STURM RUGER & CO INC
Form 10-Q
July 31, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 29, 2013

OR

o 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 1-10435

STURM, RUGER & COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	06-0633559 (I.R.S. employer identification no.)
Lacey Place, Southport, Connecticut (Address of principal executive offices)	06890 (Zip code)

(203) 259-7843

(Registrant's telephone number, including area code)

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 requirements for the past 90 days. Yes x No o

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

The number of shares outstanding of the issuer's common stock as of July 29, 2013: Common Stock, $1 par value –19,341,370.

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STURM, RUGER & COMPANY, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

STURM, RUGER & COMPANY, INC.

CONDENSED BALANCE SHEETS

(Dollars in thousands)

	June 29, 2013	December 31, 2012 (Note)
Assets		
Current Assets		
Cash	$64,781	$30,978
Trade receivables, net	57,344	43,018
Gross inventories	56,153	55,827
Less LIFO reserve	(38,631)	(38,089)
Less excess and obsolescence reserve	(1,468)	(1,729)
Net inventories	16,054	16,009
Deferred income taxes	7,508	5,284
Prepaid expenses and other current assets	693	1,632
Total Current Assets	146,380	96,921
Property, plant and equipment	214,369	195,713
Less allowances for depreciation	(138,570)	(129,720)
Net property, plant and equipment	75,799	65,993
Deferred income taxes	2,471	2,004
Other assets	11,893	9,568
Total Assets	$236,543	$174,486

Note:

The balance sheet at December 31, 2012 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

See notes to condensed financial statements.

STURM, RUGER & COMPANY, INC.

CONDENSED BALANCE SHEETS (Continued)

(Dollars in thousands, except share data)

	June 29, 2013	December 31, 2012 (Note)
Liabilities and Stockholders' Equity		
Current Liabilities		
Trade accounts payable and accrued expenses	$44,033	$38,500
Product liability	989	720
Employee compensation and benefits	26,701	15,182
Workers' compensation	4,550	4,600
Income taxes payable	6,123	489
Total Current Liabilities	82,396	59,491
Accrued pension liability	18,136	19,626
Product liability	238	337
Contingent liabilities – Note 10	—	—
Stockholders' Equity		
Common Stock, non-voting, par value $1:		
Authorized shares 50,000; none issued	—	—
Common Stock, par value $1:		
Authorized shares – 40,000,000		
2013 – 23,640,804 issued,		
19,341,370 outstanding		
2012 – 23,562,422 issued,		
19,262,988 outstanding	23,641	23,563
Additional paid-in capital	18,108	15,531
Retained earnings	161,528	123,442
Less: Treasury stock – at cost		
2013 and 2012 – 4,299,434 shares	(37,884)	(37,884)
Accumulated other comprehensive loss	(29,620)	(29,620)
Total Stockholders' Equity	135,773	95,032
Total Liabilities and Stockholders' Equity	$236,543	$174,486

Note:

The balance sheet at December 31, 2012 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

See notes to condensed financial statements.

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STURM, RUGER & COMPANY, INC.

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Net firearms sales	$176,787	$118,147	$330,227	$228,934
Net castings sales	2,741	1,422	5,207	2,972
Total net sales	179,528	119,569	335,434	231,906
Cost of products sold	108,804	74,435	203,401	144,979
Gross profit	70,724	45,134	132,033	86,927
Operating expenses:				
Selling	11,823	9,107	27,588	20,107
General and administrative	8,317	7,526	16,760	13,904
Other operating expenses (income), net	(168)	189	(238)	190
Total operating expenses	19,972	16,822	44,110	34,201
Operating income	50,752	28,312	87,923	52,726
Other income:				
Interest expense, net	(39)	(21)	(55)	(44)
Other income, net	166	303	361	483
Total other income, net	127	282	306	439
Income before income taxes	50,879	28,594	88,229	53,165
Income taxes	18,571	10,580	32,203	19,671
Net income and comprehensive income	$32,308	$18,014	$56,026	$33,494
Basic earnings per share	$1.67	$0.94	$2.90	$1.75
Fully diluted earnings per share	$1.63	$0.91	$2.83	$1.71
Cash dividends per share	$0.490	$0.324	$0.894	$0.536

See notes to condensed financial statements.

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STURM, RUGER & COMPANY, INC.

CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2012	$ 23,563	$ 15,531	$ 123,442	$ (37,884)	$ (29,620)	$ 95,032
Net income and comprehensive income			56,026			56,026
Dividends paid			(17,282)			(17,282)
Accrued dividends			(658)			(658)
Recognition of stock-based compensation expense		2,659				2,659
Exercise of stock options and vesting of RSU's		(2,082)				(2,082)
Tax benefit realized from exercise of stock options and vesting of RSU's		2,078				2,078
Common stock issued – compensation plans	78	(78)				—
Balance at June 29, 2013	$ 23,641	$ 18,108	$ 161,528	$ (37,884)	$ (29,620)	$ 135,773

See notes to condensed financial statements.

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STURM, RUGER & COMPANY, INC.

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

(*Dollars in thousands)*

	Six Months Ended June 29, 2013			June 30, 2012		
Operating Activities						
Net income	$	56,026		$	33,494	
Adjustments to reconcile net income to cash provided by operating activities:						
Depreciation and amortization		9,434			6,774	
Slow moving inventory valuation adjustment		(261	)		(64	)
Stock-based compensation		2,659			2,104	
Gain on sale of assets		(70	)		(13	)
Deferred income taxes		(2,691	)		(1,350	)
Changes in operating assets and liabilities:						
Trade receivables		(14,326	)		(5,107	)
Inventories		216			1,071	
Trade accounts payable and accrued expenses		5,483			(1,400	)
Employee compensation and benefits		10,861			(670	)
Product liability		170			(366	)
Prepaid expenses, other assets and other liabilities		(3,296	)		2,054	
Income taxes payable		5,634			977	
Cash provided by operating activities		69,839			37,504	

Investing Activities						
Property, plant and equipment additions		(18,820	)		(12,339	)
Proceeds from sale of assets		70			13	
Purchases of short-term investments		—			(29,993	)
Proceeds from maturities of short-term investments		—			9,999	
Cash used for investing activities		(18,750	)		(32,320	)
Financing Activities						
Tax benefit from exercise of stock options and vesting of RSU's		2,078			1,037	
Remittance of taxes withheld from employees related to share-based compensation		(2,082	)		(1,045	)
Dividends paid		(17,282	)		(10,272	)
Cash used for financing activities		(17,286	)		(10,280	)
Increase (decrease) in cash and cash equivalents		33,803			(5,096	)
Cash and cash equivalents at beginning of period		30,978			81,056	
Cash and cash equivalents at end of period	$	64,781		$	75,960	

See notes to condensed financial statements.

STURM, RUGER & COMPANY, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Dollars in thousands, except per share)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements.

In the opinion of management, the accompanying unaudited condensed financial statements include all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of the results of the interim periods. Operating results for the six months ended June 29, 2013 may not be indicative of the results to be expected for the full year ending December 31, 2013. These financial statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our Annual Report on Form 10-K for the year ended December 31, 2012.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Organization:

Sturm, Ruger & Company, Inc. (the “Company”) is principally engaged in the design, manufacture, and sale of firearms to domestic customers. Approximately 98% of the Company’s total sales for the three and six months ended June 29, 2013 were firearms sales, and approximately 2% were investment castings sales. Export sales represent approximately 2% of total sales. The Company’s design and manufacturing operations are located in the United States and almost all product content is domestic.

The Company’s firearms are sold through a select number of independent wholesale distributors principally to the commercial sporting market.

The Company manufactures investment castings made from steel alloys for internal use in its firearms and utilizes available investment casting capacity to manufacture and sell castings to unaffiliated, third-party customers.

Fair Value of Financial Instruments:

The carrying amounts of financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to the short-term maturity of these items.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 3 - INVENTORIES

Inventories are valued using the last-in, first-out (LIFO) method. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs existing at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many factors beyond management's control, interim results are subject to the final year-end LIFO inventory valuation.

During the six month period ended June 29, 2013, inventory quantities were reduced. If this reduction remains through year-end, it will result in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the current cost of purchases. Although the effect of such a liquidation cannot be precisely quantified at the present time, management believes that if a LIFO liquidation occurs in 2013, the impact will not be material to the Company's results of operations for the period or to the financial position of the Company.

Inventories consist of the following:

	June 29, 2013	December 31, 2012
Inventory at FIFO		
Finished products	$4,080	$3,615
Materials and work in process	52,073	52,212
Gross inventories	56,153	55,827
Less: LIFO reserve	(38,631)	(38,089)
Less: excess and obsolescence reserve	(1,468)	(1,729)
Net inventories	$16,054	$16,009

NOTE 4 - LINE OF CREDIT

In February 2013, the Company amended its credit facility with a bank to increase the availability from $25 million to $40 million. This facility is renewable annually and now terminates on June 15, 2014. Borrowings under this facility bear interest at LIBOR (0.686% at June 29, 2013) plus 200 basis points. The Company is charged three-eighths of a percent (0.375%) per year on the unused portion. At June 29, 2013 and December 31, 2012, the Company was in compliance with the terms and covenants of the credit facility, which remains unused.

NOTE 5 - EMPLOYEE BENEFIT PLANS

Defined Benefit Plans

In 2007, the Company amended its hourly and salaried defined benefit pension plans to freeze the benefits for current participants and to discontinue the plans for all future employees. All active participants became fully vested in the amount of benefit services accrued through December 31, 2007 and no benefits have accrued since that date. Currently, the Company provides supplemental discretionary contributions to substantially all employees' individual 401(k) accounts.

In future years, the Company may be required to make cash contributions to the two defined benefit pension plans. The annual contributions will be based on the amount of the unfunded plan liabilities derived from the frozen benefits and will not include liabilities for any future accrued benefits for any new or existing participants. The total amount of these future cash contributions will depend on the investment returns generated by the plans' assets and the then applicable discount rates used to calculate the plans' liabilities.

The Company plans to contribute approximately $3.0 million in 2013, which is expected to satisfy the required minimum contribution. Contributions in the three and six months ended June 29, 2013 totaled $0.6 million and $1.5 million, respectively.

The estimated cost of the frozen defined benefit plans for 2013 is not expected to be significant.

Defined Contribution Plan

Effective January 1, 2007, the Company modified the terms of its 401(k) plan and now matches a certain portion of employee contributions. Expenses related to these matching contributions totaled $0.9 million and $1.6 million for the three and six months ended June 29, 2013, respectively, and $0.5 million and $1.1 million for the three and six months ended June 30, 2012, respectively. The Company plans to contribute approximately $1.6 million to the plan in matching employee contributions during the remainder of 2013.

In addition, the Company provided supplemental discretionary contributions to the 401(k) plan totaling $1.5 million and $2.5 million for the three and six months ended June 29, 2013, respectively, and $0.6 million and $1.3 million for the three and six months ended June 30, 2012, respectively. The Company plans to contribute supplemental contributions to the plan of approximately $2.5 million during the remainder of 2013.

NOTE 6 - INCOME TAXES

The Company's 2013 and 2012 effective tax rates differ from the statutory federal tax rate due principally to state income taxes partially offset by tax benefits related to the American Jobs Creation Act of 2004. The effective income tax rates for the three and six months ended June 29, 2013 and June 30, 2012 were 36.5% and 37.0%, respectively.

Income tax payments in the three and six months ended June 29, 2013 totaled $26.7 million and $27.1 million, respectively. Income tax payments in the three and six months ended June 30, 2012 totaled $13.7 million and $14.0 million, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2010.

The Company does not believe it has included any “uncertain tax positions” in its federal income tax return or any of the state income tax returns it is currently filing. The Company has made an evaluation of the potential impact of additional state taxes being assessed by jurisdictions in which the Company does not currently consider itself liable. The Company does not anticipate that such additional taxes, if any, would result in a material change to its financial position.

NOTE 7 - EARNINGS PER SHARE

Set forth below is a reconciliation of the numerator and denominator for basic and diluted earnings per share calculations for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Numerator:				
Net income	$32,308	$18,014	$56,026	$33,494
Denominator:				
Weighted average number of common shares outstanding – Basic	19,333,589	19,155,127	19,308,066	19,135,946
Dilutive effect of options and restricted stock units outstanding under the Company’s employee compensation plans	514,841	528,152	506,494	490,875
Weighted average number of common shares outstanding – Diluted	19,848,430	19,683,279	19,814,560	19,626,821

The dilutive effect of outstanding options and restricted stock units is calculated using the treasury stock method. There were no stock options that were anti-dilutive and therefore not included in the diluted earnings per share calculation.

NOTE 8 - COMPENSATION PLANS

In April 2007, the Company adopted and the shareholders approved the 2007 Stock Incentive Plan (the “2007 SIP”) under which employees, independent contractors, and non-employee directors may be granted stock options, restricted stock, deferred stock awards, and stock appreciation rights, any of which may or may not require the satisfaction of performance objectives. Vesting requirements are determined by the Compensation Committee of the Board of Directors. The Company has reserved 2,550,000 shares for issuance under the 2007 SIP of which 798,000 shares remain available for future grants as of June 29, 2013.

Compensation costs related to all share-based payments recognized in the statements of operations aggregated $1.3 million and $2.7 million for the three and six months ended June 29, 2013, respectively, and $1.2 million and $2.1

million for the three and six months ended June 30, 2012, respectively.

Stock Options

A summary of changes in options outstanding under the plans is summarized below:

	Shares	Weighted Average Exercise Price	Grant Date Fair Value
Outstanding at December 31, 2012	120,460	$ 8.58	$ 6.76
Granted	—	—	—
Exercised	(48,550)	$ 8.58	$ 6.85
Expired	—	—	—
Outstanding at June 29, 2013	71,910	$ 8.58	$ 6.69

The aggregate intrinsic value (mean market price at June 29, 2013 less the weighted average exercise price) of options outstanding under the plans was approximately $2.8 million.

Restricted Stock Units

Beginning in the second quarter of 2009, the Company began granting restricted stock units to senior employees in lieu of incentive stock options. These awards vest dependent on the achievement of corporate objectives established by the Compensation Committee of the Board of Directors. Beginning in 2011, a three year vesting period was added to the performance criteria, which had the effect of requiring both the achievement of the corporate performance objectives and the satisfaction of the vesting period.

Restricted stock units issued during the three and six months ended June 29, 2013 were 10,382 and 42,078, respectively. Total compensation costs related to these restricted stock units are $0.5 million and $2.3 million, respectively. These costs are being recognized ratably over the vesting period which range from three to five years. Total compensation cost related to restricted stock units was $1.3 million and $2.5 million for the three and six months ended June 29, 2013, respectively, and $1.1 million and $1.9 million for the three and six months ended June 30, 2012, respectively.

