17,419 | \$ 1,615 | \$ 232,399 |
| Accumulated impairment losses | | | | (1,615) | (1,615) |
| Balance as of June 30, 2012 | \$ 176,913 | \$ 36,452 | \$ 17,419 | \$ | \$ 230,784 |

The table below shows a summary of intangible assets as of June 30, 2012 and December 31, 2011.

| | Weighted Average Amortization Period (Years) | June 30, 2012 | | | December 31, 2011 | | |
|-------------------------------------|--|-----------------------------|-----------------------------|--------------|-----------------------------|-----------------------------|--------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net Value | Gross Carrying Amount | Accumulated Amortization | Net Value |
| Amortized intangible assets: | | | | | | | |
| Patents | 11 | \$ 18,633 | \$ (17,775) | \$ 858 | \$ 19,030 | \$ (17,962) | \$ 1,068 |
| License agreements and other | 2 | 24,479 | (20,631) | 3,848 | 23,840 | (20,534) | 3,306 |
| Total intangible assets | 6 | \$ 43,112 | \$ (38,406) | \$ 4,706 | \$ 42,870 | \$ (38,496) | \$ 4,374 |

Aggregate amortization expense for the intangible assets above for the quarters ended June 30, 2012 and 2011 was \$317 and \$1,034, respectively. Aggregate amortization expense for the intangible assets above for the six months ended June 30, 2012 and 2011 was \$666 and \$1,739, respectively.

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

Edgar Filing: APTARGROUP INC - Form 10-Q

| | | | |
|---------------------|----|-------|---|
| 2012 | \$ | 622 | (remaining estimated amortization for 2012) |
| 2013 | | 1,114 | |
| 2014 | | 1,038 | |
| 2015 | | 878 | |
| 2016 and thereafter | | 1,054 | |

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, 2012.

NOTE 4 RETIREMENT AND DEFERRED COMPENSATION PLANS

Components of Net Periodic Benefit Cost:

| Three months ended June 30, | Domestic Plans | | Foreign Plans | |
|--------------------------------|----------------|----------|---------------|--------|
| | 2012 | 2011 | 2012 | 2011 |
| Service cost | \$ 1,808 | \$ 1,319 | \$ 509 | \$ 514 |
| Interest cost | 1,231 | 1,094 | 630 | 647 |
| Expected return on plan assets | (1,404) | (1,002) | (379) | (460) |

Table of Contents

| | | | | |
|------------------------------------|----------|----------|--------|--------|
| Amortization of net loss | 965 | 416 | 118 | 199 |
| Amortization of prior service cost | 1 | 1 | 90 | 97 |
| Net periodic benefit cost | \$ 2,601 | \$ 1,828 | \$ 968 | \$ 997 |

| Six months ended June 30, | Domestic Plans | | Foreign Plans | |
|------------------------------------|----------------|----------|---------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Service cost | \$ 3,612 | \$ 2,689 | \$ 1,028 | \$ 1,030 |
| Interest cost | 2,459 | 2,228 | 1,275 | 1,295 |
| Expected return on plan assets | (2,805) | (2,042) | (767) | (921) |
| Amortization of net loss | 1,929 | 847 | 239 | 399 |
| Amortization of prior service cost | 2 | 2 | 182 | 194 |
| Net periodic benefit cost | \$ 5,197 | \$ 3,724 | \$ 1,957 | \$ 1,997 |

EMPLOYER CONTRIBUTIONS

In order to meet or exceed minimum funding levels required by U.S. law, the Company has contributed approximately \$14.0 million to its domestic defined benefit plan during the first half of 2012 and does not anticipate any further contribution during 2012. The Company also expects to contribute approximately \$3.7 million to its foreign defined benefit plans in 2012 and has contributed approximately \$1.0 million during the first half of 2012.

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 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 maintained an interest rate swap to convert a portion of its fixed-rate debt into variable-rate debt until May 31, 2011. 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 2011 as any hedge ineffectiveness for the period was immaterial.

CASH FLOW HEDGES

Edgar Filing: APTARGROUP INC - Form 10-Q

The Company had one foreign currency cash flow hedge until March 15, 2012. A French subsidiary of AptarGroup, AptarGroup Holding SAS, had 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. On March 15, 2012, the loan and foreign currency forward contracts were repaid.

During the six months ended June 30, 2012, 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.

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 strengthening U.S. dollar relative to foreign currencies has a dilutive translation effect on the Company's financial condition and results of operations. Conversely, a weakening U.S. dollar has an additive 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, 2012, the Company has recorded the fair value of foreign currency forward exchange contracts of \$0.3 million in prepaid and other, \$0.7 million in miscellaneous other assets, \$0.8 million in accounts payable and accrued liabilities, and \$1.9 million in deferred and other non-current liabilities in the balance sheet. All forward exchange contracts outstanding as of June 30, 2012 had an aggregate contract amount of \$98 million.

Table of Contents

**Fair Value of Derivative Instruments in the Condensed Consolidated Balance Sheets as of June 30, 2012
and December 31, 2011**

| Derivative Contracts Designated as Hedging Instruments | Balance Sheet Location | June 30, 2012 | December 31, 2011 |
|---|--|---------------|-------------------|
| Derivative Liabilities | | | |
| Foreign Exchange Contracts | Accounts payable and accrued liabilities | \$ | \$ 302 |
| | | \$ | \$ 302 |
| Derivative Contracts Not Designated as Hedging Instruments | | | |
| Derivative Assets | | | |
| Foreign Exchange Contracts | Prepaid and other | \$ 285 | \$ 520 |
| Foreign Exchange Contracts | Miscellaneous Other Assets | 709 | |
| | | \$ 994 | \$ 520 |
| Derivative Liabilities | | | |
| Foreign Exchange Contracts | Accounts payable and accrued liabilities | \$ 752 | \$ 8,383 |
| Foreign Exchange Contracts | Deferred and other non-current liabilities | 1,860 | 2,005 |
| | | \$ 2,612 | \$ 10,388 |

