

APTARGROUP INC  
Form 10-K  
February 21, 2019  
Table of Contents

---

United States Securities and Exchange Commission

Washington, D.C. 20549

FORM 10 K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

FOR THE TRANSITION PERIOD FROM            TO

---

COMMISSION FILE NUMBER 1 11846

AptarGroup, Inc.

DELAWARE 36 3853103

265 EXCHANGE DRIVE, SUITE 100, CRYSTAL LAKE, ILLINOIS 60014

815 477 0424

Securities Registered Pursuant to Section 12(b) of the Act:

| Title of each class          | Name of each exchange on which registered |
|------------------------------|---|
| Common Stock \$.01 par value | New York Stock Exchange                   |

Securities Registered Pursuant to Section 12 (g) of the Act:

NONE

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Edgar Filing: APTARGROUP INC - Form 10-K

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the common stock held by non-affiliates as of June 29, 2018 was \$5,819,010,091.

The number of shares outstanding of common stock, as of February 15, 2019, was 62,930,726 shares.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held May 1, 2019 are incorporated by reference into Part III of this report.



Table of Contents

AptarGroup, Inc.

FORM 10 K

For the Year Ended December 31, 2018

INDEX

|   | Page |
|---|------|
| <u>Part I</u>   |      |
| <u>Item 1. Business</u>   | 1    |
| <u>Item 1A. Risk Factors</u>  | 8    |
| <u>Item 1B. Unresolved Staff Comments</u>   | 10   |
| <u>Item 2. Properties</u>   | 11   |
| <u>Item 3. Legal Proceedings</u>  | 11   |
| <u>Item 4. Mine Safety Disclosures</u>  | 11   |
| <u>Part II</u>  |      |
| <u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 12   |
| <u>Item 6. Selected Financial Data</u>  | 14   |
| <u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>                        | 15   |
| <u>Item 7A. Quantitative and Qualitative Disclosure about Market Risk</u>   | 34   |
| <u>Item 8. Financial Statements and Supplementary Data</u>  | 35   |
| <u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>                         | 79   |
| <u>Item 9A. Controls and Procedures</u>   | 79   |
| <u>Item 9B. Other Information</u>   | 79   |
| <u>Part III</u>   |      |
| <u>Item 10. Directors, Executive Officers and Corporate Governance</u>  | 79   |
| <u>Item 11. Executive Compensation</u>  | 80   |
| <u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>              | 80   |
| <u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>                                   | 80   |
| <u>Item 14. Principal Accountant Fees and Services</u>  | 80   |
| <u>Part IV</u>  |      |
| <u>Item 15. Exhibits and Financial Statement Schedules</u>  | 80   |
| <u>Item 16. Form 10-K Summary</u>   | 80   |
| <u>Index of Exhibits</u>  | 81   |
| <u>Signatures</u>   | 86   |

i/ATR 2018 Form 10-K

---

Table of Contents

PART I

ITEM 1. BUSINESS

WHO ARE WE AND WHAT DO WE DO

Aptar is a leading global supplier of a broad range of innovative dispensing, sealing and active packaging solutions for the beauty, personal care, home care, prescription drug, consumer health care, injectables, food and beverage markets. Aptar uses insights, design, engineering and science to create innovative packaging technologies that build brand value for its customers, and, in turn, make a meaningful difference in the lives, looks, health and homes of people around the world. Aptar is headquartered in Crystal Lake, Illinois and has over 14,000 dedicated employees in 18 different countries. For more information, visit [www.aptar.com](http://www.aptar.com).

Our business was started in the late 1940's, manufacturing and selling aerosol valves in the United States, and has grown primarily through acquisitions and internal expansion. We were incorporated in Delaware in 1992. In this report, we may refer to AptarGroup, Inc. and its subsidiaries as "AptarGroup", "Aptar" or the "Company".

We have manufacturing facilities located throughout the world including North America, Europe, Asia and South America. We have approximately 5,000 customers with no single customer or group of affiliated customers accounting for greater than 6% of our 2018 Net Sales.

Consumers' preference for convenience and product differentiation through packaging design and function are important to our customers and they have converted many of their packages from non-dispensing formats to dispensing systems that offer enhanced shelf appeal, convenience, cleanliness and accuracy of dosage.

While we offer a wide variety of dispensing, sealing and active packaging solutions, our primary products are dispensing pumps, closures, aerosol valves and elastomeric primary packaging components.

Dispensing pumps are finger actuated dispensing systems that dispense a spray or lotion from non pressurized containers. The style of pump used depends largely on the nature of the product being dispensed, from small, fine mist pumps used with perfume and pharmaceutical products to lotion pumps for more viscous formulas.

Closures are primarily dispensing closures but to a lesser degree can include non dispensing closures. Dispensing closures are plastic caps that allow a product to be dispensed without removing the cap.

Aerosol valves dispense product from pressurized containers. The majority of the aerosol valves that we sell are continuous spray valves, with the balance being metered dose valves.

We also manufacture and sell elastomeric primary packaging components. These components are used in the injectables market. Products include stoppers for infusion, antibiotic, lyophilization and diagnostic vials. Our elastomeric components also include pre filled syringe components, such as plungers, needle shields, tip caps and cartridges, as well as dropper bulbs and syringe plungers.

On August 27, 2018, the Company completed its acquisition (the "CSP Technologies Acquisition") of all of the outstanding capital stock of CSP Technologies S.à r.l. ("CSP Technologies"). CSP Technologies is a leader in active packaging technology based on proprietary material science expertise for the pharma and food service markets. The active packaging technologies protect and enhance the performance of our customers' products. On May 1, 2018, we acquired 100% of the common stock of Reboul SAS ("Reboul"). Reboul is a French manufacturer specializing in stamping, decorating and assembling metal and plastic packaging for the cosmetics and luxury markets.

AVAILABLE INFORMATION

Our periodic and current reports, and any amendments to those reports, are available, free of charge, through a link on the Investors page of our website ([www.aptar.com](http://www.aptar.com)), as soon as reasonably practicable after the material is electronically filed with, or furnished to, the Securities and Exchange Commission (“SEC”). These filings are also available to the public over the Internet at the SEC’s website (<http://www.sec.gov>).

Also posted on our website are the charters for our Audit, Management Development and Compensation, Governance and Executive Committees, our Governance Principles, our Code of Business Conduct & Ethics, our Director Independence Standards and our Conflict Minerals Statement. Within the time period required by the SEC and the New York Stock Exchange (“NYSE”), we will post on our website any amendment or waiver to the Code of Business Conduct & Ethics applicable to any executive officer or director. The information provided on our website is not part of this report and is therefore not incorporated herein by reference.

1/ATR 2018 Form 10-K

---

## Table of Contents

### OUR STRATEGY

We seek to enhance our position as a leading global provider of innovative packaging dispensing, sealing and active packaging solutions and deliver increased value to our customers and stockholders through strategic focus and execution in the following areas:

- (i) **Successful Transformation:** To strengthen our performance and deepen our position as a true market shaper, we continually evaluate our business. In late 2017, we launched a comprehensive business transformation plan within our Beauty + Home segment and for key corporate support functions including Finance, Human Resources, Information Systems and Purchasing.
- (ii) **Focus on Organic Growth:** We are focused on accelerating our top line growth with added emphasis on high growth economies. Accordingly, we are creating empowered, regional, cross-functional profit and loss (“P&L”) teams who are fully accountable to drive profitable growth.
- (iii) **Excellence in Core Business Functions:** We have established three pillars of functional excellence to ensure we perform at best in class levels in the core functions of any manufacturing business, namely “innovate,” “produce” and “sell,” and that our business teams are supported in the areas of Innovation, Operations and Commercial Excellence.
- (iv) **Focus on Talent and Leadership:** Execution of our strategy requires a talented, motivated, diverse, international team. We have a focused talent acquisition and development strategy to ensure our teams have the right skills to execute our strategy.
- (v) **Partnerships and Acquisitions:** We will continue to focus on growing the company through appropriate business acquisition opportunities as well as developing partnerships to expand the scope of our technologies, geographic presence and product offerings.

Facilitating the execution of our strategy are our core values, which dictate how we interact internally and externally with our employees, customers, suppliers and all stakeholders.

### DESCRIPTION OF OUR REPORTING SEGMENTS

#### INFORMATION ABOUT SEGMENTS

Our organizational structure consists of three market focused business segments: Beauty + Home, Pharma and Food + Beverage. This is a strategic structure which allows us to be more closely aligned with our customers and the markets in which they operate. We primarily sell our products through our own sales force to beauty, personal care, pharmaceutical, home care, food and beverage marketers. To a limited extent, we use independent representatives and distributors to increase our reach to smaller customers and export markets.

Operations that sell dispensing systems and sealing solutions primarily to the beauty, personal care and home care markets form the Beauty + Home segment. Operations that sell dispensing systems and sealing solutions to the prescription drug, consumer health care, injectables and active packaging markets form the Pharma segment. Operations that sell dispensing systems and sealing solutions to the food and beverage markets form the Food + Beverage segment. Each of these three business segments is described more fully below.

#### BEAUTY + HOME

The Beauty + Home segment is our largest segment in terms of net sales and total assets representing 52% and 41% of our Net Sales and Total Assets, respectively, in 2018. The Beauty + Home segment primarily sells pumps, closures, aerosol valves, accessories and sealing solutions to the personal care and home care markets and pumps and decorative components to the beauty market. We believe we are a leading supplier for the majority of the products we sell primarily to the beauty and personal care markets.



Beauty. Sales to the beauty market accounted for approximately 49% of the segment's total net sales in 2018. The beauty market requires a broad range of spray and lotion pumps, closures, elastomeric flow-control components and sampling dispensing systems to meet functional as well as aesthetic requirements. A considerable amount of research, time and coordination with our customers is required to qualify a pump for use with their products. Within the market, we expect the use of pumps to continue to increase, particularly in the cosmetics and sampling sectors. In the cosmetic sector, packaging for certain products such as natural and organic cosmetics and anti aging lotions continue to provide us with growth opportunities. We are a leading provider of packaging solutions for prestige and mass market fragrance products. Our cosmetic lotion pumps, airless dispensing systems, lotion sampling devices and decorative capabilities along with our focus on color cosmetics including lip stick and lip gloss products will also provide growth opportunities. We see continued growth opportunities in Latin America and significant opportunities for growth in the sale of our products for cosmetic applications in Asia.

2/ATR 2018 Form 10-K

---

## Table of Contents

Personal Care. Sales to the personal care market accounted for approximately 44% of the segment's total net sales in 2018 and primarily included sales of fine mist spray pumps, lotion pumps, closures, elastomeric flow-control components and continuous spray aerosol valves. Personal care spray pump applications include hair care, body care and sun care products. Typical lotion pump applications include skin moisturizers, hand sanitizers and soap. Personal care closures applications include shampoos and conditioners. Personal care continuous spray aerosol valve applications include hair care products, deodorants, shaving creams and sun care products. Our research and development teams continue to design unique accessories that increase the value of our continuous spray aerosol valve offerings.

Home Care. Sales to the home care market accounted for approximately 7% of the segment's total net sales in 2018 and primarily included sales of continuous or metered dose spray aerosol valves, closures and to a lesser degree spray and lotion pumps. Applications for continuous spray valves include disinfectants, spray paints, insecticides and automotive products. Metered dose valves are used for air fresheners. Closure applications include liquid detergents, automotive products and household cleansers. Spray and lotion pump applications primarily include household, insect repellent and industrial cleaners.

## PHARMA

The Pharma segment is our second largest segment in terms of net sales and total assets, accounting for 34% and 40% of our Net Sales and Total Assets, respectively, in 2018. We believe we are a leading supplier of pumps and metered dose inhaler valves ("MDIs") to the pharmaceutical market worldwide and we are an important supplier of elastomer for injectable primary packaging components worldwide. Characteristics of this market include (i) governmental regulation of our pharmaceutical customers, (ii) contaminant controlled manufacturing environments and (iii) a significant amount of time and research from initially working with pharmaceutical companies at the molecular development stage of a medication through the eventual distribution to the market. We have clean room manufacturing facilities in Argentina, China, France, Germany, India, Switzerland and the United States. We believe that providing an alternative to traditional medication forms such as pills with value added, convenient dispensing systems will continue to offer opportunities for our business. In addition, we believe there are opportunities for growth in the over-the-counter and generic pharmaceutical categories.

Prescription Drug. Sales to the prescription drug market accounted for approximately 52% of the segment's total net sales in 2018. Pumps sold to the prescription drug market deliver medications nasally, orally or topically. Currently the majority of our pumps sold are for nasal allergy treatments. Recently, there is a trend of nasal allergy products moving from prescription only to being sold over-the-counter without a prescription. This trend could provide us with growth opportunities as this movement could allow consumers easier access to these types of treatments. Our nasal pumps and unit dose devices are also used to deliver pain management products. Potential opportunities for providing alternatives to traditional pill and injectable dosage forms of medication include pump dispensing systems for vaccines, cold and flu treatments, central nervous systems applications and hormone replacement therapies.

MDIs are used for dispensing precise amounts of aerosolized medication. This technology allows medication to be broken up into very fine particles, which enables the drug to be delivered typically via the pulmonary system. Currently the majority of our MDIs sold are used for respiratory ailments such as asthma and COPD (chronic obstructive pulmonary disease).

We continue to develop new dispensing systems and accessories in this segment. For example, we provide single dose delivery devices suitable for central nervous system applications. While we expect that these types of new products will come to market in the future, it is difficult to estimate when, as the rigors of pharmaceutical regulations affect the timing of product introductions by our pharmaceutical customers that use our dispensing systems.

Consumer Health Care. Sales to the consumer health care market accounted for approximately 27% of the segment's total net sales in 2018. Applications for this market are similar to the prescription market; however, these applications are sold over-the-counter without a prescription. Typical consumer health care spray pump applications include nasal decongestants, nasal salines and cough and cold applications. Typical consumer health care valve applications include nasal saline using our bag on valve technology. We have developed a multi dose ophthalmic dispensing device suitable for unpreserved formulations. This technology is successfully marketed in Europe, North America and Latin America and is under development for other markets both for over-the-counter and prescription applications. Other products sold to this market include airless pump systems for dermal drug delivery applications. We have recently seen a trend to more child resistant and senior friendly packaging solutions and have developed products to meet these market needs.

Injectables. Sales to the injectables market accounted for approximately 17% of the segment's total net sales in 2018. Injectables are elastomeric primary packaging components for injectable drug delivery. Injectable products offered include stoppers for vials and pre filled syringe components, such as plungers, needle shields, tip caps and components for cartridges. Our recent investment in this business allows us to market coated stoppers which better preserve the contents of the vial and adds value to our customers and the consumer. Pharmaceutical applications for this market include vaccines, anti thrombotic, small molecules and biologics.

3/ATR 2018 Form 10-K

---

## Table of Contents

**Active Packaging.** Active packaging is a new technology for Aptar since the CSP Technologies Acquisition in the third quarter of 2018. Sales of active packaging products accounted for approximately 4% of the segment's total net sales in 2018 since acquisition. Through proprietary material science expertise, we deliver active packaging solutions such as desiccant material to enhance the shelf life and effectiveness of diagnostic and solid dose products.

## FOOD + BEVERAGE

The Food + Beverage segment is our smallest segment in terms of net sales and total assets representing 14% of our Net Sales and Total Assets in 2018, but has been experiencing strong product growth over recent years. We primarily sell dispensing closures and, to a lesser degree, non dispensing closures, elastomeric flow control components, spray pumps and aerosol valves.

Sales of dispensing closures have grown as consumers worldwide have demonstrated a preference for a package utilizing the convenience of a dispensing closure. At the same time, consumer marketers are trying to differentiate their products by incorporating performance enhancing features such as bonded aluminum liners to plastic, flow control and no drip dispensing, inverted packaging and directional flow to make packages simpler to use, cleaner and more appealing to consumers. We also have a number of product solutions that address the increased use of flexible packaging formats.

**Food.** Sales to the food market accounted for approximately 64% of the segment's total net sales in 2018 and primarily include sales of dispensing closures and elastomeric flow control components. To a lesser degree we also sell non dispensing closures, continuous spray aerosol valves and spray pumps to this market. Applications for dispensing closures include sauces, condiments, infant nutrition and other food products. Applications for continuous spray aerosol valves include cooking sprays. Spray pump applications primarily include butter or salad dressing sprays. With the completion of the CSP Technologies Acquisition in the third quarter of 2018, we have started to sell and further develop packaging solutions to the food service market to enhance the shelf life of those products.

**Beverage.** Sales to the beverage market accounted for approximately 36% of the segment's total net sales in 2018 and primarily include sales of dispensing closures and elastomeric flow control components. Sales of dispensing closures to the beverage market have increased significantly over the last several years as we continue to see an increase of interest from marketers using dispensing closures for their products. Examples of beverage products currently utilizing dispensing closures include bottled water, sport and energy drinks, juices and concentrated water flavorings.

## GENERAL BUSINESS INFORMATION

### RESEARCH AND DEVELOPMENT

Our commitment to innovation, one of our competitive strengths, has resulted in an emphasis on research and development directed toward developing affordable, new, innovative packaging delivery solutions and adapting existing products for new markets or customer requirements. In certain cases, our customers share in the research and development expenses of customer initiated projects. Occasionally, we acquire or license from third parties technologies or products that are in various stages of development.

### PATENTS AND TRADEMARKS

We customarily seek patent and trademark protection for our products and brands. We own and currently have numerous applications pending for patents and trademarks in many regions of the world. In addition, certain of our products are produced under patent licenses granted by third parties. We believe that we possess certain technical capabilities in making our products that make it difficult for a competitor to duplicate. While valuable to our overall

product portfolio, sales of any one individually patented product are not considered material to any specific segment or to our consolidated results.

## TECHNOLOGY

We have technical expertise regarding injection molding, robotics, clean-room facilities and high speed assembly. We also have expertise regarding the formulation and finishing of elastomer and silicone components. In addition, we offer a variety of sterilization options for elastomeric components and active packaging technology based on proprietary material science expertise. Pumps and aerosol valves require the assembly of several different plastic, metal and rubber components using high speed equipment. When molding dispensing closures, or plastic components to be used in pump or aerosol valve products, we use advanced plastic injection molding technology, including large cavitation plastic injection molds. We are able to mold within tolerances as small as one one thousandth of an inch and we assemble products in a high speed, cost effective manner. We are experts in molding liquid silicone that is used in certain dispensing closures as well as rubber gasket formulation and production primarily for the prescription drug and consumer health care markets.

4/ATR 2018 Form 10-K

---

## Table of Contents

### MANUFACTURING AND SOURCING

The majority of our worldwide production is located outside of the United States. Our philosophy is to produce as much as possible in the region where it will be sold. In order to augment capacity and to maximize internal capacity utilization (particularly for plastic injection molding), we use subcontractors to supply certain plastic, metal and rubber components. Certain suppliers of these components have unique technical abilities that make us dependent on them, particularly for aerosol valve and pump production. The principal raw materials used in our production are plastic resins, silicone, rubber and certain metal products. We believe an adequate supply of such raw materials is available from existing and alternative sources. We attempt to offset cost increases through improving productivity and developing new, higher margin solutions and increasing selling prices, as allowed by market conditions or contractual commitments. We source certain materials, especially some resins and rubber components for our pharmaceutical segment, from a single source. Significant delays in receiving these components or discontinuance of an approved raw material would require us to seek alternative sources, which could result in higher costs as well as impact our ability to supply products in the short-term.

### BACKLOG

Our sales are primarily made pursuant to standard purchase orders for delivery of products. While most orders placed with us are ready for delivery within 120 days, we continue to experience a trend towards shorter lead times requested by our customers. Some customers place blanket orders, which extend beyond this delivery period. However, deliveries against purchase orders are subject to change, and only a small portion of the order backlog is noncancelable. The dollar amount associated with the noncancelable portion is not material. Therefore, we do not believe that backlog as of any particular date is an accurate indicator of future results.

### CUSTOMERS

We have approximately 5,000 customers with no single customer or group of affiliated customers accounting for greater than 6% of 2018 Net Sales. A consolidation of our customer base has been occurring and this trend is expected to continue. A concentration of customers presents opportunities for increasing sales due to the breadth of our product line, our international presence and our long term relationships with certain customers. However, consolidation of our customers could lead to pricing pressures, concentration of credit risk and fewer opportunities to introduce new products to the market.

### INTERNATIONAL BUSINESS

We are geographically diverse with manufacturing and sales operations in Asia, Europe, Latin America (including Mexico) and North America. Europe is our largest region in terms of sales, where sales for the years ended December 31, 2018, 2017 and 2016 were approximately 59%, 58% and 57%, respectively, of our consolidated sales. Asia and Latin America when aggregated represented approximately 15%, 16% and 16% of our consolidated sales for the years ended December 31, 2018, 2017 and 2016, respectively. Export sales from the United States were \$171.7 million, \$152.8 million and \$165.1 million in 2018, 2017 and 2016, respectively. We are a net exporter of goods from the U.S. and Europe and a net importer of goods to the Asian and Latin American regions.

### FOREIGN CURRENCY

Because of our international presence, movements in exchange rates have a significant impact on the translation of the financial statements of our foreign subsidiaries. Our primary foreign exchange exposure is to the euro, but we have foreign exchange exposure to the Chinese yuan, Brazilian real, Mexican peso, Swiss franc and other Asian, European and South American currencies. A weakening U.S. dollar relative to foreign currencies has an additive translation

effect on our financial statements. Conversely, a strengthening U.S. dollar has a dilutive effect. We manage our exposures to foreign exchange principally with forward exchange contracts to economically hedge recorded transactions and firm purchase and sales commitments denominated in foreign currencies.

During the quarter ended June 30, 2018, we concluded that Argentina has become a highly inflationary economy primarily based on published estimates, which indicate that Argentina's three-year cumulative inflation rate has exceeded 100%. Beginning July 1, 2018, we applied highly inflationary accounting for our Argentinian subsidiaries. We have changed the functional currency from the Argentinian peso to the U.S. dollar.

#### WORKING CAPITAL PRACTICES

Collection and payment periods tend to be longer for our operations located outside the United States due to local business practices. We have also seen an increasing trend in pressure from certain customers to lengthen their payment terms. As the majority of our products are made to order, we have not needed to keep significant amounts of finished goods inventory to meet customer requirements. However, some of our contracts specify an amount of finished goods safety stock we are required to maintain.

5/ATR 2018 Form 10-K

---

## Table of Contents

To the extent our financial position allows and there is a clear financial benefit, we from time-to-time benefit from early payment discounts with some suppliers.

### EMPLOYEE AND LABOR RELATIONS

AptarGroup has approximately 14,100 full time employees. Of the full time employees, approximately 8,700 are located in Europe, 3,000 are located in Asia and South America and the remaining 2,400 are located in North America. The majority of our European and Latin American employees are covered by collective bargaining arrangements made at either the local or national level in their respective countries and approximately 130 of the North American employees are covered by a collective bargaining agreement. Termination of employees at certain of our international operations could be costly due to local regulations regarding severance benefits. There were no material work stoppages in 2018 and management considers our employee relations to be satisfactory.

### COMPETITION

All of the markets in which we operate are highly competitive and we continue to experience price competition in all product lines and markets. Competitors include privately and publicly held entities that range from regional to international companies. We expect the market for our products to remain competitive. We believe our competitive advantages are consistent high levels of innovation, quality and service, geographic diversity, financial strength and stability and breadth of products. Our manufacturing strength lies in the ability to mold complex plastic components and formulate and finish elastomer and silicone components in a cost effective manner and to assemble products at high speeds. Our business is somewhat capital intensive and it is becoming more important to our customers that we have global manufacturing capabilities. Both of these serve as barriers to entry for new competitors wanting to enter our business.

While we have experienced some competition in Europe, Latin America and the United States from low cost Asian suppliers, particularly in the low end beauty and personal care market, this has not been significant. Although using low cost Asian suppliers may have a cost advantage, some customers prefer local suppliers citing better quality, better customer service and shorter lead times.

### ENVIRONMENT

Our manufacturing operations primarily involve plastic injection molding, automated assembly processes, elastomer and silicone formulation and finishing and, to a limited degree, metal anodization and vacuum metallization of plastic components. Historically, the environmental impact of these processes has been minimal, and we believe we meet current environmental standards in all material respects. To date, our manufacturing operations have not been significantly affected by environmental laws and regulations relating to the environment.

