

APTARGROUP INC  
Form 10-Q  
May 05, 2009

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

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009  
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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

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

Class	Outstanding at April 30, 2009
Common Stock, \$.01 par value per share	67,737,407 shares

AptarGroup, Inc.  
**Form 10-Q**  
Three Months Ended March 31, 2009  
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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>2009</b>	<b>2008</b>
<b>Net Sales</b>	<b>\$ 431,816</b>	\$ 532,258
<b>Operating Expenses:</b>		
Cost of sales (exclusive of depreciation shown below)	<b>289,721</b>	362,780
Selling, research & development and administrative	<b>72,688</b>	81,824
Depreciation and amortization	<b>30,101</b>	32,955
	<b>392,510</b>	477,559
<b>Operating Income</b>	<b>39,306</b>	54,699
<b>Other Income (Expense):</b>		
Interest expense	<b>(3,447)</b>	(4,607)
Interest income	<b>1,275</b>	3,449
Equity in results of affiliates		97
Miscellaneous, net	<b>(119)</b>	(944)
	<b>(2,291)</b>	(2,005)
<b>Income Before Income Taxes</b>	<b>37,015</b>	52,694
<b>Provision for Income Taxes</b>	<b>10,421</b>	15,815
<b>Net Income</b>	<b>26,594</b>	36,879
<b>Add: Net Loss Attributable to Noncontrolling Interests</b>	<b>71</b>	22
<b>Net Income Attributable to AptarGroup, Inc.</b>	<b>\$ 26,665</b>	\$ 36,901
<b>Net Income Attributable to AptarGroup, Inc. Per Common Share:</b>		
Basic	<b>\$ .39</b>	\$ .54
Diluted	<b>\$ .38</b>	\$ .52

**Average Number of Shares Outstanding:**

Basic	<b>67,677</b>	68,168
Diluted	<b>69,519</b>	71,072

<b>Dividends Per Common Share</b>	<b>\$ .15</b>	\$ .13
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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

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and equivalents	\$ 203,882	\$ 192,072
Accounts and notes receivable, less allowance for doubtful accounts of \$11,809 in 2009 and \$11,900 in 2008	308,222	343,937
Inventories, net	221,254	244,775
Prepayments and other	73,356	78,965
	<b>806,714</b>	859,749
<b>Property, Plant and Equipment:</b>		
Buildings and improvements	288,344	297,093
Machinery and equipment	1,457,408	1,484,353
	<b>1,745,752</b>	1,781,446
Less: Accumulated depreciation	<b>(1,065,958)</b>	(1,078,063)
	<b>679,794</b>	703,383
Land	17,071	17,499
	<b>696,865</b>	720,882
<b>Other Assets:</b>		
Investments in affiliates	673	712
Goodwill	221,141	227,041
Intangible assets, net	12,350	14,061
Miscellaneous	10,171	9,377
	<b>244,335</b>	251,191
<b>Total Assets</b>	<b>\$ 1,747,914</b>	<b>\$ 1,831,822</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, 2009</b>	<b>December 31, 2008</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Current Liabilities:</b>		
Notes payable	\$ 50,552	\$ 39,919
Current maturities of long-term obligations	24,408	24,700
Accounts payable and accrued liabilities	259,314	310,408
	<b>334,274</b>	<b>375,027</b>
<b>Long-Term Obligations</b>	<b>229,714</b>	<b>226,888</b>
<b>Deferred Liabilities and Other:</b>		
Deferred income taxes	22,732	24,561
Retirement and deferred compensation plans	53,695	62,476
Deferred and other non-current liabilities	10,902	11,072
Commitments and contingencies		
	<b>87,329</b>	<b>98,109</b>
<b>Stockholders Equity:</b>		
AptarGroup, Inc. stockholders equity		
Preferred stock, \$.01 par value, 1 million shares authorized, none outstanding		
Common stock, \$.01 par value	802	801
Capital in excess of par value	262,719	254,216
Retained earnings	1,082,520	1,065,998
Accumulated other comprehensive income	83,317	139,300
Less treasury stock at cost, 12.6 and 12.5 million shares as of March 31, 2009 and December 31, 2008, respectively	(333,459)	(329,285)
Total AptarGroup, Inc. Stockholders Equity	<b>1,095,899</b>	<b>1,131,030</b>
Noncontrolling interests in subsidiaries	698	768
<b>Total Equity</b>	<b>1,096,597</b>	<b>1,131,798</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,747,914</b>	<b>\$ 1,831,822</b>

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>2009</b>	<b>2008</b>
<b>Cash Flows From Operating Activities:</b>		
Net income attributable to AptarGroup, Inc.	\$ 26,665	\$ 36,901
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	29,076	31,727
Amortization	1,026	1,228
Stock option based compensation	5,049	7,167
Provision for bad debts	676	186
Noncontrolling interests	(71)	(22)
Deferred income taxes	(3,225)	(3,115)
Retirement and deferred compensation plans	(8,455)	(2,674)
Equity in results of affiliates in excess of cash distributions received		100
Changes in balance sheet items, excluding effects from foreign currency adjustments:		
Accounts receivable	18,706	(29,988)
Inventories	14,531	(4,604)
Prepaid and other current assets	(1,938)	(3,195)
Accounts payable and accrued liabilities	(42,697)	1,881
Income taxes payable	2,408	5,521
Other changes, net	7,026	(2,135)
<b>Net Cash Provided by Operations</b>	<b>48,777</b>	<b>38,978</b>
<b>Cash Flows From Investing Activities:</b>		
Capital expenditures	(31,937)	(41,940)
Disposition of property and equipment	162	278
Intangible assets acquired	(216)	(410)
Acquisition of business net of cash acquired		(4,086)
Collection of notes receivable, net	47	151
<b>Net Cash Used by Investing Activities</b>	<b>(31,944)</b>	<b>(46,007)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from notes payable	11,001	28,055
Proceeds from long-term obligations	3,546	
Repayments of long-term obligations	(364)	(721)
Dividends paid	(10,143)	(8,864)
Proceeds from stock options exercises	3,487	2,888
Purchase of treasury stock	(4,820)	(16,583)
Excess tax benefit from exercise of stock options	493	992