**The Effect of Derivative Instruments on the Condensed Consolidated Statements of Income
for the Quarters Ended June 30, 2012 and June 30, 2011**

| Derivatives Not Designated as Hedging Instruments | Location of Loss Recognized in Income on Derivative | Amount of Loss Recognized in Income on Derivative | |
|---|---|---|----------|
| | | 2012 | 2011 |
| Foreign Exchange Contracts | Other (Expense) Miscellaneous, net | \$ (8,351) | \$ (286) |
| | | \$ (8,351) | \$ (286) |

**The Effect of Derivative Instruments on the Condensed Consolidated Statements of Income
for the Six Months Ended June 30, 2012 and June 30, 2011**

| Derivatives in Cash Flow Hedging Relationships | Amount of Gain Recognized in OCI on Derivative (Effective Portion) | |
|--|--|-------|
| | 2012 | 2011 |
| Foreign Exchange Contracts | \$ | \$ 10 |
| | \$ | \$ 10 |

| Derivatives Not Designated as Hedging Instruments | Location of Loss Recognized in Income on Derivative | Amount of Loss Recognized in Income on |
|---|---|--|
|---|---|--|

Edgar Filing: APTARGROUP INC - Form 10-Q

| | | 2012 | Derivative | 2011 |
|----------------------------|------------------------------------|------------|------------|---------|
| Foreign Exchange Contracts | Other (Expense) Miscellaneous, net | \$ (1,235) | \$ | (3,528) |
| | | \$ (1,235) | \$ | (3,528) |

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.

Edgar Filing: APTARGROUP INC - Form 10-Q

Table of Contents

In 2010, a competitor filed a lawsuit against certain AptarGroup, Inc. subsidiaries alleging that certain processes performed by a supplier of a specific type of diptube utilized by the AptarGroup, Inc. subsidiaries in the manufacture of a specific type of pump infringes patents owned by the counterparty. This lawsuit sought an injunction barring the manufacture, use, sale and importation of this specific pump for use in fragrance containers. In April 2012, the Company's United States subsidiary was found to have infringed on patents owned by the counterparty within the United States. The ruling does not apply to manufacture or sales of pumps in countries outside the United States and no damages were assessed. The Company has appealed this ruling.

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, 2012.

NOTE 7 STOCK REPURCHASE PROGRAM

The Company did not repurchase any shares during the three months ended June 30, 2012. The Company has repurchased approximately 189 thousand shares for an aggregate amount of \$10.1 million for the six months ended June 30, 2012. As of June 30, 2012, the Company has remaining authorization to repurchase 3.4 million additional shares. The timing of and total amount expended for the share repurchase depends upon market conditions.

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:

| | Three months ended | | | |
|---|--------------------|-----------|---------------|-----------|
| | June 30, 2012 | | June 30, 2011 | |
| | Diluted | Basic | Diluted | Basic |
| Consolidated operations | | | | |
| Income available to common shareholders | \$ 41,686 | \$ 41,686 | \$ 51,289 | \$ 51,289 |
| Average equivalent shares | | | | |
| Shares of common stock | 66,580 | 66,580 | 66,939 | 66,939 |
| Effect of dilutive stock based compensation | | | | |
| Stock options | 2,174 | | 2,495 | |
| Restricted stock | 4 | | 4 | |
| Total average equivalent shares | 68,758 | 66,580 | 69,438 | 66,939 |
| Net income per share | \$ 0.61 | \$ 0.63 | \$ 0.74 | \$ 0.77 |

| | Six months ended | | | |
|---|------------------|-----------|---------------|-----------|
| | June 30, 2012 | | June 30, 2011 | |
| | Diluted | Basic | Diluted | Basic |
| Consolidated operations | | | | |
| Income available to common stockholders | \$ 85,495 | \$ 85,495 | \$ 95,766 | \$ 95,766 |

Edgar Filing: APTARGROUP INC - Form 10-Q

Average equivalent shares

| | | | | |
|---|----------------|----------------|---------|---------|
| Shares of common stock | 66,388 | 66,388 | 66,933 | 66,933 |
| Effect of dilutive stock based compensation | | | | |
| Stock options | 2,543 | | 2,963 | |
| Restricted stock | 9 | | 6 | |
| Total average equivalent shares | 68,940 | 66,388 | 69,902 | 66,933 |
| Net income per share | \$ 1.24 | \$ 1.29 | \$ 1.37 | \$ 1.43 |

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 primarily to the prescription drug and consumer health care markets 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, 2011. The Company evaluates

Edgar Filing: APTARGROUP INC - Form 10-Q

Table of Contents

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.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-------------------|---------------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Total Revenue: | | | | |
| Beauty + Home | \$ 372,853 | \$ 406,699 | \$ 753,689 | \$ 786,530 |
| Pharma | 133,033 | 139,077 | 273,234 | 271,272 |
| Food + Beverage | 75,684 | 74,525 | 151,506 | 143,249 |
| Corporate & Other | | 36 | | 82 |
| Total Revenue | 581,570 | 620,337 | 1,178,429 | 1,201,135 |
| Less: Intersegment Sales: | | | | |
| Beauty + Home | \$ 3,569 | \$ 3,961 | \$ 7,254 | \$ 7,530 |
| Pharma | 54 | 374 | 212 | 565 |
| Food + Beverage | 444 | 1,037 | 962 | 1,509 |
| Corporate & Other | | 36 | | 82 |
| Total Intersegment Sales | \$ 4,067 | \$ 5,408 | \$ 8,428 | \$ 9,688 |
| Net Sales: | | | | |
| Beauty + Home | \$ 369,284 | \$ 402,738 | \$ 746,435 | \$ 779,000 |
| Pharma | 132,979 | 138,703 | 273,022 | 270,707 |
| Food + Beverage | 75,240 | 73,488 | 150,544 | 141,740 |
| Corporate & Other | | | | |
| Net Sales | \$ 577,503 | \$ 614,929 | \$ 1,170,001 | \$ 1,191,447 |
| Segment Income: | | | | |
| Beauty + Home | \$ 33,652 | \$ 39,877 | \$ 66,624 | \$ 72,530 |
| Pharma | 31,110 | 40,369 | 70,482 | 79,257 |
| Food + Beverage | 7,853 | 8,613 | 14,641 | 16,185 |
| Corporate & Other | (6,964) | (8,900) | (15,605) | (18,670) |
| Income before interest and taxes | \$ 65,651 | \$ 79,959 | \$ 136,142 | \$ 149,302 |
| Interest expense, net | (3,110) | (3,063) | (7,324) | (6,131) |
| Income before income taxes | \$ 62,541 | \$ 76,896 | \$ 128,818 | \$ 143,171 |

NOTE 10 ACQUISITIONS

On July 3, 2012, the Company acquired Rumpler - Technologies S.A., together with its direct and indirect subsidiaries (the Stelmi Group). Further information about this transaction can be found in Note 15 Subsequent Events.

