

APTARGROUP INC  
Form 10-Q  
August 04, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

OR

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

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COMMISSION FILE NUMBER 1-11846

AptarGroup, Inc.

DELAWARE  
(State of Incorporation)

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

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

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815-477-0424

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (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 July 29, 2014
Common Stock, \$.01 par value per share	65,178,148 shares

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AptarGroup, Inc.

**Form 10-Q**

Quarter Ended June 30, 2014

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## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

**AptarGroup, Inc.**

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

In thousands, except per share amounts

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
<b>Net Sales</b>	\$ 670,631	\$ 641,441	\$ 1,346,682	\$ 1,259,074
<b>Operating Expenses:</b>				
Cost of sales (exclusive of depreciation and amortization shown below)	451,051	431,351	904,462	849,837
Selling, research & development and administrative	96,486	88,111	203,160	182,418
Depreciation and amortization	38,466	38,614	75,713	74,785
Restructuring initiatives	--	2,511	--	6,578
	586,003	560,587	1,183,335	1,113,618
<b>Operating Income</b>	<b>84,628</b>	<b>80,854</b>	<b>163,347</b>	<b>145,456</b>
<b>Other Income (Expense):</b>				
Interest expense	(5,246)	(5,442)	(10,127)	(10,523)
Interest income	1,047	846	2,063	1,695
Equity results of affiliates	(198)	(61)	(1,744)	(323)
Miscellaneous, net	(525)	73	(153)	(633)
	(4,922)	(4,584)	(9,961)	(9,784)
<b>Income before Income Taxes</b>	<b>79,706</b>	<b>76,270</b>	<b>153,386</b>	<b>135,672</b>
<b>Provision for Income Taxes</b>	<b>26,622</b>	<b>26,390</b>	<b>51,894</b>	<b>45,814</b>
<b>Net Income</b>	<b>\$ 53,084</b>	<b>\$ 49,880</b>	<b>\$ 101,492</b>	<b>\$ 89,858</b>
<b>Net Income Attributable to Noncontrolling Interests</b>	<b>\$ (8)</b>	<b>\$ (78)</b>	<b>\$ (27)</b>	<b>\$ (27)</b>
<b>Net Income Attributable to AptarGroup, Inc.</b>	<b>\$ 53,076</b>	<b>\$ 49,802</b>	<b>\$ 101,465</b>	<b>\$ 89,831</b>
<b>Net Income Attributable to AptarGroup, Inc. per Common Share:</b>				
Basic	\$ 0.81	\$ 0.75	\$ 1.55	\$ 1.36
Diluted	\$ 0.79	\$ 0.73	\$ 1.49	\$ 1.31
<b>Average Number of Shares Outstanding:</b>				
Basic	65,328	66,420	65,397	66,288

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Diluted	67,438	68,106	68,042	68,339
Dividends per Common Share	\$ 0.28	\$ 0.25	\$ 0.53	\$ 0.50

See accompanying Unaudited Notes to Condensed Consolidated Financial Statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

In thousands

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
<b>Net Income</b>	\$ 53,084	\$ 49,880	\$ 101,492	\$ 89,858
<b>Other Comprehensive Income (Loss):</b>				
Foreign currency translation adjustments	(5,164)	6,551	(4,601)	(29,062)
Changes in treasury locks, net of tax	6	15	12	30
Defined benefit pension plan, net of tax				
Amortization of prior service cost included in net income, net of tax	53	61	106	122
Amortization of net loss included in net income, net of tax	664	954	1,329	2,072
Total defined benefit pension plan, net of tax	717	1,015	1,435	2,194
Total other comprehensive (loss)/income	(4,441)	7,581	(3,154)	(26,838)
<b>Comprehensive Income</b>	<b>48,643</b>	<b>57,461</b>	<b>98,338</b>	<b>63,020</b>
<b>Comprehensive Income Attributable to Noncontrolling Interests</b>	<b>(9)</b>	<b>(82)</b>	<b>(18)</b>	<b>(32)</b>
<b>Comprehensive Income Attributable to AptarGroup, Inc.</b>	<b>\$ 48,634</b>	<b>\$ 57,379</b>	<b>\$ 98,320</b>	<b>\$ 62,988</b>

See accompanying Unaudited Notes to Condensed Consolidated Financial Statements.

Table of Contents**AptarGroup, Inc.**

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands

	June 30, 2014	December 31, 2013
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and equivalents	\$ 341,288	\$ 309,861
Accounts and notes receivable, less allowance for doubtful accounts of \$4,205 in 2014 and \$4,416 in 2013	509,324	438,221
Inventories	371,747	353,159
Prepaid and other	104,576	97,170
	<b>1,326,935</b>	<b>1,198,411</b>
<b>Property, Plant and Equipment:</b>		
Buildings and improvements	381,211	377,300
Machinery and equipment	2,038,274	1,982,195
	<b>2,419,485</b>	<b>2,359,495</b>
Less: Accumulated depreciation	(1,569,388)	(1,518,894)
	<b>850,097</b>	<b>840,601</b>
Land	24,042	24,061
	<b>874,139</b>	<b>864,662</b>
<b>Other Assets:</b>		
Investments in affiliates	6,580	8,243
Goodwill	358,302	358,865
Intangible assets, net	47,339	49,951
Miscellaneous	15,949	17,630
	<b>428,170</b>	<b>434,689</b>
<b>Total Assets</b>	<b>\$ 2,629,244</b>	<b>\$ 2,497,762</b>

See accompanying Unaudited Notes to Condensed Consolidated Financial Statements.

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## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

In thousands, except per share amounts

	June 30, 2014	December 31, 2013
<b>Liabilities and Stockholders Equity</b>		
<b>Current Liabilities:</b>		
Notes payable	\$ 214,686	\$ 138,445
Current maturities of long-term obligations	1,104	1,325
Accounts payable and accrued liabilities	411,016	403,051
	<b>626,806</b>	<b>542,821</b>
<b>Long-Term Obligations</b>	<b>354,622</b>	<b>354,814</b>
<b>Deferred Liabilities and Other:</b>		
Deferred income taxes	39,411	42,072
Retirement and deferred compensation plans	76,583	71,883
Deferred and other non-current liabilities	5,010	5,864
Commitments and contingencies	--	--
	<b>121,004</b>	<b>119,819</b>
<b>Stockholders Equity:</b>		
AptarGroup, Inc. stockholders equity		
Common stock, \$.01 par value, 199 million shares authorized; 85.9 and 85.4 million shares issued as of June 30, 2014 and December 31, 2013, respectively	858	853
Capital in excess of par value	529,684	493,947
Retained earnings	1,686,191	1,619,419
Accumulated other comprehensive income	106,606	109,751
Less treasury stock at cost, 20.7 and 20.0 million shares as of June 30, 2014 and December 31, 2013, respectively	(797,096)	(744,213)
Total AptarGroup, Inc. Stockholders Equity	<b>1,526,243</b>	<b>1,479,757</b>
Noncontrolling interests in subsidiaries	569	551
<b>Total Stockholders Equity</b>	<b>1,526,812</b>	<b>1,480,308</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 2,629,244</b>	<b>\$ 2,497,762</b>

See accompanying Unaudited Notes to Condensed Consolidated Financial Statements.