Recently there is increased interest and awareness from consumers, and from our customers, in environmentally sustainable products, especially through the sourcing of sustainable materials. We are focused on reducing our environmental impacts through product life cycle assessments, sustainable material trials, operational eco-efficiency initiatives and renewable energy sourcing. We have teams dedicated to designing for sustainability by providing products that improve recyclability and use less material. Aptar has launched products and components in North America and Europe made with post-consumer recycled resins (PCR) and continues to explore additional opportunities for alternative resins and recyclable products.

Connecting with other companies through organizations like Ellen MacArthur Foundation's New Plastics Economy and the World Business Council for Sustainable Development (WBCSD) provides an invaluable opportunity to share best practices and work on larger projects with aligned objectives.



Future regulations on environmental matters regarding recycling or material inputs could impact our business.

#### GOVERNMENT REGULATION

Certain of our products are indirectly affected by government regulation. The European Union has passed regulations aimed to reduce marine litter and increase plastic recycling rates. These regulations include the ban of single-use plastics by 2021 and the collection and recycling of more plastics post-consumer use. In some of the United States, regulations oblige food and beverage companies to tether plastic caps to ensure the caps stay with the package, thus improving the likelihood the caps will enter the recycling stream. The potential exists for these types of regulations to expand worldwide. We have established an innovation team that focuses on designing for and converting into more sustainable options like post-consumer recycled resin and Food and Drug Administration approved resin alternatives. We are designing for sustainability by providing products that improve recyclability and use less material, and we offer multiple tethered options. We are also partnering with global and regional thought leaders to drive a more circular economy.

6/ATR 2018 Form 10-K

---

Table of Contents

Demand for aerosol and pump packaging is also affected by government regulations regarding the release of volatile organic compounds (“VOCs”) into the atmosphere. Europe and the United States have regulations that require the reduction in the amount of VOCs that can be released into the atmosphere and the potential exists for this type of regulation to expand worldwide. These regulations required certain of our customers to reformulate certain aerosol and pump products, which may have affected the demand for such products. We own patents and have developed systems to function with alternative propellant and product formulations.

Future government regulations could include healthcare cost containment policies. For example, reviews by various governments to determine the number of drugs, or prices thereof, that will be paid by their insurance systems could affect future sales of our pharmaceutical customers’ products and thus adversely impact our sales to these customers. Such regulation could adversely affect prices of and demand for our pharmaceutical products. We believe that the focus on the cost effectiveness of the use of medications as compared to surgery and hospitalization provides us with an opportunity to expand sales to the pharmaceutical market.

## EXECUTIVE OFFICERS

Our executive officers as of February 21, 2019 are as follows:

| Name           | Age | Position with the Company   |
|----------------|-----|---|
| Stephan Tanda  | 53  | President and Chief Executive Officer<br>Mr. Tanda has been President and Chief Executive Officer since February 2017. Prior to this, Mr. Tanda was an Executive Managing Board Director at Royal DSM NV, a leading global supplier of ingredients and material solutions for the food, dietary supplement, personal care, medical device, automotive, paint, electronic and bio-material markets, from March 2007 to January 2017. |
| Robert Kuhn    | 56  | Executive Vice President, Chief Financial Officer and Secretary<br>Mr. Kuhn has been Executive Vice President and Chief Financial Officer since September 2008. Mr. Kuhn has been Secretary since June 2011.  |
| Eldon Schaffer | 53  | President, Aptar Beauty + Home<br>Mr. Schaffer has been President of Aptar Beauty + Home since January 2016. Prior to this, Mr. Schaffer was President of Aptar Food + Beverage from 2012 to 2015 and President of Aptar Beauty + Home North America from 2010 to 2011.   |
| Marc Prieur    | 53  | President, Aptar Food + Beverage<br>Mr. Prieur has been President of Aptar Food + Beverage since September 2018. Prior to this, Mr. Prieur was VP of Aptar Operational Excellence from June 2017 to August 2018, President EMEA Sales & Operations – Consumer Health Care from June 2013 to June 2017 and President of our Pharma business in Asia from June 2008 to June 2013.   |
| Gael Touya     | 49  | President, Aptar Pharma<br>Mr. Touya has been President of Aptar Pharma since September 2018. Prior to this, Mr. Touya was President of Aptar Food + Beverage from 2016 to August 2018, President of Aptar Food + Beverage Europe from 2012 to 2015 and Business Development Vice President Skin Care and Color Cosmetics from 2010 to 2011.  |

Edgar Filing: APTARGROUP INC - Form 10-K

Xiangwei Gong 49 President, Aptar Asia

Ms. Gong has been President of Aptar Asia since October 2018. Prior to this, Ms. Gong held various leadership positions at Royal DSM for over 22 years. She was President of DSM Hydrocolloids from 2014 to 2018, President Asia of DSM Food Specialties from 2011 to 2014, Vice President of Channel Marketing from 2008 to 2011 and Vice President of Personal Care in DSM North America from 2005 to 2008.

Shiela Vinczeller 55 Chief Human Resources Officer

Ms. Vinczeller has been Chief Human Resources Officer since November 2018. Prior to this, Ms. Vinczeller spent 12 years in Human Resources leadership roles at International Paper, one of the world's leading producers of fiber-based packaging, pulp and paper.

There were no arrangements or understandings between any of the executive officers and any other person(s) pursuant to which such officers were elected.

7/ATR 2018 Form 10-K

---

Table of Contents

ITEM 1A. RISK FACTORS

Set forth below and elsewhere in this report and in other documents we file with the Securities and Exchange Commission are risks and uncertainties that could cause our actual results to materially differ from the results contemplated by the forward looking statements contained in this report and in other documents we file with the Securities and Exchange Commission. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations. You should carefully consider the following factors in addition to other information contained in this report on Form 10 K before purchasing any shares of our common stock.

If there is deterioration in economic conditions in a particular region or market, our business and operating results could be materially adversely impacted. Due to our strong balance sheet, diverse product offerings, various end markets served, and our broad geographic presence, we believe we are well positioned to withstand slowness in any one particular region or market. However, economic uncertainties affect businesses such as ours in a number of ways, making it difficult to accurately forecast and plan our future business activities. A tightening of credit in financial markets or other factors may lead consumers and businesses to postpone spending, which may cause our customers to cancel, decrease or delay their existing and future orders with us. In addition, financial difficulties experienced by our suppliers, customers or distributors could result in product delays, increased accounts receivable defaults, inventory or supply challenges and pricing pressures. An interruption in supply may also impact our ability to meet customer demands. Consumer demand for our customers' products and shifting consumer preferences are unpredictable and could have a negative impact on our customers and our customers' demand for our products.

We face strong global competition and our market share could decline. All of the markets in which we operate are highly competitive and we continue to experience price competition in all product lines and segments. Competitors include privately and publicly held entities. Our competitors mainly range from regional to international companies. If we are unable to compete successfully, our market share may decline, which could materially adversely affect our results of operations and financial condition.

Geopolitical conditions, including trade disputes and direct or indirect acts of war or terrorism, could have a material adverse effect on our operations and financial results. Our operations could be disrupted by geopolitical conditions such as Brexit, trade disputes, international boycotts and sanctions, acts of war, terrorist activity or other similar events. Such events could make it difficult, impossible or more expensive to manufacture or deliver products to our customers, receive production materials from our suppliers, or perform critical functions, all of which could adversely affect our business globally or in certain regions. In addition, our customers may export their finished products using our dispensing devices that were sold in other regions and an adverse geopolitical event may impact the sales of our customers' products and thus indirectly negatively impact the demand for our dispensing solutions. However, our business is well-diversified across eight end markets and many geographies as we produce in eighteen countries and while we do face some risk related to specific trade policies, we believe our diverse business model, coupled with our diverse and global customer base, allow some protection from dependency on any one geographic region, country or even trade route.

We have foreign currency translation and transaction risks that may materially adversely affect our operating results. A majority of our operations are located outside of the United States. Because of this, movements in exchange rates may have an impact on the translation of the financial statements of our foreign entities. Our primary foreign exchange exposure is to the euro, but we have foreign exchange exposure to the Chinese yuan, Brazilian real, Mexican peso, Swiss franc, and other Asian, European and South American currencies. A weakening U.S. dollar relative to foreign currencies has an additive translation effect on our financial statements. Conversely, a strengthening U.S. dollar has a dilutive translation effect. In some cases, we sell products denominated in a currency different from the currency in which the related costs are incurred. We manage our exposures to foreign exchange principally with

forward exchange contracts to economically hedge certain transactions and firm purchase and sales commitments denominated in foreign currencies. The volatility of currency exchange rates may materially affect our operating results.

Government regulation on environmental matters regarding recycling or environmental sustainability policies could impact our business. Future government regulations mandating the use or limitations of certain materials could impact our manufacturing processes or the technologies we use forcing faster development and adoption of alternative materials or assets used in the production of our products.

Future government regulations of healthcare cost containment policies may impact our pharmaceutical sales. Review by governments of the number of drugs and prices thereof that will be paid by their insurance systems could affect future sales to the pharmaceutical industry and thereby adversely affect prices of and demand for our pharmaceutical products.

Consolidation of customer base could impact our business. We believe mergers and acquisitions within our customer base create opportunities for increasing sales due to the breadth of our product line, our international presence and our long term relationships with certain customers. However, consolidation of our customers could lead to pricing pressures, concentration of credit risk and fewer opportunities to introduce new products to the market.

8/ATR 2018 Form 10-K

---

## Table of Contents

If our expansion initiatives are unsuccessful, our operating results and reputation may suffer. We are expanding our operations in a number of geographies and markets, including facilities expansions in Latin America and Asia, and market expansions such as active packaging. Expansion of our operations require a significant amount of time and attention from our senior management and/or capital investment. These activities present considerable challenges and risks, including the general economic and political conditions in the markets that we enter, attracting, training and retaining qualified and talented employees, infrastructure disruptions, fluctuations in currency exchange rates, the imposition of restrictions by governmental authorities, compliance with current, new and changing governmental laws and regulations and the cost of such compliance activities. If any of our expansion efforts are unsuccessful, our operating results and reputation may suffer.

The success or failure of our customers' products, particularly in the pharmaceutical market, may materially affect our operating results and financial condition. In the pharmaceutical market, the proprietary nature of our customers' products and the success or failure of their products in the market using our dispensing systems may have a material impact on our operating results and financial condition. We may potentially work for years on modifying our dispensing device to work in conjunction with a customer's drug formulation. If the customer's pharmaceutical product is not approved by regulatory bodies or it is not successful on the market, the associated costs may not be recovered.

Higher raw material costs and other inputs and an inability to increase our selling prices may materially adversely affect our operating results and financial condition. The cost of raw materials and other inputs (particularly plastic resin, rubber, metal, anodization costs and transportation and energy costs) are volatile and susceptible to rapid and substantial changes due to factors beyond our control, such as changing economic conditions, currency fluctuations, weather conditions, political unrest and instability in energy producing nations, and supply and demand pressures. Raw material costs may increase in the coming years and, although we have generally been able to increase selling prices to cover increased costs, future market conditions may prevent us from passing these increased costs on to our customers through timely price increases. In addition, we may not be able to improve productivity or realize savings from our cost reduction programs sufficiently enough to offset the impact of increased raw material costs. As a result, higher raw material costs could result in declining margins and operating results.

In difficult market conditions, our fixed costs structure combined with potentially lower revenues may negatively impact our results. Our business is characterized by relatively high fixed costs and, notwithstanding our utilization of third party manufacturing capacity, most of our production requirements are met by our own manufacturing facilities. In difficult environments, we are generally faced with a decline in the utilization rates of our manufacturing facilities due to decreases in product demand. During such periods, our plants may not operate at full capacity and the costs associated with this excess capacity are charged directly to cost of sales. Difficult market conditions in the future may adversely affect our utilization rates and consequently our future gross margins, and this, in turn, could have a material negative impact on our business, financial condition and results of operations.

If our unionized employees were to engage in a strike or other work stoppage, our business, operating results and financial position could be materially adversely affected. The majority of our European and Latin American employees are covered by collective bargaining arrangements made either at the local or national level in their respective countries and approximately 130 of our North American employees are covered by a collective bargaining agreement. Although we believe that our relations with our employees are satisfactory, no assurance can be given that this will continue. If disputes with our unions arise, or if our unionized workers engage in a strike or other work stoppage, we could incur higher labor costs or experience a significant disruption of operations, which could have a material adverse effect on our business, operating results and financial position.

Single sourced materials and manufacturing sites could adversely impact our ability to deliver product. The Company sources certain materials, especially some resins and rubber components for our pharmaceutical segment, from a single source. Any disruption in the supply of these materials could adversely impact our ability to deliver product to

our customers. Similarly, we have certain components and products that are manufactured at a single location or from a single machine or mold. Any disruption to the manufacturing process could also adversely impact our ability to deliver product to our customers.

If we were to incur a significant product liability claim above our current insurance coverage, our business, operating results and financial condition could be materially adversely affected. The failure of our devices to operate as intended may result in a product liability claim against us. We believe we maintain adequate levels of product liability insurance coverage. A product liability claim in excess of our insurance coverage or not covered by existing insurance may materially adversely affect our business, operating results and financial condition.

9/ATR 2018 Form 10-K

---

## Table of Contents

Increased cybersecurity threats could pose a risk to our operations. Increased global information security threats and more sophisticated, targeted computer crime pose a risk to the confidentiality, availability and integrity of our data, operations and infrastructure, as well as the data of our customers. We continue to assess potential threats and make investments seeking to reduce the risk of these threats by employing a number of security measures, including employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems. We also periodically test our systems for vulnerabilities and have on occasion used a third party to conduct such tests. To date, we have seen no material impact on our business or operations from these threats; however, we cannot guarantee that our security efforts will prevent unauthorized access or loss of functionality to our or our third-party providers' systems. Even with these mitigations, our information systems remain potentially vulnerable to sophisticated cybersecurity threats. Depending on their nature and scope, such threats could potentially lead to the compromise of confidential information, improper use of our systems and networks, manipulation and destruction of data, production downtimes and operational disruptions, which in turn could adversely affect our reputation, competitiveness and results of operations.

If our integration of acquisitions are unsuccessful, our operating results and reputation in the investment community may suffer. We continue to pursue growth through acquisitions, including the recent CSP Technologies and Rebound acquisitions. If our integration, including unlocking synergies, is unsuccessful we may not realize the full potential of the acquisitions and as a result our financial performance may suffer. Through our experience and outside advisors we think we minimize this risk both from a diligence and integration perspective.

We have approximately \$712.1 million in recorded goodwill at December 31, 2018, and changes in future business conditions could cause this asset to become impaired, requiring write downs that would reduce our operating income. We evaluate the recoverability of goodwill amounts annually, or more frequently when evidence of potential impairment exists. The impairment test is based on several factors requiring judgment. A decrease in expected reporting unit cash flows or changes in market conditions may indicate potential impairment of recorded goodwill and, as a result, our operating results could be materially adversely affected. See "Critical Accounting Estimates" in Part II, Item 7 for additional information.

We are subject to tax regulations in the many jurisdictions in which we operate, and changes in tax regulations could materially impact our results. Future changes in tax laws or in the interpretation of tax laws in jurisdictions where we have significant operations could materially impact our provision for income taxes, the amount of taxes payable and our deferred tax asset and liability balances.

We are currently implementing a business transformation plan, with the main objective to return our Beauty + Home segment to historical growth and profit margins. Certain elements of this transformation plan can be disruptive to our business and our employees if we do not manage the change properly. Furthermore, the transformation plan may take longer to complete than currently expected, may be more costly to complete than currently expected and may not be successful in returning Beauty + Home to historical growth and profit margins. Any such effects could materially adversely impact our business.

**Ownership by Certain Significant Stockholders.** Currently, Aptar has three institutional stockholders who each own between 8% and 11% of our outstanding common stock. None of these stockholders have direct representation on our Board of Directors. If one of these stockholders decides to sell significant volumes of our stock, this could put downward pressure on the price of the stock.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved comments from the SEC.



10/ATR 2018 Form 10-K

---

Table of Contents

## ITEM 2. PROPERTIES

We lease or own our principal offices and manufacturing facilities. None of the owned principal properties is subject to a lien or other encumbrance material to our operations. We believe that existing operating leases will be renegotiated as they expire, will be acquired through purchase options or that suitable alternative properties will be leased on acceptable terms. We consider the condition and extent of utilization of our manufacturing facilities and other properties to be generally good, and the capacity of our plants to be adequate for the needs of our business. The locations of our principal manufacturing facilities, by country, are set forth below:

|                           |                                       |                                 |
|---------------------------|---------------------------------------|---------------------------------|
| ARGENTINA                 | GERMANY                               | SPAIN                           |
| Berazategui (1 & 2)       | Böhringen (1 & 2)                     | Madrid (1)                      |
| Tortuguitas (1 & 3)       | Dortmund (1)                          | Torello (1 & 3)                 |
|                           | Eigeltingen (2)                       |                                 |
| BRAZIL                    | Freyung (1 & 3)                       | SWITZERLAND                     |
| Cajamar (1)               | Menden (1)                            | Mezzovico (2)                   |
| Maringá Paraná (1 & 3)    | Villingen-Schwenningen (1 & 2)        |                                 |
| Jundiai (1)               |                                       | THAILAND                        |
|                           | INDIA                                 | Chonburi (1)                    |
| CHINA                     | Himachal Pradesh (1)                  |                                 |
| Suzhou (1, 2 & 3)         | Hyderabad (1 & 3)                     | UNITED KINGDOM                  |
|                           | Mumbai (2)                            | Leeds, England (1 & 3)          |
| COLOMBIA                  |                                       |                                 |
| Cali (1)                  | INDONESIA                             | UNITED STATES                   |
|                           | Cikarang, Bekasi (1)                  | Atlanta, Georgia (3)            |
| CZECH REPUBLIC            |                                       | Auburn, Alabama (2 & 3)         |
| Kyne (1 & 3)              | IRELAND                               | Cary, Illinois (1, 2 & 3)       |
|                           | Ballinasloe, County Galway (1)        | Congers, New York (2)           |
| FRANCE                    |                                       | Eatontown, New Jersey (1 & 2)   |
| Annecy (1 & 2)            | ITALY                                 | Libertyville, Illinois (1 & 3)  |
| Brecey (2)                | Manoppello (1)                        | Lincolnton, North Carolina (3)  |
| Charleval (1 & 2)         | San Giovanni Teatino (Chieti) (1 & 3) | McHenry, Illinois (1 & 2)       |
| Granville (2)             |                                       | Midland, Michigan (1 & 3)       |
| Le Neubourg (1)           | MEXICO                                | Mukwonago, Wisconsin (1, 2 & 3) |
| Le Vaudreuil (2)          | Queretaro (1 & 3)                     | Stratford, Connecticut (1)      |
| Niederbronn-les-Bains (2) |                                       | Torrington, Connecticut (1)     |
| Oyonnax (1)               | RUSSIA                                | Watertown, Connecticut (1)      |
| Poincy (1 & 3)            | Vladimir (1 & 3)                      |                                 |
| Verneuil Sur Avre (1)     |                                       |                                 |

---

(1) Locations of facilities manufacturing for the Beauty + Home segment.

(2) Locations of facilities manufacturing for the Pharma segment.

(3) Locations of facilities manufacturing for the Food + Beverage segment.

We also have sales personnel in countries other than those listed above. Our corporate office is located in Crystal Lake, Illinois.

## ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, we are subject to a number of lawsuits and claims both actual and potential in nature. While management believes the resolution of these claims and lawsuits will not have a material adverse effect on our financial position or results of operations or cash flows, claims and legal proceedings are subject to inherent uncertainties, and unfavorable outcomes could occur that could include amounts in excess of any accruals which management has established. Were such unfavorable final outcomes to occur, it is possible that they could have a material adverse effect on our financial position, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

11/ATR 2018 Form 10-K

---

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET FOR REGISTRANT'S COMMON EQUITY

Our Common Stock is traded on the New York Stock Exchange under the symbol "ATR". As of February 15, 2019, there were approximately 200 holders of record of our Common Stock. A substantially greater number of holders of our Common Stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers, and other financial institutions.

DIVIDENDS

In January 2019, our Board of Directors declared a quarterly cash dividend of \$0.34 per share of Common Stock, which was paid on February 20, 2019 to stockholders of record as of January 30, 2019. While we expect to continue to pay a regular quarterly dividend of \$0.34 per share in 2019, the timing, declaration, amount and payment of any future cash dividends are at the discretion of the Board of Directors and will depend on our available cash, working capital, financial condition, results of operations, capital requirements, covenants in our credit facility, applicable law and other factors that our Board of Directors considers relevant.

RECENT SALES OF UNREGISTERED SECURITIES

Certain French employees are eligible to participate in the FCP Aptar Savings Plan (the "Plan"). An independent agent purchases shares of Common Stock available under the Plan for cash on the open market and we do not issue shares. We do not receive any proceeds from the purchase of Common Stock under the Plan. The agent under the Plan is Banque Nationale de Paris Paribas Fund Services. No underwriters are used under the Plan. All shares are sold in reliance upon the exemption from registration under the Securities Act of 1933 provided by Regulation S promulgated under that Act. During the quarter ended December 31, 2018, the Plan purchased 7,750 shares of our Common Stock on behalf of the participants at an average price of \$100.76 per share, for an aggregate amount of \$781 thousand, and sold 1,200 shares of our Common Stock on behalf of the participants at an average price of \$103.97 per share, for an aggregate amount of \$125 thousand. At December 31, 2018, the Plan owned 82,677 shares of our Common Stock.

ISSUER PURCHASES OF EQUITY SECURITIES

On October 20, 2016, we announced a share repurchase authorization of up to \$350 million of Common Stock. This authorization replaces previous authorizations and has no expiration date. We may repurchase shares through the open market, privately negotiated transactions or other programs, subject to market conditions.

We did not repurchase any shares during the fourth quarter of 2018 and have \$80.2 million of remaining authorization as of December 31, 2018.

Table of Contents

SHARE PERFORMANCE

The following graph shows a five year comparison of the cumulative total stockholder return on our Common Stock as compared to the cumulative total return of the Standard & Poor's 500 Composite Stock Price Index and to an index of peer group companies we selected. The companies included in the peer group are: A. Schulman, Inc., Bemis Company, Inc., Berry Global Group, Inc., Crown Holdings, Inc., Graphic Packaging Holding Company, Greif Inc., H.B. Fuller Company, International Flavors & Fragrances, Inc., KapStone Paper and Packaging Corporation, Owen's Illinois, Inc., Packaging Corporation of America, PH Glatfelter Company., Rayonier Inc., Sealed Air Corporation, Sensient Technologies Corporation, Silgan Holdings, Inc., Sonoco Products Company, Stepan Company, TriMas Corporation and West Pharmaceutical Services Inc.