In November 2011, the Company acquired a 20% minority investment in Oval Medical Technologies Limited (Oval Medical) for approximately \$3.2 million. In February 2012, the Company acquired an additional 2% minority investment for approximately \$0.3 million. Oval Medical has broad expertise in the design and development of injectable drug delivery devices. This investment represents a significant opportunity for the Pharma segment to enter a new category and broaden our product portfolio and customer reach. This investment is being accounted for under the equity method of accounting from the date of acquisition.

In October 2011, the Company acquired TKH Plastics Pvt Ltd (TKH), a leading provider of injection molded dispensing closures in India for approximately \$17 million in cash and approximately \$1 million in assumed debt. The acquisition will allow the Company to expand its geographical presence in India. After allocating a portion of the purchase price to fixed and intangible assets, goodwill of approximately \$10.9 million was

Edgar Filing: APTARGROUP INC - Form 10-Q

recorded on the transaction. The results of operations subsequent to the acquisition are included in the reported income statement. TKH is included in the Beauty + Home reporting segment.

The acquisitions described above have not had a material impact on the results of operations through the second quarter of 2012 or 2011 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 2012 was approximately \$8.7 million (\$5.8 million after tax), or \$0.09 per basic share and \$0.08 per diluted share. The income tax benefit related to this compensation expense was approximately \$2.9 million. Approximately \$7.8 million of the compensation expense was recorded in selling,

Edgar Filing: APTARGROUP INC - Form 10-Q

Table of Contents

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 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.

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 \$10.35 and \$11.36 per share in 2012 and 2011, 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, | 2012 | 2011 |
|---------------------------------|-------|-------|
| Dividend Yield | 1.8% | 1.7% |
| Expected Stock Price Volatility | 22.9% | 23.3% |
| Risk-free Interest Rate | 1.3% | 2.7% |
| 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 2012 was \$10.59. The fair value of stock options granted under the Director Stock Option Plan during the second quarter of 2011 was \$12.00. 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, | 2012 | 2011 |
|---------------------------------|-------|-------|
| Dividend Yield | 1.7% | 1.6% |
| Expected Stock Price Volatility | 22.5% | 22.9% |
| Risk-free Interest Rate | 1.3% | 2.5% |
| 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 2012 is presented below:

| | Stock Awards Plans | | Director Stock Option Plans | |
|-------------------------------------|--------------------|---------------------------------|-----------------------------|---------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding, January 1, 2012 | 8,345,917 | \$ 32.90 | 270,000 | \$ 37.98 |
| Granted | 1,233,800 | 51.81 | 85,500 | 53.72 |
| Exercised | (914,070) | 25.60 | (18,500) | 25.67 |
| Forfeited or expired | (22,405) | 44.40 | | |
| Outstanding at June 30, 2012 | 8,643,242 | \$ 36.34 | 337,000 | \$ 42.65 |
| Exercisable at June 30, 2012 | 6,171,188 | \$ 31.62 | 173,167 | \$ 34.64 |

Edgar Filing: APTARGROUP INC - Form 10-Q

Weighted-Average Remaining Contractual Term (Years):

| | | |
|-------------------------------------|------------|------------|
| Outstanding at June 30, 2012 | 6.2 | 7.6 |
| Exercisable at June 30, 2012 | 5.2 | 6.0 |

Aggregate Intrinsic Value (\$000):

| | | |
|-------------------------------------|-------------------|-----------------|
| Outstanding at June 30, 2012 | \$ 128,097 | \$ 3,077 |
| Exercisable at June 30, 2012 | \$ 119,933 | \$ 2,848 |

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

| | | |
|----------------------|------------------|---------------|
| June 30, 2012 | \$ 25,101 | \$ 509 |
| June 30, 2011 | \$ 22,232 | \$ 884 |

The fair value of shares vested during the six months ended June 30, 2012 and 2011 was \$12.1 million and \$11.1 million, respectively. Cash received from option exercises was approximately \$25 million and the actual tax benefit realized for the tax deduction from option exercises was approximately \$6.4 million in the six months ended June 30, 2012. As of June 30, 2012, the remaining valuation of stock option awards to be expensed in future periods was \$12.6 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, 2012, and changes during the period then ended is presented below:

| | Shares | Weighted-Average Grant-Date Fair Value |
|-------------------------------------|---------|---|
| Nonvested at January 1, 2012 | 17,293 | \$ 39.21 |
| Granted | 13,092 | 52.52 |
| Vested | (8,440) | 37.47 |
| Nonvested at June 30, 2012 | 21,945 | \$ 47.82 |

Table of Contents

Compensation expense recorded attributable to restricted stock unit grants for the first half of 2012 and 2011 was approximately \$282 thousand and \$227 thousand, respectively. The fair value of units vested during the six months ended June 30, 2012 and 2011 was \$316 thousand and \$346 thousand, respectively. The intrinsic value of units vested during the six months ended June 30, 2012 and 2011 was \$448 thousand and \$492 thousand, respectively. As of June 30, 2012 there was \$510 thousand of total unrecognized compensation cost relating to restricted stock unit awards which is expected to be recognized over a weighted-average period of 1.7 years.

NOTE 12 INCOME TAX UNCERTAINTIES

The Company had approximately \$8.9 and \$9.1 million recorded for income tax uncertainties as of June 30, 2012 and December 31, 2011, respectively. The \$0.2 million change in income tax uncertainties was primarily the result of currency changes. The amount, if recognized, that would impact the effective tax rate is \$8.3 and \$8.5 million, respectively. The Company estimates that it is reasonably possible that the liability for uncertain tax positions will decrease by no more than \$5.0 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.

