

APTARGROUP INC  
Form 10-Q  
May 03, 2007

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

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2007  
OR**

**[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM \_\_\_\_ TO \_\_\_\_**

**COMMISSION FILE NUMBER 1-11846  
AptarGroup, Inc.**

**DELAWARE  
(State of Incorporation) 36-3853103  
(I.R.S. Employer Identification No.)  
475 WEST TERRA COTTA AVENUE, SUITE E, CRYSTAL LAKE, ILLINOIS 60014  
815-477-0424**

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (April 26, 2007).

<b>Common Stock</b>	<b>34,607,673</b>
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AptarGroup, Inc.  
**Form 10-Q**  
Three Months Ended March 31, 2007  
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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**

<b>Three Months Ended March 31,</b>	<b>2007</b>	<b>2006</b>
<b>Net Sales</b>	<b>\$ 449,841</b>	<b>\$ 375,468</b>
<b>Operating Expenses:</b>		
Cost of sales (exclusive of depreciation shown below)	<b>300,260</b>	253,786
Selling, research & development and administrative	<b>73,725</b>	62,370
Depreciation and amortization	<b>29,237</b>	26,913
	<b>403,222</b>	343,069
<b>Operating Income</b>	<b>46,619</b>	32,399
<b>Other Income (Expense):</b>		
Interest expense	<b>(4,843)</b>	(3,810)
Interest income	<b>1,622</b>	911
Equity in results of affiliates	<b>157</b>	106
Minority interests	<b>17</b>	(46)
Miscellaneous, net	<b>(390)</b>	(513)
	<b>(3,437)</b>	(3,352)
<b>Income Before Income Taxes</b>	<b>43,182</b>	29,047
<b>Provision for Income Taxes</b>	<b>13,602</b>	9,237
<b>Net Income</b>	<b>\$ 29,580</b>	<b>\$ 19,810</b>
<b>Net Income Per Common Share:</b>		
Basic	<b>\$ .86</b>	<b>\$ .56</b>
Diluted	<b>\$ .82</b>	<b>\$ .55</b>
<b>Average Number of Shares Outstanding:</b>		
Basic	<b>34,594</b>	35,075
Diluted	<b>35,912</b>	36,246

<b>Dividends Per Common Share</b>	<b>\$</b>	<b>.22</b>	<b>\$</b>	<b>.20</b>
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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

	March 31, 2007	December 31, 2006
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and equivalents	\$ 181,247	\$ 170,576
Accounts and notes receivable, less allowance for doubtful accounts of \$11,222 in 2007 and \$10,963 in 2006	362,338	320,969
Inventories, net	243,502	226,455
Prepaid expenses and other current assets	56,630	44,820
	<b>843,717</b>	<b>762,820</b>
<b>Property, Plant and Equipment:</b>		
Buildings and improvements	240,121	236,743
Machinery and equipment	1,252,361	1,212,386
	<b>1,492,482</b>	<b>1,449,129</b>
Less: Accumulated depreciation	<b>(912,527)</b>	<b>(872,241)</b>
	<b>579,955</b>	<b>576,888</b>
Land	14,329	14,189
	<b>594,284</b>	<b>591,077</b>
<b>Other Assets:</b>		
Investments in affiliates	3,421	3,388
Goodwill	213,558	207,882
Intangible assets, net	18,942	19,820
Other non-current assets	7,592	7,025
	<b>243,513</b>	<b>238,115</b>
<b>Total Assets</b>	<b>\$ 1,681,514</b>	<b>\$ 1,592,012</b>

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

	<b>March 31, 2007</b>	<b>December 31, 2006</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Current Liabilities:</b>		
Notes payable	\$ 118,232	\$ 100,583
Current maturities of long-term obligations	26,401	26,841
Accounts payable and accrued liabilities	301,491	272,761
	<b>446,124</b>	400,185
<b>Long-Term Obligations</b>	<b>168,676</b>	168,877
<b>Deferred Liabilities and Other:</b>		
Deferred income taxes	34,460	33,741
Retirement and deferred compensation plans	41,956	40,134
Deferred and other non-current liabilities	6,988	2,112
Commitments and contingencies		
Minority interests	550	563
	<b>83,954</b>	76,550
<b>Stockholders Equity:</b>		
Preferred stock, \$.01 par value, 1 million shares authorized, none outstanding		
Common stock, \$.01 par value	394	392
Capital in excess of par value	211,251	195,343
Retained earnings	865,241	844,921
Accumulated other comprehensive income	120,449	109,505
Less treasury stock at cost, 4.8 and 4.6 million shares as of March 31, 2007 and December 31, 2006, respectively	(214,575)	(203,761)
	<b>982,760</b>	946,400
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 1,681,514</b>	\$ 1,592,012

