

SCHULMAN A INC
Form 10-Q
April 04, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 29, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File No. 0-7459

A. SCHULMAN, INC.

(Exact Name of Registrant as Specified in its Charter)

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| | |
|---|--|
| Delaware (State or Other Jurisdiction of Incorporation or Organization) | 34-0514850 (I.R.S. Employer Identification No.) |
| 3550 West Market Street, Akron, Ohio (Address of Principal Executive Offices) | 44333 (ZIP Code) |
| Registrant's telephone number, including area code: (330) 666-3751 | |

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 definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | |
|--|---|
| Large accelerated filer <input type="checkbox"/> | Accelerated filer <input checked="" type="checkbox"/> |
| Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company <input type="checkbox"/> |

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

Number of shares of common stock, \$1.00 par value, outstanding as of March 28, 2012 29,517,956

PART I FINANCIAL INFORMATION

Item 1 Consolidated Financial Statements

A. SCHULMAN, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three months ended | | Six months ended | |
|--|--|----------------------|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 | February 29, 2012 | February 28, 2011 |
| | Unaudited (In thousands, except per share data) | | | |
| Net sales | \$ 495,911 | \$ 508,343 | \$ 1,013,200 | \$ 1,003,726 |
| Cost of sales | 431,362 | 441,731 | 879,155 | 868,113 |
| Selling, general and administrative expenses | 49,416 | 49,430 | 96,831 | 102,335 |
| Restructuring expense | 1,597 | 3,385 | 4,841 | 3,936 |
| Asset impairment | | 1,800 | | 1,800 |
| Curtailement (gain) loss | (209) | | (209) | |
| Operating income | 13,745 | 11,997 | 32,582 | 27,542 |
| Interest expense | 2,453 | 1,642 | 4,579 | 2,927 |
| Interest income | (125) | (191) | (357) | (391) |
| Foreign currency transaction (gains) losses | 17 | 667 | 516 | 1,338 |
| Other (income) expense, net | (883) | (433) | (1,053) | (437) |
| Income before taxes | 12,283 | 10,312 | 28,897 | 24,105 |
| Provision (benefit) for U.S. and foreign income taxes | 2,993 | 3,033 | 5,644 | 7,450 |
| Net income | 9,290 | 7,279 | 23,253 | 16,655 |
| Noncontrolling interests | (217) | (138) | (598) | (271) |
| Net income attributable to A. Schulman, Inc. | \$ 9,073 | \$ 7,141 | \$ 22,655 | \$ 16,384 |
| Weighted-average number of shares outstanding: | | | | |
| Basic | 29,374 | 31,091 | 29,396 | 31,212 |
| Diluted | 29,651 | 31,181 | 29,588 | 31,245 |
| Earnings per share of common stock attributable to A. Schulman, Inc.: | | | | |
| Basic | \$ 0.31 | \$ 0.23 | \$ 0.77 | \$ 0.52 |
| Diluted | \$ 0.31 | \$ 0.23 | \$ 0.77 | \$ 0.52 |
| Cash dividends per common share | \$ 0.170 | \$ 0.155 | \$ 0.340 | \$ 0.310 |

The accompanying notes are an integral part of the consolidated financial statements.

A. SCHULMAN, INC.

CONSOLIDATED BALANCE SHEETS

| | February 29, 2012 | August 31, 2011 |
|--|-----------------------------|---------------------|
| | Unaudited (In thousands) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 95,760 | \$ 155,753 |
| Accounts receivable, less allowance for doubtful accounts of \$9,384 at February 29, 2012 and \$9,475 at August 31, 2011 | 319,913 | 347,036 |
| Inventories, average cost or market, whichever is lower | 290,293 | 264,747 |
| Prepaid expenses and other current assets | 32,237 | 34,376 |
| Total current assets | 738,203 | 801,912 |
| Property, plant and equipment, at cost: | | |
| Land and improvements | 29,845 | 30,826 |
| Buildings and leasehold improvements | 162,136 | 165,267 |
| Machinery and equipment | 380,329 | 382,828 |
| Furniture and fixtures | 40,527 | 41,860 |
| Construction in progress | 18,579 | 12,967 |
| Gross property, plant and equipment | 631,416 | 633,748 |
| Accumulated depreciation and investment grants of \$688 at February 29, 2012 and \$815 at August 31, 2011 | 394,734 | 399,448 |
| Net property, plant and equipment | 236,682 | 234,300 |
| Other assets: | | |
| Deferred charges and other noncurrent assets | 37,217 | 35,947 |
| Goodwill | 131,933 | 91,753 |
| Intangible assets | 98,968 | 76,075 |
| Total other assets | 268,118 | 203,775 |
| Total assets | \$ 1,243,003 | \$ 1,239,987 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 254,707 | \$ 254,405 |
| U.S. and foreign income taxes payable | 5,553 | 11,072 |
| Accrued payrolls, taxes and related benefits | 36,940 | 44,560 |
| Other accrued liabilities | 48,634 | 50,608 |
| Short-term debt | 9,212 | 11,550 |
| Total current liabilities | 355,046 | 372,195 |
| Long-term debt | 230,155 | 184,598 |
| Pension plans | 80,402 | 84,673 |
| Other long-term liabilities | 23,604 | 24,161 |
| Deferred income taxes | 27,348 | 20,055 |
| Total liabilities | 716,555 | 685,682 |
| Commitments and contingencies | | |

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Stockholders equity:

| | | |
|---|---------------------|---------------------|
| Common stock, \$1 par value, authorized 75,000 shares, issued 47,928 shares at February 29, 2012 and 47,816 shares at August 31, 2011 | 47,928 | 47,816 |
| Other capital | 256,858 | 254,184 |
| Accumulated other comprehensive income (loss) | 27,861 | 50,007 |
| Retained earnings | 553,957 | 541,256 |
| Treasury stock, at cost, 18,411 shares at February 29, 2012 and 17,207 shares at August 31, 2011 | (365,935) | (344,759) |
| Total A. Schulman, Inc. s stockholders equity | 520,669 | 548,504 |
| Noncontrolling interests | 5,779 | 5,801 |
| Total equity | 526,448 | 554,305 |
| Total liabilities and equity | \$ 1,243,003 | \$ 1,239,987 |

The accompanying notes are an integral part of the consolidated financial statements.

A. SCHULMAN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Six months ended | |
|--|-----------------------------|----------------------|
| | February 29, 2012 | February 28, 2011 |
| | Unaudited (In thousands) | |
| Operating: | | |
| Net income | \$ 23,253 | \$ 16,655 |
| Adjustments to reconcile net income to net cash provided from (used in) operating activities: | | |
| Depreciation and amortization | 18,809 | 19,703 |
| Deferred tax provision | (4,655) | (1,923) |
| Pension, postretirement benefits and other deferred compensation | 2,984 | 3,597 |
| Net (gains) losses on asset sales | | 262 |
| Asset impairment | | 1,800 |
| Curtailed (gains) losses | (209) | |
| Changes in assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 17,398 | (34,077) |
| Inventories | (35,107) | (39,331) |
| Accounts payable | 5,301 | 25,958 |
| Income taxes | (3,716) | 3,130 |
| Accrued payrolls and other accrued liabilities | (10,294) | (7,963) |
| Other assets and long-term liabilities | (1,050) | (4,333) |
| Net cash provided from (used in) operating activities | 12,714 | (16,522) |
| Investing: | | |
| Expenditures for property, plant and equipment | (19,170) | (11,060) |
| Proceeds from the sale of assets | 1,072 | 1,139 |
| Business acquisitions, net of cash acquired | (62,762) | (15,071) |
| Net cash provided from (used in) investing activities | (80,860) | (24,992) |
| Financing: | | |
| Cash dividends paid | (9,954) | (9,733) |
| Increase (decrease) in notes payable | (2,464) | (3,178) |
| Borrowings on revolving credit facilities | 142,980 | 181,000 |
| Repayments on revolving credit facilities | (92,783) | (141,500) |
| Repayments on long-term debt | (44) | (26) |
| Payment of debt issuance costs | | (2,220) |
| Cash distributions to noncontrolling interests | (580) | (700) |
| Common stock issued (redeemed), net | 345 | (780) |
| Issuances (purchases) of treasury stock, net | (21,176) | (13,500) |
| Net cash provided from (used in) financing activities | 16,324 | 9,363 |
| Effect of exchange rate changes on cash | (8,171) | 5,747 |
| Net increase (decrease) in cash and cash equivalents | (59,993) | (26,404) |
| Cash and cash equivalents at beginning of period | 155,753 | 122,754 |
| Cash and cash equivalents at end of period | \$ 95,760 | \$ 96,350 |

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The accompanying notes are an integral part of the consolidated financial statements.

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A. SCHULMAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) GENERAL

The unaudited interim consolidated financial statements included for A. Schulman, Inc. (the Company) reflect all adjustments, which are, in the opinion of management, necessary for a fair presentation of the results of the interim period presented. All such adjustments are of a normal recurring nature. The fiscal year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The unaudited consolidated financial information should be read in conjunction with the consolidated financial statements and notes thereto incorporated in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011.

The results of operations for the six months ended February 29, 2012 are not necessarily indicative of the results expected for the fiscal year ending August 31, 2012.

The accounting policies for the periods presented are the same as described in Note 1 Business and Summary of Significant Accounting Policies to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011.

Certain items previously reported in specific financial statement captions have been reclassified to conform to the fiscal 2012 presentation.

(2) BUSINESS ACQUISITIONS

Eliau SAS

On January 31, 2012, the Company acquired all of the issued share capital of Eliau SAS (Eliau), a French portfolio company of British Vita plc, for approximately \$66.5 million, which included the repayment of approximately \$4.3 million in Eliau debt. The Company paid approximately \$64.4 million in the second quarter of fiscal 2012 with the remainder to be paid in the third quarter of fiscal 2012. The results of Eliau's operations have been included in the consolidated financial statements since the date of acquisition, January 31, 2012.

Eliau provides specialty formulated color concentrates to over 1,000 customers in end markets such as packaging, cosmetics, personal hygiene, healthcare, and pipes and tubing products that require demanding specifications. Eliau offers superior quality, technology and responsiveness to its diversified customer base. The acquisition of Eliau will move the Company into France's color masterbatch market and allow the Company to improve the product mix in the Europe, Middle East and Africa (EMEA) region by leveraging the full portfolio of masterbatch products with a wider customer base.

The information included herein has been prepared based on the preliminary allocation of the purchase price using estimates of the fair value and useful lives of assets acquired and liabilities assumed which were determined with the assistance of independent valuations, quoted market prices and estimates made by management. The purchase price allocations are subject to further adjustment until all pertinent information regarding the property, plant and equipment, intangible assets, other long-term assets, goodwill, other long-term liabilities and deferred income tax assets and liabilities acquired are fully evaluated by the Company and independent valuations are complete.

A. SCHULMAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents the preliminary estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired and liabilities assumed:

| | |
|---|------------------|
| (In thousands) | |
| Cash and cash equivalents | \$ 1,624 |
| Accounts receivable | 6,897 |
| Inventories | 3,427 |
| Prepaid expenses and other current assets | 434 |
| Property, plant and equipment | 5,111 |
| Intangible assets | 27,779 |
| Other long-term assets | 20 |
| | |
| Total assets acquired | \$ 45,292 |
| Accounts payable | \$ 4,907 |
| Other accrued liabilities | 2,940 |
| Deferred income taxes | 10,786 |
| Pension plans | 568 |
| Other long-term liabilities | 143 |
| | |
| Total liabilities assumed | \$ 19,344 |
| | |
| Net identifiable assets acquired | \$ 25,948 |
| Goodwill | 40,597 |
| | |
| Net assets acquired | \$ 66,545 |

The Company preliminarily recorded acquired intangible assets of approximately \$27.8 million. These intangible assets include customer related intangibles of \$18.3 million with estimated useful lives of 9 years, developed technology of approximately \$8.6 million with estimated useful lives of 10 years, and trademarks and tradenames of approximately \$0.9 million with estimated useful lives of 5 years. As noted earlier, the fair values and assigned useful lives of the acquired identifiable intangible assets are provisional pending receipt of the final valuations for those assets.

Goodwill represents the excess of the purchase price over the estimated fair values of the assets acquired and the liabilities assumed in the acquisition. Goodwill of approximately \$40.6 million was included in the EMEA segment. None of the goodwill associated with this transaction will be deductible for income tax purposes.

The estimated fair value of accounts receivable acquired was approximately \$6.9 million with the gross contractual amount being approximately \$7.3 million.

Net sales, loss before taxes and net loss attributable to A. Schulman, Inc. from Elian included in the Company's results since the January 31, 2012 acquisition are as follows:

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January 31, 2012 to
February 29,
2012

(In thousands)

| | | |
|--|----|-------|
| Net sales | \$ | 3,651 |
| Loss before taxes | \$ | (224) |
| Net loss attributable to A. Schulman, Inc. common stockholders | \$ | (154) |

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A. SCHULMAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The loss before taxes for Elian from January 31, 2012 to February 29, 2012 includes pretax depreciation and amortization costs of approximately \$0.3 million due to the increased value of fixed assets and intangibles, and approximately \$0.6 million of pretax purchase accounting inventory step-up adjustments.

The following pro forma information represents the consolidated results of the Company as if the acquisition of Elian occurred as of September 1, 2010:

| | Six months ended | |
|--|---------------------------------------|----------------------|
| | February 29, 2012 | February 28, 2011 |
| | (In thousands, except per share data) | |
| Net sales | \$ 1,028,972 | \$ 1,023,398 |
| Net income attributable to A. Schulman, Inc. | \$ 24,138 | \$ 16,961 |
| Net income per share of common stock attributable to common stockholders diluted | \$ 0.82 | \$ 0.54 |

The pro forma results reflect certain adjustments related to the acquisition, such as increased depreciation and amortization expense on assets acquired from Elian resulting from the valuation of assets acquired, increased interest expense due to additional borrowings to fund the acquisition of Elian partially offset by the repayment of Elian debt, and decreased interest income from lower cash levels which were also used to fund the acquisition. The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of Elian. Accordingly, such pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisition been completed as of September 1, 2010, nor are they indicative of the future operating results of the consolidated company.