As of June 30, 2012, the fair values of our financial assets and liabilities were categorized as follows:

| | Total | | Level 1 | | Level 2 | | Level 3 | |
|---------------------------------|-------|-------|---------|--|---------|-------|---------|--|
| Assets | | | | | | | | |
| Forward exchange contracts (a) | \$ | 994 | \$ | | \$ | 994 | \$ | |
| Total assets at fair value | \$ | 994 | \$ | | \$ | 994 | \$ | |
| Liabilities | | | | | | | | |
| Forward exchange contracts (a) | \$ | 2,612 | \$ | | \$ | 2,612 | \$ | |
| Total liabilities at fair value | \$ | 2,612 | \$ | | \$ | 2,612 | \$ | |

As of December 31, 2011, the fair values of our financial assets and liabilities were categorized as follows:

Edgar Filing: APTARGROUP INC - Form 10-Q

| | | Total | Level 1 | Level 2 | Level 3 |
|---------------------------------|----|--------|---------|---------|---------|
| Assets | | | | | |
| Forward exchange contracts (a) | \$ | 520 | \$ | \$ | 520 |
| Total assets at fair value | \$ | 520 | \$ | \$ | 520 |
| Liabilities | | | | | |
| Forward exchange contracts (a) | \$ | 10,690 | \$ | \$ | 10,690 |
| Total liabilities at fair value | \$ | 10,690 | \$ | \$ | 10,690 |

(a) Market approach valuation technique 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 Company considers its long term obligations a Level 2 liability and utilizes the market approach valuation technique based on interest rates that are currently available to the Company for issuance of debt with similar terms and maturities. The estimated fair value of the Company's long term obligations was \$280 million as of June 30, 2012 and \$283 million as of December 31, 2011.

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 \$7.4 million. The plan has been substantially completed, subject to the settlement of remaining reserve balances.

Table of Contents

As of June 30, 2012 we have recorded the following activity associated with our consolidation/severance programs:

| | Beginning Reserve at 12/31/11 | | Net Charges for the Six Months Ended 6/30/12 | | Cash Paid | | FX Impact | | Ending Reserve at 6/30/12 |
|--------------------|--|-----------|---|-----------|------------------|-----------|------------------|-----------|--|
| Employee severance | \$ 1,130 | \$ | (209) | \$ | (40) | \$ | (16) | \$ | 865 |
| Other costs | 17 | | (6) | | | | | | 11 |
| Totals | \$ 1,147 | \$ | (215) | \$ | (40) | \$ | (16) | \$ | 876 |

NOTE 15 SUBSEQUENT EVENTS

On July 3, 2012, the Company completed its acquisition of Rumpler - Technologies S.A., together with its direct and indirect subsidiaries (the Stelmi Group). The Stelmi Group is a producer of elastomer primary packaging components for injectable drug delivery and operates two manufacturing plants located in the Normandy region of France and also has a research and development facility located near Paris. The results of Stelmi Group will be included in the results of our Pharma reporting segment beginning in the third quarter of 2012.

The Company acquired all of the shares of the Stelmi Group for an enterprise value of approximately 165 million (approximately \$207 million) in cash. For the three and six months ended June 30, 2012, we recognized \$5.5 million and \$5.8 million, respectively, in transaction costs related to the acquisition of the Stelmi Group. These costs are reflected in the selling, research & development and administrative section of the Condensed Consolidated Statements of Income.

Due to the limited time since the completion of the acquisition, the initial accounting for this business combination is incomplete as of the date of this filing. As such, we are not able to make certain business combination disclosures at this time, including amounts to be recognized at the acquisition date for the major classes of assets acquired, and liabilities assumed, including goodwill and other intangibles.

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, | |
|--|-----------------------------|--------|---------------------------|--------|
| | 2012 | 2011 | 2012 | 2011 |
| Net Sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales (exclusive of depreciation and amortization shown below) | 67.6 | 66.6 | 67.6 | 66.5 |
| Selling, research & development and administrative | 15.2 | 14.7 | 15.1 | 15.2 |
| Depreciation and amortization | 5.6 | 5.7 | 5.6 | 5.7 |
| Operating Income | 11.6 | 13.0 | 11.7 | 12.6 |
| Other income (expense) | (0.8) | (0.5) | (0.7) | (0.6) |
| Income before Income Taxes | 10.8 | 12.5 | 11.0 | 12.0 |
| Net Income | 7.2% | 8.3% | 7.3% | 8.0% |
| Effective Tax Rate | 33.4% | 33.3% | 33.7% | 33.1% |

NET SALES

We reported net sales of \$577.5 million for the quarter ended June 30, 2012, 6% below second quarter 2011 reported net sales of \$614.9 million. Excluding changes in foreign currency rates, sales increased by 2% in the second quarter of 2012 compared to the second quarter of 2011. The average U.S. dollar exchange rate strengthened relative to the Euro and other foreign currencies, such as the Brazilian Real, Swiss Franc and British Pound, in the second quarter of 2012 compared to the second quarter of 2011, and as a result, changes in exchange rates had a negative impact of 8% on our reported sales growth. Excluding changes in foreign currency rates, custom tooling sales decreased \$2.1 million and acquisitions contributed \$2.3 million to net sales in the second quarter of 2012.

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, | | | |
|----------|-----------------------------|------------|------------|------------|---------------------------|------------|------------|------------|
| | 2012 | % of Total | 2011 | % of Total | 2012 | % of Total | 2011 | % of Total |
| Domestic | \$ 166,320 | 29% | \$ 165,077 | 27% | \$ 337,629 | 29% | \$ 325,065 | 27% |
| Europe | 305,610 | 53% | 357,878 | 58% | 631,319 | 54% | 692,984 | 58% |
| | 105,573 | 18% | 91,974 | 15% | 201,053 | 17% | 173,398 | 15% |

Other
Foreign

COST OF SALES (EXCLUSIVE OF DEPRECIATION SHOWN BELOW)

Our cost of sales as a percent of net sales increased to 67.6% in the second quarter of 2012 compared to 66.6% in the same period a year ago. This is primarily due to \$1.3 million of costs related to the start-up of our manufacturing facility in Lincolnton, North Carolina and decreased sales volumes in our European businesses negatively impacting our ability to absorb fixed overhead expenses.

