APTARGROUP INC
Form 10-Q
August 04, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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 JUNE 30, 2010

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. (Check one):

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 July 27, 2010
Common Stock, $.01 par value per share	67,457,118 shares

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Aptargroup, Inc.

Form 10-Q

Quarter Ended June 30, 2010

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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 June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Net Sales	**$ 522,923**	$ 440,508	**$ 1,028,392**	$ 872,324
Operating Expenses:				
Cost of sales (exclusive of depreciation shown below)	**345,175**	288,826	**676,331**	578,547
Selling, research & development and administrative	**71,213**	69,163	**149,909**	140,601
Depreciation and amortization	**32,483**	31,435	**66,474**	61,536
Facilities consolidation and severance		3,095		3,095
	448,871	392,519	**892,714**	783,779
Operating Income	**74,052**	47,989	**135,678**	88,545
Other Income (Expense):				
Interest expense	**(3,631)**	(5,157)	**(7,103)**	(8,604)
Interest income	**508**	711	**1,274**	1,986
Miscellaneous, net	**(1,139)**	(1,110)	**(2,141)**	(1,229)
	(4,262)	(5,556)	**(7,970)**	(7,847)
Income before Income Taxes	**69,790**	42,433	**127,708**	80,698
Provision for Income Taxes	**23,031**	13,961	**41,854**	25,632
Net Income	**$ 46,759**	$ 28,472	**$ 85,854**	$ 55,066
Net (Income)/Loss Attributable to Noncontrolling Interests	**$ (64)**	**$ (12)**	**$ (137)**	**$ 59**
Net Income Attributable to Aptargroup, Inc.	**$ 46,695**	**$ 28,460**	**$ 85,717**	**$ 55,125**
Net Income Attributable to Aptargroup, Inc. per Common Share:				
Basic	**$ 0.69**	$ 0.42	**$ 1,27**	$ 0.81
Diluted	**$ 0.67**	$ 0.41	**$ 1.22**	$ 0.79
Average Number of Shares Outstanding:				
Basic	**67,630**	67,705	**67,603**	67,691

Diluted		**69,682**		69,293		**70,070**		69,660
Dividends per Common Share	**$**	**0.15**	$	0.15	**$**	**0.30**	$	0.30

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

		June 30, 2010		December 31, 2009
Assets				
Current Assets:				
Cash and equivalents	$	**247,268**	$	332,964
Accounts and notes receivable, less allowance for doubtful accounts of $8,615 in 2010 and $9,923 in 2009		**354,187**		319,787
Inventories, net		**237,343**		230,807
Prepayments and other		**65,211**		59,933
		904,009		943,491
Property, Plant and Equipment:				
Buildings and improvements		**292,459**		322,498
Machinery and equipment		**1,498,693**		1,612,945
		1,791,152		1,935,443
Less: Accumulated depreciation		**(1,125,123)**		(1,190,576)
		666,029		744,867
Land		**17,195**		19,201
		683,224		764,068
Other Assets:				
Investments in affiliates		**767**		898
Goodwill		**215,580**		230,578
Intangible assets, net		**6,153**		9,088
Miscellaneous		**9,534**		8,070
		232,034		248,634
Total Assets	**$**	**1,819,267**	$	1,956,193

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

	June 30, 2010	December 31, 2009
Liabilities and Equity		
Current Liabilities:		
Notes payable	$ 83,350	$ 103,240
Current maturities of long-term obligations	49,991	25,115
Accounts payable and accrued liabilities	308,467	288,960
	441,808	417,315
Long-Term Obligations	159,050	209,616
Deferred Liabilities and Other:		
Deferred income taxes	15,989	20,992
Retirement and deferred compensation plans	33,919	40,462
Deferred and other non-current liabilities	13,860	14,172
Commitments and contingencies		
	63,768	75,626
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, and 81.3 and 80.6 million issued at June 30, 2010 and December 31, 2009, respectively	814	806
Capital in excess of par value	300,598	272,471
Retained earnings	1,215,446	1,150,017
Accumulated other comprehensive income	26,361	186,099
Less treasury stock at cost, 13.9 and 13.3 million shares as of June 30, 2010 and December 31, 2009, respectively	(389,510)	(356,548)
Total Aptargroup, Inc. Stockholders Equity	1,153,709	1,252,845
Noncontrolling interests in subsidiaries	932	791
Total Equity	1,154,641	1,253,636
Total Liabilities and Stockholders Equity	$ 1,819,267	$ 1,956,193

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, 2008:		**$ 1,065,998**	**$ 139,300**	**$ 801**	**$ (329,285)**	**$ 254,216**	**$ 768**	**$ 1,131,798**
Net income	$ 55,066	55,125					(59)	55,066
Foreign currency translation adjustments, net of tax	13,395		13,347				48	13,395
Changes in unrecognized pension gains/losses and related amortization, net of tax	423		423					423
Changes in treasury locks, net of tax	40		40					40
Net loss on Derivatives, net of tax	(16)		(16)					(16)
Comprehensive income	$ 68,908							
Stock option exercises & restricted stock vestings				3	1,213	10,496		11,712
Cash dividends declared on common stock		(20,305)						(20,305)
Treasury stock purchased					(8,228)			(8,228)
Balance June 30, 2009:		**$ 1,100,818**	**$ 153,094**	**$ 804**	**$ (336,300)**	**$ 264,712**	**$ 757**	**$ 1,183,885**
Balance December 31, 2009:		**$ 1,150,017**	**$ 186,099**	**$ 806**	**$ (356,548)**	**$ 272,471**	**$ 791**	**$ 1,253,636**
Net income	$ 85,854	85,717					137	85,854
Foreign currency translation adjustments, net of tax	(160,171)		(160,175)				4	(160,171)
Changes in unrecognized pension gains/losses and related amortization, net of tax	389		389					389

Changes in treasury locks, net of tax	41		41					41
Net gain on Derivatives, net of tax	7		7					7
Comprehensive loss	$ (73,880)							
Stock option exercises & restricted stock vestings				8		28,127		28,135
Cash dividends declared on common stock		(20,288)						(20,288)
Treasury stock purchased					(32,962)			(32,962)
Balance June 30, 2010:		**$ 1,215,446**	**$ 26,361**	**$ 814**	**$ (389,510)**	**$ 300,598**	**$ 932**	**$ 1,154,641**

See accompanying unaudited notes to condensed consolidated financial statement.

