

APTARGROUP INC
Form 10-Q
May 06, 2013
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 MARCH 31, 2013

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. (Check one):

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 May 1, 2013 |
|---|----------------------------|
| Common Stock, \$.01 par value per share | 66,696,356 shares |

Table of Contents

AptarGroup, Inc.

Form 10-Q

Quarter Ended March 31, 2013

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 Months Ended March 31, 2013 and 2012</u> | 1 |
| | <u>Condensed Consolidated Statements of Comprehensive (Loss) Income - Three Months Ended March 31, 2013 and 2012</u> | 2 |
| | <u>Condensed Consolidated Balance Sheets - March 31, 2013 and December 31, 2012</u> | 3 |
| | Condensed Consolidated Statements of Changes in Equity - Three Months Ended March 31, 2013 and 2012 | 5 |
| | Condensed Consolidated Statements of Cash Flows - Three Months Ended March 31, 2013 and 2012 | 6 |
| | Notes to Condensed Consolidated Financial Statements | 7 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 17 |
| Item 3. | Quantitative and Qualitative Disclosures about Market Risk | 23 |
| Item 4. | Controls and Procedures | 23 |
| <u>Part II.</u> | <u>OTHER INFORMATION</u> | |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 24 |
| Item 6. | Exhibits | 25 |
| | Signature | 26 |

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 March 31, | 2013 | 2012 |
|--|------------------|------------------|
| Net Sales | \$ 617,633 | \$ 592,498 |
| Operating Expenses: | | |
| Cost of sales (exclusive of depreciation and amortization shown below) | 418,486 | 401,070 |
| Selling, research & development and administrative | 94,307 | 88,499 |
| Depreciation and amortization | 36,171 | 32,554 |
| Restructuring initiatives | 4,067 | -- |
| | 553,031 | 522,123 |
| Operating Income | 64,602 | 70,375 |
| Other Income (Expense): | | |
| Interest expense | (5,081) | (5,242) |
| Interest income | 849 | 1,028 |
| Equity in results of affiliates | (262) | (131) |
| Miscellaneous, net | (706) | 247 |
| | (5,200) | (4,098) |
| Income before Income Taxes | 59,402 | 66,277 |
| Provision for Income Taxes | 19,424 | 22,464 |
| Net Income | 39,978 | 43,813 |
| Net Loss/(Income) Attributable to Noncontrolling Interests | 51 | (4) |
| Net Income Attributable to AptarGroup, Inc. | \$ 40,029 | \$ 43,809 |
| Net Income Attributable to AptarGroup, Inc. Per Common Share: | | |
| Basic | \$ 0.61 | \$ 0.66 |
| Diluted | \$ 0.59 | \$ 0.64 |
| Average Number of Shares Outstanding: | | |
| Basic | 66,155 | 66,196 |
| Diluted | 68,296 | 68,785 |
| Dividends per Common Share | \$ 0.25 | \$ 0.22 |

Edgar Filing: APTARGROUP INC - Form 10-Q

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 March 31, | 2013 | 2012 |
|---|------------------|------------------|
| Net Income | \$ 39,978 | \$ 43,813 |
| Other Comprehensive Income: | | |
| Foreign currency translation adjustments | (35,613) | 41,682 |
| Changes in treasury locks, net of tax | 15 | 15 |
| Net gain on derivatives, net of tax | -- | (7) |
| Defined benefit pension plan, net of tax | | |
| Amortization of prior service cost included in net income, net of tax | 61 | 61 |
| Amortization of net loss included in net income, net of tax | 1,118 | 687 |
| Total defined benefit pension plan, net of tax | 1,179 | 748 |
| Total other comprehensive (loss) income | (34,419) | 42,438 |
| Comprehensive Income | 5,559 | 86,251 |
| Comprehensive Loss/(Income) Attributable to Noncontrolling Interests | 50 | (3) |
| Comprehensive Income Attributable to AptarGroup, Inc. | \$ 5,609 | \$ 86,248 |

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

| | March 31, 2013 | December 31, 2012 |
|--|---------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash and equivalents | \$ 225,104 | \$ 229,755 |
| Accounts and notes receivable, less allowance for doubtful accounts of \$6,147 in 2013 and \$6,751 in 2012 | 441,284 | 396,788 |
| Inventories | 326,248 | 321,885 |
| Prepaid and other | 98,762 | 90,505 |
| | 1,091,398 | 1,038,933 |
| Property, Plant and Equipment: | | |
| Buildings and improvements | 363,859 | 364,704 |
| Machinery and equipment | 1,840,679 | 1,857,347 |
| | 2,204,538 | 2,222,051 |
| Less: Accumulated depreciation | (1,392,893) | (1,397,575) |
| | 811,645 | 824,476 |
| Land | 23,333 | 23,757 |
| | 834,978 | 848,233 |
| Other Assets: | | |
| Investments in affiliates | 3,347 | 3,693 |
| Goodwill | 344,712 | 351,552 |
| Intangible assets, net | 49,843 | 51,960 |
| Miscellaneous | 28,292 | 30,041 |
| | 426,194 | 437,246 |
| Total Assets | \$ 2,352,570 | \$ 2,324,412 |

See accompanying unaudited notes to condensed consolidated financial statements.

AptarGroup, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

| | March 31, 2013 | December 31, 2012 |
|--|---------------------|----------------------|
| Liabilities and Stockholders Equity | | |
| Current Liabilities: | | |
| Notes payable | \$ 60,488 | \$ 45,166 |
| Current maturities of long-term obligations | 28,405 | 29,488 |
| Accounts payable and accrued liabilities | 388,585 | 380,669 |
| | 477,478 | 455,323 |
| Long-Term Obligations | 352,749 | 352,860 |
| Deferred Liabilities and Other: | | |
| Deferred income taxes | 29,897 | 33,451 |
| Retirement and deferred compensation plans | 97,533 | 95,872 |
| Deferred and other non-current liabilities | 7,143 | 6,408 |
| Commitments and contingencies | -- | -- |
| | 134,573 | 135,731 |
| 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; 84.6 and 84.1 million shares issued as of March 31, 2013 and December 31, 2012, respectively | 845 | 840 |
| Capital in excess of par value | 459,178 | 430,210 |
| Retained earnings | 1,537,094 | 1,513,558 |
| Accumulated other comprehensive income | 26,263 | 60,683 |
| Less treasury stock at cost, 18.2 and 18.2 million shares as of March 31, 2013 and December 31, 2012, respectively | (636,168) | (625,401) |
| Total AptarGroup, Inc. Stockholders Equity | 1,387,212 | 1,379,890 |
| Noncontrolling interests in subsidiaries | 558 | 608 |
| Total Stockholders Equity | 1,387,770 | 1,380,498 |
| Total Liabilities and Stockholders Equity | \$ 2,352,570 | \$ 2,324,412 |

See accompanying unaudited notes to condensed consolidated financial statements.