<b>Net Cash Provided by Financing Activities</b>	<b>3,200</b>	5,767
<b>Effect of Exchange Rate Changes on Cash</b>	<b>(8,223)</b>	22,739
<b>Net Increase in Cash and Equivalents</b>	<b>11,810</b>	21,477
<b>Cash and Equivalents at Beginning of Period</b>	<b>192,072</b>	313,739
<b>Cash and Equivalents at End of Period</b>	<b>\$ 203,882</b>	\$ 335,216

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.

The Company has adopted the provisions of FASB Statement (SFAS) No. 160, Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51, effective January 1, 2009. SFAS No. 160 establishes accounting and reporting standards for noncontrolling interests (i.e., minority interests) in a subsidiary, including changes in a parent's ownership interest in a subsidiary, and requires, among other things, that noncontrolling interests in subsidiaries be classified as shareholders' equity. Prior period information presented in this Form 10-Q has been reclassified, where required.

The Company has also adopted the provisions of FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging

Activities – an amendment of FASB Statement No. 133. SFAS No. 161 requires expanded qualitative and quantitative disclosures about derivatives and hedging activities in each interim and annual period. SFAS No. 161 was effective for our Company on January 1, 2009, and will be applied prospectively. The adoption of SFAS No. 161 did not have a significant impact on our consolidated financial statements.

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, 2008. The results of operations of any interim period are not necessarily indicative of the results that may be expected for the year. Certain previously reported amounts have been reclassified to conform to the current period presentation.

**NOTE 2 INVENTORIES**

At March 31, 2009 and December 31, 2008, approximately 21% and 23%, respectively, of the total inventories are accounted for by using the LIFO method. Inventories, by component, consisted of:

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Raw materials	\$ 81,376	\$ 93,081
Work-in-process	53,873	55,228
Finished goods	89,299	99,310
Total	224,548	247,619
Less LIFO Reserve	(3,294)	(2,844)
Total	\$ 221,254	\$ 244,775



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

The changes in the carrying amount of goodwill since the year ended December 31, 2008 are as follows by reporting segment:

	Pharma		Beauty & Home	Closures	Total
Balance as of December 31, 2008	\$ 28,133	\$	158,823	\$ 40,085	\$ 227,041
Foreign currency exchange effects	(1,103)		(3,464)	(1,333)	(5,900)
Balance as of March 31, 2009	<b>\$ 27,030</b>	<b>\$</b>	<b>155,359</b>	<b>\$ 38,752</b>	<b>\$ 221,141</b>

The table below shows a summary of intangible assets as of March 31, 2009 and December 31, 2008.

	Weighted Average Amortization Period (Years)	March 31, 2009		December 31, 2008		Net Value	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization		
<b>Amortized intangible assets:</b>							
Patents	14	\$ 18,050	\$ (13,127)	\$ 4,923	\$ 18,854	\$ (13,357)	\$ 5,497
License agreements and other	6	24,580	(17,153)	7,427	25,641	(17,077)	8,564
Total intangible assets	9	\$ 42,630	\$ (30,280)	\$ 12,350	\$ 44,495	\$ (30,434)	\$ 14,061

Aggregate amortization expense for the intangible assets above for the quarters ended March 31, 2009 and 2008 was \$1,026 and \$1,228, respectively.

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

2009	\$ 4,100
2010	3,535
2011	2,142
2012	1,253
2013	1,005

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, 2009.

**NOTE 4 RECONCILIATION OF TOTAL EQUITY**

Total equity was as follows:

	March 31, 2009		Three months ended March 31, 2008		Total
	Aptargroup, Inc. Stockholders	Non-Controlling	Aptargroup, Inc. Stockholders	Non-Controlling	

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	<b>Equity</b>	<b>Interests</b>	<b>Equity</b>	<b>Equity</b>	<b>Interests</b>	<b>Equity</b>
<b>Equity, Beginning of Period</b>	<b>\$ 1,131,030</b>	<b>\$ 768</b>	<b>\$ 1,131,798</b>	\$ 1,119,018	\$ 553	\$ 1,119,571
Comprehensive income (loss):						
Net income	<b>26,665</b>	<b>(71)</b>	<b>26,594</b>	36,901	(22)	36,879
Foreign currency translation adjustments	<b>(56,218)</b>	<b>1</b>	<b>(56,217)</b>	92,551	13	92,564
Net gain on derivative (net of tax)	<b>41</b>		<b>41</b>	116		116
Pension liability (net of tax)	<b>194</b>		<b>194</b>	149		149
Total Comprehensive income (loss)	<b>(29,318)</b>	<b>(70)</b>	<b>(29,388)</b>	129,717	(9)	129,708
Stock option exercises & restricted stock vestings	<b>9,150</b>		<b>9,150</b>	11,403		11,403
Cash dividends declared	<b>(10,143)</b>		<b>(10,143)</b>	(8,864)		(8,864)
Noncontrolling interest in entity acquired					192	192
Treasury stock purchased	<b>(4,820)</b>		<b>(4,820)</b>	(16,583)		(16,583)
<b>Equity, End of Period</b>	<b>\$ 1,095,899</b>	<b>\$ 698</b>	<b>\$ 1,096,597</b>	\$ 1,234,691	\$ 736	\$ 1,235,427