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Aptargroup, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

In thousands, brackets denote cash outflows

Six Months Ended June 30,		**2010**		**2009**
Cash Flows from Operating Activities:				
Net income	**$**	**85,854**	$	55,066
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation		**64,640**		59,468
Amortization		**1,834**		2,068
Stock option based compensation		**8,198**		6,791
Provision for bad debts		**45**		850
Facilities consolidation and severance				3,095
Deferred income taxes		**(5,099)**		(6,352)
Retirement and deferred compensation plan expense		**5,415**		5,438
Changes in balance sheet items, excluding effects from foreign currency adjustments:				
Accounts receivable		**(74,621)**		30,197
Inventories		**(29,196)**		14,635
Prepaid and other current assets		**(5,343)**		3,586
Accounts payable and accrued liabilities		**46,567**		(39,689)
Income taxes payable		**15,784**		7,586
Retirement and deferred compensation plans		**(10,669)**		(14,968)
Other changes, net		**(8,587)**		11,370
Net Cash Provided by Operations		**94,822**		139,141
Cash Flows from Investing Activities:				
Capital expenditures		**(59,824)**		(69,373)
Disposition of property and equipment		**521**		398
Intangible assets acquired		**(76)**		(270)
Acquisition of business net of cash acquired		**(3,014)**		
Collection of notes receivable, net		**(24)**		54
Net Cash Used by Investing Activities		**(62,417)**		(69,191)
Cash Flows from Financing Activities:				
(Repayments)/Proceeds from notes payable		**(19,880)**		24,772
Proceeds from long-term obligations				3,580
Repayments of long-term obligations		**(24,158)**		(22,922)
Dividends paid		**(20,288)**		(20,305)
Proceeds from stock option exercises		**17,366**		3,967
Purchase of treasury stock		**(32,962)**		(8,228)
Excess tax benefit from exercise of stock options		**2,272**		835
Net Cash Used by Financing Activities		**(77,650)**		(18,301)
Effect of Exchange Rate Changes on Cash		**(40,451)**		5,355
Net (Decrease)/Increase in Cash and Equivalents		**(85,696)**		57,004
Cash and Equivalents at Beginning of Period		**332,964**		192,072
Cash and Equivalents at End of Period	**$**	**247,268**	$	249,076

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. 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, 2009. 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

The Financial Accounting Standards Board (FASB) issued new standards for improving disclosures about fair value measurements. This guidance requires enhanced disclosures regarding transfers in and out of the levels within the fair value hierarchy. Separate disclosures are required for transfers in and out of Level 1 and 2 fair value measurements, and the reasons for the transfers must be disclosed. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009. As this standard is disclosure related, it did not have a material impact on our financial statements.

The Company has also adopted a new accounting standard which provides amendments to previous guidance on the consolidation of variable interest entities. This standard clarifies the characteristics that identify a variable interest entity (VIE) and changes how a reporting entity identifies a primary beneficiary that would consolidate the VIE from a quantitative risk and rewards calculation to a qualitative approach based on which variable interest holder has controlling financial interest and the ability to direct the most significant activities that impact the VIE s economic performance. This statement requires the primary beneficiary assessment to be performed on a continuous basis. The standard is effective for fiscal years beginning after November 15, 2009. The adoption did not have an impact on our financial statements and disclosures.

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.

The Company has expressed the intention to reinvest the undistributed earnings of its non-U.S. subsidiaries. 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. Undistributed earnings will continue to be reinvested indefinitely and could become subject to additional tax if they were remitted as dividends or lent to a U.S. affiliate, or if the Company should sell its stock in the subsidiaries. It is not practicable to estimate the amount of additional tax that might be payable on these undistributed non-U.S. earnings. The Company will continue to evaluate annually if it will repatriate non-U.S. subsidiary current year earnings or a portion thereof. The Company repatriated approximately $80 million of current year earnings in the second quarter of 2010.

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.

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NOTE 2 - INVENTORIES

At June 30, 2010 and December 31, 2009, approximately 19% and 21%, respectively, of the total inventories are accounted for by using the LIFO method. Inventories, by component, net of reserves, consisted of:

	June 30, 2010	December 31, 2009
Raw materials	**$ 92,233**	$ 81,452
Work in progress	**61,955**	66,431
Finished goods	**87,335**	86,192
Total	**241,523**	234,075
Less LIFO Reserve	**(4,180)**	(3,268)
Total	**$ 237,343**	$ 230,807

NOTE 3   GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill since the year ended December 31, 2009 are as follows by reporting segment:

	Pharma	Beauty & Home	Closures	Corporate and Other	Total
Goodwill	$ 28,424	$ 161,816	$ 40,338	$ 1,615	$ 232,193
Accumulated impairment losses				(1,615)	(1,615)
Balance as of December 31, 2009	$ 28,424	$ 161,816	$ 40,338	$	$ 230,578
Foreign currency exchange effects	(3,423)	(8,069)	(3,506)		(14,998)
Goodwill	$ 25,001	$ 153,747	$ 36,832	$ 1,615	$ 217,195
Accumulated impairment losses				(1,615)	(1,615)
Balance as of June 30, 2010	**$ 25,001**	**$ 153,747**	**$ 36,832**	**$**	**$ 215,580**

The table below shows a summary of intangible assets as of June 30, 2010 and December 31, 2009.

		June 30, 2010			December 31, 2009		
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Value	Gross Carrying Amount	Accumulated Amortization	Net Value

Amortized intangible assets:												
Patents	14	**$**	**16,878**	**$**	**(14,190)**	**$**	**2,688**	$	19,368	$	(15,655)	$ 3,713
License agreements and other	6		**22,209**		**(18,744)**		**3,465**		26,261		(20,886)	5,375
Total intangible assets	9	**$**	**39,087**	**$**	**(32,934)**	**$**	**6,153**	$	45,629	$	(36,541)	$ 9,088

Aggregate amortization expense for the intangible assets above for the quarters ended June 30, 2010 and 2009 was $921 and $1,042, respectively. Aggregate amortization expense for the intangible assets above for the six months ended June 30, 2010 and June 30, 2009 was $1,834 and $2,068, respectively.

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

2010	$	3,353
2011		1,816
2012		793
2013		648
2014		592

Future amortization expense may fluctuate depending on changes in foreign currency rates. The estimates for amortization expense noted above are based upon foreign exchange rates as of June 30, 2010.

NOTE 4 RETIREMENT AND DEFERRED COMPENSATION PLANS

Components of Net Periodic Benefit Cost:

	Domestic Plans		Foreign Plans	
Three months ended June 30,	**2010**	**2009**	**2010**	**2009**
Service cost	**$ 1,220**	$ 1,091	**$ 397**	$ 428
Interest cost	**1,072**	955	**562**	612
Expected return on plan assets	**(1,054)**	(932)	**(328)**	(240)
Amortization of net loss	**164**	60	**61**	153
Amortization of prior service cost	**1**	1	**85**	92
Net periodic benefit cost	**$ 1,403**	$ 1,175	**$ 777**	$ 1,045

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	Domestic Plans		Foreign Plans	
Six months ended June 30,	**2010**	**2009**	**2010**	**2009**
Service cost	**$ 2,367**	$ 2,182	**$ 830**	$ 836
Interest cost	**2,079**	1,910	**1,174**	1,197
Expected return on plan assets	**(2,044)**	(1,864)	**(685)**	(469)
Amortization of net loss	**318**	120	**127**	299
Amortization of prior service cost	**2**	2	**178**	181
Net periodic benefit cost	**$ 2,722**	$ 2,350	**$ 1,624**	$ 2,044

EMPLOYER CONTRIBUTIONS

In order to meet or exceed minimum funding levels required by U.S. law, the Company has contributed $7.4 million, as of June 30, 2010, to its domestic defined benefit plans. The Company also expects to contribute approximately $6.0 million to its foreign defined benefit plans in 2010, and as of June 30, 2010, has contributed approximately $0.4 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 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 June 30, 2010, the Company recorded the fair value of the interest rate swap contract as $290 thousand in miscellaneous other assets with a corresponding increase 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 2009 or for the three and six months ended June 30, 2010 as any hedge ineffectiveness for the period was immaterial.