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, 2011: | \$ | 1,409,388 | \$ 60,318 | \$ 827 | \$ (545,612) | \$ 364,855 | \$ 796 | \$ 1,290,572 |
| Net income | | 43,809 | | | | | 4 | 43,813 |
| Foreign currency translation adjustments | | | 41,683 | | | | (1) | 41,682 |
| Changes in unrecognized pension gains/losses and related amortization, net of tax | | | 748 | | | | | 748 |
| Changes in treasury locks, net of tax | | | 15 | | | | | 15 |
| Net loss on derivatives, net of tax | | | (7) | | | | | (7) |
| Stock option exercises & restricted stock vestings | | | | 8 | 3 | 32,099 | | 32,110 |
| Cash dividends declared on common stock | | (14,530) | | | | | | (14,530) |
| Treasury stock purchased | | | | | (10,096) | | | (10,096) |
| Balance March 31, 2012: | \$ | 1,438,667 | \$ 102,757 | \$ 835 | \$ (555,705) | \$ 396,954 | \$ 799 | \$ 1,384,307 |
| Balance December 31, 2012: | \$ | 1,513,558 | \$ 60,683 | \$ 840 | \$ (625,401) | \$ 430,210 | \$ 608 | \$ 1,380,498 |
| Net income (loss) | | 40,029 | | | | | (51) | 39,978 |
| Foreign currency translation adjustments | | | (35,614) | | | | 1 | (35,613) |
| Changes in unrecognized pension gains/losses and related amortization, net of tax | | | 1,179 | | | | | 1,179 |
| Changes in treasury locks, net of tax | | | 15 | | | | | 15 |
| Net loss on derivatives, net of tax | | | -- | | | | | -- |
| Stock option exercises & restricted stock vestings | | | | 5 | 1 | 28,968 | | 28,974 |
| Cash dividends declared on common stock | | (16,493) | | | | | | (16,493) |
| Treasury stock purchased | | | | | (10,768) | | | (10,768) |
| Balance March 31, 2013: | \$ | 1,537,094 | \$ 26,263 | \$ 845 | \$ (636,168) | \$ 459,178 | \$ 558 | \$ 1,387,770 |

See accompanying unaudited notes to condensed consolidated financial statements.

AptarGroup, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

In thousands, brackets denote cash outflows

| Three Months Ended March 31, | 2013 | 2012 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Net income | \$ 39,978 | \$ 43,813 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Depreciation | 34,934 | 32,205 |
| Amortization | 1,237 | 349 |
| Stock option based compensation | 6,534 | 5,774 |
| (Recovery)/Provision for doubtful accounts | (311) | (721) |
| Deferred income taxes | (4,668) | (252) |
| Defined benefit plan expense | 5,123 | 3,585 |
| Equity in results of affiliates in excess of cash distributions received | 262 | 131 |
| Changes in balance sheet items, excluding effects from foreign currency adjustments: | | |
| Accounts receivable | (52,022) | (42,498) |
| Inventories | (9,720) | (8,818) |
| Prepaid and other current assets | (8,947) | 265 |
| Accounts payable and accrued liabilities | 5,528 | 5,015 |
| Income taxes payable | 4,509 | 4,033 |
| Retirement and deferred compensation plans | (3,118) | (6,338) |
| Other changes, net | 6,790 | (22,885) |
| Net Cash Provided/(Used) by Operations | 26,109 | 13,658 |
| Cash Flows from Investing Activities: | | |
| Capital expenditures | (34,832) | (42,496) |
| Disposition of property and equipment | 2,162 | 771 |
| Investment in unconsolidated affiliate | -- | (279) |
| Notes receivable, net | -- | 20 |
| Net Cash Used by Investing Activities | (32,670) | (41,984) |
| Cash Flows from Financing Activities: | | |
| Proceeds/(Repayments) from notes payable | 14,754 | (31,967) |
| Repayments of long-term obligations | (585) | (761) |
| Dividends paid | (16,493) | (14,530) |
| Credit facility costs | (497) | (1,121) |
| Proceeds from stock option exercises | 19,540 | 19,674 |
| Purchase of treasury stock | (10,768) | (10,096) |
| Excess tax benefit from exercise of stock options | 2,403 | 6,433 |
| Net Cash Provided/(Used) by Financing Activities | 8,354 | (32,368) |
| Effect of Exchange Rate Changes on Cash | (6,444) | 12,883 |
| Net Decrease in Cash and Equivalents | (4,651) | (47,811) |
| Cash and Equivalents at Beginning of Period | 229,755 | 377,616 |
| Cash and Equivalents at End of Period | \$ 225,104 | \$ 329,805 |

See accompanying unaudited notes to condensed consolidated financial statements.

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, 2012 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, 2012. 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 February 2013, The FASB issued authoritative guidance that amends the presentation of accumulated other comprehensive income and clarifies how to report the effect of significant reclassifications out of accumulated other comprehensive income. The guidance requires footnote disclosures regarding the changes in accumulated other comprehensive income by component and the line items affected in the statements of earnings. The adoption of this standard had no impact on the Condensed Consolidated Financial Statements other than disclosure. Additional information can be found in Note 5 of the Notes to the Condensed Consolidated Financial Statements.

In January 2013, The FASB issued authoritative guidance requiring new asset and liability offsetting disclosures for derivatives, repurchase agreements and security lending transactions to the extent that they are offset in the financial statements or are subject to an enforceable master netting arrangement or similar agreement. We do not have any repurchase agreements and do not participate in securities lending transactions. Our derivative instruments are not offset in the financial statements. Accordingly, the adoption of this standard had no impact on the Condensed Consolidated Financial Statements other than disclosure. Additional information can be found in Note 6 of the Notes to the Condensed 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 for taxes on earnings that are deemed to be permanently reinvested. The effective tax rate for 2013 includes the tax cost of repatriating \$76 million of current year earnings, all of which is expected to be repatriated in the first half of 2013.

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 13 of the Notes to the Condensed Consolidated Financial Statements for more information.

NOTE 2 - INVENTORIES

At March 31, 2013 and December 31, 2012, approximately 18% and 19%, respectively, of the total inventories are accounted for by the LIFO method. Inventories, by component, consisted of:

Edgar Filing: APTARGROUP INC - Form 10-Q

| | March 31, 2013 | December 31, 2012 |
|-------------------|-------------------|----------------------|
| Raw materials | \$ 118,037 | \$ 125,889 |
| Work in process | 89,188 | 75,261 |
| Finished goods | 126,186 | 127,393 |
| Total | 333,411 | 328,543 |
| Less LIFO Reserve | (7,163) | (6,658) |
| Total | \$ 326,248 | \$ 321,885 |

NOTE 3 GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill since the year ended December 31, 2012 are as follows by reporting segment:

| | Beauty + Home | Pharma | Food + Beverage | Corporate & Other | Total |
|-----------------------------------|------------------|------------|--------------------|----------------------|------------|
| Goodwill | \$ 179,890 | \$ 153,978 | \$ 17,684 | \$ 1,615 | \$ 353,167 |
| Accumulated impairment losses | -- | -- | -- | (1,615) | (1,615) |
| Balance as of December 31, 2012 | \$ 179,890 | \$ 153,978 | \$ 17,684 | \$ -- | \$ 351,552 |
| Acquisition | -- | -- | -- | -- | -- |
| Foreign currency exchange effects | (2,245) | (4,386) | (209) | -- | (6,840) |
| Goodwill | \$ 177,645 | \$ 149,592 | \$ 17,475 | \$ 1,615 | \$ 346,327 |
| Accumulated impairment losses | -- | -- | -- | (1,615) | (1,615) |
| Balance as of March 31, 2013 | \$ 177,645 | \$ 149,592 | \$ 17,475 | \$ -- | \$ 344,712 |

The table below shows a summary of intangible assets as of March 31, 2013 and December 31, 2012.

| | Weighted Average Amortization Period (Years) | March 31, 2013 | | | December 31, 2012 | | |
|-------------------------------------|--|-----------------------------|-----------------------------|--------------|-----------------------------|-----------------------------|--------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net Value | Gross Carrying Amount | Accumulated Amortization | Net Value |
| Amortized intangible assets: | | | | | | | |
| Patents | 11 | \$ 19,041 | \$ (18,435) | \$ 606 | \$ 19,570 | \$ (18,894) | \$ 676 |
| Acquired Technology | 15 | 37,820 | (1,891) | 35,929 | 38,928 | (1,298) | 37,630 |
| License agreements and other | 5 | 35,216 | (21,908) | 13,308 | 35,780 | (22,126) | 13,654 |
| Total intangible assets | 10 | \$ 92,077 | \$ (42,234) | \$ 49,843 | \$ 94,278 | \$ (42,318) | \$ 51,960 |

Aggregate amortization expense for the intangible assets above for the quarters ended March 31, 2013 and 2012 was \$1,237 and \$349, respectively.