Comparison of 5 Year Cumulative Stockholder Returns

The graph and other information furnished in the section titled "Share Performance" under this Part II, Item 5 of this Form 10 K shall not be deemed to be "soliciting" material or to be "filed" with the Securities and Exchange Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

13/ATR 2018 Form 10-K

---

Table of Contents

## ITEM 6. SELECTED FINANCIAL DATA

## FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

Dollars in millions, except per share data

| Years Ended December 31,   | 2018       | 2017       | 2016       | 2015       | 2014       |
|--|------------|------------|------------|------------|------------|
| <b>Statement of Income Data:</b>   |            |            |            |            |            |
| Net Sales  | \$ 2,764.8 | \$ 2,469.3 | \$ 2,330.9 | \$ 2,317.1 | \$ 2,597.8 |
| Cost of sales (exclusive of depreciation and amortization shown below) (1) | 1,813.0    | 1,603.1    | 1,496.2    | 1,499.0    | 1,752.6    |
| % of Net Sales   | 65.6 %     | 64.9 %     | 64.2 %     | 64.7 %     | 67.5 %     |
| Selling, research & development and administrative                         | 430.0      | 387.4      | 366.3      | 349.1      | 382.1      |
| % of Net Sales   | 15.6 %     | 15.7 %     | 15.7 %     | 15.1 %     | 14.7 %     |
| Depreciation and amortization  | 171.7      | 153.1      | 154.8      | 138.9      | 152.2      |
| % of Net Sales   | 6.2 %      | 6.2 %      | 6.6 %      | 6.0 %      | 5.8 %      |
| Restructuring initiatives  | 63.8       | 2.2        | —          | —          | —          |
| % of Net Sales   | 2.3 %      | 0.1 %      | — %        | — %        | — %        |
| Operating Income   | 286.3      | 323.5      | 313.7      | 330.2      | 310.9      |
| % of Net Sales   | 10.3 %     | 13.1 %     | 13.5 %     | 14.2 %     | 12.0 %     |
| Net Income   | 194.8      | 220.0      | 205.6      | 199.3      | 191.6      |
| % of Net Sales   | 7.0 %      | 8.9 %      | 8.8 %      | 8.6 %      | 7.4 %      |
| Net Income Attributable to AptarGroup, Inc.                                | 194.7      | 220.0      | 205.6      | 199.3      | 191.7      |
| % of Net Sales   | 7.0 %      | 8.9 %      | 8.8 %      | 8.6 %      | 7.4 %      |
| Net Income Attributable to AptarGroup, Inc. per Common Share:              |            |            |            |            |            |
| Basic  | 3.12       | 3.52       | 3.27       | 3.19       | 2.95       |
| Diluted  | 3.00       | 3.41       | 3.17       | 3.09       | 2.85       |
| <b>Balance Sheet and Other Data:</b>                                       |            |            |            |            |            |
| Capital Expenditures   | \$ 211.3   | \$ 156.6   | \$ 129.0   | \$ 149.3   | \$ 161.9   |
| Total Assets   | 3,377.7    | 3,137.8    | 2,606.8    | 2,437.0    | 2,436.5    |
| Long-Term Obligations  | 1,126.0    | 1,191.1    | 772.7      | 760.8      | 588.2      |
| Net Debt (2)   | 1,028.1    | 544.7      | 480.3      | 298.1      | 440.4      |
| Total Stockholders' Equity   | 1,422.9    | 1,312.0    | 1,174.2    | 1,149.7    | 1,103.9    |
| Capital Expenditures % of Net Sales  | 7.6 %      | 6.3 %      | 5.5 %      | 6.4 %      | 6.2 %      |
| Interest Bearing Debt to Total Capitalization (3)                          | 47.6 %     | 48.9 %     | 44.6 %     | 41.6 %     | 43.2 %     |
| Net Debt to Net Capitalization (4)   | 41.9 %     | 29.3 %     | 29.0 %     | 20.6 %     | 28.5 %     |
| Cash Dividends Declared per Common Share                                   | 1.32       | 1.28       | 1.22       | 1.14       | 1.09       |

- (1) Cost of sales includes \$7.4 million reduction in expense for 2015 due to a change in accounting method relating to our inventory accounting methods.
- (2) Net Debt is interest bearing debt less cash and cash equivalents.
- (3) Total Capitalization is Total Stockholders' Equity plus Interest Bearing Debt.
- (4) Net Capitalization is Total Stockholders' Equity plus Net Debt.

14/ATR 2018 Form 10-K

---

## Table of Contents

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in thousands, except per share amounts or as otherwise indicated)

The objective of the following Management's Discussion and Analysis of Consolidated Results of Operations and Financial Condition ("MD&A") is to help the reader understand the financial performance of AptarGroup, Inc. MD&A is presented in eight sections: Overview, Results of Operations, Liquidity and Capital Resources, Off Balance Sheet Arrangements, Overview of Contractual Obligations, Recently Issued Accounting Pronouncements, Critical Accounting Estimates, Operations Outlook and Forward Looking Statements. MD&A should be read in conjunction with our Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements contained elsewhere in this Annual Report on Form 10 K.

In MD&A, "we," "our," "us," "AptarGroup," "AptarGroup, Inc.," "Aptar" and the "Company" refer to AptarGroup, Inc. and its consolidated subsidiaries.

#### OVERVIEW

##### GENERAL

Aptar is a leading global supplier of a broad range of innovative dispensing, sealing and active packaging solutions for the beauty, personal care, home care, prescription drug, consumer health care, injectables, food and beverage markets. We use insights, design, engineering and science to create innovative packaging technologies that build brand value for its customers, and, in turn, make a meaningful difference in the lives, looks, health and homes of people around the world.

In addition to the information presented herein that conforms to U.S. GAAP, we also present certain financial information that does not conform to U.S. GAAP, which are referred to as non-U.S. GAAP financial measures. Management may assess our financial results both on a U.S. GAAP basis and on a non-U.S. GAAP basis. We believe it is useful to present these non-U.S. GAAP financial measures because they allow for a better period over period comparison of operating results by removing the impact of items that, in management's view, do not reflect Aptar's core operating performance. These non-U.S. GAAP financial measures should not be considered in isolation or as a substitute for U.S. GAAP financial results, but should be read in conjunction with the audited consolidated statements of income and other information presented herein. Investors are cautioned against placing undue reliance on these non-U.S. GAAP measures. Further, investors are urged to review and consider carefully the adjustments made by management to the most directly comparable U.S. GAAP financial measure to arrive at these non-U.S. GAAP financial measures. See the reconciliation of non-U.S. GAAP measures starting on page 23.

For the year ended December 31, 2018, reported sales increased 12% to \$2.76 billion from \$2.47 billion a year ago. Core sales, excluding the positive impact from changes in currency exchange rates and acquisition effects, increased approximately 8%. A reconciliation of core sales growth to reported net sales growth, the most directly comparable U.S. GAAP measure, can be found on page 16. During 2018, we achieved strong top line growth across each segment, each geographic regional and in all end markets other than beverage, which was slightly down on lower custom tooling sales. We continued to benefit from our Commercial Excellence and Transformation initiatives, especially in our Beauty + Home segment. We also faced inflationary cost increases that had negative effects on our profitability and we are working diligently to increase prices to offset these headwinds.

#### 2018 HIGHLIGHTS



Edgar Filing: APTARGROUP INC - Form 10-K

- Reported sales increased 12%. Core sales, excluding currency and acquisition effects, grew 8%.
- Reported net income decreased 11%. Adjusted EBITDA, excluding among other things restructuring expenses, acquisition costs and purchase accounting adjustments related to acquired inventory, increased 16% and adjusted EBITDA margin was 20% compared to 19% a year ago.
- Business transformation underway and we began to see the positive results on Beauty + Home segment's top line growth; margin improvements were offset by headwinds including the timing of raw material cost pass-throughs and isolated operational challenges.
- Acquired strategic technologies (CSP Technologies and Reboul).
- 2018 was our 25th consecutive year of paying an increased dividend.

15/ATR 2018 Form 10-K

---

Table of Contents

## RESULTS OF OPERATIONS

The following table sets forth the consolidated statements of income and the related percentages of net sales for the periods indicated. Certain previously reported amounts have been reclassified to conform to the current period presentation:

| Year Ended December 31,  | 2018                      |                      | 2017                      |                      | 2016                      |                      |
|--|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|
|  | Amount in<br>\$ Thousands | % of<br>Net<br>Sales | Amount in<br>\$ Thousands | % of<br>Net<br>Sales | Amount in<br>\$ Thousands | % of<br>Net<br>Sales |
| Net sales  | \$ 2,764,761              | 100.0 %              | \$ 2,469,283              | 100.0 %              | \$ 2,330,934              | 100.0 %              |
| Cost of sales (exclusive of depreciation and amortization shown below) | 1,812,961                 | 65.6                 | 1,603,070                 | 64.9                 | 1,496,174                 | 64.2                 |
| Selling, research & development and administrative                     | 429,955                   | 15.6                 | 387,424                   | 15.7                 | 366,269                   | 15.7                 |
| Depreciation and amortization  | 171,747                   | 6.2                  | 153,094                   | 6.2                  | 154,802                   | 6.6                  |
| Restructuring initiatives  | 63,829                    | 2.3                  | 2,208                     | 0.1                  | —                         | —                    |
| Operating income   | 286,269                   | 10.3                 | 323,487                   | 13.1                 | 313,689                   | 13.5                 |
| Other expense  | (20,249)                  | (0.7)                | (28,662)                  | (1.2)                | (33,192)                  | (1.5)                |
| Income before income taxes   | 266,020                   | 9.6                  | 294,825                   | 11.9                 | 280,497                   | 12.0                 |
| Net Income   | 194,766                   | 7.0                  | 220,029                   | 8.9                  | 205,604                   | 8.8                  |
| Effective tax rate   | 26.8 %                    |                      | 25.4 %                    |                      | 26.7 %                    |                      |
| Adjusted EBITDA margin (1)   | 19.9 %                    |                      | 19.2 %                    |                      | 20.4 %                    |                      |

(1) Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by Reported Net Sales. See the reconciliation of Non-U.S. GAAP measures starting on page 23.

## NET SALES

For the year ended December 31, 2018, reported net sales increased 12% to \$2.76 billion from \$2.47 billion a year ago. Our most significant currency exposure is with the euro. During 2018, the average U.S. dollar exchange rate weakened compared to the euro, and this was the primary reason currency translation effects contributed 2% to our sales growth. Sales were also positively impacted 2% by the acquisitions of CSP Technologies and Rebol. Therefore, 2018 sales, excluding acquisitions and changes in foreign currency rates (“core sales”), increased 8% as all three segments reported growth over 2017.

| Year Ended December 31, 2018<br>Net Sales Change versus Prior Year | Beauty<br>+ Home | Pharma | Food +<br>Beverage | Total |
|--|------------------|--------|--------------------|-------|
| Core Sales Growth  | 7 %              | 12 %   | 5 %                | 8 %   |
| Acquisitions   | 1 %              | 4 %    | 4 %                | 2 %   |
| Currency Effects (1)   | 1 %              | 2 %    | 1 %                | 2 %   |

Edgar Filing: APTARGROUP INC - Form 10-K

Total Reported Net Sales Growth 9 % 18 % 10 % 12 %

(1) Currency effects are calculated by translating last year's amounts at this year's foreign exchange rates.

In 2017, reported net sales increased 6% to \$2.47 billion from \$2.33 billion a year ago. The average U.S. dollar exchange rate weakened compared to the euro while the impact of the other major currencies related to our business was mixed. This resulted in a positive currency translation impact of 1%. The 2016 acquisition of Mega Airless positively impacted sales by 1%. Therefore, core sales increased 4% over the prior year.

| Year Ended December 31, 2017<br>Net Sales Change versus Prior Year | Beauty<br>+ Home | Pharma | Food +<br>Beverage | Total |
|--|------------------|--------|--------------------|-------|
| Core Sales Growth  | 2 %              | 8 %    | 6 %                | 4 %   |
| Acquisitions   | 1 %              | — %    | — %                | 1 %   |
| Currency Effects (1)   | 1 %              | 1 %    | — %                | 1 %   |
| Total Reported Net Sales Growth                                    | 4 %              | 9 %    | 6 %                | 6 %   |

(1) Currency effects are calculated by translating last year's amounts at this year's foreign exchange rates.

16/ATR 2018 Form 10-K

Table of Contents

Foreign currency effects are approximations of the adjustment necessary to state the prior year net sales using current period exchange rates. For further discussion on net sales by reporting segment, please refer to the segment analysis of net sales and operating income on the following pages.

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

| Years Ended<br>December 31, | 2018       | % of<br>Total | 2017       | % of<br>Total | 2016       | % of<br>Total |
|-----------------------------|------------|---------------|------------|---------------|------------|---------------|
| Domestic                    | \$ 726,336 | 26            | \$ 642,164 | 26            | \$ 619,814 | 27            |
| Europe                      | 1,627,478  | 59            | 1,426,173  | 58            | 1,329,398  | 57            |
| Other Foreign               | 410,947    | 15            | 400,946    | 16            | 381,722    | 16            |

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

Our cost of sales (“COS”) as a percent of net sales increased to 65.6% in 2018 compared to 64.9% in 2017. During 2018, we reported a higher COS percentage mainly due to a \$14.2 million negative impact of purchase accounting adjustments related to our CSP Technologies and Reboul acquisitions. Our overall COS percentage was also negatively impacted approximately \$12.3 million related to the timing of passing through higher material costs. During 2018, we experienced increases in several raw materials, principally resin and metal. While the majority of our material cost increases can be passed along to our customers in our selling prices, we experience a lag in the timing of passing on these cost increases. During 2018, we had a further increase in our COS percentage due to a \$4.3 million increase in custom tooling sales. Typically, our tooling sales margins are lower than our product sales margins. Therefore, the increase in tooling sales during 2018 negatively impacted our COS percentage.

In 2017, our COS as a percent of net sales increased to 64.9% compared to 64.2% in 2016. Our COS percentage was negatively impacted by approximately \$6.1 million of higher material costs. The main driver was higher resin costs. We also experienced continued operational inefficiencies in our custom decorative packaging business in Europe. Tooling sales were also approximately \$10.1 million higher in 2017 compared to the prior year. As discussed above, sales of custom tooling typically generates lower margins than product sales, so higher tooling sales negatively impacts COS as a percentage of sales.

**SELLING, RESEARCH & DEVELOPMENT AND ADMINISTRATIVE**

Our Selling, Research & Development and Administrative expenses (“SG&A”) increased approximately 11% or \$42.6 million to \$430.0 million in 2018 compared to \$387.4 million in 2017. Excluding changes in foreign currency rates, SG&A increased by approximately \$34.7 million compared to the same period a year ago. The increase is mainly due to \$9.6 million of transaction costs and \$9.5 million of incremental operational costs related to our CSP Technologies and Reboul acquisitions during 2018. We also recognized increases in professional fees and higher personnel costs in accordance with our growth strategy. Although SG&A increased in amount, SG&A as a percentage of net sales in 2018 decreased to 15.6% compared to 15.7% in 2017 due to the strong increase in sales.

In 2017, our SG&A increased approximately 6% or \$21.1 million to \$387.4 million in 2017 compared to \$366.3 million in 2016. Excluding changes in foreign currency rates, SG&A increased by approximately \$17.3 million compared to 2016. The increase is mainly due to increases in professional fees and salary expenses related to specific

projects during the third and fourth quarters of 2017 along with other normal inflationary increases. During 2017, we also recognized \$1.3 million of professional fees related to our acquisition of a minority investment in Kali Care, Inc. and \$1.5 million of incremental operating costs related to the two additional months of Mega Airless activity. We also recognized \$2.5 million of additional long-term incentive compensation costs related to the performance of our common stock, \$1.5 million for the estimated costs to remediate environmental contamination found at our facility in Brazil and \$1.3 million of higher research & development costs due to lower research tax credits available in certain jurisdictions during 2017. These increases were partially offset by one-time transaction costs of \$5.6 million related to the Mega Airless acquisition in 2016, which did not repeat in 2017. SG&A as a percentage of net sales remained stable at 15.7% when comparing 2017 results to 2016.

#### DEPRECIATION AND AMORTIZATION

Reported depreciation and amortization expense increased approximately 12% or \$18.6 million to \$171.7 million in 2018 compared to \$153.1 million compared to the same period a year ago. Excluding changes in foreign currency rates, depreciation and amortization increased by approximately \$15.4 million compared to the same period a year ago. This increase is due to \$8.6 million of incremental operational costs related to our CSP Technologies and Rebolu acquisitions. We also realized increased capital spending during the past year to support the growth in our business. Depreciation and amortization as a percentage of net sales remained stable at 6.2% when comparing 2018 results to 2017.

17/ATR 2018 Form 10-K

---

Table of Contents

In 2017, depreciation and amortization expense decreased approximately 1% or \$1.7 million to \$153.1 million compared to \$154.8 million in 2016. Excluding changes in foreign currency rates, depreciation and amortization decreased by approximately \$4.0 million compared to 2016. The decrease is due to several large investments becoming fully depreciated during 2017 partially offset by incremental depreciation and amortization costs of \$2.6 million related to the two additional months of Mega Airless activity in 2017. As depreciation expenses decreased due to the lapsing of these large investments, depreciation and amortization as a percentage of net sales decreased to 6.2% compared to 6.6% in 2016.

**RESTRUCTURING INITIATIVES**

In late 2017, Aptar began a business transformation plan to drive profitable sales growth, increase operational excellence, enhance our approach to innovation and improve organizational effectiveness. The primary focus of the plan is the Beauty + Home segment; however, certain global general and administrative functions are also being addressed. During the 2018, we recognized approximately \$63.8 million of restructuring costs related to this plan with approximately \$52.2 million, \$3.6 million, \$4.2 million and \$3.8 million reported within the Beauty + Home segment, Pharma segment, Food + Beverage segment and Corporate & Other, respectively. During 2017, we reported restructuring costs of \$2.2 million with approximately \$0.5 million of these costs reported within the Beauty + Home segment and \$1.7 million reported within the Food + Beverage segment. Using current exchange rates, we estimate total implementation costs of approximately \$90 million over three years. We also anticipate making capital investments related to the transformation plan of approximately \$55 million, of which the majority will be in 2019. We expect this business transformation to yield annualized incremental EBITDA of approximately \$80 million by the end of 2020, compared with the 2017 levels, principally within the Beauty + Home segment.

**OPERATING INCOME**

Reported operating income decreased approximately \$37.2 million or 12% to \$286.3 million in 2018 compared to \$323.5 million in 2017. Excluding changes in currency rates, operating income decreased by approximately \$44.7 million in 2018 compared to 2017. Operating income as a percentage of net sales decreased to 10.3% in 2018 compared to 13.1% for the prior year. These decreases are due to \$61.6 million of incremental restructuring costs along with \$14.2 million and \$9.6 million of purchase accounting adjustments and transaction costs related to our CSP Technologies and Rebolu acquisitions. Without these costs, operating profitability improved approximately \$40.7 million due to the higher sales reported during 2018.

In 2017, operating income increased approximately \$9.8 million or 3% to \$323.5 million compared to \$313.7 million in 2016. Excluding changes in currency rates, operating income increased by approximately \$6.4 million in 2017 compared to 2016. Higher sales along with lower depreciation and amortization expenses more than offset higher SG&A and restructuring costs. However, reported operating income as a percentage of net sales decreased to 13.1% in 2017 compared to 13.5% for 2016 as incremental sales volumes were not at the same gross margin percentage mainly due to higher cost of sales as discussed above.

**NET OTHER EXPENSES**

Net other expenses in 2018 decreased to \$20.2 million compared to \$28.7 million in 2017. This decrease is primarily due to \$8.0 million of lower interest expense and a \$1.6 million increase in interest income. The decrease in interest expense is mainly due to the prepayment of two of our higher interest private placement facilities with cash available from our repatriation of foreign earnings to the U.S. during 2017. In 2017, we incurred \$4.7 million of incremental interest expense to prepay these two facilities. Included in 2018 miscellaneous income is a gain of approximately \$6.5 million on our investment in Reciprocal Labs, doing business as Propeller Health, due to observable price changes, while in 2017 we realized a \$10.6 million gain on insurance recovery related to a fire in our Anney, France facility.

In 2017, net other expenses decreased to \$28.7 million compared to \$33.2 million in 2016. This decrease is mainly driven by a \$10.6 million gain on insurance recovery related to a fire in our Annecy, France facility and an additional \$2.8 million of interest income on U.S. cash balances. These decreases in net other expenses were offset by \$4.7 million of incremental interest expense incurred to prepay two of our private placement facilities during the fourth quarter of 2017. Prior year results also included a \$2.0 million gain on the sale of our minority interest in an injectable drug delivery device company in 2016.

#### EFFECTIVE TAX RATE

The reported effective tax rate on net income for 2018 and 2017 was 26.8% and 25.4%, respectively. The higher tax rate for 2018 reflects the impact in the U.S. of new tax provisions, most notably the global intangible low-taxed income (“GILTI”) and base erosion anti-abuse tax (“BEAT”) (+2.5%) and the impact of loss operations not tax effected (+1.6%). The comparable prior year reflects one-time costs associated with the U.S. tax reform transition tax on certain unremitted earnings, which offset the unfavorable items above.

18/ATR 2018 Form 10-K

---

## Table of Contents

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “TCJA”). The TCJA made broad and complex changes to the U.S. tax code that impacted 2017 and 2018 results including, but not limited to:

- (1) reducing the U.S. federal corporate tax rate from 35% to 21%, effective January 1, 2018, which required us to remeasure our deferred tax accounts, and
- (2) requiring a one-time transition tax on certain unremitted foreign earnings.

Shortly after the TCJA was enacted, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (“SAB 118”), which provides guidance on accounting for the TCJA’s impact. SAB 118 provides a measurement period, which in no case should extend beyond one year from the TCJA enactment date, during which a company acting in good faith may complete the accounting for the impacts of the TCJA under ASC Topic 740. In accordance with SAB 118, we have reflected the income tax effects of the TCJA in the reporting period in which the accounting under ASC Topic 740 is complete.

We were able to make a reasonable estimate of the transition tax and recorded a provisional transition tax obligation of \$31.6 million in 2017. As a result of additional guidance relating to the calculation of the transition tax that was promulgated during 2018, we recorded a \$2.6 million benefit in 2018. To reflect the reduction of the U.S. corporate tax rate, we recorded a provisional adjustment to our net deferred tax balances, with a corresponding discrete net tax provisional benefit of \$6.8 million in 2017. We reflected a \$2.8 million benefit during 2018 related to the change in U.S. tax rate. We have elected to account for the tax on GILTI as a period cost and not as a measure of deferred taxes in the current period.

At December 31, 2018, as a result of the GILTI tax provisions and the transition tax noted above, which subjected all of the previously untaxed foreign earnings as of December 31, 2017 to U.S. taxation, we do not have a balance of foreign earnings that will be subject to U.S. taxation. We continually analyze our global working capital requirements and the potential tax liabilities that would be incurred if the non-U.S. subsidiaries made a distribution of their cash or distributable reserves. These liabilities would include local country withholding and income tax and potential U.S. state taxation. We have recorded a \$2.2 million liability for distributions expected to be made to Europe early in 2019. As of December 31, 2018, all other cash or distributable reserve amounts will continue to be reinvested indefinitely and would become subject to these additional taxes if they were remitted as dividends. We estimate the additional tax that would be payable on these earnings to be in the range of \$20 million to \$30 million.

The reported effective tax rate on net income for 2017 and 2016 was 25.4% and 26.7%, respectively. The lower tax rate for 2017 reflects a benefit from the new accounting standard for employee share-based payments, which we adopted in 2017 (-3.5%). The 2017 rate also includes items attributable to the U.S. tax legislation as described above. The tax rate impact from the legislation includes a provisional tax charge related to the tax on unremitted earnings (+10.7%) which is partially offset by a provisional deferred tax benefit related to the enacted lower U.S. corporate tax rate (-2.3%). The 2017 tax rate also includes a benefit from the resolution of a forward contract transaction (-8.1%). The comparable prior year reflects higher tax benefits from European investment incentives (+1.4%).

### NET INCOME ATTRIBUTABLE TO APTARGROUP, INC.

We reported net income of \$194.7 million compared to \$220.0 million reported in 2017 and \$205.6 million reported in 2016.

### BEAUTY + HOME SEGMENT



Edgar Filing: APTARGROUP INC - Form 10-K

| Years Ended December 31,   | 2018         | 2017         | 2016         | % Change<br>2018 vs.<br>2017 | %<br>Change<br>2017 vs.<br>2016 |
|----------------------------|--------------|--------------|--------------|------------------------------|---------------------------------|
| Net Sales                  | \$ 1,426,382 | \$ 1,313,786 | \$ 1,261,086 | 8.6                          | % 4.2 %                         |
| Adjusted EBITDA (1)        | 185,926      | 173,227      | 186,993      | 7.3                          | (7.4)                           |
| Adjusted EBITDA margin (1) | 13.0 %       | 13.2 %       | 14.8 %       |                              |                                 |

(1) Adjusted EBITDA is calculated as earnings before net interest, taxes, depreciation, amortization, unallocated corporate expenses, restructuring, acquisition-related costs, and other special items. Adjusted EBITDA margins are calculated as Adjusted EBITDA divided by Reported Net Sales. See the reconciliation of non-U.S. GAAP measures starting on page 23.