**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>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Service cost	\$ <b>1,091</b>	\$ 968	\$ <b>408</b>	\$ 419
Interest cost	<b>955</b>	864	<b>585</b>	555
Expected return on plan assets	<b>(932)</b>	(777)	<b>(229)</b>	(212)
Amortization of net loss	<b>60</b>	6	<b>146</b>	191
Amortization of prior service cost	<b>1</b>	1	<b>89</b>	20
Net periodic benefit cost	\$ <b>1,175</b>	\$ 1,062	\$ <b>999</b>	\$ 973

**EMPLOYER CONTRIBUTIONS**

In order to meet or exceed minimum funding levels required by U.S. law, the Company expects to contribute approximately \$10 million to its domestic defined benefit plans in 2009 and has contributed \$8.9 million as of March 31, 2009. At its discretion, the Company anticipates that it will make contributions over the next several years to certain of its German pension plans that have not been funded in the past. Accordingly, the Company expects to contribute approximately \$10 million to its foreign defined benefit plans in 2009 and as of March 31, 2009, has contributed approximately \$0.2 million.

**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 or intercompany loans impact the Company's results of operations. The Company's policy is not to engage in speculative foreign currency hedging activities, but to minimize its net foreign currency transaction exposure defined as firm commitments and transactions recorded and denominated in currencies other than the functional currency. The Company may use foreign currency forward exchange contracts, options and cross currency swaps to economically hedge these risks although these instruments are not specifically designated as hedges.

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, 2009, the Company has recorded the fair value of derivative instruments of \$1.1 million in miscellaneous other assets with a corresponding increase to debt related to a fixed-to-variable interest rate swap agreement with a notional principal value of \$15 million. No gain or loss was recorded in the income statement in 2009 or 2008 as any hedge ineffectiveness for the periods was immaterial.





**Table of Contents****CASH FLOW HEDGES**

As of March 31, 2009, 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 extended 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 4.2 million Brazilian Real (\$1.8 million) as of March 31, 2009. The notional amount of the foreign currency forward contracts utilized to hedge cash flow exposure was 5.5 million Brazilian Real (\$3.1 million) as of March 31, 2008.

During the three months ended March 31, 2009, the Company did not recognize any net gain (loss) as any hedge ineffectiveness for the period was immaterial, and the Company did not recognize any net gain (loss) related to the portion of the hedging instrument excluded from the assessment of hedge effectiveness. The Company's foreign currency forward contracts hedge forecasted transactions for approximately three years (March 2012).

**HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS**

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

**OTHER**

As of March 31, 2009, the Company has recorded the fair value of foreign currency forward exchange contracts of \$3.9 million in prepaids and others, \$0.8 million in accounts payable and accrued liabilities, and \$0.9 million in deferred and other non-current liabilities in the balance sheet. All forward exchange contracts outstanding as of March 31, 2009 had an aggregate contract amount of \$202 million.

**Fair Value of Derivative Instruments in the Statement of Financial Position as of March 31, 2009**

(in thousands)		Derivative Assets		Derivative Liabilities
Derivative Contracts Designated as	Balance	March		March
Hedging Instruments under SFAS No.	Sheet	31,	Balance Sheet	31,
133	Location	2009	Location	2009
	Other Assets			
Interest Rate Contracts	Miscellaneous	\$ 1,097		\$
Foreign Exchange Contracts			Accounts Payable and Accrued Liabilities	77
Foreign Exchange Contracts			Deferred and other non-current liabilities	116
		1,097		193
<b>Derivative Contracts Not Designated</b>				

**as Hedging Instruments under SFAS  
No. 133**

Foreign Exchange Contracts	Prepayments & Other	<b>3,931</b>	Accounts Payable and Accrued Liabilities	<b>752</b>
Foreign Exchange Contracts			Deferred and other non-current liabilities	<b>808</b>
		<b>\$ 3,931</b>		<b>\$ 1,560</b>
Total Derivative Contracts		<b>\$ 5,028</b>		<b>\$ 1,753</b>

**The Effect of Derivative Instruments on the Statements of Financial Performance  
for the Quarter Ended March 31, 2009**

<b>Derivatives in Statement 133 Fair Value Hedging Relationships</b>	<b>Location of Gain or (Loss) Recognized in Income on Derivative</b>	<b>Amount of Gain or (Loss) Recognized in Income on Derivative 2009</b>
Interest Rate Contracts	(a)	\$
Total		\$

(a) Interest rate swap uses the short-cut method which adjusts short term debt. Therefore, there is no net impact on income.

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	Amount of	Location of	Amount of	Location of Gain	Amount of Gain or (Loss) Recognized
Derivatives in Statement 133	Gain or	Gain or	Gain or	or (Loss)	Recognized
Cash Flow Hedging Relationships	(Loss)	(Loss)	(Loss)	Recognized	in Income of
	Recognized	Reclassified	From	in	Derivative
	in OCI	From	OCI	Income on	(Ineffective
	on	From	Into	Derivative	Portion
	Derivative	Accumulated	Income	(Ineffective	and
	(Effective	OCI	(Effective	Portion and	Amount
	Portion)	Into	Portion)	Excluded	Excluded
		Income		From	from
		(Effective		Effectiveness	Effectiveness
	2009	Portion)	2009	Testing)	Testing)
Foreign Exchange Contracts	\$ 26		\$		2009
Total	\$ 26		\$		

Derivatives Not Designated as Hedging Instruments Under Statement 133	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative 2009
Foreign Exchange Contracts	Other Income (Expense), Miscellaneous, net	\$ (1,933)

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, 2009.