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**

<b>Three Months Ended March 31,</b>	<b>2007</b>	<b>2006</b>
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 29,580	\$ 19,810
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	28,163	26,122
Amortization	1,074	791
Stock option based compensation	8,708	7,137
Provision for bad debts	577	442
Labor redeployment	(512)	(473)
Minority interests	(17)	46
Deferred income taxes	(3,426)	(2,556)
Retirement and deferred compensation plans	(350)	(496)
Equity in results of affiliates in excess of cash distributions received	(157)	(57)
Changes in balance sheet items, excluding effects from foreign currency adjustments:		
Accounts receivable	(37,456)	(19,852)
Inventories	(14,565)	(4,204)
Prepaid and other current assets	(3,752)	(2,801)
Accounts payable and accrued liabilities	25,584	9,215
Income taxes payable	1,585	260
Other changes, net	(857)	(1,838)
<b>Net Cash Provided by Operations</b>	<b>34,179</b>	<b>31,546</b>
<b>Cash Flows From Investing Activities:</b>		
Capital expenditures	(25,900)	(25,535)
Disposition of property and equipment	630	131
Intangible assets acquired	(46)	(994)
Acquisition of business	(5,151)	(21,315)
Collection of notes receivable, net	56	126
<b>Net Cash Used by Investing Activities</b>	<b>(30,411)</b>	<b>(47,587)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from notes payable	17,373	20,617
Proceeds from long-term obligations		2,680
Repayments of long-term obligations	(757)	(4,658)
Dividends paid	(7,604)	(7,001)
Proceeds from stock options exercises	6,340	8,160
Purchase of treasury stock	(11,936)	(4,611)



Excess tax benefit from exercise of stock options	<b>1,463</b>	978
<b>Net Cash Provided by Financing Activities</b>	<b>4,879</b>	16,165
<b>Effect of Exchange Rate Changes on Cash</b>	<b>2,024</b>	2,451
<b>Net Increase in Cash and Equivalents</b>	<b>10,671</b>	2,575
<b>Cash and Equivalents at Beginning of Period</b>	<b>170,576</b>	117,635
<b>Cash and Equivalents at End of Period</b>	<b>\$ 181,247</b>	<b>\$ 120,210</b>

See accompanying notes to condensed consolidated financial statements.

Table of Contents**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 a 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 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, 2006. 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.

Effective January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Income Tax Uncertainty in Income Taxes (FIN 48). As a result of the implementation of FIN 48, the Company recognized a \$1.6 million increase in the liability for income tax uncertainties. The increase was accounted for as a reduction to the January 1, 2007 balance of retained earnings, as required by FIN 48.

NOTE 2 INVENTORIES

At March 31, 2007 and December 31, 2006, approximately 20% and 21%, respectively, of the total inventories are accounted for by using the LIFO method. Inventories, by component, consisted of:

	<b>March 31, 2007</b>	<b>December 31, 2006</b>
Raw materials	\$ 86,376	\$ 84,470
Work-in-process	57,700	49,377
Finished goods	102,721	95,403
Total	<b>246,797</b>	229,250
Less LIFO Reserve	<b>(3,295)</b>	(2,795)
Total	<b>\$ 243,502</b>	\$ 226,455



**Table of Contents****NOTE 3 GOODWILL AND OTHER INTANGIBLE ASSETS**

The changes in the carrying amount of goodwill since the year ended December 31, 2006 are as follows by reporting segment:

	Pharma	Beauty & Home	Closures	Total
Balance as of December 31, 2006	\$ 23,158	\$ 148,073	\$ 36,651	\$ 207,882
Acquisitions (See Note 11)		4,413		4,413
Foreign currency exchange effects	253	707	303	1,263
Balance as of March 31, 2007	\$ 23,411	\$ 153,193	\$ 36,954	\$ 213,558

The table below shows a summary of intangible assets as of March 31, 2007 and December 31, 2006.

	March 31, 2007				December 31, 2006			
Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Value	Gross Carrying Amount	Accumulated Amortization	Net Value		
<b>Amortized intangible assets:</b>								
Patents	14	\$ 17,521	\$ (10,202)	\$ 7,319	\$ 17,267	\$ (9,750)	\$ 7,517	
License agreements and other	8	21,330	(9,707)	11,623	21,196	(8,893)	12,303	
Total intangible assets	11	\$ 38,851	\$ (19,909)	\$ 18,942	\$ 38,463	\$ (18,643)	\$ 19,820	

Aggregate amortization expense for the intangible assets above for the quarters ended March 31, 2007 and 2006 was \$1,074 and \$791, respectively.

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

2007	\$ 4,220
2008	4,147
2009	3,458
2010	2,888
2011	1,401

Future amortization expense may fluctuate depending on changes in foreign currency rates. The estimates for amortization expense noted above are based upon foreign exchange rates as of March 31, 2007.

**NOTE 4 COMPREHENSIVE INCOME**

AptarGroup's total comprehensive income was as follows:

Three Months Ended March 31,	2007	2006
Net income	\$ 29,580	\$ 19,810
Add: Foreign currency translation adjustments	10,842	17,609

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Net gain/loss on derivatives (net of tax)	<b>4</b>	
Pension liability adjustment (net of tax)	<b>97</b>	(19)
Total comprehensive income	<b>\$ 40,523</b>	\$ 37,400

**Table of Contents****NOTE 5 RETIREMENT AND DEFERRED COMPENSATION PLANS****Components of Net Periodic Benefit Cost:**

<b>Three months ended March 31,</b>	<b>Domestic Plans</b>		<b>Foreign Plans</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Service cost	\$ 977	\$ 987	\$ 383	\$ 330
Interest cost	738	661	403	334
Expected return on plan assets	(687)	(604)	(172)	(139)
Amortization of prior service cost	1	1	83	18
Amortization of net loss	19	151	58	144
Net periodic benefit cost	\$ 1,048	\$ 1,196	\$ 755	\$ 687

**EMPLOYER CONTRIBUTIONS**

The Company previously disclosed in its financial statements for the year ended December 31, 2006, that it expected to contribute approximately \$1 million to its domestic defined benefit plans and approximately \$1.9 million to its foreign defined benefit plans in 2007. As of March 31, 2007, the Company has contributed approximately \$0.3 million to its foreign plans and has not yet contributed to its domestic plans.