Cost of sales as a percent of net sales increased to 67.6% in the first half of 2012 compared to 66.5% in the same period a year ago. This increase is due to \$2.8 million of Lincolnton start-up costs and European sales volumes noted above as well as an increase in custom tooling sales to our customers. We had a \$4.8 million increase in sales of tooling to customers, excluding currency effects, in the first half of 2012 compared to the prior year period. Traditionally, sales of custom tooling generate lower margins than our regular product sales; thus, an increase in sales of custom tooling negatively impacted cost of sales as a percentage of sales.

SELLING, RESEARCH & DEVELOPMENT AND ADMINISTRATIVE

Our Selling, Research & Development and Administrative expenses (SG&A) decreased by approximately \$2.7 million in the second quarter of 2012 compared to the same period a year ago. Excluding changes in foreign currency rates, SG&A increased by approximately \$3.9 million in the quarter. Approximately \$5.5 million of professional fees related to the acquisition of the Stelmi Group were recorded in the quarter, partially offset by a reduction in legal fees in the second quarter of 2012 compared to the prior year period. SG&A as a percentage of net sales increased to 15.2% compared to 14.7% in the same period of the prior year due primarily to the decrease in reported net sales.

Table of Contents

SG&A decreased by approximately \$4.6 million in the first half of 2012 compared to the same period a year ago. Excluding changes in foreign currency rates, SG&A increased by approximately \$4.1 million in the first half of the year. The increase is primarily due to the Stelmi Group transaction costs mentioned above. Other normal inflationary increases were offset by the decrease in stock compensation expense of approximately \$0.9 million due to lower substantive vesting requirements and a lower Black Scholes value. For the first half of 2012, SG&A as a percentage of net sales decreased to 15.1% compared to 15.2% in the first half of 2011.

DEPRECIATION AND AMORTIZATION

Reported depreciation and amortization expenses decreased by approximately \$2.3 million in the second quarter of 2012 compared to the same period a year ago. Excluding changes in foreign currency rates, depreciation and amortization increased by approximately \$0.4 million in the quarter compared to the same period a year ago. This increase is primarily related to the start-up of our new facility in Lincolnton, North Carolina. Depreciation and amortization as a percentage of net sales decreased slightly to 5.6% in the second quarter of 2012 compared to 5.7% for the same period a year ago.

For the first half of 2012, reported depreciation and amortization expenses decreased by approximately \$3.4 million compared to the first half of 2011. Excluding changes in foreign currency rates, depreciation and amortization increased by approximately \$0.2 million in the first half. Depreciation and amortization as a percentage of net sales also decreased slightly to 5.6% compared to 5.7% for the same period a year ago.

OPERATING INCOME

Operating income decreased approximately \$13.1 million in the second quarter of 2012 to \$67.1 million compared to \$80.2 million in the same period in the prior year. Excluding changes in currency rates, operating income decreased by approximately \$6.4 million in the quarter. Stelmi transaction costs of approximately \$5.5 million and slightly higher cost of sales were the primary reasons for the decrease in operating income. Operating income as a percentage of net sales decreased to 11.6% in the second quarter of 2012 compared to 13.0% 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 decreased approximately \$12.6 million in the first half of 2012 to \$137.4 million compared to \$150.0 million in the same period in the prior year. Excluding changes in currency rates, operating income decreased by approximately \$3.4 million in the first half of 2012. The decrease is primarily due to the same reasons mentioned above for the second quarter results. Operating income as a percentage of sales decreased to 11.7% in the first half of 2012 compared to 12.6% for the same period in the prior year.

NET OTHER EXPENSE

Net other expenses in the second quarter of 2012 increased to \$4.5 million from \$3.3 million in the same period in the prior year. This increase is due to \$1.3 million of foreign currency losses primarily related to the mark to market of foreign exchange forward contracts taken out on intercompany payables.

Net other expenses for the six months ended June 30, 2012 also increased to \$8.6 million from \$6.8 million in the same period in the prior year due primarily to lower interest income of \$1.3 million.

EFFECTIVE TAX RATE

Edgar Filing: APTARGROUP INC - Form 10-Q

The reported effective tax rate increased to 33.4% and 33.7% for the three and six months ended June 30, 2012 compared to 33.3% and 33.1% for the same periods ended June 30, 2011. The increase in the rate for the six months ended June 30, 2012 is related to the mix of earnings in higher tax countries and the French surtax enacted late in 2011.

NET INCOME ATTRIBUTABLE TO APTARGROUP, INC.

We reported net income attributable to AptarGroup, Inc. of \$41.7 million and \$85.5 million in the three and six months ended June 30, 2012, respectively, compared to \$51.3 million and \$95.8 million for the same periods in the prior year.

BEAUTY + HOME SEGMENT

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, | |
|---|------------------------------------|-------------|----------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Net Sales | \$ 369,284 | \$ 402,738 | \$ 746,435 | \$ 779,000 |
| Segment Income | 33,652 | 39,877 | 66,624 | 72,530 |
| Segment Income as a percentage of Net Sales | 9.1% | 9.9% | 8.9% | 9.3% |

Edgar Filing: APTARGROUP INC - Form 10-Q

Table of Contents

Net sales for the quarter ended June 30, 2012 decreased 8% to \$369.3 million compared to \$402.7 million in the second quarter of the prior year. Excluding changes in foreign currency rates, sales were flat in the second quarter of 2012 compared to the same quarter of the prior year. Acquisitions accounted for \$2.3 million of sales in the quarter. Sales increases in Latin America and Asia were offset by decreased sales in Europe. In spite of softness in demand in Europe, our global sales to the fragrance/cosmetic market remained equal to the prior year's level (excluding exchange rate effects) and global sales to the personal care market decreased 1% to the prior year (excluding exchange rate effects).

Net sales decreased 4% in the first six months of 2012 to \$746.4 million compared to \$779.0 million in the first six months of the prior year. Excluding changes in foreign currency rates, sales increased 2%. Sales of our products, excluding foreign currency changes, to the fragrance/cosmetic and personal care markets increased approximately 2% and 1%, respectively, in the first half of 2012 compared to the first half of 2011, mainly due to growth in Asia and Latin America.