NOTE 9 - OPERATING SEGMENT INFORMATION

The Company has two reportable segments: firearms and investment castings. The firearms segment manufactures and sells rifles, pistols, and revolvers principally to a select number of independent wholesale distributors primarily located in the United States. The investment castings segment manufactures and sells steel investment castings.

Selected operating segment financial information follows:

(in thousands)	Three Months Ended		Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Net Sales				
Firearms	$176,787	$118,147	$330,227	$228,934
Castings				
Unaffiliated	2,741	1,422	5,207	2,972
Intersegment	8,027	6,547	15,755	12,929
	10,768	7,969	20,962	15,901
Eliminations	(8,027)	(6,547)	(15,755)	(12,929)
	$179,528	$119,569	$335,434	$231,906
Income (Loss) Before Income Taxes				
Firearms	$52,019	$28,722	$89,323	$53,616
Castings	(1,041)	(720)	(946)	(1,163)
Corporate	(99)	592	(148)	712
	$50,879	$28,594	$88,229	$53,165

	June 29, 2013	December 31, 2012
Identifiable Assets		
Firearms	$149,466	$120,879
Castings	8,718	6,467
Corporate	78,359	47,140
	$236,543	$174,486

NOTE 10 - CONTINGENT LIABILITIES

As of June 29, 2013, the Company was a defendant in three (3) lawsuits and was aware of certain other such claims. The lawsuits fall into two general categories: traditional product litigation and municipal litigation, discussed in turn below.

Traditional Product Liability Litigation

Two of the three lawsuits mentioned above involve claims for damages related to allegedly defective product design and/or manufacture. Both stem from a specific incident of personal injury and are based on traditional product liability theories such as strict liability, negligence and/or breach of warranty.

The Company believes that the allegations in these cases are unfounded, and that the incidents were caused by the negligence and/or misuse of the firearms by third-parties or the claimant, and that there should be no recovery against the Company.

Municipal Litigation

Municipal litigation generally includes those cases brought by cities or other governmental entities against firearms manufacturers, distributors and retailers seeking to recover damages allegedly arising out of the misuse of firearms by third-parties.

There is only one remaining lawsuit of this type, filed by the City of Gary in Indiana State Court, over ten years ago. The complaint in that case seeks damages, among other things, for the costs of medical care, police and emergency services, public health services, and other services as well as punitive damages. In addition, nuisance abatement and/or injunctive relief is sought to change the design, manufacture, marketing, and distribution practices of the various defendants. The suit alleges, among other claims, negligence in the design of products, public nuisance, negligent distribution and marketing, negligence per se and deceptive advertising. The case does not allege a specific injury to a specific individual as a result of the misuse or use of any of the Company's products.

After a long procedural history, the case was scheduled for trial on June 15, 2009. The case was not tried on that date and no subsequent scheduling order has been entered. There has been no activity since that time.

Summary of Claimed Damages and Explanation of Product Liability Accruals

Punitive damages, as well as compensatory damages, are demanded in certain of the lawsuits and claims. Aggregate claimed amounts presently exceed product liability accruals and applicable insurance coverage. For claims made after July 10, 2000, coverage is provided on an annual basis for losses exceeding $5 million per claim, or an aggregate maximum loss of $10 million annually, except for certain new claims which might be brought by governments or municipalities after July 10, 2000, which are excluded from coverage.

The Company monitors the status of known claims and the product liability accrual, which includes amounts for asserted and unasserted claims. While it is not possible to forecast the outcome of litigation or the timing of costs, in the opinion of management, after consultation with special and corporate counsel, there is a remote likelihood that litigation, including punitive damage claims, will have a material adverse effect on the financial position of the Company, but may have a material impact on the Company's financial results for a particular period.

Product liability claim payments are made when appropriate if, as, and when claimants and the Company reach agreement upon an amount to finally resolve all claims. Legal costs are paid as the lawsuits and claims develop, the timing of which may vary greatly from case to case. A time schedule cannot be determined in advance with any reliability concerning when payments will be made in any given case.

Provision is made for product liability claims based upon many factors related to the severity of the alleged injury and potential liability exposure, based upon prior claim experience. Because our experience in defending these lawsuits and claims is that unfavorable outcomes are typically not probable or estimable, only in rare cases is an accrual established for such costs. In most cases, an accrual is established only for estimated legal defense costs. Product liability accruals are periodically reviewed to reflect then-current estimates of possible liabilities and expenses incurred to date and reasonably anticipated in the future. Threatened product liability claims are reflected in our product liability accrual on the same basis as actual claims; *i.e.*, an accrual is made for reasonably anticipated possible liability and claims-handling expenses on an ongoing basis.

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A range of reasonably possible loss relating to unfavorable outcomes cannot be made. However, in product liability cases in which a dollar amount of damages is claimed, the amount of damages claimed, which totaled $0.0 million and $5.4 million at December 31, 2012 and 2011, respectively, are set forth as an indication of possible maximum liability that the Company might be required to incur in these cases (regardless of the likelihood or reasonable probability of any or all of this amount being awarded to claimants) as a result of adverse judgments that are sustained on appeal.

NOTE 11 - SUBSEQUENT EVENTS

During a severe thunderstorm on Thursday, July 25, 2013, heavy precipitation caused a portion of the roof to collapse at our Prescott, Arizona manufacturing facility. A significant amount of water entered the building and production was shut down. No one was injured. Temporary repairs were completed over the weekend and signed off by the structural engineers, which allowed production to resume on Monday, July 29, 2013. We expect the cost of the repairs to the building and equipment, plus the value of the lost production to be less than $5 million.

On July 30, 2013, Board of Directors authorized a dividend of 65¢ per share, for shareholders of record as of August 16, 2013, payable on August 30, 2013.

The Company has evaluated events and transactions occurring subsequent to June 29, 2013 and determined that there were no other such events or transactions that would have a material impact on the Company’s results of operations or financial position.

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

Company Overview

Sturm, Ruger & Company, Inc. (the "Company") is principally engaged in the design, manufacture, and sale of firearms to domestic customers. Approximately 98% of the Company's total sales for the three and six months ended June 29, 2013 were firearms sales, and 2% were investment castings sales. Export sales represent approximately 2% of total sales. The Company's design and manufacturing operations are located in the United States and almost all product content is domestic. The Company's firearms are sold through a select number of independent wholesale distributors, principally to the commercial sporting market.

The Company also manufactures investment castings made from steel alloys for internal use in its firearms and for sale to unaffiliated, third-party customers. During the second quarter of 2013, the Company prioritized its internal casting needs and as a result, is in the process of terminating many of its outside customers. This prioritization of internal needs for castings, which will reduce net casting sales, is expected to be completed by the end of 2013.

Orders of many models of firearms from the independent distributors tend to be stronger in the first quarter of the year and weaker in the third quarter of the year. This is due in part to the timing of the distributor show season, which occurs during the first quarter.

Results of Operations

Demand

Demand for the Company's products in the first half of 2013 remained very strong. We believe this strong demand for our products was primarily due to the current political environment that favorably impacted the entire firearms industry, and to a lesser extent:

- the Company's continued practice of introducing innovative and exciting new products,
- new shooters joining the ranks of gun owners, and
- increased manufacturing capacity and greater product availability for certain products in strong demand.

New products, including the LC380 pistol and the SR45 pistol, which were introduced during the first half of 2013, represented $102.7 million or 31% of firearm sales in the first half of 2013.

During the second quarter and first half of 2013, the estimated unit sell-through of our products from the independent distributors to retailers increased 37% and 23%, respectively, from the comparable prior year periods. Insufficient distributor inventory at December 31, 2012 severely limited the estimated sell-through from independent distributors to retailers in the first half of 2013 and resulted in unfulfilled retailer and consumer demand. Distributor inventories of the Company’s products increased 5,000 units during the first half of 2013 and are still below the optimal level to support rapid fulfillment of retailer demand. For reference, in the first half of 2012, distributor inventories decreased 67,600 units.

During the second quarter and first half of 2013, National Instant Criminal Background Check System ("NICS") background checks (as adjusted by the National Shooting Sports Foundation) increased 16% and 33%, respectively.

Estimated sell-through from the independent distributors to retailers and total NICS background checks for the trailing six quarters follows:

	2013		2012			
	Q2	Q1	Q4	Q3	Q2	Q1
Estimated Units Sold from Distributors to Retailers (1)	560,200	514,200	504,700	396,900	410,300	460,800
Total adjusted NICS Background Checks (thousands) (2)	3,032	4,926	4,882	2,904	2,619	3,376

(1) The estimates for each period were calculated by taking the beginning inventory at the distributors, plus shipments from the Company to distributors during the period, less the ending inventory at distributors. These estimates are only a proxy for actual market demand as they:

- Rely on data provided by independent distributors that are not verified by the Company,
- Do not consider potential timing issues within the distribution channel, including goods-in-transit, and
- Do not consider fluctuations in inventory at retail.

(2) While NICS background checks are not a precise measure of retail activity, they are commonly used as a proxy for retail demand. NICS background checks are performed when the ownership of most firearms, either new or used, is transferred by a Federal Firearms Licensee. NICS background checks are also performed for permit applications, permit renewals, and other administrative reasons.

The adjusted NICS data presented above was derived by the National Shooting Sports Foundation ("NSSF") by subtracting out NICS checks that are not directly related to the sale of a firearm, including checks used for concealed carry (CCW) permit application checks as well as checks on active CCW permit databases. While not a direct correlation to firearms sales, the NSSF-adjusted NICS data provides a more accurate picture of current market conditions than raw NICS data.

Orders Received and Ending Backlog

During the first quarter of 2013, the Company limited the incoming orders from the independent distributors to limit the growth of the backlog. This action was necessary due to the following:

- Strong demand from consumers, coupled with the current political climate, resulted in unprecedented levels of orders from retailers to distributors during the distributor show season.
- Our backlog at December 31, 2012, which totaled 1.5 million units, already represented approximately nine months of production at our current build rates, despite the significant

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year-over-year increase in our capacity. For reference, the backlog at December 31, 2011 was 337,000 units.

Despite limiting orders in the first quarter of 2013, net orders received in the first half of 2013 increased 7% from the comparable prior year period and our ending order backlog of 2.0 million units at June 29, 2013 is double the backlog of 1.0 million units at June 30, 2012.

The units ordered, value of orders received and ending backlog, net of excise tax, for the trailing six quarters are as follows (dollars in millions, except average sales price):

(All amounts shown are net of Federal Excise Tax of 10% for handguns and 11% for long guns.)

	2013		2012			
	Q2	Q1	Q4	Q3	Q2	Q1
Units Ordered	525,600	1,067,500	1,069,200	318,300	291,500	1,200,100
Orders Received	$150.9	$310.7	$310.4	$92.9	$84.6	$308.7
Average Sales Price of Orders Received	$286	$291	$290	$292	$290	$257
Ending Backlog	$590.3	$602.3	$427.1	$249.7	$273.2	$304.4
Average Sales Price of Ending Backlog	$290	$288	$283	$275	$269	$264

Production

Total unit production in the first half of 2013 increased 35% from the first half of 2012. This increase in unit production resulted from investment in incremental capacity for new product introductions and from the utilization of lean methodologies for continuous improvement in our operations. Our increase in production was facilitated by $34 million of capital expenditures during the twelve months ended June 29, 2013. These capital expenditures exceeded depreciation by approximately $16 million during this period, which represented an approximate 8% increase to our capital equipment base.

On July 8, 2013, the Company announced that it plans to open a third manufacturing facility in Mayodan, North Carolina. This will be the Company’s first major expansion in over 25 years and the acquisition of the facility is expected to be finalized in the third quarter of 2013.

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Summary Unit Data

Firearms unit data for the trailing six quarters are as follows:

	2013 Q2	Q1	2012 Q4	Q3	Q2	Q1
Units Ordered	525,600	1,067,500	1,069,200	318,300	291,500	1,200,100
Units Produced	575,400	503,600	463,500	436,800	418,500	379,000
Units Shipped	577,200	502,300	467,300	425,500	421,100	382,500
Average Sales Price (3)	$306	$305	$295	$273	$280	$290
Units on Backlog	2,038,600	2,090,200	1,507,200	908,700	1,016,700	1,153,500

(3) Net of Federal Excise Tax of 10% for handguns and 11% for long guns.

Inventories

The Company's finished goods inventory was essentially unchanged during the first half of 2013 and remains below optimal levels to support rapid fulfillment of distributor demand. The Company has a goal of replenishing its finished goods inventory in future periods to levels that will better serve its customers. This replenishment could increase the FIFO value of finished goods inventory by as much as $15 million from the current level upon the attainment of the desired levels of finished goods inventory.

Distributor inventories of the Company's products increased 5,000 units during the first half of 2013 and are still below the optimal level to support rapid fulfillment of retailer demand.

Inventory data for the trailing six quarters follows:

2013 Q2	Q1	2012 Q4	Q3	Q2	Q1

Units – Company Inventory	15,100	16,900	15,600	21,400	10,400	12,800
Units – Distributor Inventory (4)	64,200	47,300	59,200	96,600	68,000	57,200
Total inventory (5)	79,300	64,200	74,800	118,000	78,400	70,000

(4) Distributor ending inventory as provided by the Company's independent distributors. These numbers do not include goods-in-transit inventory that has been shipped from the Company but not yet received by the distributors.

(5) This total does not include inventory at retailers. The Company does not have access to data on retailer inventories of the Company's products.

Net Sales

Consolidated net sales were $179.5 million for the three months ended June 29, 2013, an increase of 50.1% from $119.6 million in the comparable prior year period.

For the six months ended June 29, 2013, consolidated net sales were $335.4 million, an increase of 44.6% from $231.9 million in the comparable prior year period.

Firearms net sales were $176.8 million for the three months ended June 29, 2013, an increase of 49.7% from $118.1 million in the comparable prior year period.

For the six months ended June 29, 2013, firearms net sales were $330.2 million, an increase of 44.3% from $228.9 million in the comparable prior year period.

Firearms unit shipments increased 37.1% and 34.3% for the three and six months ended June 29, 2013, respectively, from the comparable prior year periods.

Casting net sales were $2.7 million for the three months ended June 29, 2013, an increase of 93% from $1.4 million in the comparable prior year period.

For the six months ended June 29, 2013, castings net sales were $5.2 million, an increase of 75% from $3.0 million in the comparable prior year period.

During the second quarter of 2013, the Company prioritized its internal casting needs and as a result, is in the process of terminating many of its outside customers. This prioritization of internal needs for castings, which will reduce net casting sales, is expected to be substantially complete by the end of 2013.

