APTARGROUP INC
Form 10-Q
May 09, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549-1004

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2011

OR

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

FOR THE TRANSITION PERIOD FROM___________TO___________

COMMISSION FILE NUMBER 1-11846

AptarGroup, Inc.

DELAWARE	**36-3853103**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**

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

815-477-0424

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

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

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

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

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

Class	Outstanding at May 5, 2011
Common Stock, $.01 par value per share	67,217,676 shares

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AptarGroup, Inc.

Form 10-Q

Quarter Ended March 31, 2011

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

AptarGroup, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

In thousands, except per share amounts

Three Months Ended March 31,		**2011**		**2010**
Net Sales	**$**	**576,518**	$	505,469
Operating Expenses:				
Cost of sales (exclusive of depreciation shown below)		**382,670**		331,156
Selling, research & development and administrative		**90,479**		78,696
Depreciation and amortization		**33,605**		33,991
		506,754		443,843
Operating Income		**69,764**		61,626
Other Income (Expense):				
Interest expense		**(4,620)**		(3,472)
Interest income		**1,552**		766
Miscellaneous, net		**(421)**		(1,002)
		(3,489)		(3,708)
Income before Income Taxes		**66,275**		57,918
Provision for Income Taxes		**21,807**		18,823
Net Income		**44,468**		39,095
Net Loss/(Income) Attributable to Noncontrolling Interests		**9**		(73)
Net Income Attributable to AptarGroup, Inc.	**$**	**44,477**	$	39,022
Net Income Attributable to AptarGroup, Inc. per Common Share:				
Basic	**$**	**.66**	$	.58
Diluted	**$**	**.64**	$	.56
Average Number of Shares Outstanding:				
Basic		**66,926**		67,576
Diluted		**69,914**		70,007
Dividends per Common Share	**$**	**.18**	$	.15

See accompanying unaudited notes to condensed consolidated financial statements.

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AptarGroup, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

	March 31, 2011	December 31, 2010
Assets		
Current Assets:		
Cash and equivalents	**$ 397,137**	$ 376,427
Accounts and notes receivable, less allowance for doubtful accounts of $8,177 in 2011 and $8,560 in 2010	**430,108**	357,110
Inventories, net	**301,865**	272,255
Prepaid and other	**72,521**	58,191
	1,201,631	1,063,983
Property, Plant and Equipment:		
Buildings and improvements	**332,787**	316,415
Machinery and equipment	**1,703,698**	1,621,475
	2,036,485	1,937,890
Less: Accumulated depreciation	**(1,305,872)**	(1,231,557)
	730,613	706,333
Land	**19,498**	18,651
	750,111	724,984
Other Assets:		
Investments in affiliates	**904**	853
Goodwill	**232,764**	227,029
Intangible assets, net	**4,781**	5,242
Miscellaneous	**10,857**	10,627
	249,306	243,751
Total Assets	**$ 2,201,048**	$ 2,032,718

See accompanying unaudited notes to condensed consolidated financial statements.

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AptarGroup, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

		March 31, 2011		December 31, 2010
Liabilities and Stockholders Equity				
Current Liabilities:				
Notes payable	**$**	**73,504**	$	45,440
Current maturities of long-term obligations		**51,011**		50,126
Accounts payable and accrued liabilities		**356,595**		327,756
		481,110		423,322
Long-Term Obligations		**259,572**		258,773
Deferred Liabilities and Other:				
Deferred income taxes		**21,819**		22,134
Retirement and deferred compensation plans		**42,677**		39,362
Deferred and other non-current liabilities		**9,006**		9,353
Commitments and contingencies				
		73,502		70,849
Stockholders Equity:				
AptarGroup, Inc. stockholders equity				
Preferred stock, $.01 par value, 1 million shares authorized, none outstanding				
Common stock, $.01 par value, 199 million shares authorized; 82.1 and 81.8 million shares issued as of March 31, 2011 and December 31, 2010, respectively		**820**		817
Capital in excess of par value		**334,222**		318,346
Retained earnings		**1,311,452**		1,279,013
Accumulated other comprehensive income		**192,127**		123,766
Less treasury stock at cost, 15.2 and 15.0 million shares as of March 31, 2011 and December 31, 2010, respectively		**(452,602)**		(443,019)
Total AptarGroup, Inc. Stockholders Equity		**1,386,019**		1,278,923
Noncontrolling interests in subsidiaries		**845**		851
Total Stockholders Equity		**1,386,864**		1,279,774
Total Liabilities and Stockholders Equity	**$**	**2,201,048**	$	2,032,718