19/ATR 2018 Form 10-K

Table of Contents

Reported net sales increased approximately 9% in 2018 to \$1.43 billion compared to \$1.31 billion in 2017. Our Rebolu acquisition positively impacted net sales by 1% while changes in currency rates positively impacted net sales by 1%. Therefore, core sales increased 7% in 2018 compared to the prior year. While the majority of this increase was due to higher products sales, we also benefitted from \$9.9 million of additional revenue due to resin pass-throughs to our customers and \$9.4 million of incremental tooling sales, especially within our personal care market. Core sales were higher across all three markets as personal care, beauty and home care increased by 8%, 7% and 3%, respectively. Strong sales of our products used on baby care and body care applications along with higher tooling sales were responsible for the increase in personal care sales during 2018 compared to 2017. Beauty sales benefitted from increased sales of our products used on color cosmetic and facial skin care applications while home care realized an increase in sales of our products used on household cleaner and automotive applications during 2018.

| Year Ended December 31, 2018<br>Net Sales Change over Prior Year | Personal<br>Care | Beauty | Home<br>Care | Total |
|--|------------------|--------|--------------|-------|
| Core Sales Growth  | 8                | % 7    | % 3          | % 7   |
| Acquisitions   | —                | % 1    | % —          | % 1   |
| Currency Effects (1)   | —                | % 2    | % 1          | % 1   |
| Total Reported Net Sales Growth                                  | 8                | % 10   | % 4          | % 9   |

(1) Currency effects are calculated by translating last year's amounts at this year's foreign exchange rates. In 2017, reported net sales increased approximately 4% to \$1.31 billion compared to \$1.26 billion in 2016. The Mega Airless acquisition positively impacted net sales by 1% in 2017 while changes in currency rates positively impacted net sales by 1%. Therefore, core sales increased 2% in 2017 compared to 2016. The majority of this increase is due to higher product sales. Tooling sales and the pass-through of higher resin prices to our customers also positively impacted sales by \$4.0 million and \$0.6 million, respectively. Core sales to the personal care and beauty markets each increased 2% while core sales to the home care market declined slightly during 2017 compared to 2016. The beauty market increased as strong sales of our products used on facial skin care applications and higher sampling and promotion sales more than offset lower sales of our products sold to our prestige fragrance market. The personal care markets also showed improvement over the prior year due to strong sales of our products used on body care and hair care applications. Sales of our products to the home care market decreased 1% as new product sales used on automotive applications were not able to completely offset lower sales of our products used on insecticide applications, predominately in North America and Latin America related to the unusually high demand for these products in 2016.

| Year Ended December 31, 2017<br>Net Sales Change over Prior Year | Personal<br>Care | Beauty | Home<br>Care | Total |
|--|------------------|--------|--------------|-------|
| Core Sales Growth  | 2                | % 2    | % (1)        | % 2   |
| Acquisitions   | 1                | % 1    | % —          | % 1   |
| Currency Effects (1)   | 1                | % 2    | % 2          | % 1   |
| Total Reported Net Sales Growth                                  | 4                | % 5    | % 1          | % 4   |

(1) Currency effects are calculated by translating last year's amounts at this year's foreign exchange rates. Adjusted EBITDA for 2018 increased to \$185.9 million from \$173.2 million reported in 2017. Our increase in sales along with operational improvements more than compensated for the increased resin and metal costs of approximately \$10.4 million.

Edgar Filing: APTARGROUP INC - Form 10-K

For 2017, Adjusted EBITDA decreased to \$173.2 million from \$187.0 million reported in 2016. Gains on sales volume increases were offset by higher material costs and operational inefficiencies, mainly in our custom decorative packaging business in Europe. As discussed above, we have initiated a business transformation plan to address these challenges. During 2017, we also recognized a charge of \$1.5 million for the estimated costs to remediate environmental contamination at our anodizing facility in Brazil.

20/ATR 2018 Form 10-K

---

Table of Contents

## PHARMA SEGMENT

| Years Ended December 31,      | 2018       | 2017       | 2016       | % Change<br>2018 vs.<br>2017 | % Change<br>2017 vs.<br>2016 |   |
|-------------------------------|------------|------------|------------|------------------------------|------------------------------|---|
| Net Sales                     | \$ 954,652 | \$ 805,880 | \$ 741,473 | 18.5                         | % 8.7                        | % |
| Adjusted EBITDA (1)           | 343,706    | 275,933    | 259,241    | 24.6                         | 6.4                          |   |
| Adjusted EBITDA<br>margin (1) | 36.0 %     | 34.2 %     | 35.0 %     |                              |                              |   |

(1) Adjusted EBITDA is calculated as earnings before net interest, taxes, depreciation, amortization, unallocated corporate expenses, restructuring, acquisition-related costs and other special items. Adjusted EBITDA margins are calculated as Adjusted EBITDA divided by Reported Net Sales. See the reconciliation of non-U.S. GAAP measures starting on page 23.

Reported net sales increased approximately 18% in 2018 to \$954.7 million compared to \$805.9 million in 2017. Changes in currency positively affected net sales by 2% while the acquisition of CSP Technologies positively impacted sales by 4% in 2018. Therefore, core sales increased 12% in 2018 compared to the prior year. Sales increased in all three of our pre-existing markets during 2018. The prescription drug market reported a core sales increase of 11% on strong sales of our products sold for central nervous system and allergic rhinitis treatments. Core sales to the consumer health care market increased 16% as strong demand for our products used on eye care, nasal decongestant and nasal saline applications offset \$5.1 million of lower tooling sales. Core sales of our products to the injectables markets increased 6% due to strong sales of our injectable components used on vaccine products. In total, price increases of \$7.4 million offset \$5.4 million of lower tooling sales for 2018 compared to 2017.

| Year Ended December 31, 2018<br>Net Sales Change over Prior Year | Prescription<br>Drug | Consumer<br>Health Care | Injectables | Active<br>Packaging | Total |
|--|----------------------|-------------------------|-------------|---------------------|-------|
| Core Sales Growth  | 11 %                 | 16 %                    | 6 %         | — %                 | 12 %  |
| Acquisitions   | —                    | — %                     | — %         | 100 %               | 4 %   |
| Currency Effects (1)   | 3 %                  | 1 %                     | 4 %         | — %                 | 2 %   |
| Total Reported Net Sales Growth                                  | 14 %                 | 17 %                    | 10 %        | 100 %               | 18 %  |

(1) Currency effects are calculated by translating last year's amounts at this year's foreign exchange rates. In 2017, reported net sales increased approximately 9% to \$805.9 million compared to \$741.5 million in 2016. Changes in currency rates positively impacted net sales by 1%. Therefore, core sales increased 8% in 2017 compared to the prior year. All three markets reported increases during 2017 with core sales to the prescription drug, consumer health care and injectables markets increasing 7%, 7% and 9%, respectively. Consumer health care realized strong demand for our products used on nasal decongestants and nasal salines. The prescription drug market reported core sales increases across all applications with strong sales of our devices used on asthma, COPD and allergic rhinitis products driving the growth in 2017. Core sales of our products to the injectables markets increased due to improved sales of our components used on antithrombotic and small molecule products. For the segment, customer tooling sales, excluding foreign currency changes, decreased \$3.2 million in 2017 to \$30.1 million compared to \$33.3 million in the prior year.

| Year Ended December 31, 2017<br>Net Sales Change over Prior Year | Prescription<br>Drug | Consumer<br>Health Care | Injectables | Active<br>Packaging | Total |
|--|----------------------|-------------------------|-------------|---------------------|-------|
| Core Sales Growth  | 7                    | % 7                     | % 9         | % —                 | % 8 % |
| Currency Effects (1)   | 1                    | % 1                     | % 2         | % —                 | % 1 % |
| Total Reported Net Sales Growth                                  | 8                    | % 8                     | % 11        | % —                 | % 9 % |

(1) Currency effects are calculated by translating last year's amounts at this year's foreign exchange rates. Adjusted EBITDA for 2018 increased to \$343.7 million compared to \$275.9 million in 2017. The increase sales discussed above along with improved operational efficiencies lead to the increase in profitability. We also recognized a gain of approximately \$6.5 million on our investment in Propeller Health.

In 2017, adjusted EBITDA increased to \$275.9 million compared to \$259.2 million in 2016. Strong sales volumes across all three markets were able to offset unfavorable manufacturing variances, \$1.3 million of professional fees related to our acquisition of a minority investment in Kali Care, Inc. and start-up costs related to our new injectable capacity in North America.

21/ATR 2018 Form 10-K

Table of Contents

## FOOD + BEVERAGE SEGMENT

| Years Ended December 31,   | 2018       | 2017       | 2016       | % Change      |   | % Change      |   |
|----------------------------|------------|------------|------------|---------------|---|---------------|---|
|                            |            |            |            | 2018 vs. 2017 |   | 2017 vs. 2016 |   |
| Net Sales                  | \$ 383,727 | \$ 349,617 | \$ 328,375 | 9.8           | % | 6.5           | % |
| Adjusted EBITDA (1)        | 57,589     | 62,903     | 61,588     | (8.4)         |   | 2.1           |   |
| Adjusted EBITDA margin (1) | 15.0       | %          | 18.0       | %             |   | 18.8          | % |

(1) Adjusted EBITDA is calculated as earnings before net interest, taxes, depreciation, amortization, unallocated corporate expenses, restructuring, acquisition-related costs and other special items. Adjusted EBITDA margins are calculated as Adjusted EBITDA divided by Reported Net Sales. See the reconciliation of non-U.S. GAAP measures starting on page 23.

Reported net sales increased by approximately 10% in 2018 to \$383.7 million compared to \$349.6 million in 2017. The CSP Technologies acquisition positively impacted net sales by 4% while changes in currency rates positively impacted net sales by 1%. Therefore, core sales increased 5% in 2018 compared to the prior year. Core sales to the food market increased 9% while core sales to the beverage market decreased 1% compared 2017. Sales to the food market increased due to strong sales of our products used on infant nutrition and sauces/condiments applications complemented by strong increases in tooling sales. For the beverage market, strong sales of our products to our bottled water and juice customers were offset by a decrease in tooling sales and a decline in beverage closure volumes related to a customer in China. For the segment, 2018 sales were favorably impacted by a \$9.0 million increase on the pass-through of resin price changes while tooling sales were relatively flat.

| Year Ended December 31, 2018     |      |          |       |   |  |  |
|----------------------------------|------|----------|-------|---|--|--|
| Net Sales Change over Prior Year | Food | Beverage | Total |   |  |  |
| Core Sales Growth                | 9    | % (1)    | % 5   | % |  |  |
| Acquisitions                     | 6    | % 1      | % 4   | % |  |  |
| Currency Effects (1)             | —    | % 2      | % 1   | % |  |  |
| Total Reported Net Sales Growth  | 15   | % 2      | % 10  | % |  |  |

(1) Currency effects are calculated by translating last year's amounts at this year's foreign exchange rates. In 2017, reported net sales increased by approximately 6% to \$349.6 million compared to \$328.4 million in 2016. Changes in foreign currency rates had no impact on 2017 results. Therefore, core sales increased 6% in 2017 compared to the prior year. Core sales to the food and beverage markets increased 6% and 7%, respectively in 2017 compared to 2016. Sales to the food market increased due to strong sales of our products used on sauces and condiments. We also realized increases in sales of our products used on spreads, jelly and honey, non-beverage dairy and infant nutrition products. For the beverage market, strong sales to our bottled water customers offset a decrease in beverage closure sales related to a customer in China. Sales for 2017 were also favorably impacted by higher tooling sales of \$7.0 million.

| Year Ended December 31, 2017     |      |   |          |  |       |     |
|----------------------------------|------|---|----------|--|-------|-----|
| Net Sales Change over Prior Year | Food |   | Beverage |  | Total |     |
| Core Sales Growth                | 6    | % | 7        |  | %     | 6 % |
| Currency Effects (1)             | —    | % | —        |  | %     | — % |
| Total Reported Net Sales Growth  | 6    | % | 7        |  | %     | 6 % |

(1) Currency effects are calculated by translating last year's amounts at this year's foreign exchange rates. Adjusted EBITDA decreased approximately 8% to \$57.6 million in 2018 compared to \$62.9 million in 2017. This decrease is mainly due to significant material cost increases along with lower profit on our tooling projects and some price concessions to secure long-term supply contracts. While the majority of our material cost increases can be passed along to our customers in our selling prices, we experience a lag in the timing of passing on these cost increases. During 2018, we also recognized an impairment of \$1.6 million related to prepaid royalties as a result of lower than expected sales during the contractual period. This impairment does not impact our current product portfolio or future project pipeline related to the underlying technology.

In 2017, Adjusted EBITDA increased approximately 2% to \$62.9 million compared to \$61.6 million in 2017. Increased product and tooling sales more than offset price concessions to customers to secure long-term agreements. Improvements in productivity were able to offset increased legal fees to defend our intellectual property.

22/ATR 2018 Form 10-K

## Table of Contents

### CORPORATE & OTHER

In addition to our three reporting segments, Aptar assigns certain costs to “Corporate & Other,” which is presented separately in Note 18 of the Notes to the Consolidated Financial Statements. For Corporate & Other, Adjusted EBITDA (which excludes net interest, taxes, depreciation, amortization, restructuring, transaction costs and other special items) primarily includes certain professional fees, compensation and information system costs which are not allocated directly to our reporting segments.

Corporate & Other expense in 2018 decreased to \$36.3 million compared to \$37.5 million in 2017. This decrease is mainly due to lower professional fees and salary expenses and the impact of specific internal projects during 2017 that did not recur in 2018.

In 2017, Corporate & Other expense increased to \$37.5 million compared to \$31.7 million in 2016. This increase is mainly due to increases in professional fees and salary expenses related to specific internal projects. We also recognized \$1.7 million of additional long-term incentive compensation costs related to the performance of our common stock.

### NON-U.S. GAAP MEASURES

In addition to the information presented herein that conforms to U.S. GAAP, we also present financial information that does not conform to U.S. GAAP, which are referred to as non-U.S. GAAP financial measures. Management may assess our financial results both on a U.S. GAAP basis and on a non-U.S. GAAP basis. We believe it is useful to present these non-U.S. GAAP financial measures because they allow for a better period-over-period comparison of operating results by removing the impact of items that, in management’s view, do not reflect Aptar’s core operating performance. These non-U.S. GAAP financial measures should not be considered in isolation or as a substitute for U.S. GAAP financial results, but should be read in conjunction with the audited consolidated statements of income and other information presented herein. Investors are cautioned against placing undue reliance on these non-U.S. GAAP measures. Further, investors are urged to review and consider carefully the adjustments made by management to the most directly comparable U.S. GAAP financial measure to arrive at these non-U.S. GAAP financial measures.

In our Management’s Discussion and Analysis, we exclude the impact of foreign currency translation when presenting net sales information, which we define as “constant currency.” Changes in net sales excluding the impact of foreign currency translation is a non-U.S. GAAP financial measure. As a worldwide business, it is important that we take into account the effects of foreign currency translation when we view our results and plan our strategies. Consequently, when our management looks at our financial results to measure the core performance of our business, we exclude the impact of foreign currency translation by translating our prior period results at current period foreign currency exchange rates. As a result, our management believes that these presentations are useful internally and may be useful to investors. We also exclude the impact of material acquisitions when comparing results to prior periods. Changes in operating results excluding the impact of acquisitions are non-U.S. GAAP financial measures. We believe it is important to exclude the impact of acquisitions on period over period results in order to evaluate performance on a more comparable basis.

We present earnings before net interest and taxes (“EBIT”) and earnings before net interest, taxes, depreciation and amortization (“EBITDA”). We also present our adjusted earnings before net interest and taxes (“Adjusted EBIT”) and adjusted earnings before net interest, taxes, depreciation and amortization (“Adjusted EBITDA”), both of which exclude, among other special items, the business transformation charges and acquisition-related costs. Our Outlook is also provided on a non-U.S. GAAP basis because certain reconciling items are dependent on future events that either cannot be controlled, such as tax and exchange rates, or reliably predicted because they are not part of our routine activities, such as restructuring and acquisition-related costs.



Finally, we provide a reconciliation of Net Debt to Net Capital as a non-U.S. GAAP measure. Net Debt is calculated as interest bearing debt less cash, cash equivalents and short-term investments while Net Capital is calculated as stockholder's equity plus Net Debt. Net Debt to Net Capital measures a company's financial leverage, which gives users an idea of a company's financial structure, or how it is financing its operations, along with insight into its financial strength. We believe that it is meaningful to take into consideration the balance of our cash, cash equivalents and short-term investments when evaluating our leverage. If needed, such assets could be used to reduce our gross debt position.

23/ATR 2018 Form 10-K

---

Table of Contents

|  | Year Ended<br>December 31, 2018 |                  |            |                    |                      |              |
|--|---------------------------------|------------------|------------|--------------------|----------------------|--------------|
|  | Consolidated                    | Beauty +<br>Home | Pharma     | Food +<br>Beverage | Corporate<br>& Other | Net Interest |
| Net Sales  | \$ 2,764,761                    | \$ 1,426,382     | \$ 954,652 | \$ 383,727         | \$ -                 | \$ -         |
| Reported net income  | \$ 194,766                      |                  |            |                    |                      |              |
| Reported income taxes  | 71,254                          |                  |            |                    |                      |              |
| Reported income before<br>income taxes   | 266,020                         | 49,443           | 276,550    | 23,956             | (58,359)             | (25,570)     |
| Adjustments:   |                                 |                  |            |                    |                      |              |
| Restructuring initiatives  | 63,829                          | 52,244           | 3,589      | 4,185              | 3,811                |              |
| Transaction costs related to<br>acquisitions   | 9,598                           | 574              |            |                    | 9,024                |              |
| Purchase accounting<br>adjustments related to acquired<br>companies' inventory                         | 14,172                          | 119              | 12,072     | 1,981              |                      |              |
| Adjusted earnings before<br>income taxes   | 353,619                         | 102,380          | 292,211    | 30,122             | (45,524)             | (25,570)     |
| Interest expense   | 32,626                          |                  |            |                    |                      | 32,626       |
| Interest income  | (7,056)                         |                  |            |                    |                      | (7,056)      |
| Adjusted earnings before net<br>interest and taxes (Adjusted<br>EBIT)                                  | 379,189                         | 102,380          | 292,211    | 30,122             | (45,524)             | -            |
| Depreciation and amortization  | 171,747                         | 83,546           | 51,495     | 27,467             | 9,239                | -            |
| Adjusted earnings before net<br>interest, taxes, depreciation<br>and amortization (Adjusted<br>EBITDA) | \$ 550,936                      | \$ 185,926       | \$ 343,706 | \$ 57,589          | \$ (36,285)          | \$ -         |
| Adjusted EBITDA margins<br>(Adjusted EBITDA / Reported<br>Net Sales)                                   | 19.9%                           | 13.0%            | 36.0%      | 15.0%              |                      |              |

|                       | Year Ended<br>December 31, 2017 |                  |            |                    |                      |              |
|-----------------------|---------------------------------|------------------|------------|--------------------|----------------------|--------------|
|                       | Consolidated                    | Beauty +<br>Home | Pharma     | Food +<br>Beverage | Corporate<br>& Other | Net Interest |
| Net Sales             | \$ 2,469,283                    | \$ 1,313,786     | \$ 805,880 | \$ 349,617         | \$ -                 | \$ -         |
| Reported net income   | \$ 220,029                      |                  |            |                    |                      |              |
| Reported income taxes | 74,796                          |                  |            |                    |                      |              |
|                       | 294,825                         | 93,276           | 234,790    | 36,504             | (34,618)             | (35,127)     |

Edgar Filing: APTARGROUP INC - Form 10-K

|   |            |            |            |           |             |          |
|---|------------|------------|------------|-----------|-------------|----------|
| Reported income before income taxes   |            |            |            |           |             |          |
| Adjustments:  |            |            |            |           |             |          |
| Restructuring initiatives   | 2,208      | 529        |            | 1,679     |             |          |
| Gain on insurance recovery  | (10,648)   |            |            |           | (10,648)    |          |
| Adjusted earnings before income taxes   | 286,385    | 93,805     | 234,790    | 38,183    | (45,266)    | (35,127) |
| Interest expense  | 40,597     |            |            |           |             | 40,597   |
| Interest income   | (5,470)    |            |            |           |             | (5,470)  |
| Adjusted earnings before net interest and taxes (Adjusted EBIT)                               | 321,512    | 93,805     | 234,790    | 38,183    | (45,266)    | -        |
| Depreciation and amortization   | 153,094    | 79,422     | 41,143     | 24,720    | 7,809       | -        |
| Adjusted earnings before net interest, taxes, depreciation and amortization (Adjusted EBITDA) | \$ 474,606 | \$ 173,227 | \$ 275,933 | \$ 62,903 | \$ (37,457) | \$ -     |
| Adjusted EBITDA margins (Adjusted EBITDA / Reported Net Sales)                                | 19.2%      | 13.2%      | 34.2%      | 18.0%     |             |          |

24/ATR 2018 Form 10-K

---

Table of Contents

| Net Debt to Net Capital Reconciliation  | December 31,<br>2018 | December 31,<br>2017 |
|---|----------------------|----------------------|
| Notes payable, including revolving credit facilities                                | \$ 101,293           | \$ 4,336             |
| Current maturities of long-term obligations, net of unamortized debt issuance costs | 62,678               | 61,833               |
| Long-Term Obligations, net of unamortized debt issuance costs                       | 1,125,993            | 1,191,146            |
| Total Debt  | 1,289,964            | 1,257,315            |
| Less:   |                      |                      |
| Cash and equivalents  | 261,823              | 712,640              |
| Net Debt  | \$ 1,028,141         | \$ 544,675           |
| Total Stockholders' Equity  | \$ 1,422,871         | \$ 1,312,048         |
| Net Debt  | 1,028,141            | 544,675              |
| Net Capital   | \$ 2,451,012         | \$ 1,856,723         |
| Net Debt to Net Capital   | 41.9%                | 29.3%                |

## LIQUIDITY AND CAPITAL RESOURCES

We believe we are in a strong financial position and have the financial resources to meet our business requirements in the foreseeable future. We have historically used cash flow from operations, our revolving credit facilities, stock option exercises and debt, as needed, as our primary sources of liquidity. Our primary uses of liquidity are to invest in equipment and facilities that are necessary to support our growth and to make acquisitions that will contribute to the achievement of our strategic objectives. Other uses of liquidity include repurchasing shares of our common stock and paying dividends to stockholders. In the event that customer demand would decrease significantly for a prolonged period of time and negatively impact cash flow from operations, we would have the ability to restrict and significantly reduce capital expenditure levels, as well as evaluate our acquisition strategy and dividend and share repurchase programs. A prolonged and significant reduction in capital expenditure levels could increase future repairs and maintenance costs as well as have a negative impact on operating margins if we were unable to invest in new innovative products.

During 2017, we voluntarily repatriated approximately \$1.0 billion from Europe to the U.S. This was achieved through a combination of surplus available cash and raising debt at our UK subsidiary in Europe. This gave us full financial flexibility to utilize the repatriated cash to meet our U.S. funding needs and for strategic business investments, including the recent acquisition of CSP Technologies. Adding euro-denominated debt better aligns our capital structure with our euro earnings base, and we were able to take advantage of historically low euro debt interest rates.

Cash and equivalents decreased to \$261.8 million at December 31, 2018 from \$712.6 million at December 31, 2017 primarily due to the acquisition of CSP Technologies. Total short and long-term interest bearing debt of \$1.3 billion at December 31, 2018 was at the same level as December 31, 2017. Due to the decrease in cash to fund our CSP Technologies acquisition, the ratio of our Net Debt (interest bearing debt less cash and cash equivalents) to Net Capital (stockholders' equity plus Net Debt) increased to 41.9% at December 31, 2018 compared to 29.3% at December 31, 2017. See the reconciliation of non-U.S. GAAP measures starting on page 23.

In 2018, our operations provided approximately \$313.6 million in cash flow compared to \$324.7 million in 2017 and \$325.3 million in 2016. Cash flow from operations was primarily derived from earnings before depreciation and amortization. The slight decrease in 2018 cash flow from operations compared to 2017 is primarily attributable to a decrease in net income due to restructuring charges along with higher working capital balances. Comparing 2017 to 2016, the decrease was primarily attributable to an additional \$30 million contribution to our domestic pension plan over the amount contributed in 2016.

We used \$735.5 million in cash for investing activities during 2018 compared to \$224.8 million during 2017 and \$300.5 million during 2016. The higher cash utilization in 2018 compared to 2017 is mainly due to acquisitions and higher capital investments. Approximately \$553.5 million of our cash (exclusive of \$24.1 million of cash acquired) was utilized to fund our acquisition of CSP Technologies during 2018. \$5.0 million was held at year end in restricted cash pending the finalization of a working capital adjustment. The \$5 million cash amount was released from restriction in January 2019 after the finalization of the working capital adjustment, resulting in a refund of \$1.0 million. We also invested \$10.0 million in preferred stock of Reciprocal Labs Corporation, doing business as Propeller Health, which is accounted for at cost, and acquired Reboul, a French manufacturer specializing in stamping, decorating and assembling metal and plastic packaging for the cosmetics and luxury markets, for an initial purchase price of approximately \$3.6 million (exclusive of \$112 thousand of cash acquired). Our investment in capital projects increased \$54.6 million during 2018 compared to 2017 to support the growth of our business. Comparing 2017 to 2016, we spent \$203.0 million less on acquisitions. However, in 2017 we did use \$66.2 million to settle a derivative as part of our repatriation project discussed below and increased our investment in capital projects by \$27.6 million compared to 2016.

