APTARGROUP INC
Form 10-Q
October 27, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-1004
FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date (October 18, 2006).

Common Stock	**34,452,279**

AptarGroup, Inc.

Form 10-Q

Quarter Ended September 30, 2006

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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,	
	2006	**2005**	**2006**	**2005**
Net Sales	**$ 404,905**	$ 341,084	**$ 1,178,998**	$ 1,041,195
Operating Expenses:				
Cost of sales (exclusive of depreciation shown below)	**274,517**	228,742	**796,821**	699,861
Selling, research & development and administrative	**57,406**	49,613	**177,863**	152,313
Depreciation and amortization	**28,340**	23,985	**83,503**	74,799
	360,263	302,340	**1,058,187**	926,973
Operating Income	**44,642**	38,744	**120,811**	114,222
Other Income (Expense):				
Interest expense	**(4,479)**	(3,025)	**(12,186)**	(8,789)
Interest income	**1,012**	771	**2,753**	2,333
Equity in results of affiliates	**177**	382	**420**	1,217
Minority interests	**38**	12	**(94)**	83
Miscellaneous, net	**(219)**	(6)	**(1,154)**	(844)
	(3,471)	(1,866)	**(10,261)**	(6,000)
Income Before Income Taxes	**41,171**	36,878	**110,550**	108,222
Provision for Income Taxes	**12,928**	11,948	**34,829**	31,900
Net Income	**$ 28,243**	$ 24,930	**$ 75,721**	$ 76,322
Net Income Per Common Share:				
Basic	**$ 0.82**	$ 0.71	**$ 2.17**	$ 2.16
Diluted	**$ 0.80**	$ 0.69	**$ 2.10**	$ 2.10

Average Number of Shares Outstanding:								
Basic		**34,646**		34,988		**34,919**		35,282
Diluted		**35,439**		36,010		**36,033**		36,313
Dividends Declared Per Common Share	**$**	**0.22**	$	0.20	**$**	**0.62**	$	0.50

See accompanying notes to condensed consolidated financial statements.

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AptarGroup, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In thousands, except per share amounts

	September 30, 2006	December 31, 2005
Assets		
Current Assets:		
Cash and equivalents	**$ 168,244**	$ 117,635
Accounts and notes receivable, less allowance for doubtful accounts of $11,075 in 2006 and $10,356 in 2005	**310,360**	260,175
Inventories, net	**215,270**	184,241
Prepaid expenses and other current assets	**52,228**	43,240
	746,102	605,291
Property, Plant and Equipment:		
Buildings and improvements	**226,889**	201,194
Machinery and equipment	**1,169,682**	1,058,684
	1,396,571	1,259,878
Less: Accumulated depreciation	**(833,818)**	(735,659)
	562,753	524,219
Land	**13,503**	12,601
	576,256	536,820
Other Assets:		
Investments in affiliates	**3,270**	5,050
Goodwill	**206,346**	184,763
Intangible assets, net	**18,438**	16,927
Other non-current assets	**6,271**	8,468
	234,325	215,208
Total Assets	**$ 1,556,683**	$ 1,357,319

See accompanying notes to condensed consolidated financial statements.

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AptarGroup, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In thousands, except per share amounts

	September 30, 2006	December 31, 2005
Liabilities and Stockholders Equity		
Current Liabilities:		
Notes payable	**$ 108,788**	$ 97,650
Current maturities of long-term obligations	**4,635**	4,453
Accounts payable and accrued liabilities	**270,315**	218,659
	383,738	320,762
Long-Term Obligations	**193,021**	144,541
Deferred Liabilities and Other:		
Deferred income taxes	**42,029**	45,056
Retirement and deferred compensation plans	**36,247**	31,023
Deferred and other non-current liabilities	**1,574**	1,849
Commitments and contingencies		
Minority interests	**5,100**	4,700
	84,950	82,628
Stockholders Equity:		
Preferred stock, $.01 par value, 1 million shares authorized, none outstanding		
Common stock, $.01 par value	**389**	386
Capital in excess of par value	**183,225**	162,863
Retained earnings	**825,343**	771,304
Accumulated other comprehensive income	**77,843**	24,289
Less treasury stock at cost, 4.5 and 3.7 million shares as of September 30, 2006 and December 31, 2005	**(191,826)**	(149,454)
	894,974	809,388
Total Liabilities and Stockholders Equity	**$ 1,556,683**	$ 1,357,319

See accompanying notes to condensed consolidated financial statements.