CASH FLOW HEDGES

As of June 30, 2010, the Company had one foreign currency cash flow hedge. A French entity 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 2.67 million Brazilian Real ($1.5 million) as of June 30, 2010. The notional amount of the foreign currency forward contracts utilized to hedge cash flow exposure was 4.2 million Brazilian Real ($2.2 million) as of June 30, 2009.

During the six months ended June 30, 2010, 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 less than two years (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 strengthening U.S. dollar relative to foreign currencies has a dilutive translation effect on the Company s financial condition and results of operations. Conversely, a weakening U.S. dollar has an additive effect. The Company in some cases maintains debt in these subsidiaries to offset the net asset exposure. The Company does not otherwise use derivative financial instruments to manage this risk. 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.

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OTHER

As of June 30, 2010, the Company has recorded the fair value of foreign currency forward exchange contracts of $3.2 million in prepayments and other, $1.1 million in accounts payable and accrued liabilities, and $2.6 million in deferred and other non-current liabilities in the balance sheet. All forward exchange contracts outstanding as of June 30, 2010 had an aggregate contract amount of $85.8 million.

Fair Value of Derivative Instruments in the Statements of Financial Position as of June 30, 2010 and December 31, 2009

Derivative Contracts Designated as Hedging Instruments	Balance Sheet Location	June 30, 2010	December 31, 2009
Derivative Assets			
Interest Rate Contracts	Other Assets Miscellaneous	**$ 290**	$ 574
		290	574
Derivative Liabilities			
Foreign Exchange Contracts	Accounts Payable and Accrued Liabilities	**314**	293
Foreign Exchange Contracts	Deferred and other non-current liabilities	**254**	437
		568	730
Derivative Contracts Not Designated as Hedging Instruments			
Derivative Assets			
Foreign Exchange Contracts	Prepayments & Other	**3,235**	902
		3,235	902
Derivative Liabilities			
Foreign Exchange Contracts	Accounts Payable and Accrued Liabilities	**826**	885
Foreign Exchange Contracts	Deferred and other non-current liabilities	**2,306**	2,020
		$ 3,132	$ 2,905

The Effect of Derivative Instruments on the Statements of Financial Performance

for the Quarters Ended June 30, 2010 and June 30, 2009

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) 2010	2009
Foreign Exchange Contracts	**$ (1)**	$ (36)
	$ (1)	$ (36)

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 2010	2009
Foreign Exchange Contracts	Other Income (Expense), Miscellaneous, net	**$ 1,244**	$ (4,037)
		$ 1,244	$ (4,037)

The Effect of Derivative Instruments on the Statements of Financial Performance

for the Six Months Ended June 30, 2010 and June 30, 2009

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	
	2010	2009
Foreign Exchange Contracts	$ 12	$ 10
	$ 12	$ 10

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	
		2010	2009
Foreign Exchange Contracts	Other (Expense), Miscellaneous, net	$ (1,127)	$ (2,104)
		$ (1,127)	$ (2,104)

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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. Management believes the resolution of these claims and lawsuits will not have a material adverse or positive effect on the Company s financial position, results of operations or cash flow.

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 had no liabilities recorded for these agreements as of June 30, 2010.

NOTE 7 STOCK REPURCHASE PROGRAM

During the three and six months ended June 30, 2010, the Company repurchased approximately 602 thousand and 802 thousand shares for aggregate amounts of $25.0 million and $33.0 million, respectively. As of June 30, 2010, the Company has a remaining authorization to repurchase 2.9 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.

NOTE 8 EARNINGS PER SHARE

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

	Three months ended			
	June 30, 2010		June 30, 2009	
	Diluted	Basic	Diluted	Basic
Consolidated operations				
Income available to common stockholders	**$ 46,695**	**$ 46,695**	$ 28,460	$ 28,460
Average equivalent shares				
Shares of common stock	**67,630**	**67,630**	67,705	67,705
Effect of dilutive stock based compensation				
Stock options	**2,032**		1,586	
Restricted stock	**20**		2	
Total average equivalent shares	**69,682**	**67,630**	69,293	67,705
Net income per share	**$ 0.67**	**$ 0.69**	$ 0.41	$ 0.42

	Six months ended			
	June 30, 2010		June 30, 2009	
	Diluted	Basic	Diluted	Basic
Consolidated operations				
Income available to common stockholders	**$ 85,717**	**$ 85,717**	$ 55,125	$ 55,125

Average equivalent shares								
Shares of common stock		**67,603**		**67,603**		67,691		67,691
Effect of dilutive stock based compensation								
Stock options		**2,451**				1,966		
Restricted stock		**16**				3		
Total average equivalent shares		**70,070**		**67,603**		69,660		67,691
Net income per share	**$**	**1.22**	**$**	**1.27**	$	0.79	$	0.81

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 spray and lotion 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 closures to each market served by Aptargroup form the Closures 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, 2009. The Company evaluates performance of its business segments and allocates resources based upon earnings before interest expense in excess of

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interest income, stock option and certain corporate expenses, income taxes and unusual items (collectively referred to as Segment Income). Financial information regarding the Company s reportable segments is shown below:

	Three Months Ended June 30, 2010	2009	Six Months Ended June 30, 2010	2009
Total Revenue:				
Beauty & Home	$ 267,918	$ 216,630	$ 535,297	$ 431,127
Closures	147,383	123,158	282,575	240,435
Pharma	112,385	103,576	219,924	206,607
Other	46	(1)	71	76
Total Revenue	527,732	443,363	1,037,867	878,245
Less: Intersegment Sales:				
Beauty & Home	$ 4,198	$ 2,689	$ 8,139	$ 5,514
Closures	325	71	752	172
Pharma	240	54	514	160
Other	46	41	70	75
Total Intersegment Sales	$ 4,809	$ 2,855	$ 9,475	$ 5,921
Net Sales:				
Beauty & Home	$ 263,719	$ 213,941	$ 527,159	$ 425,613
Closures	147,059	123,087	281,823	240,263
Pharma	112,145	103,522	219,410	206,447
Other		(42)		1
Net Sales	$ 522,923	$ 440,508	$ 1,028,392	$ 872,324
Segment Income (1):				
Beauty & Home	$ 30,151	$ 11,143	$ 57,130	$ 21,954
Closures	19,394	13,740	36,487	25,357
Pharma	31,952	31,279	61,642	60,483
Corporate & Other	(8,648)	(9,295)	(21,859)	(20,419)
Income from continuing operations before interest and taxes	$ 72,849	$ 46,867	$ 133,400	$ 87,375
Interest expense, net	(3,123)	(4,446)	(5,829)	(6,618)
Net income/(Loss) Attributable to Noncontrolling Interests	64	12	137	(59)
Income from continuing operations before income taxes	$ 69,790	$ 42,433	$ 127,708	$ 80,698

(1) The Company evaluates performance of its business units and allocates resources based upon segment income. Segment income is defined as earnings before interest expense in excess of interest income, stock option and certain corporate expenses, income taxes and unusual items. Included in the segment income figures reported above are consolidation/severance expenses for the three and six months ended June 30, 2010 and 2009 as follows:

CONSOLIDATION/SEVERANCE EXPENSES	Three Months 2010	Three Months 2009	Six Months 2010	Six Months 2009
Beauty & Home	$	$ (257)	$	$ (257)
Closures		(2,838)		(2,838)
Pharma				
Total Consolidation/Severance Expenses	$	$ (3,095)	$	$ (3,095)

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 reported income statement. The assets acquired are included in the Closures reporting segment.

