

APTARGROUP INC
Form 10-Q
November 04, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-1004

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-11846

AptarGroup, Inc.

DELAWARE
(State of Incorporation)

36-3853103
(I.R.S. Employer Identification No.)

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

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815-477-0424

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

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

Class	Outstanding at October 29, 2013
Common Stock, \$.01 par value per share	65,853,245 shares

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Quarter Ended September 30, 2013

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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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Sales	\$ 623,644	\$ 589,598	\$ 1,882,718	\$ 1,759,599
Operating Expenses:				
Cost of sales (exclusive of depreciation and amortization shown below)	424,011	407,368	1,273,848	1,198,663
Selling, research & development and administrative	86,917	80,094	269,335	256,433
Depreciation and amortization	37,222	35,248	112,007	100,399
Restructuring initiatives	2,180	--	8,758	(215)
	550,330	522,710	1,663,948	1,555,280
Operating Income	73,314	66,888	218,770	204,319
Other Income (Expense):				
Interest expense	(4,841)	(4,721)	(15,364)	(13,867)
Interest income	576	335	2,271	2,157
Equity results of affiliates	(286)	(229)	(609)	(518)
Miscellaneous, net	(437)	753	(1,070)	(247)
	(4,988)	(3,862)	(14,772)	(12,475)
Income before Income Taxes	68,326	63,026	203,998	191,844
Provision for Income Taxes	23,094	20,925	68,908	64,278
Net Income	\$ 45,232	\$ 42,101	\$ 135,090	\$ 127,566
Net Loss Attributable to Noncontrolling Interests	\$ 32	\$ 26	\$ 5	\$ 56
Net Income Attributable to AptarGroup, Inc.	\$ 45,264	\$ 42,127	\$ 135,095	\$ 127,622
Net Income Attributable to AptarGroup, Inc. per Common Share:				
Basic	\$ 0.68	\$ 0.63	\$ 2.04	\$ 1.92
Diluted	\$ 0.67	\$ 0.62	\$ 1.98	\$ 1.86

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Average Number of Shares Outstanding:								
Basic	66,092		66,541		66,222		66,439	
Diluted	67,986		68,353		68,273		68,711	
Dividends per Common Share		\$ 0.25		\$ 0.22		\$ 0.75		\$ 0.66

See accompanying unaudited notes to condensed consolidated financial statements.

Table of Contents**AptarGroup, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/ (LOSS)

(Unaudited)

In thousands, except per share amounts

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income	\$ 45,232	\$ 42,101	\$ 135,090	\$ 127,566
Other Comprehensive Income/(Loss):				
Foreign currency translation adjustments	45,344	19,027	16,282	(9,795)
Changes in treasury locks, net of tax	9	14	39	194
Net loss on derivatives, net of tax	--	--	--	(7)
Defined benefit pension plan, net of tax				
Amortization of prior service cost included in net income, net of tax	61	59	183	180
Amortization of net loss included in net income, net of tax	1,039	683	3,111	2,054
Total defined benefit pension plan, net of tax	1,100	742	3,294	2,234
Total other comprehensive income/(loss)	46,453	19,783	19,615	(7,374)
Comprehensive Income	91,685	61,884	154,705	120,192
Comprehensive Loss/(Income) Attributable To Noncontrolling Interests	30	21	(2)	56
Comprehensive Income Attributable to AptarGroup, Inc.	\$ 91,715	\$ 61,905	\$ 154,703	\$ 120,248

See accompanying unaudited notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

	September 30, 2013	December 31, 2012
Assets		
Current Assets:		
Cash and equivalents	\$ 247,851	\$ 229,755
Accounts and notes receivable, less allowance for doubtful accounts of \$4,780 in 2013 and \$6,751 in 2012	439,016	396,788
Inventories	349,690	321,885
Prepaid and other	109,091	90,505
	1,145,648	1,038,933
Property, Plant and Equipment:		
Buildings and improvements	378,451	364,704
Machinery and equipment	1,941,744	1,857,347
	2,320,195	2,222,051
Less: Accumulated depreciation	(1,486,234)	(1,397,575)
	833,961	824,476
Land	23,872	23,757
	857,833	848,233
Other Assets:		
Investments in affiliates	3,177	3,693
Goodwill	355,316	351,552
Intangible assets, net	49,757	51,960
Miscellaneous	16,641	30,041
	424,891	437,246
Total Assets	\$ 2,428,372	\$ 2,324,412

See accompanying unaudited notes to condensed consolidated financial statements.