NOTE 8 STOCK REPURCHASE PROGRAM

During the quarter ended March 31, 2009, the Company repurchased 177 thousand shares for an aggregate amount of \$4.8 million. As of March 31, 2009, the Company has a remaining authorization to repurchase 4.4 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 199 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, 2009</b>		<b>March 31, 2008</b>	
	<b>Diluted</b>	<b>Basic</b>	<b>Diluted</b>	<b>Basic</b>
<b>Consolidated operations</b>				
Income available to common shareholders	<b>\$ 26,665</b>	<b>\$ 26,665</b>	\$ 36,901	\$ 36,901
<b>Average equivalent shares</b>				
Shares of common stock	<b>67,677</b>	<b>67,677</b>	68,168	68,168
Effect of dilutive stock based compensation				
Stock options	<b>1,838</b>		2,897	
Restricted stock	<b>4</b>		7	
Total average equivalent shares	<b>69,519</b>	<b>67,677</b>	71,072	68,168
Net income per share	<b>\$ .38</b>	<b>\$ .39</b>	\$ .52	\$ .54

**NOTE 10 SEGMENT INFORMATION**

The Company operates in the packaging 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.

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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, 2008. 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 certain corporate expenses, income taxes and unusual items (collectively referred to as Segment Income). Financial information regarding the Company's reportable segments is shown below:

<b>Three months ended March 31,</b>	<b>2009</b>	<b>2008</b>
Total Revenue:		
Beauty & Home	<b>\$ 214,496</b>	\$ 288,177
Closures	<b>117,277</b>	134,570
Pharma	<b>103,031</b>	114,395
Other	<b>78</b>	81
Total Revenue	<b>\$ 434,882</b>	\$ 537,223
Less: Intersegment Sales:		
Beauty & Home	<b>\$ 2,824</b>	\$ 4,414
Closures	<b>101</b>	294
Pharma	<b>106</b>	180
Other	<b>35</b>	77
Total Intersegment Sales	<b>\$ 3,066</b>	\$ 4,965
Net Sales:		
Beauty & Home	<b>\$ 211,672</b>	\$ 283,763
Closures	<b>117,176</b>	134,276
Pharma	<b>102,925</b>	114,215
Other	<b>43</b>	4
Net Sales	<b>\$ 431,816</b>	\$ 532,258
Segment Income (1):		
Beauty & Home	<b>\$ 10,336</b>	\$ 28,400
Closures	<b>11,617</b>	10,804
Pharma	<b>28,429</b>	29,562
Corporate & Other	<b>(11,124)</b>	(14,892)
Income before interest and taxes	<b>\$ 39,258</b>	\$ 53,874
Interest expense, net	<b>(2,172)</b>	(1,158)
Income before income taxes	<b>\$ 37,086</b>	\$ 52,716

(1): The Company evaluates performance of its business units and allocates resources based upon segment income. Segment income is defined as earnings before interest expense in excess of interest income, stock option and certain

corporate expenses, income taxes and unusual items. Prior year amounts have been revised to reflect the current method used to allocate certain corporate costs.

NOTE 11 STOCK-BASED COMPENSATION

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 2009 was approximately \$5.1 million (\$3.8 million after tax), or \$0.06 per share basic and \$0.05 per share diluted. The income tax benefit related to this compensation expense was approximately \$1.3 million. Approximately \$4.7 million of the compensation expense was recorded in selling, research & development and administrative expenses and the balance was recorded in cost of sales. Compensation expense recorded attributable to stock options for the first quarter of 2008 was approximately \$7.2 million (\$5.2 million after tax), or \$0.08 per share basic and \$0.07 per share diluted. The income tax benefit related to this compensation expense was approximately \$2.0 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 \$7.33 and \$10.02 per share in 2009 and 2008, respectively. These values were

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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>2009</b>	<b>2008</b>
Dividend Yield	<b>1.6%</b>	1.4%
Expected Stock Price Volatility	<b>24.2%</b>	22.4%
Risk-free Interest Rate	<b>2.2%</b>	3.7%
Expected Life of Option (years)	<b>6.9</b>	6.9

There were no grants under the Director Stock Option Plan during the first quarters of 2009 and 2008.

A summary of option activity under the Company's stock option plans as of March 31, 2009, and changes during the period then ended is presented below:

	<b>Stock Awards Plans</b>		<b>Director Stock Option Plans</b>	
		<b>Weighted Average Exercise Price</b>		<b>Weighted Average Exercise Price</b>
	<b>Shares</b>		<b>Shares</b>	
<b>Outstanding, January 1, 2009</b>	<b>7,743,827</b>	<b>\$ 24.51</b>	<b>157,000</b>	<b>\$ 23.25</b>
<b>Granted</b>	<b>1,252,270</b>	<b>30.56</b>		
<b>Exercised</b>	<b>(273,914)</b>	<b>13.83</b>		
<b>Forfeited or expired</b>	<b>(2,867)</b>	<b>33.93</b>		
<b>Outstanding at March 31, 2009</b>	<b>8,719,316</b>	<b>\$ 25.71</b>	<b>157,000</b>	<b>\$ 23.25</b>
<b>Exercisable at March 31, 2009</b>	<b>6,245,617</b>	<b>\$ 22.89</b>	<b>157,000</b>	<b>\$ 23.25</b>

Weighted-Average Remaining Contractual Term

(Years):

<b>Outstanding at March 31, 2009</b>	<b>6.5</b>	<b>4.9</b>
<b>Exercisable at March 31, 2009</b>	<b>5.4</b>	<b>4.9</b>

Aggregate Intrinsic Value (\$000):

<b>Outstanding at March 31, 2009</b>	<b>\$ 55,161</b>	<b>\$ 1,291</b>
<b>Exercisable at March 31, 2009</b>	<b>\$ 54,155</b>	<b>\$ 1,291</b>

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

Ended:

<b>March 31, 2009</b>	<b>\$ 4,436</b>	<b>\$</b>
March 31, 2008	\$ 5,360	\$

The fair value of shares vested during the three months ended March 31, 2009 and 2008 was \$11.0 million and \$10.0 million, respectively. Cash received from option exercises was approximately \$3.5 million and the actual tax benefit realized for the tax deduction from option exercises was approximately \$4.8 million in the three months ended March 31, 2009. As of March 31, 2009, the remaining valuation of stock option awards to be expensed in future

periods was \$10.1 million and the related weighted-average period over which it is expected to be recognized is 1.5 years.