In August 2009, the Company acquired Covit do Brasil Componentes de Alumínio para Perfumaria Ltda. (Covit do Brasil) for approximately $7.6 million in cash. Covit do Brasil has been operating in Brazil since 2005 developing and supplying anodized aluminum parts primarily for the fragrance/cosmetic market. Covit do Brasil generally supplies parts to other companies within Aptargroup. No debt was assumed in the transaction. Covit do Brasil s annual revenues are approximately $7.0 million, of which approximately $6.0 million are with Aptargroup subsidiaries. The excess purchase price over the fair value of assets acquired was allocated to Goodwill. Goodwill of approximately $0.7 million was recorded on the transaction. The results of operations subsequent to the acquisition are included in the reported income statement. Covit do Brasil is included in the Beauty & Home reporting segment.

Neither of these acquisitions had a material impact on the results of operations in 2010 or 2009 and therefore no proforma information is presented.

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NOTE 11 STOCK-BASED COMPENSATION

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

Compensation expense recorded attributable to stock options for the first half of 2010 was approximately $8.2 million ($5.7 million after tax), or $0.08 per share basic and diluted. The income tax benefit related to this compensation expense was approximately $2.5 million. Approximately $7.5 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 half of 2009 was approximately $6.8 million ($5.1 million after tax), or $0.07 per share basic and diluted. The income tax benefit related to this compensation expense was approximately $1.7 million. Approximately $6.2 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 $9.18 and $7.33 per share in 2010 and 2009, respectively. These values were estimated on the respective dates of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Stock Awards Plans:

Six months ended June 30,	**2010**	**2009**
Dividend Yield	1.8%	1.6%
Expected Stock Price Volatility	22.7%	24.2%
Risk-free Interest Rate	3.7%	2.2%
Expected Life of Option (years)	6.9	6.9

The fair value of stock options granted under the Director Stock Option Plan during the second quarter of 2010 was $10.07. The fair value of stock options granted under the Director Stock Option Plan during the second quarter of 2009 was $7.90. These values were estimated on the respective date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Director Stock Option Plans:

Six months ended June 30,	**2010**	**2009**
Dividend Yield	1.7%	1.7%
Expected Stock Price Volatility	22.6%	24.9%
Risk-free Interest Rate	3.4%	3.1%
Expected Life of Option (years)	6.9	6.9

A summary of option activity under the Company s stock option plans during the first half of 2010 is presented below:

	Stock Awards Plans		Director Stock Option Plans	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, January 1, 2010	**8,376,677**	**$ 26.13**	**205,000**	**$ 24.87**
Granted	**1,223,630**	**36.42**	**64,000**	**40.34**
Exercised	**(884,689)**	**18.06**	**(15,500)**	**26.25**
Forfeited or expired	**(13,147)**	**32.53**		
Outstanding at June 30, 2010	**8,702,471**	**$ 28.39**	**253,500**	**$ 28.69**
Exercisable at June 30, 2010	**6,247,335**	**$ 25.94**	**157,500**	**$ 23.66**
Weighted-Average Remaining Contractual Term (Years):				
Outstanding at June 30, 2010	**7.5**		**7.1**	
Exercisable at June 30, 2010	**6.4**		**5.3**	
Aggregate Intrinsic Value ($000):				
Outstanding at June 30, 2010	**$ 38,139**		**$ 1,262**	
Exercisable at June 30, 2010	**$ 37,657**		**$ 1,231**	
Intrinsic Value of Options Exercised ($000) During the Six Months Ended:				
June 30, 2010	**$ 18,711**		**$ 245**	
June 30, 2009	$ 5,868		$	

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The fair value of shares vested during the six months ended June 30, 2010 and 2009 was $11.7 million and $11.0 million, respectively. Cash received from option exercises was approximately $17.4 million and the actual tax benefit realized for the tax deduction from option exercises was approximately $3.5 million in the six months ended June 30, 2010. Cash received from option excercises was approximately $4.0 million and the actual tax benefit realized for the tax deduction from option excercises was approximately $1.3 million in the six months ended June 30, 2009. As of June 30, 2010, the remaining valuation of stock option awards to be expensed in future periods was $9.1 million and the related weighted-average period over which it is expected to be recognized is 1.5 years.

The fair value of restricted stock unit grants is the market price of the underlying shares on the grant date. A summary of restricted stock unit activity as of June 30, 2010, and changes during the period then ended is presented below:

	Shares		Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2010	**15,178**	**$**	**32.04**
Granted	**16,500**		**35.53**
Vested	**(9,375)**		**31.84**
Nonvested at June 30, 2010	**22,303**	**$**	**34.71**

Compensation expense recorded attributable to restricted stock unit grants for the first half of 2010 and 2009 was approximately $432 thousand and $128 thousand, respectively. The fair value of units vested during the six months ended June 30, 2010 and 2009 was $298 thousand and $323 thousand, respectively. The intrinsic value of units vested during the six months ended June 30, 2010 and 2009 was $330 thousand and $319 thousand, respectively. As of June 30, 2010 there was $157 thousand of total unrecognized compensation cost relating to restricted stock unit awards which is expected to be recognized over a weighted average period of 1.8 years.

NOTE 12 INCOME TAX UNCERTAINTIES

The Company had approximately $10.3 and $10.8 million recorded for income tax uncertainties as of June 30, 2010 and December 31, 2009, respectively. The amount, if recognized, that would impact the effective tax rate is $9.5 and $10.0 million, respectively. The Company does not anticipate any significant changes to the amount recorded for income tax uncertainties over the next 12 months.

NOTE 13 FAIR VALUE

Authoritative guidelines require the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

- Level 3: Unobservable inputs reflecting management s own assumptions about the inputs used in pricing the asset or liability.

As of June 30, 2010, the fair values of our financial assets and liabilities are categorized as follows:

		Total		Level 1		Level 2		Level 3
Assets								
Interest rate swap (a)	$	290	$		$	290	$	
Forward exchange contracts (b)		3,235				3,235		
Total assets at fair value	$	3,525	$		$	3,525	$	
Liabilities								
Forward exchange contracts (b)	$	3,700	$		$	3,700	$	
Total liabilities at fair value	$	3,700	$		$	3,700	$	

As of December 31, 2009, the fair values of our financial assets and liabilities were categorized as follows:

		Total		Level 1		Level 2		Level 3
Assets								
Interest rate swap (a)	$	574	$		$	574	$	
Forward exchange contracts (b)		902				902		
Total assets at fair value	$	1,476	$		$	1,476	$	
Liabilities								
Forward exchange contracts (b)	$	3,635	$		$	3,635	$	
Total liabilities at fair value	$	3,635	$		$	3,635	$	

(a) Based on third party quotation from financial institution

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(b) Based on observable market transactions of spot and forward rates

Based on the variable borrowing rates currently available to the Company for long-term obligations with similar terms and average maturities, the fair value of the Company s long-term obligations approximates its book value.