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

Edgar Filing: APTARGROUP INC - Form 10-Q

| | | | |
|---------------------|----|--------|---|
| 2013 | \$ | 3,659 | (remaining estimated amortization for 2013) |
| 2014 | | 4,862 | |
| 2015 | | 4,689 | |
| 2016 | | 4,059 | |
| 2017 and thereafter | | 32,574 | |

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 March 31, 2013.

NOTE 4 RETIREMENT AND DEFERRED COMPENSATION PLANS

Components of Net Periodic Benefit Cost:

| Three months ended March 31, | Domestic Plans | | Foreign Plans | |
|------------------------------------|----------------|----------|---------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Service cost | \$ 2,225 | \$ 1,804 | \$ 969 | \$ 519 |
| Interest cost | 1,250 | 1,228 | 665 | 645 |
| Expected return on plan assets | (1,414) | (1,401) | (452) | (388) |
| Amortization of net loss | 1,434 | 964 | 352 | 121 |
| Amortization of prior service cost | 1 | 1 | 93 | 92 |
| Net periodic benefit cost | \$ 3,496 | \$ 2,596 | \$ 1,627 | \$ 989 |

Table of Contents**EMPLOYER CONTRIBUTIONS**

In order to meet or exceed minimum funding levels required by U.S. law, the Company expects to contribute approximately \$10 million to its domestic defined benefit plans in 2013 and has not made any 2013 contributions as of March 31, 2013. The Company also expects to contribute approximately \$4.3 million to its foreign defined benefit plans in 2013 and, as of March 31, 2013, has contributed approximately \$0.7 million.

NOTE 5 ACCUMULATED OTHER COMPREHENSIVE INCOME**Changes in Accumulated Other Comprehensive Income by Component:**

| | | Foreign Currency | Defined Benefit Pension Plans | | Other | Total |
|--|----|-----------------------------|--|----|--------------|--------------|
| Balance December 31, 2011 | \$ | 100,593 | \$ (39,907) | \$ | (368) | \$ 60,318 |
| Other comprehensive income before reclassifications | | 41,683 | -- | | -- | 41,683 |
| Amounts reclassified from accumulated other comprehensive income | | -- | 748 | | 8 | 756 |
| Net current-period other comprehensive income | | 41,683 | 748 | | 8 | 42,439 |
| Balance - March 31, 2012 | \$ | 142,276 | \$ (39,159) | \$ | (360) | \$ 102,757 |
| Balance December 31, 2012 | \$ | 120,097 | \$ (59,248) | \$ | (166) | \$ 60,683 |
| Other comprehensive income before reclassifications | | (35,614) | -- | | -- | (35,614) |
| Amounts reclassified from accumulated other comprehensive income | | -- | 1,179 | | 15 | 1,194 |
| Net current-period other comprehensive income | | (35,614) | 1,179 | | 15 | (34,420) |
| Balance - March 31, 2013 | \$ | 84,483 | \$ (58,069) | \$ | (151) | \$ 26,263 |

Reclassifications Out of Accumulated Other Comprehensive Income:

| Details about Accumulated Other Comprehensive Income Components Three months ended March 31, | Amount Reclassified from Accumulated Other Comprehensive Income | | | Affected Line in the Statement Where Net Income is Presented |
|---|--|-------------|--|---|
| | 2013 | 2012 | | |
| Defined Benefit Pension Plans | | | | |
| Amortization of net loss | \$ 1,786 | \$ 1,085 | | (a) |
| Amortization of prior service cost | 94 | 93 | | (a) |
| | 1,880 | 1,178 | | Total before tax |
| | (701) | (430) | | Tax benefit |
| | \$ 1,179 | \$ 748 | | Net of tax |
| Other | | | | |
| Changes in treasury locks | 23 | 23 | | Interest Expense |
| Net loss on derivatives | -- | (10) | | Interest Income |
| | 23 | 13 | | Total before tax |
| | (8) | (5) | | Tax benefit |
| | \$ 15 | \$ 8 | | Net of tax |
| Total reclassifications for the period | \$ 1,194 | \$ 756 | | |

- (a) These accumulated other comprehensive income components are included in the computation of net periodic benefit costs, net of tax (see Note 4 Retirement and Deferred Compensation Plans for additional details).

NOTE 6 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company maintains a foreign exchange risk management policy designed to establish a framework to protect the value of the Company's non-functional denominated transactions from adverse changes in exchange rates. Sales of the Company's products can be denominated in a currency different from the currency in which the related costs to produce the product are

Table of Contents

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.

CASH FLOW HEDGES

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.

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 March 31, 2013, the Company has recorded the fair value of foreign currency forward exchange contracts of \$1.1 million in prepaid and other, \$2.7 million in accounts payable and accrued liabilities, and \$0.9 million in deferred and other non-current liabilities in the balance sheet. All forward exchange contracts outstanding as of March 31, 2013 had an aggregate contract amount of \$104 million.

Fair Value of Derivative Instruments in the Condensed Consolidated Balance Sheets as of March 31, 2013

and December 31, 2012

| Derivative Contracts Not Designated as Hedging Instruments | Balance Sheet Location | March 31, 2013 | December 31, 2012 |
|---|---------------------------|-------------------|----------------------|
| Derivative Assets | | | |

Edgar Filing: APTARGROUP INC - Form 10-Q

| | | | | | |
|-------------------------------|--|----|-------|----|-------|
| Foreign Exchange Contracts | Prepaid and other | \$ | 1,142 | \$ | 332 |
| Foreign Exchange Contracts | Miscellaneous Other Assets | | -- | | 982 |
| | | \$ | 1,142 | \$ | 1,314 |
| Derivative Liabilities | | | | | |
| Foreign Exchange Contracts | Accounts payable and accrued liabilities | \$ | 2,669 | \$ | 2,097 |
| Foreign Exchange Contracts | Deferred and other non-current liabilities | | 948 | | 164 |
| | | \$ | 3,617 | \$ | 2,261 |

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

for the Quarters Ended March 31, 2013 and March 31, 2012

| Derivatives Not Designated as Hedging Instruments | Location of Gain or (Loss) Recognized in Income on Derivative | Amount of Gain or (Loss) Recognized in Income on Derivative | |
|---|---|---|----------|
| | | 2013 | 2012 |
| Foreign Exchange Contracts | Other Income (Expense) Miscellaneous, net | \$ (2,598) | \$ 7,116 |
| | | \$ (2,598) | \$ 7,116 |