See accompanying unaudited notes to condensed consolidated financial statements.

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AptarGroup, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

In thousands, except per share amounts

		AptarGroup, Inc. Stockholders Equity						
	Comprehensive Income	**Retained Earnings**	**Accumulated Other Comprehensive Income/(Loss)**	**Common Stock Par Value**	**Treasury Stock**	**Capital in Excess of Par Value**	**Non-Controlling Interest**	**Total Equity**
Balance December 31, 2009:		**$ 1,150,017**	**$ 186,099**	**$ 806**	**$ (356,548)**	**$ 272,471**	**$ 791**	**$ 1,253,636**
Net income	$ 39,095	39,022					73	39,095
Foreign currency translation adjustments	(60,513)		(60,513)					(60,513)
Changes in unrecognized pension gains/losses and related amortization, net of tax	203		203					203
Changes in treasury locks, net of tax	21		21					21
Net gain on derivatives, net of tax	8		8					8
Comprehensive loss	$ (21,186)							
Stock option exercises & restricted stock vestings				5		19,584		19,589
Cash dividends declared on common stock		(10,103)						(10,103)
Treasury stock purchased					(7,980)			(7,980)
Balance March 31, 2010:		**$ 1,178,936**	**$ 125,818**	**$ 811**	**$ (364,528)**	**$ 292,055**	**$ 864**	**$ 1,233,956**
Balance December 31, 2010:		**$ 1,279,013**	**$ 123,766**	**$ 817**	**$ (443,019)**	**$ 318,346**	**$ 851**	**$ 1,279,774**
Net income	$ 44,468	44,477					(9)	44,468
Foreign currency translation adjustments	67,744		67,741				3	67,744
Changes in unrecognized pension gains/losses and related amortization, net of tax	593		593					593
Changes in treasury locks, net of tax	21		21					21
Net gain on derivatives, net of tax	6		6					6
Comprehensive income	$ 112,832							

Stock option exercises & restricted stock vestings			3	1	15,876		15,880
Cash dividends declared on common stock	(12,038)						(12,038)
Treasury stock purchased				(9,584)			(9,584)
Balance March 31, 2011:	**$ 1,311,452**	**$ 192,127**	**$ 820**	**$ (452,602)**	**$ 334,222**	**$ 845**	**$ 1,386,864**

See accompanying unaudited notes to consolidated financial statement.

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AptarGroup, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