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AptarGroup, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

In thousands, brackets denote cash outflows

Nine Months Ended September 30,	**2006**	**2005**
Cash Flows From Operating Activities:		
Net income	**$ 75,721**	$ 76,322
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	**80,721**	72,960
Amortization	**2,782**	1,839
Stock option based compensation	**11,348**	
Provision for bad debts	**1,567**	445
Labor redeployment	**(879)**	2,690
Minority interests	**94**	(83)
Deferred income taxes	**(5,043)**	(5,894)
Retirement and deferred compensation plans	**2,490**	1,212
Equity in results of affiliates in excess of cash distributions received	**(371)**	(1,188)
Changes in balance sheet items, excluding effects from foreign currency adjustments:		
Accounts receivable	**(27,000)**	(12,873)
Inventories	**(17,963)**	(4,860)
Prepaid and other current assets	**(1,940)**	4,184
Accounts payable and accrued liabilities	**26,678**	17,954
Income taxes payable	**3,234**	(3,548)
Other changes, net	**(2,974)**	4,423
Net Cash Provided by Operations	**148,465**	153,583
Cash Flows From Investing Activities:		
Capital expenditures	**(81,558)**	(74,839)
Disposition of property and equipment	**6,689**	2,375
Intangible assets acquired	**(2,767)**	(1,097)
Acquisition of businesses, net of cash acquired	**(32,555)**	(31,174)
Disposition of investment in affiliates		11
Collection of notes receivable, net	**265**	1,209
Net Cash Used by Investing Activities	**(109,926)**	(103,515)
Cash Flows From Financing Activities:		
Proceeds from notes payable	**10,441**	30,482
Proceeds from long-term obligations	**55,341**	596
Repayments of long-term obligations	**(8,290)**	(6,700)
Dividends paid	**(21,683)**	(17,670)
Proceeds from stock options exercises	**10,717**	9,767

Purchase of treasury stock		**(44,416)**		(53,686)
Excess tax benefit from exercise of stock options		**1,125**		
Net Cash Provided/(Used) by Financing Activities		**3,235**		(37,211)
Effect of Exchange Rate Changes on Cash		**8,835**		(18,629)
Net Increase/(Decrease) in Cash and Equivalents		**50,609**		(5,772)
Cash and Equivalents at Beginning of Period		**117,635**		170,368
Cash and Equivalents at End of Period	**$**	**168,244**	$	164,596
Supplemental Non-cash Financing Activities:				
Capital lease obligations	**$**	**1,780**		100

See accompanying notes to condensed consolidated financial statements.

AptarGroup, Inc.

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

NOTE 1 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.

In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for the fair statement of consolidated financial position, results of operations, 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 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, 2005. The results of operations of any interim period are not necessarily indicative of the results that may be expected for the year.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) 123(R), Share-Based Payment . This statement replaces SFAS 123, Accounting for Stock-Based Compensation and supersedes Accounting Principles Board Opinion (APB) 25. SFAS 123(R) requires that all share-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. Also under the new standard, excess tax benefits related to issuance of equity instruments under share-based payment arrangements are considered financing instead of operating cash flow activities. The Company has adopted the modified prospective method of applying SFAS 123(R), which requires the recognition of compensation expense on a prospective basis. Accordingly, prior period financial statements have not been restated.