Cost of Products Sold and Gross Profit

Consolidated cost of products sold was $108.8 million for the three months ended June 29, 2013, an increase of 46.2% from $74.4 million in the comparable prior year period.

For the six months ended June 29, 2013, consolidated cost of products sold was $203.4 million, an increase of 40.3% from $145.0 million in the comparable prior year period.

Gross margin was 39.4% for both the three and six months ended June 29, 2013, compared to 37.7% and 37.5% in comparable prior year periods as illustrated below (in thousands):

	Three Months Ended							
	June 29, 2013				June 30, 2012			
Net sales	$179,528	100.0	%		$119,569	100.0	%	
Cost of products sold, before LIFO, overhead and labor rate adjustments to inventory and product liability	107,628	59.9	%		74,201	62.1	%	
LIFO expense (income)	410	0.2	%		(21	)	—	
Overhead rate adjustments to inventory	500	0.3	%		321	0.3	%	
Labor rate adjustments to inventory	2	—			5	—		
Product liability	264	0.2	%		(71	)	(0.1	)%
Total cost of products sold	108,804	60.6	%		74,435	62.3	%	
Gross profit	$70,724	39.4	%		$45,134	37.7	%	

	Six Months Ended							
	June 29, 2013				June 30, 2012			
Net sales	$335,434	100.0	%		$231,906	100.0	%	
Cost of products sold, before LIFO, overhead and labor rate adjustments to inventory and product liability	201,207	60.0	%		144,136	62.2	%	
LIFO expense (income)	542	0.1	%		(92	)	—	
Overhead rate adjustments to inventory	886	0.3	%		726	0.3	%	
Labor rate adjustments to inventory	37	—			108	—		
Product liability	729	0.2	%		101	—		
Total cost of products sold	203,401	60.6	%		144,979	62.5	%	
Gross profit	$132,033	39.4	%		$86,927	37.5	%	

Cost of products sold, before LIFO, overhead and labor rate adjustments to inventory, and product liability — During the three and six months ended June 29, 2013, cost of products sold, before LIFO, overhead and labor rate adjustments to inventory, and product liability decreased as a percentage of sales by 2.1% and 2.2%, respectively, compared with the comparable 2012 periods due to increased sales volume and a favorable shift in product mix, including greater sales of higher-margin accessories.

LIFO — During the three months ended June 29, 2013, gross inventories increased by $1.9 million and the Company recognized LIFO expense resulting in increased cost of products sold of $0.4 million. In the comparable 2012 period, gross inventories increased by $0.3 million and the Company recognized an insignificant amount of LIFO income.

During the six months ended June 29, 2013, gross inventories increased by $0.3 million and the Company recognized LIFO expense resulting in increased cost of products sold of $0.5 million. In the comparable 2012 period, gross inventories decreased by $2.4 million and the Company recognized LIFO income resulting in decreased cost of products sold of $0.1 million.

Overhead Rate Adjustments — The Company uses actual overhead expenses incurred as a percentage of sales-value-of-production over a trailing six month period to absorb overhead expense into inventory. During the three and six months ended June 29, 2013, the Company was more efficient in overhead spending and the overhead rates used to absorb overhead expenses into inventory decreased, resulting in decreases in inventory value of $0.5 million and $0.9 million, respectively, and corresponding increases to cost of products sold.

During the three and six months ended June 30, 2012, the overhead rates used to absorb overhead expenses into inventory decreased, resulting in decreases in inventory value of $0.3 million and $0.7 million, respectively, and corresponding increases to cost of products sold.

Labor Rate Adjustments — The Company uses actual direct labor expense incurred as a percentage of sales-value-of-production over a trailing six month period to absorb direct labor expense into inventory.

During the three and six months ended June 29, 2013, the impact of the labor rate adjustment was de minimus.

During the three months ended June 30, 2012, the impact of the labor rate adjustment was de minimus. During the six months ended June 30, 2012, the labor rate used to absorb incurred labor expenses into inventory decreased, resulting in a decrease in inventory value of $0.1 million and a corresponding increase to cost of products sold.

Product Liability — This expense includes the cost of outside legal fees, insurance, and other expenses incurred in the management and defense of product liability matters.

For the three and six months ended June 29, 2013, product liability costs totaled $0.3 million and $0.7 million, respectively. Due to favorable experience in product liability matters during the second quarter of 2012, income of $0.1 million was recognized. Costs totaled $0.1 million for the six months ended June 30, 2012. See Note 10 to the notes to the condensed financial statements “Contingent Liabilities” for further discussion of the Company’s product liability.

Gross Profit — As a result of the foregoing factors, for the three and six months ended June 29, 2013 gross profit was $70.7 million and $132.0 million, respectively, an increase of $25.6 million and $45.1 million from $45.1 million and $86.9 million in the comparable prior year periods. Gross profit as a percentage of sales increased to 39.4% in the three and six months ended June 29, 2013 from 37.7% and 37.5% in the comparable prior year periods.

Selling, General and Administrative

Selling, general and administrative expenses were $20.1 million and $44.3 million for the three and six months ended June 29, 2013, respectively, an increase of $3.5 million and $10.3 million from the comparable prior year periods. The increase in selling, general and administrative expenses is attributable to the following:

- increased freight expense due to increased sales volume,
- increased equity and performance-based compensation expense, and
- increased promotional expenses.

Other income, net

Other income, net was $0.1 million and $0.3 million in the three and six months ended June 29, 2013, compared to $0.3 million and $0.4 million in the three and six months ended June 30, 2012, respectively.

Income Taxes and Net Income

The effective income tax rate in the three and six months ended June 29, 2013 was 36.5% compared to 37.0% in the three and six months ended June 30, 2012.

As a result of the foregoing factors, consolidated net income was $32.3 million and $56.0 million for the three and six months ended June 29, 2013. This represents an increase of 79.3% and 67.3% from $18.0 million and $33.5 million in the comparable prior year period.

Financial Condition

Liquidity

At the end of the second quarter of 2013, the Company's cash totaled $64.8 million. Pre-LIFO working capital of $102.4 million, less the LIFO reserve of $38.6 million, resulted in working capital of $63.8 million and a current ratio of 1.8 to 1.

The Company has a goal of replenishing its finished goods inventory in future periods to levels that will better serve its customers. This replenishment could increase the FIFO value of finished goods inventory by as much as $15 million from the current level upon the attainment of the desired levels of finished goods inventory.

Operations

Cash provided by operating activities was $69.8 million for the six months ended June 29, 2013 compared to $37.5 million for the comparable prior year period. The increase in cash provided by operations is primarily attributable to greater earnings in the six months ended June 29, 2013 compared to the prior year period, partially offset by the increase in accounts receivable in the six months ended June 29, 2013.

Third parties supply the Company with various raw materials for its firearms and castings, such as fabricated steel components, walnut, birch, beech, maple and laminated lumber for rifle stocks, wax, ceramic material, metal alloys, various synthetic products and other component parts. There is a limited supply of these materials in the marketplace at any given time, which can cause the purchase prices to vary based upon numerous market factors. The Company believes that it has adequate quantities of raw materials in inventory to provide sufficient time to locate and obtain additional items at then-current market cost without interruption of its manufacturing operations. However, if market conditions result in a significant prolonged inflation of certain prices or if adequate quantities of raw materials cannot be obtained, the Company's manufacturing processes could be interrupted and the Company's financial condition or results of operations could be materially adversely affected.

Investing and Financing

Capital expenditures for the six months ended June 29, 2013 totaled $18.8 million. In 2013, the Company expects to spend $35 million on capital expenditures to purchase tooling and fixtures for new product introductions, to increase production capacity, and to upgrade and modernize manufacturing equipment. The Company finances, and intends to continue to finance, all of these activities with funds provided by operations and current cash.

Dividends of $17.3 million were paid during the six months ended June 29, 2013.

On July 30, 2013, the Board of Directors authorized a dividend of 65¢ per share, for shareholders of record as of August 16, 2013, payable on August 30, 2013. The payment of future dividends depends on many factors, including internal estimates of future performance, then-current cash and short-term investments, and the Company's need for cash. The Company has financed its dividends with cash provided by operations and current cash.

During the six months ended June 29, 2013, the Company did not repurchase any shares of its common stock. As of June 29, 2013, $8.0 million remained available for future stock repurchases.

The Company has migrated its retirement benefits from defined-benefit pension plans to defined-contribution retirement plans, utilizing its current 401(k) plan.

In 2007, the Company amended its hourly and salaried defined-benefit pension plans so that employees no longer accrue benefits under them effective December 31, 2007. This action "froze" the benefits for all employees and prevented future hires from joining the plans, effective December 31, 2007. Currently, the Company provides supplemental discretionary contributions to substantially all employees' individual 401(k) accounts.

The Company contributed $1.4 million to the defined-benefit plans in the first six months of 2013. The Company plans to contribute approximately $3 million in 2013, but will increase the amount of the contribution if required to do so.

In future years, the Company will likely be required to make cash contributions to the two defined-benefit pension plans. The annual contributions will be based on the amount of the unfunded plan liabilities derived from the frozen benefits and will not include liabilities for any future accrued benefits for any new or existing participants. The total amount of these future cash contributions will depend on the investment returns generated by the plans' assets and the then-applicable discount rates used to calculate the plans' liabilities.

Based on its unencumbered assets, the Company believes it has the ability to raise cash through issuance of short-term debt, long-term debt, or an equity offering, if necessary. The Company's unsecured $40 million credit facility, which expires on June 15, 2014, remains unused and the Company has no debt.

Other Operational Matters

In the normal course of its manufacturing operations, the Company is subject to occasional governmental proceedings and orders pertaining to workplace safety, firearms serial number tracking and control, waste disposal, air emissions and water discharges into the environment. The Company believes that it is generally in compliance with applicable Bureau of Alcohol, Tobacco, Firearms & Explosives, environmental, and safety regulations and the outcome of any proceedings or orders will not have a material adverse effect on the financial position or results of operations of the Company.

The Company self-insures a significant amount of its product liability, workers' compensation, medical, and other insurance. It also carries significant deductible amounts on various insurance policies.

The Company is transitioning to a new enterprise resource planning system and has converted all of its manufacturing facilities and its support functions during the past two years.

The valuation of the future defined-benefit pension obligations at December 31, 2012 and 2011 indicated that these plans were underfunded by $19.6 million and $19.1 million, respectively, and resulted in a cumulative other comprehensive loss of $29.6 million and $27.5 million on the Company's balance sheet at December 31, 2012 and 2011, respectively.

The Company expects to realize its deferred tax assets through tax deductions against future taxable income.

Adjustments to Critical Accounting Policies

The Company has not made any adjustments to its critical accounting estimates and assumptions described in the Company's 2012 Annual Report on Form 10-K filed on February 27, 2013, or the judgments affecting the application of those estimates and assumptions.

Forward-Looking Statements and Projections

The Company may, from time to time, make forward-looking statements and projections concerning future expectations. Such statements are based on current expectations and are subject to certain qualifying risks and uncertainties, such as market demand, sales levels of firearms, anticipated castings sales and earnings, the need for external financing for operations or capital expenditures, the results of pending litigation against the Company, the impact of future firearms control and environmental legislation, and accounting estimates, any one or more of which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to publish revised forward-looking statements to reflect events or circumstances after the date such forward-looking statements are made or to reflect the occurrence of subsequent unanticipated events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Historically, the Company has been exposed to changing interest rates on its investments, which consisted primarily of United States Treasury instruments with short-term (less than one year) maturities and cash. The interest rate market risk implicit in the Company’s investments at any given time is typically low, as the investments mature within short periods and the Company does not have significant exposure to changing interest rates on invested cash.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (the “Disclosure Controls and Procedures”), as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of June 29, 2013.

Based on the evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of June 29, 2013, such Disclosure Controls and Procedures are effective to ensure that information required to be disclosed in the Company’s periodic reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer or persons performing similar functions, as appropriate, to allow timely decisions regarding disclosure.

Additionally, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, there have been no changes in the Company’s internal control over financial reporting that occurred during the quarter ended June 29, 2013 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

The effectiveness of any system of internal controls and procedures is subject to certain limitations, and, as a result, there can be no assurance that the Company’s Disclosure Controls and Procedures will detect all errors or fraud. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system will be attained.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The nature of the legal proceedings against the Company is discussed at Note 10 to the condensed financial statements, which are included in this Form 10-Q.

The Company has reported all cases instituted against it through March 30, 2013, and the results of those cases, where terminated, to the SEC on its previous Form 10-Q and 10-K reports, to which reference is hereby made.

There were no suits were formally instituted against the Company during the three months ended June 29, 2013.

During the three months ending June 29, 2013, no cases previously reported were settled or resolved.

ITEM 1A. RISK FACTORS

There have been no material changes in the Company's risk factors from the information provided in Item 1A. Risk Factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

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

Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. MINING SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

(a) Exhibits:

31.1 Certification Pursuant to Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification Pursuant to Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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

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

STURM, RUGER & COMPANY, INC.

FORM 10-Q FOR THE THREE MONTHS ENDED JUNE 29, 2013

SIGNATURES

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.

	STURM, RUGER & COMPANY, INC.
Date: July 31, 2013	S/THOMAS A. DINEEN Thomas A. Dineen
	Principal Financial Officer,
	Principal Accounting Officer,
	Vice President, Treasurer and Chief Financial Officer

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2006	365,000		124,800	448,054	104,000	59,031	11,438	1,112,323
Francesco Mascitelli President, Emsar Group								
2007	343,369		179,580	423,742	149,650		60,131	1,156,472

The below footnote information relates to 2007 compensation only.

(1) The bonus column includes discretionary bonuses taken in cash. Mr. Hagge elected to take the following bonus amounts with respect to 2007 performance in the form of cash and RSUs, respectively, cash $525,000, RSUs $50,000 (total $575,000).

(2) Stock Award compensation represents the value of RSUs granted in lieu of cash at the executive s election and additional RSUs granted to an executive officer who made such election. The value of the additional RSUs granted represents 20% of the value of the bonus or non-equity incentive

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compensation plan amount that was taken in the form of RSUs in lieu of cash. RSUs vest over a three year period; however, because the executives are retirement eligible, the values included in the table above represent the full compensation expense of the grant recorded in AptarGroup s financial statements as determined pursuant to FAS 123R. The compensation expense included above has not been reduced by any assumption of forfeiture. Assumptions used in the calculation of the RSU values are included in Note 15, Stock-Based Compensation to AptarGroup s audited financial statements for the year ended December 31, 2007, included in AptarGroup s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2008 (AptarGroup s Financial Statements). Because the executives are retirement eligible, the values included in the table above represent the full compensation expense of the grant recorded by AptarGroup according to FAS 123R. The number of RSUs granted to Messrs Hagge and Mascitelli with respect to 2007 performance is included in the table below. The number of RSUs granted was determined by dividing the amount of the bonus taken in RSUs and the additional 20% on this amount by the closing market price of our common stock ($34.44) on February 7, 2008, the date of grant.