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## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

In thousands

	AptarGroup, Inc. Stockholders Equity							
	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Common Stock Par Value	Treasury Stock	Capital in Excess of Par Value	Non-Controlling Interest	Total Equity	
<b>Balance December 31, 2012:</b>	\$ 1,513,558	\$ 60,683	\$ 840	\$ (625,401)	\$ 430,210	\$ 608	\$ 1,380,498	
Net income	89,831					27	89,858	
Foreign currency translation adjustments		(29,067)				5	(29,062)	
Changes in unrecognized pension gains/losses and related amortization, net of tax		2,194					2,194	
Changes in treasury locks, net of tax		30					30	
Stock option exercises & restricted stock vestings			10	1	44,824		44,835	
Cash dividends declared on common stock	(33,103)						(33,103)	
Treasury stock purchased				(44,588)			(44,588)	
<b>Balance June 30, 2013:</b>	\$ 1,570,286	\$ 33,840	\$ 850	\$ (669,988)	\$ 475,034	\$ 640	\$ 1,410,662	
<b>Balance December 31, 2013:</b>	\$ 1,619,419	\$ 109,751	\$ 853	\$ (744,213)	\$ 493,947	\$ 551	\$ 1,480,308	
Net income	101,465					27	101,492	
Foreign currency translation adjustments		(4,592)				(9)	(4,601)	
Changes in unrecognized pension gains/losses and related amortization, net of tax		1,435					1,435	
Changes in treasury locks, net of tax		12					12	
Stock option exercises & restricted stock vestings			5	1	35,737		35,743	
Cash dividends declared on common stock	(34,693)						(34,693)	
Treasury stock purchased				(52,884)			(52,884)	
<b>Balance June 30, 2014:</b>	\$ 1,686,191	\$ 106,606	\$ 858	\$ (797,096)	\$ 529,684	\$ 569	\$ 1,526,812	

See accompanying Unaudited Notes to Condensed Consolidated Financial Statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

In thousands, brackets denote cash outflows

Six Months Ended June 30,	2014	2013
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 101,492	\$ 89,858
<b>Adjustments to reconcile net income to net cash provided by operations:</b>		
Depreciation	72,946	72,303
Amortization	2,767	2,482
Stock based compensation	12,058	9,324
Recovery of doubtful accounts	(69)	(723)
Deferred income taxes	(3,808)	(6,756)
Defined benefit plan expense	8,452	9,668
Equity in results of affiliates in excess of cash distributions received	1,744	323
Changes in balance sheet items, excluding effects from foreign currency adjustments:		
Accounts receivable	(71,208)	(67,815)
Inventories	(19,565)	(22,591)
Prepaid and other current assets	(5,868)	(9,670)
Accounts payable and accrued liabilities	17,898	19,745
Income taxes payable	(21,572)	9,258
Retirement and deferred compensation plans	(6,559)	(7,752)
Other changes, net	20,920	11,954
<b>Net Cash Provided by Operations</b>	<b>109,628</b>	<b>109,608</b>
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(87,068)	(71,741)
Disposition of property and equipment	2,287	2,946
Investment in unconsolidated affiliate	--	(13)
Notes receivable, net	(163)	(159)
<b>Net Cash Used by Investing Activities</b>	<b>(84,944)</b>	<b>(68,967)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds (Repayments) of notes payable	77,019	(37,407)
Repayments of long-term obligations	(308)	(1,537)
Dividends paid	(34,693)	(33,103)
Credit facility costs	(299)	(498)
Proceeds from stock option exercises	19,391	31,100
Purchase of treasury stock	(52,884)	(44,588)
Excess tax benefit from exercise of stock options	3,802	3,912
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>12,028</b>	<b>(82,121)</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>(5,285)</b>	<b>1,715</b>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	<b>31,427</b>	<b>(39,765)</b>
<b>Cash and Equivalents at Beginning of Period</b>	<b>309,861</b>	<b>229,755</b>
<b>Cash and Equivalents at End of Period</b>	<b>\$ 341,288</b>	<b>\$ 189,990</b>

See accompanying Unaudited Notes to Condensed Consolidated Financial Statements.



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**AptarGroup, Inc.**

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION**

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of AptarGroup, Inc. and our subsidiaries. The terms AptarGroup or Company as used herein refer to AptarGroup, Inc. and our subsidiaries. All significant intercompany accounts and transactions have been eliminated.

In the opinion of management, the Unaudited Condensed Consolidated Financial Statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of consolidated financial position, results of operations, comprehensive income, changes in equity and cash flows for the interim periods presented. The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. Also, certain financial position data included herein was derived from the Audited Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013 but does not include all disclosures required by GAAP. Accordingly, these Unaudited Condensed Consolidated Financial Statements and related notes should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013. The results of operations of any interim period are not necessarily indicative of the results that may be expected for the year.

**ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS**

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

In July 2013, the FASB issued authoritative guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This standard requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The guidance is effective for the Company s fiscal years beginning after December 15, 2013. This standard did not impact our current year financial statements as this was already the Company s existing reporting treatment.

In March 2013, the FASB issued authoritative guidance which permits an entity to release cumulative translation adjustments into net income when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided, or if a controlling financial interest is no longer held. The guidance is effective for the Company s fiscal years beginning after December 15, 2013. This standard has only a minimal impact on our current year financial statements.

In February 2013, the FASB issued authoritative guidance that amends the presentation of accumulated other comprehensive income and clarifies how to report the effect of significant reclassifications out of accumulated other comprehensive income. The guidance requires footnote disclosures regarding the changes in accumulated other comprehensive income by component and the line items affected in the statements of earnings. The adoption of this standard had no impact on the Unaudited Condensed Consolidated Financial Statements other than disclosure. Additional information can be found in Note 6 of the Unaudited Notes to the Consolidated Financial Statements.

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In January 2013, the FASB issued authoritative guidance requiring new asset and liability offsetting disclosures for derivatives, repurchase agreements and security lending transactions to the extent that they are offset in the financial statements or are subject to an enforceable master netting arrangement or similar agreement. We do not have any repurchase agreements and do not participate in securities lending transactions. Our derivative instruments are not offset in the financial statements. Accordingly, the adoption of this standard had no impact on the Unaudited Condensed Consolidated Financial Statements other than disclosure. Additional information can be found in Note 7 of the Unaudited Notes to the Condensed Consolidated Financial Statements.

Other accounting standards that have been issued by the FASB or other standards-setting bodies are not expected to have a material impact on our Unaudited Condensed Consolidated Financial Statements.

### INCOME TAXES

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

In our determination of which foreign earnings are permanently reinvested in foreign operations, the Company considers numerous factors, including the financial requirements of the U.S. parent company and those of our foreign subsidiaries, the U.S. funding needs for dividend payments and stock repurchases, and the tax consequences of remitting earnings to the U.S. From this analysis, current year repatriation decisions are made in an attempt to provide a proper mix of debt and shareholder capital both within the U.S. and for non-U.S. operations. The Company's policy is to permanently reinvest our accumulated

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foreign earnings and will only make a distribution out of current year earnings to meet the cash needs at the parent company. As such, the Company does not provide for taxes on earnings that are deemed to be permanently reinvested. Since no distribution to the U.S. of foreign earnings is expected in 2014, the effective tax rate for 2014 includes no tax cost of repatriation. Although the Company does not expect to repatriate foreign earnings back to the U.S. in 2014, dividends on certain earnings within Europe are expected to be made to our European holding company. These dividends are expected to generate an additional tax cost of approximately \$3 million in the third quarter.

The Company provides a liability for the amount of tax benefits realized from uncertain tax positions. This liability is provided whenever the Company determines that a tax benefit will not meet a more-likely-than-not threshold for recognition. See Note 4 of the Unaudited Notes to the Condensed Consolidated Financial Statements for more information.