NOTE 2 INVENTORIES

At September 30, 2006 and December 31, 2005, approximately 22% and 23%, respectively, of the total inventories are accounted for by using the LIFO method. Inventories, by component net of reserves, consisted of:

	September 30, 2006	**December 31, 2005**
Raw materials	**$ 81,499**	$ 65,644
Work in progress	**46,967**	41,032
Finished goods	**90,569**	81,105
Total	**219,035**	187,781
Less LIFO Reserve	**(3,765)**	(3,540)
Total	**$ 215,270**	$ 184,241

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NOTE 3 GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill since the year ended December 31, 2005 are as follows by reporting segment:

	Pharma	Beauty & Home	Closures	Total
Balance as of December 31, 2005	$ 22,464	$ 145,749	$ 16,550	$ 184,763
Acquisitions (See Note 11)		2,410	12,149	14,559
Foreign currency exchange effects	1,468	4,707	849	7,024
Balance as of September 30, 2006	**$ 23,932**	**$ 152,866**	**$ 29,548**	**$ 206,346**

The table below shows a summary of intangible assets as of September 30, 2006 and December 31, 2005.

		September 30, 2006			December 31, 2005		
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Value	Gross Carrying Amount	Accumulated Amortization	Net Value
Amortized intangible assets:							
Patents	14	**$ 16,469**	**$ (8,932)**	**$ 7,537**	$ 15,079	$ (7,471)	$ 7,608
License agreements and other	7	**18,326**	**(7,974)**	**10,352**	14,971	(6,171)	8,800
		34,795	**(16,906)**	**17,889**	30,050	(13,642)	16,408
Unamortized intangible assets:							
Minimum pension liability		**549**		**549**	519		519
		549		**549**	519		519
Total intangible assets		**$ 35,344**	**$ (16,906)**	**$ 18,438**	$ 30,569	$ (13,642)	$ 16,927

Aggregate amortization expense for the intangible assets above for the quarters ended September 30, 2006 and 2005 was $1,125 and $618, respectively. Aggregate amortization expense for the intangible assets above for the nine months ended September 30, 2006 and September 30, 2005 was $2,782 and $1,839, respectively.

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

2006	$ 3,645
2007	3,363
2008	2,884
2009	2,444
2010	1,694

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, 2006.

NOTE 4 TOTAL COMPREHENSIVE INCOME/(LOSS)

AptarGroup s total comprehensive income/(loss) was as follows:

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Net income	**$ 28,243**	$ 24,930	**$ 75,721**	$ 76,322
Add: Foreign currency translation adjustment	**(6,714)**	(2,937)	**53,573**	(82,470)
Minimum pension liability adjustment (net of tax)			**(19)**	
Total comprehensive income/(loss)	**$ 21,529**	$ 21,993	**$ 129,275**	$ (6,148)

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NOTE 5 RETIREMENT AND DEFERRED COMPENSATION PLANS

Components of Net Periodic Benefit Cost:

Three months ended September 30,

	Domestic Plans		Foreign Plans	
	2006	**2005**	**2006**	**2005**
Service cost	**$ 987**	$ 942	**$ 349**	$ 244
Interest cost	**661**	595	**351**	326
Expected return on plan assets	**(604)**	(573)	**(147)**	(110)
Amortization of prior service cost	**1**	1	**18**	25
Amortization of net loss	**151**	119	**150**	68
Net periodic benefit cost	**$ 1,196**	$ 1,084	**$ 721**	$ 553

Nine months ended September 30,

	Domestic Plans		Foreign Plans	
	2006	**2005**	**2006**	**2005**
Service cost	**$ 2,961**	$ 2,834	**$ 1,022**	$ 755
Interest cost	**1,983**	1,791	**1,033**	1,009
Expected return on plan assets	**(1,812)**	(1,724)	**(432)**	(340)
Amortization of prior service cost	**3**	3	**54**	76
Amortization of net loss	**453**	359	**444**	211
Net periodic benefit cost	**$ 3,588**	$ 3,263	**$ 2,121**	$ 1,711

EMPLOYER CONTRIBUTIONS

As of September 30, 2006, the Company has contributed $2.5 million to its domestic defined benefit plans and approximately $.4 million to its foreign plans. The Company presently anticipates contributing an additional $1 million to fund its foreign plans for the remainder of 2006.