Segment income for the second quarter of 2012 decreased approximately 16% to \$33.7 million compared to \$39.9 million reported in the prior year. Segment income was negatively impacted by the foreign currency changes and the lower sales volumes in Europe. The positive impact from the timing of reduced resin cost pass throughs of approximately \$600 thousand was partially offset by net foreign currency transaction losses.

Segment income in the first six months of 2012 decreased approximately 8% to \$66.6 million compared to \$72.5 million reported in the same period in the prior year. The decrease in segment income in the first half of 2012 was primarily due to the foreign currency changes and lower sales volumes in Europe, as mentioned above. Favorable resin cost pass throughs of \$1.2 million and sales growth in Asia and Latin America helped to offset some of this decrease.

PHARMA SEGMENT

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|------------------------------------|-------------|----------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Net Sales | \$ 132,979 | \$ 138,703 | \$ 273,022 | \$ 270,707 |
| Segment Income | 31,110 | 40,369 | 70,482 | 79,257 |
| Segment Income as a percentage of Net Sales | 23.4% | 29.1% | 25.8% | 29.3% |

Net sales for the Pharma segment decreased by 4% in the second quarter of 2012 to \$133.0 million compared to \$138.7 million in the second quarter of 2011. Sales, excluding changes in foreign currency rates, increased 4%. Sales, excluding foreign currency changes, to the prescription market increased 7% while sales to the consumer health care market decreased 2%. While the prescription business market continues to show good growth, we believe the lower sales in consumer health care are the result of possible destocking and reduction in demand from Eastern European countries.

Net sales for the first six months of 2012 increased approximately 1% to \$273.0 million compared to \$270.7 million in the first six months of the prior year. Sales, excluding changes in foreign currency rates, increased 6%. Sales, excluding foreign currency changes, to the prescription market increased approximately 9% while sales to the consumer health care market were flat. The growth in sales to the prescription market is primarily due to an increase in sales of our nasal pumps to the allergy/rhinitis market.

Segment income in the second quarter of 2012 decreased approximately 23% to \$31.1 million compared to \$40.4 million reported in the same period in the prior year. This decrease is mainly attributed to the inclusion of \$5.5 million of costs related to the acquisition of the Stelmi Group and the negative impact of changes in exchange rates.

Edgar Filing: APTARGROUP INC - Form 10-Q

Segment income in the first six months of 2012 decreased approximately 11% to \$70.5 million compared to \$79.3 million reported in the same period of the prior year. This decrease in segment income is due primarily to the same reasons mentioned above for the second quarter results, offset somewhat by the increased profits from higher prescription sales during the first quarter of 2012.

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, | |
|---|------------------------------------|-------------|----------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Net Sales | \$ 75,240 | \$ 73,488 | \$ 150,544 | \$ 141,740 |
| Segment Income | 7,853 | 8,613 | 14,641 | 16,185 |
| Segment Income as a percentage of Net Sales | 10.4% | 11.7% | 9.7% | 11.4% |

Net sales for the quarter ended June 30, 2012 increased approximately 2% to \$75.2 million compared to \$73.5 million in the second quarter of the prior year. Sales, excluding changes in foreign currency rates, increased 6%. A reduction in tooling sales in the second quarter of 2012 was more than offset by increased product sales of more than 10%, excluding changes in foreign currency. Excluding foreign currency changes, sales to the food market decreased 10% due to lower tooling sales compared to the second quarter of 2011. Sales to the beverage market increased approximately 39% due to significant closure sales growth in Asia.

Edgar Filing: APTARGROUP INC - Form 10-Q

Table of Contents

Net sales for the first six months of 2012 increased approximately 6% to \$150.5 million compared to \$141.7 million in the first six months of the prior year. Excluding changes in foreign currency rates, sales increased 9%. Sales, excluding foreign currency changes, to the food market decreased 2% due to lower tooling sales. Sales, excluding foreign currency changes, to the beverage market increased approximately 28% due to the closure growth in Asia mentioned above.

Segment income in the second quarter of 2012 decreased approximately 9% to \$7.9 million compared to \$8.6 million during the same period in the prior year. Increased research and development and selling costs of approximately \$800 thousand along with \$1.3 million of additional costs related to our new Lincolnton, North Carolina facility offset the additional margin from our increased product sales and the positive impact from the timing of reduced resin cost pass throughs of approximately \$900 thousand.

Segment income in the first six months of 2012 decreased approximately 10% to \$14.6 million compared to \$16.2 million reported in the same period of the prior year. The increased research and development and selling costs mentioned above along with the Lincolnton start-up costs of \$2.8 million continue to offset our additional product sales margin.

CORPORATE & OTHER

In addition to our three operating business segments, AptarGroup assigns certain costs to Corporate & Other, which is presented separately in Note 9. Corporate & Other primarily includes certain corporate compensation and information system costs which are not allocated directly to our operating segments. Corporate & Other expense decreased to \$7.0 million for the quarter ended June 30, 2012 compared to \$8.9 million in the second quarter of the prior year mainly due to a favorable adjustment of \$1.2 million to our LIFO reserve as resin prices have decreased. This LIFO reserve is maintained at the corporate level as the segments all report on a FIFO basis for consistency.

Corporate & Other expense in the first six months of 2012 decreased to \$15.6 million compared to \$18.7 million reported in the same period of the prior year. The decrease is mainly due to changes in our LIFO reserve of \$1.5 million, the weaker Euro compared to the dollar and lower information system 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 also 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 commitments denominated in foreign currencies. A strengthening U.S. dollar relative to foreign currencies has a dilutive translation effect on our financial statements. Conversely, a weakening U.S. dollar has an additive 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. Recently, the weaker Brazilian Real vs. the U.S. Dollar and Euro has had a negative transaction impact on imported components and finished goods into South America.

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.