Table of Contents

| Description | Gross Amount | Gross Amounts Offset in the Financial Position | Net Amounts Presented in the Statement of Financial Position | Gross Amounts not Offset in the Statement of Financial Position | Cash Collateral Received | Net Amount |
|--------------------------|----------------|--|--|---|--------------------------|----------------|
| 2013 | | | | | | |
| Derivative Assets | \$1,142 | -- | \$1,142 | -- | -- | \$1,142 |
| Total Assets | \$1,142 | -- | \$1,142 | -- | -- | \$1,142 |
| Derivative Liabilities | \$3,617 | -- | \$3,617 | -- | -- | \$3,617 |
| Total Liabilities | \$3,617 | -- | \$3,617 | -- | -- | \$3,617 |
| 2012 | | | | | | |
| Derivative Assets | \$1,314 | -- | \$1,314 | -- | -- | \$1,314 |
| Total Assets | \$1,314 | -- | \$1,314 | -- | -- | \$1,314 |
| Derivative Liabilities | \$2,261 | -- | \$2,261 | -- | -- | \$2,261 |
| Total Liabilities | \$2,261 | -- | \$2,261 | -- | -- | \$2,261 |

NOTE 7 COMMITMENTS AND CONTINGENCIES

The Company, in the normal course of business, is subject to a number of lawsuits and claims both actual and potential in nature 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.

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 and is waiting for a court decision.

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 March 31, 2013.

NOTE 8 STOCK REPURCHASE PROGRAM

During the three months ended March 31, 2013, the Company repurchased approximately 201 thousand shares for an aggregate amount of \$10.8 million. As of March 31, 2013, the Company has a remaining authorization to repurchase 1.8 million additional shares. The timing of and total amount expended for the share repurchase depends upon market conditions.

Edgar Filing: APTARGROUP INC - Form 10-Q

NOTE 9 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:

| | March 31, 2013 | | March 31, 2012 | |
|---|----------------|-----------|----------------|-----------|
| | Diluted | Basic | Diluted | Basic |
| Consolidated operations | | | | |
| Income available to common shareholders | \$ 40,029 | \$ 40,029 | \$ 43,809 | \$ 43,809 |
| Average equivalent shares | | | | |
| Shares of common stock | 66,155 | 66,155 | 66,196 | 66,196 |
| Effect of dilutive stock based compensation | | | | |
| Stock options | 2,133 | -- | 2,580 | -- |
| Restricted stock | 8 | -- | 9 | -- |
| Total average equivalent shares | 68,296 | 66,155 | 68,785 | 66,196 |
| Net income per share | \$.59 | \$.61 | \$.64 | \$.66 |

Table of ContentsNOTE 10 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 home care 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, 2012. Segment income is defined as earnings before net interest expense, certain corporate expenses, restructuring initiatives and related depreciation and income taxes.

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

| Three months ended March 31, | 2013 | | 2012 | |
|--|-------------|----------------|-------------|----------------|
| Total Revenue: | | | | |
| Beauty + Home | \$ | 367,183 | \$ | 380,836 |
| Pharma | | 168,893 | | 140,201 |
| Food + Beverage | | 85,333 | | 75,822 |
| Total Revenue | \$ | 621,409 | \$ | 596,859 |
| Less: Intersegment Sales: | | | | |
| Beauty + Home | \$ | 3,711 | \$ | 3,685 |
| Pharma | | 24 | | 158 |
| Food + Beverage | | 41 | | 518 |
| Total Intersegment Sales | \$ | 3,776 | \$ | 4,361 |
| Net Sales: | | | | |
| Beauty + Home | \$ | 363,472 | \$ | 377,151 |
| Pharma | | 168,869 | | 140,043 |
| Food + Beverage | | 85,292 | | 75,304 |
| Net Sales | \$ | 617,633 | \$ | 592,498 |
| Segment Income (1): | | | | |
| Beauty + Home | \$ | 24,415 | \$ | 32,972 |
| Pharma | | 45,980 | | 39,372 |
| Food + Beverage | | 8,550 | | 6,788 |
| Restructuring Initiatives and Related Depreciation | | (4,526) | | |
| Corporate & Other | | (10,785) | | (8,641) |
| Income before interest and taxes | \$ | 63,634 | \$ | 70,491 |
| Interest expense, net | | (4,232) | | (4,214) |
| Income before income taxes | \$ | 59,402 | \$ | 66,277 |

(1) The Company evaluates performance of its business units and allocates resources based upon segment income. Segment income is defined as earnings before net interest expense, certain corporate expenses, restructuring initiatives and income taxes. Restructuring Initiatives and Related Depreciation includes the following income/(expense) items for the three months ended March 31, 2013 as follows:

Edgar Filing: APTARGROUP INC - Form 10-Q

| Three months ended March 31, | 2013 | 2012 |
|--|----------|-------|
| European Operations Optimization (EOO) Plan | | |
| Depreciation | \$ 459 | \$ -- |
| Employee Severance and Other Costs | 4,067 | -- |
| Total Restructuring Initiatives and Related Depreciation Expense | \$ 4,526 | \$ -- |
| Restructuring Initiatives and Related Depreciation Expense by Segment | | |
| Beauty + Home | \$ 4,526 | \$ -- |
| Total Restructuring Initiatives and Related Depreciation Expense | \$ 4,526 | \$ -- |

Table of ContentsNOTE 11 ACQUISITIONS

On July 3, 2012, the Company completed its acquisition of Rumpler - Technologies S.A., together with its direct and indirect subsidiaries (Stelmi). Stelmi 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 Company acquired all of the shares of Stelmi. The purchase price paid for Stelmi (net of cash acquired) was approximately \$188 million and was funded by cash on hand.

Stelmi contributed sales of \$35.4 million and a pretax income of \$7.0 million for the three months ended March 31, 2013. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Pharma reporting segment.

The following table summarizes the assets acquired and liabilities assumed as of the acquisition date at estimated fair value. If additional information is obtained about these assets and liabilities within the measurement period (not to exceed one year from the date of acquisition), the Company may refine its estimates of fair value to allocate the purchase price more accurately; however, any such revisions are not expected to be significant.

| | July 3, 2012 |
|---|---------------------|
| Assets | |
| Cash and equivalents | \$ 68,335 |
| Accounts receivable | 23,540 |
| Inventories | 16,826 |
| Prepaid and other | 3,256 |
| Property, plant and equipment | 42,073 |
| Goodwill | 111,031 |
| Intangible assets | 47,134 |
| Other miscellaneous assets | 6,092 |
| Liabilities | |
| Current maturities of long-term obligations | 675 |
| Accounts payable and accrued liabilities | 26,064 |
| Long-term obligations | 885 |
| Deferred income taxes | 22,440 |
| Retirement and deferred compensation plans | 12,049 |
| Net assets acquired | \$ 256,174 |

The following table is a summary of the fair value estimates of the acquired identifiable intangible assets and weighted-average useful lives as of the acquisition date:

| | Weighted-Average Useful Life (in years) | Estimated Fair Value of Asset |
|------------------------|--|--|
| Customer relationships | 15 | \$ 7,438 |
| Technology | 15 | 37,191 |
| Trademark | 4 | 2,505 |
| Total | | \$ 47,134 |

Edgar Filing: APTARGROUP INC - Form 10-Q

Goodwill in the amount of \$111.0 million was recorded for the acquisition of Stelmi and is included in the Pharma segment. Goodwill is calculated as the excess of the consideration transferred over the net assets acquired and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill largely consists of leveraging the Company's commercial presence in selling the Stelmi line of products in markets where Stelmi didn't previously operate and the ability of Stelmi to maintain its competitive advantage from a technical viewpoint. Goodwill will not be amortized, but will be tested for impairment at least annually. We do not expect that any of the goodwill will be deductible for tax purposes.