The fair value of restricted stock grants is the market price of the underlying shares on the grant date. A summary of restricted stock unit activity as of March 31, 2009, and changes during the period then ended is presented below:

	Shares		Weighted-Average Grant-Date Fair Value
<b>Nonvested at January 1, 2009</b>	<b>21,739</b>	<b>\$</b>	<b>32.03</b>
<b>Granted</b>	<b>3,792</b>		<b>29.72</b>
<b>Vested</b>	<b>(10,353)</b>		<b>31.16</b>
<b>Nonvested at March 31, 2009</b>	<b>15,178</b>	<b>\$</b>	<b>32.04</b>

Compensation expense recorded attributable to restricted stock unit grants for the first quarter of 2009 and 2008 was approximately \$0.1 million and \$0.4 million, respectively. The fair value of units vested during the three months ended March 31, 2009 and 2008 was \$323 and \$262, respectively. The intrinsic value of units vested during the three months ended March 31, 2009 and 2008 was \$319 and \$324, respectively. As of March 31, 2009 there was \$28 thousand of total unrecognized compensation cost relating to restricted stock unit awards which is expected to be recognized over a weighted average period of 1.1 years.



**Table of Contents****NOTE 12 INCOME TAX UNCERTAINTIES**

The Company had approximately \$9.9 and \$9.7 million recorded for income tax uncertainties as of March 31, 2009 and December 31, 2008, respectively. The amount, if recognized, that would impact the effective tax rate is \$9.2 and \$8.9 million, respectively. The Company does not anticipate any significant changes to the amount recorded for income tax uncertainties over the next 12 months.

**NOTE 13 FAIR VALUE**

In September 2006, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards SFAS No. 157, Fair Value Measurements , which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 were effective as of the beginning of our 2008 fiscal year. However, the FASB deferred the effective date of SFAS No. 157, until the beginning of our 2009 fiscal year, as it relates to fair value measurement requirements for nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis. These nonfinancial assets and liabilities include goodwill, other nonamortizable intangible assets and unallocated purchase price for recent acquisitions which are included within other assets. We adopted SFAS No. 157 as it relates to financial assets and liabilities at the beginning of our 2008 fiscal year and as it relates to non-financial assets and liabilities at the beginning of our 2009 fiscal year. Our adoption did not have a material impact on our financial statements.

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

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

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

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

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

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Interest rate swap <sup>(a)</sup>	\$ 1,097	\$	\$ 1,097	\$
Forward exchange contracts <sup>(b)</sup>	3,931		3,931	
Total assets at fair value	\$ 5,028	\$	\$ 5,028	\$
<b>Liabilities</b>				
Forward exchange contracts <sup>(b)</sup>	\$ 1,753	\$	\$ 1,753	\$
Total liabilities at fair value	\$ 1,753	\$	\$ 1,753	\$

As of December 31, 2008, the fair values of our financial assets and liabilities were categorized as follows:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Interest rate swap <sup>(a)</sup>	\$ 1,068	\$	\$ 1,068	\$
Forward exchange contracts <sup>(b)</sup>	10,865		10,865	
Total assets at fair value	\$ 11,933	\$	\$ 11,933	\$

**Liabilities**

Forward exchange contracts <sup>(b)</sup>	\$ 1,195	\$	\$ 1,195	\$
Total liabilities at fair value	\$ 1,195	\$	\$ 1,195	\$

(a) Based on third party quotation from financial institution

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

**NOTE 14 SUBSEQUENT EVENT**

In April 2009, the Company announced a plan to consolidate two French dispensing closure manufacturing facilities and several sales offices in North America and Europe. The locations affected primarily relate to AptarGroup's Closures and Beauty & Home segments. The total costs associated with the facility consolidation plan are estimated to be approximately \$6 million. The charges will be recorded in the quarter in which they are recognizable for accounting purposes with the majority expected in 2009. Annual savings are estimated to be approximately \$3 million primarily beginning in 2010.

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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>2009</b>	<b>2008</b>
Net Sales	<b>100.0%</b>	100.0%
Cost of sales (exclusive of depreciation and amortization shown below)	<b>67.1</b>	68.1
Selling, research & development and administration	<b>16.8</b>	15.4
Depreciation and amortization	<b>7.0</b>	6.2
Operating Income	<b>9.1</b>	10.3
Other income (expense)	<b>(.5)</b>	(.4)
Income before income taxes	<b>8.6</b>	9.9
Net income	<b>6.2%</b>	6.9%
<b>Effective Tax Rate</b>	<b>28.1%</b>	30.0%

**NET SALES**

We reported net sales of \$431.8 million for the quarter ended March 31, 2009, or 19% below first quarter 2008 net sales of \$532.3 million. The average U.S. dollar exchange rate strengthened compared to the Euro (our primary foreign currency exposure) in the first quarter of 2009 compared to the first quarter of 2008, and as a result, changes in exchange rates negatively impacted sales and accounted for approximately 10% of the 19% sales decrease. Product and custom tooling sales declined 10% while acquisitions contributed 1% to sales.