Edgar Filing: APTARGROUP INC - Form 10-Q

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 2012 compared to the prior year is as follows:

| | 2012 | | 2011 | |
|----------------------------|------|------|------|------|
| First Quarter | \$ | 5.8 | \$ | 7.7 |
| Second Quarter | | 2.9 | | 1.7 |
| Third Quarter (estimated) | | 2.1 | | 2.8 |
| Fourth Quarter (estimated) | | 1.9 | | 1.6 |
| | \$ | 12.7 | \$ | 13.8 |

BUSINESS EXPOSURE TO CERTAIN EUROPEAN COUNTRIES

Approximately 54% of the Company's sales are recorded by European subsidiaries and are sold to European customers. Nevertheless the Company does not have a significant amount of sales in Greece. At the end of June 2012, the Company had approximately \$1.7 million of outstanding receivables due from Greek customers with more than half covered by credit insurance. The Company is currently not experiencing any slowdown in the payment of receivables from Greek customers but is monitoring carefully the situation. The Company also does not have any significant suppliers located in Greece.

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 \$300.9 million at June 30, 2012 from \$377.6 million at December 31, 2011. Total short and long-term interest bearing debt also decreased in the second quarter of 2012 to \$384.2 million from \$438.6 million at December 31, 2011. These decreases are primarily due to the repatriation of approximately \$79 million from Europe to the United States during 2012. These repatriated funds were used to pay down a portion of our revolving credit facility. The ratio of our Net Debt (interest bearing debt less cash and cash equivalents) to Net Capital (stockholder's equity plus Net Debt) was 5.8% at the end of June 2012 compared to 4.5% at December 31, 2011.

In the first six months of 2012, our operations provided approximately \$84.2 million in cash flow compared to \$65.5 million for the same period a year ago. The increase in cash provided by operations is primarily attributable to an improvement in working capital. During the first half of 2012, we utilized the majority of the operating cash flows to finance capital expenditures.

We used \$94.3 million in cash for investing activities during the first half of 2012, compared to \$76.4 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 of \$16 million in the first half of 2012 compared to the first half of 2011. Cash outlays for capital expenditures for 2012 are estimated to be approximately \$180 million but could vary due to changes in exchange rates as well as the timing of capital projects.

We used \$64.3 million in cash for financing activities during the first half of 2012 compared to \$47.7 million during the same period a year ago. The increase in cash used by financing activities was primarily due to a decrease in our borrowings as we were able to utilize repatriated funds to pay down a portion of our revolving credit facility.

On January 31, 2012, we entered into a new revolving credit facility that provides for unsecured financing of up to \$300 million. This new facility matures on January 31, 2017 and replaces a previously existing \$200 million unsecured financing facility that would have matured in 2012 and was cancelled without any early termination penalty on January 31, 2012. We initially drew \$185 million in borrowings from the new credit facility, of which \$165 million was used to repay in full the outstanding obligations under the previous credit facility. Each borrowing under the new credit facility will bear interest at rates based on LIBOR, prime and other similar rates, in each case plus an applicable margin. A facility fee on the total amount of the facility is also payable quarterly, regardless of usage. The applicable margins for borrowings under the new credit facility and the facility fee percentage may change from time to time depending on changes in our consolidated leverage ratio. The representations, covenants and events of default in the new credit facility are substantially similar to the representations, covenants and events of default contained in the previous credit facility.

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, 2012</u> |
|-----------------------------|--------------------|-------------------------------|
| Debt to total capital ratio | Maximum of 55% | 22.2% |

Based upon the above debt to total capital ratio covenant we had the ability to borrow approximately an additional \$1.3 billion at June 30, 2012 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 \$300.9 million in cash and equivalents is located outside of the U.S. We manage our global cash requirements considering (i) available funds among the many subsidiaries through which we conduct business, (ii) the geographic location of our liquidity needs, and (iii) the cost to access international cash balances. Our total cash and equivalents at June 30, 2012 was \$300.9 million, of which 99% is located outside the U.S. Our U.S. operations generate sufficient cash flows to fund their liquidity needs and do not depend on cash located outside of the U.S. for their operations. Nevertheless, we are a dividend payer and have an active share repurchase program. These two items are funded with any remaining positive cash flows from the U.S. operations and are supplemented by additional borrowings from our revolving credit facility and the repatriations of current year foreign earnings. Specifically, in the U.S., we have an unsecured \$300 million revolving line of credit of which \$188 million was unused and available as of June 30, 2012 and believe we have the ability to borrow additional funds should the need arise. Historically, the tax consequences associated with repatriating current year earnings to the U.S. has been between 10% and 14% of the repatriated amount. We would not expect future impacts to be materially different.

Edgar Filing: APTARGROUP INC - Form 10-Q

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. Our primary uses of liquidity are to invest in equipment and facilities that are necessary to support our growth and to make acquisitions that will contribute to the achievement of our strategic objectives. The acquisition of the Stelmi group was funded with cash available from our European operations. Other uses of liquidity include paying dividends to shareholders and repurchasing shares of our common stock. 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, as well as evaluate our acquisition strategy and dividend and share repurchase programs. 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 17, 2012, the Board of Directors declared a quarterly dividend of \$0.22 per share payable on August 30, 2012 to stockholders of record as of August 9, 2012.

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 2029. Most of the operating leases contain renewal options and certain equipment

Table of Contents

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 September 2011, the FASB amended the guidance on the annual testing of goodwill for impairment. The amended guidance will allow companies to assess qualitative factors to determine if it is more-likely-than-not that goodwill might be impaired and whether it is necessary to perform the two-step goodwill impairment test required under current accounting standards. This guidance will be effective for the Company's fiscal year ending December 31, 2012, with early adoption permitted. The Company does not believe that this new guidance will 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

We currently expect the softness in Europe and the challenging currency exchange rate environment to continue into the third quarter. We are seeing some continued caution on the part of our customers, primarily from fragrance/cosmetic, personal care and consumer health care customers in Europe.

Currently we expect third quarter diluted earnings per share to be in the range of \$0.61 to \$0.66 per share compared to \$0.72 per share reported in the prior year. Had the current currency exchange rates been in place a year ago, the prior year's earnings per share would have been approximately \$0.65 per share. In addition, prior year results were positively impacted by approximately \$0.02 per share related to a lower effective tax rate.