### NOTE 2 - INVENTORIES

At June 30, 2014 and December 31, 2013, approximately 19% and 20%, respectively, of the total inventories are accounted for by using the LIFO method. Inventories, by component, consisted of:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Raw materials	\$ 124,356	\$ 114,501
Work in process	110,587	108,924
Finished goods	144,378	137,591
Total	379,321	361,016
Less LIFO Reserve	(7,574)	(7,857)
Total	\$ 371,747	\$ 353,159

### NOTE 3 - GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill since the year ended December 31, 2013 are as follows by reporting segment:

	<b>Beauty + Home</b>	<b>Pharma</b>	<b>Food + Beverage</b>	<b>Corporate &amp; Other</b>	<b>Total</b>
Goodwill	\$ 181,002	\$ 159,949	\$ 17,914	\$ 1,615	\$ 360,480
Accumulated impairment losses	--	--	--	(1,615)	(1,615)
Balance as of December 31, 2013	\$ 181,002	\$ 159,949	\$ 17,914	\$ --	\$ 358,865
Acquisition	--	--	--	--	--
Foreign currency exchange effects	(81)	(417)	(65)	--	(563)
Goodwill	\$ 180,921	\$ 159,532	\$ 17,849	\$ 1,615	\$ 359,917
Accumulated impairment losses	--	--	--	(1,615)	(1,615)
Balance as of June 30, 2014	\$ 180,921	\$ 159,532	\$ 17,849	\$ --	\$ 358,302

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The table below shows a summary of intangible assets as of June 30, 2014 and December 31, 2013.

	Weighted Average Amortization Period (Years)	June 30, 2014			December 31, 2013		
		Gross Carrying Amount	Accumulated Amortization	Net Value	Gross Carrying Amount	Accumulated Amortization	Net Value
<b>Amortized intangible assets:</b>							
Patents	7	\$ 20,092	\$ (19,793)	\$ 299	\$ 20,165	\$ (19,732)	\$ 433
Acquired technology	15	40,393	(5,386)	35,007	40,546	(4,055)	36,491
License agreements and other	5	35,565	(23,532)	12,033	35,259	(22,232)	13,027
<b>Total intangible assets</b>	<b>10</b>	<b>\$ 96,050</b>	<b>\$ (48,711)</b>	<b>\$ 47,339</b>	<b>\$ 95,970</b>	<b>\$ (46,019)</b>	<b>\$ 49,951</b>

Aggregate amortization expense for the intangible assets above for the quarters ended June 30, 2014 and 2013 was \$1,369 and \$1,245, respectively. Aggregate amortization expense for the intangible assets above for the six months ended June 30, 2014 and 2013 was \$2,767 and \$2,482, respectively.

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

2014	\$ 2,800	(remaining estimated amortization for 2014)
2015	5,325	
2016	4,316	
2017	3,598	
2018 and thereafter	31,300	

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Future amortization expense may fluctuate depending on changes in foreign currency rates. The estimates for amortization expense noted above are based upon foreign exchange rates as of June 30, 2014.

NOTE 4 INCOME TAX UNCERTAINTIES

The Company had approximately \$7.0 and \$8.0 million recorded for income tax uncertainties as of June 30, 2014 and December 31, 2013, respectively. The \$1.0 million change in income tax uncertainties was primarily the result of an audit settlement in the U.S and a lapse in the statute of limitations on two tax related issues. The amount, if recognized, that would impact the effective tax rate is \$6.8 and \$7.8 million, respectively.

The Company estimates that it is reasonably possible that the liability for uncertain tax positions will decrease by no more than \$5 million in the next twelve months from the resolution of various uncertain positions as a result of the completion of tax audits, litigation and the expiration of the statute of limitations in various jurisdictions.

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

Three months ended June 30,	Domestic Plans		Foreign Plans	
	2014	2013	2014	2013
Service cost	\$ 2,010	\$ 2,045	\$ 1,081	\$ 959
Interest cost	1,482	1,246	699	658
Expected return on plan assets	(1,646)	(1,474)	(510)	(447)
Amortization of net loss	717	1,117	313	348
Amortization of prior service cost	--	1	80	92
Net periodic benefit cost	\$ 2,563	\$ 2,935	\$ 1,663	\$ 1,610

Six months ended June 30,	Domestic Plans		Foreign Plans	
	2014	2013	2014	2013
Service cost	\$ 4,021	\$ 4,270	\$ 2,160	\$ 1,928
Interest cost	2,964	2,496	1,398	1,323
Expected return on plan assets	(3,292)	(2,888)	(1,020)	(899)
Amortization of net loss	1,434	2,551	626	700
Amortization of prior service cost	--	2	161	185
Net periodic benefit cost	\$ 5,127	\$ 6,431	\$ 3,325	\$ 3,237

**EMPLOYER CONTRIBUTIONS**

Although the Company has no minimum funding requirement, we plan to contribute approximately \$10 million to our domestic defined benefit plans in 2014. No 2014 contributions were made as of June 30, 2014. The Company also expects to contribute approximately \$5.6 million to our foreign defined benefit plans in 2014 and, as of June 30, 2014, we have contributed approximately \$1.5 million.



NOTE 6 ACCUMULATED OTHER COMPREHENSIVE INCOME**Changes in Accumulated Other Comprehensive Income by Component:**

		<b>Foreign Currency</b>		<b>Defined Benefit Pension Plans</b>		<b>Other</b>		<b>Total</b>	
Balance	December 31, 2012	\$	120,097	\$	(59,248)	\$	(166)	\$	60,683
Other comprehensive loss before reclassifications			(29,067)		--		--		(29,067)
Amounts reclassified from accumulated other comprehensive income			--		2,194		30		2,224
Net current-period other comprehensive (loss)/income			(29,067)		2,194		30		(26,843)
Balance - June 30, 2013		\$	91,030	\$	(57,054)	\$	(136)	\$	33,840
Balance	December 31, 2013	\$	<b>149,965</b>	\$	<b>(40,093)</b>	\$	<b>(121)</b>	\$	<b>109,751</b>
Other comprehensive loss before reclassifications			<b>(4,252)</b>		<b>--</b>		<b>--</b>		<b>(4,252)</b>
Amounts reclassified from accumulated other comprehensive income			<b>(340)</b>		<b>1,435</b>		<b>12</b>		<b>1,107</b>
Net current-period other comprehensive (loss)/income			<b>(4,592)</b>		<b>1,435</b>		<b>12</b>		<b>(3,145)</b>
Balance - June 30, 2014		\$	<b>145,373</b>	\$	<b>(38,658)</b>	\$	<b>(109)</b>	\$	<b>106,606</b>

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

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line in the Statement Where Net Income is Presented	
	Three months ended June 30,	2014	2013	
<b>Defined Benefit Pension Plans</b>				
Amortization of net loss	\$	1,030	\$	1,465 (a)
Amortization of prior service cost		80		93 (a)
		1,110		1,558 Total before tax
		(393)		(543) Tax benefit
	\$	717	\$	1,015 Net of tax
<b>Other</b>				
Changes in treasury locks		10		23 Interest Expense
		10		23 Total before tax
		(4)		(8) Tax benefit
	\$	6	\$	15 Net of tax
Total reclassifications for the period	\$	723	\$	1,030

(a) These accumulated other comprehensive income components are included in the computation of net periodic benefit costs, net of tax (see Note 5 Retirement and Deferred Compensation Plans for additional details).