In thousands, brackets denote cash outflows

Three Months Ended March 31,		**2011**		**2010**
Cash Flows from Operating Activities:				
Net income	**$**	**44,468**	$	39,095
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation		**32,900**		33,078
Amortization		**705**		913
Stock option based compensation		**7,722**		5,982
Provision for bad debts		**65**		78
Deferred income taxes		**(2,496)**		(3,372)
Retirement and deferred compensation plan expense		**2,896**		2,167
Changes in balance sheet items, excluding effects from foreign currency adjustments:				
Accounts receivable		**(62,044)**		(47,365)
Inventories		**(18,380)**		(13,145)
Prepaid and other current assets		**(13,622)**		(6,118)
Accounts payable and accrued liabilities		**11,418**		38,449
Income taxes payable		**(9,930)**		(4,455)
Retirement and deferred compensation plans		**3,093**		(3,440)
Other changes, net		**(943)**		1,205
Net Cash (Used)/Provided by Operations		**(4,148)**		43,072
Cash Flows from Investing Activities:				
Capital expenditures		**(25,137)**		(29,871)
Disposition of property and equipment		**836**		350
Intangible assets acquired				(30)
Acquisition of business net of cash acquired				(3,014)
Change in notes receivable, net		**(230)**		
Net Cash Used by Investing Activities		**(24,531)**		(32,565)
Cash Flows from Financing Activities:				
Proceeds from notes payable		**27,944**		31,506
Proceeds from long-term obligations		**1,402**		
Repayments of long-term obligations				(1,980)
Dividends paid		**(12,038)**		(10,103)
Proceeds from stock option exercises		**6,317**		11,401
Purchase of treasury stock		**(9,584)**		(7,980)
Excess tax benefit from exercise of stock options		**1,584**		1,907
Net Cash Provided by Financing Activities		**15,625**		24,751
Effect of Exchange Rate Changes on Cash		**33,764**		(30,415)
Net Increase in Cash and Equivalents		**20,710**		4,843
Cash and Equivalents at Beginning of Period		**376,427**		332,964
Cash and Equivalents at End of Period	**$**	**397,137**	$	337,807

See accompanying unaudited notes to condensed consolidated financial statements.

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AptarGroup, Inc.

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

REVISION

During the first quarter of 2011, the Company identified certain foreign currency cash flow effects that should not have been reported within cash flows from operating activities on the Consolidated Statements of Cash Flows. Accordingly, the Company changed the classification of these foreign currency effects to appropriately reflect such amounts within effect of exchange rate changes on cash within the Condensed Consolidated Statements of Cash Flows. This revision did not affect any previously reported amounts in our Consolidated Statements of Income, Consolidated Balance Sheets, Consolidated Statements of Changes in Equity or the net change in cash and equivalents within the Consolidated Statements of Cash Flows. Management concluded that the Company s previously issued quarterly and annual financial statements are not materially misstated. The effect of this incorrect classification is provided below for the 2010 and 2009 prior annual periods and the 2010 prior quarterly periods. In each applicable future filing, we will revise our Statement of Cash Flows for each quarterly and annual period as follows:

	Net Cash Provided by Operations		Effect of Exchange Rate Changes on Cash		Change in Cash and Equivalents
	Previously Reported	Revised	Previously Reported	Revised	
Year Ended December 31, 2010	$ 261,715	$ 278,695	$ (17,662)	$ (34,642)	$
Nine Months Ended September 30, 2010	178,385	186,459	(12,928)	(21,002)	
Six Months Ended June 30, 2010	94,822	132,822	(40,451)	(78,451)	

Three Months Ended March 31, 2010		30,235		43,072		(17,578)		(30,415)	
Year Ended December 31, 2009	$	293,591	$	279,789	$	11,551	$	25,353	$

ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU s) to the FASB s Accounting Standards Codification.

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

In January 2010, the FASB issued new guidelines and clarifications for improving disclosures about fair value measurements. This guidance requires disclosure of details of significant transfers in and out of Level 1 and Level 2 fair value measurements. The guidance also clarifies the existing disclosure requirements for the level of disaggregation of fair value measurements and the disclosures on inputs and valuation techniques. The Company adopted these provisions effective January 1, 2010. The adoption did not have any impact on our consolidated financial statements. In addition, the guidance also requires the presentation of purchases, sales, issuances and settlements within Level 3 on a gross basis rather than a net basis. We adopted this additional guidance pertaining to Level 3 fair value measurements effective January 1, 2011. The adoption of this guidance did not have any impact on our financial statements as it contains only disclosure requirements.