Table of Contents**AptarGroup, Inc.**

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

	September 30, 2013	December 31, 2012
Liabilities and Stockholders Equity		
Current Liabilities:		
Notes payable	\$ 76,811	\$ 45,166
Current maturities of long-term obligations	899	29,488
Accounts payable and accrued liabilities	402,632	380,669
	480,342	455,323
Long-Term Obligations	355,185	352,860
Deferred Liabilities and Other:		
Deferred income taxes	30,393	33,451
Retirement and deferred compensation plans	95,031	95,872
Deferred and other non-current liabilities	6,578	6,408
Commitments and contingencies	--	--
	132,002	135,731
Stockholders Equity:		
AptarGroup, Inc. stockholders equity		
Preferred stock, \$.01 par value, 1 million shares authorized, none outstanding	--	--
Common stock, \$.01 par value, 199 million shares authorized; 85.2 and 84.1 million shares issued as of September 30, 2013 and December 31, 2012, respectively	852	840
Capital in excess of par value	485,733	430,210
Retained earnings	1,598,979	1,513,558
Accumulated other comprehensive income	80,291	60,683
Less treasury stock at cost, 19.4 and 18.2 million shares as of September 30, 2013 and December 31, 2012, respectively	(705,622)	(625,401)
Total AptarGroup, Inc. Stockholders Equity	1,460,233	1,379,890
Noncontrolling interests in subsidiaries	610	608
Total Stockholders Equity	1,460,843	1,380,498
Total Liabilities and Stockholders Equity	\$ 2,428,372	\$ 2,324,412

See accompanying unaudited notes to condensed consolidated financial statements.

Table of Contents**AptarGroup, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

In thousands, except per share amounts

		AptarGroup, Inc. Stockholders Equity							
		Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Common Stock Par Value	Treasury Stock	Capital in Excess of Par Value	Non-Controlling Interest	Total Equity	
Balance	December 31, 2011:	\$ 1,409,388	\$ 60,318	\$ 827	\$ (545,612)	\$ 364,855	\$ 796	\$ 1,290,572	
Net income (loss)		127,622					(56)	127,566	
Foreign currency translation adjustments			(9,795)					(9,795)	
Changes in unrecognized pension gains/losses and related amortization, net of tax			2,234					2,234	
Changes in treasury locks, net of tax			194					194	
Net loss on derivatives, net of tax			(7)					(7)	
Stock option exercises & restricted stock vestings				10	3	52,235		52,248	
Cash dividends declared on common stock		(43,830)						(43,830)	
Treasury stock purchased					(40,896)			(40,896)	
Balance	September 30, 2012:	\$ 1,493,180	\$ 52,944	\$ 837	\$ (586,505)	\$ 417,090	\$ 740	\$ 1,378,286	
Balance	December 31, 2012:	\$ 1,513,558	\$ 60,683	\$ 840	\$ (625,401)	\$ 430,210	\$ 608	\$ 1,380,498	
Net income (loss)		135,095					(5)	135,090	
Foreign currency translation adjustments			16,275				7	16,282	
Changes in unrecognized pension gains/losses and related amortization, net of tax			3,294					3,294	
Changes in treasury locks, net of tax			39					39	
Stock option exercises & restricted stock vestings				12	1	55,523		55,536	
Cash dividends declared on common stock		(49,674)						(49,674)	
Treasury stock purchased					(80,222)			(80,222)	
Balance	September 30, 2013:	\$ 1,598,979	\$ 80,291	\$ 852	\$ (705,622)	\$ 485,733	\$ 610	\$ 1,460,843	