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line in the Statement Where Net Income is Presented	
	Six months ended June 30,	2014	2013	
<b>Defined Benefit Pension Plans</b>				
Amortization of net loss	\$	2,060	\$	3,251 (b)
Amortization of prior service cost		161		187 (b)
		2,221		3,438 Total before tax
		(786)		(1,244) Tax benefit
	\$	1,435	\$	2,194 Net of tax
<b>Foreign Currency</b>				
Foreign Currency Gain		(340)		-- Miscellaneous, net
		(340)		-- Total before tax
		--		-- Tax benefit
	\$	(340)	\$	-- Net of tax
<b>Other</b>				
Changes in treasury locks		19		46 Interest Expense
		19		46 Total before tax
		(7)		(16) Tax benefit
	\$	12	\$	30 Net of tax
Total reclassifications for the period	\$	1,107	\$	2,224

(b) These accumulated other comprehensive income components are included in the computation of net periodic benefit costs, net of tax (see Note 5 Retirement and Deferred Compensation Plans for additional details).

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NOTE 7 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 can impact the Company's results

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of operations. The Company's policy is not to engage in speculative foreign currency hedging activities, but to minimize our net foreign currency transaction exposure defined as firm commitments and transactions recorded and denominated in currencies other than the functional currency. The Company may use foreign currency forward exchange contracts, options and cross currency swaps to economically hedge these risks.

The Company maintains an interest rate risk management strategy to minimize significant, unanticipated earnings fluctuations that may arise from volatility in interest rates.

For derivative instruments designated as hedges, the Company formally documents the nature and relationships between the hedging instruments and the hedged items, as well as the risk management objectives, strategies for undertaking the various hedge transactions, and the method of assessing hedge effectiveness. Additionally, in order to designate any derivative instrument as a hedge of an anticipated transaction, the significant characteristics and expected terms of any anticipated transaction must be specifically identified, and it must be probable that the anticipated transaction will occur.

**HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS**

A significant number of the Company's operations are located outside of the United States. Because of this, movements in exchange rates may have a significant impact on the translation of the financial condition and results of operations of the Company's foreign entities. A weakening U.S. dollar relative to foreign currencies has an additive translation effect on the Company's financial condition and results of operations. Conversely, a strengthening U.S. dollar has a dilutive effect. The Company in some cases maintains debt in these subsidiaries to offset the net asset exposure. The Company does not otherwise actively manage this risk using derivative financial instruments. In the event the Company plans on a full or partial liquidation of any of our 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 June 30, 2014, the Company has recorded the fair value of foreign currency forward exchange contracts of \$0.7 million in prepaid and other, \$0.1 million in miscellaneous other assets, \$1.6 million in accounts payable and accrued liabilities, and \$0.2 million in deferred and other non-current liabilities in the balance sheet. All forward exchange contracts outstanding as of June 30, 2014 had an aggregate contract amount of \$154 million.

**Fair Value of Derivative Instruments in the Condensed Consolidated Balance Sheets as of June 30, 2014  
and December 31, 2013**

Derivative Contracts Not Designated as Hedging Instruments	Balance Sheet Location	June 30, 2014	December 31, 2013
<b>Derivative Assets</b>			
Foreign Exchange Contracts	Prepaid and other	\$ 688	\$ 3,003
Foreign Exchange Contracts	Miscellaneous Other Assets	69	985
		\$ 757	\$ 3,988
<b>Derivative Liabilities</b>			
Foreign Exchange Contracts	Accounts payable and accrued liabilities	\$ 1,586	\$ 522
Foreign Exchange Contracts	Deferred and other non-current liabilities	232	110
		\$ 1,818	\$ 632

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

for the Quarters Ended June 30, 2014 and June 30, 2013

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
		2014	2013
Foreign Exchange Contracts	Other Income (Expense) Miscellaneous, net	\$ (1,335)	\$ 2,555

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

for the Six Months Ended June 30, 2014 and June 30, 2013

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized in Income on Derivative	Amount of Loss Recognized in Income on Derivative	
		2014	2013
Foreign Exchange Contracts	Other Income (Expense) Miscellaneous, net	\$ (1,494)	\$ (43)

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Description	Gross Amount	Gross Amounts Offset in the Financial Position	Net Amounts Presented in the Statement of Financial Position	Gross Amounts not Offset in the Statement of Financial Position Financial Instruments	Cash Collateral Received	Net Amount
<b>June 30, 2014</b>						
Derivative Assets	\$ 757	-- \$	757	--	-- \$	757
<b>Total Assets</b>	<b>\$ 757</b>	<b>-- \$</b>	<b>757</b>	<b>--</b>	<b>-- \$</b>	<b>757</b>
Derivative Liabilities	\$ 1,818	-- \$	1,818	--	-- \$	1,818
<b>Total Liabilities</b>	<b>\$ 1,818</b>	<b>-- \$</b>	<b>1,818</b>	<b>--</b>	<b>-- \$</b>	<b>1,818</b>
<b>December 31, 2013</b>						
Derivative Assets	\$ 3,988	-- \$	3,988	--	-- \$	3,988
<b>Total Assets</b>	<b>\$ 3,988</b>	<b>-- \$</b>	<b>3,988</b>	<b>--</b>	<b>-- \$</b>	<b>3,988</b>
Derivative Liabilities	\$ 632	-- \$	632	--	-- \$	632
<b>Total Liabilities</b>	<b>\$ 632</b>	<b>-- \$</b>	<b>632</b>	<b>--</b>	<b>-- \$</b>	<b>632</b>

NOTE 8 FAIR VALUE

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

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

As of June 30, 2014, the fair values of our financial assets and liabilities were categorized as follows:

	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Forward exchange contracts (a)	\$ 757	\$ --	\$ 757	\$ --
<b>Total assets at fair value</b>	<b>\$ 757</b>	<b>\$ --</b>	<b>\$ 757</b>	<b>\$ --</b>
<b>Liabilities</b>				
Forward exchange contracts (a)	\$ 1,818	\$ --	\$ 1,818	\$ --
<b>Total liabilities at fair value</b>	<b>\$ 1,818</b>	<b>\$ --</b>	<b>\$ 1,818</b>	<b>\$ --</b>

As of December 31, 2013, the fair values of our financial assets and liabilities were categorized as follows:

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		<b>Total</b>		<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>
<b>Assets</b>								
Forward exchange contracts (a)	\$	3,988	\$	--	\$	3,988	\$	--
Total assets at fair value	\$	3,988	\$	--	\$	3,988	\$	--
<b>Liabilities</b>								
Forward exchange contracts (a)	\$	632	\$	--	\$	632	\$	--
Total liabilities at fair value	\$	632	\$	--	\$	632	\$	--

(a) Market approach valuation technique based on observable market transactions of spot and forward rates.

The carrying amounts of the Company's other current financial instruments such as cash and equivalents, notes payable and current maturities of long-term obligations approximate fair value due to the short-term maturity of the instrument. The Company considers our long-term obligations a Level 2 liability and utilizes the market approach valuation technique based on interest rates that are currently available to the Company for issuance of debt with similar terms and maturities. The estimated fair value of the Company's long-term obligations was \$371 million as of June 30, 2014 and \$363 million as of December 31, 2013.

NOTE 9 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. While management believes the resolution of these claims and lawsuits will not have a material adverse effect on the Company's financial position or results of operations or cash flows, claims and legal proceedings are subject to inherent uncertainties, and unfavorable outcomes could occur that could include amounts in excess of any accruals which management has established. Were such unfavorable final outcomes to occur, it is possible that they could have a material adverse effect on our financial position, results of operations and cash flows.