INCOME TAXES

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

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

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

NOTE 2 - INVENTORIES

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

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		March 31, 2011		December 31, 2010
Raw materials	**$**	**116,979**	$	106,870
Work in progress		**75,490**		67,591
Finished goods		**114,772**		102,423
Total		**307,241**		276,884
Less LIFO Reserve		**(5,376)**		(4,629)
Total	**$**	**301,865**	$	272,255

NOTE 3 GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

		Beauty + Home		Pharma		Food + Beverage		Corporate and Other		Total
Goodwill	$	171,515	$	37,678	$	17,836	$	1,615	$	228,644
Accumulated impairment losses								(1,615)		(1,615)
Balance as of December 31, 2010	$	171,515	$	37,678	$	17,836	$		$	227,029
Foreign currency exchange effects		4,127		1,614		(6)				5,735
Goodwill	$	175,642	$	39,292	$	17,830	$	1,615	$	234,379
Accumulated impairment losses								(1,615)		(1,615)
Balance as of March 31, 2011	**$**	**175,642**	**$**	**39,292**	**$**	**17,830**	**$**		**$**	**232,764**

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

			March 31, 2011						December 31, 2010		
	Weighted Average Amortization Period (Years)		Gross Carrying Amount		Accumulated Amortization		Net Value		Gross Carrying Amount		Accumulated Amortization		Net Value
Amortized intangible assets:													
Patents	14	**$**	**19,360**	**$**	**(17,066)**	**$**	**2,294**	$	18,489	$	(16,008)	$	2,481
	5		**26,275**		**(23,788)**		**2,487**		25,345		(22,584)		2,761

License agreements and other												
Total intangible assets	9	**$**	**45,635**	**$**	**(40,854)**	**$**	**4,781**	$	43,834	$	(38,592)	$ 5,242

Aggregate amortization expense for the intangible assets above for the quarters ended March 31, 2011 and 2010 was $705 and $913, respectively.

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

2011	$	1,353	(remaining estimated amortization for 2011)
2012		890	
2013		739	
2014		686	
2015		469	

Future amortization expense may fluctuate depending on changes in foreign currency rates. The estimates for amortization expense noted above are based upon foreign exchange rates as of March 31, 2011.

NOTE 4   RETIREMENT AND DEFERRED COMPENSATION PLANS

Components of Net Periodic Benefit Cost:

	Domestic Plans				Foreign Plans			
Three months ended March 31,		**2011**		**2010**		**2011**		**2010**
Service cost	**$**	**1,370**	$	1,147	**$**	**516**	$	433
Interest cost		**1,134**		1,007		**648**		612
Expected return on plan assets		**(1,040)**		(990)		**(461)**		(357)
Amortization of net loss		**431**		154		**200**		66
Amortization of prior service cost		**1**		1		**97**		93
Net periodic benefit cost	**$**	**1,896**	$	1,319	**$**	**1,000**	$	847

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EMPLOYER CONTRIBUTIONS

In order to meet or exceed minimum funding levels required by U.S. law, the Company expects to contribute approximately $12.2 million to its domestic defined benefit plans in 2011 and did not make any contributions as of March 31, 2011. The Company also expects to contribute approximately $2.2 million to its foreign defined benefit plans in 2011 and as of March 31, 2011, has contributed approximately $0.2 million.

NOTE 5 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

For derivative instruments designated as hedges, the Company formally documents the nature and relationships between the hedging instruments and the hedged items, as well as the risk management objectives, strategies for undertaking the various hedge transactions, and the method of assessing hedge effectiveness. Additionally, in order to designate any derivative instrument as a hedge of an anticipated transaction, the significant characteristics and expected terms of any anticipated transaction must be specifically identified, and it must be probable that the anticipated transaction will occur.

FAIR VALUE HEDGES

The Company has an interest rate swap to convert a portion of its fixed-rate debt into variable-rate debt. Under the interest rate swap contract, the Company exchanges, at specified intervals, the difference between fixed-rate and floating-rate amounts, which is calculated based on an agreed upon notional amount.