NOTE 6 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company maintains a foreign exchange risk management policy designed to establish a framework to protect the value of the Company s non-functional denominated transactions from adverse changes in exchange rates. Sales of the Company s products can be denominated in a currency different from the currency in which the related costs to produce the product are denominated. Changes in exchange rates on such inter-country sales 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 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 September 30, 2006, the Company recorded the fair value of the derivative instrument of $1.1 million in other non-current assets with a corresponding increase to debt related to the fixed-to-variable interest rate swap agreement with a notional principal value of $25 million. No gain or loss related to the change in fair value was recorded in the income statement for the three and nine months ended September 30, 2006 or 2005 as any hedge ineffectiveness for the period is immaterial.

CASH FLOW HEDGES

The Company did not use any cash flow hedges in the quarter or nine months ended September 30, 2006 or 2005.

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HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

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

OTHER

As of September 30, 2006, the Company recorded the fair value of foreign currency forward exchange contracts of $0.2 million in accounts payable and accrued liabilities and $0.3 million in deferred and other non-current liabilities in the balance sheet. All forward exchange contracts outstanding as of September 30, 2006 had an aggregate contract amount of $78.7 million.

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. 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.

The Company has received a ruling in its favor in a patent litigation case in Europe for which it is a plaintiff. The defendant has appealed and no judgment amount has officially been awarded. The Company has not recorded a gain contingency, as the amount of the judgment is unknown and unable to be estimated based on the status of the case.

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, 2006.

NOTE 8 STOCK REPURCHASE PROGRAM

On July 19, 2006, the Company s Board of Directors authorized the Company to repurchase an additional two million shares of its outstanding common stock. There is no expiration date for the repurchase program.

During the quarter ended September 30, 2006, the Company repurchased 426 thousand shares for an aggregate amount of $21.7 million. As of September 30, 2006, the Company has outstanding authorizations to repurchase up to approximately 2.3 million shares. The timing of and total amount expended for the share repurchase depend upon market conditions.

NOTE 9 EARNINGS PER SHARE

AptarGroup s authorized common stock consists of 99 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, 2006		**September 30, 2005**	
	Diluted	**Basic**	**Diluted**	**Basic**
Consolidated operations				
Income available to common stockholders	**$ 28,243**	**$ 28,243**	$ 24,930	$ 24,930
Average equivalent shares				

Shares of common stock	**34,646**	**34,646**	34,988	34,988
Effect of dilutive stock based compensation				
Stock options	**791**		1,013	
Restricted stock	**2**		9	
Total average equivalent shares	**35,439**	**34,646**	36,010	34,988
Net income per share	**$ 0.80**	**$ 0.82**	$ 0.69	$ 0.71

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	Nine months ended			
	September 30, 2006		September 30, 2005	
	Diluted	Basic	Diluted	Basic
Consolidated operations				
Income available to common stockholders	**$ 75,721**	**$ 75,721**	$ 76,322	$ 76,322
Average equivalent shares				
Shares of common stock	**34,919**	**34,919**	35,282	35,282
Effect of dilutive stock based compensation				
Stock options	**1,111**		1,023	
Restricted stock	**3**		8	
Total average equivalent shares	**36,033**	**34,919**	36,313	35,282
Net income per share	**$ 2.10**	**$ 2.17**	$ 2.10	**$** 2.16

NOTE 10 SEGMENT INFORMATION

Beginning with the first quarter of 2006, the Company has been reporting three new business segments that reflect AptarGroup s realigned internal financial reporting structure. Prior period information has been conformed to the current presentation.