25/ATR 2018 Form 10-K

---

Table of Contents

Financing activities utilized \$14.9 million in cash during 2018, compared to net cash provided by financing activities of \$114.8 million during 2017 and cash utilized of \$29.7 million in 2016. In 2018, we received net proceeds from our short term credit facility and stock option exercises of \$81.1 million and \$88.2 million, respectively. We used cash on hand to repay \$72.3 million of long-term debt, pay \$82.3 million of dividends and repurchase \$61.7 million of common stock. During 2017, we borrowed approximately \$800 million in Europe (see details below) and used the proceeds along with cash on hand to repatriate \$1.0 billion from Europe to the U.S. These funds were used to repay \$160 million outstanding on the U.S. revolving credit facility, repurchase \$161.5 million of common stock and prepay \$159 million of private placement debt. For 2016, proceeds from short term borrowings were used to partially finance the acquisition of Mega Airless and to repurchase and retire common stock.

In July 2017, we replaced our \$300 million revolving credit facility with a new 5-year multi-currency revolving credit facility with two tranches, providing for unsecured financing of up to \$300 million that is available in the U.S. and up to €150 million that is available to our wholly owned UK subsidiary. Each borrowing under the credit facility will bear interest at rates based on LIBOR, prime rates or other similar rates, in each case plus an applicable margin. A facility fee on the total amount of the facility is also payable quarterly, regardless of usage. The applicable margins for borrowings under the credit facility and the facility fee percentage may change from time to time depending on changes in Aptar's consolidated leverage ratio. We utilized €69 million of the UK subsidiary credit facility at December 31, 2018. We had no outstanding balance at December 31, 2017. During 2018, we incurred approximately \$1.5 million in interest and fees related to these credit facilities, while we incurred approximately \$1.5 million and \$2.0 million in interest and fees during 2017 and 2016, respectively.

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

|  | Requirement             | Level at December 31, 2018 |
|--|-------------------------|----------------------------|
| Consolidated Leverage Ratio (1)          | Maximum of 3.50 to 1.00 | 2.09 to 1.00               |
| Consolidated Interest Coverage Ratio (1) | Minimum of 3.00 to 1.00 | 14.57 to 1.00              |

(1) Definitions of ratios are included as part of the revolving credit facility agreement.

Based upon the above consolidated leverage ratio covenant, we would have the ability to borrow approximately an additional \$711 million before the 3.50 to 1.00 ratio requirement would be exceeded.

Our foreign operations have historically met cash requirements with the use of internally generated cash or uncommitted short-term borrowings. We also have committed financing arrangements in both the U.S. and the UK as detailed above. We manage our global cash requirements considering (i) available funds among the many subsidiaries through which we conduct business, (ii) the geographic location of our liquidity needs, and (iii) the cost to access international cash balances.

During the third quarter of 2017, we entered into the borrowing arrangements summarized below through our wholly owned UK subsidiary to better balance our capital structure.

| Debt Type         | Amount     | Term/Maturity               | Interest Rate                           |
|-------------------|------------|-----------------------------|---|
|                   |            |                             | 2.56% USD floating swapped to 1.36% EUR |
| Bank term loan    | \$ 280,000 | 5 year amortizing/July 2022 | fixed                                   |
| Bank revolver     | € 150,000  | 5 year/July 2022            | 1.30% floating                          |
| Private placement | € 100,000  | 6 year/July 2023            | 0.98% fixed                             |
| Private placement | € 200,000  | 7 year/July 2024            | 1.17% fixed                             |

Aptar also entered into a EUR/USD floating-to-fixed cross currency swap in July 2017 to mitigate the currency risk of U.S. dollar debt on a euro functional currency entity and to also mitigate the risk of variability in interest rates on the \$280 million bank term loan. We expect our future European cash flows will be sufficient to service this debt.

#### OFF BALANCE SHEET ARRANGEMENTS

We lease certain warehouse, plant and office facilities as well as certain equipment under noncancelable operating leases expiring at various dates through the year 2027. Most of the operating leases contain renewal options and certain equipment leases include options to purchase during or at the end of the lease term. Other than operating lease obligations, we do not have any off balance sheet arrangements. See the following section “Overview of Contractual Obligations” for future payments relating to operating leases.

26/ATR 2018 Form 10-K

---

Table of Contents

## OVERVIEW OF CONTRACTUAL OBLIGATIONS

Below is a table of our outstanding contractual obligations and future payments as of December 31, 2018:

| Payment Due by Period                | Total               | 2019              | 2020-2021         | 2022-2023         | 2024 and After    |
|--------------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| Long-term debt (1)                   | \$ 1,183,136        | \$ 61,350         | \$ 119,161        | \$ 372,957        | \$ 629,668        |
| Capital lease obligations (1)        | 8,353               | 1,327             | 2,372             | 1,430             | 3,224             |
| Operating leases                     | 109,133             | 26,512            | 37,915            | 22,774            | 21,932            |
| Notes payable (2)                    | 101,293             | 101,293           | —                 | —                 | —                 |
| Purchase obligations (3)             | 49,671              | 43,426            | 6,073             | 172               | —                 |
| Interest obligations (4)             | 163,580             | 33,767            | 59,940            | 47,562            | 22,311            |
| <b>Total Contractual Obligations</b> | <b>\$ 1,615,166</b> | <b>\$ 267,675</b> | <b>\$ 225,461</b> | <b>\$ 444,895</b> | <b>\$ 677,135</b> |

- (1) The future payments listed above for long-term debt repayments and capital lease obligations reflect only principal payments.
- (2) Notes payable mainly includes foreign short-term borrowings. The future payments listed above assume that no additional amounts will be drawn under the credit facility.
- (3) Purchase obligations are agreements to purchase goods or services that are enforceable and legally binding on the Company that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transactions.
- (4) Approximately 18.8% of our total interest bearing long term debt has variable interest rates. Using our long term variable rate debt outstanding as of December 31, 2018 of approximately \$224.1 million at an average rate of approximately 3.97%, we included approximately \$7.9 million of variable interest rate obligations in 2018. No variable interest rate obligations were included in subsequent years.

We make contributions to our domestic pension plans but currently we are not required to make a minimum pension contribution to those plans. We also contribute to our foreign pension plans but amounts are expected to be discretionary in 2019 and future years. Therefore, amounts related to these plans are not included in the preceding table.

We do not record a current portion of the liability for uncertain tax positions. Aside from deferred income taxes, we have approximately \$85.4 million of other deferred long term liabilities on the balance sheet, which consist primarily of retirement plan obligations. We are not able to reasonably estimate the timing of the long term payments or the amount by which the liability will increase or decrease over time. Therefore, the long term portion of the liability is excluded from the preceding table.

## RECENTLY ISSUED ACCOUNTING STANDARDS

We have reviewed the recently issued accounting standards updates to FASB's Accounting Standards Codification that have future effective dates. Standards which are effective for 2018 are discussed in Note 1 – Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements.





Table of Contents

In February 2016, the FASB issued ASU 2016-02 and subsequent amendments, which requires organizations to recognize leases on the balance sheet, and disclose key information about leasing arrangements. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and recognition of expense in the income statement. The new standard is effective for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. We have adopted the new standard as of January 1, 2019. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. We expect to adopt the new standard on January 1, 2019 and use the effective date (option 1) as our date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019. The new standard provides a number of optional practical expedients in transition. We expect to elect the ‘package of practical expedients’, which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. The new standard also provides practical expedients for an entity’s ongoing accounting. We currently expect to elect the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, we will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. While we continue to assess all of the effects of adoption, we currently believe the most significant effects relate to the recognition of new ROU assets and lease liabilities on our balance sheet for our operating leases and the significant new disclosures about our leasing activities.

In June 2016, the FASB issued ASU 2016-13, which changes the accounting guidance for measurement of credit losses on financial instruments. The guidance replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information when recording credit loss estimates. The new standard is effective for fiscal years and interim periods beginning after December 15, 2019. We are currently evaluating the impact of adopting this guidance.

In January 2017, the FASB issued ASU 2017-04, which provides guidance to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. As a result, impairment charges will be required for the amount by which a reporting unit’s carrying amount exceeds its fair value up to the amount of its allocated goodwill. The new standard is effective for the annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. We do not believe that this new guidance will have a material impact on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-14, which amends disclosure requirements for defined benefit pension and other postretirement plans. The amendments in this update remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. The new standard is effective for fiscal years ending after December 15, 2020. As this update amends disclosure requirements, we do not expect any significant impact around adopting this guidance.

In August 2018, the FASB issued ASU 2018-15 to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use

software license). Accordingly, the amendments require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The amendments also require the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, which includes reasonably certain renewals. The new standard is effective for fiscal years beginning after December 15, 2019. We are currently evaluating the impact of adopting this guidance.

Other accounting standards that have been issued by the FASB or other standards setting bodies that do not require adoption until a future date are not expected to have a material impact on our consolidated financial statements upon adoption.

28/ATR 2018 Form 10-K

---

Table of Contents

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We continually evaluate our estimates, including those related to bad debts, inventories, intangible assets, income taxes, pensions and contingencies. We base our estimates on historical experience and on a variety of other assumptions believed to be reasonable in order to make judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in preparation of our Consolidated Financial Statements. Management has discussed the development and selection of these critical accounting estimates with the audit committee of our Board of Directors and the audit committee has reviewed our disclosure relating to it in this Management's Discussion and Analysis of Consolidated Results of Operations and Financial Condition.

## IMPAIRMENT OF GOODWILL

In accordance with current accounting standards, goodwill has an indefinite life and is not amortized. We evaluate our goodwill for impairment at the reporting unit level on an annual basis, or whenever indicators of impairment exist. We have determined that our Beauty + Home and Food + Beverage business segments represent reporting units. Within the Pharma segment, the injectables and active packaging divisions qualify as separate reporting units for goodwill impairment testing apart from the remaining Pharma business. As of December 31, 2018, we have \$712.1 million of goodwill, which is allocated as follows:

| Reporting Unit   | Balance at December 31, 2018 |
|------------------|------------------------------|
| Pharma           | \$ 93,529                    |
| Injectables      | 100,872                      |
| Active Packaging | 165,482                      |
| Beauty + Home    | 223,933                      |
| Food + Beverage  | 128,279                      |
| Total            | \$ 712,095                   |

We believe that the accounting estimates related to determining the fair value of our reporting units is a critical accounting estimate because: (1) it is highly susceptible to change from period to period because it requires management to make assumptions about the future cash flows for each reporting unit over several years, and (2) the impact that recognizing an impairment would have on the assets reported on our balance sheet as well as our results of operations could be material. Management's determination of the fair value of our reporting units, based on future cash flows for the reporting units, requires significant judgment and the use of estimates and assumptions related to projected revenue growth rates, projected EBITDA margins, capital expenditures, working capital levels, the terminal growth factor, as well as the discount rate. Actual cash flows in the future may differ significantly from those forecasted today. The estimates and assumptions for future cash flows and its impact on the impairment testing of goodwill is a critical accounting estimate.

For our goodwill impairment assessment, we first consider qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (greater than 50 percent chance) that the fair value of a reporting unit is less than its carrying amount (the "step zero" approach). Such qualitative factors may include the following: macroeconomic conditions; industry and market considerations; cost factors; overall financial performance, and other relevant entity specific events. In the absence of sufficient qualitative factors, goodwill impairment is determined utilizing a two step quantitative process. If it is determined that the fair value of a reporting

unit is below its carrying amount, where necessary, goodwill will be impaired at that time.

We performed our annual goodwill impairment assessment as of December 31, 2018 for each of our reporting units except for Active Packaging. Based on our qualitative assessment of macroeconomic, industry, and market events and circumstances as well as the overall financial performance of the reporting units, we determined it was more likely than not that the fair value of these reporting units was greater than their carrying amounts. As such, the annual two step impairment test was deemed not necessary to be performed for our reporting units for the year ended December 31, 2018. While we have not yet performed an impairment assessment for our Active Packaging reporting unit, we did consider whether there were any indicators of possible impairment since the acquisition and did not identify any such factors. We will perform a separate impairment assessment of the Active Packaging reporting unit within one year of the acquisition date.

29/ATR 2018 Form 10-K

---

## Table of Contents

### INCOME TAXES

In the ordinary course of business, we make estimates of the tax treatment of many transactions, even though the ultimate tax outcome may remain uncertain for some time. These estimates become part of the annual income tax expense reported in our financial statements. Subsequent to year-end, we finalize our tax analysis and file income tax returns. Tax authorities periodically audit these income tax returns and examine our tax filing positions, including (among other things) the timing and amounts of deductions, and the allocation of income among tax jurisdictions. If necessary, we adjust income tax expense in our financial statements in the periods in which the actual outcome becomes more certain.

Our tax liability for unrecognized tax benefits contains uncertainties because management is required to make assumptions and to apply judgment to estimate the exposures related to our various filing positions.

Our effective tax rate is also impacted by changes in tax laws, the current mix of earnings by taxing jurisdiction, and the results of current tax audits and assessments. In December 2017, the U.S. enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (TCJA), which resulted in significant changes to U.S. federal income tax law affecting the Company. Current and expected impacts are based on our current knowledge of the legislation and other authoritative guidance, which has been issued, including proposed regulations.

At December 31, 2018 and 2017, we had \$96.3 million and \$73.6 million, respectively, of net deferred tax assets on our balance sheet primarily related to net operating losses and other tax carryforwards. The ultimate realization of these deferred tax assets is dependent upon the amount, source, and timing of future taxable income. In cases where we believe it is more likely than not that we may not realize the future potential tax benefits, we establish a valuation allowance against them.

Changes in U.S. and foreign tax laws could impact assumptions related to the repatriation of certain foreign earnings. Audits by various taxing authorities continue as governments look for ways to raise additional revenue. Based upon past audit experience, we do not expect any material changes to our tax liability as a result of this audit activity; however, we could incur additional tax expense if we have audit adjustments higher than recent historical experience. The likelihood of recovery of net operating losses and other tax carryforwards has been closely evaluated and is based upon such factors as the time remaining before expiration, viable tax planning strategies, and future taxable earnings expectations. We believe that appropriate valuation allowances have been recorded as necessary. However, if earnings expectations or other assumptions change such that additional valuation allowances are required, we could incur additional tax expense. Likewise, if fewer valuation allowances are needed, we could incur reduced tax expense.

### ACQUISITIONS

We account for business combinations using the acquisition method, which requires management to estimate the fair value of identifiable assets acquired and liabilities assumed, and to properly allocate purchase price consideration to the individual assets acquired and liabilities assumed. Goodwill is measured as the excess amount of consideration transferred, compared to fair value of the assets acquired and the liabilities assumed. The allocation of the purchase price utilizes significant estimates and assumptions in determining the fair values of identifiable assets acquired and liabilities assumed, especially with respect to intangible assets. These estimates are based on all available information and in some cases assumptions with respect to the timing and amount of future revenues and expenses associated with an asset. The purchase price allocation for business acquisitions contains uncertainties because it requires management's judgment.

Management applied judgment in determining the fair value of the acquired assets with respect to the acquisition of CSP Technologies S.à r.l. The judgments made in determining the estimated fair value assigned to the assets acquired,

as well as the estimated life of the assets, can materially impact net income in periods subsequent to the acquisition through depreciation and amortization, and in certain instances through impairment charges, if the asset becomes impaired in the future. In particular, judgment was applied with respect to determining the fair value of customer relationships intangible assets, which involved the use of significant estimates and assumptions with respect to the timing and amounts of cash flow projections, the revenue growth rates, the customer attrition rates, the EBITDA margins and the discount rate. We recorded customer relationship intangible assets of approximately \$113 million associated with the CSP Technologies Acquisition.

#### ALLOWANCE FOR DOUBTFUL ACCOUNTS

We record an allowance for doubtful accounts as an estimate of the inability of our customers to make their required payments. We determine the amount of our allowance for doubtful accounts by looking at a variety of factors. First, we examine an aging report of the accounts receivable for each of our entities. The aging report lists past due amounts according to invoice terms. In addition, we consider historical experience with the customers, the current economic environment, the credit rating of the customers and general overall market conditions. In some countries we maintain credit insurance, which can be used in certain cases of non payment.

30/ATR 2018 Form 10-K

---

## Table of Contents

We believe that the accounting estimate related to the allowance for doubtful accounts is a critical accounting estimate because: (1) it requires management to make assumptions about the ability to collect amounts owed from customers in the future and (2) changes to these assumptions or estimates could have a material impact on our results of operations. The estimate for the allowance for doubtful accounts is a critical accounting estimate for all of our segments.

When we determine that a customer is unlikely to pay, we record a charge to bad debt expense in the income statement and an increase to the allowance for doubtful accounts. When it becomes certain the customer cannot pay (typically driven by the customer filing for bankruptcy) we write off the receivable by removing the accounts receivable amount and reducing the allowance for doubtful accounts accordingly. In 2018, we increased the allowance for doubtful accounts by approximately \$923 thousand and we wrote off doubtful accounts of \$543 thousand. Please refer to Schedule II—Valuation and Qualifying Accounts for activity in the allowance for doubtful accounts over the past three years.

At December 31, 2018, we had approximately \$567.1 million in accounts receivable net of approximately \$3.5 million recorded in the allowance for doubtful accounts to cover potential future customer non payments net of any credit insurance reimbursement we would potentially recover. We believe our allowance for doubtful accounts is adequate to cover future non payments of our customers. However, if economic conditions deteriorate significantly or one of our large customers was to declare bankruptcy, a larger allowance for doubtful accounts might be necessary. It is extremely difficult to estimate how much of an additional reserve would be necessary, but we expect the largest potential customer balance at any one time would not exceed \$21.7 million. An additional loss of \$21.7 million would reduce our Total Assets as of December 31, 2018 by approximately 0.6% and would have reduced Income before Income Taxes by approximately 8.1%.

If we had been required to recognize an additional \$21.7 million in bad debt expense, it would likely not have significantly affected our liquidity and capital resources because, in spite of any such additional expense, we would still have been within the terms of our debt covenants.

## VALUATION OF PENSION BENEFITS

The benefit obligations and net periodic pension cost associated with our domestic and foreign noncontributory pension plans are determined using actuarial assumptions. Such assumptions include discount rates to reflect the time value of money, rate of employee compensation increases, demographic assumptions to determine the probability and timing of benefit payments, and the long term rate of return on plan assets. The actuarial assumptions are based upon management's best estimates, after consulting with outside investment advisors and actuaries. Because assumptions and estimates are used, actual results could differ from expected results.

The discount rate is utilized principally in calculating our pension obligations, which are represented by the Accumulated Benefit Obligation (ABO) and the Projected Benefit Obligation (PBO), and in calculating net periodic benefit cost. In establishing the discount rate for our foreign plans, we review a number of relevant interest rates including Aa corporate bond yields. In establishing the discount rate for our domestic plans, we match the hypothetical duration of our plans, using a weighted average duration that is based upon projected cash payments, to a simulated bond portfolio (Citigroup Pension Index Curve). At December 31, 2018, the discount rates for our domestic and foreign plans were 4.20% and 1.82%, respectively.

We believe that the accounting estimates related to determining the valuation of pension benefits are critical accounting estimates because: (1) changes in them can materially affect net income and (2) we are required to establish the discount rate and the expected return on fund assets, which are highly uncertain and require judgment. The estimates for the valuation of pension benefits are critical accounting estimates for all of our segments.



To the extent the discount rates increase (or decrease), our PBO and net periodic benefit cost will decrease (or increase) accordingly. The estimated effect of a 1% decrease in each discount rate would be a \$52.7 million increase in the PBO (\$38.1 million for the domestic plans and \$14.6 million for the foreign plans) and a \$8.0 million increase in net periodic benefit cost (\$6.7 million for the domestic plans and \$1.3 million for the foreign plans). To the extent the PBO increases, the after tax effect of such increase could reduce Other Comprehensive Income and Stockholders' Equity. The estimated effect of a 1% increase in each discount rate would be a \$41.6 million decrease in the PBO (\$29.6 million for the domestic plans and \$12.0 million for the foreign plans) and a \$6.3 million decrease in net periodic benefit cost (\$5.3 million for the domestic plans and \$1.0 million for the foreign plans).

The assumed expected long term rate of return on assets is the average rate of earnings expected on the funds invested to provide for the benefits included in the PBO. Of domestic plan assets, approximately 44% was invested in equities, 29% was invested in fixed income securities, 10% was invested in hedge funds, 7% was invested in infrastructure securities, 5% was invested in real estate securities and 5% was invested in money market funds, at December 31, 2018. Of foreign plan assets, approximately 91% was invested in investment funds, 4% was invested in equity securities, 3% was invested in corporate securities, 1% was invested in fixed income securities and 1% was invested in money market funds at December 31, 2018.

31/ATR 2018 Form 10-K

---

Table of Contents

The expected long term rate of return assumptions are determined based on our investment policy combined with expected risk premiums of equities and fixed income securities over the underlying risk free rate. This rate is utilized principally in calculating the expected return on the plan assets component of the net periodic benefit cost. To the extent the actual rate of return on assets realized over the course of a year is greater or less than the assumed rate, that year's net periodic benefit cost is not affected. Rather, this gain (or loss) reduces (or increases) future net periodic benefit cost over a period of approximately 15 to 20 years. To the extent the expected long term rate of return on assets increases (or decreases), our net periodic benefit cost will decrease (or increase) accordingly. The estimated effect of a 1% decrease (or increase) in each expected long term rate of return on assets would be a \$2.2 million increase (or decrease) in net periodic benefit cost.

The average rate of compensation increase is utilized principally in calculating the PBO and the net periodic benefit cost. The estimated effect of a 0.5% decrease in each rate of expected compensation increase would be a \$6.5 million decrease in the PBO (\$1.7 million for the domestic plans and \$4.8 million for the foreign plans) and a \$1.2 million decrease to the net periodic benefit cost. The estimated effect of a 0.5% increase in each rate of expected compensation increase would be a \$7.0 million increase in the PBO (\$1.7 million for the domestic plans and \$5.3 million for the foreign plans) and a \$1.3 million increase to the net periodic benefit cost.

Our primary pension related assumptions as of December 31, 2018, 2017 and 2016 were as follows:

| Actuarial Assumptions as of December 31,          | 2018   | 2017   | 2016   |
|---|--------|--------|--------|
| Discount rate:                                    |        |        |        |
| Domestic plans                                    | 4.20 % | 3.55 % | 4.05 % |
| Foreign plans                                     | 1.82 % | 1.62 % | 1.65 % |
| Expected long term rate of return on plan assets: |        |        |        |
| Domestic plans                                    | 7.00 % | 7.00 % | 7.00 % |
| Foreign plans                                     | 3.57 % | 3.66 % | 3.66 % |
| Rate of compensation increase:                    |        |        |        |
| Domestic plans                                    | 4.00 % | 4.00 % | 4.00 % |
| Foreign plans                                     | 3.01 % | 3.02 % | 3.00 % |

In order to determine the 2019 net periodic benefit cost, we expect to use the discount rates, expected long term rates of return on plan assets and rates of compensation increase assumptions as of December 31, 2018. The estimated impact of the changes to the assumptions as noted in the table above on our 2019 net periodic benefit cost is expected to be a decrease of approximately \$5.7 million.

**SHARE BASED COMPENSATION**

We use the Black Scholes option valuation model to value stock options, which requires the input of subjective assumptions. These assumptions include the length of time employees will retain their vested stock options before exercising them ("expected term"), the estimated volatility of our stock price, risk free interest rate, the expected dividend yield and stock price. The expected term of the options is based on historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior. The expected term determines the period for which the risk free interest rate and volatility must be applied. The risk free interest rate is based on the expected U.S. Treasury rate over the expected term. Expected stock price volatility is based on historical volatility of our stock price. Dividend yield is management's long term estimate of annual dividends to be paid as a percentage of share price.

For 2018, expense related to share based compensation for employee stock option plans was \$10.9 million. Future changes in the subjective assumptions used in the Black Scholes option valuation model or estimates associated with forfeitures could impact our share based compensation expense. For example, a one year reduction/increase in the expected term of the options for current year grant would decrease/increase the Black Scholes valuation and reduce/increase share based compensation expense for the year by approximately \$0.3 million. In addition, changes in the share price at the date of the grant would impact our share based compensation expense. For example, a \$5 decrease/increase in the stock price for current year grants would decrease/increase the Black Scholes valuation and reduce/increase share based compensation expense for the year by approximately \$0.2 million. We do not expect to issue stock options after 2018 as we transition our stock compensation plans to a combination of RSUs and PSUs. The amount of the RSUs and PSUs is typically either a flat amount or a percentage of an associate's salary. Various factors dictate the number of shares this equates to but it does not have an impact on the expense.