Under our Certificate of Incorporation, the Company has agreed to indemnify our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our 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 our exposure. As a result of our 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 June 30, 2014.

NOTE 10 STOCK REPURCHASE PROGRAM

During the three and six months ended June 30, 2014, the Company repurchased approximately 600 thousand and 800 thousand shares for approximately \$39.9 million and \$52.9 million, respectively. As of June 30, 2014, the Company has a remaining authorization to repurchase 3.2 million additional shares. The timing of and total amount expended for the share repurchases depends upon market conditions.

NOTE 11 STOCK-BASED COMPENSATION

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

Compensation expense recorded attributable to stock options for the first six months of 2014 was approximately \$12.0 million (\$7.8 million after tax). The income tax benefit related to this compensation expense was approximately \$4.2 million. Approximately \$10.8 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 six months of 2013 was approximately \$9.3 million (\$6.2 million after tax). The income tax benefit related to this compensation expense was approximately \$3.1 million. Approximately \$8.3 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 \$14.84 and \$10.07 per share in 2014 and 2013, 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>Six months ended June 30,</b>	<b>2014</b>	<b>2013</b>
Dividend Yield	1.7%	1.8%
Expected Stock Price Volatility	22.2%	22.7%
Risk-free Interest Rate	2.3%	1.2%
Expected Life of Option (years)	6.9	6.9



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The fair value of stock options granted under the Director Stock Option Plan during the second quarter of 2014 was \$14.07. The fair value of stock options granted under the Director Stock Option Plan during the second quarter of 2013 was \$10.89. These values were estimated on the respective date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Director Stock Option Plans: Six months ended June 30,	2014	2013
Dividend Yield	1.8%	1.9%
Expected Stock Price Volatility	22.2%	23.0%
Risk-free Interest Rate	2.2%	1.3%
Expected Life of Option (years)	6.9	6.9

A summary of option activity under the Company's stock plans during the first half of 2014 is presented below:

	Shares	Stock Awards Plans Weighted Average Exercise Price	Shares	Director Stock Option Plans Weighted Average Exercise Price
<b>Outstanding, January 1, 2014</b>	7,815,932	\$ 41.26	313,834	\$ 48.85
<b>Granted</b>	1,349,850	68.00	95,000	66.59
<b>Exercised</b>	(523,959)	31.92	(40,166)	47.96
<b>Forfeited or expired</b>	(24,067)	51.10	--	--
<b>Outstanding at June 30, 2014</b>	8,617,756	\$ 45.99	368,668	\$ 53.52
<b>Exercisable at June 30, 2014</b>	5,945,005	\$ 39.68	188,159	\$ 45.98
Weighted-Average Remaining Contractual Term (Years):				
<b>Outstanding at June 30, 2014</b>	6.3	7.8		
<b>Exercisable at June 30, 2014</b>	5.2	6.4		
Aggregate Intrinsic Value (\$000):				
<b>Outstanding at June 30, 2014</b>	\$ 183,123	\$ 5,008		
<b>Exercisable at June 30, 2014</b>	\$ 163,021	\$ 3,973		
Intrinsic Value of Options Exercised (\$000) During the Six Months Ended:				
<b>June 30, 2014</b>	\$ 18,050	\$ 741		
June 30, 2013	\$ 28,188	\$ 285		

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The fair value of shares vested during the six months ended June 30, 2014 and 2013 was \$13.9 million and \$12.9 million, respectively. Cash received from option exercises was approximately \$19.4 million and the actual tax benefit realized for the tax deduction from option exercises was approximately \$5.5 million in the six months ended June 30, 2014. As of June 30, 2014, the remaining valuation of stock option awards to be expensed in future periods was \$18.7 million and the related weighted-average period over which it is expected to be recognized is 1.6 years.

The fair value of restricted stock unit grants is the market price of the underlying shares on the grant date. A summary of restricted stock unit activity as of June 30, 2014, and changes during the period then ended is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
<b>Nonvested at January 1, 2014</b>	25,681	\$ 53.49
<b>Granted</b>	43,671	67.57
<b>Vested</b>	(9,355)	52.50
<b>Nonvested at June 30, 2014</b>	59,997	\$ 63.90

Compensation expense recorded attributable to restricted stock unit grants for the first half of 2014 and 2013 was approximately \$1.1 million and \$493 thousand, respectively. The fair value of units vested during the six months ended June 30, 2014 and 2013 was \$491 thousand and \$496 thousand, respectively. The intrinsic value of units vested during the six months ended June 30, 2014 and 2013 was \$613 thousand and \$582 thousand, respectively. As of June 30, 2014 there was \$2.4 million of total unrecognized compensation cost relating to restricted stock unit awards which is expected to be recognized over a weighted-average period of 1.7 years.

During the first quarter of 2014, the Company approved a new long-term incentive program for certain employees. The program is based on the cumulative total shareholder return of our common stock during a three year performance period. Total expense related to this program is expected to be approximately \$1.2 million over the performance period, of which \$320 thousand was recognized in the first half of 2014.

### NOTE 12 EARNINGS PER SHARE

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

	June 30, 2014		Three months ended		June 30, 2013	
	Diluted	Basic	Diluted	Basic	Diluted	Basic
<b>Consolidated operations</b>						
Income available to common shareholders	\$ 53,076	\$ 53,076	\$ 49,802	\$ 49,802	\$ 49,802	\$ 49,802
<b>Average equivalent shares</b>						
Shares of common stock	65,328	65,328	66,420	66,420	66,420	66,420
Effect of dilutive stock based compensation						
Stock options	2,103	--	1,682	--	--	--
Restricted stock	7	--	4	--	--	--
Total average equivalent shares	67,438	65,328	68,106	66,420	66,420	66,420
Net income per share	\$ 0.79	\$ 0.81	\$ 0.73	\$ 0.75	\$ 0.73	\$ 0.75



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	June 30, 2014		Six months ended		June 30, 2013	
	Diluted		Basic		Diluted	Basic
<b>Consolidated operations</b>						
Income available to common shareholders	\$	101,465	\$	101,465	\$	89,831
<b>Average equivalent shares</b>						
Shares of common stock		65,397		65,397		66,288
Effect of dilutive stock based compensation						
Stock options		2,616		--		2,043
Restricted stock		29		--		8
Total average equivalent shares		68,042		65,397		68,339
Net income per share	\$	1.49	\$	1.55	\$	1.31

NOTE 13 SEGMENT INFORMATION

The Company operates in the packaging components industry, which includes the development, manufacture and sale of consumer product dispensing solutions. The Company is organized into three reporting segments. Operations that sell dispensing systems primarily to the personal care, beauty and home care markets form the Beauty + Home segment. Operations that sell dispensing systems primarily to the prescription drug, consumer health care and injectables markets form the Pharma segment. Operations that sell dispensing systems primarily to the food and beverage markets form the Food + Beverage 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, 2013. Segment income is defined as earnings before net interest expense, certain corporate expenses, restructuring initiatives and related depreciation and income taxes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
<b>Total Revenue:</b>				
Beauty + Home	\$	391,215	\$	378,828
Pharma		195,690		182,995
Food + Beverage		90,192		83,570
Total Revenue		677,097		645,393
<b>Less: Intersegment Sales:</b>				
Beauty + Home	\$	5,989	\$	3,844
Pharma		--		64
Food + Beverage		477		44
Total Intersegment Sales	\$	6,466	\$	3,952
<b>Net Sales:</b>				
Beauty + Home	\$	385,226	\$	374,984
Pharma		195,690		182,931
Food + Beverage		89,715		83,526
Net Sales	\$	670,631	\$	641,441
<b>Segment Income (1):</b>				
Beauty + Home	\$	27,198	\$	30,339
Pharma		52,793		50,437
Food + Beverage		12,416		11,864
Restructuring Initiatives and Related Depreciation		--		(3,067)