Fiscal 2011 Business Transactions

In fiscal 2011, the Company acquired a business in Brazil and entered into an agreement to become the majority equity holder of an Argentinean venture. The consolidated statements of operations include the results of these transactions from the dates of acquisition or formation. These transactions are summarized below:

| Transaction Description | Date of Transaction | Purchase Consideration (In millions) | Segment |
|--|---------------------|---|----------|
| Mash Indústria e Comércio de Compostos Plásticos LTDA A Brazilian masterbatch additive producer and engineered plastics compounder whose products are used in end markets such as film and packaging, automotive and appliances | November 3, 2010 | \$ 15.2 | Americas |
| Surplast S.A. A 51% ownership interest in an Argentinean venture, further expanding the Company's specialty powders presence in South America | June 30, 2011 | \$ 1.1 | Americas |

A. SCHULMAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(3) GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amount of goodwill by segment for the Company as of February 29, 2012 and August 31, 2011 is as follows:

| | EMEA | Americas (In thousands) | Total |
|---------------------------------|-----------|----------------------------|------------|
| Balance as of August 31, 2011 | \$ 30,949 | \$ 60,804 | \$ 91,753 |
| Acquisitions | 40,597 | | 40,597 |
| Translation and other | (147) | (270) | (417) |
| Balance as of February 29, 2012 | \$ 71,399 | \$ 60,534 | \$ 131,933 |

The increase in goodwill from August 31, 2011 is due to the acquisition of Elian in the second quarter of fiscal 2012.

Goodwill impairment is tested at the reporting unit level on an annual basis in the fourth quarter and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

During the second quarter of fiscal 2012, the actual operating results of the EMEA Specialty Powders (EMEA SP) reporting unit declined below forecasted results due to overall economic conditions. The decline in actual operating results led the Company to conclude that a triggering event for review of potential goodwill impairment had occurred. Accordingly, the Company performed an interim goodwill impairment evaluation for the EMEA SP reporting unit.

The test to evaluate goodwill for impairment is a two step process. In the first step, the reporting unit's fair value is compared to its carrying value. If such comparison indicates a potential impairment, the second step of the impairment evaluation requires a valuation of the reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the resulting implied fair value of the reporting unit's goodwill is less than its carrying value, that difference represents an impairment.

The fair value used in step one of the EMEA SP goodwill impairment analysis was estimated using a combination of the income and market approaches, which contain significant unobservable inputs, based on average earnings before interest, taxes, depreciation and amortization, and cash flow multiples.

The Company completed the step one EMEA SP goodwill impairment analysis in the second quarter of fiscal 2012 and concluded that there was no goodwill impairment because the fair value of the reporting unit exceeded its carrying value by approximately 8%. The EMEA SP reporting unit had approximately \$18 million of goodwill as of February 29, 2012.

The Company is not aware of any other triggering events which would require a goodwill impairment test as of February 29, 2012. The Company will continue to monitor the EMEA SP and all other reporting units for potential triggering events throughout the remainder of fiscal 2012.

A. SCHULMAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table summarizes intangible assets with determinable useful lives by major category as of February 29, 2012 and August 31, 2011:

| | February 29, 2012 | | | August 31, 2011 | | |
|--------------------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | (In thousands) | | | | | |
| Customer related intangibles | \$ 77,541 | \$ (10,067) | \$ 67,474 | \$ 59,948 | \$ (7,428) | \$ 52,520 |
| Developed technology | 22,222 | (2,924) | 19,298 | 13,522 | (2,273) | 11,249 |
| Registered trademarks and tradenames | 14,162 | (1,966) | 12,196 | 13,751 | (1,445) | 12,306 |
| Total finite-lived intangible assets | \$ 113,925 | \$ (14,957) | \$ 98,968 | \$ 87,221 | \$ (11,146) | \$ 76,075 |

Amortization expense of intangible assets was approximately \$2.1 million and \$4.0 million for the three and six months ended February 29, 2012 and approximately \$1.8 million and \$3.8 million for the three and six months ended February 28, 2011.

(4) FAIR VALUE MEASUREMENT

For a discussion of the Company's fair value measurement policies under the fair value hierarchy, refer to Note 6 in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011. The Company has not changed its valuation techniques for measuring the fair value of any financial assets or liabilities during fiscal 2012, and transfers between levels within the fair value hierarchy, if any, are recognized at the end of each quarter.

The following table presents information about the Company's assets and liabilities recorded at fair value in the Company's consolidated balance sheet as of February 29, 2012 and August 31, 2011:

| | Total | February 29, 2012 | | | Total | August 31, 2011 | | |
|------------------------------------|----------------|-------------------|---------|---------|------------|-----------------|---------|---------|
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| | (In thousands) | | | | | | | |
| Assets: | | | | | | | | |
| Cash | \$ 84,817 | \$ 84,817 | \$ | \$ | \$ 139,525 | \$ 139,525 | \$ | \$ |
| Cash equivalents | 10,943 | 10,943 | | | 16,228 | 16,228 | | |
| Foreign exchange forward contracts | 43 | | 43 | | 82 | | 82 | |
| Total assets at fair value | \$ 95,803 | \$ 95,760 | \$ 43 | \$ | \$ 155,835 | \$ 155,753 | \$ 82 | \$ |
| Liabilities: | | | | | | | | |
| Foreign exchange forward contracts | \$ 284 | \$ | \$ 284 | \$ | \$ 50 | \$ | \$ 50 | \$ |
| Total liabilities at fair value | \$ 284 | \$ | \$ 284 | \$ | \$ 50 | \$ | \$ 50 | \$ |

Cash and cash equivalents are recorded at cost, which approximates fair value.

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The total contract value of foreign exchange forward contracts outstanding was approximately \$21.7 million and \$18.4 million as of February 29, 2012 and August 31, 2011, respectively. The amount of foreign exchange forward contracts outstanding as of the end of the period is indicative of the level of the activity during the period. Any gains or losses associated with these contracts as well as the offsetting gains or losses from the underlying assets or liabilities are included in the foreign currency transaction (gains) losses line in the

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A. SCHULMAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Company's consolidated statements of operations. The fair value of the Company's foreign exchange forward contracts is recognized in other current assets or other accrued liabilities in the consolidated balance sheets based on the net settlement value. The foreign exchange forward contracts are entered into with creditworthy multinational banks, generally have a term of three months or less, and the Company does not hold or issue foreign exchange forward contracts for trading purposes. There were no foreign exchange forward contracts designated as hedging instruments as of February 29, 2012 and August 31, 2011.

The following information presents the supplemental fair value of the Company's long-term fixed-rate debt issued in Euros as of February 29, 2012 and August 31, 2011:

| | February 29, 2012 | | August 31, 2011 | |
|---|-------------------|-----------------|-------------------|-----------------|
| | (\$ in thousands) | (in thousands) | (\$ in thousands) | (in thousands) |
| Carrying value of long-term fixed-rate debt | \$ 67,667 | 50,336 | \$ 72,735 | 50,336 |
| Fair value of long-term fixed-rate debt | \$ 73,521 | 54,691 | \$ 76,093 | 52,659 |

The Euro fair value of long-term fixed-rate debt increased in the second quarter of fiscal 2012 primarily due to a lower yield on currently issued debt as a result of the economic environment in Europe compared to the yield of the Company's debt at issuance. The decrease in U.S. dollar fair value is primarily related to a decrease in the value of the Euro against the U.S. dollar. The carrying value of the Company's variable-rate debt approximates fair value.

(5) INCOME TAXES

As of February 29, 2012, the Company's gross unrecognized tax benefits totaled approximately \$5.1 million. If recognized, approximately \$3.5 million of the total unrecognized tax benefits would favorably affect the Company's effective tax rate. The Company reports interest and penalties related to income tax matters in income tax expense. As of February 29, 2012, the Company had approximately \$0.6 million of accrued interest and penalties on unrecognized tax benefits.

The Company is open to potential income tax examinations in Germany from fiscal 2005 onward, in the U.S. from fiscal 2008 onward and in Belgium from fiscal 2009 onward. The Company is open to potential examinations from fiscal 2006 onward for most other foreign jurisdictions.

The amount of unrecognized tax benefits is expected to change in the next 12 months; however, the change is not expected to have a significant impact on the financial position of the Company.

A reconciliation of the statutory U.S. federal income tax rate with the effective tax rates for the three months ended February 29, 2012 and February 28, 2011 is as follows:

| | Three months ended February 29, 2012 | | Three months ended February 28, 2011 | |
|---|---|--------|---|--------|
| | (In thousands, except for % s) | | | |
| Statutory U.S. tax rate | \$ 4,299 | 35.0 % | \$ 3,609 | 35.0 % |
| Amount of foreign taxes at less than U.S. statutory tax rate | (2,689) | (21.8) | (4,044) | (39.2) |
| U.S. and foreign losses with no tax benefit | 1,097 | 8.9 | 2,338 | 22.7 |
| U.S. restructuring and other U.S. unusual charges with no benefit | 140 | 1.1 | 833 | 8.1 |
| Establishment (resolution) of uncertain tax positions | (13) | (0.1) | (25) | (0.2) |
| Other | 159 | 1.3 | 322 | 3.0 |

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| | | | | |
|------------------------------------|----------|--------|----------|--------|
| Total income tax expense (benefit) | \$ 2,993 | 24.4 % | \$ 3,033 | 29.4 % |
|------------------------------------|----------|--------|----------|--------|

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A. SCHULMAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

A reconciliation of the statutory U.S. federal income tax rate with the effective tax rates for the six months ended February 29, 2012 and February 28, 2011 is as follows:

| | Six months ended February 29, 2012 | | Six months ended February 28, 2011 | |
|---|---------------------------------------|--------|---------------------------------------|--------|
| | (In thousands, except for % s) | | | |
| Statutory U.S. tax rate | \$ 10,114 | 35.0 % | \$ 8,437 | 35.0 % |
| Amount of foreign taxes at less than U.S. statutory tax rate | (6,006) | (20.8) | (7,030) | (29.2) |
| U.S. and foreign losses with no tax benefit | 1,756 | 6.0 | 4,335 | 18.0 |
| U.S. restructuring and other U.S. unusual charges with no benefit | 250 | 0.9 | 1,208 | 5.0 |
| Italian tax law change | (747) | (2.6) | | |
| Establishment (resolution) of uncertain tax positions | 18 | 0.1 | (13) | (0.1) |
| Other | 259 | 0.9 | 513 | 2.2 |
| Total income tax expense (benefit) | \$ 5,644 | 19.5 % | \$ 7,450 | 30.9 % |

The effective tax rates for the three and six months ended February 29, 2012 and February 28, 2011 are less than the U.S. statutory rate primarily because of the Company's overall foreign rate being less than the U.S. statutory rate. This favorable effect on the Company's tax rate was partially offset by no tax benefits being recognized for U.S. and certain foreign losses. As compared with the effective rates of 29.4% and 30.9% for the three and six months ended February 28, 2011, respectively, the current year's three and six month effective rates are driven by a decrease in the U.S. and foreign losses with no tax benefit.

(6) PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The components of the Company's net periodic benefit cost for defined benefit pension plans and other postretirement benefits for the three and six months ended February 29, 2012 and February 28, 2011 are shown below:

| | Three months ended | | Six months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 | February 29, 2012 | February 28, 2011 |
| | (In thousands) | | | |
| Net periodic pension cost included the following components: | | | | |
| Service cost | \$ 737 | \$ 860 | \$ 1,456 | \$ 1,705 |
| Interest cost | 1,314 | 1,182 | 2,629 | 2,343 |
| Expected return on plan assets | (321) | (302) | (646) | (599) |
| Net actuarial loss and net amortization of prior service cost | 116 | 420 | 230 | 832 |
| Recognized gain due to plan curtailment | (209) | | (209) | |
| Special termination benefits | 79 | | 79 | |
| Net periodic benefit cost | \$ 1,716 | \$ 2,160 | \$ 3,539 | \$ 4,281 |
| Postretirement benefit cost included the following components: | | | | |
| Service cost | \$ 7 | \$ 7 | \$ 14 | \$ 15 |
| Interest cost | 151 | 187 | 303 | 373 |
| Net actuarial loss and net amortization of prior service cost (credit) | (140) | (86) | (280) | (172) |

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| | | | | |
|---------------------------|-------|--------|-------|--------|
| Net periodic benefit cost | \$ 18 | \$ 108 | \$ 37 | \$ 216 |
|---------------------------|-------|--------|-------|--------|

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A. SCHULMAN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(7) CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

A summary of the changes in stockholders' equity for the six months ended February 29, 2012 is as follows:

| | Common Stock | Other Capital | Accumulated Other Comprehensive Income (Loss) (In thousands, except per share data) | Retained Earnings | Treasury Stock | Noncontrolling Interests | Total Equity |
|--|-----------------|------------------|--|----------------------|-------------------|-----------------------------|--------------|
| Balance as of September 1, 2011 | \$ 47,816 | \$ 254,184 | \$ 50,007 | \$ 541,256 | \$ (344,759) | \$ 5,801 | \$ 554,305 |
| Comprehensive income (loss): | | | | | | | |
| Net income | | | | 22,655 | | 598 | |
| Foreign currency translation gain (loss) | | | (22,116) | | | (40) | |
| Actuarial loss and amortization of prior service costs, net of tax of \$12 | | | (30) | | | | |
| Total comprehensive income (loss) | | | | | | | 1,067 |
| Cash dividends paid, \$0.34 per share | | | | (9,954) | | | (9,954) |
| Cash distributions to noncontrolling interests | | | | | | (580) | (580) |
| Purchase of treasury stock | | | | | (21,474) | | (21,474) |
| Issuance of treasury stock | | 4 | | | 298 | | 302 |
| Stock options exercised | 40 | 679 | | | | | 719 |
| Redemption of common stock to cover tax withholdings | (16) | (358) | | | | | (374) |
| Restricted stock issued, net of forfeitures | 88 | 756 | | | | | 844 |
| Amortization of restricted stock | | 1,593 | | | | | 1,593 |
| Balance as of February 29, 2012 | \$ 47,928 | \$ 256,858 | \$ 27,861 | \$ 553,957 | \$ (365,935) | \$ 5,779 | \$ 526,448 |

(8) COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) for the three and six months ended February 29, 2012 and February 28, 2011 is as follows:

| | Three months ended | | Six months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 | February 29, 2012 | February 28, 2011 |
| | (In thousands) | | | |
| Net income (loss) | \$ 9,290 | \$ 7,279 | \$ 23,253 | \$ 16,655 |
| Foreign currency translation gain (loss) | 7,539 | 21,145 | (22,156) | 28,402 |
| Unrecognized losses and prior service costs (credits), net | (6) | 187 | (30) | 893 |
| Total comprehensive income (loss) | 16,823 | 28,611 | 1,067 | 45,950 |
| Comprehensive (income) loss attributable to noncontrolling interests | (202) | (138) | (558) | (271) |
| Comprehensive income (loss) attributable to A. Schulman, Inc. | \$ 16,621 | \$ 28,473 | \$ 509 | \$ 45,679 |

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The fiscal 2012 second quarter foreign currency translation gain was primarily due to the increase in the value of the Euro against the U.S. dollar since the end of the first quarter. The foreign currency translation loss in the six months ended February 29, 2012 was a result of the decrease in the value of the Euro against the U.S. dollar since the end of fiscal 2011. Foreign currency translation gains or losses do not have a tax effect, as such gains or losses are considered permanently reinvested. Other comprehensive income (loss) adjustments related to pension plans are recorded net of tax using the applicable effective tax rate.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(9) INCENTIVE STOCK PLANS

On December 7, 2006, the Company adopted the 2006 Incentive Plan, which provides for the grant of incentive stock options, nonqualified stock options, whole shares, restricted stock awards, restricted stock units, stock appreciation rights, performance shares, performance units, cash-based awards, dividend equivalents and performance-based awards. Upon adoption of the 2006 Incentive Plan, all remaining shares eligible for award under a previous plan were added to the 2006 Incentive Plan. It has been the Company's practice to issue new shares of common stock upon stock option exercise and other equity grants. As of February 29, 2012, there were 1,107 shares of common stock available for grant pursuant to the Company's 2006 Incentive Plan.