NOTE 14 FACILITIES CONSOLIDATION AND SEVERANCE

In the second quarter of 2009, the Company announced a plan to consolidate two French dispensing closure manufacturing facilities and several sales offices in North America and Europe and has subsequently expanded the program to include additional headcount reductions. The total costs associated with the consolidation/severance programs was $7.6 million. The plan has been substantially completed, subject to the settlement of remaining reserve balances.

As of June 30, 2010 we have recorded the following activity associated with our consolidation/severance programs:

		Beginning Reserve at 12/31/09		Cash Paid		FX Impact		Ending Reserve at 6/30/10
Employee severance	$	3,816	$	(2,219)	$	(327)	$	1,270
Other costs		619		(337)		30		312
Totals	$	4,435	$	(2,556)	$	(297)	$	1,582

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS, OR OTHERWISE INDICATED)

RESULTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2009**	**2009**
Net Sales	**100.0%**	100.0%	**100.0%**	100.0%
Cost of sales (exclusive of depreciation and amortization shown below)	**66.0**	65.6	**65.8**	66.3
Selling, research & development and administration	**13.6**	15.7	**14.6**	16.1
Depreciation and amortization	**6.2**	7.1	**6.4**	7.1
Facilities Consolidation and Severance Expenses		0.7		0.3
Operating Income	**14.2**	10.9	**13.2**	10.2
Other income (expense)	**(0.8)**	(1.3)	**(0.8)**	(0.9)
Income before income taxes	**13.4**	9.6	**12.4**	9.3
Net income	**8.9%**	6.5%	**8.4%**	6.3%
Effective Tax Rate	**33.0%**	32.9%	**32.8%**	31.8%

NET SALES

Net sales for the quarter and six months ended June 30, 2010 were $523 million and $1.0 billion, respectively, and represented an increase for the quarter of 19%. The increase for the six months ended June 30, 2010 was 18% when compared to the same periods a year ago. The average U.S. dollar exchange rate strengthened against the Euro in the second quarter of 2010 compared to 2009, and as a result, changes in exchange rates negatively impacted sales by 3% for the quarter ended June 30, 2010. However, the U.S. dollar exchange rate remained weaker against the Euro for the first six months of 2010 compared to 2009. Changes in exchange rates positively impacted sales and accounted for approximately 2% of the sales increase for the six months ended June 30, 2010. Sales from acquisitions were immaterial for the quarter and the six months ended June 30, 2010. The remaining 22% and 16% of sales increases for the three and six months ended June 30, 2010, were due primarily to higher product and custom tooling sales to our customers.

For further discussion on net sales by reporting segment, please refer to the segment analysis of net sales and operating income on the following pages.

The following table sets forth, for the periods indicated, net sales by geographic location:

Three Months Ended June 30,				Six Months Ended June 30,			
2010	**% of Total**	**2009**	**% of Total**	**2010**	**% of Total**	**2009**	**% of Total**

Domestic	**$**	**156,813**	**30%**	$	128,596	29%	**$**	**304,113**	**30%**	$	247,126	28%
Europe		**294,774**	**56%**		249,699	57%		**587,559**	**57%**		506,568	58%
Other Foreign		**71,336**	**14%**		62,213	14%		**136,720**	**13%**		118,630	14%

COST OF SALES (EXCLUSIVE OF DEPRECIATION SHOWN BELOW)

Our cost of sales as a percent of net sales increased slightly to 66.0% in the second quarter of 2010 compared to 65.6% in the same period a year ago.

The following factors reduced our cost of sales percentage in the second quarter of 2010:

Improved Utilization of Overhead Costs in Certain Operations. Several of our business operations, especially within the Beauty & Home and Closures business segments, saw an increase in unit volumes produced and sold. As a result of these higher production levels, overhead costs were better utilized, thus positively impacting cost of goods sold as a percentage of net sales.

Strengthening of the U.S. Dollar. We are a net importer from Europe into the U.S. of products produced in Europe with costs denominated in Euros. As a result, when the U.S. dollar or other currencies strengthen against the Euro, products produced in Europe (with costs denominated in Euros) and sold in currencies that are stronger compared to the Euro, have a positive impact on cost of sales as a percentage of net sales.

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The following factors increased our cost of sales percentage in the second quarter of 2010:

Increasing Raw Material Costs. Raw material costs, in particular plastic resin in the U.S., increased in the second quarter of 2010 over 2009. While the majority of these cost increases are passed along to our customers in our selling prices, we experienced the usual lag in the timing of passing on these cost increases.

Mix of Products Sold. Compared to the prior year, our Pharma segment sales represented a smaller percentage of our overall sales. This negatively impacts our cost of sales percentage as margins on our pharmaceutical products typically are higher than the overall company average.

Our cost of sales as a percent of net sales decreased to 65.8% in the first half of 2010 compared to 66.3% in the first half of 2009. The decrease is primarily due to the same factors mentioned above, except that the U.S. Dollar was weaker relative to the Euro in the first six months of 2010 compared to the first six months of 2009.

SELLING, RESEARCH & DEVELOPMENT AND ADMINISTRATIVE

Our Selling, Research & Development and Administrative expenses (SG&A) increased approximately $2.0 million in the second quarter of 2010 to $71.2 million compared to $69.2 million in the second quarter of 2009. On a constant currency basis, the increase would have been approximately $3.6 million in the quarter. The majority of the increase is due to general compensation increases. However, SG&A as a percentage of net sales decreased to 13.6% compared to 15.7% of net sales in the same period of the prior year as a result of leveraging costs compared to the increased sales.

SG&A increased by approximately $9.3 million in the first half of 2010 compared to the same period a year ago. Changes in currency rates accounted for approximately $2.1 million of the increase in SG&A in the first half of 2010. The increase is due primarily to the reason mentioned above as well as higher stock option expense in the first half of 2010 versus the prior year. As noted above, SG&A as a percentage of net sales decreased primarily due to higher sales volumes. For the first half of 2010, the percentage decreased to 14.6% compared to 16.1% of net sales in the first half of 2009.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased approximately $1.1 million in the second quarter of 2010 to $32.5 million compared to $31.4 million in the second quarter of 2009. On a constant currency basis, the increase would have been approximately $2.2 million in the quarter. The majority of this increase is related to the roll-out of our global enterprise resource planning system, which was placed into service during the third quarter of 2009. Depreciation and amortization as a percentage of net sales decreased to 6.2% in the second quarter of 2010 compared to 7.1% for the same period a year ago due to the increase in sales.

Depreciation and amortization increased approximately $5.0 million in the first half of 2010 to $66.5 million compared to $61.5 million in the first half of 2009. Changes in foreign currency rates accounted for $0.3 million of the net increase in depreciation and amortization in the first half of 2010. Depreciation and amortization as a percentage of net sales decreased to 6.4% compared to 7.1% for the same period a year ago due to the increase in sales.