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Corporate & Other		(8,502)		(8,707)		(20,300)		(19,492)
Income before interest and taxes	\$	<b>83,905</b>	\$	80,866	\$	<b>161,450</b>	\$	144,500
Interest expense, net		(4,199)		(4,596)		(8,064)		(8,828)
Income before income taxes	\$	<b>79,706</b>	\$	76,270	\$	<b>153,386</b>	\$	135,672

(1) The Company evaluates performance of our business units and allocates resources based upon segment income. Segment income is defined as earnings before net interest expense, certain corporate expenses, restructuring initiatives and income taxes. Restructuring Initiatives and Related Depreciation includes the following income/(expense) items for the three and six months ended June 30, 2014 as follows:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
<b>European Operations Optimization ( EOO ) Plan</b>				
Depreciation	\$ --	\$ 556	\$ --	\$ 1,015
Employee Severance and Other Costs	--	2,555	--	6,622
<b>Prior Year Initiatives</b>	--	(44)	--	(44)
Total Restructuring Initiatives and Related Depreciation Expense	\$ --	\$ 3,067	\$ --	\$ 7,593
<b>Restructuring Initiatives and Related Depreciation Expense by Segment</b>				
Beauty + Home	\$ --	\$ 3,090	\$ --	\$ 7,616
Pharma	--	--	--	--
Food + Beverage	--	(23)	--	(23)
Total Restructuring Initiatives and Related Depreciation Expense	\$ --	\$ 3,067	\$ --	\$ 7,593

NOTE 14 ACQUISITIONS

In December 2013, AptarGroup acquired a 20% non-controlling investment in Bapco Closures Holding Limited (Bapco) for approximately \$5.2 million. In addition to this equity stake, the Company secured an exclusive global license related to innovative closures sealing technology that provides package integrity and tamper evidence. This investment is being accounted for under the equity method of accounting from the date of acquisition and since it does not have a material impact on the results of operations in 2014 or 2013, pro forma information is not presented.

NOTE 15 RESTRUCTURING INITIATIVES

In November 2012, the Company announced a plan to optimize certain capacity in Europe. Due to increased production efficiencies and to better position the Company for future growth in Europe, AptarGroup transferred and consolidated production capacity involving twelve facilities. Two facilities have closed impacting approximately 170 employees. The locations involved in the plan are facilities serving the beauty, personal care, food, beverage, and consumer health care markets. As of December 31, 2013, the plan was substantially complete. The cumulative expense incurred was \$19.5 million. As of June 30, 2014 we have recorded the following activity associated with our European restructuring plan:

	Beginning Reserve at 12/31/13	Net Charges for the Six Months Ended 6/30/14	Cash Paid	FX Impact	Ending Reserve at 6/30/14
Employee severance	\$ 2,521	\$ --	\$ (1,991)	\$ (3)	\$ 527
Other costs	1,735	--	(639)	9	1,105
Totals	\$ 4,256	\$ --	\$ (2,630)	\$ 6	\$ 1,632

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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 AS OTHERWISE INDICATED)

RESULTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales (exclusive of depreciation and amortization shown below)	67.3	67.3	67.2	67.5
Selling, research & development and administrative	14.4	13.7	15.1	14.5
Depreciation and amortization	5.7	6.0	5.6	5.9
Restructuring initiatives	--	0.4	--	0.5
Operating Income	12.6	12.6	12.1	11.6
Other expense	(0.7)	(0.7)	(0.7)	(0.8)
Income before Income Taxes	11.9	11.9	11.4	10.8
Net Income	7.9%	7.8%	7.5%	7.1%
Effective Tax Rate	33.4%	34.6%	33.8%	33.8%

NET SALES

We reported net sales of \$670.6 million for the second quarter ended June 30, 2014, 5% above second quarter 2013 reported net sales of \$641.4 million. The average U.S. dollar exchange rate weakened relative to the Euro in the second quarter of 2014 compared to the second quarter of 2013. However, the U.S. dollar strengthened compared to other foreign currencies, such as the Brazilian Real, Argentine Peso, Indian Rupee and Russian Ruble. As a result, net changes in exchange rates favorably impacted our reported sales growth by 1%. Therefore, sales excluding changes in foreign currency rates increased by 4% in the second quarter of 2014 compared to the second quarter of 2013. Each business segment reported an increase in sales:

Second Quarter 2014 Net Sales Change over Prior Year	Beauty + Home	Pharma	Food + Beverage	Total
Product Sales (including tooling)	3%	4%	7%	4%
Currency Effects	--	3%	--	1%
Total Reported Net Sales Growth	3%	7%	7%	5%

For the first six months of 2014, we reported net sales of \$1.35 billion, 7% above the first six months of 2013 reported net sales of \$1.26 billion. Consistent with the second quarter, the average U.S. dollar exchange rate weakened relative to the Euro but was mostly offset by strengthening of the U.S. dollar compared to other foreign currencies as mentioned above. Therefore, sales excluding changes in foreign currency rates increased by 6% in the first six months of 2014 compared to the first six months of 2013:

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<b>First Six Months of 2014 Net Sales Change over Prior Year</b>	<b>Beauty + Home</b>	<b>Pharma</b>	<b>Food + Beverage</b>	<b>Total</b>
Product Sales (including tooling)	5%	8%	6%	6%
Currency Effects	--	3%	1%	1%
<b>Total Reported Net Sales Growth</b>	<b>5%</b>	<b>11%</b>	<b>7%</b>	<b>7%</b>

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

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

	<b>Three Months Ended June 30,</b>				<b>Six Months Ended June 30,</b>			
	<b>2014</b>	<b>% of Total</b>	<b>2013</b>	<b>% of Total</b>	<b>2014</b>	<b>% of Total</b>	<b>2013</b>	<b>% of Total</b>
Domestic	\$ 161,624	24%	\$ 169,245	26%	\$ 332,301	25%	\$ 326,473	26%
Europe	393,282	59%	362,278	57%	792,741	59%	718,804	57%
Other Foreign	115,725	17%	109,918	17%	221,640	16%	213,797	17%
	<b>\$ 670,631</b>		<b>\$ 641,441</b>		<b>\$ 1,346,682</b>		<b>\$ 1,259,074</b>	



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COST OF SALES (EXCLUSIVE OF DEPRECIATION AND AMORTIZATION SHOWN BELOW)

Our cost of sales as a percent of net sales was 67.3% in the second quarter of 2014, which is consistent with the cost of sales as a percent of net sales in the same period a year ago. Increased sales volumes in our Pharma segment positively impacted our cost of sales percentage as margins on our pharmaceutical products typically are higher than the overall Company average. Also favorably impacting the cost of sales percentage are cost savings initiatives, including savings related to our European restructuring initiative. These decreases were offset by less favorable resin adjustments in 2014 compared to 2013 which negatively impacted our cost of sales percentage. While the majority of resin cost increases are passed along to our customers in our selling prices, we typically experience a lag in the timing of passing on these cost increases. Currency effects and start-up costs in Latin America also unfavorably impacted the cost of sales percentage.