#### OPERATIONS OUTLOOK

We anticipate positive sales momentum continuing into the first quarter of 2019 and we expect each segment to post core sales growth over the prior year. Our current first quarter earnings per share guidance range reflects a higher tax rate and higher estimated outstanding share count than the prior year and it also assumes negative foreign currency translation effects as the euro has weakened considerably from a year ago.

32/ATR 2018 Form 10-K

---

## Table of Contents

Aptar expects earnings per share for the first quarter, excluding any restructuring costs, to be in the range of \$0.95 to \$1.00 and this guidance is based on an effective tax rate range of 29% to 31%. The midrange of this guidance represents an improvement of approximately 9% over the prior year earnings per share excluding restructuring expenses and adjusted to comparable currency and tax rates. Prior year reported earnings per share were \$0.92.

## FORWARD LOOKING STATEMENTS

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

- economic conditions worldwide, including potential deflationary or inflationary conditions in regions we rely on for growth;
- political conditions worldwide;
- significant fluctuations in foreign currency exchange rates or our effective tax rate;
- the impact of tax reform legislation, changes in tax rates and other tax-related events or transactions that could impact our effective tax rate;
- financial conditions of customers and suppliers;
- consolidations within our customer or supplier bases;
- changes in customer and/or consumer spending levels;
- loss of one or more key accounts;
- the availability of raw materials and components (particularly from sole sourced suppliers) as well as the financial viability of these suppliers;
- fluctuations in the cost of materials, components and other input costs (particularly resin, metal, anodization costs and transportation and energy costs);
- the impact and extent of contamination found at our facility in Brazil;
- our ability to successfully implement facility expansions and new facility projects;
- the impact of the UK leaving the European Union (Brexit) on our UK operations;
- our ability to offset inflationary impacts with cost containment, productivity initiatives or price increases;
- changes in capital availability or cost, including interest rate fluctuations;
- volatility of global credit markets;
- the timing and magnitude of capital expenditures;
- our ability to identify potential new acquisitions and to successfully acquire and integrate such operations or products, including the successful integration of the CSP Technologies and Rebolou businesses;
- direct or indirect consequences of acts of war, terrorism or social unrest;
- cybersecurity threats that could impact our networks and reporting systems;
- the impact of natural disasters and other weather-related occurrences;
- fiscal and monetary policies and other regulations;
- changes or difficulties in complying with government regulation;
- changing regulations or market conditions regarding environmental sustainability;
- work stoppages due to labor disputes;
- competition, including technological advances;

Edgar Filing: APTARGROUP INC - Form 10-K

- our ability to protect and defend our intellectual property rights, as well as litigation involving intellectual property rights;
- the outcome of any legal proceeding that has been or may be instituted against us and others;
- our ability to meet future cash flow estimates to support our goodwill impairment testing;
- the demand for existing and new products;
- the success of our customers' products, particularly in the pharmaceutical industry;
- our ability to manage worldwide customer launches of complex technical products, particularly in developing markets;
- difficulties in product development and uncertainties related to the timing or outcome of product development;
- significant product liability claims;
- the execution of our business transformation plan; and
- other risks associated with our operations.

33/ATR 2018 Form 10-K

---

Table of Contents

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

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

## MARKET RISKS

A significant number of our operations are located outside of the United States. Because of this, movements in exchange rates may have a significant impact on the translation of the financial condition and results of operations of our subsidiaries. Our primary foreign exchange exposure is to the euro, but we also have foreign exchange exposure to the Chinese yuan, Brazilian real, Mexican peso, Swiss franc and other Asian, European and South American currencies. A weakening U.S. dollar relative to foreign currencies has an additive translation effect on our financial condition and results of operations. Conversely, a strengthening U.S. dollar relative to foreign currencies has a dilutive translation effect on our financial condition and results of operations.

Additionally, in some cases, we sell products denominated in a currency different from the currency in which the related costs are incurred. Any changes in exchange rates on such inter country sales may impact our results of operations.

We manage our exposures to foreign exchange principally with forward exchange contracts to hedge certain firm purchase and sales commitments and intercompany cash transactions denominated in foreign currencies.

The table below provides information as of December 31, 2018 about our forward currency exchange contracts. The majority of the contracts expire before the end of the first quarter of 2019.

| In thousands |                                   |   |                                  |
|--------------|-----------------------------------|---|----------------------------------|
| Year Ended   |                                   |   |                                  |
| December 31, |                                   |   |                                  |
| 2018         |                                   |   |                                  |
| Buy/Sell     | Contract Amount<br>(in thousands) | Average<br>Contractual<br>Exchange Rate | Min / Max<br>Notional<br>Volumes |
| CHF / EUR    | \$ 42,793                         | 0.8878                                  | 40,942-42,793                    |
| EUR / USD    | 16,575                            | 1.1404                                  | 16,022-38,905                    |
| EUR / BRL    | 12,885                            | 4.4434                                  | 12,885-14,127                    |
| EUR / INR    | 5,219                             | 81.1700                                 | 4,958-5,231                      |
| EUR / IDR    | 2,354                             | 19.2090                                 | 2,252-2,384                      |
| USD / EUR    | 2,242                             | 0.8762                                  | 2,242-7,941                      |
| USD / MXN    | 1,570                             | 20.2812                                 | 0-1,570                          |
| USD / BRL    | 850                               | 3.8980                                  | 0-850                            |
| EUR / MXN    | 535                               | 23.0610                                 | 0-535                            |
| GBP / EUR    | 508                               | 1.1277                                  | 508-767                          |
| EUR / CHF    | 163                               | 1.1273                                  | 0-163                            |

Total                   \$ 85,695

As of December 31, 2018, we have recorded the fair value of foreign currency forward exchange contracts of \$0.3 million in prepaid and other and \$0.3 million in accounts payable and accrued liabilities in the Consolidated Balance Sheets. Aptar also entered into a EUR/USD floating-to-fixed cross currency swap on July 20, 2017 to effectively hedge the foreign exchange and interest rate exposure on the \$280 million bank term loan drawn by its wholly owned UK subsidiary. The fair value of this cash flow hedge is \$1.0 million and is reported in accounts payable and accrued liabilities in the Consolidated Balance Sheets.

34/ATR 2018 Form 10-K

---

Table of Contents

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AptarGroup, Inc.

## CONSOLIDATED STATEMENTS OF INCOME

In thousands, except per share amounts

| Years Ended December 31,   | 2018         | 2017         | 2016         |
|--|--------------|--------------|--------------|
| Net Sales  | \$ 2,764,761 | \$ 2,469,283 | \$ 2,330,934 |
| Operating Expenses:  |              |              |              |
| Cost of sales (exclusive of depreciation and amortization shown below) | 1,812,961    | 1,603,070    | 1,496,174    |
| Selling, research & development and administrative                     | 429,955      | 387,424      | 366,269      |
| Depreciation and amortization  | 171,747      | 153,094      | 154,802      |
| Restructuring initiatives  | 63,829       | 2,208        | —            |
|  | 2,478,492    | 2,145,796    | 2,017,245    |
| Operating Income   | 286,269      | 323,487      | 313,689      |
| Other (Expense) Income:  |              |              |              |
| Interest expense   | (32,626)     | (40,597)     | (35,237)     |
| Interest income  | 7,056        | 5,470        | 2,643        |
| Equity in results of affiliates  | (229)        | (229)        | (191)        |
| Miscellaneous, net   | 5,550        | 6,694        | (407)        |
|  | (20,249)     | (28,662)     | (33,192)     |
| Income before Income Taxes   | 266,020      | 294,825      | 280,497      |
| Provision for Income Taxes   | 71,254       | 74,796       | 74,893       |
| Net Income   | \$ 194,766   | \$ 220,029   | \$ 205,604   |
| Net (Income) Loss Attributable to Noncontrolling Interests             | (21)         | 1            | (14)         |
| Net Income Attributable to AptarGroup, Inc.                            | \$ 194,745   | \$ 220,030   | \$ 205,590   |
| Net Income Attributable to AptarGroup, Inc. per Common Share:          |              |              |              |
| Basic  | \$ 3.12      | \$ 3.52      | \$ 3.27      |
| Diluted  | \$ 3.00      | \$ 3.41      | \$ 3.17      |

See accompanying notes to consolidated financial statements.

35/ATR 2018 Form 10-K



Table of Contents

AptarGroup, Inc.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In thousands

| Year Ended December 31,   | 2018       | 2017       | 2016       |
|---|------------|------------|------------|
| Net Income  | \$ 194,766 | \$ 220,029 | \$ 205,604 |
| Other Comprehensive Income:   |            |            |            |
| Foreign currency translation adjustments                              | (62,914)   | 74,404     | (53,183)   |
| Changes in treasury locks, net of tax                                 | 17         | 28         | 26         |
| Gain (loss) on derivatives, net of tax                                | 1,547      | (3,186)    | —          |
| Defined benefit pension plan, net of tax                              |            |            |            |
| Actuarial gain (loss), net of tax                                     | 5,292      | (7,906)    | (7,151)    |
| Prior service cost, net of tax  | (26)       | (1,038)    | (466)      |
| Amortization of prior service cost included in net income, net of tax | 533        | 296        | 248        |
| Amortization of net loss included in net income, net of tax           | 4,991      | 3,828      | 3,144      |
| Total defined benefit pension plan, net of tax                        | 10,790     | (4,820)    | (4,225)    |
| Total other comprehensive (loss) income                               | (50,560)   | 66,426     | (57,382)   |
| Comprehensive Income  | 144,206    | 286,455    | 148,222    |
| Comprehensive Loss (Income) Attributable to Noncontrolling Interests  | 16         | (18)       | 6          |
| Comprehensive Income Attributable to AptarGroup, Inc.                 | \$ 144,222 | \$ 286,437 | \$ 148,228 |

See accompanying notes to consolidated financial statements.

36/ATR 2018 Form 10-K

Table of Contents

AptarGroup, Inc.

## CONSOLIDATED BALANCE SHEETS

In thousands

| December 31,   | 2018         | 2017         |
|--|--------------|--------------|
| Assets   |              |              |
| Current Assets:  |              |              |
| Cash and equivalents   | \$ 261,823   | \$ 712,640   |
| Accounts and notes receivable, less allowance for doubtful accounts of \$3,541 in 2018 and \$3,161 in 2017 | 569,630      | 510,426      |
| Inventories  | 381,110      | 337,216      |
| Prepaid and other  | 118,245      | 109,791      |
|  | 1,330,808    | 1,670,073    |
| Property, Plant and Equipment:   |              |              |
| Buildings and improvements   | 453,572      | 416,241      |
| Machinery and equipment  | 2,368,332    | 2,237,655    |
|  | 2,821,904    | 2,653,896    |
| Less: Accumulated depreciation   | (1,855,810)  | (1,811,819)  |
|  | 966,094      | 842,077      |
| Land   | 25,519       | 25,829       |
|  | 991,613      | 867,906      |
| Other Assets:  |              |              |
| Investments in equity securities   | 25,448       | 9,444        |
| Goodwill   | 712,095      | 443,887      |
| Intangible assets  | 254,904      | 95,460       |
| Miscellaneous  | 62,867       | 51,053       |
|  | 1,055,314    | 599,844      |
| Total Assets   | \$ 3,377,735 | \$ 3,137,823 |

See accompanying notes to consolidated financial statements.

37/ATR 2018 Form 10-K

Table of Contents

AptarGroup, Inc.

## CONSOLIDATED BALANCE SHEETS

In thousands, except share and per share amounts

| December 31,   | 2018         | 2017         |
|--|--------------|--------------|
| Liabilities and Stockholders' Equity   |              |              |
| Current Liabilities:   |              |              |
| Notes payable, including revolving credit facilities   | \$ 101,293   | \$ 4,336     |
| Current maturities of long-term obligations, net of unamortized debt issuance costs  | 62,678       | 61,833       |
| Accounts payable and accrued liabilities   | 525,199      | 461,579      |
|  | 689,170      | 527,748      |
| Long-Term Obligations, net of unamortized debt issuance costs  | 1,125,993    | 1,191,146    |
| Deferred Liabilities and Other:  |              |              |
| Deferred income taxes  | 53,917       | 20,995       |
| Retirement and deferred compensation plans   | 62,319       | 80,278       |
| Deferred and other non-current liabilities   | 23,465       | 5,608        |
| Commitments and contingencies  | —            | —            |
|  | 139,701      | 106,881      |
| Stockholders' Equity:  |              |              |
| AptarGroup, Inc. stockholders' equity  |              |              |
| Common stock, \$.01 par value, 199 million shares authorized, 67.3 and 66.7 million shares issued as of December 31, 2018 and 2017, respectively | 673          | 667          |
| Capital in excess of par value   | 678,769      | 609,471      |
| Retained earnings  | 1,371,826    | 1,301,147    |
| Accumulated other comprehensive (loss)   | (310,504)    | (253,302)    |
| Less: Treasury stock at cost, 4.4 and 4.9 million shares as of December 31, 2018 and 2017, respectively  | (318,208)    | (346,245)    |
| Total AptarGroup, Inc. Stockholders' Equity  | 1,422,556    | 1,311,738    |
| Noncontrolling interests in subsidiaries   | 315          | 310          |
| Total Stockholders' Equity   | 1,422,871    | 1,312,048    |
| Total Liabilities and Stockholders' Equity   | \$ 3,377,735 | \$ 3,137,823 |

See accompanying notes to consolidated financial statements.

38/ATR 2018 Form 10-K

Table of Contents

AptarGroup, Inc.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31, 2018, 2017 and 2016

In thousands

|   | AptarGroup, Inc. Stockholders' Equity |   |                        |                |                                |                          |              |
|---|---------------------------------------|---|------------------------|----------------|--------------------------------|--------------------------|--------------|
|   | Retained Earnings                     | Accumulated Other Comprehensive Income (Loss) | Common Stock Par Value | Treasury Stock | Capital in Excess of Par Value | Non-Controlling Interest | Total Equity |
| Balance - December 31, 2015   | \$ 1,185,681                          | \$ (262,347)                                  | \$ 667                 | \$ (270,052)   | \$ 495,462                     | \$ 295                   | \$ 1,149,706 |
| Net income  | 205,590                               | —   | —                      | —              | —                              | 14                       | 205,604      |
| Foreign currency translation adjustments  | —                                     | (53,163)                                      | —                      | —              | —                              | (20)                     | (53,183)     |
| Changes in unrecognized pension gains (losses) and related amortization, net of tax | —                                     | (4,225)                                       | —                      | —              | —                              | —                        | (4,225)      |
| Changes in treasury locks, net of tax   | —                                     | 26  | —                      | —              | —                              | —                        | 26           |
| Stock awards and option exercises   | —                                     | —   | 10                     | 19,135         | 65,198                         | —                        | 84,343       |
| Cash dividends declared on common stock   | (76,659)                              | —   | —                      | —              | —                              | —                        | (76,659)     |
| Common stock repurchased and retired  | (117,378)                             | —   | (17)                   | —              | (13,976)                       | —                        | (131,371)    |
| Non controlling interest additions  | —                                     | —   | —                      | —              | (2)                            | 3                        | 1            |

## Edgar Filing: APTARGROUP INC - Form 10-K

|   |              |              |        |              |            |        |              |
|---|--------------|--------------|--------|--------------|------------|--------|--------------|
| Balance -<br>December 31,<br>2016   | \$ 1,197,234 | \$ (319,709) | \$ 660 | \$ (250,917) | \$ 546,682 | \$ 292 | \$ 1,174,242 |
| Net income  | 220,030      | —            | —      | —            | —          | (1)    | 220,029      |
| Foreign<br>currency<br>translation<br>adjustments   | —            | 74,385       | —      | —            | —          | 19     | 74,404       |
| Changes in<br>unrecognized<br>pension gains<br>(losses) and<br>related<br>amortization,<br>net of tax | —            | (4,820)      | —      | —            | —          | —      | (4,820)      |
| Changes in<br>treasury locks,<br>net of tax   | —            | 28           | —      | —            | —          | —      | 28           |
| Changes in<br>derivative<br>losses, net of<br>tax   | —            | (3,186)      | —      | —            | —          | —      | (3,186)      |
| Stock awards<br>and option<br>exercises   | —            | —            | 12     | 25,212       | 67,605     | —      | 92,829       |
| Cash dividends<br>declared on<br>common stock   | (79,944)     | —            | —      | —            | —          | —      | (79,944)     |
| Treasury stock<br>purchased   | —            | —            | —      | (120,540)    | —          | —      | (120,540)    |
| Common stock<br>repurchased<br>and retired  | (36,173)     | —            | (5)    | —            | (4,816)    | —      | (40,994)     |
| Balance -<br>December 31,<br>2017   | \$ 1,301,147 | \$ (253,302) | \$ 667 | \$ (346,245) | \$ 609,471 | \$ 310 | \$ 1,312,048 |
| Net income  | 194,745      | —            | —      | —            | —          | 21     | 194,766      |
| Adoption of<br>revenue<br>recognition<br>standard   | 2,937        | —            | —      | —            | —          | —      | 2,937        |
| Reclassification<br>of stranded tax<br>effects  | 6,658        | (6,658)      | —      | —            | —          | —      | —            |
| Foreign<br>currency<br>translation<br>adjustments   | —            | (62,898)     | —      | —            | —          | (16)   | (62,914)     |
| Changes in<br>unrecognized<br>pension gains   | —            | 10,790       | —      | —            | —          | —      | 10,790       |

|   |              |              |        |              |            |        |              |
|---|--------------|--------------|--------|--------------|------------|--------|--------------|
| (losses) and related amortization, net of tax |              |              |        |              |            |        |              |
| Changes in treasury locks, net of tax         | —            | 17           | —      | —            | —          | —      | 17           |
| Changes in derivative gains, net of tax       | —            | 1,547        | —      | —            | —          | —      | 1,547        |
| Stock awards and option exercises             | —            | —            | 12     | 31,942       | 75,763     | —      | 107,717      |
| Cash dividends declared on common stock       | (82,346)     | —            | —      | —            | —          | —      | (82,346)     |
| Treasury stock purchased                      | —            | —            | —      | (3,905)      | —          | —      | (3,905)      |
| Common stock repurchased and retired          | (51,315)     | —            | (6)    | —            | (6,465)    | —      | (57,786)     |
| Balance - December 31, 2018                   | \$ 1,371,826 | \$ (310,504) | \$ 673 | \$ (318,208) | \$ 678,769 | \$ 315 | \$ 1,422,871 |

See accompanying notes to consolidated financial statements.

39/ATR 2018 Form 10-K

---

Table of Contents

AptarGroup, Inc.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands, brackets denote cash outflows

| Year Ended December 31,   | 2018       | 2017       | 2016       |
|---|------------|------------|------------|
| Cash Flows from Operating Activities:   |            |            |            |
| Net income  | \$ 194,766 | \$ 220,029 | \$ 205,604 |
| Adjustments to reconcile net income to net cash provided by operations:                               |            |            |            |
| Depreciation  | 156,292    | 142,755    | 145,485    |
| Amortization  | 15,455     | 10,339     | 9,317      |
| Stock-based compensation  | 19,561     | 18,924     | 19,824     |
| Provision for doubtful accounts   | 923        | 235        | 561        |
| (Gain) loss on disposition of fixed assets  | (770)      | 387        | (348)      |
| Gain on remeasurement of equity securities  | (6,500)    | —          | (2,013)    |
| Debt prepayment costs   | —          | 4,710      | —          |
| Deferred income taxes   | (23,352)   | 2,238      | (11,112)   |
| Defined benefit plan expense  | 19,501     | 17,200     | 16,786     |
| Equity in results of affiliates   | 229        | 229        | 191        |
| Changes in balance sheet items, excluding effects from acquisitions and foreign currency adjustments: |            |            |            |
| Accounts and other receivables  | (66,968)   | (44,658)   | (41,721)   |
| Inventories   | (25,183)   | (12,989)   | (834)      |
| Prepaid and other current assets  | (9,437)    | (33,959)   | (5,968)    |
| Accounts payable and accrued liabilities  | 37,155     | 58,245     | (12,474)   |
| Income taxes payable  | (3,155)    | (8,753)    | 15,056     |
| Retirement and deferred compensation plan liabilities   | (22,762)   | (41,004)   | (9,380)    |
| Other changes, net  | 27,873     | (9,199)    | (3,675)    |
| Net Cash Provided by Operations   | 313,628    | 324,729    | 325,299    |
| Cash Flows from Investing Activities:   |            |            |            |
| Capital expenditures  | (211,252)  | (156,624)  | (128,986)  |
| Proceeds from sale of property and equipment  | 4,466      | 2,036      | 1,693      |
| Insurance proceeds  | 10,631     | 709        | 986        |
| Settlement of derivative  | —          | (66,155)   | —          |
| Maturity of short-term investments  | —          | —          | 29,485     |
| Acquisition of business, net of cash acquired   | (527,916)  | —          | (202,985)  |
| Acquisition of intangible assets  | (611)      | —          | (2,492)    |
| Proceeds from sale of investment in unconsolidated affiliate  | —          | —          | 1,204      |
| Investment in equity securities   | (10,000)   | (5,000)    | —          |
| Notes receivable, net   | (779)      | 234        | 593        |
| Net Cash (Used) by Investing Activities   | (735,461)  | (224,800)  | (300,502)  |

Edgar Filing: APTARGROUP INC - Form 10-K

|   |            |            |            |
|---|------------|------------|------------|
| Cash Flows from Financing Activities:                               |            |            |            |
| Proceeds from notes payable   | 49,069     | —          | —          |
| Repayments of notes payable   | (29,994)   | —          | —          |
| Proceeds and repayments of short term credit facility, net          | 81,063     | (169,213)  | 163,148    |
| Proceeds from long-term obligations                                 | 13,161     | 625,628    | 5,963      |
| Repayments of long-term obligations                                 | (72,290)   | (165,798)  | (55,314)   |
| Dividends paid  | (82,346)   | (79,944)   | (76,659)   |
| Credit facility costs   | —          | (3,542)    | —          |
| Debt prepayment costs   | —          | (4,710)    | —          |
| Proceeds from stock option exercises                                | 88,156     | 73,905     | 55,347     |
| Purchase of treasury stock  | (3,905)    | (120,540)  | —          |
| Common stock repurchased and retired                                | (57,786)   | (40,994)   | (131,371)  |
| Excess tax benefit from exercise of stock options                   | —          | —          | 9,171      |
| Net Cash (Used) Provided by Financing Activities                    | (14,872)   | 114,792    | (29,715)   |
| Effect of Exchange Rate Changes on Cash                             | (9,112)    | 31,632     | (18,696)   |
| Net (Decrease) Increase in Cash and Equivalents and Restricted Cash | (445,817)  | 246,353    | (23,614)   |
| Cash and Equivalents and Restricted Cash at Beginning of Period     | 712,640    | 466,287    | 489,901    |
| Cash and Equivalents and Restricted Cash at End of Period           | \$ 266,823 | \$ 712,640 | \$ 466,287 |
| Supplemental Cash Flow Disclosure:                                  |            |            |            |
| Interest paid   | \$ 32,005  | \$ 38,838  | \$ 36,265  |
| Income taxes paid   | 96,048     | 77,349     | 82,201     |

40/ATR 2018 Form 10-K

---



Table of Contents

Restricted cash included in the line item prepaid and other on the Consolidated Balance Sheets as shown below represents amounts held in escrow related to the CSP Technologies acquisition.

| Year Ended December 31,   | 2018       | 2017       | 2016       |
|---|------------|------------|------------|
| Cash and equivalents  | \$ 261,823 | \$ 712,640 | \$ 466,287 |
| Restricted cash included in prepaid and other                                       | 5,000      | —          | —          |
| Total Cash and Equivalents and Restricted Cash shown in the Statement of Cash Flows | \$ 266,823 | \$ 712,640 | \$ 466,287 |

See accompanying notes to consolidated financial statements.

41/ATR 2018 Form 10-K

---

Table of Contents

AptarGroup, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of AptarGroup, Inc. and our subsidiaries. The terms “AptarGroup”, “Aptar” or “Company” as used herein refer to AptarGroup, Inc. and our subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain previously reported amounts have been reclassified to conform to the current period presentation.