On December 9, 2010, the Company's stockholders approved the adoption of the A. Schulman, Inc. 2010 Value Creations Rewards Plan (2010 Rewards Plan) which provides for the grant of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units, whole shares and performance-based awards. A total of 1,375,000 shares of common stock may be issued under the 2010 Rewards Plan. There have been no grants made from the 2010 Rewards Plan.

A summary of stock option activity for the six months ended February 29, 2012 is as follows:

| | Outstanding Shares Under Option | Weighted-Average Exercise Price |
|----------------------------------|------------------------------------|------------------------------------|
| Outstanding at August 31, 2011 | 138,141 | \$ 18.34 |
| Granted | | \$ |
| Exercised | (40,019) | \$ 17.98 |
| Forfeited and expired | | \$ |
| Outstanding at February 29, 2012 | 98,122 | \$ 18.49 |
| Exercisable at February 29, 2012 | 98,122 | \$ 18.49 |

The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option. The total intrinsic value for stock options outstanding and exercisable as of February 29, 2012 was approximately \$0.7 million with a remaining term for options outstanding and exercisable of approximately 2.0 years. The total intrinsic value of stock options exercised as of February 29, 2012 was approximately \$0.3 million. For stock options outstanding as of February 29, 2012, exercise prices range from \$13.99 to \$19.85. All outstanding and exercisable stock options are fully vested as of February 29, 2012. The Company did not grant stock options during the six months ended February 29, 2012 and February 28, 2011.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Restricted stock awards under the 2006 Incentive Plan can vest over various periods, and restricted stock awards earn dividends throughout the vesting period which are subject to the same vesting terms as the underlying stock award. The restricted stock awards outstanding under the 2006 Incentive Plan have service vesting periods of three years following the date of grant. Also, the Company grants awards with market and performance vesting conditions. The following table summarizes the activity of time-based restricted stock awards and performance-based awards for the six months ended February 29, 2012:

| | Awards Outstanding | | Weighted-Average Fair Market Value (per share) | |
|----------------------------------|---------------------|-----------------------|--|-----------------------|
| | Restricted Stock | Performance- Based | Restricted Stock | Performance- Based |
| Outstanding at August 31, 2011 | 117,891 | 800,193 | \$ 20.98 | \$ 14.44 |
| Granted | 64,458 | 483,204 | \$ 22.64 | \$ 17.71 |
| Vested | (55,949) | | \$ 20.39 | \$ |
| Forfeited | (3,775) | (255,591) | \$ 21.76 | \$ 10.74 |
| Outstanding at February 29, 2012 | 122,625 | 1,027,806 | \$ 21.69 | \$ 16.63 |

Restrictions on the restricted stock lapse at the end of a three-year period, and the restricted stock was valued at the fair market value on the date of grant. Restricted stock earns dividends throughout the vesting period which are subject to the same vesting terms as the underlying restricted stock award.

Performance shares are awards for which the vesting will occur based on market or performance conditions and do not have voting rights. Included in the outstanding performance-based awards as of February 29, 2012 are 513,914 performance shares, which earn dividends throughout the vesting period and 513,892 performance shares which do not earn dividends. Earned dividends are subject to the same vesting terms as the underlying performance share awards. Performance shares granted during fiscal 2009, which would have vested during the six months ended February 29, 2012, did not meet the performance vesting conditions and were forfeited.

The performance-based awards in the table above include 568,881 shares which are valued based upon a Monte Carlo simulation model, which is a valuation model that represents the characteristics of these grants. Vesting of the ultimate number of shares underlying such performance-based awards, if any, will be dependent upon the Company's total stockholder return in relation to the total stockholder return of a select group of peer companies over a three-year period. The probability of meeting the market criteria was considered when calculating the estimated fair market value on the date of grant using a Monte Carlo simulation model. These awards were accounted for as awards with market conditions, which are recognized over the service period, regardless of whether the market conditions are achieved and the awards ultimately vest. The fair value of the remaining 458,925 performance shares in the table above is based on the closing price of the Company's common stock on the date of the grant.

The fair value of the performance shares granted during the six months ended February 29, 2012 were estimated using a Monte Carlo simulation model with the following weighted-average assumptions:

| Weighted-Average Assumptions | |
|------------------------------|--------|
| Dividend yield | 3.00% |
| Expected volatility | 43.00% |
| Risk-free interest rate | 0.42% |
| Correlation | 61.00% |

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Total unrecognized compensation cost, including a provision for forfeitures, related to nonvested stock-based compensation arrangements as of February 29, 2012 was approximately \$9.6 million. This cost is expected to be recognized over a weighted-average period of approximately 2.1 years.

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As of February 29, 2012, the Company had 20,000 stock-settled restricted stock units outstanding. There are no service requirements for vesting for this grant. These restricted stock units will be settled in shares of the Company's common stock, on a one-to-one basis, no later than 60 days after the third anniversary of the award grant date. These awards earn dividends during the restriction period; however, they do not have voting rights until released from restriction. There were no grants of these stock-settled restricted stock units during the six months ended February 29, 2012 or February 28, 2011.

The Company had approximately \$1.6 million and \$3.6 million of cash-based awards, which are treated as liability awards, outstanding as of February 29, 2012 and August 31, 2011, respectively. These awards were granted to foreign employees. Such awards include approximately \$0.1 million which have service vesting periods of three years following the date of grant and the remaining \$1.5 million is performance-based. The performance-based awards are based on the same conditions utilized for the performance shares. The Company records a liability for these cash-based awards equal to the amount of the award vested to date and adjusts the performance-based awards based on expected payout. There were no grants of these cash-based awards during the six months ended February 29, 2012 or February 28, 2011.

In fiscal 2010, the Company's board of directors and stockholders approved adoption of an Employee Stock Purchase Plan (ESPP) whereby employees may purchase Company stock through a payroll deduction plan. Purchases are made from the plan and credited to each participant's account at the end of each calendar quarter (the Investment Date). The purchase price of the stock is 85% of the fair market value on the Investment Date. The plan is compensatory and the 15% discount is expensed ratably over the three month offering period. All employees, including officers, are eligible to participate in this plan. An employee whose stock ownership of the Company exceeds five percent of the outstanding common stock is not eligible to participate in this plan. The Company recorded minimal expense related to the ESPP during the six months ended February 29, 2012 and February 28, 2011. It is the Company's current practice to use treasury shares for the share settlement on the Investment Date.

In January 2012, the Company granted non-employee directors 37,300 shares of unrestricted common stock. The Company recorded compensation expense for this grant of approximately \$0.8 million for the three and six months ended February 29, 2012.

The following table summarizes the impact to the Company's consolidated statements of operations from stock-based compensation for the three and six months ended February 29, 2012 and February 28, 2011, which is primarily included in selling, general and administrative expenses in the accompanying consolidated statements of operations:

| | Three months ended | | Six months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 | February 29, 2012 | February 28, 2011 |
| | (In thousands) | | | |
| Restricted stock awards and performance-based awards | \$ 1,815 | \$ 1,532 | \$ 2,456 | \$ 2,435 |
| Cash-settled restricted stock units | | 290 | | 665 |
| Cash-based awards | (158) | 60 | 107 | 148 |
| Total stock-based compensation | \$ 1,657 | \$ 1,882 | \$ 2,563 | \$ 3,248 |

(10) EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common stockholders by the weighted-average number of shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if common stock equivalents were exercised, and the impact of restricted stock and performance-based awards expected to vest, which would then share in the earnings of the Company.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The difference between basic and diluted weighted-average shares results from the assumed exercise of outstanding stock options and grants of restricted stock, calculated using the treasury stock method. The following presents the number of incremental weighted-average shares used in computing diluted per share amounts for the three and six months ended February 29, 2012 and February 28, 2011:

| | Three months ended | | Six months ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 | February 29, 2012 | February 28, 2011 |
| | (In thousands) | | | |
| Weighted-average shares outstanding: | | | | |
| Basic | 29,374 | 31,091 | 29,396 | 31,212 |
| Incremental shares from equity awards | 277 | 90 | 192 | 33 |
| Diluted | 29,651 | 31,181 | 29,588 | 31,245 |

(11) SEGMENT INFORMATION

The Company considers its operating structure and the types of information subject to regular review by its President and Chief Executive Officer, who is the Chief Operating Decision Maker (CODM), to identify reportable segments. The CODM makes decisions, assesses performance and allocates resources by the following regions, which are also the Company's reportable segments: EMEA, the Americas, and Asia Pacific (APAC). Each reportable segment has a General Manager/Chief Operating Officer who reports to the CODM.

The CODM uses net sales to unaffiliated customers, gross profit and operating income before certain items in order to make decisions, assess performance and allocate resources to each segment. Segment operating income does not include items such as interest income or expense, other income or expense, foreign currency transaction gains or losses, restructuring related expenses, asset write-downs, costs related to business acquisitions and inventory step-up charges related to business acquisitions. Corporate expenses include the compensation of certain personnel, certain audit expenses, board of directors related costs, certain insurance costs, costs associated with being a publicly traded entity and other miscellaneous legal and professional fees.

The following table summarizes net sales to unaffiliated customers by segment for the three and six months ended February 29, 2012 and February 28, 2011:

| | Three months ended | | Six months ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 | February 29, 2012 | February 28, 2011 |
| | (In thousands) | | | |
| EMEA | \$ 332,561 | \$ 356,533 | \$ 685,452 | \$ 703,215 |
| Americas | 129,646 | 118,550 | 257,626 | 233,671 |
| APAC | 33,704 | 33,260 | 70,122 | 66,840 |
| Total net sales to unaffiliated customers | \$ 495,911 | \$ 508,343 | \$ 1,013,200 | \$ 1,003,726 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Below the Company presents gross profit by segment for the three and six months ended February 29, 2012 and February 28, 2011:

| | Three months ended | | Six months ended | |
|----------------------------|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 | February 29, 2012 | February 28, 2011 |
| | (In thousands) | | | |
| EMEA | \$ 40,076 | \$ 47,487 | \$ 84,314 | \$ 95,572 |
| Americas | 19,644 | 15,911 | 39,523 | 32,386 |
| APAC | 5,426 | 3,376 | 10,805 | 7,938 |
| Total segment gross profit | 65,146 | 66,774 | 134,642 | 135,896 |
| Inventory step-up | (597) | (162) | (597) | (283) |
| Total gross profit | \$ 64,549 | \$ 66,612 | \$ 134,045 | \$ 135,613 |

Below is a reconciliation of segment operating income to operating income and income before taxes for the three and six months ended February 29, 2012 and February 28, 2011:

| | Three months ended | | Six months ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 | February 29, 2012 | February 28, 2011 |
| | (In thousands) | | | |
| EMEA | \$ 15,305 | \$ 21,722 | \$ 34,540 | \$ 41,124 |
| Americas | 5,343 | 3,340 | 11,454 | 7,199 |
| APAC | 2,530 | 384 | 5,063 | 2,192 |
| Total segment operating income | 23,178 | 25,446 | 51,057 | 50,515 |
| Corporate and other | (6,792) | (7,788) | (12,372) | (15,759) |
| Costs related to acquisitions | (656) | (314) | (874) | (1,195) |
| Restructuring related | (1,597) | (3,385) | (4,841) | (3,936) |
| Asset write-downs | | (1,800) | | (1,800) |
| Curtailed (gain) loss | 209 | | 209 | |
| Inventory step-up | (597) | (162) | (597) | (283) |
| Operating income | 13,745 | 11,997 | 32,582 | 27,542 |
| Interest expense, net | (2,328) | (1,451) | (4,222) | (2,536) |
| Foreign currency transaction gains (losses) | (17) | (667) | (516) | (1,338) |
| Other income (expense), net | 883 | 433 | 1,053 | 437 |
| Income before taxes | \$ 12,283 | \$ 10,312 | \$ 28,897 | \$ 24,105 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Globally, the Company operates primarily in four product families: (1) masterbatch, (2) engineered plastics, (3) specialty powders and (4) distribution services. The amount and percentage of consolidated net sales for these product families for the three and six months ended February 29, 2012 and February 28, 2011 are as follows:

| | Three months ended | | | |
|-----------------------|--------------------|------|-------------------|------|
| | February 29, 2012 | | February 28, 2011 | |
| | (In thousands) | | | |
| Masterbatch | \$ 200,694 | 40% | \$ 204,078 | 40% |
| Engineered plastics | 127,950 | 26 | 123,015 | 24 |
| Specialty powders | 80,010 | 16 | 86,286 | 17 |
| Distribution services | 87,257 | 18 | 94,964 | 19 |
| | \$ 495,911 | 100% | \$ 508,343 | 100% |

| | Six months ended | | | |
|-----------------------|-------------------|------|-------------------|------|
| | February 29, 2012 | | February 28, 2011 | |
| | (In thousands) | | | |
| Masterbatch | \$ 410,985 | 41% | \$ 404,377 | 40% |
| Engineered plastics | 268,245 | 26 | 247,053 | 25 |
| Specialty powders | 164,577 | 16 | 176,362 | 18 |
| Distribution services | 169,393 | 17 | 175,934 | 17 |
| | \$ 1,013,200 | 100% | \$ 1,003,726 | 100% |

(12) RESTRUCTURING

EMEA Operations and Back-Office Plan

In November 2011, the Company initiated a restructuring plan of EMEA's operations and back-office functions to better leverage savings from its Shared Service Center located in Belgium. As part of this plan, the Company will reduce headcount in EMEA by approximately 50, and the majority of the reductions occurred in the first and second quarters of fiscal 2012. The Company recorded approximately \$1.2 million and \$3.9 million of pretax employee-related restructuring costs during the three and six months ended February 29, 2012, respectively, and the Company anticipates recognizing approximately \$1.0 million to \$2.0 million of additional pretax employee-related cash charges during the remainder of fiscal 2012 as it completes the plan.