Cost of sales as a percent of net sales decreased slightly to 67.2% in the first six months of 2014 compared to 67.5% in the same period a year ago. This decrease is mainly due to increased sales volumes across each segment allowing for greater operating leverage and the fact that our Pharma segment had the strongest sales growth of our three segments.

SELLING, RESEARCH & DEVELOPMENT AND ADMINISTRATIVE

Our Selling, Research & Development and Administrative expenses ( SG&A ) increased by approximately \$8.4 million to \$96.5 million in the second quarter of 2014 compared to \$88.1 million during the same period a year ago. Excluding changes in foreign currency rates, SG&A increased \$7.3 million in the quarter. The increase is due to several factors including higher research and development costs associated with our recently acquired bonded aluminum to plastic license and higher information technology costs associated with our ongoing enterprise resource planning system roll-ins and higher stock compensation expense. SG&A as a percentage of net sales increased to 14.4% compared to 13.7% in the same period of the prior year due to the higher expenses noted above.

SG&A increased by approximately \$20.8 million to \$203.2 million in the first six months of 2014 compared to \$182.4 million during the same period a year ago. Excluding changes in foreign currency rates, SG&A increased by approximately \$19.1 million in the first six months of the year. As discussed above, the increase is mainly due to our investments in research and development and information technology systems along with higher stock compensation expense. SG&A as a percentage of net sales increased to 15.1% in the first six months of 2014 compared to 14.5% in the first six months of 2013 primarily due to higher expenses during the current year.

DEPRECIATION AND AMORTIZATION

Reported depreciation and amortization expenses slightly decreased to \$38.5 million in the second quarter of 2014 compared to \$38.6 million during the same period a year ago. Excluding changes in foreign currency rates, depreciation and amortization decreased by approximately \$0.9 million in the quarter compared to the same period a year ago. 2013 expenses included \$1.5 million of accelerated depreciation on certain corporate assets as well as \$0.6 million of accelerated depreciation related to our European restructuring initiatives. These one-time charges in 2013 were partially offset by additional investments in our new products and continued roll-out of our global enterprise resource planning system in 2014. Depreciation and amortization as a percentage of net sales decreased to 5.7% in the second quarter of 2014 compared to 6.0% for the same period a year ago mainly due to our increase in sales during 2014.

For the first six months of 2014, reported depreciation and amortization expenses increased by approximately \$0.9 million to \$75.7 million compared to \$74.8 million in the first half of 2013. Excluding changes in foreign currency rates, depreciation and amortization decreased by approximately \$0.2 million in the first six months of 2014. As discussed above, one-time charges of \$1.5 million of accelerated depreciation on certain corporate assets and \$1.0 million of accelerated depreciation related to our restructuring initiatives in 2013 were partially offset by additional investments in our new products along with continued roll-out of our global enterprise resource planning system in 2014. Depreciation and amortization as a percentage of net sales also decreased slightly to 5.6% compared to 5.9% for the same period a year ago due to higher sales in the first half of 2014.

RESTRUCTURING INITIATIVES

In November 2012, the Company announced a plan to optimize certain capacity in Europe. Due to increased production efficiencies and to better position the Company for future growth in Europe, AptarGroup transferred and consolidated production capacity involving twelve facilities. Under the plan, two facilities were closed impacting approximately 170 employees. During the three and six months ended June 30, 2013, we recognized \$2.6 million and \$6.6 million of restructuring expenses, respectively, along with the \$0.6 million and \$1.0 million of accelerated depreciation of assets, respectively, mentioned above. The plan was substantially completed at the end of 2013 with total costs of approximately \$19.5 million. Savings from the plan are expected to be approximately \$10 million on an annualized basis.

OPERATING INCOME

Operating income increased approximately \$3.7 million in the second quarter of 2014 to \$84.6 million compared to \$80.9 million in the same period in the prior year. Excluding changes in currency rates, operating income decreased by approximately \$1.4 million in the quarter. The primary reason for the decrease in operating income over the prior year is the higher SG&A costs in

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the current quarter as discussed above. Operating income as a percentage of net sales remained consistent at 12.6% in the second quarter of 2014 compared to the same period in the prior year.

Operating income increased approximately \$17.8 million to \$163.3 million in the first six months of 2014 compared to \$145.5 million in the same period in the prior year. Excluding changes in currency rates, operating income increased by approximately \$7.2 million in the first six months of 2014. The increase in operating income is mainly due to higher product sales discussed above. Operating income as a percentage of sales increased to 12.1% in the first six months of 2014 compared to 11.6% for the same period in the prior year.

NET OTHER EXPENSE

Net other expenses in the second quarter of 2014 increased to \$4.9 million from \$4.6 million in the same period in the prior year. This increase is mainly due to increased costs associated with forward contracts in place to mitigate our foreign currency exposure on cross border transactions.

Net other expenses for the six months ended June 30, 2014 increased slightly to \$10.0 million from \$9.8 million in the same period in the prior year. Lower interest expense and hedging costs were offset by the recognition of a \$1.5 million write-down on a non-controlling investment taken during the first quarter of 2014 to align with the current fair value.

EFFECTIVE TAX RATE

The reported effective tax rate decreased to 33.4% for the three months ended June 30, 2014 compared to 34.6% for the same period ended June 30, 2013 and remained consistent at 33.8% for the six months ended June 30, 2014 and 2013. The decrease in the rate for the three months ended June 30, 2014 is related primarily to a favorable IRS ruling on the classification of a subsidiary that was determined in the second quarter of 2014. The rate for the six months ended June 30, 2013 was favorably impacted by an Italian tax law change which provided approximately the same benefit as the IRS ruling in 2014, thereby leaving the tax rates the same for the six months ended June 30, 2013 and 2014. Additionally, although the effective tax rate increased in 2014 due to tax law changes enacted in France in December 2013, the increase was offset by our decision not to repatriate funds from Europe in 2014 and the absence of any associated tax costs.

NET INCOME ATTRIBUTABLE TO APTARGROUP, INC.

We reported net income attributable to AptarGroup, Inc. of \$53.1 million and \$101.5 million in the three and six months ended June 30, 2014, respectively, compared to \$49.8 million and \$89.8 million for the same periods in the prior year.

BEAUTY + HOME SEGMENT

Operations that sell dispensing systems primarily to the personal care, beauty and home care markets form the Beauty + Home segment.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net Sales	\$385,226	\$374,984	\$776,462	\$738,456
Segment Income	27,198	30,339	54,979	54,754
Segment Income as a percentage of Net Sales	7.1%	8.1%	7.1%	7.4%

Net sales for the quarter ended June 30, 2014 increased 3% to \$385.2 million compared to \$375.0 million in the second quarter of the prior year. For the segment, changes in foreign currency rates did not have a material impact on reported sales for the quarter ended June 30, 2014. Sales, excluding foreign currency changes, to the beauty market increased 3% mainly on the growth in new skin care products while sales to the personal care market were flat in the second quarter of 2014 compared to the same period in the prior year. Home care sales increased 17% mainly on higher tooling sales. Geographically, local currency sales increases in Europe, Asia and Latin America more than offset continued softness in the North American region. Customer tooling sales, excluding foreign currency changes, increased in the second quarter of 2014 to \$11.5 million compared to \$7.9 million in the second quarter of the prior year. Increases in resin pass throughs to our customers also positively impacted sales by \$0.3 million.