**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 are calculated based on an agreed upon notional amount.

As of March 31, 2007, the Company has recorded the fair value of derivative instruments of \$1.0 million in other non-current assets with a corresponding increase to debt related to a fixed-to-variable interest rate swap agreement with a notional principal value of \$25 million. No gain or loss was recorded in the income statement in 2007 or 2006 as any hedge ineffectiveness for the periods was immaterial.

**CASH FLOW HEDGES**

As of March 31, 2007, 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 6.7 million Brazilian Real (\$3.3 million) as of March 31, 2007. There were no foreign currency forward contracts utilized to hedge cash flow exposures as of March 31, 2006.

During the three months ended March 31, 2007, 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 did not recognize any gain or loss during the three months ended March 31, 2007, for cash flow hedges that would have been discontinued. The Company's foreign currency forward contracts hedge forecasted transactions for approximately five 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 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

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

**OTHER**

As of March 31, 2007, the Company has recorded the fair value of foreign currency forward exchange contracts of \$662 thousand in accounts payable and accrued liabilities and \$1.0 million in deferred and other non-current liabilities in the balance sheet. All forward exchange contracts outstanding as of March 31, 2007 had an aggregate contract amount of \$83.7 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.

Under its Certificate of Incorporation, the Company has agreed to indemnify its officers and directors for certain events or occurrences while the officer or director is, or was serving, at its request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a directors and officers liability insurance policy that covers a portion of its exposure. As a result of its insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal. The Company has no liabilities recorded for these agreements as of March 31, 2007.

**NOTE 8 STOCK REPURCHASE PROGRAM**

During the quarter ended March 31, 2007, the Company repurchased 182 thousand shares for an aggregate amount of \$11.9 million. As of March 31, 2007, the Company has a remaining authorization to repurchase 1.8 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 9 EARNINGS PER SHARE**

AptarGroup's authorized common stock consisted of 99 million shares, having a par value of \$.01 each. Information related to the calculation of earnings per share is as follows:

	<b>Three months ended</b>			
	<b>March 31, 2007</b>		<b>March 31, 2006</b>	
	<b>Diluted</b>	<b>Basic</b>	<b>Diluted</b>	<b>Basic</b>
<b>Consolidated operations</b>				
Income available to common shareholders	\$ 29,580	\$ 29,580	\$ 19,810	\$ 19,810
<b>Average equivalent shares</b>				
Shares of common stock	34,594	34,594	35,075	35,075
Effect of dilutive stock based compensation				
Stock options	1,317		1,168	
Restricted stock	1		3	
Total average equivalent shares	35,912	34,594	36,246	35,075
Net income per share	\$ .82	\$ .86	\$ .55	\$ .56

**NOTE 10 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, 2006. 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).

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

<b>Three months ended March 31,</b>	<b>2007</b>	<b>2006</b>
Total Revenue:		
Beauty & Home	\$ 244,396	\$ 197,922
Closures	120,461	105,729
Pharma	87,944	74,957
Other	316	226
Total Revenue	453,117	378,834
Less: Intersegment Sales:		
Beauty & Home	\$ 2,438	\$ 2,614
Closures	480	241
Pharma	43	343
Other	315	168
Total Intersegment Sales	\$ 3,276	\$ 3,366
Net Sales:		
Beauty & Home	\$ 241,958	\$ 195,308
Closures	119,981	105,488
Pharma	87,901	74,614
Other	1	58
Net Sales	\$ 449,841	\$ 375,468
Segment Income:		
Beauty & Home	\$ 26,132	\$ 16,633
Closures	13,981	10,537
Pharma	22,682	17,063
Corporate & Other	(16,392)	(12,287)
Income before interest and taxes	\$ 46,403	\$ 31,946
Interest expense, net	(3,221)	(2,899)
Income before income taxes	\$ 43,182	\$ 29,047

**NOTE 11 ACQUISITIONS**

On February 15, 2007 the Company acquired Moderne Verpackungssysteme GmbH ( MVS ) for approximately \$5.2 million in cash. No debt was assumed in the transaction. MVS, located in Germany, is a supplier of bag-on-valve assembled products. The excess of the purchase price over the fair value of assets acquired and liabilities assumed was allocated to Goodwill. Preliminary Goodwill of approximately \$4.4 million was recorded on the acquisition. The condensed consolidated statement of income includes MVS' results of operations from February 15, 2007, 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 replaced 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.

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.