Americas Engineered Plastics Plan

On August 25, 2011, the Company announced that it would close the Nashville, Tennessee facility and move certain production to the Akron and Bellevue, Ohio facilities in order to optimize the use of existing capacity and capitalize on growth opportunities. As of the end of February 2012, the Nashville facility ceased production and the Company reduced headcount by approximately 60. The Company recorded approximately \$0.3 million and \$0.5 million of pretax employee-related restructuring expense associated with this plan during the three and six months ended February 29, 2012, respectively. As of February 29, 2012, the Company has a balance of approximately \$1.0 million accrued for employee-related costs related to this plan. The Company anticipates recognizing additional pretax employee-related cash charges and other restructuring expenses of approximately \$1.0 million to \$3.0 million during the remainder of fiscal 2012 as it completes the plan.

Italy and Australia Plans

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On February 8, 2011, the Company announced that it is relocating its operations from its manufacturing facility in Verolanuova, Italy to its existing facility in Gorla Maggiore, Italy. Production lines at the Verolanuova facility were relocated in the first quarter of fiscal 2012 to the Gorla facility. As a result of this relocation, the Company will reduce headcount by approximately 30 by the end of June 2012. Also on February 8, 2011, as a result of the ongoing deterioration of the Australian rotomolding market, the Company announced plans to consolidate operations in Australia by moving production from its Braeside, Australia facility to its Brisbane, Australia facility. As part of this consolidation, the Company reduced headcount in Australia by approximately 20, and the majority of the reduction occurred in the second and third quarters of fiscal 2011. The region continues to be served by the Company's Brisbane facility and facilities in Malaysia, Indonesia, China and a future India plant.

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The Company recorded pretax restructuring expense of approximately \$0.3 million and \$0.6 million during the three and six months ended February 29, 2012, respectively, primarily related to other restructuring costs as part of the Italy plan. For the three and six months ended February 28, 2011, the Company recorded pretax restructuring expense of approximately \$3.1 million primarily for employee-related costs and other restructuring charges related to the Australia and Italy restructuring plans. As of February 29, 2012, the Company has a balance of approximately \$2.2 million accrued for employee-related costs related to the Italy plan. In regards to the Italy plan, the Company anticipates additional pretax charges of approximately \$4.0 million to \$6.0 million in the remainder of fiscal 2012, of which approximately 50% are expected to be non-cash charges. As of February 29, 2012, the Company has a balance of approximately \$0.3 million accrued for the Australia plan related to a future settlement of a contractual obligation and expects no additional charges related to this plan in the remainder of fiscal 2012.

ASI United Kingdom Plan

On August 31, 2010, management announced restructuring plans for its operations at its Crumlin, South Wales (U.K.) facility. The plans include moving part of the plant's capacity to two other, larger facilities in Europe, and several production lines will be shut down. As a result, the Company will reduce headcount at this location by approximately 30. Approximately half of the reductions occurred in the second quarter of fiscal 2011 and the remaining headcount reductions occurred in the second quarter of fiscal 2012. The Company recorded minimal charges during the three and six months ended February 29, 2012 and February 28, 2011. The Company expects no further charges and has no remaining accrual as of February 29, 2012 related to this plan as it is considered complete.

ICO Merger Plan

In conjunction with the acquisition of ICO, Inc. (ICO) in fiscal 2010, the Company reduced the workforce in the Houston, Texas office by 17 employees. ICO had preexisting arrangements regarding change-in-control payments and severance pay which were based on pre-merger service. The Company assumed approximately \$2.1 million in liabilities as a result of the merger related to these agreements, of which approximately \$2.0 million was paid by the Company during fiscal 2010. Since the merger, the Company announced the exit of certain senior managers in Europe in connection with the Company's ongoing integration of ICO operations. The Company recorded approximately \$0.1 million and \$0.4 million primarily in pretax employee-related costs during the three and six months ended February 28, 2011, respectively, related to the integration of the ICO merger. The Company had no charges in the first six months of fiscal 2012 and has no remaining accrual as of February 29, 2012 related to this plan as it is considered complete.

North America Masterbatch Fiscal 2010 Plan

On March 1, 2010, the Company announced the closure of its Polybatch Color Center located in Sharon Center, Ohio. The Company recorded pretax restructuring expenses of approximately \$0.3 million and \$0.4 million during the three and six months ended February 28, 2011, respectively, primarily for employee-related costs associated with the closure. The Company ceased production at the Polybatch Color Center on August 31, 2010, and sold the facility in June 2011. The Company had no charges in the first six months of fiscal 2012 and has no remaining accrual as of February 29, 2012 related to this plan as it is considered complete.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Restructuring Summary

The following table summarizes the activity during fiscal 2012 related to the Company's restructuring plans:

| | Accrual Balance August 31, 2011 | Fiscal 2012 Charges | Fiscal 2012 Paid | Accrual Balance February 29, 2012 |
|------------------------|------------------------------------|------------------------|---------------------|--------------------------------------|
| | (In thousands) | | | |
| Employee-related costs | \$ 3,322 | \$ 4,164 | \$ (2,844) | 4,642 |
| Other costs | 403 | 677 | (389) | 691 |
| Translation effect | 70 | | | (45) |
| Restructuring charges | \$ 3,795 | \$ 4,841 | \$ (3,233) | \$ 5,288 |

Restructuring costs are excluded from segment operating income but are attributable to the reportable segments as follows:

| | Three months ended | | Six months ended | |
|----------|--------------------|-------------------|-------------------|-------------------|
| | February 29, 2012 | February 28, 2011 | February 29, 2012 | February 28, 2011 |
| | (In thousands) | | | |
| EMEA | \$ 1,285 | \$ 2,044 | \$ 4,346 | \$ 2,322 |
| Americas | 312 | 189 | 495 | 462 |
| APAC | | 1,152 | | 1,152 |
| Total | \$ 1,597 | \$ 3,385 | \$ 4,841 | \$ 3,936 |

(13) CONTINGENCIES AND CLAIMS

In the normal course of business, the Company is at times subject to pending and threatened legal actions, some for which the relief or damages sought may be substantial. Although the Company is not able to predict the outcome of such actions, after reviewing all pending and threatened actions with counsel and based on information currently available, management believes that the outcome of such actions, individually or in the aggregate, will not have a material adverse effect on the results of operations or financial position of the Company. However, it is possible that the ultimate resolution of such matters, if unfavorable, may be material to the results of operations in a particular future period as the time and amount of any resolution of such actions and its relationship to the future results of operations are not currently known.

Reserves are established for legal claims only when losses associated with the claims are judged to be probable, and the loss can be reasonably estimated. In many lawsuits and arbitrations, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no reserve would be recognized until that time.

(14) SHARE REPURCHASE PROGRAM

On May 13, 2011, the Board of Directors approved a new share repurchase program under which the Company is authorized to repurchase up to \$100 million of its common stock in the open market or in privately negotiated transactions, subject to market and other conditions (2011 Repurchase Program). The 2011 Repurchase Program replaces the Company's previous share repurchase program which was approved in fiscal 2008 (2008 Repurchase Program).

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As part of the 2011 Repurchase Program, on May 13, 2011, the Company entered into a \$30 million share repurchase plan established under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Repurchase Plan"). Under the Repurchase Plan, the Company's designated broker repurchased 1,218,429 shares of its common stock under the 2011 Repurchase Program in the first quarter of fiscal 2012 at an average price of approximately \$17.60 per share. As of October 10, 2011, the Company fulfilled the Repurchase Plan by repurchasing a cumulative 1,603,979 shares of its common stock in fiscal 2011 and the first quarter of fiscal 2012 at an average price of approximately \$18.70 per share. The Company did not repurchase any shares of its common stock during the second quarter of fiscal 2012. Shares valued at approximately \$70 million remained authorized under the 2011 Repurchase Program for repurchase as of February 29, 2012.

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(Unaudited)

On November 29, 2011, the Company entered into a new \$30 million repurchase plan established under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, and repurchases under this plan are subject to specific parameters and contain certain price and volume constraints.

(15) ACCOUNTING PRONOUNCEMENTS

In June 2011, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to the presentation of comprehensive income in consolidated financial statements. The new accounting guidance requires the presentation of the components of net income and other comprehensive income either in a single continuous financial statement, or in two separate but consecutive financial statements. The accounting standard eliminates the option to present other comprehensive income and its components as part of the statement of stockholders' equity. This standard was effective for fiscal years beginning after December 15, 2011, including interim periods.

In September 2011, the FASB issued new accounting guidance related to the testing of goodwill for impairment. The new accounting guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Previous guidance required an entity to test goodwill for impairment quantitatively, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount (step one). If the fair value of a reporting unit was less than its carrying amount, the second step of the test was required to be performed to measure the amount of the impairment loss, if any. This standard was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and early adoption is permitted.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help investors understand our results of operations, financial condition and present business environment. The MD&A is provided as a supplement to, and should be read in conjunction with, our unaudited consolidated financial statements and related notes included elsewhere in this Quarterly Report and the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011. The MD&A is organized as follows:

Overview: From management's point of view, we discuss the following:

Summary of our business and the markets of the industry in which we participate;

Key trends, developments and challenges; and

Significant events from the period.

Results of Operations: An analysis of our results of operations as reflected in our consolidated financial statements.

Liquidity and Capital Resources: An analysis of our cash flows, working capital, debt structure, contractual obligations and other commercial commitments.

Overview

Business Summary

A. Schulman, Inc. is a leading international supplier of high-performance plastic compounds and resins headquartered in Akron, Ohio. The Company's customers span a wide range of markets such as packaging, consumer products, industrial and automotive, among others. The Chief Operating Decision Maker makes decisions, assesses performance and allocates resources by the following regions which represent our reportable segments:

Europe, Middle East and Africa (EMEA),

Americas, and

Asia Pacific (APAC).

The Company has approximately 3,100 employees and 36 manufacturing facilities worldwide. Globally, the Company operates primarily in four product families: (1) masterbatch, (2) engineered plastics, (3) specialty powders, and (4) distribution services. The Company also offers tolling services to customers.

Throughout this Management's Discussion and Analysis, the Company provides operating results exclusive of certain items such as costs related to acquisitions, restructuring related expenses and asset write-downs, which are considered relevant to aid analysis and understanding of the Company's results. Aside from the material impact of these items, these measures are utilized by management to understand business trends.

Key Trends, Developments and Challenges

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The following developments and trends present opportunities, challenges and risks as we work toward our goal of providing attractive returns for all of our stakeholders:

Continuous Improvement. We are focused on improving our operations worldwide. As we continue to further integrate our recent acquisitions, we are constantly examining certain synergies that can be utilized to optimize our processes and performance. We are also controlling our selling, general and administrative expenses, especially in developed markets.

Development of New Products. In each of our product families, we are dedicated to the development of new, higher-margin products and applications that optimize the appearance, performance, and processing of plastics to meet the most demanding requirements. We strive to maintain a balanced position between low-cost production and technological leadership with focused research and development. We are also committed to continuing our growth in high value-added markets and reducing our exposure to commodity markets.

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Purchasing and Pricing. We are seeking opportunities to continue our savings on purchasing and to establish smart pricing strategies to align with our purchasing strategies. We continue to leverage our global volume base to enhance savings and are searching for alternate sourcing from the Middle East and Asia.

Volume Improvement. We remain focused on organic and geographic growth including acquisitions to deliver steady volume improvement.

Fiscal Year 2012 Significant Events

In addition to the items discussed above, the following items represent significant events during fiscal year 2012:

1. *Increase in dividend.* On October 14, 2011, the Company increased its regular quarterly cash dividend by approximately 10% to \$0.17 per common share from the prior quarter's dividend of \$0.155 per common share. On March 30, 2012, the Company increased its regular quarterly cash dividend payable in May 2012 to \$0.19 per common share, which represented a total increase of approximately 23% compared to fiscal 2011. This reflects our confidence in strong cash generation and long-term growth prospects, along with a continued commitment to our shareholders.
2. *Share Repurchases.* The Company repurchased approximately 1.2 million shares of its common stock under the 2011 Repurchase Program in the first quarter of fiscal 2012 at an average price of \$17.60 per share for a total cost of approximately \$21.4 million.
3. *India Plant.* The Company continues with the construction of its plant in India with expected completion by the end of calendar year 2012.
4. *Worldwide Production Expansion.* To address increasing regional demand, the Company strategically added new engineered plastics manufacturing lines in China and Mexico, a new masterbatch line in Brazil and a new specialty powders line in Mexico. In fiscal 2012, the Company plans to invest approximately \$7 million in its Akron, Ohio plant to add engineered plastics compounding capabilities to the facility as part of the optimization of capacity in the United States, of which approximately \$4 million was invested in the first six months of fiscal 2012.
5. *EMEA and Americas Restructuring.* In November 2011, the Company initiated a restructuring plan of EMEA's operations and back-office functions to better leverage savings from its Shared Service Center located in Belgium. Additionally, the Americas Nashville, Tennessee facility ceased production at the end of February 2012 and is transferring production to the Akron and Bellevue, Ohio plants to optimize the use of existing capacity and capitalize on growth opportunities.
6. *Business Acquisition.* On January 31, 2012, the Company acquired Elian SAS, a French portfolio company of British Vita plc, for approximately \$66.5 million. Elian provides specialty formulated color concentrates to end markets such as packaging, cosmetics, personal hygiene, healthcare, and pipes and tubing products that require demanding customer specifications. Elian offers superior quality, technology and responsiveness to its diversified customer base. The acquisition of Elian will move the Company into France's color masterbatch market and allow the Company to improve the product mix in the EMEA region by leveraging the full portfolio of masterbatch products with a wider customer base.