AptarGroup’s organizational structure consists of three market focused lines of business which are Beauty + Home, Pharma and Food + Beverage. This is a strategic structure which allows us to be more closely aligned with our customers and the markets in which they operate.

In late 2017, Aptar began a business transformation plan to drive profitable sales growth, increase operational excellence, enhance our approach to innovation and improve organizational effectiveness (see Note 21 – Restructuring Initiatives for further details). The primary focus of the plan will be the Beauty + Home segment; however, certain global general and administrative functions will also be addressed. During 2018 and 2017, we recognized approximately \$63.8 million and \$2.2 million, respectively, of restructuring costs related to this plan.

During the quarter ended June 30, 2018, primarily based on published estimates which indicate that Argentina’s three-year cumulative inflation rate has exceeded 100%, we concluded that Argentina has become a highly inflationary economy. Beginning July 1, 2018, we applied highly inflationary accounting for our Argentinian subsidiaries. We have changed the functional currency from the Argentinian peso to the U.S. dollar. Local currency monetary assets and liabilities were remeasured into U.S. dollars using exchange rates as of the latest balance sheet date, with remeasurement adjustments and other transaction gains and losses recognized in net earnings. During the last half of 2018, we recognized approximately \$0.8 million of currency gains due to these changes. Our Argentinian operations contributed approximately 2.0% of consolidated net assets and revenues at and for the year ended December 31, 2018.

ACCOUNTING ESTIMATES

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). This process requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH MANAGEMENT

We consider all investments that are readily convertible to known amounts of cash with an original maturity of three months or less when purchased to be cash equivalents.

## INVENTORIES

Inventories are stated at lower of cost or net realizable value. Costs included in inventories are raw materials, direct labor and manufacturing overhead.

## INVESTMENTS IN EQUITY SECURITIES

We account for our 20% to 50% owned investments using the equity method. Equity investments that do not result in consolidation and are not accounted for under the equity method are measured at fair value. Any related changes in fair value is recognized in net income unless the investments qualify for a practicality exception. During the fourth quarter of 2016, we sold our investment in an injectable drug delivery device company for a \$2.0 million gain. During the first quarter of 2017, we acquired a 20% minority interest in Kali Care, Inc. ("Kali Care") for \$5.0 million. Kali Care is a Silicon Valley-based technology company, which provides digital monitoring systems for ophthalmic medication. In May 2018, we invested \$10.0 million in preferred equity stock of Reciprocal Labs Corporation, doing business as Propeller Health. During 2018, we increased the value of this investment by approximately \$6.5 million due to fair value inputs (see Note 20 – Acquisitions for further details). There were no dividends received from affiliated companies in 2018, 2017 and 2016.

## PROPERTY AND DEPRECIATION

Properties are stated at cost. Depreciation is determined on a straight line basis over the estimated useful lives for financial reporting purposes and accelerated methods for income tax reporting. Generally, the estimated useful lives are 10 to 40 years for buildings and improvements and 3 to 15 years for machinery and equipment.

42/ATR 2018 Form 10-K

---

## Table of Contents

### FINITE LIVED INTANGIBLE ASSETS

Finite lived intangibles, consisting of patents, acquired technology, customer relationships, trademarks and trade names and license agreements acquired in purchase transactions, are capitalized and amortized over their useful lives which range from 1 to 20 years.

### GOODWILL

Management believes the excess purchase price over the fair value of the net assets acquired (“goodwill”) in purchase transactions has continuing value. Goodwill is not amortized and must be tested annually, or more frequently as circumstances dictate, for impairment. The annual goodwill impairment test may first consider qualitative factors to determine whether it is more likely than not (i.e., greater than 50 percent chance) that the fair value of a reporting unit is less than its book value. This is sometimes referred to as the “step zero” approach and is an optional step in the annual goodwill impairment analysis. Management has performed this qualitative assessment as of December 31, 2018 for each of our reporting units, except for Active Packaging. Based on our review of macroeconomic, industry, and market events and circumstances as well as the overall financial performance of the reporting units, we determined that it was more likely than not that the fair value of these reporting units was greater than their carrying amounts. While we have not yet performed an impairment assessment for our Active Packaging reporting unit, we did consider whether there were any indicators of possible impairment since the acquisition and did not identify any such factors. We will perform a separate impairment assessment of the Active Packaging reporting unit within one year of the acquisition date.

### IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets, such as property, plant and equipment and finite lived intangibles, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset.

### DERIVATIVES INSTRUMENTS AND HEDGING ACTIVITIES

Derivative financial instruments are recorded in the consolidated balance sheets at fair value as either assets or liabilities. Changes in the fair value of derivatives are recorded in each period in earnings or other comprehensive income, depending on whether a derivative is designated and effective as part of a hedge transaction.

### RETIREMENT OF COMMON STOCK

During 2018, we repurchased 668 thousand shares of common stock, of which 623 thousand shares were immediately retired. During 2017, we repurchased 1.9 million shares of common stock, of which 512 thousand shares were immediately retired. Common stock was reduced by the number of shares retired at \$0.01 par value per share. We allocate the excess purchase price over par value between additional paid-in capital and retained earnings.

### RESEARCH & DEVELOPMENT EXPENSES

Research and development costs, net of any customer funded research and development or government research and development credits, are expensed as incurred. These costs amounted to \$75.3 million, \$68.2 million and \$66.2 million in 2018, 2017 and 2016, respectively.

### INCOME TAXES

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

During 2018, we finalized our charges related to the impact of the U.S. legislation enacted on December 22, 2017, commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"). These amounts are recorded in accordance with SAB 118, which was issued by the SEC shortly after enactment of the TCJA. We reflected a net benefit of \$5.4 million during the current year, \$2.6 million related to additional guidance with respect to the calculation of the transition tax and \$2.8 million related to the change in the U.S. federal corporate tax rate.

43/ATR 2018 Form 10-K

---

## Table of Contents

We consider numerous factors to determine which foreign earnings are indefinitely reinvested in foreign operations. These include the financial requirements of the U.S. parent company and those of our foreign subsidiaries, the U.S. funding needs for dividend payments and stock repurchases, and the tax consequences of remitting earnings. The TCJA imposed a one-time transition tax on all unremitted foreign earnings. As a result of the transition tax and current year GILTI provisions, at December 31, 2018 we do not have a balance of foreign earnings that will be subject to U.S. federal taxation. For investment holdings outside the U.S., we maintain our assertion that the cash and distributable reserves at our non-U.S. affiliates are indefinitely reinvested. We have recorded a \$2.2 million liability for extraordinary distributions to Europe that will occur early in 2019. We continue our assertion for the remaining earnings and do not provide for the withholding and local income taxes that would become due if the amounts were distributed.

We provide a liability for the amount of unrecognized tax benefits from uncertain tax positions. This liability is provided whenever we determine that a tax benefit will not meet a more-likely-than-not threshold for recognition. See Note 6 – Income Taxes for more information.

## TRANSLATION OF FOREIGN CURRENCIES

The functional currencies of the majority of our foreign operations are the local currencies. Assets and liabilities of our foreign operations are translated into U.S. dollars at the rates of exchange on the balance sheet date. Sales and expenses are translated at the average rates of exchange prevailing during the year. The related translation adjustments are accumulated in a separate section of Stockholders' Equity. Realized and unrealized foreign currency transaction gains and losses are reflected in income, as a component of miscellaneous income and expense, and represented losses of \$1.7 million, \$5.0 million and \$326 thousand in 2018, 2017 and 2016, respectively.

## STOCK-BASED COMPENSATION

Accounting standards require the application of the non-substantive vesting approach which means that an award is fully vested when the employee's retention of the award is no longer contingent on providing future service. Under this approach, compensation costs are recognized over the requisite service period of the award instead of ratably over the vesting period stated in the grant. As such, costs are recognized immediately if the employee is retirement eligible on the date of grant or over the period from the date of grant until retirement eligibility if retirement eligibility is reached before the end of the vesting period stated in the grant. See Note 16 – Stock-Based Compensation for more information.

## REVENUE RECOGNITION

The majority of our revenues are derived from product and tooling sales; however, we also receive revenues from service, license, exclusivity and royalty arrangements, which are considered insignificant. Our policy is to recognize revenue from product sales when control has transferred to the customer. For the majority of our products shipped from the U.S., control transfers when the goods leave our shipping locations. For the majority of our products shipped from non-U.S. operations, control transfers when the goods reach their destination. Tooling revenue is also recognized when control transfers to the customer. See specific discussions about methods of accounting for control transfers of product and tooling sales in Note 2 – Revenues.

## ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of Accounting Standards Updates ("ASUs") to the FASB's Accounting Standards Codification.

In May 2014, the FASB issued ASU 2014-09, which amended the guidance for recognition of revenue from customer contracts. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On January 1, 2018, we adopted this standard and all the related amendments (the “new revenue standard”) for all contracts. This adoption was accounted for using the modified retrospective method. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the January 1, 2018 opening balance of retained earnings. Comparative information for the prior periods has not been restated and continues to be reported under the accounting standards in effect prior to January 1, 2018.

44/ATR 2018 Form 10-K

---

Table of Contents

|  | Balance at<br>December 31, 2017 | Adjustment | Balance at<br>January 1, 2018 |
|--|---------------------------------|------------|-------------------------------|
| Consolidated Balance Sheets                |                                 |            |                               |
| Assets                                     |                                 |            |                               |
| Inventories                                | \$ 337,216                      | \$ (7,064) | \$ 330,152                    |
| Prepaid and other                          | 109,791                         | 6,411      | 116,202                       |
| Liabilities                                |                                 |            |                               |
| Accounts payable and accrued liabilities   | 461,579                         | (5,706)    | 455,873                       |
| Deferred income taxes                      | 20,995                          | 1,292      | 22,287                        |
| Deferred and other non-current liabilities | 5,608                           | 824        | 6,432                         |
| Stockholders' Equity                       |                                 |            |                               |
| Retained earnings                          | 1,301,147                       | 2,937      | 1,304,084                     |

A majority of our sales revenue continues to be recognized when products are shipped from our manufacturing facilities. For certain custom product and tooling sales where revenue was previously recognized when the products were shipped, we now recognize revenue over the time required to manufacture the product or build the tool in accordance with the new revenue standard. We also have certain extended warranty contracts, which under the new standard are considered a separate performance obligation and are required to be deferred and recognized into revenue over the life of the agreement.

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our consolidated statements of income and balance sheets is as follows:

|  | For the Year Ended December 31, 2018 |   |                                       |
|--|--------------------------------------|---|---------------------------------------|
|  | As<br>Reported                       | Balances<br>Without<br>Adoption of<br>ASC 606 | Effect of<br>Change<br>Higher/(Lower) |
| Consolidated Statements of Income                          |                                      |   |                                       |
| Net Sales  |                                      |   |                                       |
| Beauty + Home  | \$ 1,426,382                         | \$ 1,424,701                                  | \$ 1,681                              |
| Pharma   | 954,652                              | 954,497                                       | 155                                   |
| Food + Beverage  | 383,727                              | 385,001                                       | (1,274)                               |
| Costs and Expenses   |                                      |   |                                       |
| Cost of sales (exclusive of depreciation and amortization) | 1,812,961                            | 1,811,290                                     | 1,671                                 |
| Provision for income taxes                                 | 71,254                               | 71,541  | (287)                                 |
| Net income   | 194,766                              | 195,588                                       | (822)                                 |

December 31, 2018

| As | Balances               |                     |
|----|------------------------|---------------------|
|    | Without<br>Adoption of | Effect of<br>Change |



Edgar Filing: APTARGROUP INC - Form 10-K

|  | Reported   | ASC 606    | Higher/(Lower) |
|--|------------|------------|----------------|
| Consolidated Balance Sheets                |            |            |                |
| Assets                                     |            |            |                |
| Inventories                                | \$ 381,110 | \$ 391,315 | \$ (10,205)    |
| Prepaid and other                          | 118,245    | 108,490    | 9,755          |
| Liabilities                                |            |            |                |
| Accounts payable and accrued liabilities   | 525,199    | 529,168    | (3,969)        |
| Deferred income taxes                      | 53,917     | 52,912     | 1,005          |
| Deferred and other non-current liabilities | 23,465     | 23,066     | 399            |
| Stockholders' Equity                       |            |            |                |
| Retained earnings                          | 1,371,826  | 1,369,711  | 2,115          |

45/ATR 2018 Form 10-K

---

Table of Contents

In January 2016, the FASB issued ASU 2016-01, which provides guidance on the classification and measurement of financial assets and liabilities (equity securities and financial liabilities) under the fair value option and the presentation and disclosure requirements for financial instruments. In February 2018, ASU 2018-03 was issued to clarify certain aspects of the guidance issued in January 2016. The guidance modifies how entities measure equity investments and present changes in the fair value of financial liabilities. Under the new guidance, entities measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any related changes in fair value in net income unless the investments qualify for the new practicality exception. A measurement alternative exists for those equity investments that do not have a readily determinable fair value. These investments may be measured at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. The standard also includes a new impairment model for equity investments without readily determinable fair values. The new model is a single-step model under which we are required to perform a qualitative assessment each reporting period to identify impairment. When a qualitative assessment indicates that an impairment exists, we will estimate the fair value of the investment and recognize in current earnings an impairment loss equal to the difference between the fair value and the carrying amount of the equity investment. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017. We adopted the requirements of this standard during the first quarter of 2018.

In February 2016, the FASB issued ASU 2016-02 and subsequent amendments, which requires organizations to recognize leases on the balance sheet, and disclose key information about leasing arrangements. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and recognition of expense in the income statement. The new standard is effective for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. We have adopted the new standard on January 1, 2019. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. We expect to adopt the new standard on January 1, 2019 and use the effective date (option 1) as our date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019. The new standard provides a number of optional practical expedients in transition. We expect to elect the ‘package of practical expedients’, which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. The new standard also provides practical expedients for an entity’s ongoing accounting. We currently expect to elect the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, we will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. While we continue to assess all of the effects of adoption, we currently believe the most significant effects relate to the recognition of new ROU assets and lease liabilities on our balance sheet for our operating leases and the significant new disclosures about our leasing activities.

In August 2016, the FASB issued ASU 2016-15, which provides guidance on the classification of certain cash receipts and cash payments within the statement of cash flows. This guidance provides clarification for the following types of transactions: debt prepayment or extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance, distributions received from equity method investees and beneficial interest in securitization transactions. The guidance also clarifies how the predominance

principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. However, early adoption was permitted and an entity that elects early adoption must adopt all of the amendments on a retrospective basis in the period of adoption. We adopted this standard in the fourth quarter of 2017.

In November 2016, the FASB issued ASU 2016-18, which provides guidance to address the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments in this standard require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017. We adopted the requirements of this standard during the first quarter of 2018 and appropriate disclosures are included on the statement of cash flows to the extent applicable.

46/ATR 2018 Form 10-K

---

Table of Contents

In January 2017, the FASB issued ASU 2017-01, which provides guidance to clarify the definition of a business to assist entities in evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this standard provide a screen to determine when an integrated set of assets and activities (collectively referred to as a “set”) is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. If the screen is not met, the amendments in this update (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. The amendments also narrow the definition of the term “output” so that the term is consistent with how outputs are described in the new guidance for revenue recognition. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017. We adopted the requirements of this standard during the first quarter of 2018.

In March 2017, the FASB issued ASU 2017-07, which provides guidance to disaggregate the current service cost component from the other components of net periodic benefit costs. The service cost component should be presented within compensation costs while the other components should be presented outside of income from operations. The guidance also clarifies that only the service cost component is eligible for capitalization. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017. We adopted the requirements of this standard during the first quarter of 2018 and the prior periods were restated as follows:

|  | Original<br>Balance | Adjustment | Revised<br>Balance |
|--|---------------------|------------|--------------------|
| Revised Condensed Consolidated Statements of Income        |                     |            |                    |
| Year Ended December 31, 2017                               |                     |            |                    |
| Cost of sales (exclusive of depreciation and amortization) | \$ 1,604,181        | \$ (1,111) | \$ 1,603,070       |
| Selling, research & development and administrative         | 388,281             | (857)      | 387,424            |
| Total Operating Expenses                                   | 2,147,764           | (1,968)    | 2,145,796          |
| Operating Income   | 321,519             | 1,968      | 323,487            |
| Miscellaneous, net   | 8,662               | (1,968)    | 6,694              |
| Total Other (Expense) Income                               | (26,694)            | (1,968)    | (28,662)           |
| Income before Income Taxes                                 | 294,825             | —          | 294,825            |
| Year Ended December 31, 2016                               |                     |            |                    |
| Cost of sales (exclusive of depreciation and amortization) | \$ 1,498,070        | \$ (1,896) | \$ 1,496,174       |
| Selling, research & development and administrative         | 367,562             | (1,293)    | 366,269            |
| Total Operating Expenses                                   | 2,020,434           | (3,189)    | 2,017,245          |
| Operating Income   | 310,500             | 3,189      | 313,689            |
| Miscellaneous, net   | 2,782               | (3,189)    | (407)              |
| Total Other (Expense) Income                               | (30,003)            | (3,189)    | (33,192)           |
| Income before Income Taxes                                 | 280,497             | —          | 280,497            |

In May 2017, the FASB issued ASU 2017-09, which provides clarification on applying the standards for stock compensation accounting. The new standard provides guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017. We adopted the requirements of this standard during the first quarter of 2018.

In August 2017, the FASB issued ASU 2017-12, which provides new guidance to improve the accounting for hedging activities. The guidance changes the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition, the guidance makes certain targeted improvements to simplify the application of the hedge accounting guidance in current U.S. GAAP. The new standard is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. However, early application is permitted in any interim period after the issuance of this guidance. We adopted this standard in the third quarter of 2017. See details in Note 11 – Derivative Instruments and Hedging Activities.

In February 2018, the FASB issued ASU 2018-02, which provides guidance on the reclassification of certain tax effects from accumulated other comprehensive income. This guidance allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the TCJA. The new standard is effective for fiscal years and interim periods beginning after December 15, 2018. We elected to early adopt this standard in the fourth quarter of 2018. As part of this adoption, we elected to reclassify \$6.7 million of stranded income tax effects of TCJA from accumulated other comprehensive income to retained earnings at the beginning of the fourth quarter of 2018.

Other accounting standards that have been issued by the FASB or other standards-setting bodies did not have a material impact on our consolidated financial statements.

47/ATR 2018 Form 10-K

---

Table of Contents

## NOTE 2 REVENUE

At contract inception, Aptar assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer a good or service (or bundle of goods or services) that is distinct. To identify the performance obligations, we consider all the goods or services promised in the contract, whether explicitly stated or implied based on customary business practices. For a contract that has more than one performance obligation, we allocate the total contract consideration to each distinct performance obligation on a relative standalone selling price basis. Revenue is recognized when (or as) the performance obligations are satisfied (i.e., when the customer obtains control of the good or service). The majority of our revenues are derived from product and tooling sales; however, Aptar also receives revenues from service, license, exclusivity and royalty arrangements, which are considered insignificant. Revenue by segment and geography for the year ended December 31, 2018 is as follows:

| Segment         | For the Year Ended December 31, 2018 |            |               |            |              |
|-----------------|--------------------------------------|------------|---------------|------------|--------------|
|                 | Europe                               | Domestic   | Latin America | Asia       | Total        |
| Beauty + Home   | \$ 816,359                           | \$ 334,881 | \$ 178,392    | \$ 96,750  | \$ 1,426,382 |
| Pharma          | 696,079                              | 196,928    | 25,485        | 36,160     | 954,652      |
| Food + Beverage | 115,040                              | 194,527    | 31,742        | 42,418     | 383,727      |
| Total           | \$ 1,627,478                         | \$ 726,336 | \$ 235,619    | \$ 175,328 | \$ 2,764,761 |

Aptar performs its obligations under a contract with a customer by transferring goods and/or services in exchange for consideration from the customer. The timing of performance will sometimes differ from the timing of the receipt of the associated consideration from the customer, thus resulting in the recognition of a contract asset or a contract liability. Aptar recognizes a contract asset when it transfers control of goods or services to a customer prior to invoicing for the related performance obligation. The contract asset is transferred to accounts receivable when the product is shipped and invoiced to the customer. Aptar recognizes a contract liability if the customer's payment of consideration precedes the entity's performance.

The opening and closing balances of Aptar's contract asset and contract liabilities are as follows:

|                              | Balance as of January 1, 2018 (opening) | Balance as of December 31, 2018 (closing) | Increase/ (Decrease) |
|------------------------------|---|---|----------------------|
| Contract asset (current)     | \$ 13,984                               | \$ 15,858                                 | \$ 1,874             |
| Contract asset (long-term)   | \$ —                                    | \$ —                                      | \$ —                 |
| Contract liability (current) | \$ 45,211                               | \$ 68,134                                 | \$ 22,923            |

|                                |          |           |          |
|--------------------------------|----------|-----------|----------|
| Contract liability (long-term) | \$ 1,476 | \$ 11,261 | \$ 9,785 |
|--------------------------------|----------|-----------|----------|

The differences in the opening and closing balances of our contract asset and contract liabilities are primarily the result of acquisitions and timing differences between our performance and the customer's payment. The amount of revenue recognized in the current year that was included in the opening contract liability balance was \$45.2 million.

#### Determining the Transaction Price

In most cases, the transaction price for each performance obligation is stated in the contract. In determining the variable amounts of consideration within the transaction price (such as volume-based customer rebates), Aptar includes an estimate of the expected amount of consideration as revenue. Aptar applies the expected value method based on all of the information (historical, current and forecast) that is reasonably available and identifies reasonable estimates based on this information. We apply the method consistently throughout the contract when estimating the effect of an uncertainty on the amount of variable consideration to which it will be entitled.

#### Point in Time Performance Obligations

For product and tooling sales considered to be point in time, Aptar typically assesses, among other things, the shipping terms of the contract, shipping being one of the indicators of transfer of control. For free on board ("FOB") shipping point terms, revenue is recognized at the time of shipment. The performance obligation with respect to the sale of goods is satisfied at the time of shipment because the customer gains control at that time. Once the goods are shipped, we are precluded from redirecting the shipment to another customer. With respect to FOB destination sales, shipping and/or handling costs that occur before the customer obtains control of the goods are deemed to be fulfillment activities and are accounted for as fulfillment costs and revenue is recorded upon final delivery to the customer location.

48/ATR 2018 Form 10-K

---

## Table of Contents

### Over Time Performance Obligations

For performance obligations related to manufacturing of highly customized products that have no alternative use for us and for which we have an enforceable right to payment for performance completed to date, we transfer control and recognize revenue over time by measuring progress towards complete satisfaction using the Output Method based on the number of products produced. For similar performance obligations related to our tooling sales, we transfer control and recognize revenue over time by measuring progress towards complete satisfaction using the Input Method based on costs incurred relative to total estimated costs to completion. We believe these measurements provide a faithful depiction of the transfer of goods as the costs incurred reflect the value of the products produced.

### Product Sales

Aptar primarily manufactures dispensing systems for our Beauty + Home, Pharma and Food + Beverage customers. The amount of consideration is typically fixed for such customers. At the time of delivery, the customer is invoiced the agreed-upon price. Revenue from product sales is typically recognized upon manufacture or shipment, when control of the goods transfers to the customer.

To determine when the control transfers, Aptar typically assesses, among other things, the shipping terms of the contract, shipping being one of the indicators of transfer of control. A majority of product sales are sold FOB shipping point. For FOB shipping point shipments, control of the goods transfers to the customer at the time of shipment of the goods. Therefore, Aptar's performance obligation is satisfied at the time of shipment. Aptar has elected to account for shipping and handling costs that occur after the customer has obtained control of a good as fulfillment costs rather than as a promised service. Aptar does not have any material significant payment terms as payment is typically received shortly after the point of sale.

There also exist instances where Aptar manufactures highly customized products that have no alternative use to Aptar and for which Aptar has an enforceable right to payment for performance completed to date. For these products, we transfer control and recognizes revenue over time by measuring progress towards completion using the Output Method based on the number of products produced. As we normally make our products to a customer's order, the time between production and shipment of our products is typically within a few weeks.

As a part of its customary business practice, Aptar offers a standard warranty that the products will materially comply with the technical specifications and will be free from material defects. Because such warranties are not sold separately, do not provide for any service beyond a guarantee of a product's initial specifications, and are not required by law, there is no revenue deferral for these types of warranties.