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 quarter of 2007 was approximately \$8.7 million (\$6.1 million after tax), or \$0.18 per share basic and \$0.17 per share diluted. The income tax benefit related to this compensation expense was approximately \$2.6 million. Approximately \$8.3 million of the compensation expense was recorded

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in selling, research & development and administrative expenses and the balance was recorded in cost of sales. Compensation expense recorded attributable to stock options for the first quarter of 2006 was approximately \$7.1 million (\$4.6 million after tax), or \$0.13 per share (basic and diluted). The income tax benefit related to this compensation expense was approximately \$2.5 million. Approximately \$6.8 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 \$18.61 and \$16.09 per share in 2007 and 2006, 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:

<b>Three months ended March 31,</b>	<b>2007</b>	<b>2006</b>
Dividend Yield	<b>1.4%</b>	1.6%
Expected Stock Price Volatility	<b>24.6%</b>	24.8%
Risk-free Interest Rate	<b>4.8%</b>	4.3%
Expected Life of Option (years)	<b>7.0</b>	7.0

There were no grants under the Director Stock Option Plan during the first quarters of 2007 and 2006.

A summary of option activity under the Company's stock option plans as of March 31, 2007, and changes during the period then ended is presented below:

	<b>Stock Awards Plans</b>		<b>Director Stock Option Plans</b>	
	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Shares</b>	<b>Weighted Average Exercise Price</b>
<b>Outstanding, January 1, 2007</b>	<b>3,663,937</b>	<b>\$ 37.40</b>	<b>110,000</b>	<b>\$ 41.37</b>
<b>Granted</b>	<b>620,750</b>	<b>60.89</b>		
<b>Exercised</b>	<b>(207,608)</b>	<b>28.51</b>	<b>(17,000)</b>	<b>21.67</b>
<b>Forfeited or expired</b>	<b>(4,466)</b>	<b>45.27</b>		
<b>Outstanding at March 31, 2007</b>	<b>4,072,613</b>	<b>\$ 41.42</b>	<b>93,000</b>	<b>\$ 44.97</b>
<b>Exercisable at March 31, 2007</b>	<b>2,660,277</b>	<b>\$ 34.17</b>	<b>65,000</b>	<b>\$ 42.04</b>

Weighted-Average Remaining Contractual Term (Years):

<b>Outstanding at March 31, 2007</b>	<b>6.6</b>	<b>6.7</b>
<b>Exercisable at March 31, 2007</b>	<b>5.4</b>	<b>6.0</b>

Aggregate Intrinsic Value (\$000):

<b>Outstanding at March 31, 2007</b>	<b>\$ 103,875</b>	<b>\$ 2,042</b>
<b>Exercisable at March 31, 2007</b>	<b>\$ 86,145</b>	<b>\$ 1,618</b>

Intrinsic Value of Options Exercised (\$000) During the Three Months Ended:

<b>March 31, 2007</b>	<b>\$ 7,539</b>	<b>\$ 640</b>
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March 31, 2006 \$ 8,005 \$

The fair value of shares vested during the three months ended March 31, 2007 and 2006 was \$6.3 million and \$5.2 million, respectively. Cash received from option exercises was approximately \$6.3 million and the actual tax benefit realized for the tax deduction from option exercises was approximately \$2.2 million in the three months ended March 31, 2007. As of March 31, 2007, the remaining valuation of stock option awards to be expensed in future periods was \$10.3 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 grants is the market price of the underlying shares on the grant date. A summary of restricted stock unit activity as of March 31, 2007, and changes during the period then ended is presented below:

	Shares		Weighted-Average Grant-Date Fair Value
<b>Nonvested at January 1, 2007</b>	<b>7,850</b>	<b>\$</b>	<b>49.31</b>
<b>Granted</b>	<b>7,256</b>		<b>61.25</b>
<b>Vested</b>	<b>(4,557)</b>		<b>46.54</b>
<b>Nonvested at March 31, 2007</b>	<b>10,549</b>	<b>\$</b>	<b>58.72</b>

Compensation expense recorded attributable to restricted stock unit grants for the first quarter of 2007 and 2006 was approximately \$0.4 million and \$0.2 million, respectively. The fair value of units vested during the three months ended March 31, 2007 and 2006 was \$212 and \$409, respectively. The intrinsic value of units vested during the three months ended March 31, 2007 and 2006 was \$290 and \$749, respectively. As of March 31, 2007 there was \$134 of total unrecognized compensation cost relating to restricted stock unit awards which is expected to be recognized over a weighted average period of 1.6 years.

**Table of Contents****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. Charges were immaterial in the first quarter of 2007. The following table below highlights the pre-tax amount incurred in the period and the ending liability at the end of March 31, 2007. All charges related to the Redeployment Program are included in Cost of Sales in the condensed consolidated statement of income.

	<b>Beginning Reserve</b>	<b>Charges For The Three Months</b>	<b>Cash Paid</b>	<b>FX Impact</b>	<b>Ending Reserve</b>
	<b>At 01/01/07</b>	<b>Ended 03/31/07</b>			<b>At 03/31/07</b>
Employee severance	\$ 995	\$ (20)	\$ (512)	\$ 13	\$ 476
Other costs		89	(91)	2	
Totals	\$ 995	\$ 69	\$ (603)	\$ 15	\$ 476

**NOTE 14 INCOME TAX UNCERTAINTIES**

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a \$1.6 million increase in the liability for income tax uncertainties. This increase was accounted for as a reduction to the January 1, 2007 balance of retained earnings, as required by FIN 48. The Company's policy is to recognize interest and penalties accrued related to unrecognized tax benefits as a component of income taxes. The total amount of accrued interest and penalties as of January 1, 2007 was \$1.1 million.