Results of Operations**Segment Information****EMEA**

| | Three months ended | | | | Six months ended | | | |
|--------------------------|---|----------------------|---------------------|---------|----------------------|----------------------|---------------------|---------|
| | February 29, 2012 | February 28, 2011 | Increase (decrease) | | February 29, 2012 | February 28, 2011 | Increase (decrease) | |
| | (In thousands, except for % s and per pound data) | | | | | | | |
| Net sales | \$ 332,561 | \$ 356,533 | \$ (23,972) | (6.7%) | \$ 685,452 | \$ 703,215 | \$ (17,763) | (2.5%) |
| Segment gross profit | \$ 40,076 | \$ 47,487 | \$ (7,411) | (15.6%) | \$ 84,314 | \$ 95,572 | \$ (11,258) | (11.8%) |
| Segment operating income | \$ 15,305 | \$ 21,722 | \$ (6,417) | (29.5%) | \$ 34,540 | \$ 41,124 | \$ (6,584) | (16.0%) |
| Pounds sold | 286,795 | 314,359 | (27,564) | (8.8%) | 573,092 | 630,840 | (57,748) | (9.2%) |
| Price per pound | \$ 1.160 | \$ 1.134 | \$ 0.026 | 2.3% | \$ 1.196 | \$ 1.115 | \$ 0.081 | 7.3% |
| Gross profit per pound | \$ 0.140 | \$ 0.151 | \$ (0.011) | (7.3%) | \$ 0.147 | \$ 0.151 | \$ (0.004) | (2.6%) |
| Gross profit percentage | 12.1% | 13.3% | | | 12.3% | 13.6% | | |

Three months ended February 29, 2012

EMEA net sales for the three months ended February 29, 2012 were approximately \$332.6 million, a decrease of approximately \$24.0 million, or 6.7%, compared with the prior-year period. Foreign currency translation negatively impacted net sales by approximately \$10.5 million. The decrease in net sales was significantly impacted by a decline in volume in all product families due to the economic environment in Europe, with the exception of the distribution services product family which slightly increased. This decline in volume was partially offset by an increase of approximately 2.3% in price per pound.

EMEA gross profit was approximately \$40.1 million for the three months ended February 29, 2012, a decrease from approximately \$47.5 million for the same three-month period last year. The decrease in gross profit was primarily related to decreased volumes and a decrease in gross profit per pound of approximately 7.3%. Foreign currency translation negatively impacted EMEA gross profit by approximately \$1.2 million.

EMEA operating income for the three months ended February 29, 2012 was approximately \$15.3 million, a decrease of approximately \$6.4 million compared with the same period last year. The decrease in operating income was primarily due to the decrease in gross profit offset by improvement in selling, general and administrative expense cost control. Foreign currency translation negatively impacted operating income by approximately \$0.5 million.

Six months ended February 29, 2012

EMEA net sales for the six months ended February 29, 2012 were approximately \$685.5 million, a decrease of approximately \$17.8 million, or 2.5%, compared with the prior-year period. Foreign currency translation negatively impacted net sales by approximately \$7.1 million. The decrease in net sales was also attributable to the decline in volume across all product families as a result of the economic environment in Europe offset by an increase of approximately 7.3% in price per pound.

EMEA gross profit was approximately \$84.3 million for the six months ended February 29, 2012, a decrease from approximately \$95.6 million for the same six-month period last year. The decrease in gross profit was primarily related to decreased volumes and a decrease in gross profit per pound. Foreign currency translation adversely impacted EMEA gross profit by approximately \$0.7 million.

EMEA operating income for the six months ended February 29, 2012 was approximately \$34.5 million, a decrease of approximately \$6.6 million compared with the same period last year. The decrease in operating income was primarily due to the decrease in gross profit partially offset by a decrease of \$4.7 million in selling, general and administrative expenses compared with the prior year. Selling, general and administrative expenses were favorably impacted by continued actions to reduce various employee-related expenses and control costs. Foreign currency translation adversely impacted EMEA gross profit by approximately \$0.3 million.

Americas

| | Three months ended | | | | Six months ended | | | |
|--------------------------|---|----------------------|---------------------|--------|----------------------|----------------------|---------------------|--------|
| | February 29, 2012 | February 28, 2011 | Increase (decrease) | | February 29, 2012 | February 28, 2011 | Increase (decrease) | |
| | (In thousands, except for % s and per pound data) | | | | | | | |
| Net sales | \$ 129,646 | \$ 118,550 | \$ 11,096 | 9.4% | \$ 257,626 | \$ 233,671 | \$ 23,955 | 10.3% |
| Segment gross profit | \$ 19,644 | \$ 15,911 | \$ 3,733 | 23.5% | \$ 39,523 | \$ 32,386 | \$ 7,137 | 22.0% |
| Segment operating income | \$ 5,343 | \$ 3,340 | \$ 2,003 | 60.0% | \$ 11,454 | \$ 7,199 | \$ 4,255 | 59.1% |
| Pounds sold | 143,209 | 150,550 | (7,341) | (4.9%) | 283,710 | 304,130 | (20,420) | (6.7%) |
| Price per pound | \$ 0.905 | \$ 0.787 | \$ 0.118 | 15.0% | \$ 0.908 | \$ 0.768 | \$ 0.140 | 18.2% |
| Gross profit per pound | \$ 0.137 | \$ 0.106 | \$ 0.031 | 29.2% | \$ 0.139 | \$ 0.106 | \$ 0.033 | 31.1% |
| Gross profit percentage | 15.2% | 13.4% | | | 15.3% | 13.9% | | |

Three months ended February 29, 2012

Net sales for the Americas for the three months ended February 29, 2012 were approximately \$129.6 million, an increase of approximately \$11.1 million or 9.4% compared with the prior-year period. The increase in net sales was a result of approximately \$4.1 million of incremental fiscal 2012 net sales from fiscal 2011 acquisitions and the approximate 15.0% increase in price per pound, which was primarily attributable to the specialty powders and masterbatch product families. The decrease in volume of approximately 7.3 million pounds was primarily related to the masterbatch product family partially offset by increased volume in the engineered plastics product family. Foreign currency translation negatively impacted net sales by approximately \$2.3 million.

Gross profit for the Americas was approximately \$19.6 million for the three months ended February 29, 2012, an increase of approximately \$3.7 million from the comparable period last year. The increases in gross profit and gross profit per pound of approximately 23.5% and 29.2%, respectively, were primarily in the specialty powders and engineered plastics product families. The Company was able to improve margins in light of rising raw material costs by improving product mix and implementing operational efficiencies. The fiscal 2011 acquisitions contributed approximately \$0.6 million of incremental fiscal 2012 gross profit. Foreign currency translation negatively impacted gross profit by approximately \$0.5 million.

Operating income for the Americas for the three months ended February 29, 2012 was approximately \$5.3 million compared with approximately \$3.3 million last year. Operating income increased primarily due to improved gross profit per pound partially offset by an increase in selling, general and administrative expenses. Foreign currency translation negatively impacted operating income by approximately \$0.4 million.

Six months ended February 29, 2012

Net sales for the Americas for the six months ended February 29, 2012 were approximately \$257.6 million, an increase of approximately \$24.0 million or 10.3% compared with the prior-year period. The increase in net sales was a result of approximately \$12.3 million of incremental fiscal 2012 net sales from fiscal 2011 acquisitions and the approximate 18.2% increase in price per pound, which was spread across all product families. The decrease in volume of approximately 20.4 million pounds was primarily related to the masterbatch product family. Foreign currency translation negatively impacted net sales by approximately \$4.7 million.

Gross profit for the Americas was approximately \$39.5 million for the six months ended February 29, 2012, an increase of approximately \$7.1 million from the comparable period last year. The increases in gross profit and gross profit per pound of approximately 22.0% and 31.1%, respectively, were primarily in the specialty powders and engineered plastics product families. The Company was able to improve margins in light of rising raw material costs by improving product mix and implementing operational efficiencies. The fiscal 2011 acquisitions contributed approximately \$1.9 million of incremental fiscal 2012 gross profit. Foreign currency translation negatively impacted gross profit by approximately \$1.1 million.

Operating income for the Americas for the six months ended February 29, 2012 was approximately \$11.5 million compared with approximately \$7.2 million last year. Operating income increased primarily due to improved gross profit per pound partially offset by an increase in selling, general and administrative expenses. Foreign currency translation negatively impacted operating income by approximately \$0.9 million.

APAC

| | Three months ended | | | | Six months ended | | | |
|---|----------------------|----------------------|---------------------|---------|----------------------|----------------------|---------------------|---------|
| | February 29, 2012 | February 28, 2011 | Increase (decrease) | | February 29, 2012 | February 28, 2011 | Increase (decrease) | |
| (In thousands, except for % s and per pound data) | | | | | | | | |
| Net sales | \$ 33,704 | \$ 33,260 | \$ 444 | 1.3% | \$ 70,122 | \$ 66,840 | \$ 3,282 | 4.9% |
| Segment gross profit | \$ 5,426 | \$ 3,376 | \$ 2,050 | 60.7% | \$ 10,805 | \$ 7,938 | \$ 2,867 | 36.1% |
| Segment operating income | \$ 2,530 | \$ 384 | \$ 2,146 | 558.9% | \$ 5,063 | \$ 2,192 | \$ 2,871 | 131.0% |
| Pounds sold | 28,712 | 32,353 | (3,641) | (11.3%) | 58,196 | 66,250 | (8,054) | (12.2%) |
| Price per pound | \$ 1.174 | \$ 1.028 | \$ 0.146 | 14.2% | \$ 1.205 | \$ 1.009 | \$ 0.196 | 19.4% |
| Gross profit per pound | \$ 0.189 | \$ 0.104 | \$ 0.085 | 81.7% | \$ 0.186 | \$ 0.120 | \$ 0.066 | 55.0% |
| Gross profit percentage | 16.1% | 10.2% | | | 15.4% | 11.9% | | |

Three months ended February 29, 2012

Net sales for APAC for the three months ended February 29, 2012 were approximately \$33.7 million, an increase of approximately \$0.4 million compared with the same prior-year period. Foreign currency translation favorably impacted net sales by approximately \$1.1 million. The favorable increase of approximately 14.2% in selling price per pound was partially offset by a decrease in volume of approximately 11.3%. The decrease in volume was primarily related to the masterbatch product family partially offset by increased volume in the engineered plastics product family.

Gross profit for APAC for the three months ended February 29, 2012 was approximately \$5.4 million, an increase of approximately \$2.1 million compared with last year. The increase in gross profit and gross profit per pound were primarily due to reduced costs resulting from previous restructuring initiatives that have improved the cost structure and a focus on products with higher technical requirements. Foreign currency translation had a favorable impact on gross profit of \$0.2 million.

APAC operating income for the three months ended February 29, 2012 was approximately \$2.5 million compared with approximately \$0.4 million last year. The increase in profitability was principally due to the increase in gross profit and a slight decrease in selling, general and administrative expenses. Foreign currency translation did not have a significant impact on operating income for the three months ended February 29, 2012.

Six months ended February 29, 2012

Net sales for APAC for the six months ended February 29, 2012 were approximately \$70.1 million, an increase of approximately \$3.3 million compared with the same prior-year period. Net sales increased as a result of an increase of approximately 19.4% in selling price per pound partially offset by a decrease in volume of approximately 12.2%. Foreign currency translation favorably impacted net sales by approximately \$1.8 million. The increase in net sales is primarily related to the masterbatch and engineered plastics product families partially offset by decreased net sales in the specialty powders product family. The reduction in volume primarily attributable to the specialty powders product family is partially a result of a decline in APAC export net sales due to the general economic climate in Europe.

Gross profit for APAC for the six months ended February 29, 2012 was approximately \$10.8 million, an increase of approximately \$2.9 million compared with last year. The increase in gross profit and gross profit per pound were primarily due to reduced costs resulting from previous restructuring initiatives that have improved the cost structure and a focus on products with higher technical requirements. Foreign currency translation had a favorable impact on gross profit of approximately \$0.3 million.

APAC operating income for the six months ended February 29, 2012 was approximately \$5.1 million compared with approximately \$2.2 million last year. The increase in profitability was principally due to the increase in gross profit. Foreign currency translation favorably impacted operating income by approximately \$0.2 million.

Consolidated Results of Operations

| | Three months ended | | | | Six months ended | | | |
|---|----------------------|----------------------|---------------------|--------|----------------------|----------------------|---------------------|--------|
| | February 29, 2012 | February 28, 2011 | Increase (decrease) | (%) | February 29, 2012 | February 28, 2011 | Increase (decrease) | (%) |
| (In thousands, except for % s and per pound data) | | | | | | | | |
| Net sales | \$ 495,911 | \$ 508,343 | \$ (12,432) | (2.4%) | \$ 1,013,200 | \$ 1,003,726 | \$ 9,474 | 0.9% |
| Total segment gross profit | \$ 65,146 | \$ 66,774 | \$ (1,628) | (2.4%) | \$ 134,642 | \$ 135,896 | \$ (1,254) | (0.9%) |
| Total segment operating income | \$ 23,178 | \$ 25,446 | \$ (2,268) | (8.9%) | \$ 51,057 | \$ 50,515 | \$ 542 | 1.1% |
| Pounds sold | 458,716 | 497,262 | (38,546) | (7.8%) | 914,998 | 1,001,220 | (86,222) | (8.6%) |
| Price per pound | \$ 1.081 | \$ 1.022 | \$ 0.059 | 5.8% | \$ 1.107 | \$ 1.003 | \$ 0.104 | 10.4% |
| Total segment gross profit per pound | \$ 0.142 | \$ 0.134 | \$ 0.008 | 6.0% | \$ 0.147 | \$ 0.136 | \$ 0.011 | 8.1% |
| Total segment gross profit percentage | 13.1% | 13.1% | | | 13.3% | 13.5% | | |

Three months ended February 29, 2012

The decrease of approximately \$12.4 million in consolidated net sales for the three months ended February 29, 2012 compared with the prior-year period was primarily a result of the approximate \$11.7 million negative impact of foreign currency translation. A decrease in volume of approximately 7.8% was partially offset by increased average selling price per pound of approximately 5.8%.

Total segment gross profit, excluding certain items as described in the Reconciliation of GAAP and Non-GAAP Financial Measures below, for the three months ended February 29, 2012 was approximately \$65.1 million, compared with approximately \$66.8 million last year. Foreign currency translation adversely impacted gross profit by approximately \$1.5 million.

The Company's selling, general and administrative expenses, excluding certain items as described in the Reconciliation of GAAP and Non-GAAP Financial Measures below, decreased approximately \$0.4 million for the three months ended February 29, 2012 compared with the same period in the prior year. Foreign currency translation favorably impacted selling, general and administrative expense by approximately \$0.8 million. This was partially offset by an increase in incentive compensation expense of approximately \$0.7 million.

Total segment operating income, excluding certain items as described in the Reconciliation of GAAP and Non-GAAP Financial Measures below, for the three months ended February 29, 2012 was approximately \$23.2 million, a decrease of approximately \$2.3 million compared with last year. Foreign currency translation had a negative impact on operating income of approximately \$0.7 million.