The Company operates in the packaging components industry, which includes the development, manufacture and sale of consumer product dispensing systems. 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, 2005. The Company evaluates performance of its business segments and allocates resources based upon earnings before interest expense in excess of interest income, stock option and corporate expenses, income taxes and unusual items (collectively referred to as Segment Income). These measures should not be considered in isolation or as a substitute for net income, net cash provided by operating activities or other income statement or cash flow statement data prepared in accordance with GAAP or as measures of profitability or liquidity. In addition, these measures, as we determine them, may not be comparable to related or similarly titled measures reported by other companies.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
Total Sales:				
Beauty & Home	**$ 214,084**	$ 170,833	**$ 623,119**	$ 529,799
Closures	**114,111**	97,955	**329,571**	295,256
Pharma	**79,019**	74,400	**235,662**	223,976
Other	**290**	416	**902**	1,082
Total Sales	**407,504**	343,604	**1,189,254**	1,050,113

Less: Intersegment Sales:				
Beauty & Home	**$ 1,684**	$ 1,686	**$ 7,828**	$ 5,661
Closures	**303**	251	**833**	1,070
Pharma	**387**	340	**955**	1,442
Other	**225**	243	**640**	745
Total Intersegment Sales	**$ 2,599**	$ 2,520	**$ 10,256**	$ 8,918
Net Sales:				
Beauty & Home	**$ 212,400**	$ 169,147	**$ 615,291**	$ 524,138
Closures	**113,808**	97,704	**328,738**	294,186
Pharma	**78,632**	74,060	**234,707**	222,534
Other	**65**	173	**262**	337
Net Sales	**$ 404,905**	$ 341,084	**$ 1,178,998**	$ 1,041,195
Segment Income:				
Beauty & Home	**$ 18,487**	$ 12,473	**$ 54,872**	$ 42,954
Closures	**11,825**	11,361	**34,548**	31,972
Pharma	**21,731**	20,234	**58,642**	56,791
Corporate Expenses & Other (1)	**(7,405)**	(4,936)	**(28,079)**	(17,039)
Income before interest and taxes	**$ 44,638**	$ 39,132	**$ 119,983**	$ 114,678
Interest expense, net	**(3,467)**	(2,254)	**(9,433)**	(6,456)
Income before income taxes	**$ 41,171**	$ 36,878	**$ 110,550**	$ 108,222

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Depreciation and Amortization:				
Beauty & Home	**$ 16,472**	$ 13,877	**$ 48,596**	$ 42,092
Closures	**6,525**	5,431	**18,896**	17,342
Pharma	**4,794**	4,220	**14,152**	13,925
Other	**549**	457	**1,859**	1,440
Depreciation and Amortization	**$ 28,340**	$ 23,985	**$ 83,503**	$ 74,799

	September 30, 2006	**September 30, 2005**
Capital Expenditures:		
Beauty & Home	**$ 48,436**	$ 42,544
Closures	**18,467**	15,247
Pharma	**11,787**	16,763
Other	**2,868**	285
Capital Expenditures	**$ 81,558**	$ 74,839

	September 30, 2006	**December 31, 2005**
Total Assets:		
Beauty & Home	**$ 875,167**	$ 790,147
Closures	**305,485**	259,104
Pharma	**242,707**	221,667
Other	**133,324**	86,401
Total Assets	**$ 1,556,683**	$ 1,357,319

(1) Corporate Expenses & Other amount for the quarter and nine months ended September 30, 2006 includes $2.1 million and $11.3 million, respectively, relating to stock option expense.

NOTE 11 ACQUISITIONS

During the first quarter of 2006, the Company acquired the net assets of CCL Dispensing Systems, LLC (CCLDS) for approximately $21.3 million in cash. No debt was assumed in the transaction. CCLDS is located in Libertyville, Illinois and produces primarily dispensing closures. The excess of the purchase price over the fair values of assets acquired and liabilities assumed was allocated to Goodwill. Preliminary goodwill of approximately $9.5 million was recorded on the acquisition and is deductible for tax purposes. The condensed consolidated statement of income includes CCLDS results of operations from February 6, 2006, the date of the acquisition.

During the third quarter of 2006, the Company acquired the net assets of Augros do Brasil Ltda. (Augros) for approximately $5.3 million in cash. Approximately $1.8 million of debt was assumed in the transaction. Augros is located in Brazil and is involved in injection molding and decoration (including serigraphy and hot stamping) of plastic components primarily for the fragrance and cosmetics market. The excess of the purchase price over the fair values of assets acquired and liabilities assumed was allocated to Goodwill. Preliminary goodwill of approximately $2.4 million was recorded on the acquisition. The condensed consolidated statement of income includes Augros results of operations from July 28, 2006, the date of the acquisition.