	Amounts Included In Stock Awards Column Above Taken In Lieu Of Cash ($) / (# RSUs)	Amounts Included In Stock Awards Column For Additional 20% On Amounts Taken In Lieu of Cash ($) / (# RSUs)	Combined Total ($) / (# RSUs)
S. Hagge	$50,000/1,452	$10,000/290	$60,000/1,742
F. Mascitelli	$149,650/4,345	$29,930/869	$179,580/5,214

(3) Option Award compensation represents the expense recorded in AptarGroup s Financial Statements as determined pursuant to FAS 123R. Accordingly, because each named executive officer was retirement eligible during 2007 and 2006, the compensation amount in this column includes the full expense for all options granted to the respective executive officer in 2007 and 2006, as well as a prorated portion of the expense related to grants made in 2005. The compensation expense included above has not been reduced by any assumption of forfeiture. Assumptions used in the calculation of the expense related to options granted in 2007, 2006 and 2005, can be found in Note 15, Stock-Based Compensation to AptarGroup s Financial Statements.

(4) Mr. Mascitelli elected to take the following non-equity incentive compensation plan amounts with respect to 2007 performance in the form of cash and RSUs, respectively, cash $149,650, RSUs $149,650 (total $299,300).

(5) All of these amounts relate to changes in pension values. Assumptions used to calculate the change in the present value of accrued benefits were the same as those disclosed in Note 9, Retirement and Deferred Compensation Plans to AptarGroup s Financial Statements. Mr. Siebel ceased accruing pension benefits, and began receiving distributions, under his pension agreement in 2000 when he reached the age of 65, and Mr. Pfeiffer is eligible to receive full pension benefits (defined as 60% of his final year s base salary) at age 60. Messrs. Hagge and Meshberg are eligible to receive full pension benefits once they reach age 65. Mr. Mascitelli does not participate in a defined benefit pension plan.

(6) In 2007, Messrs. Siebel and Pfeiffer participated in non-qualified defined benefit pension plans that were part of their respective employment agreements. The present value of accrued benefits for Mr. Siebel decreased in 2007 by approximately $350,000 (denominated in Euros and translated to U.S. dollars using the average exchange

rate for the year), primarily due to the payment he received

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under his pension agreement. The present value of accrued benefits for Mr. Pfeiffer decreased in 2007 by approximately $94,000 primarily due to a change in actuarial assumptions. The change in the present value of the accrued benefits for Messrs. Hagge and Meshberg represent the changes in accrued benefits from both qualified and non-qualified defined benefit plans as follows:

	U.S. Pension Plan Qualified Plan	U.S. Supplemental Plan Non-qualified Plan	Total
S. Hagge	$ 31,071	$ 102,763	$133,834
E. Meshberg	40,765	65,732	106,497

(7) Amount of other compensation in 2007 for Mr. Pfeiffer is comprised of approximately $31,000 relating to a company-provided automobile with the remainder relating to company-provided term life insurance. Amounts of other compensation for Messrs. Hagge and Meshberg in 2007 include Company contributions to profit sharing and savings plans, premiums related to Company-provided supplemental disability and term life insurance. In addition, Mr. Meshberg s other compensation includes the cost of a company-provided automobile, a country club membership, and reimbursement for company-required travel expenses for his spouse. Amount of other compensation for Mr. Mascitelli in 2007 includes approximately $35,000 related to Company contributions to defined contribution retirement plans customary for his country of residence, company-provided health and life insurance, and reimbursement for company-required travel expenses for his spouse.

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Grants of Plan-Based Awards and Outstanding Equity Awards at Fiscal Year-End

The table below includes information regarding the estimated possible bonus amounts for 2007 for Messrs. Meshberg and Mascitelli relating to their annual bonus formulas.

The table below also includes information regarding grants of stock options in 2007 and grants of RSUs that were awarded in 2007 in connection with the executive s 2006 bonus if the executive elected to receive a portion of the 2006 bonus in the form of RSUs in lieu of cash. The grant date fair value of restricted stock units is calculated using, and the exercise price of option awards represents, the closing price of AptarGroup s common stock on the New York Stock Exchange on the date of grant. The grant date fair value of option awards represents the value of the option awards as determined under FAS 123R.

GRANTS OF PLAN-BASED AWARDS

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Stock Awards: Number of Shares of Stock or Units	Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Threshold ($)(1)	Target ($)(2)	Maximum ($)(3)	(#)(4)	(#)	($/Sh)	($)
C. Siebel	01/17/07					180,000	30.45	1,674,900
P. Pfeiffer	01/17/07					140,000	30.45	1,302,700
S. Hagge	01/17/07					70,000	30.45	651,350
	02/08/07				980			60,000
E. Meshberg	01/17/07					34,000	30.45	316,370
	02/08/07				2,038			124,800
	01/17/07	0		750,000				
F. Mascitelli	01/17/07					34,000	30.45	316,370
	02/08/07				1,742			106,704
	01/17/07	0		687,000				

(1) The bonus formulas allow for reduction factors that would result in zero bonus should the Company s results significantly fall short of averages of the past several years.

(2) The bonus formulas provide for ranges of 0% to 200% of salary. Because the bonus formulas result in a range of possible payouts, there are no target payout levels. See our Compensation Discussion and Analysis for further information regarding bonus formulas.

(3) The maximum bonus allowed under our bonus plans is 200% of salary.

(4) Amounts represent RSUs granted to the named executive officers at their election to receive RSUs in lieu of a portion of their 2006 cash bonus (paid/awarded in 2007) and an additional 20% of the elected amount granted to those officers making such election. Also, on February 7, 2008, Messrs. Hagge and Mascitelli were awarded RSUs in lieu of a portion of their 2007 cash bonus at their election, and an additional 20% of the elected amount. See note (2) to the Summary Compensation Table for further information on the February 2008 grants.

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The table below provides information on the holdings of stock option and stock awards by the named executive officers as of December 31, 2007.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Option Exercise Price ($)(2)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested ($)(4)
C. Siebel	112,000		11.38	01/26/10		
	112,000		14.03	01/22/11		
	160,000		14.96	01/21/12		
	180,000		15.13	01/20/13		
	180,000		20.06	06/03/14		
	120,000	60,000	24.25	01/19/15		
	60,000	120,000	27.01	01/18/16		
		180,000	30.45	01/17/17		
P. Pfeiffer	88,000		14.03	01/22/11		
	120,000		14.96	01/22/12		
	140,000		15.13	01/20/13		
	140,000		20.06	06/03/14		
	93,333	46,667	24.25	01/19/15		
	46,667	93,333	27.01	01/18/16		
		140,000	30.45	01/17/17		
S. Hagge					4,228	172,967
	27,000		13.59	01/21/09		

40,000		11.38	01/26/10
40,000		14.03	01/22/11
52,000		14.96	01/21/12
70,000		15.13	01/20/13
70,000		20.06	06/03/14
46,667	23,333	24.25	01/19/15
23,334	46,666	27.01	01/18/16
	70,000	30.45	01/17/17

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Option Exercise Price ($)(2)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested ($)(4)
E. Meshberg					4,896	200,295
	34,000		14.96	01/21/12		
	34,000		15.13	01/20/13		
	34,000		20.06	06/03/14		
	22,667	11,333	24.25	01/19/15		
	11,334	22,666	27.01	01/18/16		
		34,000	30.45	01/17/17		
F. Mascitelli					4,126	168,795
	36,000		13.59	01/21/09		
	28,000		11.38	01/26/10		
	28,000		14.03	01/22/11		
	28,000		14.96	01/21/12		
	30,000		15.13	01/20/13		
	30,000		20.06	06/03/14		
	20,000	10,000	24.25	01/19/15		
	11,334	22,666	27.01	01/18/16		
		34,000	30.45	01/17/17		

(1) Stock options vest over a three-year period, with one third becoming exercisable on each anniversary of the grant date, and have a ten-year term. The unexercisable options become exercisable (vest) in the months indicated:

	January 2008	January 2009	January 2010	Total
C. Siebel	180,000	120,000	60,000	360,000
P. Pfeiffer	140,000	93,333	46,667	280,000
S. Hagge	70,000	46,666	23,333	139,999
E. Meshberg	34,000	22,666	11,333	67,999
F. Mascitelli	32,667	22,666	11,333	66,666

(2) Stock options are granted with an exercise price equal to closing price of AptarGroup s common stock on the New York Stock Exchange on the date of grant.

(3) Stock awards represent RSUs that were granted in connection with elections by the executive officers to receive a portion of their annual bonuses in the form of RSUs in lieu of cash. RSUs granted vest over a three-year period, with restrictions lapsing on one third of the units on each of the first three anniversaries of the grant date. The following numbers of units vest for each respective executive officer in the months indicated:

	February 2008	February 2009	February 2010	Total
S. Hagge	2,195	1,380	653	4,228
E. Meshberg	1,768	1,769	1,359	4,896
F. Mascitelli	1,483	1,482	1,161	4,126

(4) The market value of RSUs that have not yet vested is calculated using the closing price of AptarGroup s common stock on the New York Stock Exchange on December 31, 2007, which was $40.91 per share.

Option Exercises and Stock Vested

The table below provides information on stock option exercises and the vesting of RSUs in 2007.

OPTION EXERCISES AND STOCK VESTED

	Stock Options		Restricted Stock Units	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(2)
C. Siebel	120,000	2,346,750		
P. Pfeiffer	182,000	4,754,728		
S. Hagge	35,000	921,481	1,254	79,102
E. Meshberg	34,000	817,360	593	38,160
F. Mascitelli	36,000	1,160,888	463	29,793

(1) Value realized represents the difference between the closing price on the New York Stock Exchange of AptarGroup s common stock on the date of exercise and the exercise price of the option award.

(2) Value realized represents the closing price on the New York Stock Exchange of AptarGroup s common stock on the date of vesting multiplied by the number of shares vested.

Employment Agreements

Mr. Siebel s employment agreement was not renewed upon Mr. Siebel s retirement effective December 31, 2007. A separate pension agreement provides Mr. Siebel with annual pension compensation, subject to cost of living adjustments, of 60% of his Euro denominated 2000 salary for life, and in the event of his death, provides his surviving widow with annual payments of 60% of his then pension for life. Mr. Siebel began receiving payments from this pension in February 2000, and pension payments for the year 2007, which are denominated in Euros, were equivalent to approximately $550,000. Benefits are not subject to reduction for Social Security benefits or other offset items.

Mr. Pfeiffer s employment agreement provides for employment through December 31, 2010 at a minimum salary of $800,000 per year (which is the 2008 salary approved by the Compensation Committee), which amount may be increased (but not decreased) over the remaining term of the agreement. The Employment Agreement automatically extends for one additional year each December 31, unless terminated. AptarGroup or Mr. Pfeiffer may terminate the automatic extension provision by written notice to the other party at least 30 days prior to the automatic extension date.

If employment ends on account of death, Mr. Pfeiffer s estate will receive one-half of the annual salary that Mr. Pfeiffer would have received until the second anniversary of his death. If employment ends due to the expiration of the agreement, Mr. Pfeiffer is entitled to receive an amount equal to one year s salary (based on the salary then in effect) and life insurance benefits he would have otherwise received for a period of one year following the expiration date. If Mr. Pfeiffer terminates the agreement without good reason (as defined in the agreement) or he retires, he is not entitled to payments or benefits under the employment agreement (other than certain accrued amounts and plan benefits which by their terms extend beyond termination of employment). If Mr. Pfeiffer is terminated without cause (as defined in the agreement), he is entitled to receive his base salary then in effect (at the times it would have been paid) until the date on which the agreement was scheduled to expire.

After a change in control of AptarGroup, if Mr. Pfeiffer s employment is terminated by AptarGroup or its successor other than for cause, disability or death, or if Mr. Pfeiffer terminates his employment for good reason, in each case within two years following the change in control, Mr. Pfeiffer is entitled to receive a lump-sum payment equal to (i) two times his highest annualized salary during the 12 month period preceding the termination and (ii) two times his highest annualized bonus in respect of the three fiscal years of AptarGroup immediately preceding the fiscal year in which the change in control occurs, plus a prorated annual bonus and the continuation of life insurance benefits for two years. In the event that such payments subject Mr. Pfeiffer to excise tax under Section 4999 of the Internal Revenue Code, Mr. Pfeiffer would generally be entitled to receive a gross-up payment to reimburse him for such excise tax. The agreement contains certain noncompetition and nonsolicitation covenants prohibiting Mr. Pfeiffer from, among other things, becoming employed by a competitor of AptarGroup for a period of one or two years following termination (depending on the nature of the termination).

Because Mr. Pfeiffer is a citizen and principal resident of Germany, certain employment benefits, including medical and life insurance benefits, and retirement benefits have been provided in agreements between Mr. Pfeiffer and a German subsidiary of AptarGroup. On October 17, 2007, AptarGroup s German subsidiary entered into a new Employment Agreement and Supplement to the Pension Scheme Arrangement with Mr. Pfeiffer. The new German Employment Agreement, which does not provide for salary in addition to the salary described above, became effective on January 1, 2008 and the previous German Employment Agreement terminated on that date. Further information regarding Mr. Pfeiffer s pension arrangement is found under Pension Benefits .

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Mr. Hagge s employment agreement provides for employment through December 1, 2010 at a minimum salary of $600,000 (which is the 2008 salary approved by the Compensation Committee) per year, which amount may be increased (but not decreased) over the remaining term of the agreement. The agreement automatically extends for one additional year each December 1. AptarGroup or Mr. Hagge may terminate the automatic extension provision by written notice to the other party at least 30 days prior to the automatic extension date. In addition to participation in executive benefit programs on the same basis as other executives, Mr. Hagge is entitled to additional term life and supplementary long-term disability insurance coverage.

If employment ends on account of death, Mr. Hagge s estate will receive one-half of the annual salary that Mr. Hagge would have received until the second anniversary of his death. If employment ends due to the expiration of the agreement, Mr. Hagge is entitled to receive an amount equal to one year s salary (based on the salary then in effect) and medical and life insurance benefits he would have otherwise received for a period of one year following the expiration date. If Mr. Hagge terminates the agreement without good reason (as defined in the agreement) or he retires, he is not entitled to payments or benefits under the employment agreement (other than certain accrued amounts and plan benefits which by their terms extend beyond termination of employment). If Mr. Hagge is terminated without cause (as defined in the agreement), he is entitled to receive his base salary then in effect (at the times it would have been paid) until the date on which the agreement was scheduled to expire.