Six months ended February 29, 2012

The increase of approximately \$9.5 million in consolidated net sales for the six months ended February 29, 2012 compared with the prior-year period was primarily a result of increased average selling price per pound of approximately 10.4% partially offset by a decrease in volume of approximately 8.6%. Foreign currency translation adversely impacted consolidated net sales by approximately \$10.0 million.

Total segment gross profit, excluding certain items as described in the Reconciliation of GAAP and Non-GAAP Financial Measures below, for the six months ended February 29, 2012 was approximately \$134.6 million, compared with approximately \$135.9 million last year. Foreign currency translation negatively impacted gross profit by approximately \$1.5 million.

The Company's selling, general and administrative expenses, excluding certain items as described in the Reconciliation of GAAP and Non-GAAP Financial Measures below, decreased approximately \$5.2 million for the six months ended

February 29, 2012 compared with the same period in the prior year. The decrease is primarily attributable to the Company realizing selling, general and administrative expense synergies in connection with the continued integration of acquisitions and efforts to control costs. Foreign currency translation favorably impacted selling, general and administrative expense by approximately \$0.5 million.

Total segment operating income, excluding certain items as described in the Reconciliation of GAAP and Non-GAAP Financial Measures below, for the six months ended February 29, 2012 was approximately \$51.1 million, an increase of approximately \$0.5 million compared with last year. Foreign currency translation had a negative impact on operating income of approximately \$1.0 million.

The Company recorded asset impairment charges of \$1.8 million for the three and six months ended February 28, 2011. For further discussion of asset impairments, refer to Note 16 in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011.

Interest expense, net of interest income, increased approximately \$0.9 million and \$1.7 million for the three and six months ended February 29, 2012, respectively, as compared with the same periods in the prior year due primarily to increases in average outstanding principal balances as a result of the January 31, 2012 acquisition of Elian and higher average interest rates.

Foreign currency transaction gains or losses represent changes in the value of currencies in major areas where the Company operates. The Company experienced minimal foreign currency transaction losses for the three months ended February 29, 2012 and approximately \$0.5 million for the six months ended February 29, 2012, compared with foreign currency transaction losses of \$0.7 million and \$1.3 million during the three and six months ended February 28, 2011. Generally, the foreign currency transaction gains or losses relate to the changes in the value of the U.S. dollar compared with the Euro and other local currencies throughout the Americas, EMEA, and APAC regions, and also changes between the Euro and other non-Euro European currencies. The Company enters into foreign exchange forward contracts to reduce the impact of changes in foreign exchange rates on the consolidated statements of operations. These contracts reduce exposure to currency movements affecting existing foreign currency denominated assets and liabilities resulting primarily from trade receivables and payables. Any gains or losses associated with these contracts, as well as the offsetting gains or losses from the underlying assets or liabilities, are recognized on the foreign currency transaction line in the consolidated statements of operations.

Other income for the three and six months ended February 29, 2012 was approximately \$0.9 million and \$1.1 million, respectively, compared with other income of approximately \$0.4 million for both the three and six months ended February 28, 2011.

Noncontrolling interests represent a 49% equity position of Alta Plastica S.A. in an Argentinean venture with the Company, 30% equity position of Mitsubishi Chemical MKV Company in a partnership with the Company and a 35% equity position of P.T. Prima Polycon Indah in an Indonesian joint venture with the Company. The Company's partnership with Mitsubishi Chemical MKV Company was dissolved by a vote of the partners effective December 31, 2011.

Net income attributable to the Company's stockholders was approximately \$9.1 million and \$7.1 million for the three months ended February 29, 2012 and February 28, 2011, respectively. Net income attributable to the Company's stockholders was approximately \$22.7 million and \$16.4 million for the six months ended February 29, 2012 and February 28, 2011, respectively. Foreign currency translation had a negative impact of approximately \$0.5 million and \$0.6 million on net income for the three and six months ended February 29, 2012.

Product Markets

The largest markets served by the Company are the packaging and automotive markets. Other markets include appliances, construction, medical, consumer products, electrical/electronics, office equipment and agriculture. The approximate percentage of consolidated net sales by market for the three and six months ended February 29, 2012 as compared with February 28, 2011 is as follows:

| | Three months ended February 29, 2012 | | | Three months ended February 28, 2011 | | |
|-----------|--------------------------------------|------------|-------|--------------------------------------|------------|-------|
| | Packaging | Automotive | Other | Packaging | Automotive | Other |
| EMEA | 32% | 11% | 57% | 32% | 10% | 58% |
| Americas | 18% | 16% | 66% | 21% | 18% | 61% |
| APAC | 53% | 1% | 46% | 46% | 0% | 54% |
| Worldwide | 30% | 11% | 59% | 30% | 11% | 59% |

| | Six months ended February 29, 2012 | | | Six months ended February 28, 2011 | | |
|-----------|------------------------------------|------------|-------|------------------------------------|------------|-------|
| | Packaging | Automotive | Other | Packaging | Automotive | Other |
| EMEA | 31% | 11% | 58% | 32% | 9% | 59% |
| Americas | 19% | 17% | 64% | 20% | 19% | 61% |
| APAC | 50% | 0% | 50% | 45% | 0% | 55% |
| Worldwide | 29% | 12% | 59% | 30% | 11% | 59% |

Product Families

Globally, the Company operates primarily in four product families: (1) masterbatch, (2) engineered plastics, (3) specialty powders, and (4) distribution services. The amount and percentage of consolidated net sales for these product families for the three and six months ended February 29, 2012 and February 28, 2011 are as follows:

| | Three months ended | | | |
|-----------------------|--------------------|------|-------------------|------|
| | February 29, 2012 | | February 28, 2011 | |
| | (In thousands) | | | |
| Masterbatch | \$ 200,694 | 40% | \$ 204,078 | 40% |
| Engineered plastics | 127,950 | 26 | 123,015 | 24 |
| Specialty powders | 80,010 | 16 | 86,286 | 17 |
| Distribution services | 87,257 | 18 | 94,964 | 19 |
| | \$ 495,911 | 100% | \$ 508,343 | 100% |

| | Six months ended | | | |
|-----------------------|-------------------|------|-------------------|------|
| | February 29, 2012 | | February 28, 2011 | |
| | (In thousands) | | | |
| Masterbatch | \$ 410,985 | 41% | \$ 404,377 | 40% |
| Engineered plastics | 268,245 | 26 | 247,053 | 25 |
| Specialty powders | 164,577 | 16 | 176,362 | 18 |
| Distribution services | 169,393 | 17 | 175,934 | 17 |
| | \$ 1,013,200 | 100% | \$ 1,003,726 | 100% |

Capacity

The Company's practical capacity is not based on a theoretical 24-hour, seven-day operation, rather it is determined as the production level at which the manufacturing facilities can operate with an acceptable degree of efficiency, taking into consideration factors such as longer term customer demand, permanent staffing levels, operating shifts, holidays, scheduled maintenance and mix of product. Capacity utilization is calculated by dividing actual production pounds by practical capacity at each plant. A comparison of capacity utilization levels for the three and six months ended February 29, 2012 and February 28, 2011 are as follows:

| | Three months ended | | Six months ended | |
|-----------|--------------------|-------------------|-------------------|-------------------|
| | February 29, 2012 | February 28, 2011 | February 29, 2012 | February 28, 2011 |
| EMEA | 74% | 73% | 78% | 77% |
| Americas | 67% | 62% | 65% | 63% |
| APAC | 76% | 90% | 81% | 89% |
| Worldwide | 71% | 70% | 72% | 72% |

Americas capacity utilization increased to meet short-term customer needs as a result of the shut-down of the Nashville, Tennessee facility and the related movement of production to the Akron and Bellevue, Ohio plants. The Company's APAC segment experienced lower capacity utilization as a result of a decline in specialty powders demand during the second quarter of fiscal 2012 combined with additional manufacturing capacity that was recently added to meet demand for other product families in the APAC region.

Restructuring**EMEA Operations and Back-Office Plan**

In November 2011, the Company initiated a restructuring plan of EMEA's operations and back-office functions to better leverage savings from its Shared Service Center located in Belgium. As part of this plan, the Company will reduce headcount in EMEA by approximately 50, and the majority of the reductions occurred in the first and second quarters of fiscal 2012. The Company recorded approximately \$1.2 million and \$3.9 million of pretax employee-related restructuring costs during the three and six months ended February 29, 2012, respectively, and the Company anticipates recognizing approximately \$1.0 million to \$2.0 million of additional pretax employee-related cash charges during the remainder of fiscal 2012 as it completes the plan.

Americas Engineered Plastics Plan

On August 25, 2011, the Company announced that it would close the Nashville, Tennessee facility and move certain production to the Akron and Bellevue, Ohio facilities in order to optimize the use of existing capacity and capitalize on growth opportunities. As of the end of February 2012, the Nashville facility ceased production and the Company reduced headcount by approximately 60. The Company recorded approximately \$0.3 million and \$0.5 million of pretax employee-related restructuring expense associated with this plan during the three and six months ended February 29, 2012, respectively. As of February 29, 2012, the Company has a balance of approximately \$1.0 million accrued for employee-related costs related to this plan. The Company anticipates recognizing additional pretax employee-related cash charges and other restructuring expenses of approximately \$1.0 million to \$3.0 million during the remainder of fiscal 2012 as it completes the plan.

Italy and Australia Plans

On February 8, 2011, the Company announced that it is relocating its operations from its manufacturing facility in Verolanuova, Italy to its existing facility in Gorla Maggiore, Italy. Production lines at the Verolanuova facility were relocated in the first quarter of fiscal 2012 to the Gorla facility. As a result of this relocation, the Company will reduce headcount by approximately 30 by the end of June 2012. Also on February 8, 2011, as a result of the ongoing deterioration of the Australian rotomolding market, the Company announced plans to consolidate operations in Australia by moving production from its Braeside, Australia facility to its Brisbane, Australia facility. As part of this consolidation, the Company reduced headcount in Australia by approximately 20, and the majority of the reduction occurred in the second and third quarters of fiscal 2011. The region continues to be served by the Company's Brisbane facility and facilities in Malaysia, Indonesia, China and a future India plant.

The Company recorded pretax restructuring expense of approximately \$0.3 million and \$0.6 million during the three and six months ended February 29, 2012, respectively, primarily related to other restructuring costs as part of the Italy plan. For the three and six months ended February 28, 2011, the Company recorded pretax restructuring expense of approximately \$3.1 million primarily for employee-related costs and other restructuring charges related to the Australia and Italy restructuring plans. As of February 29, 2012, the Company has a balance of approximately \$2.2 million accrued for employee-related costs related to the Italy plan. In regards to the Italy plan, the Company anticipates additional pretax charges of approximately \$4.0 million to \$6.0 million in the remainder of fiscal 2012, of which approximately 50% are expected to be non-cash charges. As of February 29, 2012, the Company has a balance of approximately \$0.3 million accrued for the Australia plan related to a future settlement of a contractual obligation and expects no additional charges related to this plan in the remainder of fiscal 2012.

ASI United Kingdom Plan

On August 31, 2010, management announced restructuring plans for its operations at its Crumlin, South Wales (U.K.) facility. The plans include moving part of the plant's capacity to two other, larger facilities in Europe, and several production lines will be shut down. As a result, the Company will reduce headcount at this location by approximately 30. Approximately half of the reductions occurred in the second quarter of fiscal 2011 and the remaining headcount reductions occurred in the second quarter of fiscal 2012. The Company recorded minimal charges during the three and six months ended February 29, 2012 and February 28, 2011. The Company expects no further charges and has no remaining accrual as of February 29, 2012 related to this plan as it is considered complete.

ICO Merger Plan

In conjunction with the acquisition of ICO, Inc. (ICO) in fiscal 2010, the Company reduced the workforce in the Houston, Texas office by 17 employees. ICO had preexisting arrangements regarding change-in-control payments and severance pay which were based on pre-merger service. The Company assumed approximately \$2.1 million in liabilities as a result of the merger related to these agreements, of which approximately \$2.0 million was paid by the Company during fiscal 2010. Since the merger, the Company announced the exit of certain senior managers in Europe in connection with the Company's ongoing integration of ICO operations. The Company recorded approximately \$0.1 million and \$0.4 million primarily in pretax employee-related costs during the three and six months ended February 28, 2011, respectively, related to the integration of the ICO merger. The Company had no charges in the first six months of fiscal 2012 and has no remaining accrual as of February 29, 2012 related to this plan as it is considered complete.

North America Masterbatch Fiscal 2010 Plan

On March 1, 2010, the Company announced the closure of its Polybatch Color Center located in Sharon Center, Ohio. The Company recorded pretax restructuring expenses of approximately \$0.3 million and \$0.4 million during the three and six months ended February 28, 2011, respectively, primarily for employee-related costs associated with the closure. The Company ceased production at the Polybatch Color Center on August 31, 2010, and sold the facility in June 2011. The Company had no charges in the first six months of fiscal 2012 and has no remaining accrual as of February 29, 2012 related to this plan as it is considered complete.