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>2009</b>	<b>% of Total</b>	<b>2008</b>	<b>% of Total</b>
Domestic	<b>\$ 118,530</b>	<b>27%</b>	\$ 131,259	25%
Europe	<b>256,869</b>	<b>60%</b>	341,566	64%
Other Foreign	<b>56,417</b>	<b>13%</b>	59,433	11%

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

Our cost of sales as a percent of net sales decreased to 67.1% in the first quarter of 2009 compared to 68.1% in the same period a year ago.

The following factors positively impacted our cost of sales percentage in the first quarter of 2009:

**Segment Mix.** Compared to the prior year, our Pharma segment sales represented a larger percentage of our overall sales. This positively impacts our cost of sales percentage as margins on our pharmaceutical products typically are

higher than the overall company average.

**Declining Raw Material Costs.** Raw material costs, in particular plastic resin in the U.S., decreased in the first quarter of 2009 over 2008. While the majority of these cost decreases are passed along to our customers in our selling prices, we experienced the usual lag in the timing of passing on these cost decreases.

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

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The following factor negatively impacted our cost of sales percentage in the first quarter of 2009:

**Underutilized Overhead Costs in Certain Operations.** Several of our business operations, especially in the Beauty & Home business segment, saw a decrease in unit volumes produced and sold. As a result of these lower production levels, overhead costs were underutilized, thus negatively impacting cost of goods sold as a percentage of net sales.

**SELLING, RESEARCH & DEVELOPMENT AND ADMINISTRATIVE**

Our Selling, Research & Development and Administrative expenses ( SG&A ) decreased by approximately \$9.1 million in the first quarter of 2009 to \$72.7 million compared to \$81.8 million in the same period a year ago. Changes in currency rates accounted for \$7.2 million of the decrease in SG&A in the quarter. The remainder of the decrease is primarily the result of lower stock option expense. However, SG&A as a percentage of net sales still increased to 16.8% compared to 15.4% of net sales in the same period of the prior year.

**DEPRECIATION AND AMORTIZATION**

Depreciation and amortization decreased approximately \$2.9 million in the first quarter of 2009 to \$30.1 million compared to \$33.0 million in the first quarter of 2008. Changes in foreign currency rates accounted for a \$3.3 million decrease for a net increase of \$0.4 million on a constant currency basis. Depreciation and amortization as a percentage of net sales increased to 7.0% compared to 6.2% of net sales in the same period of the prior year.

**OPERATING INCOME**

Operating income decreased approximately \$15.4 million in the first quarter of 2009 to \$39.3 million compared to \$54.7 million in the same period in the prior year. The decrease is primarily due to the strengthening of the U.S. dollar compared to the Euro which is having a negative impact on the translation of our results in U.S. dollars and the decrease in sales of our products, particularly in the Beauty & Home segment as mentioned above. Operating income as a percentage of net sales was 9.1% in the first quarter 2009 compared to 10.3% for the same period in the prior year. This decrease is attributed to the Company's inability to reduce fixed overhead costs at the same rate as sales decline.

**NET OTHER EXPENSE**

Net other expenses in the first quarter of 2009 increased to \$2.2 million in the first quarter compared to \$2.0 million in the first quarter of the prior year. Interest income decreased by \$2.2 million due primarily to lower average cash balances but was offset partially by lower interest expense and net foreign currency losses.

**EFFECTIVE TAX RATE**

The reported effective tax rate decreased to 28.1% for the three months ended March 31, 2009 compared to 30.0% in the first quarter of 2008 due primarily to mix of where the income is earned.

**NET INCOME ATTRIBUTABLE TO APTARGROUP, INC.**

We reported net income of \$26.7 million in the first quarter of 2009 compared to \$36.9 million in the first quarter of 2008.

**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>2009</b>	<b>2008</b>
Net Sales	<b>\$ 211,672</b>	\$ 283,763
Segment Income (1)	<b>10,336</b>	28,400
Segment Income as a percentage of Net Sales	<b>4.9%</b>	10.0%

(1) The Company evaluates performance of its business units and allocates resources based upon segment income. Segment income is defined as earnings before interest expense in excess of interest income, stock option and certain corporate expenses, income taxes and unusual items. Prior year amounts have been revised to reflect the current method used to allocate certain corporate costs. For a reconciliation of segment income to income before income taxes, see Note 10 Segment information to the Consolidated Financial Statements in Item 1.



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Net sales for the quarter ended March 31, 2009 decreased 25% to \$211.7 million compared to \$283.8 million in the first quarter of the prior year. The strengthening U.S. dollar compared to the Euro negatively impacted the change in sales and represented 9% of the 25% decrease. Sales, excluding foreign currency changes, decreased approximately 17% in the first quarter of 2009 compared to the same period in the prior year as demand decreased in all regions with the exception of Asia. Acquisitions accounted for a 1% increase in sales. Sales of our products, excluding foreign currency changes, to the personal care market decreased 9% in the first quarter of 2009 compared to the first quarter of the prior year. The general market weakness was offset slightly by the increased sales of our Bag-on-Valves and locking actuators. Sales, excluding foreign currency changes, to the fragrance & cosmetic and household markets decreased 20% and 19%, respectively, in the first quarter of 2009 compared to the first quarter of the prior year primarily due to the general economic condition.

Segment income in the first quarter of 2009 decreased approximately 64% to \$10.3 million compared to \$28.4 million reported in the prior year. The lower segment income in the first quarter is due primarily to the reductions in volumes. Segment income was lower at all locations except Asia which benefited from increased sales volumes and Latin America which benefited from increased efficiencies and cost savings activities. Under absorbed fixed costs continue to negatively impact segment income and contingency plans are in effect at all locations in an effort to offset some of the impact of the volume reductions.