After a change in control of AptarGroup, if Mr. Hagge s employment is terminated by AptarGroup or its successor other than for cause, disability or death, or if Mr. Hagge terminates his employment for good reason, in each case within two years following the change in control, Mr. Hagge is entitled to receive a lump-sum payment equal to (i) two times his highest annualized salary during the 12 month period preceding the termination and (ii) two times his highest annualized bonus in respect of the three fiscal years of AptarGroup immediately preceding the fiscal year in which the change in control occurs, plus a prorated annual bonus and the continuation of life insurance benefits for two years. In the event that such payments subject Mr. Hagge to excise tax under Section 4999 of the Internal Revenue Code, Mr. Hagge would generally be entitled to receive a gross-up payment to reimburse him for such excise tax. The agreement contains certain noncompetition and nonsolicitation covenants prohibiting Mr. Hagge from, among other things, becoming employed by a competitor of AptarGroup for a period of one or two years following termination (depending on the nature of the termination).

During 2007, Mr. Meshberg announced his intention to retire. Consequently, his employment agreement has not been renewed and it expired in February 2008.

For information regarding termination benefits, including benefits provided pursuant to employment agreements with the NEOs, see Potential Payments Upon Termination of Employment .

Pension Benefits

U.S. Employees

Substantially all of the U.S. employees of AptarGroup and its subsidiaries are eligible to participate in the AptarGroup Pension Plan. Employees are eligible to participate after six months of credited service and become fully vested after five years of credited service. The annual benefit payable to an employee

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under the Pension Plan upon retirement computed as a straight life annuity equals the sum of the separate amounts the employee accrues for each of his years of credited service under the Plan. Such separate amounts are determined as follows: for each year of credited service through 1988, 1.2% of such year s compensation up to the Social Security wage base for such year and 1.8% (2% for years after 1986) of such year s compensation above such wage base, plus certain increases put into effect prior to 1987; for each year after 1988 through the year in which the employee reaches 35 years of service, 1.2% of such year s Covered Compensation and 1.85% of such year s compensation above such Covered Compensation and for each year thereafter, 1.2% of such year s compensation. The employee s compensation under the Pension Plan for any year includes all salary, commissions and overtime pay and, beginning in 1989, bonuses, subject to such year s limit applicable to tax-qualified retirement plans. The employee s Covered Compensation under the Pension Plan for any year is generally the average of the Social Security wage base for each of the 35 years preceding the employee s Social Security retirement age, assuming that such year s Social Security wage base will not change in the future. Normal retirement under the Pension Plan is age 65 and reduced benefits are available as early as age 55 provided that the employee has completed 10 years of service. If an employee has completed 10 years of service and elects to retire and receive pension benefits before age 65, the benefit will be calculated in the same manner as under normal retirement conditions, but will be permanently reduced for each month the benefit commences prior to age 65. The reduction factors are: 1/180 for each of the first 60 months, and 1/360 for each additional month that is in advance of the normal retirement age. Benefits are not subject to reduction for Social Security benefits or other offset items.

U.S. employees of AptarGroup and its subsidiaries participating in the Pension Plan are also eligible for AptarGroup s non-qualified supplemental retirement plan (SERP). The benefits payable under the SERP will generally be in the form of a single sum and will be computed as a single life annuity equal to the sum of the separate amounts the participant accrues for each year of credited service. Such separate amounts are determined as follows: for each year of credited service through the year in which the participant reaches 35 years of service, 1.85% of the participant s Supplemental Earnings; and for each year after 35 years of credited service, 1.2% of such year s Supplemental Earnings. Supplemental Earnings is generally the difference between (i) the participant s earnings calculated as if the limitation of Section 401(a)(17) of the Internal Revenue Code were not in effect and (ii) the participant s recognized earnings under the Pension Plan. Participants who terminate service prior to being eligible for retirement (i.e., age 65 or age 55 with 10 years of credited service) will forfeit all accrued benefits under the SERP. The SERP provides for the vesting of all accrued benefits to those not already retirement eligible under the plan in the event of a change of control.

Messrs. Siebel, Pfeiffer, and Mascitelli are not eligible to receive benefits under the Pension Plan but, as described below, they are entitled to other pension benefits.

Non-U.S. Employees

Messrs. Siebel and Pfeiffer have individual retirement agreements that are customary for executives of similar rank in Europe that provide for a defined benefit upon retirement. In lieu of accruing additional retirement benefits for Mr. Siebel beyond the year 2000, the Committee and Mr. Siebel agreed that annual benefits under the pension agreement would be fixed at 60% of his 2000 base salary, subject to cost of living adjustments. In the event of his death, this agreement provides his surviving widow with annual payments of 60% of his then pension for life. Mr. Siebel began receiving payments from this pension in February 2000, and pension payments for the year 2007, which are denominated in Euros, were equivalent to approximately $550,000.

Mr. Pfeiffer s pension agreement provides him with an annual pension compensation, subject to cost of living adjustments, of up to 60% of his final year s base salary for life, and in the event of his death, provides his surviving widow with annual payments of 60% of his then pension for life and may provide any surviving child with annual payments of up to 30% of his then pension to as late as age 27. Pension benefits would normally commence at age 60, but reduced benefits are available after age 55 subject to a minimum annual payment of approximately $188,000. Estimated annual pension benefits upon retirement at age 60 (assuming the 2008 salary remains constant) are equivalent to $480,000. Mr. Pfeifer s pension agreement provides for a one percent increase in his pension benefit for each year of employment after age 60 until he attains 65 years of age. Benefits are not subject to reduction for Social Security or other offset items.

Mr. Mascitelli does not have an individual retirement agreement but he does participate in a defined contribution plan that is customary for his country of residence.

The table below includes information relating to the defined benefit retirement plans of each NEO. Assumptions used to determine the present value of accumulated benefit as of December 31, 2007 are the same as those found in Note 9, Retirement and Deferred Compensation Plans to AptarGroup s Financial Statements.

PENSION BENEFITS

Name	Plan Name (1)	Number of Years of Credited Service (#) (2)	Present Value of Accumulated Benefit ($)	Payments During the Last Fiscal Year ($) (3)
C. Siebel	Retirement Agreement	n/a	4,798,429	550,065
P. Pfeiffer	Retirement Agreement	n/a	5,879,943	
S. Hagge	Employees Retirement Plan	26	378,959	
	Supplemental Retirement Plan	26	574,268	
E. Meshberg	Employees Retirement Plan	9	228,357	
	Supplemental Retirement Plan	9	277,929	
F. Mascitelli				

(1) The retirement agreements of Messrs. Siebel and Pfeiffer represent non-qualified pension plans. The AptarGroup, Inc. Employees Retirement Plan (Employees Retirement Plan) is a qualified plan and

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the AptarGroup, Inc. Supplemental Executive Retirement Plan (Supplemental Retirement Plan) is a non-qualified plan.

(2) The retirement agreements of Messrs. Siebel and Pfeiffer are based on a percentage of final pay and therefore years of credited service are not considered in determining their pension payments.

(3) Mr. Siebel ceased accruing pension benefits and began receiving payments from this pension plan in February 2000 upon attaining the age of 65. Payments are denominated in Euros and translated to U.S. dollars using the average exchange rate for the year.

Potential Payments Upon Termination of Employment

The following table provides information concerning potential payments or other compensation that could have been awarded the named executives if any of the various termination scenarios presented below occurred on December 31, 2007. Mr. Siebel retired on December 31, 2007 and consequently no longer has any post-termination benefits other than his pension agreement. In October 2007, AptarGroup entered into a new employment agreement with Mr. Pfeiffer relating to his appointment as President and CEO and the benefits included in the table below reflect the terms of this agreement.

Name / Termination Scenario	Cash Payment	Continuation of Medical/ Welfare Benefits	Acceleration of Equity Awards (value as of 12/31/07)	Other	Total Termination Benefits
C. Siebel					
Involuntary or Good Reason Termination After a CIC			$ 4,551,300		$ 4,551,300
Disability			$ 4,551,300		$ 4,551,300
Death			$ 4,551,300		$ 4,551,300
P. Pfeiffer					
Normal Expiration of Employment Agreement	$ 800,000	$ 5,000			$ 805,000
Voluntary or With Cause Termination					
Involuntary Termination	$ 2,400,000	$ 15,000		$ 87,000	$ 2,502,000
Involuntary or Good Reason Termination After a CIC	$ 2,560,000	$ 10,000	$ 3,539,900		$ 6,109,900
Disability	$ 750,000		$ 3,539,900		$ 4,289,900
Death	$ 800,000		$ 3,539,900		$ 4,339,900

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Name / Termination Scenario	Cash Payment	Continuation of Medical/ Welfare Benefits	Acceleration of Equity Awards (value as of 12/31/07)	Other	Total Termination Benefits
S. Hagge					
Normal Expiration of Employment Agreement	$ 420,000	$ 9,500			$ 429,500
Voluntary or With Cause Termination					
Involuntary Termination	$ 1,225,000	$ 40,250		$ 43,750	$ 1,309,000
Involuntary or Good Reason Termination After a CIC	$ 1,710,000	$ 27,600	$ 1,942,900		$ 3,680,500
Disability	$ 280,000		$ 1,942,900		$ 2,222,900
Death	$ 420,000		$ 1,942,900		$ 2,362,900
E. Meshberg					
Normal Expiration of Employment Agreement					
Voluntary or With Cause Termination					
Involuntary Termination	$ 750,000				$ 750,000
Involuntary or Good Reason Termination After a CIC	$ 750,000		$ 1,058,600		$ 1,808,600
Disability			$ 1,058,600		$ 1,058,600
Death	$ 1,000,000		$ 1,058,600		$ 2,058,600
F. Mascitelli					
Normal Expiration of Employment Agreement					
Voluntary or With Cause Termination					
Involuntary Termination	$ 343,369				$ 343,369

Involuntary or Good Reason Termination After a CIC	$ 1,005,100	$ 1,005,100
Disability	$ 1,005,100	$ 1,005,100
Death	$ 1,005,100	$ 1,005,100

Normal Expiration of Employment Agreement

As a condition to the employment agreements of Messrs. Pfeiffer and Hagge, each would receive his current base salary amount as well as benefits currently provided, including current health and welfare benefits (consisting of health, term life, and disability insurance premiums) for a period of one year following the date of expiration of his agreement. Amounts would be paid and benefits would be provided on a monthly basis for twelve months.

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Voluntary or With Cause Termination

The named executives are not entitled to additional benefits if they voluntarily terminate their employment or they are terminated with cause.

Involuntary Termination

Amounts shown above represent the base salaries and, if applicable, health and welfare benefits, and the use of a company-provided automobile (incremental cost to the company shown in the Other column above) that each named executive would be entitled to receive over the remaining term of their employment agreements. Amounts would be paid and benefits would be provided on a monthly basis for the remaining term of each respective agreement.

Involuntary or Good Reason Termination After a Change in Control (CIC)

Cash payment amounts shown for Messrs. Pfeiffer and Hagge represent, according to their employment agreements and the CIC provisions therein, two times their highest annualized salary during the 12 month period preceding the termination and two times their highest annualized bonus amounts earned or payable in the past three fiscal years. Cash payments under this scenario would be lump sum payments that would be expected to be paid within approximately 30 days following the date of termination. The agreements of Messrs. Pfeiffer and Hagge also provide for the continuation of health and welfare benefits currently provided, for a period of two years following the date of termination.

AptarGroup s employee stock option and RSU agreements provide for the acceleration of vesting upon a CIC. The amounts shown represent the value of unvested stock options and the market value of RSUs as of December 31, 2007. Further information regarding unvested stock options and RSUs can be found under Grants of Plan-Based Awards and Outstanding Equity Awards at Fiscal Year-End . The accelerated stock option values included in the above table represent the difference between the closing price of AptarGroup s common stock on the New York Stock Exchange on December 31, 2007 (Closing Price) which was $40.91 per share, and the exercise prices of the respective unvested stock options multiplied by the number of unvested stock options. The accelerated RSU values included in the above table represent the Closing Price multiplied by the number of unvested RSUs.

Disability

The employment agreement of Mr. Pfeiffer provides for cash payments equal to base salary less standard social security benefits paid over a period of twelve months should he become disabled and this total is presented in the above table. The employment agreement of Mr. Hagge provides for payments equal to a minimum of 66.67% of his base salary while he is disabled, until they reach the age of 65. Such payments to Mr. Hagge are covered under an insurance policy paid for by AptarGroup. The cash payment amounts included in the above table for Mr. Hagge represents one year of disability payments under this scenario. In addition, AptarGroup s employee stock option and RSU agreements provide for the acceleration of vesting in the event of disability. Further information regarding the value of accelerated equity grants shown in the above table can be found in the preceding paragraph.

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Death

The employment agreements of Messrs. Pfeiffer and Hagge provide for death benefits equal to their annual base salary. AptarGroup s employee stock option and RSU agreements provide for the acceleration of vesting in the event of death and the values shown in the table above for this scenario are the same as those shown under the Disability and Involuntary or Good Reason Termination After a CIC scenarios.

CIC without Termination

The named executives are not entitled to additional benefits if there is a CIC without termination other than the acceleration of equity award vesting that is triggered by the CIC event.

Non-compete Information

The employment agreements of Messrs. Pfeiffer and Hagge contain noncompetition and nonsolicitation clauses. The agreements require that during the employment period and for one year thereafter in the case of either termination for good reason following a CIC or termination without cause, or for two years following termination for any other reason, that each executive will not i) compete directly or indirectly with the Company or ii) solicit employees or customers of the Company.

Tax Gross-Ups

The employment agreements of Messrs. Pfeiffer and Hagge provide for tax gross-up payments if excise taxes are triggered in connection with any termination-related compensation. Based on current information, none of the compensation under any of the termination scenarios would trigger excise taxes and, therefore, no tax gross-up amounts would be necessary.

Pension Related Benefits

Information concerning pension benefits can be found under the heading Pension Benefits .

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information, as of December 31, 2007, relating to AptarGroup s equity compensation plans pursuant to which grants of options, restricted stock units or other rights to acquire shares may be granted from time to time. AptarGroup does not have any equity compensation plans that were not approved by stockholders.

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding Securities reflected in Column (a)) (c)
Equity compensation plans approved by stockholders(1)	7,579,436(2)	$ 21.37(3)	1,653,629(4)

(1) Plans approved by stockholders include the AptarGroup Stock Awards Plans and Director Stock Option Plans.

(2) Includes 21,098 RSUs.

(3) RSUs are excluded when determining the weighted average exercise price of outstanding options.