Consolidated Restructuring Summary

The following table summarizes the activity during fiscal 2012 related to the Company's restructuring plans:

| | Accrual Balance August 31, 2011 | Fiscal 2012 Charges | Fiscal 2012 Paid | Accrual Balance February 29, 2012 |
|------------------------|------------------------------------|------------------------|---------------------|---|
| | (In thousands) | | | |
| Employee-related costs | \$ 3,322 | \$ 4,164 | \$ (2,844) | 4,642 |
| Other costs | 403 | 677 | (389) | 691 |
| Translation effect | 70 | | | (45) |
| Restructuring charges | \$ 3,795 | \$ 4,841 | \$ (3,233) | \$ 5,288 |

Income Tax

A reconciliation of the statutory U.S. federal income tax rate with the effective tax rates for the three months ended February 29, 2012 and February 28, 2011 is as follows:

| | Three months ended February 29, 2012 | | Three months ended February 28, 2011 | |
|---|---|--------------|---|--------------|
| | (In thousands, except for % s) | | | |
| Statutory U.S. tax rate | \$ 4,299 | 35.0% | \$ 3,609 | 35.0% |
| Amount of foreign taxes at less than U.S. statutory tax rate | (2,689) | (21.8) | (4,044) | (39.2) |
| U.S. and foreign losses with no tax benefit | 1,097 | 8.9 | 2,338 | 22.7 |
| U.S. restructuring and other U.S. unusual charges with no benefit | 140 | 1.1 | 833 | 8.1 |
| Establishment (resolution) of uncertain tax positions | (13) | (0.1) | (25) | (0.2) |
| Other | 159 | 1.3 | 322 | 3.0 |
| Total income tax expense (benefit) | \$ 2,993 | 24.4% | \$ 3,033 | 29.4% |

A reconciliation of the statutory U.S. federal income tax rate with the effective tax rates for the six months ended February 29, 2012 and February 28, 2011 is as follows:

| | Six months ended February 29, 2012 | | Six months ended February 28, 2011 | |
|---|---------------------------------------|--------------|---------------------------------------|--------------|
| | (In thousands, except for % s) | | | |
| Statutory U.S. tax rate | \$ 10,114 | 35.0% | \$ 8,437 | 35.0% |
| Amount of foreign taxes at less than U.S. statutory tax rate | (6,006) | (20.8) | (7,030) | (29.2) |
| U.S. and foreign losses with no tax benefit | 1,756 | 6.0 | 4,335 | 18.0 |
| U.S. restructuring and other U.S. unusual charges with no benefit | 250 | 0.9 | 1,208 | 5.0 |
| Italian tax law change | (747) | (2.6) | | |
| Establishment (resolution) of uncertain tax positions | 18 | 0.1 | (13) | (0.1) |
| Other | 259 | 0.9 | 513 | 2.2 |
| Total income tax expense (benefit) | \$ 5,644 | 19.5% | \$ 7,450 | 30.9% |

The effective tax rates for the three and six months ended February 29, 2012 and February 28, 2011 are less than the U.S. statutory rate primarily because of the Company's overall foreign rate being less than the U.S. statutory rate. This favorable effect on the Company's tax rate was partially offset by no tax benefits being recognized for U.S. and certain foreign losses. As compared with the effective rates of 29.4% and 30.9% for the three and six months ended February 28, 2011, respectively, the current year's three and six month effective rates are driven by a decrease in the U.S. and foreign losses with no tax benefit.

Goodwill

Generally, goodwill recorded in business combinations is more susceptible to risk of impairment soon after the acquisition primarily because the business combination is recorded at fair value based on operating plans and economic conditions present at the time of the acquisition. If operating results or economic conditions deteriorate soon after an acquisition, it could result in the impairment of the acquired goodwill.

Goodwill impairment is tested at the reporting unit level on an annual basis in the fourth quarter and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

During the second quarter of fiscal 2012, the actual operating results of the EMEA Specialty Powders (EMEA SP) reporting unit declined below forecasted results due to overall economic conditions. The decline in actual operating results led the Company to conclude that a triggering event for review of potential goodwill impairment had occurred. Accordingly, the Company performed an interim goodwill impairment evaluation for the EMEA SP reporting unit.

The test to evaluate goodwill for impairment is a two step process. In the first step, the reporting unit s fair value is compared to its carrying value. If such comparison indicates a potential impairment, the second step of the impairment evaluation requires a valuation of the reporting unit s tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the resulting implied fair value of the reporting unit s goodwill is less than its carrying value, that difference represents an impairment.

The fair value used in step one of the EMEA SP goodwill impairment analysis was estimated using a combination of the income and market approaches, which contain significant unobservable inputs, based on average earnings before interest, taxes, depreciation and amortization, and cash flow multiples.

The Company completed the step one EMEA SP goodwill impairment analysis in the second quarter of fiscal 2012 and concluded that there was no goodwill impairment because the fair value of the reporting unit exceeded its carrying value by approximately 8%. The EMEA SP reporting unit had approximately \$18 million of goodwill as of February 29, 2012.

The Company is not aware of any other triggering events which would require a goodwill impairment test as of February 29, 2012. The Company will continue to monitor the EMEA SP and all other reporting units for potential triggering events throughout the remainder of fiscal 2012.

Reconciliation of GAAP and Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures of net income excluding certain items and net income per diluted share excluding certain items. These financial measures are used by management to monitor and evaluate the ongoing performance of the Company and to allocate resources. The Company believes that the additional measures are useful to investors for financial analysis. However, non-GAAP measures are not in accordance with, nor are they a substitute for, GAAP measures.

The tables below reconcile net income excluding certain items and net income per diluted share excluding certain items to net income and net income per diluted share for the three months ended February 29, 2012 and February 28, 2011. Restructuring related costs include items such as employee severance charges, lease termination charges, curtailment gains and other employee termination costs. Inventory step-up costs are related to the adjustment for the fair value of inventory acquired as a result of acquisition purchase accounting. Tax benefits (charges) include the effect of an Italian tax law change which impacted the valuation allowance in fiscal 2012 and the realization of certain deferred tax assets in first six months of fiscal 2011 as a result of the fiscal 2010 ICO acquisition.

| Three months ended February 29, 2012 | As Reported | Asset Write-downs | Costs Related to Acquisitions | Restructuring Related | Inventory Step-up | Tax Benefits (Charges) | Before Certain Items |
|--|-------------|-------------------|-------------------------------|-----------------------|-------------------|------------------------|----------------------|
| (In thousands, except per share data) | | | | | | | |
| Net sales | \$ 495,911 | \$ | \$ | \$ | \$ | \$ | \$ 495,911 |
| Cost of sales | 431,362 | | | | (597) | | 430,765 |
| Selling, general and administrative expenses | 49,416 | | (656) | | | | 48,760 |
| Restructuring expense | 1,597 | | | (1,597) | | | |
| Curtailment (gain) loss | (209) | | | 209 | | | |
| Operating income | 13,745 | | 656 | 1,388 | 597 | | 16,386 |
| Interest expense, net | 2,328 | | | | | | 2,328 |
| Foreign currency transaction (gains) losses | 17 | | | | | | 17 |
| Other (income) expense, net | (883) | | | | | | (883) |
| Income before taxes | 12,283 | | 656 | 1,388 | 597 | | 14,924 |
| Provision (benefit) for U.S. and foreign income taxes | 2,993 | | 41 | 320 | 199 | (40) | 3,513 |
| Net income | 9,290 | | 615 | 1,068 | 398 | 40 | 11,411 |
| Noncontrolling interests | (217) | | | | | | (217) |
| Net income (loss) attributable to A. Schulman, Inc. | \$ 9,073 | \$ | \$ 615 | \$ 1,068 | \$ 398 | \$ 40 | \$ 11,194 |
| Diluted EPS | \$ 0.31 | | | | | | \$ 0.38 |
| Weighted-average number of shares outstanding diluted | 29,651 | | | | | | 29,651 |

| Three months ended February 28, 2011 | As Reported | Asset Write-downs | Costs Related to Acquisitions | Restructuring Related | Inventory Step-up | Tax Benefits (Charges) | Before Certain Items |
|---|-------------|-------------------|-------------------------------|-----------------------|-------------------|------------------------|----------------------|
| (In thousands, except per share data) | | | | | | | |
| Net sales | \$ 508,343 | \$ | \$ | \$ | \$ | \$ | \$ 508,343 |
| Cost of sales | 441,731 | | | | (162) | | 441,569 |
| Selling, general and administrative expenses | 49,430 | | (314) | | | | 49,116 |
| Restructuring expense | 3,385 | | | (3,385) | | | |
| Asset impairment | 1,800 | (1,800) | | | | | |
| Operating income | 11,997 | 1,800 | 314 | 3,385 | 162 | | 17,658 |
| Interest expense, net | 1,451 | | | | | | 1,451 |
| Foreign currency transaction (gains) losses | 667 | | | | | | 667 |
| Other (income) expense, net | (433) | | | | | | (433) |
| Income before taxes | 10,312 | 1,800 | 314 | 3,385 | 162 | | 15,973 |
| Provision (benefit) for U.S. and foreign income taxes | 3,033 | | | 613 | 58 | | 3,704 |
| Net income | 7,279 | 1,800 | 314 | 2,772 | 104 | | 12,269 |

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| | | | | | | | | | | |
|--|----|--------|-------|----|-----|----|-------|--------|----|--------|
| Noncontrolling interests | | (138) | | | | | | (138) | | |
| Net income (loss) attributable to A. Schulman, Inc. | \$ | 7,141 | 1,800 | \$ | 314 | \$ | 2,772 | \$ 104 | \$ | 12,131 |
| Diluted EPS | \$ | 0.23 | | | | | | | \$ | 0.39 |
| Weighted-average number of shares outstanding diluted | | 31,181 | | | | | | | | 31,181 |

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The tables below reconcile net income excluding certain items and net income per diluted share excluding certain items to net income and net income per diluted share for the six months ended February 29, 2012 and February 28, 2011.

| Six months ended February 29, 2012 | As Reported | Asset Write-downs | Costs Related to Acquisitions | Restructuring Related | Inventory Step-up | Tax Benefits (Charges) | Before Certain Items |
|--|--------------|-------------------|-------------------------------|-----------------------|-------------------|------------------------|----------------------|
| (In thousands, except per share data) | | | | | | | |
| Net sales | \$ 1,013,200 | \$ | \$ | \$ | \$ | \$ | \$ 1,013,200 |
| Cost of sales | 879,155 | | | | (597) | | 878,558 |
| Selling, general and administrative expenses | 96,831 | | (874) | | | | 95,957 |
| Restructuring expense | 4,841 | | | (4,841) | | | |
| Curtailement (gain) losses | (209) | | | 209 | | | |
| Operating income | 32,582 | | 874 | 4,632 | 597 | | 38,685 |
| Interest expense, net | 4,222 | | | | | | 4,222 |
| Foreign currency transaction (gains) losses | 516 | | | | | | 516 |
| Other (income) expense, net | (1,053) | | | | | | (1,053) |
| Income before taxes | 28,897 | | 874 | 4,632 | 597 | | 35,000 |
| Provision (benefit) for U.S. and foreign income taxes | 5,644 | | 69 | 1,284 | 199 | 707 | 7,903 |
| Net income | 23,253 | | 805 | 3,348 | 398 | (707) | 27,097 |
| Noncontrolling interests | (598) | | | | | | (598) |
| Net income (loss) attributable to A. Schulman, Inc. | \$ 22,655 | \$ | \$ 805 | \$ 3,348 | \$ 398 | \$ (707) | \$ 26,499 |
| Diluted EPS | \$ 0.77 | | | | | | \$ 0.90 |
| Weighted-average number of shares outstanding diluted | 29,588 | | | | | | 29,588 |

| Six months ended February 28, 2011 | As Reported | Asset Write-downs | Costs Related to Acquisitions | Restructuring Related | Inventory Step-up | Tax Benefits (Charges) | Before Certain Items |
|--|--------------|-------------------|-------------------------------|-----------------------|-------------------|------------------------|----------------------|
| (In thousands, except per share data) | | | | | | | |
| Net sales | \$ 1,003,726 | \$ | \$ | \$ | \$ | \$ | \$ 1,003,726 |
| Cost of sales | 868,113 | | | | (283) | | 867,830 |
| Selling, general and administrative expenses | 102,335 | | (1,195) | | | | 101,140 |
| Restructuring expense | 3,936 | | | (3,936) | | | |
| Asset impairment | 1,800 | (1,800) | | | | | |
| Operating income | 27,542 | 1,800 | 1,195 | 3,936 | 283 | | 34,756 |
| Interest expense, net | 2,536 | | | | | | 2,536 |
| Foreign currency transaction (gains) losses | 1,338 | | | | | | 1,338 |
| Other (income) expense, net | (437) | | | | | | (437) |
| Income before taxes | 24,105 | 1,800 | 1,195 | 3,936 | 283 | | 31,319 |
| Provision (benefit) for U.S. and foreign income taxes | 7,450 | | | 729 | 99 | 65 | 8,343 |
| Net income | 16,655 | 1,800 | 1,195 | 3,207 | 184 | (65) | 22,976 |
| Noncontrolling interests | (271) | | | | | | (271) |
| Net income (loss) attributable to A. Schulman, Inc. | \$ 16,384 | 1,800 | \$ 1,195 | \$ 3,207 | \$ 184 | \$ (65) | \$ 22,705 |
| Diluted EPS | \$ 0.52 | | | | | | \$ 0.73 |
| Weighted-average number of shares outstanding diluted | 31,245 | | | | | | 31,245 |

Liquidity and Capital Resources

Net cash provided from operations was approximately \$12.7 million for the six months ended February 29, 2012 compared to net cash used in operations of approximately \$16.5 million for the six months ended February 28, 2011. The Company's cash and cash equivalents decreased

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approximately \$60.0 million from August 31, 2011. This decrease was driven primarily by the acquisition of Elian SAS for approximately \$62.8 million in net cash consideration, the repurchase of treasury shares totaling approximately \$21.5 million, expenditures for capital projects of approximately \$19.2 million, and dividend payments of approximately \$10.0 million. These uses of cash and cash equivalents were offset by increased net borrowings on revolving credit facilities of \$50.2 million and net cash provided from operations.

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The Company's approximate working capital days are summarized as follows:

| | February 29, 2012 | August 31, 2011 | February 28, 2011 |
|----------------------------|-------------------|-----------------|-------------------|
| Days in receivables | 58 | 54 | 61 |
| Days in inventory | 62 | 48 | 56 |
| Days in payables | 49 | 42 | 45 |
| Total working capital days | 71 | 60 | 72 |

The following table summarizes certain key balances on the Company's consolidated balance sheets and related metrics:

| | February 29, 2012 | August 31, 2011 | \$ Change | % Change |
|--|--------------------------------|-----------------|-------------|----------|
| | (In thousands, except for % s) | | | |
| Cash and cash equivalents | \$ 95,760 | \$ 155,753 | \$ (59,993) | (38.5%) |
| Working capital, excluding cash | \$ 287,397 | \$ 273,964 | \$ 13,433 | 4.9% |
| Long-term debt | \$ 230,155 | \$ 184,598 | \$ 45,557 | 24.7% |
| Total debt | \$ 239,367 | \$ 196,148 | \$ 43,219 | 22.0% |
| Net debt* | \$ 143,607 | \$ 40,395 | \$ 103,212 | 255.5% |
| Total A. Schulman, Inc.'s Stockholders' equity | \$ 520,669 | \$ 548,504 | \$ (27,835) | (5.1%) |

* Total debt less cash and cash equivalents

As of February 29, 2012, approximately 97% of the Company's cash and cash equivalents were held by our foreign subsidiaries, compared to approximately 87% as of August 31, 2011. The majority of these foreign cash balances are associated with earnings that we have asserted are permanently reinvested and which we plan to use to support our continued growth plans outside the U.S. through funding of capital expenditures, acquisitions, operating expenses or other similar cash needs of our foreign operations. From time to time, we repatriate cash from our foreign subsidiaries to the U.S. for normal operating needs through intercompany dividends. These dividends are typically paid out of current year earnings that we have not asserted to be permanently reinvested.