As of January 1, 2007, the total amount of unrecognized tax benefits is \$7.0 million, of which \$6.2 million, if recognized, would impact the effective tax rate. In the first quarter of 2007, the Company incurred unfavorable tax audit settlements of \$500 thousand which were part of the January 1, 2007 unrecognized tax benefits. For the next twelve months, the Company does not anticipate material changes to its income tax uncertainties.

The Company or its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The major tax jurisdictions the Company files in with years still subject to income tax examinations are listed below.

<b>Tax Jurisdiction</b>	<b>Tax Years Subject to Examination</b>
United States Federal	2003 2006
United States States	2002 2006
France	2004 2006
Germany	2002 2006
Italy	2002 2006
Switzerland	1997 2006

**NOTE 15 SUBSEQUENT EVENT**

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On April 18, 2007, the Board of Directors approved a two-for-one stock split that will be effected in the form of a stock distribution to shareholders of record as of the close of business on May 2, 2007 for distribution on May 9, 2007. All historical weighted average share and per share amounts will be restated beginning with the Form 10-Q for the period ending June 30, 2007 to reflect the stock split.

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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**

<b>Quarter Ended March 31,</b>	<b>2007</b>	<b>2006</b>
Net Sales	<b>100.0%</b>	100.0%
Cost of sales (exclusive of depreciation and amortization shown below)	<b>66.7</b>	67.6
Selling, research & development and administration	<b>16.4</b>	16.6
Depreciation and amortization	<b>6.5</b>	7.2
Operating Income	<b>10.4</b>	8.6
Other income (expense)	<b>(.8)</b>	(.9)
Income before income taxes	<b>9.6</b>	7.7
Net income	<b>6.6%</b>	5.3%
Effective Tax Rate	<b>31.5%</b>	31.8%

**NET SALES**

We reported record net sales of \$449.8 million for the quarter ended March 31, 2007, or 20% above first quarter 2006 net sales of \$375.5 million. The average U.S. dollar exchange rate weakened compared to the Euro in the first quarter of 2007 compared to the first quarter of 2006, and as a result, changes in exchange rates positively impacted sales and accounted for approximately 6% of the 20% sales growth. Approximately \$6 million of the \$74 million increase in sales (approximately 2% of the 20% increase) related to acquisitions. The remaining 12% of sales growth was due primarily to increased demand for our innovative dispensing systems.

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:

<b>Quarter Ended March 31,</b>	<b>2007</b>	<b>% of Total</b>	<b>2006</b>	<b>% of Total</b>
Domestic	<b>\$ 122,626</b>	<b>27%</b>	\$ 112,343	30%
Europe	<b>279,849</b>	<b>62%</b>	229,479	61%
Other Foreign	<b>47,366</b>	<b>11%</b>	33,646	9%

**COST OF SALES (EXCLUSIVE OF DEPRECIATION SHOWN BELOW)**

Our cost of sales as a percent of net sales decreased to 66.7% in the first quarter of 2007 compared to 67.6% in the same period a year ago.

The following factors positively impacted our cost of sales percentage in the first quarter of 2007:

**Leveraging of Fixed Manufacturing Costs:** The increase in sales volumes across all three market segments allowed us to better leverage our fixed overhead manufacturing expenses as a percentage of our net sales.



**Improved Product Mix.** Sales of custom tooling in the first quarter decreased approximately \$3.9 million compared to the first quarter of 2006. Traditionally, sales of custom tooling generate lower margins than our regular product sales and, thus, any decreased sales of custom tooling positively impacts cost of sales as a percentage of net sales. In addition, this decrease in sales of custom tooling was compensated by an increase in higher margin product sales such as sales of our products to the pharmaceutical market and sales of our value added personal care aerosol valve accessories. Both of these factors helped reduce our cost of sales as a percentage of net sales.

The following factors negatively impacted our cost of sales percentage in the first quarter of 2007:

**Rising Raw Material Costs.** Raw material costs, in particular nickel, which is used in some of our components continued to increase in the first quarter of 2007 over 2006. We estimate that the increased nickel charges negatively impacted our cost of goods sold in the quarter by more than \$1 million.

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**Weakening 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 weaken against the Euro, products produced in Europe (with costs denominated in Euros) and sold in currencies that are weaker compared to the Euro, have a negative impact on cost of sales as a percentage of net sales. We estimate that the impact on the quarter was approximately \$1 million.

**SELLING, RESEARCH & DEVELOPMENT AND ADMINISTRATIVE**

Our Selling, Research & Development and Administrative expenses ( SG&A ) increased by approximately \$11.4 million in the first quarter of 2007 compared to the same period a year ago. Changes in currency rates accounted for \$4.2 million of the increase in SG&A in the quarter while approximately \$1.6 million of the increase relates to the increase of stock option expense. Acquisitions accounted for approximately \$0.8 million of the increase in SG&A in the quarter. The remainder of the increase is primarily due to normal inflationary cost increases. SG&A as a percentage of net sales decreased to 16.4% compared to 16.6% of net sales in the same period of the prior year.