FACILITIES CONSOLIDATION AND SEVERANCE

Facilities consolidation and severance was $3.1 million in the second quarter of 2009. The amount represents the recognition of expenses related to the Company s previously announced plan to consolidate several facilities and reduce headcount. The amount reported for the first half of 2009 is also $3.1 million since the program was initiated during the second quarter of 2009. There were no corresponding expenses in 2010.

OPERATING INCOME

Operating income increased approximately $26.1 million in the second quarter of 2010 to $74.1 million compared to $48.0 million in the same period in the prior year. Strong increases in sales volumes at each segment and improved capacity utilization in our Beauty & Home and Closures segments contributed to the rise in operating income. This, combined with our cost containment efforts and the absence of facilities consolidation and severance program charges recorded in the prior year, led to the improvement in operating income. Operating income as a percentage of net sales increased to 14.2% in the second quarter of 2010 compared to 10.9% for the same period in the prior year.

Operating income increased approximately $47.2 million in the first half of 2010 to $135.7 million compared to $88.5 million in the same period in the prior year. The increase is primarily due to the same reasons mentioned above for the second quarter results. Operating income as a percentage of sales increased to 13.2% in the first half of 2010 compared to 10.2% for the same period in the prior year.

NET OTHER EXPENSE

Net other expenses in the second quarter of 2010 decreased to $4.3 million from $5.6 million in the same period in the prior year. Interest expense decreased by $1.5 million due to lower interest rates paid on borrowings. Also, interest income decreased by $0.2 million due to lower interest rates earned on our investments.

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Net other expenses for the six months ended June 30, 2010 increased slightly to $8.0 million from $7.8 million in the same period in the prior year due primarily to higher foreign currency losses along with a decrease in interest income due to lower interest rates earned on our investments.

EFFECTIVE TAX RATE

The reported effective tax rate increased to 33.0% and 32.8% for the three and six months ended June 30, 2010 compared to 32.9% and 31.8% for the same periods ended June 30, 2009. The increase is mainly related to higher taxes in France and a higher dividend repatriation amount planned in the first half of 2010 compared to 2009.

NET INCOME ATTRIBUTABLE TO APTARGROUP, INC.

We reported net income attributable to Aptargroup, Inc. of $46.7 million and $85.7 million in the three and six months ended June 30, 2010, respectively, compared to $28.5 million and $55.1 million for the same periods in the prior year.

BEAUTY & HOME SEGMENT

Operations that sell spray and lotion dispensing systems primarily to the personal care, fragrance/cosmetic and household markets form the Beauty & Home segment.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Net Sales	**$ 263,719**	$ 213,941	**$ 527,159**	$ 425,613
Segment Income (1)	**30,151**	11,143	**57,130**	21,954
Segment Income as a percentage of Net Sales	**11.4%**	5.2%	**10.8%**	5.2%

(1) The Company evaluates performance of its business units and allocates resources based upon segment income. Segment income is defined as earnings before interest expense in excess of interest income, stock option and certain corporate expenses, income taxes and unusual items. For a reconciliation of segment income to income before income taxes, see Note 9 Segment information to the Consolidated Financial Statements in Item 1.

Net sales for the quarter ended June 30, 2010 increased 23% to $263.7 million compared to $213.9 million in the second quarter of the prior year. The strengthening U.S. dollar compared to the Euro negatively impacted sales by approximately 3%. Therefore, core product sales, excluding foreign currency changes, increased 26%. General market improvement as well as the lack of inventory destocking that we experienced in 2009 led to this increase. Sales, excluding foreign currency changes, to the fragrance/cosmetics and personal care markets increased approximately 30% and 23% respectively in the second quarter of 2010 compared to the same period in the prior year.

Net sales increased 24% in the first six months of 2010 to $527.2 million compared to $425.6 million in the first six months of the prior year. The weakening of the U.S. dollar compared to the Euro positively impacted sales and represented approximately 2% of the 24% increase in sales. Sales of our products, excluding foreign currency changes, to the fragrance/cosmetic and personal care markets increased approximately 22% and 24%, respectively, in the first half of 2010 compared to the first half of 2009 primarily due to the reasons noted above.

Segment income in the second quarter of 2010 increased approximately 171% to $30.2 million compared to $11.1 million reported in the same period in the prior year. Profitability increased primarily due to higher capacity utilization and leveraging of our cost structure from increased unit volumes and cost containment efforts.

Segment income in the first six months of 2010 increased approximately 160% to $57.1 million compared to $22.0 million reported in the same period in the prior year. The increase in segment income in the first half of 2010 was primarily due to the reasons mentioned above for the second quarter results.

CLOSURES SEGMENT

The Closures segment designs and manufactures primarily dispensing closures. These products are generally sold to the personal care, household and food/beverage markets.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Net Sales	**$ 147,059**	$ 123,087	**$ 281,823**	$ 240,263
Segment Income	**19,394**	13,740	**36,487**	25,357
Segment Income as a percentage of Net Sales	**13.2%**	11.2%	**12.9%**	10.6%

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Net sales for the quarter ended June 30, 2010 increased approximately 19% to $147.1 million compared to $123.1 million in the second quarter of the prior year. The strengthening U.S. dollar compared to the Euro negatively impacted sales by approximately 1%. Therefore, core product sales, excluding foreign currency rate changes, increased 20%. Product sales, excluding foreign currency changes, to the personal care and household markets increased approximately 22% and 56%, respectively, in the second quarter of 2010 compared to the same period in the prior year. Sales to the food/beverage market increased 10%. These increases are primarily due to strong demand across all regions and markets and a lack of customer destocking that we experienced in the second quarter of the prior year in the personal household markets. The pass through of resin price increases account for approximately 7% of the sales increase.

Net sales for the first six months of 2010 increased approximately 17% to $281.8 million compared to $240.3 million in the first six months of the prior year. The weakening of the U.S. dollar compared to the Euro positively impacted sales and represented approximately 2% of the 17% increase in sales. Sales, excluding foreign currency changes, to the personal care and household markets increased approximately 16% and 25%, respectively, in the first six months of 2010 compared to the same period in the prior year primarily due to the reasons discussed above. Sales to the food/beverage market increased 9%.

Segment income increased in the second quarter of 2010 by approximately 41% to $19.4 million compared to $13.7 million reported in the prior year. Included in the second quarter 2009 results are $2.8 million of consolidation/severance costs. The remaining increase in segment income is primarily due to strong sales volumes and product mix, especially in the North American region.

Segment income in the first six months of 2010 increased approximately 44% to $36.5 million compared to $25.4 million reported in the same period of the prior year. As noted above, the 2009 results included $2.8 million of consolidation/severance costs. The remaining increase in segment income is due primarily to the same reasons mentioned above for the second quarter results.