As of March 31, 2011, the Company has recorded the fair value of the interest rate swap of $156 thousand in prepaid and other assets with an offsetting adjustment to debt related to the fixed-to-variable interest rate swap agreement with a notional principal value of $5 million. No gain or loss was recorded in the income statement in 2010 or the first quarter of 2011 as any hedge ineffectiveness for the period was immaterial.

CASH FLOW HEDGES

As of March 31, 2011, the Company had one foreign currency cash flow hedge. A French subsidiary of AptarGroup, AptarGroup Holding SAS, has hedged the risk of variability in Euro equivalent associated with the cash flows of an intercompany loan granted in Brazilian Real. The forward contracts utilized were designated as a hedge of the changes in the cash flows relating to the changes in foreign currency rates relating to the loan and related forecasted interest. The notional amount of the foreign currency forward contracts utilized to hedge cash flow exposure was 1.3 million Brazilian Real ($0.8 million) as of March 31, 2011. The notional amount of the foreign currency forward contracts utilized to hedge cash flow exposure was 2.7 million Brazilian Real ($1.5 million) as of March 31, 2010.

During the three months ended March 31, 2011, the Company did not recognize any net gain (loss) as any hedge ineffectiveness for the period was immaterial, and the Company did not recognize any net gain (loss) related to the portion of the hedging instrument excluded from the assessment of hedge effectiveness. The Company s foreign currency forward contracts hedge forecasted transactions for approximately one year (March 2012).

HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

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

OTHER

As of March 31, 2011, the Company has recorded the fair value of foreign currency forward exchange contracts of $0.6 million in prepaid and other, $2.0 million in accounts payable and accrued liabilities, and $2.3 million in deferred and other non-current liabilities in the balance sheet. All forward exchange contracts outstanding as of March 31, 2011 had an aggregate contract amount of $89.8 million.

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Fair Value of Derivative Instruments in the Statements of Financial Position as of March 31, 2011

and December 31, 2010

Derivative Contracts Designated as Hedging Instruments	Balance Sheet Location	March 31, 2011	December 31, 2010
Derivative Assets			
Interest Rate Contracts	Prepaid and other	$ 156	$
Interest Rate Contracts	Miscellaneous		155
		$ 156	$ 155
Derivative Liabilities			
Foreign Exchange Contracts	Accounts payable and accrued liabilities	$ 313	$ 309
Foreign Exchange Contracts	Deferred and other non-current liabilities		377
		$ 313	$ 686
Derivative Contracts Not Designated as Hedging Instruments			
Derivative Assets			
Foreign Exchange Contracts	Prepaid and other	$ 576	$ 1,660
		$ 576	$ 1,660
Derivative Liabilities			
Foreign Exchange Contracts	Accounts payable and accrued liabilities	$ 1,744	$ 1,089
Foreign Exchange Contracts	Deferred and other non-current liabilities	2,258	2,448
		$ 4,002	$ 3,537

The Effect of Derivative Instruments on the Statements of Financial Performance

for the Quarters Ended March 31, 2011 and March 31, 2010

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) 2011	2010
Foreign Exchange Contracts	$ 10	$ 13
	$ 10	$ 13

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative 2011	2010
Foreign Exchange Contracts	Miscellaneous, net	$ (3,242)	$ (2,371)
		$ (3,242)	$ (2,371)

NOTE 6 COMMITMENTS AND CONTINGENCIES

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

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

Under its Certificate of Incorporation, the Company has agreed to indemnify its officers and directors for certain events or occurrences while the officer or director is, or was serving, at its request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a directors and officers liability insurance policy that covers a portion of its exposure. As a result of its insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal. The Company has no liabilities recorded for these agreements as of March 31, 2011.