See accompanying unaudited notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

In thousands, brackets denote cash outflows

Nine Months Ended September 30,	2013	2012
Cash Flows from Operating Activities:		
Net income	\$ 135,090	\$ 127,566
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	108,259	98,501
Amortization	3,748	1,898
Stock based compensation	11,538	10,773
Provision for doubtful accounts	(516)	(327)
Deferred income taxes	(5,612)	(3,644)
Defined benefit plan expense	14,531	10,855
Equity in results of affiliates in excess of cash distributions received	609	518
Changes in balance sheet items, excluding effects from foreign currency adjustments:		
Accounts receivable	(42,531)	(14,365)
Inventories	(27,168)	(11,819)
Prepaid and other current assets	(15,416)	6,342
Accounts payable and accrued liabilities	8,544	(2,963)
Income taxes payable	10,312	4,716
Retirement and deferred compensation plans	(18,717)	(19,260)
Other changes, net	11,850	(11,273)
Net Cash Provided by Operations	194,521	197,518
Cash Flows from Investing Activities:		
Capital expenditures	(110,350)	(133,016)
Disposition of property and equipment	2,207	2,430
Acquisition of business, net of cash acquired	--	(187,840)
Investment in unconsolidated affiliate	(13)	(279)
Notes receivable, net	(159)	7
Net Cash Used by Investing Activities	(108,315)	(318,698)
Cash Flows from Financing Activities:		
Proceeds/(Repayments) from notes payable	31,908	(166,911)
Proceeds from long-term obligations	--	125,029
Repayments of long-term obligations	(25,491)	--
Dividends paid	(49,674)	(43,830)
Credit facility costs	(498)	(1,470)
Proceeds from stock option exercises	38,368	35,239
Purchase of treasury stock	(80,222)	(40,896)
Excess tax benefit from exercise of stock options	5,058	6,006
Net Cash Used by Financing Activities	(80,551)	(86,833)
Effect of Exchange Rate Changes on Cash	12,441	4,684
Net Increase/(Decrease) in Cash and Equivalents	18,096	(203,329)
Cash and Equivalents at Beginning of Period	229,755	377,616
Cash and Equivalents at End of Period	\$ 247,851	\$ 174,287

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. Certain previously reported amounts have been reclassified to conform to the current period presentation.

In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of consolidated financial position, results of operations, comprehensive income, changes in equity and cash flows for the interim periods presented. The accompanying unaudited condensed consolidated financial statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. Also, certain financial position data included herein was derived from the audited consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012 but does not include all disclosures required by accounting principles generally accepted in the United States of America. Accordingly, these unaudited condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012. The results of operations of any interim period are not necessarily indicative of the results that may be expected for the year.

ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates to the FASB s Accounting Standards Codification.

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

In January 2013, the FASB issued authoritative guidance requiring new asset and liability offsetting disclosures for derivatives, repurchase agreements and security lending transactions to the extent that they are offset in the financial statements or are subject to an enforceable master netting arrangement or similar agreement. We do not have any repurchase agreements and do not participate in securities lending transactions. Our derivative instruments are not offset in the financial statements. Accordingly, the adoption of this standard had no impact on the Condensed Consolidated Financial Statements other than disclosure. Additional information can be found in Note 6 of the Notes to the Condensed Consolidated Financial Statements.

INCOME TAXES

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

In its determination of which foreign earnings are permanently reinvested in foreign operations, the Company considers numerous factors, including the financial requirements of the U.S. parent company and those of its foreign subsidiaries, the U.S. funding needs for dividend payments and stock repurchases, and the tax consequences of remitting earnings to the U.S. From this analysis, current year repatriation decisions are made in an attempt to provide a proper mix of debt and shareholder capital both within the U.S. and for non-U.S. operations. The Company's policy is to permanently reinvest its accumulated foreign earnings and only will make a distribution out of current year earnings to meet the cash needs at the parent company. As such, the Company does not provide taxes on earnings that are deemed to be permanently reinvested. The effective tax rate for 2013 includes the tax cost of repatriating \$77 million of current year earnings, all of which was repatriated in the first half of 2013.