Working capital, excluding cash, was approximately \$287.4 million as of February 29, 2012, an increase of approximately \$13.4 million from August 31, 2011. The primary reasons for the increase in working capital from August 31, 2011 included an increase in inventory of approximately \$25.5 million and a decrease in accrued liabilities of approximately \$9.6 million partially offset by a decrease of approximately \$27.1 million in accounts receivable. The translation effect of foreign currencies, primarily the Euro, decreased accounts receivable by approximately \$16.2 million and inventory by approximately \$14.9 million. Excluding the impact of translation of foreign currencies, accounts receivable decreased approximately \$10.9 million, or 3.2%, and inventory increased approximately \$40.4 million, or 15.3%. The decrease in accounts receivable is primarily related to higher net sales in the two months prior to August 31, 2011 compared to the two months prior to February 29, 2012. The increase in inventory is a combination of increased raw material costs and increased tonnage in inventory. Accounts payable increased approximately \$13.4 million, excluding the impact of foreign currency, primarily as a result of the increased cost and tonnage of inventory.

Capital expenditures for the six months ended February 29, 2012 were approximately \$19.2 million compared with approximately \$11.1 million last year. Capital expenditures for the second quarter of fiscal year 2012 primarily relate to additional manufacturing lines to address increasing regional demand and the investment in the Akron, Ohio plant to add engineering plastics compounding capabilities.

In the second quarter of fiscal 2011, the Company and certain of its wholly-owned subsidiaries entered into a Credit Agreement which provides for an aggregate revolving loan facility (the Revolving Facility) not to exceed \$300 million. For further discussion regarding the Company's Revolving Facility, refer to Note 5 in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011. As of February 29, 2012, the Company was not in violation of any of its covenants relating to the Revolving Facility. The Company was well within compliance with these covenants and does not believe a covenant violation is reasonably possible as of February 29, 2012. The Revolving Facility matures on January 7, 2016. As of February 29, 2012, the amount available under the Revolving Facility was reduced by outstanding letters of credit of approximately \$1.9 million and borrowings of approximately \$135.2 million which is included in long-term debt in the Company's consolidated balance sheet.

On March 1, 2006, the Company issued senior guaranteed notes (Senior Notes) in the private placement market consisting of the following:

\$30.0 million of Senior Notes in the United States, maturing on March 1, 2013, with a variable interest rate of LIBOR plus 80 bps (Dollar Notes). The Company may, at its option, prepay all or part of the Dollar Notes.

50.3 million of Senior Notes in Germany, maturing on March 1, 2016, with a fixed interest rate of 4.485% (Euro Notes). The Euro Notes approximate \$67.7 million as of February 29, 2012.

The Senior Notes are guaranteed by the Company's wholly-owned domestic subsidiaries and contain covenants substantially identical to those in the \$300 million Revolving Facility. As of February 29, 2012, the Company was not in violation of any of its covenants relating to the Senior Notes. The Company was well within compliance with these covenants and does not believe a covenant violation is reasonably possible as of February 29, 2012.

Both the Revolving Facility and the Senior Notes are supported by up to 65% of the capital stock of certain of the Company's directly owned foreign subsidiaries.

Below summarizes the Company's available funds as of February 29, 2012 and August 31, 2011:

| | February 29, 2012 | August 31, 2011 |
|--|-------------------|-------------------|
| | (In thousands) | |
| Credit Facility | \$ 300,000 | \$ 300,000 |
| Foreign uncollateralized short-term lines of credit | 47,141 | 65,436 |
| Total gross available funds from credit lines and notes | \$ 347,141 | \$ 365,436 |
| Credit Facility | \$ 162,889 | \$ 213,121 |
| Foreign uncollateralized short-term lines of credit | 38,566 | 58,437 |
| Total net available funds from credit lines and notes | \$ 201,455 | \$ 271,558 |

Total net available funds from credit lines and notes represents the total gross available funds from credit lines and notes less outstanding borrowings of approximately \$143.8 million and approximately \$92.0 million as of February 29, 2012 and August 31, 2011, respectively, and issued letters of credit of approximately \$1.9 million as of February 29, 2012 and August 31, 2011. The Company had no uncollateralized short-term lines of credit from domestic banks as of February 29, 2012.

The Company's net debt, defined as debt minus cash, was in a net debt position of approximately \$143.6 million and approximately \$40.4 million as of February 29, 2012 and August 31, 2011, respectively. The change of approximately \$103.2 million was a result of a decrease in cash and cash equivalents of approximately \$60.0 million and an increase in total debt of approximately \$43.2 million due to the acquisition of Elian, dividend payments, share repurchases, working capital needs and capital expenditures.

During the three and six months ended February 29, 2012, the Company declared and paid quarterly cash dividends of \$0.17 and \$0.34 per common share, respectively. The total amount of these dividends was approximately \$4.9 million and \$10.0 million, respectively. Cash flow has been sufficient to fund the payment of these dividends.

On May 13, 2011, the Board of Directors approved a new share repurchase program under which the Company is authorized to repurchase up to \$100 million of its common stock in the open market or in privately negotiated transactions, subject to market and other conditions (2011 Repurchase Program). The 2011 Repurchase Program replaces the Company's previous share repurchase program which was approved in fiscal 2008 (2008 Repurchase Program).

As part of the 2011 Repurchase Program, on May 13, 2011, the Company entered into a \$30 million share repurchase plan established under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the Repurchase Plan). Under the Repurchase Plan, the Company's designated broker repurchased 1,218,429 shares of its common stock under the 2011 Repurchase Program in the first quarter of fiscal 2012 at an average price of approximately \$17.60 per share. As of October 10, 2011, the Company fulfilled the Repurchase Plan by repurchasing a cumulative 1,603,979 shares of its common stock in fiscal 2011 and the first quarter of fiscal 2012 at an average price of approximately \$18.70 per share. The Company did not repurchase any shares of its common stock during the second quarter of fiscal 2012. Shares valued at approximately \$70 million remained authorized under the 2011 Repurchase Program for repurchase as of February 29, 2012.

On November 29, 2011, the Company entered into a new \$30 million repurchase plan established under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, and repurchases under this plan are subject to specific parameters and contain certain price and volume constraints.

The Company has foreign currency exposures primarily related to the Euro, British pound sterling, Polish zloty, Canadian dollar, Mexican peso, Australian dollar, Indian rupee, Malaysian ringgit, Chinese yuan, Brazilian real, and Indonesian rupiah. The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars using current exchange rates. Income statement items are translated at average exchange rates prevailing during the period. The resulting translation adjustments are recorded in the accumulated other comprehensive income (loss) account in stockholders' equity. A significant portion of the Company's operations uses the Euro as its functional currency. The change in the value of the U.S. dollar during the six months ended February 29, 2012 decreased the accumulated other comprehensive income (loss) account by approximately \$22.2 million which was primarily the result of an approximate 7.0% decrease in the value of the Euro since August 31, 2011 to a spot rate of 1.344 Euros to 1 U.S. dollar as of February 29, 2012.

Cash flow from operations, borrowing capacity under the credit facilities and current cash and cash equivalents are expected to provide sufficient liquidity to maintain the Company's current operations and capital expenditure requirements, pay dividends, repurchase shares, pursue acquisitions and service outstanding debt.

Contractual Obligations

As of February 29, 2012, there were no material changes to the Company's future contractual obligations as previously reported in the Company's 2011 Annual Report on Form 10-K for the fiscal year ended August 31, 2011.

Operating lease information is provided in Note 12 to the consolidated financial statements in the Company's 2011 Annual Report on Form 10-K for the fiscal year ended August 31, 2011 as there has been no significant changes.

The Company's outstanding commercial commitments as of February 29, 2012 are not material to the Company's financial position, liquidity or results of operations.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as of February 29, 2012.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Management bases its estimates on historical experience and other factors it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. The Company's critical accounting policies are the same as discussed in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011.

Accounting Pronouncements

For a discussion of accounting pronouncements, see Note 15 to the consolidated financial statements in this Quarterly Report.

Cautionary Statements

A number of the matters discussed in this document that are not historical or current facts deal with potential future circumstances and developments and may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historic or current facts and relate to future events and expectations. Forward-looking statements contain such words as anticipate, estimate, expect, project, intend, plan, believe, and other words or terms of similar meaning in connection with any discussion of future operating or financial performance. Forward-looking statements are based on management's current expectations and include known and unknown risks, uncertainties and other factors, many of which management is unable to predict or control, that may cause actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking statements. Important factors that could cause actual results to differ materially from those suggested by these forward-looking statements, and that could adversely affect the Company's future financial performance, include, but are not limited to, the following:

worldwide and regional economic, business and political conditions, including continuing economic uncertainties in some or all of the Company's major product markets or countries where the Company has operations;

the effectiveness of the Company's efforts to improve operating margins through sales growth, price increases, productivity gains, and improved purchasing techniques;

competitive factors, including intense price competition;

fluctuations in the value of currencies in major areas where the Company operates;

volatility of prices and availability of the supply of energy and raw materials that are critical to the manufacture of the Company's products, particularly plastic resins derived from oil and natural gas;

changes in customer demand and requirements;

effectiveness of the Company to achieve the level of cost savings, productivity improvements, growth and other benefits anticipated from acquisitions and restructuring initiatives;

escalation in the cost of providing employee health care;

uncertainties regarding the resolution of pending and future litigation and other claims;

the performance of the global automotive market; and

further adverse changes in economic or industry conditions, including global supply and demand conditions and prices for products.

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The risks and uncertainties identified above are not the only risks the Company faces. Additional risk factors that could affect the Company's performance are set forth in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011. In addition, risks and uncertainties not presently known to the Company or that it believes to be immaterial also may adversely affect the Company. Should any known or unknown risks or uncertainties develop into actual events, or underlying assumptions prove inaccurate, these developments could have material adverse effects on the Company's business, financial condition and results of operations.

Item 3 Quantitative and Qualitative Disclosure about Market Risk

In the ordinary course of business, the Company is subject to interest rate, foreign currency, and commodity risks. Information related to these risks and management of these exposures is included in Part II, ITEM 7A, QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK, in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011, filed with the Securities and Exchange Commission on October 26, 2011. Exposures to market risks have not changed materially since August 31, 2011.

Item 4 Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company carries out a variety of on-going procedures, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to evaluate the effectiveness of the design and operation of the Company's disclosure controls and procedures. In the second quarter of fiscal 2012, the Company acquired Elian SAS. The scope of the Company's second quarter of fiscal 2012 assessment of the effectiveness of internal control over financial reporting did not include Elian SAS. This exclusion is in accordance with the SEC's general guidance that an assessment of a recently acquired business may be omitted from the Company's scope in the year of acquisition. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

There has been no change in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II OTHER INFORMATION

Items 1, 3, 4 and 5 are not applicable or the answer to such items is negative; therefore, the items have been omitted and no reference is required in this Quarterly Report.

Item 1A Risk Factors

There are certain risks and uncertainties in the Company's business that could cause our actual results to differ materially from those anticipated. In ITEM 1A. RISK FACTORS of Part I of the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011, the Company included a detailed discussion of its risk factors. There are no changes from the risk factors previously disclosed.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

On May 13, 2011, the Board of Directors approved a new share repurchase program under which the Company is authorized to repurchase up to \$100 million of its common stock in the open market or in privately negotiated transactions, subject to market and other conditions (2011 Repurchase Program). The 2011 Repurchase Program replaces the Company's previous share repurchase program which was approved in fiscal 2008 (2008 Repurchase Program).

As part of the 2011 Repurchase Program, on May 13, 2011, the Company entered into a \$30 million share repurchase plan established under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the Repurchase Plan). Under the Repurchase Plan, the Company's designated broker repurchased 1,218,429 shares of its common stock under the 2011 Repurchase Program in the first quarter of fiscal 2012 at an average price of approximately \$17.60 per share. As of October 10, 2011, the Company fulfilled the Repurchase Plan by repurchasing a cumulative 1,603,979 shares of its common stock in fiscal 2011 and the first quarter of fiscal 2012 at an average price of approximately \$18.70 per share. The Company did not repurchase any shares of its common stock during the second quarter of fiscal 2012. Shares valued at approximately \$70 million remained authorized under the 2011 Repurchase Program for repurchase as of February 29, 2012.

On November 29, 2011, the Company entered into a new \$30 million repurchase plan established under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, and repurchases under this plan are subject to specific parameters and contain certain price and volume constraints.

Item 6 Exhibits

(a) Exhibits

| Exhibit Number | Exhibit |
|----------------|--|
| 3.1 | Amended and Restated Certificate of Incorporation of the Company (for purposes of Commission reporting compliance only) (incorporated by reference from Exhibit 3(a) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2009). |
| 3.2 | Amended and Restated By-laws of the Company (incorporated by reference from Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Commission on June 27, 2011). |
| 10.1 | Form of Time-Based Restricted Stock Award Agreement for Employees (filed herewith). |
| 10.2 | Form of Time-Based Restricted Stock Unit Award Agreement for Foreign Employees (filed herewith). |
| 10.3 | Form of 2012 Whole Share Award Agreement for Non-Employee Directors (filed herewith). |
| 10.4 | Form of 2012 Performance Share Award Agreement (ROIC) for Employees (filed herewith). |
| 10.5 | Form of 2012 Performance Share Award Agreement (TSR) for Employees (filed herewith). |
| 10.6 | Form of 2012 Performance Unit Award Agreement (ROIC) for Foreign Employees (filed herewith). |
| 10.7 | Form of 2012 Performance Unit Award Agreement (TSR) for Foreign Employees (filed herewith). |
| 31.1 | Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a). |
| 31.2 | Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a). |
| 32 | Certifications of Principal Executive and Principal Financial Officer pursuant to 18 U.S.C. 1350. |
| *101.INS | XBRL Instance Document. |
| *101.SCH | XBRL Taxonomy Extension Schema Document. |
| *101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. |
| *101.LAB | XBRL Taxonomy Extension Label Linkbase Document. |
| *101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. |

* In accordance with Rule 406T of Regulation S-T, the XBRL (Extensible Business Reporting Language) information in these exhibits shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

SIGNATURES

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

A. Schulman, Inc. (Registrant)

/s/ Joseph J. Levanduski
Joseph J. Levanduski , Vice President, Chief
Financial Officer, and Treasurer of A.
Schulman, Inc. (Signing on behalf of Registrant
as a duly authorized officer of Registrant and
signing as the Principal Financial Officer of
Registrant)
Date: April 4, 2012

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