Net sales increased 5% in the first six months of 2014 to \$776.5 million compared to \$738.5 million in the first six months of the prior year. Changes in foreign currency rates did not have a material impact on reported sales for the first six months of 2014. Sales of our products, excluding foreign currency changes, to the beauty market increased 6% while sales to the personal care market increased 5% in the first six months of 2014 compared to the first six months of 2013. Geographically, excluding foreign currency changes, all four regions reported sales growth. Customer tooling sales, excluding foreign currency changes, also increased in the first six months of 2014 to \$16.3 million compared to \$14.1 million in the first six months of the prior year.

Segment income for the second quarter of 2014 decreased approximately 10% to \$27.2 million compared to \$30.3 million reported in the prior year. Currency effects and start-up costs in Latin America negatively impacted results by approximately \$2.1 million while less favorable resin adjustments negatively impacted results by approximately \$0.9 million. Business softness and operational inefficiencies in North America also negatively impacted results.

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Segment income in the first six months of 2014 increased by less than 1% to \$55.0 million compared to \$54.8 million reported in the same period in the prior year. Increases in product sales and savings related to our European restructuring initiative were offset by \$5.3 million of negative currency transaction effects and start-up costs for our new facilities in Latin America along with higher SG&A costs mainly related to professional and legal fees.

PHARMA SEGMENT

Operations that sell dispensing systems to the prescription drug, consumer health care and injectables markets form the Pharma segment.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net Sales	\$ 195,690	\$ 182,931	\$ 390,039	\$ 351,800
Segment Income	52,793	50,437	105,275	96,417
Segment Income as a percentage of Net Sales	27.0%	27.6%	27.0%	27.4%

Net sales for the Pharma segment increased by 7% in the second quarter of 2014 to \$195.7 million compared to \$182.9 million in the second quarter of 2013. Changes in foreign currency rates represented 3% of the total segment sales increase. Sales, excluding changes in foreign currency rates, increased 4%. Sales, excluding foreign currency changes, to the prescription and consumer health care markets increased 3% and 11%, respectively. Consumer health care's growth over the prior year was mainly due to several new eye care product introductions using our ophthalmic squeeze dispenser along with strong bag-on-valve sales for nasal saline products. Sales, excluding foreign currency changes, to the injectables market decreased by 3% with lower tooling sales accounting for 2% of the 3% decrease and the remainder due to one particular customer being overstocked.

Net sales for the first six months of 2014 increased approximately 11% to \$390.0 million compared to \$351.8 million in the first six months of the prior year. Changes in foreign currency rates represented 3% of the total segment sales increase. Excluding changes in foreign currency rates, sales increased by 8% in the first six months of 2014 compared to the first six months of 2013. Excluding foreign currency rate changes, sales to the prescription and consumer health care markets increased 6% and 18%, respectively, in the first six months of 2014 compared to the same period in the prior year led by strong sales of our products to the asthma/COPD, pain and nasal decongestant markets. Excluding foreign currency rate changes, sales to the injectables market increased 1% as first quarter sales increases more than offset the decrease in tooling sales and customer overstocking in the second quarter.

Segment income in the second quarter of 2014 increased approximately 5% to \$52.8 million compared to \$50.4 million reported in the same period in the prior year. This increase is mainly attributed to the higher sales for both the prescription and consumer health care markets as mentioned above.

Segment income in the first six months of 2014 increased approximately 9% to \$105.3 million compared to \$96.4 million reported in the same period of the prior year. This increase is again mainly attributed to the higher sales for the prescription and consumer health care markets. The Pharma segment also recognized a \$1.5 million expense in the first quarter of 2014 related to the write-down of a non-controlling investment to align with the current fair value.

FOOD + BEVERAGE SEGMENT

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Operations that sell dispensing systems primarily to the food and beverage markets form the Food + Beverage segment.

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net Sales	\$ 89,715	\$ 83,526	\$ 180,181	\$ 168,818
Segment Income	12,416	11,864	21,496	20,414
Segment Income as a percentage of Net Sales	13.8%	14.2%	11.9%	12.1%

Net sales for the Food + Beverage segment for the quarter ended June 30, 2014 increased approximately 7% to \$89.7 million compared to \$83.5 million in the second quarter of the prior year. For the segment, changes in foreign currency rates did not have a material impact on reported sales for the quarter ended June 30, 2014. Excluding foreign currency rate changes, sales to the beverage market increased approximately 11% on the combination of the continued success of functional bottled water in the Asian region and growth in the concentrate market that collectively offset lower tooling sales. Excluding foreign currency rate changes, sales to the food market increased 4% mainly due to an increase in custom tooling sales. Increases in resin pass throughs to our customers also positively impacted sales by \$0.6 million.

Net sales for the first six months of 2014 increased approximately 7% to \$180.2 million compared to \$168.8 million in the first six months of the prior year. Excluding changes in foreign currency rates, sales increased 6%. Sales, excluding foreign currency changes, to the beverage market increased 9% and sales to the food market increased approximately 4% in the first six months of 2014 compared to the same period in the prior year. Consistent with the second quarter, the six month beverage sales increase is driven by the continued success of functional bottled water in the Asian region and growth in the concentrate market offset by \$4.8 million of lower tooling sales. The food increase is mainly due to improving sales to our sauces and condiments market.

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Segment income in the second quarter of 2014 increased approximately 5% to \$12.4 million compared to \$11.9 million during the same period in the prior year. Segment income was positively impacted by the increased product sales discussed above along with improved productivity and overhead cost absorption, particularly in North America and Europe. Less favorable resin adjustments negatively impacted segment results by \$1.3 million in the quarter.

Segment income in the first six months of 2014 increased approximately 5% to \$21.5 million compared to \$20.4 million reported in the same period of the prior year. The strong growth in product sales along with improved manufacturing productivity and cost absorption mentioned above contributed to the improvement.

CORPORATE & OTHER

In addition to our three operating business segments, AptarGroup assigns certain costs to Corporate & Other, which is presented separately in Note 13 of the Unaudited Notes to the Condensed Consolidated Financial Statements. Corporate & Other primarily includes certain professional fees, compensation and information system costs which are not allocated directly to our operating segments. Corporate & Other expense decreased to \$8.5 million for the quarter ended June 30, 2014 compared to \$8.7 million in the second quarter of the prior year mainly due to a \$1.5 million adjustment for accelerated depreciation on certain corporate assets in 2013 which outweighed increases in professional fees and personnel costs in 2014.

Corporate & Other expense in the first six months of 2014 increased to \$20.3 million compared to \$19.5 million reported in the same period of the prior year. The increase is mainly due to increases in professional fees along with higher personnel costs. These increases are somewhat offset by the 2013 accelerated depreciation on certain corporate assets noted above.

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 also have foreign exchange exposure to the Brazilian Real, British Pound, Swiss Franc and other South American and Asian currencies, among others. Recently we have experienced volatility in certain Latin American and Asian currencies, including the Argentine Peso, Brazilian Real, Indian Rupee and the Russian Ruble. 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 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 cases, we sell products denominated in a currency different from the currency in which the related costs are incurred. Changes in exchange rates on such inter-country sales could materially impact our results of operations.

QUARTERLY TRENDS

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

We generally incur higher stock option expense in the first quarter compared with the rest of the fiscal year. Our estimated stock option expense on a pre-tax basis (in \$ millions) for the year 2014 compared to 2013 is as follows:

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	2014		2013
First Quarter	\$	8.4	\$ 6.5
Second Quarter		3.7	2.8
Third Quarter (estimated for 2014)		2.9	2.2
Fourth Quarter (estimated for 2014)			