**CLOSURES SEGMENT**

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

<b>Three Months Ended March 31,</b>	<b>2009</b>	<b>2008</b>
Net Sales	\$ 117,176	\$ 134,276
Segment Income	11,617	10,804
Segment Income as a percentage of Net Sales	9.9%	8.0%

Net sales for the quarter ended March 31, 2009 decreased 13% to \$117.2 million compared to \$134.3 million in the first quarter of the prior year. The strengthening U.S. dollar compared to the Euro negatively impacted the change in sales and represented 10% of the 13% decrease. Core product sales decreased 6% due mainly to resin pass-through contracts with our customers. Acquisitions accounted a 3% increase in sales. Product sales, excluding foreign currency changes, to the personal care and household markets decreased approximately 5% and 27%, respectively, in the first quarter of 2009 compared to the same period in the prior year. This is primarily due to weaker demand across all regions attributed to our customers experiencing soft demand. Partially offsetting these decreases was a 7% increase in sales of our products to the food/beverage market related mainly to new products.

Despite decreased overall sales, segment income in the first quarter of 2009 increased approximately 8% to \$11.6 million compared to \$10.8 million reported in the prior year. The increase in segment income is primarily due to cost savings and the normal delay in the pass-through of lower resin costs to our customers.

**PHARMA SEGMENT**

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

<b>Three Months Ended March 31,</b>	<b>2009</b>	<b>2008</b>
Net Sales	\$ 102,925	\$ 114,215
Segment Income	28,429	29,562
Segment Income as a percentage of Net Sales	27.6%	25.9%

Net sales for the Pharma segment declined by 10% in the first quarter of 2009 to \$102.9 million compared to \$114.2 million in the first quarter of 2008. The strengthening U.S. dollar compared to the Euro negatively impacted the change in sales and represented almost all of the 10% decrease. Acquisitions accounted for a 1% increase in sales.

While our other segments have seen decreases in constant currency sales during the first quarter, the Pharma segment continues to see stable demand as sales of our metered dose inhaler valves ( MDI s ), which is used to dispense asthma medications, improved.

Segment income in the first quarter of 2009 decreased approximately 4% to \$28.4 million compared to \$29.6 million reported in the prior year. As with net sales, this decrease is attributed to an unfavorable currency comparison to 2008. Segment income as a percentage of net sales improved from 25.9% in 2008 to 27.6% in 2009 mainly due to solid sales results and good control of operating expenses.

FOREIGN CURRENCY

A significant number of our operations are located outside of the United States. Because of this, movements in exchange rates may have a significant impact on the translation of the financial statements of our foreign entities. Our primary foreign exchange exposure is to the Euro, but we have foreign exchange exposure to the British Pound, South American and Asian currencies,



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among others. We manage our exposures to foreign exchange principally with forward exchange contracts to hedge certain transactions and firm purchase and sales commitments denominated in foreign currencies. A strengthening U.S. dollar relative to foreign currencies has a dilutive translation effect on our financial statements. Conversely, a weakening U.S. dollar has an additive effect. In some cases, we sell products denominated in a currency different from the currency in which the related costs are incurred. Changes in exchange rates on such inter-country sales could materially impact our results of operations.

**QUARTERLY TRENDS**

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

Our estimated stock option expense on a pre-tax basis (in \$ millions) for the year 2009 compared to the prior year is as follows:

	<b>2009</b>	2008
First Quarter	<b>5.0</b>	7.2
Second Quarter	<b>1.6</b>	1.4
Third Quarter	<b>1.6</b>	1.3
Fourth Quarter	<b>1.4</b>	1.3

**LIQUIDITY AND CAPITAL RESOURCES**

Our primary sources of liquidity are cash flow from operations and our revolving credit facility. Cash and equivalents increased to \$203.9 million at the end of March 2009 from \$192.1 million at December 31, 2008. Total short and long-term interest bearing debt increased in the first quarter of 2009 to \$304.7 million from \$291.5 million at December 31, 2008. The ratio of our Net Debt (interest bearing debt less cash and cash equivalents) to Net Capital (stockholder's equity plus Net Debt) of 8% remained unchanged at the end of the quarter compared to the prior year end.

In the first quarter of 2009, our operations provided approximately \$48.8 million in cash flow compared to \$39.0 million for the same period a year ago. The increase in cash flow is primarily attributable to an improvement in working capital across all segments. During the first quarter of 2009, we utilized the majority of the operating cash flows to finance capital expenditures.

We used \$31.9 million in cash for investing activities during the first quarter of 2009, compared to \$46.0 million during the same period a year ago. The decrease in cash used for investing activities is due primarily to \$10.0 million less spent on capital expenditures in the first quarter of 2009 compared to the first quarter of 2008. In 2008, we also used \$4.1 million of cash for the acquisition of a business. Cash outlays for capital expenditures for 2009 are estimated to be approximately \$130 million but this amount could vary due to changes in currency rates.

We received approximately \$3.2 million in cash provided by financing activities in the first quarter of 2009 compared to \$5.8 million in the first quarter of the prior year. The decrease in cash from financing activities is due primarily to a reduction in the purchase of treasury stock which in turn lead to a reduction in proceeds from notes payable.

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

	<b>Requirement</b>	<b>Level at March 31, 2009</b>
Debt to total capital ratio	Maximum of 55%	22%

Based upon the above debt to total capital ratio covenant we would have the ability to borrow approximately an additional \$1.0 billion before the 55% requirement was exceeded.

Our foreign operations have historically met cash requirements with the use of internally generated cash or borrowings. These foreign subsidiaries have financing arrangements with several foreign banks to fund operations located outside the U.S., but all these lines are uncommitted. Cash generated by foreign operations has generally been reinvested locally. The majority of our \$203.9 million in cash and equivalents is located outside of the U.S.