**DEPRECIATION AND AMORTIZATION**

Depreciation and amortization increased approximately \$2.3 million in the first quarter of 2007 to \$29.2 million compared to \$26.9 million in the first quarter of 2006. Changes in foreign currency rates accounted for \$1.7 million of the increase while acquisitions added approximately \$0.3 million of expense in the quarter. Depreciation and amortization as a percentage of net sales decreased to 6.5% compared to 7.2% of net sales in the same period of the prior year.

**OPERATING INCOME**

Operating income increased approximately \$14.2 million in the first quarter of 2007 to \$46.6 million compared to \$32.4 million in the same period in the prior year. The increase is primarily due to the increase in sales mentioned above offset partially by additional stock option expense of approximately \$1.6 million. Operating income as a percentage of net sales increased to 10.4% in the first quarter 2007 compared to 8.6% for the same period in the prior year.

**NET OTHER EXPENSE**

Net other expenses in the first quarter of 2007 remained flat at \$3.4 million in the first quarter. Increased interest expense of \$1.0 million due primarily to higher average interest rates and higher borrowing levels was offset primarily by increased interest income of \$0.7 million due to our increased average cash balance.

**EFFECTIVE TAX RATE**

The reported effective tax rate decreased slightly to 31.5% for the three months ended March 31, 2007 compared to 31.8% in the first quarter of 2006 due primarily to the mix of where our income was earned.

**NET INCOME**

We reported net income of \$29.6 million in the first quarter of 2007 compared to \$19.8 million in the first quarter of 2006.

**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.

<b>Three Months Ended March 31,</b>	<b>2007</b>	<b>2006</b>
Net Sales	\$ 241,958	\$ 195,308
Segment Income (1)	26,132	16,633
Segment Income as a percentage of Net Sales	10.8%	8.5%

(1) Segment Income is defined as earnings before net interest, stock option and corporate expenses, income taxes and unusual items. The Company evaluates performance of its business units and allocates resources based upon Segment Income. For a reconciliation of Segment Income to income before income taxes, see Note 10 Segment information to the Consolidated Financial Statements in Item 1.

Net sales for the quarter ended March 31, 2007 increased 24% in the first quarter of 2007 to \$242.0 million compared to \$195.3 million in the first quarter of the prior year. The weakening U.S. dollar compared to the Euro positively impacted the

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sales increase and represented 7% of the 24% increase. Acquisitions only accounted for 1% of the increase. Sales excluding foreign currency changes to the personal care market increased approximately 18% in the first quarter of 2007 compared to the same period in the prior year as demand for our products using bag-on-valve technology and turning locking actuators increased in the quarter. Sales of our products excluding foreign currency changes to the fragrance/cosmetic market continued their strong pace and increased 18% in the first quarter of 2007 compared to the first quarter of the prior year. General market demand both in the high and low end of the market continues to be strong especially in developing markets such as Latin America and South East Asia. Sales to Eastern Europe and Russia also increased significantly.

Segment Income in the first quarter of 2007 increased approximately 57% to \$26.1 million compared to \$16.6 million reported in the same period in the prior year. Acquisitions accounted for approximately \$0.6 million of segment income in the quarter. The significant increase in segment income in the first quarter is due primarily to the increase in sales volumes mentioned above and the leveraging of fixed overhead costs worldwide. In addition, an increase in sales of our higher margin value added accessories to customers of sun care and other products helped contribute to the increase in profitability in the quarter.

**CLOSURES SEGMENT**

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

<b>Three Months Ended March 31,</b>	<b>2007</b>	<b>2006</b>
Net Sales	\$ <b>119,981</b>	\$ 105,488
Segment Income	<b>13,981</b>	10,537
Segment Income as a percentage of Net Sales	<b>11.7%</b>	10.0%

Net sales for the quarter ended March 31, 2007 increased 14% in the first quarter of 2007 to \$120.0 million compared to \$105.5 million in the first quarter of the prior year. The weakening U.S. dollar compared to the Euro positively impacted the sales increase and represented 4% of the 14% increase. Acquisitions accounted for another 3% of the increase. Sales excluding foreign currency changes to the personal care and household market increased approximately 17% and 22%, respectively, in the first quarter of 2007 compared to the same period in the prior year, due primarily to strong European sales. Sales of our products to the food/beverage market decreased 7% due primarily to a decrease in custom tooling sales in the quarter.

Segment Income in the first quarter of 2007 increased approximately 33% to \$14.0 million compared to \$10.5 million reported in the same period in the prior year. The increase in segment income is primarily derived from increased sales volumes in the quarter in Europe and a favorable product mix in the U.S. Acquisitions had an immaterial impact on segment income in the first quarter of 2007.