(4) As described in Proposal 3 Approval of 2008 Stock Option Plan, the Company granted 1,252,000 options to employees in January 2008, and as of March 6, 2008, approximately 350,000 shares remain available for future grants under the AptarGroup Stock Awards Plan and 44,000 shares remain available for future grants under the Director Stock Option Plans.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT

The following table contains information with respect to the beneficial ownership of common stock, as of March 6, 2008, by (a) the persons known by AptarGroup to be the beneficial owners of 5% or more of the outstanding shares of common stock, (b) each director or director nominee of AptarGroup, (c) each of the executive officers of AptarGroup named in the Summary Compensation Table below, and (d) all directors, director nominees and executive officers of AptarGroup as a group. Except where otherwise indicated, the mailing address of each of the stockholders named in the table is: c/o AptarGroup, Inc., 475 West Terra Cotta Avenue, Suite E, Crystal Lake, Illinois 60014.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

	Shares Owned		
Name	Number of Shares(1)	Percentage(2)	Options Exercisable Within 60 Days of March 6, 2008
Neuberger & Berman LLC(3) 605 Third Avenue New York, NY 10158	7,969,246	11.7	
State Farm Mutual Automobile Insurance Company (4) One State Farm Plaza Bloomington, IL 61710	6,306,501	9.3	
Barclays Global Investors, N.A. (5) 45 Fremont Street San Francisco, CA 94105	3,817,779	5.6	
Stefan A. Baustert	8,000	*	8,000
Alain Chevassus	14,500	*	
Rodney L. Goldstein(6)	24,000	*	20,000
Ralph Gruska	10,800	*	8,000
Leo A. Guthart(7)	114,021	*	28,000
Stephen J. Hagge(8)	489,205	*	439,001
King W. Harris(9)	431,412	*	28,000
Francesco Mascitelli	278,392	*	244,001
Emil D. Meshberg	418,731	*	170,001

Peter H. Pfeiffer	1,742,122	2.5	768,000
Carl A. Siebel(10)	1,294,374	1.9	1,104,000
Dr. Joanne C. Smith(11)	29,747	*	28,000
All Directors, Director Nominees and Executive Officers as a Group (20 persons)(12)	6,158,204	8.5	3,959,009

* Less than one percent.

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(1) Except as otherwise indicated below, beneficial ownership means the sole power to vote and dispose of shares. Number of shares includes options exercisable within 60 days of March 6, 2008.

(2) Based on 68,227,429 shares of common stock outstanding as of March 6, 2008 plus options to purchase shares held by any such person that are exercisable within 60 days of that date.

(3) The information as to Neuberger & Berman LLC and related entities (Neuberger & Berman) is derived from a statement 13G with respect to the common stock, filed with the SEC pursuant to Section 13(d) of the Exchange Act. Such statement discloses that Neuberger & Berman has the sole power to vote 125,760 shares, the shared power to vote 6,438,800 shares and the shared power to dispose of 7,969,246 shares.

(4) The information as to State Farm Mutual Automobile Insurance Company and related entities (State Farm) is derived from a statement on Schedule 13G with respect to the common stock, filed with the SEC pursuant to Section 13(d) of the Exchange Act. Such statement discloses that State Farm has the sole power to vote and dispose of 6,275,769 shares and the shared power to vote and dispose of 30,732 shares.

(5) The information as to Barclays Global Investors, N.A. and related entities (Barclays) is derived from a statement on Schedule 13G with respect to the common stock, filed with the SEC pursuant to Section 13(d) of the Exchange Act. Such statement discloses that Barclays has the sole power to dispose of 3,817,779 shares and the sole power to vote 2,956,595 shares.

(6) Mr. Goldstein shares the power to vote and dispose of 4,000 shares.

(7) Mr. Guthart shares the power to vote and dispose of 86,021 shares.

(8) Mr. Hagge shares the power to vote and dispose of 9,438 shares.

(9) Mr. Harris shares the power to vote and dispose of 181,868 shares.

(10) Mr. Siebel shares the power to vote and dispose of 190,374 shares.

(11) Dr. Smith shares the power to vote and dispose of 1,407 shares.

(12) Includes 485,492 shares as to which voting and disposing power is shared other than with directors and executive officers of AptarGroup.

TRANSACTIONS WITH RELATED PERSONS

AptarGroup or one of our subsidiaries may occasionally enter into transactions with certain related persons. Related persons include our executive officers, directors, nominees for directors, a beneficial owner of 5% or more of our common stock and immediate family members of these persons. We refer to transactions involving amounts in excess of $120,000 and in which the related person has a direct or indirect material interest as related person transactions. Each related person transaction must be approved or ratified in accordance with AptarGroup s written Related Person Transactions Policy by the Audit Committee of the Board of Directors.

The Audit Committee considers all relevant factors when determining whether to approve a related person transaction including, without limitation, the following:

the size of the transaction and the amount payable to a related person;

the nature of the interest of the related person in the transaction;

whether the transaction may involve a conflict of interest; and whether the transaction is on terms that would be available in comparable transactions with unaffiliated third parties.

The following are not considered Related Party Transactions:

executive officer or director compensation which has been approved by the Compensation Committee of the Board of Directors

indebtedness incurred with a beneficial owner of more than 5% of any class of voting securities of the Company

indebtedness incurred for the purchase of goods or services subject to usual trade terms, for ordinary business travel and expense payments, and for other transactions in the ordinary course of business

any transaction in which a person is deemed a Related Person solely on the basis of such person s equity ownership and all holders of that class of equity receive the same benefit on a pro rata basis

Pursuant to this policy, the Audit Committee approves or ratifies all related party transactions, including those involving NEOs as described below.

In 1999, AptarGroup acquired companies that were owned by Mr. Emil Meshberg and certain members of his family. Mr. Meshberg became an executive officer of AptarGroup immediately following the acquisitions and he continues to serve in such capacity. AptarGroup currently leases real estate from, makes license royalty payments to and sells products to entities related to Mr. Meshberg or certain members of his family. The transactions between AptarGroup and these entities were at arms-length and, in 2007, amounted to lease payments of approximately $190,000, license royalty payments of approximately $212,000 and sales of approximately $570,000.

Mr. Peter Pfeiffer owns 12.5% of the equity and occupies a paid supervisory board position with a packaging filling company located in Switzerland. In 2007, Mr. Pfeiffer received approximately $10,000 in director fees related to this position. In 2007, this company purchased approximately $130,000 of products from an AptarGroup subsidiary. It is expected that AptarGroup s subsidiary will continue to sell product to this company in the normal course of business in 2008. Mr. Pfeiffer was not involved in the pricing, sales or purchasing decisions on these transactions.

In October 2007, in connection with the previously announced retirement of Mr. Siebel, AptarGroup entered into a one-year Consulting Agreement with Carl Siebel Consulting GmbH, that became effective January 1, 2008 (Consulting Agreement). The Consulting Agreement may be extended by AptarGroup for additional one-year terms. Compensation for the consulting services to be provided by Mr. Siebel during the year ending December 31, 2008 will be 165,000 or approximately $247,000 using current exchange rates and will be paid in equal monthly installments. Pursuant to the Consulting Agreement, which includes a noncompete provision, Carl Siebel Consulting GmbH will be an independent contractor, and Mr. Siebel will not be an employee, of AptarGroup.

Mr. Andreas Siebel is the son of Mr. Carl A. Siebel, the Company s former President and Chief Executive Officer until his retirement on December 31, 2007 and a Director of AptarGroup. In 2007, Mr. Andreas Siebel served in the capacity of Sales Manager for one of AptarGroup s European subsidiaries and received salary and bonus compensation of approximately $175,000.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon a review of reports and written representations furnished to it, AptarGroup believes that during 2007 all filings with the Securities and Exchange Commission by its executive officers and directors complied with requirements for reporting ownership and changes in ownership of AptarGroup s common stock pursuant to Section 16(a) of the Securities Exchange Act of 1934, except that in 2007, the following executive officers each reported on a Form 4 the following number of transactions that were not reported on a timely basis: Mr. Pfeiffer (one transaction).

AUDIT COMMITTEE REPORT

Management is responsible for AptarGroup s internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of AptarGroup s consolidated financial statements in accordance with generally accepted auditing standards, including the effectiveness of internal controls, and issuing a report thereon. The Committee s responsibility is to assist the Board in fulfilling its responsibility for overseeing the quality and integrity of the accounting, auditing and financial reporting practices of AptarGroup.

During the course of the fiscal year ended December 31, 2007, management completed the documentation, testing and evaluation of the Company s system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. Management and the independent registered public accounting firm kept the Committee apprised of the progress of the documentation, testing and evaluation through periodic updates, and the Committee provided advice to management during this process.

The Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. Management has represented to the Committee that the consolidated financial statements were prepared in accordance with generally accepted accounting principles. Also, the Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended.

In addition, the Committee discussed with the independent registered public accounting firm s independence from AptarGroup and its management, and the independent registered public accounting firm provided the Committee the written disclosures and letter required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). In considering the independence of AptarGroup s independent registered public accounting firm, the Committee took into consideration the amount and nature of the fees paid to this firm for non-audit services as described under Proposal 6 Ratification of the Appointment of the Independent Registered Public Accounting Firm .

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Based on the review and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated financial statements be included in AptarGroup s Annual Report on Form 10-K for the year ended December 31, 2007, for filing with the Securities and Exchange Commission.

Audit Committee

Leo A. Guthart (Chair)
Stefan A. Baustert
Rodney L. Goldstein
Ralph Gruska

OTHER MATTERS

Proxy Solicitation

AptarGroup will pay the cost of soliciting proxies for the annual meeting. AptarGroup has engaged Georgeson Inc., a proxy solicitor, in connection with the 2008 annual meeting and expects to pay approximately $15,000 for these services. AptarGroup also reimburses banks, brokerage firms and other institutions, nominees, custodians and fiduciaries for their reasonable expenses for sending proxy materials to beneficial owners and obtaining their voting instructions. Certain directors, officers and employees of AptarGroup and its subsidiaries may solicit proxies personally or by telephone, facsimile or electronic means without additional compensation.

Annual Report/Form 10-K

AptarGroup s Annual Report/Form 10-K for the year ended December 31, 2007 is being distributed with this proxy statement. Stockholders can refer to the report for financial and other information about AptarGroup, but such report is not incorporated in this proxy statement and is not deemed a part of the proxy soliciting material.

Stockholder Proposals

In order to be considered for inclusion in AptarGroup s proxy materials for the 2009 annual meeting of stockholders, and in order for any stockholder to recommend a candidate for director to be considered by the Corporate Governance Committee, the proposal or candidate recommendation must be received at AptarGroup s principal executive offices at 475 West Terra Cotta Avenue, Suite E, Crystal Lake, Illinois 60014 by November 20, 2008. In addition, AptarGroup s Bylaws establish an advance notice procedure for stockholder proposals to be brought before any meeting of stockholders, including proposed nominations of persons for election to the Board. Any stockholder who seeks to recommend a director for consideration by the Corporate Governance Committee must include with such recommendation any information that would be required by the Company s Bylaws if the stockholder were making the nomination directly.

Stockholders at the 2008 annual meeting may consider stockholder proposals or nominations brought by a stockholder of record on March 6, 2008, who is entitled to vote at the annual meeting and who has given AptarGroup s Secretary timely written notice, in proper form, of the stockholder s proposal or nomination. A stockholder proposal or nomination intended to be brought before the 2008 annual meeting must have been received by the Secretary on or after January 31, 2008 and on or prior to March 1, 2008. The 2009 annual meeting is expected to be held on April 29, 2009. A stockholder proposal or nomination intended to be brought before the 2009 annual meeting must be received by the Secretary on or after January 29, 2009 and on or prior to February 28, 2009. A stockholder proposal or nomination must include the information requirements set forth in AptarGroup s Bylaws.

By Order of the Board of Directors,

Stephen J. Hagge
Secretary

Crystal Lake, Illinois
March 21, 2008

APPENDIX A

APTARGROUP, INC.

ANNUAL BONUS PLAN

I.
Purposes

The purposes of the AptarGroup, Inc. Annual Bonus Plan are to retain and motivate the officers and other employees of AptarGroup, Inc. and its subsidiaries who have been designated by the Committee to participate in the Plan for a specified Performance Period by providing them with the opportunity to earn incentive payments based upon the extent to which specified performance goals have been achieved or exceeded for the Performance Period. It is intended that all amounts payable to Participants who are covered employees within the meaning of Section 162(m) of the Code will constitute qualified performance-based compensation within the meaning of U.S. Treasury regulations promulgated thereunder, and the Plan and the terms of any awards hereunder shall be so interpreted and construed to the maximum extent possible.

II.
Certain Definitions

Annual Base Salary shall mean for any Participant an amount equal to the rate of annual base salary in effect or approved by the Committee or other authorized person at the time or immediately before performance goals are established for a Performance Period, including any base salary that otherwise would be payable to the Participant during the Performance Period but for his or her election to defer receipt thereof.

Applicable Period shall mean, with respect to any Performance Period, a period commencing on or before the first day of the Performance Period and ending not later than the earlier of (a) 90 days after the commencement of the Performance Period and (b) the date on which twenty-five percent (25%) of the Performance Period has been completed. Any action required to be taken within an Applicable Period may be taken at a later date if permissible under Section 162(m) of the Code or regulations promulgated thereunder, as they may be amended from time to time.

Board shall mean the Board of Directors of the Company.

Code shall mean the Internal Revenue Code of 1986, as amended.

Committee shall mean the Compensation Committee of the Board or such other committee designated by the Board that satisfies any then applicable requirements of the principal national stock exchange on which the Common Stock is then traded to constitute a compensation committee, and which consists of three or more members of the Board, each of whom may be an outside director within the meaning of Section 162(m) of the Code.

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Common Stock shall mean Common Stock, par value $.01 per share, of the Company.

Company shall mean AptarGroup, Inc., a Delaware corporation and any successor thereto.

Individual Award Opportunity shall mean the potential of a Participant to receive an incentive payment if the performance goals for a Performance Period shall have been satisfied. An Individual Award Opportunity may be expressed in U.S. dollars, in Restricted Stock Units or pursuant to a formula that is consistent with the provisions of the Plan.

Participant shall mean an officer or other employee of the Company or any of its subsidiaries who is designated by the Company to participate in the Plan for a Performance Period, in accordance with Article III.

Performance Period shall mean any period commencing on or after January 1, 2008 for which performance goals are established pursuant to Article IV. A Performance Period may be coincident with one or more fiscal years of the Company or a portion of any fiscal year of the Company.

Plan shall mean the AptarGroup, Inc. Annual Bonus Plan as set forth herein, as it may be amended from time to time.

Restricted Stock Unit shall mean a right that entitles the holder thereof to receive, upon vesting, one share of Common Stock on the date of vesting and that is available for grant in accordance with the terms of a stock plan of the Company, the eligible participants in which include Participants.