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

On April 15, 2009, the Board of Directors declared a quarterly dividend of \$0.15 per share payable on May 20, 2009 to stockholders of record as of April 29, 2009.

#### 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 2018. Most of the operating leases contain renewal options and certain equipment

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leases include options to purchase during or at the end of the lease term. Other than operating lease obligations, we do not have any off-balance sheet arrangements.

**OUTLOOK**

While there continues to be uncertainty about the near term performance of the global economy, we expect that the conditions in the first quarter will continue into the second quarter. Difficult economic conditions have historically presented opportunities as well as challenges. The present situation, severe as it may be, is no different. While future sales visibility remains low, presently we expect that demand, particularly in our Beauty & Home and Closures segments, will increase in the second half of the year. While we have been reducing costs, we have not reduced our research and development efforts. We believe that our strong balance sheet, experienced management team and dedicated employees will enable us to weather the current economic situation and that when conditions improve, our innovative new products will drive market share growth.

Excluding any effects of the facility consolidation plan that was announced in April, 2009, we anticipate that diluted earnings per share for the second quarter of 2009 will be in the range of \$0.37 to \$0.42 per share compared to \$0.64 per share in the prior year.

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**FORWARD-LOOKING STATEMENTS**

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

- economic, environmental and political conditions worldwide;
- changes in customer and/or consumer spending levels;
- the availability of raw materials and components (particularly from sole sourced suppliers) as well as the financial viability of these suppliers;
- the cost of materials and other input costs (particularly resin, metal, anodization costs and transportation and energy costs);
- significant fluctuations in foreign currency exchange rates;
- our ability to increase prices;
- our ability to contain costs and improve productivity;
- changes in capital availability or cost, including interest rate fluctuations
- our ability to meet future cash flow estimates to support our goodwill impairment testing;
- competition, including technological advances;
- our ability to protect and defend our intellectual property rights;
- the timing and magnitude of capital expenditures;
- our ability to identify potential new acquisitions and to successfully acquire and integrate such operations or products;
- work stoppages due to labor disputes;
- the demand for existing and new products;
- fiscal and monetary policy, including changes in worldwide tax rates;
- our ability to manage worldwide customer launches of complex technical products, in particular in developing markets;
- the success of our customers' products, particularly in the pharmaceutical industry;
- difficulties in product development and uncertainties related to the timing or outcome of product development;
- significant product liability claims and the costs associated with defending such claims;
- direct or indirect consequences of acts of war or terrorism;
- difficulties in complying with government regulation;
- the timing and successful completion of our facility consolidation plan;
- our successful implementation of a new worldwide ERP system starting in 2009 without disruption to our operations and
- other risks associated with our operations.

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

**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 the British Pound, 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, 2009 about our forward currency exchange contracts. The majority of the contracts expire before the end of the second quarter of 2009 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>	<b>Min / Max</b>	
			<b>Notional Volumes</b>	
Euro/U.S. Dollar	\$ 121,477	1.3023	121,477	127,391
Swiss Franc/Euro	39,462	0.6600	37,666	39,462
U.S. Dollar/Euro	11,146	0.7680	7,683	11,146
U.S. Dollar/Chinese Yuan	6,000	6.8511	6,000	6,000
Euro/Brazilian Real	5,663	4.6821	5,663	6,132
Euro/ Russian Ruble	5,566	37.4988	5,566	5,566
Czech Koruna / Euro	3,255	0.0375	2,524	3,255
Canadian Dollar/U.S. Dollar	2,600	0.7965	2,000-2,600	
Euro/Chinese Yuan	1,700	8.7265	1,700	1,700
Chinese Yuan/Japanese Yen	1,155	13.9321	447	1,155
Other	3,955			
<b>Total</b>	<b>\$ 201,979</b>			

As of March 31, 2009, we have recorded the fair value of foreign currency forward exchange contracts of \$3.9 million in prepaids and others, \$0.8 million in accounts payable and accrued liabilities, and \$0.9 million in deferred and other non-current liabilities in the balance sheet.

At March 31, 2009, we had a fixed-to-variable interest rate swap agreement with a notional principal value of \$15 million which requires us to pay an average variable interest rate (which was 2.5% at March 31, 2009) 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 \$0.1 million assuming a tax rate of 30%. As of March 31, 2009, we recorded the fair value of the fixed-to-variable interest rate swap agreement of \$1.1 million in miscellaneous other assets with an offsetting adjustment to debt. No gain or loss was recorded in the income statement in 2009 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, 2009. 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, 2009 that materially affected, or is reasonably likely 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, 2009, the FCP Aptar Savings Plan (the Plan) sold 885 shares of our Common Stock on behalf of the participants at an average price of \$31.08 per share, for an aggregate amount of \$27.5 thousand. No shares were purchased during the quarter. At March 31, 2009, the Plan owns 16,283 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, 2009:

<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 1/31/09		\$		4,548,557
2/1 2/28/09	121,678	27.87	121,678	4,426,879
3/1 3/31/09	55,000	25.99	55,000	4,371,879
Total	176,678	\$ 27.28	176,678	4,371,879

The Company announced the existing repurchase program on July 19, 2006. On July 17, 2008, the Company announced that its Board of Directors authorized the Company to repurchase an additional four million shares of its outstanding common stock. There is no expiration date for these repurchase programs.

## 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/ Robert W. Kuhn  
Robert W. Kuhn  
Executive Vice President and  
Chief Financial Officer (Duly Authorized Officer and  
Principal Financial Officer)

Date: May 5, 2009  
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**INDEX OF EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
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