The Company provides a liability for the amount of tax benefits realized from uncertain tax positions. This liability is provided whenever the Company determines that a tax benefit will not meet a more-likely-than-not threshold for recognition. See Note 13 of the Notes to the Condensed Consolidated Financial Statements for more information.

NOTE 2 - INVENTORIES

At September 30, 2013 and December 31, 2012, approximately 19% of the total inventories are accounted for by using the LIFO method. Inventories, by component, consisted of:

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	September 30, 2013	December 31, 2012
Raw materials	\$ 113,673	\$ 125,889
Work in process	109,062	75,261
Finished goods	134,575	127,393
Total	357,310	328,543
Less LIFO Reserve	(7,620)	(6,658)
Total	\$ 349,690	\$ 321,885

NOTE 3 GOODWILL AND OTHER INTANGIBLE ASSETS

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

	Beauty + Home	Pharma	Food + Beverage	Corporate & Other	Total
Goodwill	\$ 179,890	\$ 153,978	\$ 17,684	\$ 1,615	\$ 353,167
Accumulated impairment losses	--	--	--	(1,615)	(1,615)
Balance as of December 31, 2012	\$ 179,890	\$ 153,978	\$ 17,684	\$ --	\$ 351,552
Acquisition	--	--	--	--	--
Foreign currency exchange effects	66	3,560	138	--	3,764
Goodwill	\$ 179,956	\$ 157,538	\$ 17,822	\$ 1,615	\$ 356,931
Accumulated impairment losses	--	--	--	(1,615)	(1,615)
Balance as of September 30, 2013	\$ 179,956	\$ 157,538	\$ 17,822	\$ --	\$ 355,316

The table below shows a summary of intangible assets as of September 30, 2013 and December 31, 2012.

	September 30, 2013				December 31, 2012			
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Value	Gross Carrying Amount	Accumulated Amortization	Net Value	
Amortized intangible assets:								
Patents	7	\$ 20,033	\$ (19,542)	\$ 491	\$ 19,570	\$ (18,894)	\$ 676	
Acquired technology	15	39,906	(3,325)	36,581	38,928	(1,298)	37,630	
License agreements and other	5	36,089	(23,404)	12,685	35,780	(22,126)	13,654	
Total intangible assets	10	\$ 96,028	\$ (46,271)	\$ 49,757	\$ 94,278	\$ (42,318)	\$ 51,960	

Aggregate amortization expense for the intangible assets above for the quarters ended September 30, 2013 and 2012 was \$1,266 and \$1,232, respectively. Aggregate amortization expense for the intangible assets above for the nine months ended September 30, 2013 and 2012 was \$3,748 and \$1,898, respectively.

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

2013	\$	1,260	(remaining estimated amortization for 2013)
2014		4,966	
2015		4,786	
2016		4,141	
2017		3,505	
2018 and thereafter		31,099	

Future amortization expense may fluctuate depending on changes in foreign currency rates. The estimates for amortization expense noted above are based upon foreign exchange rates as of September 30, 2013.

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Three months ended September 30,	Domestic Plans		Foreign Plans	
	2013	2012	2013	2012
Service cost	\$ 2,135	\$ 1,831	\$ 974	\$ 573
Interest cost	1,248	1,247	668	660
Expected return on plan assets	(1,443)	(1,422)	(454)	(371)
Amortization of net loss	1,276	978	353	116
Amortization of prior service cost	--	1	93	88
Net periodic benefit cost	\$ 3,216	\$ 2,635	\$ 1,634	\$ 1,066