During the third quarter of 2006, the Company also acquired the remaining 65% that it did not already own of Seaquist Engelmann S.A.I.C.F. e I. (Engelmann) for $7.5 million in cash. No debt was assumed in the transaction. Engelmann is located in Argentina and produces primarily dispensing closures. The excess of the purchase price over the fair values of assets acquired and liabilities assumed was allocated to Goodwill. Preliminary goodwill of approximately $2.7 million was recorded on the acquisition. The condensed consolidated statement of income includes Engelmann s results of operations from August 30, 2006, the date of the acquisition.

NOTE 12 STOCK-BASED COMPENSATION

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) 123(R), Share-Based Payment . This statement replaces SFAS 123, Accounting for Stock-Based Compensation and supersedes Accounting Principles Board Opinion (APB) 25. SFAS 123(R) requires that all share-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. Also under the new standard, excess tax benefits related to issuance of equity instruments under share-based payment arrangements are considered financing instead of operating cash flow activities. The Company has adopted the modified prospective method of applying SFAS 123(R), which requires the recognition of compensation expense on a prospective basis. Accordingly, prior period financial statements have not been restated.

Prior to the adoption of SFAS 123(R), the Company applied APB 25 to account for stock-based awards. Under APB 25, the Company only recorded stock-based compensation expense for restricted stock unit grants, which amounted to $.3 million in the first nine months of 2005 and 2006. Under APB 25, the Company was not required to recognize compensation expense for stock options. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock option based compensation in the prior year.

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		Three months ended September 30, 2005		Nine months ended September, 30, 2005
Net income, as reported	$	24,930	$	76,322
Deduct: Total stock option based compensation expense determined under fair value method for all awards, net of related tax effects		2,503		5,163
Pro forma net income	$	22,427	$	71,159
Earnings per share:				
Basic as reported	$	0.71	$	2.16
Basic pro forma	$	0.64	$	2.02
Diluted as reported	$	0.69	$	2.10
Diluted pro forma	$	0.62	$	1.96

SFAS 123(R) upon adoption requires the application of the non-substantive vesting approach which means that an award is fully vested when the employee s retention of the award is no longer contingent on providing subsequent service. Under this approach, compensation costs are recognized over the requisite service period of the award instead of ratably over the vesting period stated in the grant. As such, costs would be recognized immediately, if the employee is retirement eligible on the date of grant or over the period from the date of grant until retirement eligibility if retirement eligibility is reached before the end of the vesting period stated in the grant. For awards granted prior to adoption, the Company will continue to recognize compensation costs ratably over the vesting period with accelerated recognition of the unvested portion upon actual retirement. Had the Company been previously using the non-substantive approach, stock option expense net of related tax effects would have been lower by $.6 million ($.02 per share) for the quarter ended September 30, 2005 and would have been higher by approximately $1.4 million ($.04 per share) for the nine months ended September 30, 2005.

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 generally vests over three years.

Compensation expense recorded attributable to stock options for the first nine months of 2006 was approximately $11.3 million ($7.4 million after tax), or $.21 per share basic and $.20 per share diluted. The income tax benefit related to this compensation expense was approximately $4.0 million. Approximately $10.7 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 $16.09 and $15.47 per share in 2006 and 2005, 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:

Nine months ended September 30,	2006	2005

Dividend Yield	1.6%	1.4%
Expected Stock Price Volatility	24.8%	27.2%
Risk-free Interest Rate	4.3%	4.0%
Expected Life of Option (years)	7.0	7.0

The fair value of stock options granted under the Director Stock Option Plans in 2006 and 2005 was $17.26 and $16.60 per share, respectively. 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:

Nine months ended September 30,	**2006**	**2005**
Dividend Yield	1.5%	1.2%
Expected Stock Price Volatility	24.8%	26.9%
Risk-free Interest Rate	5.1%	4.1%
Expected Life of Option (years)	7.0	7.0