FORWARD-LOOKING STATEMENTS

Certain statements in Management's Discussion and Analysis and other sections of this Form 10-Q are forward-looking and involve a number of risks and uncertainties, including certain statements set forth in the Liquidity and Capital Resources, Off Balance Sheet Arrangements, and Operations Outlook sections of this Form 10-Q. 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, including the recent slowdown in Europe;
- our ability to contain costs and improve productivity;
- our ability to successfully integrate the Stelmi acquisition;
- the impact of the timing of purchase price accounting amortization;
- our ability to increase prices;
- significant fluctuations in foreign currency exchange rates;

Edgar Filing: APTARGROUP INC - Form 10-Q

- changes in capital availability or cost, including interest rate fluctuations;
- volatility of global credit markets;
- 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;
- cybersecurity threats that could impact our networks and reporting systems;
- the impact of natural disasters;
- changes or difficulties in complying with government regulation;
- changing regulations or market conditions regarding environmental sustainability;
- work stoppages due to labor disputes;
- fiscal and monetary policy, including changes in worldwide tax rates;
- 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;
- difficulties in product development and uncertainties related to the timing or outcome of product development;

Table of Contents

- 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 strengthening U.S. dollar relative to foreign currencies has a dilutive translation effect on our financial condition and results of operations. Conversely, a weakening U.S. dollar has an additive 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, 2012 about our forward currency exchange contracts. The majority of the contracts expire before the end of the third quarter of 2012.

| Buy/Sell | | Contract Amount (in thousands) | Average Contractual Exchange Rate | Min / Max Notional Volumes |
|----------------------------|-----------|-----------------------------------|---|----------------------------------|
| Swiss Franc/Euro | \$ | 34,638 | 0.8329 | 31,284-36,858 |
| Euro/U.S. Dollar | | 18,919 | 1.2678 | 18,919-23,890 |
| Euro/Brazilian Real | | 14,116 | 3.0083 | 14,116-15,698 |
| Euro/Mexican Peso | | 7,710 | 18.7680 | 7,710-7,710 |
| Czech Koruna/Euro | | 6,709 | 0.0391 | 6,226-6,709 |
| U.S. Dollar/Chinese Yuan | | 4,914 | 6.3643 | 3,366-4,914 |
| Euro/Chinese Yuan | | 2,405 | 8.2406 | 2,405-3,037 |
| British Pound/Euro | | 2,251 | 1.2340 | 2,076-2,649 |
| U.S. Dollar/Brazilian Real | | 2,050 | 1.9252 | 2,050-2,600 |
| U.S. Dollar/Euro | | 1,857 | 0.7909 | 1,060-1,857 |
| Other | | 2,335 | | |
| Total | \$ | 97,904 | | |

As of June 30, 2012, the Company has recorded the fair value of foreign currency forward exchange contracts of \$0.3 million in prepaid and other, \$0.7 million in miscellaneous other assets, \$0.8 million in accounts payable and accrued liabilities and \$1.9 million in deferred and other non-current liabilities in the balance sheet.

The Company maintained an interest rate swap to convert a portion of its fixed-rate debt into variable-rate debt until May 31, 2011. 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 2011 as any hedge ineffectiveness for the period was immaterial.

The Company had one foreign currency cash flow hedge until March 15, 2012. A French subsidiary of AptarGroup, AptarGroup Holding SAS, had 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. On March 15, 2012, the loan and foreign currency forward contracts were repaid. During the quarter ended June 30, 2012, 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.

Edgar Filing: APTARGROUP INC - Form 10-Q

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, 2012. 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, 2012 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 Aptar France 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, 2012, the Plan purchased 4,076 shares of our Common Stock on behalf of the participants at an average price of \$54.43 per share, for an aggregate amount of \$222 thousand, and sold 1,260 shares of our Common Stock on behalf of the participants at an average price of \$51.17 per share, for an aggregate amount of \$64 thousand. At June 30, 2012, the Plan owns 30,592 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, 2012:

| 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 4/30/12 | | \$ | | 3,400,691 |
| 5/1 5/31/12 | | | | 3,400,691 |
| 6/1 6/30/12 | | | | 3,400,691 |
| Total | | \$ | | 3,400,691 |

The Company announced the existing repurchase program on July 19, 2011. There is no expiration date for this repurchase program.

ITEM 6. EXHIBITS

Exhibit 2.1 Share Purchase Agreement, dated as of May 30, 2012, between Mr. Jean-Jacques Rumpler, Mr. Gérard Rumpler, Ms. Annette Pomerat, Ms. Evelyne Fournier Rumpler and Aptargroup Holding SAS.

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 2012, filed with the SEC on August 6, 2012, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income - Three and Six Months Ended June 30, 2012 and 2011, (ii) the Condensed Consolidated Statements of Comprehensive Income - Three and Six Months Ended June 30, 2012 and 2011, (iii) the Condensed Consolidated Balance Sheets - June 30, 2012 and December 31, 2011, (iv) the Condensed Consolidated Statements of Changes in Equity - Six Months Ended June 30, 2012 and 2011, (v) the Condensed Consolidated Statements of Cash Flows - Six Months Ended June 30, 2012 and 2011 and (vi) the Notes to Condensed Consolidated Financial Statements.

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 6, 2012

Table of Contents

INDEX OF EXHIBITS

| Exhibit Number | Description |
|-----------------------|---|
| 2.1 | Share Purchase Agreement, dated as of May 30, 2012, between Mr. Jean-Jacques Rumpler, Mr. Gérard Rumpler, Ms. Annette Pomerat, Ms. Evelyne Fournier Rumpler and Aptargroup Holding SAS. |
| 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 2012, filed with the SEC on August 6, 2012, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income - Three and Six Months Ended June 30, 2012 and 2011, (ii) the Condensed Consolidated Statements of Comprehensive Income - Three and Six Months Ended June 30, 2012 and 2011, (iii) the Condensed Consolidated Balance Sheets - June 30, 2012 and December 31, 2011, (iv) the Condensed Consolidated Statements of Changes in Equity - Six Months Ended June 30, 2012 and 2011, (v) the Condensed Consolidated Statements of Cash Flows - Six Months Ended June 30, 2012 and 2011 and (vi) the Notes to Condensed Consolidated Financial Statements. |