Nine months ended September 30,	Domestic Plans		Foreign Plans	
	2013	2012	2013	2012
Service cost	\$ 6,405	\$ 5,443	\$ 2,902	\$ 1,601
Interest cost	3,744	3,706	1,991	1,935
Expected return on plan assets	(4,331)	(4,227)	(1,353)	(1,138)
Amortization of net loss	3,827	2,907	1,053	355
Amortization of prior service cost	2	3	278	270
Net periodic benefit cost	\$ 9,647	\$ 7,832	\$ 4,871	\$ 3,023

EMPLOYER CONTRIBUTIONS

In order to meet or exceed minimum funding levels required by U.S. law, the Company contributed \$10 million during the third quarter and the first nine months of 2013 and does not expect to make any contribution to the U.S. plan in the last quarter of 2013. The Company expects to contribute approximately \$4.3 million to its foreign defined benefit plans in 2013 and has contributed approximately \$2.0 million during the first nine months of 2013.

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

	Foreign Currency	Defined Benefit Pension Plans	Other	Total
Balance December 31, 2011	\$ 100,593	\$ (39,907)	\$ (368)	\$ 60,318
Other comprehensive loss before reclassifications	(9,795)	--	--	(9,795)
Amounts reclassified from accumulated other comprehensive income	--	2,234	187	2,421
	(9,795)	2,234	187	(7,374)

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Net current-period other comprehensive
(loss)/income

Balance - September 30, 2012	\$	90,798	\$	(37,673)	\$	(181)	\$	52,944
Balance December 31, 2012	\$	120,097	\$	(59,248)	\$	(166)	\$	60,683
Other comprehensive income before reclassifications		16,275		--		--		16,275
Amounts reclassified from accumulated other comprehensive income		--		3,294		39		3,333
Net current-period other comprehensive income		16,275		3,294		39		19,608
Balance - September 30, 2013	\$	136,372	\$	(55,954)	\$	(127)	\$	80,291

Table of Contents**Reclassifications Out of Accumulated Other Comprehensive Income:**

Details about Accumulated Other Comprehensive Income Components Three months ended September 30,	Amount Reclassified from Accumulated Other Comprehensive Income 2013		Affected Line in the Statement Where Net Income is Presented 2012
Defined Benefit Pension Plans			
Amortization of net loss	\$ 1,629	\$	1,094 (a)
Amortization of prior service cost	93		89 (a)
	1,722		1,183 Total before tax
	(622)		(441) Tax benefit
	\$ 1,100	\$	742 Net of tax
Other			
Changes in treasury locks	14		22 Interest Expense
	14		22 Total before tax
	(5)		(8) Tax benefit
	\$ 9	\$	14 Net of tax
Total reclassifications for the period	\$ 1,109	\$	756

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

Details about Accumulated Other Comprehensive Income Components Nine months ended September 30,	Amount Reclassified from Accumulated Other Comprehensive Income 2013		Affected Line in the Statement Where Net Income is Presented 2012
Defined Benefit Pension Plans			
Amortization of net loss	\$ 4,880	\$	3,262 (b)
Amortization of prior service cost	280		273 (b)
	5,160		3,535 Total before tax
	(1,866)		(1,301) Tax benefit
	\$ 3,294	\$	2,234 Net of tax
Other			
Changes in treasury locks	60		67 Interest Expense
Net loss on derivatives	--		(10) Interest Income
	60		57 Total before tax
	(21)		130 Tax benefit
	\$ 39	\$	187 Net of tax
Total reclassifications for the period	\$ 3,333	\$	2,421

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

NOTE 6 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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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.

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.

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

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any of its foreign subsidiaries where the Company's net investment is likely to be monetized, the Company will consider hedging the currency exposure associated with such a transaction.

OTHER

As of September 30, 2013, the Company has recorded the fair value of foreign currency forward exchange contracts of \$3.5 million in prepaid and other, \$31 thousand in miscellaneous other assets, \$0.8 million in accounts payable and accrued liabilities, and \$0.2 million in deferred and other non-current liabilities in the balance sheet. All forward exchange contracts outstanding as of September 30, 2013 had an aggregate contract amount of \$160 million.