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A summary of option activity under the Company s stock option plans as of September 30, 2006, and changes during the period then ended is presented below:

	Stock Awards Plans		Director Stock Option Plans	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, January 1, 2006	**3,708,406**	**$ 32.73**	**117,000**	**$ 40.40**
Granted	**609,000**	**54.02**	**6,000**	**54.36**
Exercised	**(343,953)**	**25.11**	**(2,000)**	**34.40**
Forfeited or expired	**(19,805)**	**41.64**	**(10,000)**	**39.96**
Outstanding at September 30, 2006	**3,953,648**	**$ 36.63**	**111,000**	**$ 41.31**
Exercisable at September 30, 2006	**2,755,585**	**$ 30.84**	**81,000**	**$ 37.37**
Weighted-Average Remaining Contractual Term (Years):				
Outstanding at September 30, 2006	**6.1**		**6.2**	
Exercisable at September 30, 2006	**5.0**		**5.2**	
Aggregate Intrinsic Value ($000):				
Outstanding at September 30, 2006	**$ 58,264**		**$ 1,107**	
Exercisable at September 30, 2006	**$ 55,217**		**$ 1,107**	
Intrinsic Value of Options Exercised ($000) During the Nine Months Ended:				
September 30, 2006	**$ 9,938**		**$ 36**	
September 30, 2005	$ 10,053		$ 118	

The fair value of shares vested during the nine months ended September 30, 2006 and 2005 was $8.2 million and $7.1 million, respectively. Cash received from option exercises was approximately $10.7 million and the tax deduction from option exercises was approximately $1.8 million in the nine months ended September 30, 2006. As of September 30, 2006, the remaining valuation of stock option awards to be expensed in future periods was $9.7 million and the related weighted-average period over which it is expected to be recognized is 1.3 years.

The fair value of restricted stock grants is the market price of the underlying shares on the grant date. A summary of restricted stock unit activity as of September 30, 2006, and changes during the period then ended is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2006	**18,015**	**$ 34.59**
Granted	**3,363**	**55.02**
Vested	**(13,194)**	**31.01**

Nonvested at September 30, 2006	**8,184**	**$**	**48.75**

The fair value of units vested during the nine months ended September 30, 2006 and 2005 was $409 thousand and $357 thousand, respectively. The intrinsic value of units vested during the nine months ended September 30, 2006 and 2005 was $749 thousand and $790 thousand, respectively. As of September 30, 2006, there was $122 thousand of total unrecognized compensation cost relating to restricted stock unit awards which is expected to be recognized over a weighted average period of 0.9 years.

NOTE 13 REDEPLOYMENT PROGRAM

The Company announced in the third quarter of 2005 a three year plan to reduce and redeploy certain personnel in its French fragrance/cosmetic operations. The objective of this three year plan is to better align production equipment and personnel between several sites in France to ultimately reduce costs and maintain competitiveness. This plan will be implemented in phases over a three year period and is expected to be completed in the fourth quarter of 2008. The plan anticipates a headcount reduction by the end of 2008 of approximately 90 people. Total costs associated with the Redeployment Program are expected to be approximately $7 to $9 million before taxes over the three year period and primarily relate to employee severance costs. Approximately $.6 million and $1.9 million of such charges before tax and $.4 million and $1.3 million after-tax or approximately $0.01 and $0.04 per diluted share were recorded in the three and nine months ended September 30, 2006, respectively. The following table below highlights the pre-tax amount incurred in the period and the ending liability at the end of September 30, 2006. All charges related to the Redeployment Program are included in Cost of Sales in the condensed consolidated statement of income.

	Beginning Reserve At 01/01/06	Charges For The Nine Months Ended 09/30/06	Cash Paid	FX Impact	Ending Reserve At 09/30/06
Employee severance	$ 2,323	$ 1,282	$ (2,357)	$ 196	$ 1,444
Other costs		632	(648)	16	
Totals	$ 2,323	$ 1,914	$ (3,005)	$ 212	$ 1,444

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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 September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**