PHARMA SEGMENT

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Net Sales	**$ 112,145**	$ 103,522	**$ 219,410**	$ 206,447
Segment Income	**31,952**	31,279	**61,642**	60,483
Segment Income as a percentage of Net Sales	**28.5%**	30.2%	**28.1%**	29.3%

Net sales for the Pharma segment increased by 8% in the second quarter of 2010 to $112.1 million compared to $103.5 million in the second quarter of the prior year. The strengthening U.S. dollar compared to the Euro negatively impacted sales by approximately 5%. Therefore, core product sales, excluding changes in foreign currency rates, increased 13%. The increase was primarily due to strong sales of metered dose valves.

Net sales for the Pharma segment improved by 6% in the first six months of 2010 to $219.4 million compared to $206.4 million in the first six months of the prior year. Changes in foreign currency rates did not impact the sales growth for the first half of 2010. The increase was mainly due to higher metered dose valve sales.

Segment income in the second quarter of 2010 increased approximately 2% to $32.0 million compared to $31.3 million reported in the same period in the prior year. Segment income in the first six months of 2010 increased approximately 2% to $61.6 million compared to $60.5 million reported in the same period in the prior year. This increase is mainly attributed to the increase in sales.

FOREIGN CURRENCY

A significant number of our operations are located outside of the United States. Because of this, movements in exchange rates may have a significant impact on the translation of the financial statements of our foreign entities. Our primary foreign exchange exposure is to the Euro, but we have foreign exchange exposure to the British Pound, South American and Asian currencies, among others. We manage our exposures to foreign exchange principally with forward exchange contracts to hedge certain transactions and firm purchase and sales commitments denominated in foreign currencies. A strengthening U.S. dollar relative to foreign currencies has a dilutive translation effect on our financial statements. Conversely, a weakening U.S. dollar has an additive effect. In some cases, we sell products denominated in a currency different from the currency in which the related costs are incurred. Changes in exchange rates on such inter-country sales could materially impact our results of operations.

QUARTERLY TRENDS

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

We generally incur increased stock option expense in the first quarter compared with the rest of the fiscal year. Our estimated stock option expense on a pre-tax basis (in $ millions) for the year 2010 compared to the prior year is as follows:

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		2010		2009
First Quarter	**$**	**6.0**	$	5.1
Second Quarter		**2.2**		1.7
Third Quarter		**1.6**		1.6
Fourth Quarter		**1.4**		1.4
	$	**11.2**	$	9.8

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash flow from operations and our revolving credit facility. Cash and equivalents decreased to $247.3 million at June 30, 2010 from $333.0 million at December 31, 2009. Total short and long-term interest bearing debt decreased in the first six months of 2010 to $292 million from $338.0 million at December 31, 2009. The primary reason for the decrease in both cash and short term debt is the $80 million of current year earnings that was repatriated in the second quarter from Europe which was used to pay down short term borrowings in the U.S. The ratio of our Net Debt (interest bearing debt less cash and cash equivalents) to Net Capital (stockholder s equity plus Net Debt) increased at the end of June 2010 to 3.8% compared to 0.4% as of December 31, 2009.

In the first six months of 2010, our operations provided $94.8 million in cash flow compared to $139.1 million for the same period a year ago. The decrease in cash flow from operations is primarily attributable to an increase in working capital. During the first six months of 2010, the primary uses of operating cash flows were to finance capital expenditures and treasury stock repurchases.

We used $62.4 million in cash for investing activities during the first six months of 2010, compared to $69.2 million during the same period a year ago. The decrease in cash used for investing activities is mainly due to a decrease in capital expenditures of $9.5 million in the first half of 2010 compared to the first half of 2009, which was partially offset by $3.0 million used for an acquisition. Cash outlays for capital expenditures for 2010 are estimated to be approximately $140 million.

We used approximately $77.7 million in cash from financing activities in the first half of 2010 compared to $18.3 million in the first half of the prior year. The increase in cash used in financing activities is due to an increase in stock repurchases and the repayment of notes payable in 2010 versus proceeds from notes payable in the prior year.

Our revolving credit facility and certain long-term obligations require us to satisfy certain financial and other covenants including:

	Requirement	**Level at June 30, 2010**
Debt to total capital ratio	Maximum of 55%	20%

Based upon the above debt to total capital ratio covenant we had the ability to borrow approximately an additional $1.1 billion at June 30, 2010 before the 55% requirement would be exceeded.

Our foreign operations have historically met cash requirements with the use of internally generated cash or borrowings. These foreign subsidiaries have financing arrangements with several foreign banks to fund operations located outside the U.S., but all these lines are uncommitted. Cash generated by foreign operations has generally been reinvested locally. The majority of our $247.3 million in cash and equivalents is located outside of the U.S.

We believe we are in a strong financial position and have the financial resources to meet business requirements in the foreseeable future. We have historically used cash flow from operations as our primary source of liquidity. In the event that customer demand would decrease significantly for a prolonged period of time and negatively impact cash flow from operations, we would have the ability to restrict and significantly reduce capital expenditure levels, which historically have been the most significant use of cash for us. A prolonged and significant reduction in capital expenditure levels could increase future repairs and maintenance costs as well as have a negative impact on operating margins if we were unable to invest in new innovative products.

On July 20, 2010, the Board of Directors authorized a 20% increase in the annual dividend from $0.60 per share to $0.72 per share and declared a quarterly dividend of $0.18 per share payable on August 24, 2010 to stockholders of record as of August 3, 2010.

OFF-BALANCE SHEET ARRANGEMENTS

We lease certain warehouse, plant and office facilities as well as certain equipment under noncancelable operating leases expiring at various dates through the year 2029. Most of the operating leases contain renewal options and certain equipment leases include options to purchase during or at the end of the lease term. Other than operating lease obligations, we do not have any off-balance sheet arrangements.

RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2010, the Financial Accounting Standards Board (FASB) issued new guidelines and clarifications for improving disclosures about fair value measurements. This guidance requires enhanced disclosures for purchases, sales, issuances, and settlements on a gross basis for Level 3 fair value measurements. These new disclosures are effective for interim and annual reporting periods beginning after December 15, 2010. As this standard is disclosure related, we do not anticipate the adoption will have a material impact on the Company.

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OUTLOOK

We remain optimistic that the markets we serve will continue to recover from the economic downturn of 2008/2009 and that our third quarter results will improve over the prior year. Movements in currency exchange rates are likely to result in some headwinds depending on where the rates end up in the coming quarter. We are encouraged by an increase in project activity primarily in the food and beverage markets and we have increased our estimated capital expenditures for 2010 due to these new projects.

We anticipate diluted earnings per share for the third quarter to be in the range of $.61 to $.66 per share compared to $.48 per share in the prior year, which included approximately $.03 per share related to charges from our consolidation/severance program.