The unaudited pro forma results presented below include the effects of the Stelmi acquisition as if it had occurred as of January 1, 2011. The unaudited pro forma results reflect certain adjustments related to the acquisition, such as the amortization associated with estimates for the acquired intangible assets and fair value adjustments for inventory. The pro forma results do not include any synergies or other expected benefits of the acquisition. Accordingly, the unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been completed on the dates indicated.

| | Three Months Ended March 31, | |
|--|------------------------------|------------|
| | 2013 | 2012 |
| Net Sales | \$ 617,633 | \$ 625,474 |
| Net Income Attributable to AptarGroup Inc. | 40,037 | 46,530 |
| Net Income per common share - basic | 0.61 | 0.70 |
| Net Income per common share - diluted | 0.59 | 0.68 |

Table of Contents

NOTE 12 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 three months of 2013 was approximately \$6.5 million (\$4.4 million after tax), or \$0.07 per basic share and \$0.06 per diluted share. The income tax benefit related to this compensation expense was approximately \$2.1 million. Approximately \$5.9 million of the compensation expense was recorded in selling, research & development and administrative expenses and the balance was recorded in cost of sales. Compensation expense recorded attributable to stock options for the first three months of 2012 was approximately \$5.8 million (\$3.9 million after tax), or \$0.06 per basic and diluted share. The income tax benefit related to this compensation expense was approximately \$1.9 million. Approximately \$5.3 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 \$10.07 and \$10.35 per share in 2013 and 2012, 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: | | |
| Three months ended March 31, | 2013 | 2012 |
| Dividend Yield | 1.8% | 1.8% |
| Expected Stock Price Volatility | 22.7% | 22.9% |
| Risk-free Interest Rate | 1.2% | 1.3% |
| Expected Life of Option (years) | 6.9 | 6.9 |

There were no grants under the Director Stock Option Plan during the three months ended March 31, 2013 and 2012.

A summary of option activity under the Company's stock option plans as of March 31, 2013, and changes during the three months then ended is presented below:

| | Stock Awards Plans | | Director Stock Option Plans | |
|--------------------------------------|--------------------|---------------------------------|-----------------------------|---------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding, January 1, 2013 | 7,879,197 | \$ 37.27 | 276,667 | \$ 45.48 |
| Granted | 1,335,300 | 51.57 | -- | -- |
| Exercised | (663,664) | 28.69 | -- | -- |
| Forfeited or expired | (22,966) | 45.02 | -- | -- |
| Outstanding at March 31, 2013 | 8,527,867 | \$ 40.15 | 276,667 | \$ 45.48 |

Edgar Filing: APTARGROUP INC - Form 10-Q

| | | | | | | |
|---|------------------|----------------|--------------|----------------|-----------|--------------|
| Exercisable at March 31, 2013 | 5,982,854 | \$ | 35.49 | 121,834 | \$ | 38.09 |
| Weighted-Average Remaining Contractual Term (Years): | | | | | | |
| Outstanding at March 31, 2013 | 6.5 | | | 7.6 | | |
| Exercisable at March 31, 2013 | 5.4 | | | 6.3 | | |
| Aggregate Intrinsic Value (\$000): | | | | | | |
| Outstanding at March 31, 2013 | \$ | 146,648 | \$ | 3,283 | | |
| Exercisable at March 31, 2013 | \$ | 130,756 | \$ | 2,347 | | |
| Intrinsic Value of Options Exercised (\$000) During the Three Months Ended: | | | | | | |
| March 31, 2013 | \$ | 16,515 | \$ | -- | | |
| March 31, 2012 | \$ | 21,524 | \$ | 509 | | |

The fair value of shares vested during the three months ended March 31, 2013 and 2012 was \$12.1 million and \$11.4 million, respectively. Cash received from option exercises was approximately \$19.5 million and the actual tax benefit realized for the tax deduction from option exercises was approximately \$4.0 million in the three months ended March 31, 2013. As of March 31, 2013, the remaining valuation of stock option awards to be expensed in future periods was \$15.3 million and the related weighted-average period over which it is expected to be recognized is 1.6 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 March 31, 2013, and changes during the period then ended is presented below:

Table of Contents

| | Shares | Weighted-Average Grant-Date Fair Value |
|-------------------------------------|-----------------|---|
| Nonvested at January 1, 2013 | 25,862 | \$ 48.76 |
| Granted | 9,948 | 53.94 |
| Vested | (11,208) | 44.27 |
| Nonvested at March 31, 2013 | 24,602 | \$ 52.90 |

Compensation expense recorded attributable to restricted stock unit grants for the first three months of 2013 and 2012 was approximately \$416 thousand and \$219 thousand, respectively. The fair value of units vested during the three months ended March 31, 2013 and 2012 was \$496 thousand and \$316 thousand, respectively. The intrinsic value of units vested during the three months ended March 31, 2013 and 2012 was \$582 thousand and \$448 thousand, respectively. As of March 31, 2013 there was \$622 thousand of total unrecognized compensation cost relating to restricted stock unit awards which is expected to be recognized over a weighted-average period of 1.6 years.

NOTE 13 INCOME TAX UNCERTAINTIES

The Company had approximately \$8.4 and \$8.5 million recorded for income tax uncertainties as of March 31, 2013 and December 31, 2012, respectively. The \$0.1 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 \$8.0 and \$8.1 million, respectively. The Company estimates that it is reasonably possible that the liability for uncertain tax positions will decrease by no more than \$5 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 14 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 March 31, 2013, 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) | \$ 1,142 | \$ -- | \$ 1,142 | \$ -- |
| Total assets at fair value | \$ 1,142 | \$ -- | \$ 1,142 | \$ -- |
| Liabilities | | | | |
| Forward exchange contracts (a) | \$ 3,617 | \$ -- | \$ 3,617 | \$ -- |
| Total liabilities at fair value | \$ 3,617 | \$ -- | \$ 3,617 | \$ -- |

Edgar Filing: APTARGROUP INC - Form 10-Q

As of December 31, 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) | \$ | 1,314 | \$ | -- | \$ | 1,314 | \$ | -- |
| Total assets at fair value | \$ | 1,314 | \$ | -- | \$ | 1,314 | \$ | -- |
| Liabilities | | | | | | | | |
| Forward exchange contracts (a) | \$ | 2,261 | \$ | -- | \$ | 2,261 | \$ | -- |
| Total liabilities at fair value | \$ | 2,261 | \$ | -- | \$ | 2,261 | \$ | -- |

(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 \$380 million as of March 31, 2013 and \$382 million as of December 31, 2012.