**PHARMA SEGMENT**

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

<b>Three Months Ended March 31,</b>	<b>2007</b>	<b>2006</b>
Net Sales	\$ <b>87,901</b>	\$ 74,614
Segment Income	<b>22,682</b>	17,063
Segment Income as a percentage of Net Sales	<b>25.8%</b>	22.9%

Our net sales for the Pharma segment grew by 18% in the first quarter of 2007 to \$87.9 million compared to \$74.6 million in the first quarter of 2006. The weakening U.S. dollar compared to the Euro positively impacted the sales increase and represented 8% of the 18% increase. The remaining 10% increase is primarily due to strong sales of our metered dose inhaler valves used on asthma products and increased sales of our nasal spray pumps primarily for allergy related products. The strength of the product sales helped to offset a decrease in custom tooling sales in the

quarter of nearly \$3.6 million.

Segment Income in the first quarter of 2007 increased approximately 33% to \$22.7 million compared to \$17.1 million reported in the same period in the prior year. The improvement in profitability is primarily due to the increase in product sales and improved manufacturing quality leading to lower costs.

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 South American and Asian currencies, among others. We manage our foreign exchange exposures principally with forward exchange contracts to hedge certain transactions and firm purchase and sales commitments denominated in foreign currencies. A weakening U.S. dollar relative to foreign currencies has an additive translation effect on our financial statements. Conversely, a strengthening U.S. dollar has a dilutive effect. In some

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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.

Our estimated stock option expense on a pre-tax basis (in \$ millions) for the remainder of the year compared to the prior year is as follows:

	<u>2007</u>	<u>2006</u>
Second Quarter	2.1	2.1
Third Quarter	1.6	2.1
Fourth Quarter	1.6	2.0

**LIQUIDITY AND CAPITAL RESOURCES**

Our primary sources of liquidity are cash flow from operations and our revolving credit facility. Cash and equivalents increased to \$181.2 million from \$170.6 million at December 31, 2006. Total short and long-term interest bearing debt increased in the first quarter of 2007 to \$313.3 million from \$296.3 million at December 31, 2006. The ratio of our Net Debt (interest bearing debt less cash and cash equivalents) to Net Capital (stockholder's equity plus Net Debt) remained unchanged at the end of the quarter compared to year end at 12%.

In the first quarter of 2007, our operations provided approximately \$34.2 million in cash flow compared to \$31.5 million for the same period a year ago. In both periods, cash flow from operations was primarily derived from earnings before depreciation and amortization. The increase in cash flow is primarily attributable to an increase in earnings before depreciation, amortization and non-cash stock option expense partially offset by an increase in working capital needs to support the growth in the business. During the first quarter of 2007, we utilized the majority of the operating cash flows to finance capital expenditures.

We used \$30.4 million in cash for investing activities during the first quarter of 2007, compared to \$47.6 million during the same period a year ago. The decrease in cash used for investing activities is due primarily to \$16.2 million less spent on acquisitions in the first quarter of 2007 compared to the prior year. The acquisition of MVS was funded primarily from existing cash in Europe. Cash outlays for capital expenditures for 2007 are estimated to be approximately \$140 million but could vary due to changes in currency rates.

We received approximately \$4.9 million in cash provided by financing activities in the first quarter of 2007 compared to \$16.2 million in the first quarter of the prior year. The decrease in cash provided from financing activities is due primarily to an additional \$7.3 million spent in the quarter to buy back shares of our own common stock. Our revolving credit facility and certain long-term obligations require us to satisfy certain financial and other covenants including:

	<u>Requirement</u>	<u>Level at March 31, 2007</u>
Debt to total capital ratio	Maximum of 55%	24%

Based upon the above debt to total capital ratio covenant we would have the ability to borrow an additional \$890 million before the 55% requirement would be exceeded.

Our foreign operations have historically met cash requirements with the use of internally generated cash or borrowings. 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 \$181.2 million in cash and equivalents is located outside of the U.S. In 2006, we decided to repatriate in 2007 a portion (approximately \$10 million) of non-U.S. subsidiary current year earnings.

We provided for additional taxes of approximately \$.5 million in 2006 for this repatriation. We expect this dividend to be received in the second quarter of 2007.

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.

The Board of Directors declared an 18% increase in the quarterly dividend to \$.26 per share payable on May 23, 2007 to stockholders of record as of May 2, 2007.

#### 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 2055. 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. We have an option on one building lease to purchase

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the building during or at the end of the term of the lease at approximately the amount expended by the lessor for the purchase of the building and improvements, which was the fair value of the facility at the inception of the lease. This lease has been accounted for as an operating lease. If the Company exercises its option to purchase the building, the Company would account for this transaction as a capital expenditure. If the Company does not exercise the purchase option by the end of the lease in 2008, the Company would be required to pay an amount not to exceed \$9.5 million and would receive certain rights to the proceeds from the sale of the related property. The value of the rights to be obtained relating to this property is expected to exceed the amount paid if the purchase option is not exercised. Other than operating lease obligations, we do not have any off-balance sheet arrangements

**ADOPTION OF ACCOUNTING STANDARDS**

In September 2006, the FASB issued Statement of Accounting Standard ( SFAS ) No. 157 Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect the adoption of SFAS No. 157 to have a material impact on the financial results or existing covenants of the Company.

In February 2007, the FASB issued SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company has not yet performed an analysis of any impact that the adoption of this standard will have on the financial results or existing covenants of the Company.