FORWARD-LOOKING STATEMENTS

This Management s Discussion and Analysis and certain other sections of this Form 10-Q contain forward-looking statements that involve a number of risks and uncertainties. Words such as expects, anticipates, believes, estimates, and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. Forward-looking statements are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are based on our beliefs as well as assumptions made by and information currently available to us. Accordingly, our actual results may differ materially from those expressed or implied in such forward-looking statements due to known or unknown risks and uncertainties that exist in our operations and business environment, including but not limited to:

- economic, environmental and political conditions worldwide;
- changes in customer and/or consumer spending levels;
- the availability of raw materials and components (particularly from sole sourced suppliers) as well as the financial viability of these suppliers;
- the cost of materials and other input costs (particularly resin, metal, anodization costs and transportation and energy costs);
- our ability to increase prices;
- significant fluctuations in foreign currency exchange rates;
- our ability to contain costs and improve productivity;
- changes in capital availability or cost, including interest rate fluctuations;
- the timing and magnitude of capital expenditures;
- our ability to identify potential new acquisitions and to successfully acquire and integrate such operations or products;
- our ability to meet future cash flow estimates to support our goodwill impairment testing;
- direct or indirect consequences of acts of war or terrorism;

- changes or difficulties in complying with government regulation;
- competition, including technological advances;
- our ability to protect and defend our intellectual property rights;
- work stoppages due to labor disputes;
- the demand for existing and new products;
- fiscal and monetary policy, including changes in worldwide tax rates;
- our ability to manage worldwide customer launches of complex technical products, in particular in developing markets;
- the success of our customers products, particularly in the pharmaceutical industry;
- difficulties in product development and uncertainties related to the timing or outcome of product development;
- significant product liability claims;
- our ability to implement the strategic realignment of our businesses during 2010, and
- other risks associated with our operations.

Although we believe that our forward-looking statements are based on reasonable assumptions, there can be no assurance that actual results, performance or achievements will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to Item 1A (Risk Factors) of Part 1 included in the Company s Annual Report on Form 10-K for additional risk factors affecting the Company.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A significant number of our operations are located outside of the United States. Because of this, movements in exchange rates may have a material impact on the translation of the financial condition and results of operations of our entities. Our primary foreign exchange exposure is to the Euro, but we also have foreign exchange exposure to the British Pound, South American and Asian currencies, among others. A strengthening U.S. dollar relative to foreign currencies has a dilutive translation effect on our financial condition and results of operations. Conversely, a weakening U.S. dollar has an additive effect.

Additionally, in some cases, we sell products denominated in a currency different from the currency in which the related costs are incurred. Any changes in exchange rates on such inter-country sales may impact our results of operations.

We manage our exposures to foreign exchange principally with forward exchange contracts to hedge certain firm purchase and sales commitments and intercompany cash transactions denominated in foreign currencies.

The table below provides information as of June 30, 2010 about our forward currency exchange contracts. The majority of the contracts expire before the end of the third quarter of 2010 with the exception of a few contracts on intercompany loans that expire in the third quarter of 2013.

Buy/Sell		**Contract Amount (in thousands)**	**Average Contractual Exchange Rate**	**Min / Max Notional Volumes**
Swiss Franc/Euro	$	50,269	0.7145	44,079-50,269
British Pound/Euro		9,662	1.2087	7,113-9,662
Czech Koruna/Euro		7,537	0.0391	5,714-7,537
Euro/U.S. Dollar		7,476	1.2350	7,476-9,338
Euro/Brazilian Real		3,955	4.9522	3,955-3,955
Euro/Chinese Yuan		1,947	8.5373	1,947-2,835
Mexican Peso/U.S. Dollar		1,000	0.0782	1,000-1,000
U.S. Dollar/Chinese Yuan		1,000	6.7687	1,000-1,500
Euro/Japanese Yen		762	112.3400	678-762
Chinese Yuan/ U.S. Dollar		680	0.1470	680-680
Other		1,527		
Total	**$**	**85,815**		

As of June 30, 2010, we have recorded the fair value of foreign currency forward exchange contracts of $1.1 million in accounts payable and accrued liabilities, $3.2 million in prepayments and other and $2.6 million in deferred and other non-current liabilities in the balance sheet.

At June 30, 2010, we had a fixed-to-variable interest rate swap agreement with a notional principal value of $5 million which requires us to pay an average variable interest rate (which was 0.7% at June 30, 2010) and receive a fixed rate of 6.6%. The variable rate is adjusted semiannually based on London Interbank Offered Rates (LIBOR). Variations in market interest rates would produce changes in our net income. If interest rates increase by 100 basis points, net income related to the interest rate swap agreement would decrease by approximately $30 thousand assuming a tax rate of 32.0%. As of June 30, 2010, we recorded the fair value of the fixed-to-variable interest rate swap agreement of $0.3 million in miscellaneous other assets with an offsetting adjustment to debt. No gain or loss was recorded in the income statement in 2010 as any hedge ineffectiveness for the period is immaterial.

ITEM 4. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company s management has evaluated, with the participation of the chief executive officer and chief financial officer of the Company, the effectiveness of the Company s disclosure controls and procedures (as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of June 30, 2010. Based on that evaluation, the chief executive officer and chief financial officer have concluded that these controls and procedures were effective as of such date.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

No change in the Company s internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the Company s fiscal quarter ended June 30, 2010 that materially affected, or is reasonably like to materially affect, the Company s internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

RECENT SALES OF UNREGISTERED SECURITIES

During the quarter ended June 30, 2010, the FCP Aptar Savings Plan (the Plan) purchased 2,171 shares of our common stock on behalf of the participants at an average price of $39.97 per share, for an aggregate amount of $87 thousand. At June 30, 2010, the Plan owns 20,847 shares of our common stock. The employees of Aptargroup S.A.S. and Valois S.A.S., our subsidiaries, are eligible to participate in the Plan. All eligible participants are located outside of the United States. An independent agent purchases shares of common stock available under the Plan for cash on the open market and we do not issue shares. We do not receive any proceeds from the purchase of Common Stock under the Plan. The agent under the Plan is Banque Nationale de Paris Paribas Asset Management. No underwriters are used under the Plan. All shares are sold in reliance upon the exemption from registration under the Securities Act of 1933 provided by Regulation S promulgated under that Act.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table summarizes the Company s purchases of its securities for the quarter ended June 30, 2010:

Period	Total Number Of Shares Purchased		Average Price Paid Per Share	Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs	Maximum Number Of Shares That May Yet Be Purchased Under The Plans Or Programs
4/1 4/30/10	150,808	$	43.10	150,808	3,313,128
5/1 5/31/10	319,370		41.58	319,370	2,993,758
6/1 6/30/10	132,250		39.34	132,250	2,861,508
Total	602,428	$	41.47	602,428	2,861,508

The Company announced the existing repurchase program on July 17, 2008. There is no expiration date for this repurchase programs.

ITEM 6. EXHIBITS

Exhibit 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101	The following financial information from our Quarterly Report on Form 10-Q for the second quarter of fiscal 2010, filed with the SEC on August 4, 2010, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income - Three and Six Months Ended June 30, 2010 and 2009, (ii) the Condensed Consolidated Balance Sheets - June 30, 2010 and December 31, 2009, (iii) the Condensed Consolidated Statements of Changes in Equity - Six Months Ended June 30, 2010 and 2009, (iv) the Condensed Consolidated Statements of Cash Flows - Six Months Ended June 30, 2010 and 2009 (v) the Notes to Condensed Consolidated Financial Statements (tagged as blocks of text).(1)
(1)	The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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SIGNATURE

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

Aptargroup, Inc.
(Registrant)

By /s/ ROBERT W. KUHN
Robert W. Kuhn
Executive Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: August 4, 2010

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INDEX OF EXHIBITS

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