III.
Administration

3.1. *General*. The Plan shall be administered by the Committee, which shall have the full power and authority to interpret, construe and administer the Plan and any Individual Award Opportunity granted hereunder (including reconciling any inconsistencies, correcting any defaults and addressing any omissions). The Committee s interpretation, construction and administration of the Plan and all its determinations hereunder shall be final, conclusive and binding on all persons for all purposes.

3.2. *Powers and Responsibilities*. The Committee shall have the following discretionary powers, rights and responsibilities in addition to those described in Section 3.1.

(a) to designate within the Applicable Period the Participants for a Performance Period;

(b) to establish within the Applicable Period the performance goals and other terms and conditions that are to apply to each Participant s Individual Award Opportunity, including the extent to which any incentive payment shall be made to a Participant in the event of (i) the Participant s termination of employment with or service to the Company due to disability, retirement, death or any other reason or (ii) a change in control of the Company;

(c) to determine in writing prior to the payment with respect to any Individual Award Opportunity that the performance goals for a Performance Period and other material terms applicable to the Individual Award Opportunity have been satisfied;

(d) to determine whether, and under what circumstances and subject to what terms, an Individual Award Opportunity is to be paid in cash or in Restricted Stock Units, or partly in cash and partly in Restricted Stock Units;

(e) to determine whether, and under what circumstances and subject to what terms, an Individual Award Opportunity is to be paid on a deferred basis, including whether such a deferred payment shall be made solely at the Committee s discretion or whether a Participant may elect deferred payment; and

(f) to adopt, revise, suspend, waive or repeal, when and as appropriate, in its sole and absolute discretion, such administrative rules, guidelines and procedures for the Plan as it deems necessary or advisable to implement the terms and conditions of the Plan.

3.3. *Delegation of Power*. The Committee may delegate some or all of its power and authority hereunder to the Chief Executive Officer or other executive officer of the Company as the Committee deems appropriate; provided, however, that with respect to any person who is a covered employee within the meaning of Section 162(m) of the Code or who, in the Committee s judgment, is likely to be a covered employee at any time during the applicable Performance Period, only the Committee shall be permitted to (a) designate such person to participate in the Plan for such Performance Period, (b) establish performance goals and Individual Award Opportunities for such person, and (c) certify the achievement of such performance goals.

IV.
Performance Goals

4.1. *Establishing Performance Goals*. The Committee shall establish within the Applicable Period of each Performance Period one or more objective performance goals for each Participant or for any group of Participants (or both), provided that the outcome of each goal is substantially uncertain at the time the Committee establishes such goal. Performance goals shall be based exclusively on one or more of the following objective corporate-wide or subsidiary, division, operating unit or individual measures: earnings per share; earnings before interest and taxes (EBIT); earnings before interest, taxes, depreciation and amortization (EBITDA); financial return ratios, consisting of return on equity; return on assets and return on invested capital; the ratio of EBIT to capital; the ratio of EBITDA to capital; net income; operating income; revenues; profit margin; cash flow(s); expense reduction; working capital ratios; successful implementation of strategic initiatives; and successful integration of acquisitions. Each such goal may be expressed on an absolute or relative basis and may include comparisons based on current internal targets, the past performance of the Company (including the performance of one or more subsidiaries, divisions, or operating units) or the past or current performance of other companies (or a combination of such past and current performance). In the case of earnings-based measures, in addition to the ratios specifically enumerated above, performance goals may include comparisons relating to capital (including, but not limited to, the cost of capital), shareholders equity, shares outstanding, assets or net assets, or any combination thereof. With respect to Participants who are not covered employees within the meaning of Section 162(m) of the Code and who, in the Committee s judgment, are not likely to be a covered employees at any time during the applicable Performance Period, the performance goals established for the Performance Period may consist of any objective corporate-wide or subsidiary, division, operating unit or individual measures, whether or not listed herein. Performance goals shall be subject to such other special rules and conditions as the Committee may establish at any time within the Applicable Period.

4.2. *Impact of Extraordinary Items or Changes in Accounting*. The measures utilized in establishing performance goals under the Plan for any given Performance Period shall be determined in accordance with generally accepted accounting principles (GAAP) and in a manner consistent with the methods used in the Company s audited consolidated financial statements, to the extent applicable, without regard to (a) extraordinary or other nonrecurring or unusual items, as determined by the Company s independent public accountants in accordance with GAAP, (b) changes in accounting, as determined by the Company s independent public accountants in accordance with GAAP, or (c) special charges, such as restructuring or impairment charges, unless, in each case, the Committee decides otherwise within the Applicable Period or as otherwise required under Section 162(m) of the Code.

V.
Individual Award Opportunities

5.1. *Terms*. At the time performance goals are established for a Performance Period, the Committee also shall establish an Individual Award Opportunity for each Participant or group of Participants, which shall be based on the achievement of one or more specified targets of performance goals. The targets shall be expressed in terms of an objective formula or standard which may be based upon the Participant s Annual Base Salary or a multiple thereof. In all cases the Committee shall have the sole and absolute discretion to reduce the amount of any payment with respect to any Individual Award Opportunity that would otherwise be made to any Participant or to decide that no payment shall be made. No Participant shall receive a payment, whether in cash or in Restricted Stock Units, under the Plan with respect to any Performance Period having a value in excess of $2,000,000, which maximum amount shall be prorated with respect to Performance Periods that are less than one year in duration.

5.2. *Payments*. Payments with respect to Individual Award Opportunities shall be made in cash or in Restricted Stock Units, or partly in cash and partly in Restricted Stock Units, and shall be made at the time determined by the Committee after the end of the Performance Period for which the awards are payable, provided that (a) no such payment shall be made unless and until the Committee has certified in writing the extent to which the applicable performance goals for such Performance Period have been satisfied and (b) no such payment shall be made later than March 15 of the year immediately following the last day of the applicable Performance Period.

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VI.
General

6.1. *Effective Date and Term of Plan*. The Plan shall be submitted to the stockholders of the Company for approval at the 2008 annual meeting of stockholders and, if approved by the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy at such meeting, shall become effective for Performance Periods beginning on and after January 1, 2008. The Plan shall terminate as of December 31, 2012, unless terminated earlier by the Board. In the event that the Plan is not approved by the stockholders of the Company, the Plan shall be null and void with respect to Participants who are covered employees within the meaning of Section 162(m) of the Code.

6.2. *Amendments*. The Board may amend the Plan as it shall deem advisable, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including Section 162(m) of the Code.

6.3. *Non-Transferability of Awards*. No award under the Plan shall be transferable other than by will, the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company. Except to the extent permitted by the foregoing sentence, no award may be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of any such award, such award and all rights thereunder shall immediately become null and void.

6.4. *Tax Withholding*. The Company shall have the right to require, prior to the payment of any amount pursuant to an award made hereunder, payment by the Participant of any Federal, state, local or other taxes which may be required to be withheld or paid in connection with such award.

6.5. *No Right of Participation or Employment*. No person shall have any right to participate in the Plan. Neither the Plan nor any award made hereunder shall confer upon any person any right to continued employment by the Company or any subsidiary or affiliate of the Company or affect in any manner the right of the Company or any subsidiary or affiliate of the Company to terminate the employment of any person at any time without liability hereunder.

6.6. *Designation of Beneficiary*. If permitted by the Company, a Participant may file with the Committee a written designation of one or more persons as such Participant s beneficiary or beneficiaries (both primary and contingent) in the event of the Participant s death.

Each beneficiary designation shall become effective only when filed in writing with the Committee during the Participant s lifetime on a form prescribed by the Committee. The spouse of a married Participant domiciled in a community property jurisdiction shall join in any designation of a beneficiary other than such spouse. The filing with the Committee of a new beneficiary designation shall cancel all previously filed beneficiary designations.

If a Participant fails to designate a beneficiary, or if all designated beneficiaries of a Participant predecease the Participant, then each outstanding award shall be payable to the Participant s executor, administrator, legal representative or similar person.

6.7. *Governing Law*. The Plan and each award hereunder, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

6.8. *Other Plans*. Payments pursuant to the Plan shall not be treated as compensation for purposes of any other compensation or benefit plan, program or arrangement of the Company or any of its subsidiaries, unless either (a) such other plan provides that compensation such as payments made pursuant to the Plan are to be considered as compensation thereunder or (b) the Board or the Committee so determines in writing. Neither the adoption of the Plan nor the submission of the Plan to the Company s stockholders for their approval shall be construed as limiting the power of the Board or the Committee to adopt such other incentive arrangements as it may otherwise deem appropriate.

6.9. *Binding Effect*. The Plan shall be binding upon the Company and its successors and assigns and the Participants and their beneficiaries, personal representatives and heirs. If the Company becomes a party to any merger, consolidation or reorganization, then the Plan shall remain in full force and effect as an obligation of the Company or its successors in interest, unless the Plan is amended or terminated pursuant to Section 6.2.

As adopted by the Board of Directors on February 28, 2008.

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APPENDIX B

APTARGROUP, INC.

2008 STOCK OPTION PLAN

1. *Purpose.* The purpose of the AptarGroup, Inc. 2008 Stock Option Plan (the Plan) is to promote the long-term financial interests of the Company and its Affiliates by (a) attracting and retaining personnel, (b) motivating personnel by means of growth-related incentives, (c) providing incentive compensation opportunities that are competitive with those of other major corporations and (d) furthering the identity of interests of participants with those of the stockholders of the Company.

2. *Definitions.* The following definitions are applicable to the Plan:

(a) *Affiliate* means (i) any subsidiary and (ii) any other entity in which the Company has a direct or indirect equity interest which is designated an Affiliate by the Committee.

(b) *Board of Directors* means the Board of Directors of the Company.

(c) *Code* means the Internal Revenue Code of 1986, as amended.

(d) *Committee* means the Compensation Committee or other committee of the Board of Directors which, pursuant to Section 3, has authority to administer the Plan.

(e) *Common Stock* means Common Stock, par value $.01 per share, of the Company.

(f) *Company* means AptarGroup, Inc., a Delaware corporation, and its successors.

(g) *eligible employee* means any employee of the Company or an Affiliate.

(h) *Exchange Act* means the Securities Exchange Act of 1934, as amended.

(i) *Market Value* on any date means the closing price of Common Stock on the New York Stock Exchange on that date (or, if such date is not a trading date, on the next preceding date which was a trading date).

(j) *participant* means any employee of the Company or an Affiliate who has been granted an award pursuant to the Plan.

(k) *Rule 16b-3* means such rule adopted under the Securities Exchange Act of 1934, as amended, or any successor rule.

(l) *subsidiary* means any corporation fifty percent or more of the voting stock of which is owned, directly or indirectly, by the Company.

(m) *whole Board of Directors* means the total number of directors which the Company would have on the Board of Directors if there were no vacancies.

3. *Administration*. The Plan shall be administered by the Compensation Committee of the Board of Directors or, if directors constituting not less than seventy percent (70%) of the whole Board of Directors so determine, by another committee consisting of not less than two (2) members of the Board of Directors. A majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, or actions approved in writing by all members of the Committee, shall constitute the acts of the Committee.

Subject to the limitations of the Plan, the Committee shall have full authority and discretion: (1) to select participants, (2) to make grants of stock options in such forms and amounts as it shall determine, (3) to impose such limitations, restrictions and conditions upon such options as it shall deem appropriate, (4) to approve the forms to carry out the purposes and provisions of the Plan, (5) to interpret the Plan and to adopt, amend and rescind administrative guidelines and other rules and regulations relating to the Plan, (6) to correct any defect or omission or to reconcile any inconsistency in the Plan or in any option granted hereunder and (7) to make all other determinations and to take all other actions necessary or advisable for the implementation and administration of the Plan. Notwithstanding the foregoing, except for any adjustment pursuant to Section 6(b), the Committee shall not have authority to reprice any stock option granted hereunder.

The Committee s determinations on matters within its authority shall be final, binding and conclusive. The Committee may, to the extent that any such action will not prevent an option from complying with Rule 16b-3, delegate any of its authority hereunder to such persons as it deems appropriate.

4. *Shares Subject to Plan.* Subject to adjustment as provided in Section 6(b), 3,800,000 shares of Common Stock shall be available for the grant of stock options under the Plan, reduced by the sum of the aggregate number of shares of Common Stock which become subject to outstanding options. To the extent that shares of Common Stock subject to an outstanding option are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such option, then such shares of Common Stock shall again be available under the Plan. Shares of Common Stock available under the Plan may be treasury shares reacquired by the Company or authorized and unissued shares, or a combination of both.

To the extent required by Section 162(m) of the Code and the rules and regulations thereunder, the maximum number of shares of Common Stock with respect to which options may be granted during any calendar year to any person shall be 500,000, subject to adjustment as provided in Section 6(b).

5. *Awards.* The Committee may grant stock options to eligible employees in accordance with this Section 4 and the other provisions of the Plan.

(a) Options granted under the Plan may be incentive stock options (ISOs) within the meaning of Section 422 of the Code or any successor provision, or in such other form consistent with the Plan, as the Committee may determine; except that, so long as so provided in such Section 422, no ISO may be granted under the Plan to any employee of an Affiliate which is not a subsidiary corporation (as such term is used in subsection (b) of Section 422 of the Code) of the Company.

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(b) The option price per share of Common Stock shall be fixed by the Committee at not less than 100% of Market Value on the date of grant, but in no event shall the option price be less than the par value per share.

(c) Each option shall be exercisable at such time or times as the Committee shall determine at or subsequent to grant, provided that no option shall be exercised later than 10 years after its date of grant.

(d) An option may be exercised (1) by giving written notice to the Company specifying the number of whole shares of Common Stock to be purchased and accompanied by payment therefor in full (or arrangement made for such payment to the Company s satisfaction) either (A) in cash, (B) in cash delivered by a broker-dealer acceptable to the Company to whom the optionee has submitted an irrevocable notice of exercise, (C) by delivery of previously owned whole shares of Common Stock (for which the optionee has good title, free and clear of all liens and encumbrances) having a Market Value, determined as of the date of exercise, equal to the aggregate purchase price payable by reason of such exercise, or (D) a combination of (A) and (C), in each case to the extent set forth in the agreement relating to the option and (2) by executing such documents as the Company may reasonably request. The Committee shall have sole discretion to disapprove of an election pursuant to clauses (B), (C) or (D), except that the Committee may not disapprove of an election made by a participant subject to Section 16 of the Exchange Act. No certificate representing Common Stock shall be delivered until the full purchase price therefor has been paid (or arrangement made for such payment to the Company s satisfaction).