Table of ContentsNOTE 15 RESTRUCTURING INITIATIVE

On November 1, 2012, the Company announced a plan to optimize certain capacity in Europe (EOO). Due to increased production efficiencies and to better position the Company for future growth in Europe, AptarGroup will transfer and consolidate production capacity involving twelve facilities. Two facilities, one in Italy and one in Switzerland, are expected to close and will impact approximately 170 employees. The locations involved in the operations optimization plan are facilities that are serving the beauty, personal care, food, beverage, and consumer health care markets. The total costs associated with the plan are estimated to be approximately 14 million (approximately \$18 million using current exchange rates) of which approximately 4 million (approximately \$6 million using current exchange rates) relates to non-cash expenses and will be included in depreciation and amortization in the Consolidated Statements of Income. As of March 31, 2013 we have recorded the following activity associated with our EOO plan:

| | Beginning Reserve at 12/31/12 | Net Charges for the Three Months Ended 3/31/13 | Cash Paid | FX Impact | Ending Reserve at 3/31/13 |
|--------------------|--|---|-------------------|------------------|--|
| Employee severance | \$ 3,158 | \$ 3,508 | \$ (978) | \$ (150) | \$ 5,538 |
| Other costs | -- | 559 | (530) | 5 | 34 |
| Totals | \$ 3,158 | \$ 4,067 | \$ (1,508) | \$ (145) | \$ 5,572 |

In addition to the above charges, \$0.5 million of accelerated depreciation was incurred in the first quarter of 2013. This amount is included within depreciation and amortization in the Condensed Consolidated Statements of Income.

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

| Quarter Ended March 31, | 2013 | 2012 |
|--|--------|--------|
| Net Sales | 100.0% | 100.0% |
| Cost of sales (exclusive of depreciation and amortization shown below) | 67.8 | 67.7 |
| Selling, research & development and administrative | 15.3 | 14.9 |
| Depreciation and amortization | 5.9 | 5.5 |
| Restructuring initiatives | 0.6 | -- |
| Operating Income | 10.4 | 11.9 |
| Other expense | (0.8) | (0.7) |
| Income before Income Taxes | 9.6 | 11.2 |
| Net Income | 6.5% | 7.4% |
| Effective Tax Rate | 32.7% | 33.9% |

NET SALES

We reported net sales of \$617.6 million for the quarter ended March 31, 2013, 4% above first quarter 2012 reported net sales of \$592.5 million. Stelmi sales were \$35.4 million which contributed 6% to the reported increase in the quarterly sales. The average U.S. dollar exchange rate weakened slightly relative to the Euro. However, this weakness was offset by strengthening of the U.S. dollar compared to other foreign currencies, such as the Brazilian Real, Swiss Franc and British Pound, in the first quarter of 2013 compared to the first quarter of 2012, and as a result, changes in exchange rates had a negative impact of 1% on our reported sales growth. Excluding acquisitions and changes in foreign currency rates, sales decreased by 1% in the first quarter of 2013 compared to the first quarter of 2012. The timing of custom tooling sales accounted for the majority of this decrease.

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:

| Quarter Ended March 31, | 2013 | % of Total | 2012 | % of Total |
|-------------------------|------------|------------|------------|------------|
| Domestic | \$ 157,228 | 25% | \$ 171,309 | 29% |
| Europe | 356,526 | 58% | 325,709 | 55% |
| Other Foreign | 103,879 | 17% | 95,480 | 16% |

Edgar Filing: APTARGROUP INC - Form 10-Q

COST OF SALES (EXCLUSIVE OF DEPRECIATION SHOWN BELOW)

Our cost of sales as a percent of net sales increased slightly to 67.8% in the first quarter of 2013 compared to 67.7% in the first quarter of 2012. The increase is partially due to decreased sales volumes in our core Pharma segment. This negatively impacts our cost of sales percentage as margins on our pharmaceutical products typically are higher than the overall Company average. Also contributing to the increase in cost of sales percentage is the increase in raw material costs. Raw material costs, primarily the cost of plastic resin, increased in 2013 compared to 2012. While the majority of resin cost increases are passed along to our customers in our selling prices, we typically experience a lag in the timing of passing on these cost increases.

SELLING, RESEARCH & DEVELOPMENT AND ADMINISTRATIVE

Our Selling, Research & Development and Administrative expenses (SG&A) increased by approximately \$5.8 million in the first quarter of 2013 compared to the same period a year ago. Excluding changes in foreign currency rates, SG&A increased by approximately \$6.4 million in the quarter. Stelmi contributed operational costs of \$4.7 million in the first quarter of 2013. The remaining increase is due to an increase in personnel costs and stock compensation expenses due to higher substantive vesting requirements. Excluding acquisitions, SG&A as a percentage of net sales increased to 15.4% compared to 14.9% in the same period of the prior year due primarily to lower core sales and the increase in expenses noted above.

Table of Contents

DEPRECIATION AND AMORTIZATION

Reported depreciation and amortization expenses increased by approximately \$3.6 million in the first quarter of 2013 compared to the same period a year ago. Excluding changes in foreign currency rates, depreciation and amortization increased by approximately \$3.7 million in the quarter compared to the same period a year ago. This increase is primarily related to \$2.2 million of Stelmi costs reported in the first quarter of 2013. The remaining increase is related to the additional investments in our new products, especially in the Food + Beverage segment, along with continued roll-out of our global enterprise resource planning system and approximately \$0.5 million related to our EOO restructuring initiatives. Excluding acquisitions, depreciation and amortization as a percentage of net sales increased to 5.8% in the first quarter of 2013 compared to 5.5% for the same period a year ago.

RESTRUCTURING INITIATIVES

On November 1, 2012, the Company announced a plan to optimize certain capacity in Europe (EOO). Due to increased production efficiencies and to better position the Company for future growth in Europe, AptarGroup will transfer and consolidate production capacity involving twelve facilities. Two facilities, one in Italy and one in Switzerland, are expected to close and will impact approximately 170 employees. During the first quarter of 2013, we recognized \$4.1 million of restructuring expenses along with the \$0.5 million of accelerated depreciation of assets mentioned above. Using current exchange rates, we expect to recognize approximately \$9 million in additional costs, most of which will be incurred in 2013. Annual savings are estimated to be approximately 9 million (approximately \$12 million using current exchange rates) beginning in late 2013.

OPERATING INCOME

Operating income decreased approximately \$5.8 million in the first quarter of 2013 to \$64.6 million compared to \$70.4 million in the same period in the prior year. Changes in foreign currency rates had no measureable impact on operating income. Stelmi contributed a \$7.1 million operating profit in the first quarter of 2013 and costs associated with the EOO restructuring initiative were \$4.5 million. Excluding acquisitions and restructuring initiatives, the remaining \$8.4 million decrease to operating income is mainly due to lower core sales and the increase in expenses noted above. Excluding acquisitions and restructuring initiatives, operating income as a percentage of net sales decreased to 10.0% in the first quarter of 2013 compared to 11.9% for the same period in the prior year.

NET OTHER EXPENSE

Net other expenses in the first quarter of 2013 increased to \$5.2 million from \$4.1 million in the same period in the prior year. This increase is mainly due to increased costs associated with hedges in place to mitigate our foreign currency exposure on cross border transactions.

EFFECTIVE TAX RATE

The reported effective tax rate decreased to 32.7% in the first quarter ended March 31, 2013 compared to 33.9% in the first quarter of 2012. During the first quarter of 2013, the rate was favorably impacted by tax benefits recorded due to an Italian tax law change which allowed us to claim a refund from prior year taxes paid. The favorable impact was partially offset by a new French three percent distribution tax effective for all distributions paid on or after August 17, 2012.

NET INCOME ATTRIBUTABLE TO APTARGROUP, INC.