**OUTLOOK**

We expect sales to continue to be strong in the second quarter and will improve over the prior year excluding any changes in exchange rates. The continued weakness of the U.S. dollar compared to the Euro will continue to have a positive impact on sales in the second quarter. Sales in the Beauty and Home segment are expected to remain strong in the second quarter and increase over the prior year second quarter as our existing order book for both fragrance/cosmetic and personal care products remains at a high level. Sales in the Closures segment are also expected to remain strong and increase over the prior year due to the continued strength of sales of our core products in Europe and Latin America. Sales in the Pharma segment are expected to continue to improve and increase over the prior year second quarter.

Raw material costs are expected to continue to rise in the second quarter compared to the prior year, in particular the surcharge on nickel based products. This may have a negative impact on the anticipated results if delays or difficulties are encountered in passing through these additional costs to customers.

We anticipate that diluted earnings per share (on a pre-split basis) for the second quarter of 2007 will be in the range of \$.96 to \$1.01 per share compared to \$.77 per share in the prior year.

**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:

- difficulties in product development and uncertainties related to the timing or outcome of product development;

- the cost and availability of raw materials (particularly resin, metal and nickel);



our ability to increase prices;  
our ability to contain costs and improve productivity;  
our ability to meet future cash flow estimates to support our goodwill impairment testing;  
direct or indirect consequences of acts of war or terrorism;  
difficulties in complying with government regulation, such as recycling laws;  
competition (particularly from Asia) and technological change;  
our ability to protect and defend our intellectual property rights;  
the timing and magnitude of capital expenditures;  
our ability to successfully integrate our recent acquisitions and our ability to identify potential new acquisitions and to successfully acquire and integrate such operations or products;  
significant fluctuations in currency exchange rates;  
economic and market conditions worldwide;  
changes in customer spending levels, particularly in the pharma segment;

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work stoppages due to labor disputes;  
the timing and recognition of the costs of the workforce redeployment program in France;  
the demand for existing and new products;  
significant product liability claims;  
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. For additional risk factors affecting AptarGroup stock and AptarGroup's operations or operating results, refer to Item 1A of the Company's Annual Report on Form 10-K for the period ended December 31, 2006.

**Table of Contents****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 significant 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 South American and Asian currencies, among others. A weakening U.S. dollar relative to foreign currencies has an additive translation effect on our financial condition and results of operations. Conversely, a strengthening U.S. dollar has a dilutive 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 March 31, 2007 about our forward currency exchange contracts. The majority of the contracts expire before the end of the first quarter of 2008 with the exception of a few contracts on intercompany loans that expire in the third quarter of 2013.

<b>Buy/Sell</b>		<b>Contract Amount (in thousands)</b>	<b>Average Contractual Exchange Rate</b>
Euro/U.S. Dollar	\$	32,286	1.3173
Swiss Francs/Euro		16,297	.6242
Canadian Dollars/Euro		11,174	.6979
Euro/Brazilian Real		9,313	4.1243
Czech Koruna/Euro		3,286	.0357
Euro/British Pound		2,856	.6781
Euro/Argentinean Peso		1,336	4.1320
Euro/Swiss Franc		1,042	1.5960
U.S. Dollar/Indian Rupee		1,000	46.2150
Other		5,158	
<b>Total</b>	<b>\$</b>	<b>83,748</b>	

As of March 31, 2007, we have recorded the fair value of foreign currency forward exchange contracts of \$662 thousand in accounts payable and accrued liabilities and \$1.0 million in deferred and other non-current liabilities in the balance sheet.

At March 31, 2007, we had a fixed-to-variable interest rate swap agreement with a notional principal value of \$25 million which requires us to pay an average variable interest rate (which was 5.3% at March 31, 2007) 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 less than \$0.2 million assuming a tax rate of 31.5%. As of March 31, 2007, we recorded the fair value of the fixed-to-variable interest rate swap agreement of \$1.0 million in miscellaneous other assets with an offsetting adjustment to debt. No gain or loss was recorded in the income statement in 2007 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 March 31, 2007. 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 March 31, 2007 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 March 31, 2007, the FCP Aptar Savings Plan (the Plan) sold 70 shares of our Common Stock on behalf of the participants at an average price of \$65.76 per share, for an aggregate amount of \$4.6 thousand. At March 31, 2007, the Plan owns 6,942 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 March 31, 2007:

<b>Period</b>	<b>Total Number Of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs</b>	<b>Maximum Number Of Shares That May Yet Be Purchased Under The Plans Or Programs</b>
1/1 1/31/07		\$		2,027,300
2/1 2/28/07	34,300	65.73	34,300	1,993,000
3/1 3/31/07	147,500	65.64	147,500	1,845,500
<b>Total</b>	<b>181,800</b>	<b>\$ 65.65</b>	<b>181,800</b>	<b>1,845,500</b>

The Company originally announced the existing repurchase program on July 15, 2004. On July 19, 2006, the Company announced that its Board of Directors authorized the Company to repurchase an additional two million shares of its outstanding common stock. There is no expiration date for this repurchase program.

## 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.

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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/ Stephen J. Hagge

Stephen J. Hagge  
Executive Vice President, Chief  
Financial Officer and Secretary  
(Duly Authorized Officer and  
Principal Financial Officer)

Date: May 3, 2007

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**INDEX OF EXHIBITS**

**Exhibit**

**Number    Description**

31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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