6. *Miscellaneous Provisions.*

(a) *Nontransferability*. No option shall be transferable other than (i) by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company or (ii) as otherwise permitted as set forth in the agreement relating to such option. Except to the extent permitted by the foregoing sentence, each option may be exercised during the participant s lifetime only by the participant or the participant s legal representative or similar person. Except as permitted by the second preceding sentence, no option shall be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of any option, such option and all rights thereunder shall immediately become null and void.

(b) *Adjustments*. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a cash dividend, the number and class of securities available under the Plan, the maximum number of shares available for grants of options to any person, the number and class of securities subject to each outstanding option and the purchase price per security shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding options without an increase in the aggregate purchase price; provided, however, that in the event of a cash dividend, other than a regular cash dividend, the Committee shall have the discretion to make any or all of the foregoing adjustments. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive. If any such adjustment would result in a fractional security being (i) available under the Plan, such fractional security shall be disregarded, or (ii) subject to an option, the Company shall pay the holder of such option, in connection with the first exercise of such option in whole or in part after such adjustment, an amount in cash determined by multiplying (1) the fraction of such security (rounded to the nearest hundredth) by (2) the excess, if any, of (A) the Market Value on the exercise date over (B) the exercise price of such option.

(c) *Tax Withholding*. The Company shall have the right to require, prior to the issuance or delivery of any shares of Common Stock upon the exercise of an option, payment by the holder of such option of any Federal, state, local or other taxes which may be required to be withheld or paid in connection with the exercise of such option. An agreement relating to an option may provide that (1) the Company shall withhold cash or whole shares of Common Stock which would otherwise be delivered upon exercise of the option having, in the case of Common Stock, an aggregate Market Value determined as of the date the obligation to withhold or pay taxes arises in connection with the exercise of such option (the Tax Date) in the amount necessary to satisfy any such obligation or (2) the holder of the option may satisfy any such obligation by any of the following means: (A) a cash payment to the Company, (B) a cash payment by a broker-dealer acceptable to the Company to whom the optionee has submitted an irrevocable notice of exercise, (C) delivery to the Company of previously owned whole shares of Common Stock (for which the holder has good title, free and clear of all liens and encumbrances) having an aggregate Market Value determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation, (D) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered upon exercise of the option having an aggregate Market Value determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation, (E) any combination of (A) and (C), in each case to the extent set forth in the agreement relating to the option; provided, however, that the Committee shall have sole discretion to disapprove of an election pursuant to clauses (B) through (E), except that the Committee may not disapprove of an election made by a participant subject to Section 16 of the Exchange Act. Shares of Common Stock to be delivered or withheld may not have an aggregate Market Value in excess of the minimum amount required to be withheld. Any fraction of a share of Common Stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the holder.

(d) *Listing and Legal Compliance*. The Committee may suspend the exercise or payment of any award if it determines that securities exchange listing or registration or qualification under any securities laws is required in connection therewith and has not been completed on terms acceptable to the Committee.

(e) *Beneficiary Designation*. To the extent permitted by the Company, participants may name, from time to time, beneficiaries (who may be named contingently or successively) to whom benefits under the Plan are to be paid in the event of their death before they receive any or all of such benefits. Each designation will revoke all prior designations by the same participant, shall be in a form prescribed by the Company, and will be effective only when filed by the participant in writing with the Company during the participant s lifetime. In the absence of any such designation, benefits remaining unpaid at a participant s death shall be paid to the participant s estate.

(f) *Rights of Participants*. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any participant s employment at any time, nor confer upon any participant any right to continue in the employ of the Company or any Affiliate for any period of time or to continue his or her present or any other rate of compensation. No employee shall have a right to be selected as a participant, or, having been so selected, to be selected again as a participant.

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(g) *Amendment*. The Board of Directors, through a resolution adopted by directors constituting at least seventy percent (70%) of the whole Board of Directors, may amend the Plan as it shall deem advisable, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including Section 162(m) of the Code. No amendment may impair the rights of a holder of an outstanding option without the consent of such holder.

7. *Effective Date and Term of Plan.* The Plan shall be submitted to the stockholders of the Company for approval and, if approved by the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy at a meeting of stockholders, shall become effective on the date of such approval. In the event that the Plan is not approved by the stockholders of the Company, the Plan and any outstanding options shall be null and void. The Plan shall terminate ten years after its effective date, unless terminated earlier by the Board of Directors through a resolution adopted by directors constituting at least seventy percent (70%) of the whole Board of Directors. Termination of the Plan shall not affect the terms or conditions of any award granted prior to termination.

As adopted by the Board of Directors on February 28, 2008.

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APPENDIX C

APTARGROUP, INC.

2008 DIRECTOR STOCK OPTION PLAN

1. *Purpose of Plan.* The purpose of this Plan (the Plan) is to promote the long-term financial interests of the Company and its Affiliates by:

(a) providing an incentive for all Eligible Directors to maximize the long-term value of the Company s Common Stock and otherwise act in the best interest of the Company s stockholders;

(b) providing Eligible Directors with the opportunity to acquire a greater stake in the future of the Company and its Affiliates through stock ownership; and

(c) attracting and retaining highly qualified directors who will contribute in exceptional ways to the long-term financial success of the Company and its Affiliates.

2. *Definitions.* The following words and phrases have the respective meanings indicated below unless a different meaning is plainly implied by the context.

(a) *Affiliate* means (a) any subsidiary and (b) any other entity in which the Company has a direct or indirect equity interest which is designated an Affiliate by the Committee.

(b) *Board of Directors* means the Board of Directors of the Company.

(c) *Code* means the Internal Revenue Code of 1986, as amended.

(d) *Committee* means the Compensation Committee or other committee of the Board of Directors which, pursuant to Section 3, has authority to administer the Plan.

(e) *Common Stock* means Common Stock, par value $.01 per share, of the Company.

(f) *Company* means AptarGroup, Inc., a Delaware corporation, and its successors.

(g) *Eligible Director* means any member of the Board of Directors who is not an employee of the Company or any of its Affiliates.

(h) *Market Value* on any date means the closing price of Common Stock on the New York Stock Exchange on that date (or, if such date is not a trading date, on the next preceding date which was a trading date).

(i) *option* means a right awarded to a participant pursuant to the Plan to purchase a designated number of shares of Common Stock at a stated price for a stated period of time. Options are not intended to qualify as incentive stock options under Code Section 422.

(j) *option agreement* means an agreement between the Company and an Eligible Director relating to an option.

(k) *participant* means an Eligible Director who has been awarded an option.

(l) *Plan* means the plan set forth in this 2008 Director Stock Option Plan, as it may be amended from time to time.

(m) *subsidiary* means any corporation fifty percent or more of the voting stock of which is owned, directly or indirectly, by the Company.

(n) *whole Board of Directors* means the total number of directors which the Company would have on the Board of Directors if there were no vacancies.

3. *Administration of Plan.*

(a) The Plan shall be administered by the Compensation Committee of the Board of Directors or, if directors constituting not less than seventy percent (70%) of the whole Board of Directors so determine, by another committee consisting of not less than two (2) members of the Board of Directors. A majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, or actions approved in writing by all members of the Committee, shall constitute the acts of the Committee.

(b) The Committee shall have full authority and discretion to adopt rules and regulations and prescribe or approve the forms to carry out the purposes and provisions of the Plan. The Committee s interpretation and construction of any provision of the Plan or any option shall be final, binding and conclusive. Notwithstanding the foregoing, except for any adjustment pursuant to Section 6(b), the Committee shall not have authority to reprice any option granted hereunder.

4. *Shares Subject to Plan.* Subject to adjustment as provided in Section 6(b), 500,000 shares of Common Stock shall be available for grants of options under the Plan, reduced by the sum of the aggregate number of shares of Common Stock which become subject to outstanding options. To the extent that shares of Common Stock subject to an outstanding option are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such option, then such shares of Common Stock shall again be available under the Plan. Shares of Common Stock available under the Plan may be treasury shares reacquired by the Company or authorized and unissued shares, or a combination of both.

5. *Awards.* The Committee may grant options to Eligible Directors in accordance with this Section 5 and the other provisions of the Plan.

(a) The option price per share of Common Stock shall be fixed by the Committee at not less than 100% of Market Value on the date of grant, but in no event shall the option price be less than the par value per share.

(b) Each option shall be exercisable at such time or times as the Committee shall determine at or subsequent to grant, provided that no option shall be exercised later than 10 years after its date of grant.

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(c) An option may be exercised (i) by giving written notice to the Company specifying the number of whole shares of Common Stock to be purchased and accompanied by payment therefor in full (or arrangement made for such payment to the Company s satisfaction) either (A) in cash, (B) in cash delivered by a broker-dealer acceptable to the Company to whom the optionee has submitted an irrevocable notice of exercise, (C) by delivery of previously owned whole shares of Common Stock (which the optionee has held for at least six months prior to the delivery of such shares or which the optionee purchased on the open market and for which the optionee has good title, free and clear of all liens and encumbrances) having a Market Value, determined as of the date of exercise, equal to the aggregate purchase price payable by reason of such exercise, or (D) a combination of (A) and (C), in each case to the extent set forth in the agreement relating to the option and (ii) by executing such documents as the Company may reasonably request. No certificate representing Common Stock shall be delivered until the full purchase price therefor has been paid (or arrangement made for such payment to the Company s satisfaction).

6. *Miscellaneous Provisions*

(a) *Nontransferability of Options*. No option shall be transferable other than (a) by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company or (b) as otherwise permitted as set forth in the agreement relating to such option. Except to the extent permitted by the foregoing sentence, each option may be exercised during the participant s lifetime only by the participant or the participant s legal representative or similar person. Except as permitted by the second preceding sentence, no option shall be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of any option, such option and all rights thereunder shall immediately become null and void.

(b) *Adjustments*. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a cash dividend, the number and class of securities available under the Plan, the number and class of securities subject to each outstanding option, the purchase price per security, and the number of securities subject to each option to be granted to Non-Employee Directors shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding options without an increase in the aggregate purchase price. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive. If any adjustment would result in a fractional security being (a) available under the Plan, such fractional security shall be disregarded, or (b) subject to an option under the Plan, the Company shall pay the participant, in connection with the first exercise of the option in whole or in part after such adjustment, an amount in cash determined by multiplying (1) the fraction of such security (rounded to the nearest hundredth) by (2) the excess, if any, of (a) the Market Value on the exercise date over (b) the exercise price of the option.

(c) *Listing and Legal Compliance*. The Committee may suspend the exercise or payment of any award if it determines that securities exchange listing or registration or qualification under any securities laws is required in connection therewith and has not been completed on terms acceptable to the Committee.

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(d) *Beneficiary Designation*. To the extent permitted by the Company, participants may name, from time to time, beneficiaries (who may be named contingently or successively) to whom benefits under the Plan are to be paid in the event of their death before they receive any or all of such benefits. Each designation will revoke all prior designations by the same participant, shall be in a form prescribed by the Company, and will be effective only when filed by the participant in writing with the Company during the participant s lifetime. In the absence of any such designation, benefits remaining unpaid at a participant s death shall be paid to the participant s estate.

(e) *Amendment.* The Board of Directors, through a resolution adopted by directors constituting at least seventy percent (70%) of the whole Board of Directors, may amend the Plan as it shall deem advisable, subject to any requirement of stockholder approval required by applicable law, rule or regulation. No amendment may impair the rights of a holder of an outstanding option without the consent of such holder.

7. *Effective Date and Term of Plan.* The Plan shall be submitted to the stockholders of the Company for approval and, if approved by the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy at a meeting of stockholders, shall become effective on the date of such approval. In the event that the Plan is not approved by the stockholders of the Company, the Plan and any outstanding options shall be null and void. The Plan shall terminate ten years after its effective date, unless terminated earlier by the Board of Directors through a resolution adopted by directors constituting at least seventy percent (70%) of the whole Board of Directors. Termination of the Plan shall not affect the terms or conditions of any option granted prior to termination.

As adopted by the Board of Directors on January 17, 2008.

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APPENDIX D

APTARGROUP, INC.

AMENDMENT OF CERTIFICATE OF INCORPORATION

The Board has unanimously approved and recommended to stockholders an amendment (the Proposed Amendment) to the Company s Certificate of Incorporation (Certificate) which would amend the first sentence of Section 4.1 of Article FOUR to read as follows:

4.1 *Capital Stock*. The total number of shares of stock which the Corporation has authority to issue is~~100,000,000~~200,000,000 shares, consisting of 1,000,000 shares of Preferred Stock, par value $.01 per share, and ~~99,000,000~~199,000,000 shares of Common Stock, par value $.01 per share.

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VOTE BY INTERNET www.proxyvote.com *** AptarGroup encourages you to vote by Internet in order to reduce costs. *** Use the Internet to vote and to request electronic delivery 475 WEST TERRA COTTA AVENUE (e-mail) of information up until 11:59 P.M. Eastern Time the day STE E before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to CRYSTAL LAKE, IL 60014 enter your vote. ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS If you would like to reduce the costs incurred by AptarGroup, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery (e-mail), please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years. VOTE BY PHONE 1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions. VOTE BY MAIL Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to AptarGroup, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: APTAG1 KEEP THIS PORTION FOR YOUR RECORDS THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. DETACH AND RETURN THIS PORTION ONLY AptarGroup, Inc. For Withhold For All To withhold authority to vote for any individual All All Except nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below. 1. Nominees for Election of Directors: 01) King W. Harris 0 0 0 02) Peter H. Pfeiffer 03) Dr. Joanne C. Smith For Against Abstain 2. Approval of Annual Bonus Plan 0 0 0 3. Approval of 2008 Stock Option Plan 0 0 0 4. Approval of 2008 Director Stock Option Plan 0 0 0 5. Approval of an Amendment of the Certificate of Incorporation to increase the number of shares of Common Stock authorized 0 0 0 for issuance 6. Ratification of the appointment of the Independent Registered Public Accounting Firm 0 0 0 IN THEIR DISCRETION UPON SUCH OTHER BUSINESS AS MAY PROPERLY BE BROUGHT BEFORE THIS MEETING. For address changes and/or comments, please check this box and write them on 0 the back where indicated. Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

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Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting: The Notice and Proxy Statement, Annual Report/Form 10K are available at www.proxyvote.com. AptarGroup, Inc. 475 West Terra Cotta Ave., Suite E Crystal Lake, IL 60014 PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS Ralph A. Poltermann and Matthew J. DellaMaria, or either of them (each with full power of substitution), are hereby authorized to vote all shares of Common Stock which the undersigned would be entitled to vote if personally present at the annual meeting of stockholders of AptarGroup, Inc., to be held on April 30, 2008, and at any adjournment or postponement thereof. The shares represented by this proxy will be voted as herein directed, but if no direction is given, the shares will be voted FOR ALL Director Nominees and FOR each proposal. This proxy revokes any proxy previously given. Address Changes/Comments: (If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)