We reported net income attributable to AptarGroup, Inc. of \$40.0 million in the first quarter of 2013 compared to \$43.8 million in the first quarter of 2012.

BEAUTY + HOME SEGMENT

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

| Three Months Ended March 31, | 2013 | 2012 |
|---|-------------|-------------|
| Net Sales | \$ 363,472 | \$ 377,151 |
| Segment Income | 24,415 | 32,972 |
| Segment Income as a percentage of Net Sales | 6.7% | 8.7% |

Net sales for the quarter ended March 31, 2013 decreased 4% to \$363.5 million compared to \$377.2 million in the first quarter of the prior year. Excluding foreign currency changes, sales decreased 3% in the first quarter of 2013 compared to the same quarter of the prior year. Sales, excluding foreign currency changes, to the beauty and personal care markets were down 2% and 3%, respectively, in the first quarter of 2013 compared to the same period in the prior year. Geographically, sales

Table of Contents

increases in Asia and Latin America were offset by softness in North America caused by a snowstorm on the east coast along with certain unprofitable business we exited. Customer tooling sales, excluding foreign currency changes, also decreased in the first quarter of 2013 to \$6.2 million compared to \$10.3 million in the first quarter of the prior year.

Segment income for the first quarter of 2013 decreased approximately 26% to \$24.4 million from \$33.0 million reported in the same period in the prior year. The negative impact of lower product and tooling sales mentioned above along with productivity issues and higher labor costs in North America contributed to this decrease.

PHARMA SEGMENT

Operations that sell dispensing systems to the prescription drug and consumer health care markets form the Pharma segment.

| Three Months Ended March 31, | 2013 | | 2012 | |
|---|------|---------|------|---------|
| Net Sales | \$ | 168,869 | \$ | 140,043 |
| Segment Income | | 45,980 | | 39,372 |
| Segment Income as a percentage of Net Sales | | 27.2% | | 28.1% |

Net sales for the Pharma segment increased by 21% in the first quarter of 2013 to \$168.9 million compared to \$140.0 million in the first quarter of 2012. Stelmi sales were \$35.4 million and represented 25% of the increase. Foreign currency changes had no measureable impact on the total segment sales. Excluding acquisitions and changes in foreign currency rates, sales decreased by 4% in the first quarter of 2013 compared to the first quarter of 2012. Excluding acquisitions and foreign currency rate changes, sales to the prescription and consumer health care markets decreased 2% and 9%, respectively, in the first quarter of 2013 compared to the same period in the prior year. The majority of the decrease to the prescription market is due to destocking of inventory by our generic customers, especially in North America, while the decrease in sales to the consumer health care market is due to continued softness in Europe.

Segment income in the first quarter of 2013 increased approximately 17% to \$46.0 million compared to \$39.4 million reported in the same period in the prior year. Stelmi segment income was \$6.9 million in the first quarter of 2013. Excluding Stelmi, segment income would have decreased slightly in the first quarter of 2013 to \$39.1 million compared to \$39.4 million reported in the same period in the prior year. This decrease is mainly due to lower sales to the prescription and consumer health care market offset by higher margins on product sales compared to the prior year.

FOOD + BEVERAGE SEGMENT

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

| Three Months Ended March 31, | 2013 | | 2012 | |
|------------------------------|------|--|------|--|
|------------------------------|------|--|------|--|

Edgar Filing: APTARGROUP INC - Form 10-Q

| | | | | |
|---|----|--------|----|--------|
| Net Sales | \$ | 85,292 | \$ | 75,304 |
| Segment Income | | 8,550 | | 6,788 |
| Segment Income as a percentage of Net Sales | | 10.0% | | 9.0% |

Net sales for the quarter ended March 31, 2013 increased approximately 13% to \$85.3 million compared to \$75.3 million in the first quarter of the prior year. Foreign currency changes had no measureable impact on the total segment sales. Excluding foreign currency rate changes, sales to the food market increased 14% and sales to the beverage market increased approximately 13% in the first quarter of 2013 compared to the same period in the prior year. The majority of the food increase is driven by tooling sales, which increased \$4.9 million over the first quarter of 2012 while the beverage increase is mainly due to increased product sales globally, especially in Asia for the functional bottled water market.

Segment income in the first quarter of 2013 increased approximately 26% to \$8.6 million compared to \$6.8 million during the same period in the prior year. The strong growth in product sales noted above along with improved manufacturing productivity and cost absorption contributed to the improvements in the first quarter of 2013 compared to the same period in the prior year.

CORPORATE & OTHER

In addition to our three operating business segments, AptarGroup assigns certain costs to Corporate & Other, which is presented separately in Note 10 of the Notes to the Condensed Consolidated Financial Statements. Corporate & Other primarily includes certain corporate compensation and information system costs which are not allocated directly to our operating segments. Corporate & Other expense increased to \$10.8 million for the quarter ended March 31, 2013 compared to \$8.6 million in the first quarter of the prior year mainly due to increased costs associated with hedges in place to support our foreign currency cross border transactions and higher personnel 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

Table of Contents

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.

QUARTERLY TRENDS

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

We generally incur higher 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 the year 2013 compared to 2012 is as follows:

| | 2013 | | 2012 | |
|-------------------------------------|------|------|------|------|
| First Quarter | \$ | 6.5 | \$ | 5.8 |
| Second Quarter (estimated for 2013) | | 2.8 | | 2.9 |
| Third Quarter (estimated for 2013) | | 2.2 | | 2.1 |
| Fourth Quarter (estimated for 2013) | | 2.1 | | 1.9 |
| | \$ | 13.6 | \$ | 12.7 |

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash flow from operations and our revolving credit facility. In the first quarter of 2013, our operations provided approximately \$26.1 million in cash flow compared to \$13.7 million for the same period a year ago. In both periods, cash flow from operations was primarily derived from earnings before depreciation and amortization. During the first quarter of 2013, we utilized the majority of the operating cash flows to finance capital expenditures.

We used \$32.7 million in cash for investing activities during the first quarter of 2013, compared to \$42.0 million during the same period a year ago. The decrease in cash used for investing activities is due primarily to \$7.7 million less spent on capital expenditures in the first quarter of 2013 compared to the first quarter of 2012. Cash outlays for capital expenditures for 2013 are estimated to be approximately \$160 million but could vary due to changes in exchange rates as well as the timing of capital projects.

We received approximately \$8.4 million in cash provided by financing activities in the first quarter of 2013 compared to using \$32.4 million in the first quarter of the prior year. In the first quarter of 2012, we utilized \$46 million of funds repatriated during the quarter to pay down a portion of our revolving credit facility. No funds were repatriated during the first quarter of 2013 which required us to increase borrowings on our revolving credit facility.

Cash and equivalents decreased to \$225.1 million at March 31, 2013 from \$229.8 million at December 31, 2012. Total short and long-term interest bearing debt increased in the first quarter of 2013 to \$441.6 million from \$427.5 million at December 31, 2012. The ratio of our Net Debt (interest bearing debt less cash and cash equivalents) to Net Capital (stockholders equity plus Net Debt) was 13.5% at the end of March 2013 compared to 12.5% at December 31, 2012.