**Fair Value of Derivative Instruments in the Condensed Consolidated Balance Sheets as of September 30, 2013
and December 31, 2012**

Derivative Contracts Not Designated as Hedging Instruments	Balance Sheet Location	September 30, 2013	December 31, 2012
Derivative Assets			
Foreign Exchange Contracts	Prepaid and other	\$ 3,530	\$ 332
Foreign Exchange Contracts	Miscellaneous Other Assets	31	982
		\$ 3,561	\$ 1,314
Derivative Liabilities			
Foreign Exchange Contracts	Accounts payable and accrued liabilities	\$ 838	\$ 2,097
Foreign Exchange Contracts	Deferred and other non-current liabilities	163	164
		\$ 1,001	\$ 2,261

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

for the Quarters Ended September 30, 2013 and September 30, 2012

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	2013	2012
Foreign Exchange Contracts	Other Income (Expense) Miscellaneous, net		\$ 2,894	\$ (81)
			\$ 2,894	\$ (81)

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

for the Nine Months Ended September 30, 2013 and September 30, 2012

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Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
		2013	2012
Foreign Exchange Contracts	Other Income (Expense) Miscellaneous, net	\$ 2,851	\$ (1,316)
		\$ 2,851	\$ (1,316)

Description	Gross Amount	Gross Amounts Offset in the Financial Position	Net Amounts Presented in the Statement of Financial Position	Gross Amounts not Offset in the Statement of Financial Position Financial Instruments	Cash Collateral Received	Net Amount
2013						
Derivative Assets	\$ 3,561	-- \$	3,561	--	-- \$	3,561
Total Assets	\$ 3,561	-- \$	3,561	--	-- \$	3,561
Derivative						
Liabilities	\$ 1,001	-- \$	1,001	--	-- \$	1,001
Total Liabilities	\$ 1,001	-- \$	1,001	--	-- \$	1,001
2012						
Derivative Assets	\$ 1,314	-- \$	1,314	--	-- \$	1,314
Total Assets	\$ 1,314	-- \$	1,314	--	-- \$	1,314
Derivative						
Liabilities	\$ 2,261	-- \$	2,261	--	-- \$	2,261
Total Liabilities	\$ 2,261	-- \$	2,261	--	-- \$	2,261

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NOTE 7 COMMITMENTS AND CONTINGENCIES

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

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

Under its Certificate of Incorporation, the Company has agreed to indemnify its officers and directors for certain events or occurrences while the officer or director is, or was serving, at its request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a directors and officers liability insurance policy that covers a portion of its exposure. As a result of its insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal. The Company has no liabilities recorded for these agreements as of September 30, 2013.

NOTE 8 STOCK REPURCHASE PROGRAM

During the three and nine months ended September 30, 2013, the Company repurchased approximately 600 thousand and 1.4 million shares for aggregate amounts of \$35.6 million and \$80.2 million, respectively. The timing of and total amount expended for share repurchases depends upon market conditions. The Company announced the existing repurchase program on July 19, 2011 and on July 18, 2013 the Company's Board of Directors authorized the Company to repurchase an additional four million shares of its outstanding common stock. There is no expiration date for these repurchase programs. As of September 30, 2013, the Company had remaining authorization to repurchase 4.6 million additional shares.

NOTE 9 EARNINGS PER SHARE

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

	Three months ended			
	September 30, 2013		September 30, 2012	
	Diluted	Basic	Diluted	Basic
Consolidated operations				
Income available to common shareholders	\$ 45,264	\$ 45,264	\$ 42,127	\$ 42,127
Average equivalent shares				

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Shares of common stock	66,092	66,092	66,541	66,541
Effect of dilutive stock based compensation				
Stock options	1,887	--	1,804	--
Restricted stock	7	--	8	--
Total average equivalent shares	67,986	66,092	68,353	66,541
Net income per share	\$ 0.67	\$ 0.68		