NOTE 7 STOCK REPURCHASE PROGRAM

During the quarter ended March 31, 2011, the Company repurchased approximately 200 thousand shares for an aggregate amount of $9.6 million. As of March 31, 2011, the Company has a remaining authorization to repurchase 1.5 million additional shares. The timing of and total amount expended for the share repurchase depends upon market conditions. There is no time limit on the repurchase authorization.

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NOTE 8 EARNINGS PER SHARE

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

	March 31, 2011		March 31, 2010	
	Diluted	**Basic**	**Diluted**	**Basic**
Consolidated operations				
Income available to common shareholders	**$ 44,477**	**$ 44,477**	$ 39,022	$ 39,022
Average equivalent shares				
Shares of common stock	**66,926**	**66,926**	67,576	67,576
Effect of dilutive stock based compensation				
Stock options	**2,983**		2,414	
Restricted stock	**5**		17	
Total average equivalent shares	**69,914**	**66,926**	70,007	67,576
Net income per share	**$ .64**	**$ .66**	$ .56	$ .58

NOTE 9 SEGMENT INFORMATION

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

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

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

Three months ended March 31,	**2011**	**2010**
Total Revenue:		
Beauty + Home	**$ 379,831**	$ 342,591
Pharma	**132,195**	113,489
Food + Beverage	**68,724**	53,324
Other	**46**	25
Total Revenue	**$ 580,796**	$ 509,429

Less: Intersegment Sales:				
Beauty + Home	**$**	**3,569**	$	3,182
Pharma		**191**		48
Food + Beverage		**472**		705
Other		**46**		25
Total Intersegment Sales	**$**	**4,278**	$	3,960
Net Sales:				
Beauty + Home	**$**	**376,262**	$	339,409
Pharma		**132,004**		113,441
Food + Beverage		**68,252**		52,619
Other				
Net Sales	**$**	**576,518**	$	505,469
Segment Income:				
Beauty + Home	**$**	**32,653**	$	31,111
Pharma		**38,888**		30,646
Food + Beverage		**7,572**		7,615
Corporate & Other		**(9,770)**		(8,748)
Income before interest and taxes	**$**	**69,343**	$	60,624
Interest expense, net		**(3,068)**		(2,706)
Income before income taxes	**$**	**66,275**	$	57,918

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NOTE 10   ACQUISITIONS

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

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

NOTE 11   STOCK-BASED COMPENSATION

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

Compensation expense recorded attributable to stock options for the first quarter of 2011 was approximately $7.7 million ($5.4 million after tax), or $0.08 per basic and diluted share. The income tax benefit related to this compensation expense was approximately $2.3 million. Approximately $7.3 million of the compensation expense was recorded in selling, research & development and administrative expenses and the balance was recorded in cost of sales. Compensation expense recorded attributable to stock options for the first quarter of 2010 was approximately $6.0 million ($4.2 million after tax), or $0.06 per basic and diluted share. The income tax benefit related to this compensation expense was approximately $1.8 million. Approximately $5.6 million of the compensation expense was recorded in selling, research & development and administrative expenses and the balance was recorded in cost of sales.

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

Stock Awards Plans: **Three months ended March 31,**	**2011**	**2010**
Dividend Yield	1.7%	1.8%
Expected Stock Price Volatility	23.3%	22.7%
Risk-free Interest Rate	2.7%	3.7%
Expected Life of Option (years)	6.9	6.9

There were no grants under the Director Stock Option Plan during the three months ended 2011 and 2010.

A summary of option activity under the Company s stock option plans during the quarter ended March 31, 2011 is presented below:

	Stock Awards Plans			Director Stock Option Plans		
	Shares		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price
Outstanding, January 1, 2011	**8,208,736**	**$**	**28.91**	**219,000**	**$**	**30.40**
Granted	**1,279,150**		**48.20**			
Exercised	**(389,154)**		**20.54**	**(8,500)**		**26.73**
Forfeited or expired	**(10,573)**		**34.47**			
Outstanding at March 31, 2011	**9,088,159**	**$**	**31.98**	**210,500**		