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 operating cash flows from the U.S. and are supplemented by additional borrowings from our revolving credit facility and the repatriations of current year foreign

Edgar Filing: APTARGROUP INC - Form 10-Q

earnings. Specifically, in the U.S., we have an unsecured \$300 million revolving line of credit of which \$250 million was unused and available as of March 31, 2013 and believe we have the ability to borrow additional funds should the need arise. On January 31, 2013, we amended the revolving credit facility to, among other things, add a swingline loan sub-facility and extend the maturity date for the revolving credit facility by one year, to January 31, 2018. To take advantage of low interest rates during the past year, we completed a \$125 million private placement on September 5, 2012, consisting of \$75 million of 10 year notes at an interest rate of 3.25% and \$50 million of 12 year notes at an interest rate of 3.40%.

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 March 31, 2013</u> |
|-----------------------------|--------------------|--------------------------------|
| Debt to total capital ratio | Maximum of 55% | 24.1% |

Based upon the above debt to total capital ratio covenant we had the ability to borrow approximately an additional \$1.3 billion at March 31, 2013 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 \$225.1 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. The repatriation of non-U.S. cash balances from

Table of Contents

certain subsidiaries could have adverse tax consequences as we may be required to pay and record income tax expense on these funds. 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.

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. 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 April 11, 2013, the Board of Directors declared a quarterly dividend of \$0.25 per share payable on May 17, 2013 to stockholders of record as of April 26, 2013.

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 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 July 2012, the FASB amended the guidance on the annual testing of indefinite-lived intangible assets (other than goodwill) for impairment. The amended guidance will allow companies to first assess qualitative factors to determine whether it is more-likely-than-not that an indefinite-lived intangible asset might be impaired and whether it is necessary to perform the quantitative impairment test required under current accounting standards. This guidance will be effective for the Company's fiscal year ending December 31, 2013, with early adoption permitted. The Company does not believe that this new guidance will have a material impact on its consolidated financial statements.

In March 2013, the FASB issued guidance which permits an entity to release cumulative translation adjustments into net income when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided, or, if a controlling financial interest is no longer held. The guidance will be effective for the Company's fiscal years beginning after December 15, 2013; however, early adoption is permitted.

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

Looking to the second quarter, we anticipate our Beauty + Home segment's income to improve from the disappointing first quarter results. We are optimistic that our legacy Pharma business will see more normalized order levels in the U.S. generic allergy and European consumer health care markets in the second quarter. Also, Aptar Stelmi is expected to continue to perform well. Our Food + Beverage segment is expected to continue to grow this year compared to the prior year provided the global economies do not deteriorate.

Edgar Filing: APTARGROUP INC - Form 10-Q

Our second quarter earnings per share guidance does not include any impact from our EOO plan. Currently, we anticipate earnings per share for the second quarter to be in the range of \$0.73 to \$0.78 compared to \$0.61 per share a year ago. Prior year reported earnings per share included a negative \$0.05 per share related to costs associated with the Aptar Stelmi acquisition.

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 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;
- changes in customer and/or consumer spending levels;

Table of Contents

- 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;
- our ability to contain costs and improve productivity;
- the timing and successful completion of our EOO plan;
- our ability to increase prices;
- significant fluctuations in foreign currency exchange rates;
- 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 and other weather-related occurrences;
- 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;
- 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 March 31, 2013 about our forward currency exchange contracts. The majority of the contracts expire before the end of the second quarter of 2013.

| Buy/Sell | | Contract Amount (in thousands) | Average Contractual Exchange Rate | Min / Max Notional Volumes |
|------------------------------|-----------|-----------------------------------|---|----------------------------------|
| Swiss Franc/Euro | \$ | 36,514 | 0.8104 | 33,597-36,514 |
| Euro/Brazilian Real | | 19,314 | 3.0264 | 19,314-21,311 |
| Euro/U.S. Dollar | | 11,893 | 1.3014 | 10,301-14,277 |
| Euro/Mexican Peso | | 8,114 | 18.4891 | 7,897-8,804 |
| Czech Koruna/Euro | | 6,454 | 0.0390 | 6,454-6,660 |
| British Pound/Euro | | 4,779 | 1.1582 | 1,844-4,779 |
| Euro/Swiss Franc | | 3,699 | 1.2263 | 299-3,699 |
| U.S. Dollar/Chinese Yuan | | 3,350 | 6.2452 | 3,350-4,710 |
| Euro/Argentinian Peso | | 2,398 | 7.0300 | 0-2,398 |
| Euro/Russian Rouble | | 1,689 | 45.3677 | 1,689-1,689 |
| Euro/Chinese Yuan | | 1,244 | 8.3775 | 1,244-2,268 |
| U.S. Dollar/Argentinian Peso | | 1,000 | 5.4030 | 300-1,000 |
| Other | | 3,510 | | |
| Total | \$ | 103,958 | | |

As of March 31, 2013, we have recorded the fair value of foreign currency forward exchange contracts of \$1.1 million in prepaid and other, \$2.7 million in accounts payable and accrued liabilities and \$0.9 million in deferred and other non-current liabilities in the balance sheet.

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.

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 March 31, 2013. 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

During the quarter ended March 31, 2013, the Company implemented an enterprise resource planning system at an entity located in Stratford, Connecticut. Consequently, the control environment has been modified at this location. Other than this item, no other changes 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 March 31, 2013 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 March 31, 2013, the Plan sold 4,957 shares of our Common Stock on behalf of the participants at an average price of \$53.87 per share, for an aggregate amount of \$267 thousand and did not purchase any shares of our Common Stock. At March 31, 2013, the Plan owns 29,931 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 March 31, 2013:

| 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 |
|-------------|--|---------------------------------|---|---|
| 1/1 1/31/13 | -- | \$ -- | -- | 1,973,691 |
| 2/1 2/28/13 | 108,000 | 52.83 | 108,000 | 1,865,691 |
| 3/1 3/31/13 | 93,000 | 54.43 | 93,000 | 1,772,691 |
| Total | 201,000 | \$ 53.57 | 201,000 | 1,772,691 |

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

Table of Contents

ITEM 6. EXHIBITS

| | |
|--------------|--|
| Exhibit 31.1 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 31.2 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 32.2 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 101 | The following financial information from our Quarterly Report on Form 10-Q for the first quarter of fiscal 2013, filed with the SEC on May 6, 2013, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income - Three Months Ended March 31, 2013 and 2012, (ii) the Condensed Consolidated Statements of Comprehensive Income - Three Months Ended March 31, 2013 and 2012, (iii) the Condensed Consolidated Balance Sheets - March 31, 2013 and December 31, 2012, (iv) the Condensed Consolidated Statements of Changes in Equity - Three Months Ended March 31, 2013 and 2012, (v) the Condensed Consolidated Statements of Cash Flows - Three Months Ended March 31, 2013 and 2012 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 Accounting and Financial Officer)

Date: May 6, 2013

Table of Contents

INDEX OF EXHIBITS

| Exhibit Number | Description |
|-----------------------|--|
| 31.1 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following financial information from our Quarterly Report on Form 10-Q for the first quarter of fiscal 2013, filed with the SEC on May 6, 2013, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income - Three Months Ended March 31, 2013 and 2012, (ii) the Condensed Consolidated Statements of Comprehensive Income - Three Months Ended March 31, 2013 and 2012, (iii) the Condensed Consolidated Balance Sheets - March 31, 2013 and December 31, 2012, (iv) the Condensed Consolidated Statements of Changes in Equity - Three Months Ended March 31, 2013 and 2012, (v) the Condensed Consolidated Statements of Cash Flows - Three Months Ended March 31, 2013 and 2012 and (vi) the Notes to Condensed Consolidated Financial Statements. |