### Tooling Sales

Aptar also builds or contracts for molds and other tools (collectively defined as "tooling") necessary to produce our products. As with product sales, Aptar recognizes revenue when control of the tool transfers to the customer. If the tooling is highly customized with no alternative use to Aptar and Aptar has an enforceable right to payment for performance completed to date, we transfer control and recognize revenue over time by measuring progress towards completion using the Input Method based on costs incurred relative to total estimated costs to completion. Otherwise, revenue for the tooling is recognized at the point in time when the customer approves the tool. Aptar does not have any material significant payment terms as payment is typically either received during the mold-build process or shortly after completion.

In certain instances, Aptar offers extended warranties on our tools above and beyond the normal standard warranties. Aptar normally receives payment at the inception of the contract and recognizes revenue over the term of the contract.



At January 1, 2018, \$839 thousand of unearned revenue associated with outstanding contracts was reported in Accounts Payable and Other Liabilities. At December 31, 2018, the unearned amount was \$759 thousand. Aptar expects to recognize approximately \$359 thousand of the unearned amount in 2019 and \$400 thousand thereafter.

#### Contract Costs

Aptar does not incur significant costs to obtain or fulfill revenue contracts.

#### Practical Expedients

Significant financing component: Aptar elected not to adjust the promised consideration for the time value of money for contracts where the difference between the time of payment and performance is one year or less.

49/ATR 2018 Form 10-K

---

Table of Contents

Remaining performance obligations: Aptar elected not to disclose the aggregate amount of the transaction price allocated to remaining performance obligations for its contracts that are one year or less, as the revenue is expected to be recognized within the next year. In addition, we have elected not to disclose the expected consideration related to performance obligations where we recognize revenue in the amount it has a right to invoice (e.g., usage-based pricing terms).

## NOTE 3 INVENTORIES

Inventories, by component net of reserves, consisted of:

|                 | 2018       | 2017       |
|-----------------|------------|------------|
| Raw materials   | \$ 110,720 | \$ 99,196  |
| Work in process | 131,091    | 107,307    |
| Finished goods  | 139,299    | 130,713    |
| Total           | \$ 381,110 | \$ 337,216 |

## NOTE 4 GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the year ended December 31, 2018 are as follows by reporting segment:

|                                   | Beauty +<br>Home | Pharma     | Food +<br>Beverage | Corporate<br>& Other | Total      |
|-----------------------------------|------------------|------------|--------------------|----------------------|------------|
| Balance as of December 31, 2016   |                  |            |                    |                      |            |
| Goodwill                          | \$ 211,371       | \$ 180,050 | \$ 16,101          | \$ 1,615             | \$ 409,137 |
| Accumulated impairment losses     | —                | —          | —                  | (1,615)              | (1,615)    |
|                                   | \$ 211,371       | \$ 180,050 | \$ 16,101          | \$ —                 | \$ 407,522 |
| Foreign currency exchange effects | 12,576           | 23,019     | 770                | —                    | 36,365     |
| Balance as of December 31, 2017   |                  |            |                    |                      |            |
| Goodwill                          | \$ 223,947       | \$ 203,069 | \$ 16,871          | \$ 1,615             | \$ 445,502 |
| Accumulated impairment losses     | —                | —          | —                  | (1,615)              | (1,615)    |
|                                   | \$ 223,947       | \$ 203,069 | \$ 16,871          | \$ —                 | \$ 443,887 |

Edgar Filing: APTARGROUP INC - Form 10-K

|                                   |            |            |            |          |            |
|-----------------------------------|------------|------------|------------|----------|------------|
| Acquisition                       | 5,565      | 174,343    | 103,678    | —        | 283,586    |
| Reallocation, net                 | —          | (8,048)    | 8,048      | —        | —          |
| Foreign currency exchange effects | (5,579)    | (9,481)    | (318)      | —        | (15,378)   |
| Balance as of December 31, 2018   |            |            |            |          |            |
| Goodwill                          | \$ 223,933 | \$ 359,883 | \$ 128,279 | \$ 1,615 | \$ 713,710 |
| Accumulated impairment losses     | —          | —          | —          | (1,615)  | (1,615)    |
|                                   | \$ 223,933 | \$ 359,883 | \$ 128,279 | \$ —     | \$ 712,095 |

During the fourth quarter of 2018, certain CSP Technologies product lines were transferred from Pharma segment to Food + Beverage segment affecting Active Packaging and Food + Beverage reporting units to better align our customer needs. The changes resulted in the reassignment of the assets and liabilities to the reporting units affected. The goodwill was reallocated to the reporting units affected using the relative fair value approach.

We have completed the annual impairment analysis of our reporting units as of December 31, 2018 using a qualitative analysis of goodwill commonly referred to as the “step zero” approach for each of our reporting units except Active Packaging. Based on our review of macroeconomic, industry, and market events and circumstances as well as the overall financial performance of the reporting units, we determined that it was more likely than not that the fair value of these reporting units was greater than their carrying amounts. While we have not yet performed an impairment assessment for our Active Packaging reporting unit, we did consider whether there were any indicators of possible impairment since the acquisition and did not identify any such factors. We will perform a separate impairment assessment of the Active Packaging reporting unit within one year of the acquisition date.

50/ATR 2018 Form 10-K

---

Table of Contents

The table below shows a summary of intangible assets for the years ended December 31, 2018 and 2017.

| Weighted Average<br>Amortization Period<br>(Years) | 2018<br>Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Value | 2017<br>Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Value |           |
|--|-------------------------------------|-----------------------------|--------------|-------------------------------------|-----------------------------|--------------|-----------|
| Amortized<br>intangible<br>assets:                 |                                     |                             |              |                                     |                             |              |           |
| Patents  | 1.6                                 | \$ 5,427                    | \$ (5,294)   | \$ 133                              | \$ 7,819                    | \$ (7,806)   | \$ 13     |
| Acquired<br>technology                             | 13.5                                | 92,389                      | (18,304)     | 74,085                              | 47,571                      | (14,624)     | 32,947    |
| Customer<br>relationships                          | 14.3                                | 179,597                     | (20,439)     | 159,158                             | 68,886                      | (13,401)     | 55,485    |
| Trademarks<br>and trade<br>names                   | 6.9                                 | 21,243                      | (5,914)      | 15,329                              | 6,965                       | (4,485)      | 2,480     |
| License<br>agreements<br>and other                 | 12.0                                | 13,852                      | (7,653)      | 6,199                               | 14,862                      | (10,327)     | 4,535     |
| Total<br>intangible<br>assets                      | 13.2                                | \$ 312,508                  | \$ (57,604)  | \$ 254,904                          | \$ 146,103                  | \$ (50,643)  | \$ 95,460 |

Aggregate amortization expense for the intangible assets above for the years ended December 31, 2018, 2017 and 2016 was \$15,455, \$10,339 and \$9,317, respectively.

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

|                     |           |
|---------------------|-----------|
| 2019                | \$ 21,504 |
| 2020                | 22,984    |
| 2021                | 22,088    |
| 2022                | 21,837    |
| 2023 and thereafter | 166,491   |

Future amortization expense may fluctuate depending on changes in foreign currency rates. The estimates for amortization expense noted above are based upon foreign exchange rates as of December 31, 2018.

## NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At December 31, 2018 and 2017, accounts payable and accrued liabilities consisted of the following:

|   | 2018       | 2017       |
|---|------------|------------|
| Accounts payable, principally trade         | \$ 164,528 | \$ 153,862 |
| Accrued employee compensation costs         | 168,349    | 144,175    |
| Customer deposits and other unearned income | 67,775     | 45,196     |
| Other accrued liabilities                   | 124,547    | 118,346    |
| Total                                       | \$ 525,199 | \$ 461,579 |

## NOTE 6 INCOME TAXES

On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”) was enacted by the U.S. federal government. The legislation lowered the U.S. federal corporate tax rate from 35.0% to 21.0%, effective January 1, 2018 and imposed a one-time transition tax on previously unremitted earnings of non-U.S. subsidiaries as of December 31, 2017.

The SEC issued Staff Accounting Bulletin No. 118 (“SAB 118”), which provided us with up to one year to finalize our accounting for the impacts of U.S. tax reform. We made reasonable estimates of the tax impacts related to the transition tax and the revaluation of deferred tax assets and liabilities. In 2017, we recognized a net tax charge of approximately \$24.7 million, including a provisional charge of \$31.6 million for the transition tax and a provisional benefit of \$6.8 million related to the corporate rate change. We finalized our accounting for these items in 2018, recognizing a \$2.6 million benefit related to the transition tax and a \$2.8 million benefit related to the change in tax rate. We have elected to account for the tax on the U.S. Global Intangible Low Taxed Income (“GILTI”) as a period cost and not as a measure of deferred taxes.

51/ATR 2018 Form 10-K

---

Table of Contents

Income before income taxes consists of:

| Years Ended December 31, | 2018       | 2017       | 2016       |
|--------------------------|------------|------------|------------|
| United States            | \$ 34,404  | \$ 36,139  | \$ 55,278  |
| International            | 231,616    | 258,686    | 225,219    |
| Total                    | \$ 266,020 | \$ 294,825 | \$ 280,497 |

The provision (benefit) for income taxes is composed of:

| Years Ended December 31, | 2018        | 2017      | 2016        |
|--------------------------|-------------|-----------|-------------|
| Current:                 |             |           |             |
| U.S. Federal             | \$ 10,273   | \$ (342)  | \$ 24,045   |
| State/Local              | 877         | 230       | 449         |
| International            | 83,456      | 72,670    | 61,511      |
|                          | \$ 94,606   | \$ 72,558 | \$ 86,005   |
| Deferred:                |             |           |             |
| U.S. Federal/State       | \$ (17,019) | \$ 2,570  | \$ (4,002)  |
| International            | (6,333)     | (332)     | (7,110)     |
|                          | \$ (23,352) | \$ 2,238  | \$ (11,112) |
| Total                    | \$ 71,254   | \$ 74,796 | \$ 74,893   |

The difference between the actual income tax provision and the tax provision computed by applying the statutory federal income tax rate of 21.0% in 2018, and 35.0% in 2017 and 2016 to income before income taxes is as follows:

| Years Ended December 31,                                    | 2018      | 2017       | 2016      |
|---|-----------|------------|-----------|
| Income tax at statutory rate                                | \$ 55,864 | \$ 103,189 | \$ 98,174 |
| State income (benefits) taxes, net of federal (tax) benefit | (1,311)   | (594)      | (980)     |
| Investment incentives                                       | (1,900)   | (1,900)    | (6,413)   |
| Tax resolutions   | (3,400)   | (5,188)    | (7,205)   |
| Excess tax benefits from equity compensation                | (10,800)  | (10,383)   | —         |
| Deferred benefits from tax rate changes                     | (2,800)   | (5,055)    | —         |
| U.S. GILTI and BEAT   | 5,625     | —          | —         |
| U.S. tax reform - transition tax                            | (2,570)   | 31,575     | —         |
| Results of forward contract                                 | —         | (23,883)   | —         |
| Rate differential on earnings of foreign operations         | 29,336    | (17,318)   | (12,037)  |
| Other items, net  | 3,210     | 4,353      | 3,354     |
| Actual income tax provision                                 | \$ 71,254 | \$ 74,796  | \$ 74,893 |
| Effective income tax rate                                   | 26.8 %    | 25.4 %     | 26.7 %    |

The 2018 tax provision was favorably impacted by excess tax benefits on deductible stock compensation. The tax provision for 2018 reflects a \$10.8 million benefit from this item. The mix of pretax income has an unfavorable impact, reflecting the drop in the U.S. statutory rate to 21.0% for 2018, which is now below the statutory rate of our significant foreign jurisdictions. The U.S. GILTI and BEAT taxes also had a \$5.6 million unfavorable impact.

The 2017 tax provision was favorably impacted by the mix of pretax income in various non-U.S. tax jurisdictions. The tax provision for 2017 reflects \$10.4 million related to the excess tax benefits on deductible stock compensation, which is new for 2017. The deferred tax benefit of \$5.1 million is net of a provisional benefit of \$6.8 million recorded for the change in the U.S. tax rate and a charge of \$1.7 million for tax rate changes in France and Argentina. The \$5.2 million related to tax resolutions includes an amount of \$3.2 million related to uncertain tax positions in Europe. The remaining \$2.0 million is a refund from a distribution tax paid in France. Furthermore, the tax provision for 2017 reflects a provisional charge of \$31.6 million from the transition tax enacted as part of the U.S. tax reform. This was partially offset by a benefit of \$23.9 million from the forward contracts discussed in Note 11 – Derivative Instruments and Hedging Activities.

The state income tax provision for 2016 reflects a benefit of \$1.6 million related to the reduction of valuation allowances mostly associated with U.S. state tax credits. The tax provision for 2016 also reflects benefits of \$6.4 million associated with the exceptional depreciation allowances enacted in France and Italy. The \$7.2 million related to tax resolutions includes an amount of \$5.0 million related to dividends previously taxed in France. The remaining \$2.2 million is a net amount related to uncertain tax positions in France, Italy and Germany. The rate differential on earnings of foreign operations reflects a \$4.7 million benefit due to the reduction in the corporate income tax rate in France from 38.00% to 34.43%. In addition, the rate differential on earnings of foreign operations reflects benefits of \$2.0 million, \$2.2 million, and \$2.2 million due to reductions in the corporate income tax rates in Germany, Switzerland, and China, respectively.

52/ATR 2018 Form 10-K

---

Table of Contents

Significant deferred tax assets and liabilities as of December 31, 2018 and 2017 are composed of the following temporary differences:

|                                       | 2018       | 2017      |
|---------------------------------------|------------|-----------|
| Deferred Tax Assets:                  |            |           |
| Net operating loss carryforwards      | \$ 22,462  | \$ 10,803 |
| Pension liabilities                   | 15,405     | 19,393    |
| Stock compensation                    | 10,130     | 9,101     |
| U.S. federal tax credits              | 12,045     | 8,320     |
| U.S. state tax credits                | 10,186     | 9,384     |
| Vacation and bonus                    | 6,891      | 4,748     |
| Research and development              | 6,945      | —         |
| Inventory                             | 6,038      | 3,052     |
| Workers compensation                  | 3,373      | 4,534     |
| Other                                 | 13,985     | 9,698     |
| Total gross deferred tax assets       | 107,460    | 79,033    |
| Less valuation allowance              | (11,189)   | (5,414)   |
| Net deferred tax assets               | 96,271     | 73,619    |
| Deferred Tax Liabilities:             |            |           |
| Depreciation, amortization and leases | 33,174     | 25,062    |
| Acquisition related intangibles       | 59,004     | 27,866    |
| Other                                 | 10,351     | 8,090     |
| Total gross deferred tax liabilities  | 102,529    | 61,018    |
| Net deferred tax (liabilities) assets | \$ (6,258) | \$ 12,601 |

The \$5.7 million increase in our valuation allowance in 2018 is primarily due to acquired net operating losses along with current year foreign net operating losses.

The U.S. federal tax credits will expire in the years 2025 and 2027. There is no expiration date on \$18.4 million of the tax effected net operating loss carry forwards and \$4.0 million (tax effected) will expire in the years 2019 to 2038. The U.S. state tax credit carryforwards of \$10.2 million (tax effected) will expire in the years 2019 to 2033. It is currently expected that U.S. state tax credit carryforwards of \$0.9 million will expire unused in 2019.

We evaluate the deferred tax assets and record a valuation allowance when it is believed it is more likely than not that the benefit will not be realized. We have established a valuation allowance of \$8.1 million of the \$22.4 million of tax effected net operating loss carry forwards. These losses are generally in locations that have not produced cumulative three year operating profit. A valuation allowance of \$3.1 million has also been established against the \$10.2 million of U.S. state tax credit carry forwards.

As a result of U.S. tax reform and the U.S. GILTI provisions, none of the non-U.S. unremitted earnings will be subject to U.S. taxation. As of December 31, 2018, we have recognized a \$2.2 million liability for distributions expected to be made to Europe early in 2019. We maintain our assertion that all other cash and distributable reserves at our non-U.S. affiliates will continue to be indefinitely reinvested. We estimate the amount of additional local and withholding tax that would be payable on distributions to be in the range of \$20 million to \$30 million.



We have not provided for taxes on certain tax deferred income of a foreign operation. The income arose predominately from government grants. Taxes of approximately \$1.7 million would become payable in the event the terms of the grant are not fulfilled.

53/ATR 2018 Form 10-K

---

Table of Contents

## INCOME TAX UNCERTAINTIES

We provide a liability for the amount of tax benefits realized from uncertain tax positions. A reconciliation of the beginning and ending amount of income tax uncertainties is as follows:

|   | 2018     | 2017     | 2016     |
|---|----------|----------|----------|
| Balance at January 1                                  | \$ 3,080 | \$ 6,356 | \$ 7,934 |
| Increases based on tax positions for the current year | 360      | 370      | 270      |
| Increases based on tax positions of prior years       | 610      | 1,562    | 1,283    |
| Decreases based on tax positions of prior years       | —        | —        | (1,472)  |
| Settlements   | (491)    | (4,874)  | (1,444)  |
| Lapse of statute of limitations                       | —        | (334)    | (215)    |
| Balance at December 31                                | \$ 3,559 | \$ 3,080 | \$ 6,356 |

The amount of income tax uncertainties that, if recognized, would impact the effective tax rate is approximately \$3.6 million. We estimate that it is reasonably possible that the liability for uncertain tax positions will decrease no more than \$1.5 million in the next twelve months from the resolution of various uncertain positions as a result of the completion of tax audits, litigation and the expiration of the statute of limitations in various jurisdictions.

We recognize interest and penalties accrued related to unrecognized tax benefits as a component of income taxes. As of December 31, 2018, 2017 and 2016, we had approximately \$1.9 million, \$1.6 million and \$1.5 million, respectively, accrued for the payment of interest and penalties, of which approximately \$0.4 million, \$0.1 million and \$0.4 million was recognized in income tax expense in the years ended December 31, 2018, 2017 and 2016, respectively.

Aptar or its subsidiaries file income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. The major tax jurisdictions we file in, with the years still subject to income tax examinations, are listed below:

| Major Tax Jurisdiction  | Tax Years Subject to Examination |
|-------------------------|----------------------------------|
| United States — Federal | 2014-2018                        |
| United States — State   | 2009-2018                        |
| France                  | 2016-2018                        |
| Germany                 | 2015-2018                        |
| Italy                   | 2013-2018                        |
| China                   | 2009-2018                        |

## NOTE 7 DEBT

We maintain certain short-term notes payable, including revolving credit facilities. These short-term notes payable are reported as notes payable in the current liabilities section of the Consolidated Balance Sheets. Average borrowings under these short-term notes payable were \$40.0 million and \$64.5 million for 2018 and 2017, respectively. The average annual interest rate on short term notes payable remained stable at 1.9% for 2018 and 2017. Our credit facility has a lower interest rate than our short-term borrowings in other countries. There are no compensating balance requirements associated with short term borrowings. Each borrowing under the credit facility will bear interest at rates based on LIBOR, prime rates or other similar rates, in each case plus an applicable margin. A facility fee on the total amount of the facility is also payable quarterly, regardless of usage. The applicable margins for borrowings under the credit facility and the facility fee percentage may change from time to time depending on changes in AptarGroup's consolidated leverage ratio. The outstanding balance under the credit facility was \$79 million and \$0 at December 31, 2018 and 2017, respectively. We incurred approximately \$1.5 million in interest and fees related to this credit facility during both 2018 and 2017, respectively.

We also maintain long-term notes obligations, including private placement facilities. During the third quarter of 2017, we entered into the borrowing arrangements summarized below through our wholly owned UK subsidiary to better balance our capital structure.

| Debt Type         | Amount     | Term/Maturity               | Interest Rate                           |
|-------------------|------------|-----------------------------|---|
|                   |            |                             | 2.62% USD floating swapped to 1.36% EUR |
| Bank term loan    | \$ 280,000 | 5 year amortizing/July 2022 | fixed                                   |
| Bank revolver     | € 150,000  | 5 year/July 2022            | 1.10% floating                          |
| Private placement | € 100,000  | 6 year/July 2023            | 0.98% fixed                             |
| Private placement | € 200,000  | 7 year/July 2024            | 1.17% fixed                             |

Table of Contents

The €150 million facility is available to us and €69.0 million was utilized as of December 31, 2018. No balance was utilized as of December 31, 2017. For the year ended December 31, 2018, the floating interest rate of the remaining \$224 million of the original \$280 million bank term loan was 4.0%.

We also maintain a 5-year revolving credit facility that provides for unsecured financing of up to \$300 million and matures in July 2022. No balance was utilized as of December 31, 2018 or 2017. Credit facility balances are included in notes payable, including revolving credit facilities on the Consolidated Balance Sheet.

Our repatriation of foreign earnings to the U.S. in the third quarter of 2017 also enabled us to prepay two of our higher interest private placement facilities during the fourth quarter of 2017: a \$75 million senior unsecured note due in 2018 bearing interest at 6.0% and the \$84 million senior unsecured note due in 2020 bearing interest at 3.8%.

At December 31, 2018, our long term obligations consisted of the following:

|   | Principal    | Unamortized<br>Debt<br>Issuance<br>Costs | Net          |
|---|--------------|--|--------------|
| Notes payable 0.00% – 16.00%, due in monthly and annual installments through 2028 | \$ 15,531    | \$ —                                     | \$ 15,531    |
| Senior unsecured notes 3.2%, due in 2022  | 75,000       | 88                                       | 74,912       |
| Senior unsecured debts 4.0% floating, equal annual installments through 2022      | 224,000      | 541                                      | 223,459      |
| Senior unsecured notes 3.5%, due in 2023  | 125,000      | 181                                      | 124,819      |
| Senior unsecured notes 1.0%, due in 2023  | 114,535      | 432                                      | 114,103      |
| Senior unsecured notes 3.4%, due in 2024  | 50,000       | 76                                       | 49,924       |
| Senior unsecured notes 3.5%, due in 2024  | 100,000      | 181                                      | 99,819       |
| Senior unsecured notes 1.2%, due in 2024  | 229,070      | 904                                      | 228,166      |
| Senior unsecured notes 3.6%, due in 2025  | 125,000      | 207                                      | 124,793      |
| Senior unsecured notes 3.6%, due in 2026  | 125,000      | 208                                      | 124,792      |
| Capital lease obligations   | 8,353        | —  | 8,353        |
|   | \$ 1,191,489 | \$ 2,818                                 | \$ 1,188,671 |
| Current maturities of long-term obligations                                       | (62,678)     | —  | (62,678)     |
| Total long-term obligations   | \$ 1,128,811 | \$ 2,818                                 | \$ 1,125,993 |

At December 31, 2017, our long-term obligations consisted of the following:

|  | Principal | Unamortized<br>Debt<br>Issuance<br>Costs | Net       |
|--|-----------|--|-----------|
|  | \$ 15,349 | \$ —                                     | \$ 15,349 |

Edgar Filing: APTARGROUP INC - Form 10-K

|   |              |          |              |
|---|--------------|----------|--------------|
| Notes payable 0.61% – 18.00%, due in monthly and annual installments through 2025 |              |          |              |
| Senior unsecured notes 3.2%, due in 2022  | 75,000       | 113      | 74,887       |
| Senior unsecured debts 2.6% floating, equal annual installments through 2022      | 280,000      | 692      | 279,308      |
| Senior unsecured notes 3.5%, due in 2023  | 125,000      | 217      | 124,783      |
| Senior unsecured notes 1.0%, due in 2023  | 120,095      | 526      | 119,569      |
| Senior unsecured notes 3.4%, due in 2024  | 50,000       | 89       | 49,911       |
| Senior unsecured notes 3.5%, due in 2024  | 100,000      | 217      | 99,783       |
| Senior unsecured notes 1.2%, due in 2024  | 240,190      | 1,066    | 239,124      |
| Senior unsecured notes 3.6%, due in 2025  | 125,000      | 238      | 124,762      |
| Senior unsecured notes 3.6%, due in 2026  | 125,000      | 238      | 124,762      |
| Capital lease obligations   | 741          | —        | 741          |
|   | \$ 1,256,375 | \$ 3,396 | \$ 1,252,979 |
| Current maturities of long-term obligations                                       | (61,833)     | —        | (61,833)     |
| Total long-term obligations   | \$ 1,194,542 | \$ 3,396 | \$ 1,191,146 |

55/ATR 2018 Form 10-K

---

Table of Contents

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

|  | Requirement             | Level at December 31, 2018 |
|--|-------------------------|----------------------------|
| Consolidated Leverage Ratio (1)          | Maximum of 3.50 to 1.00 | 2.09 to 1.00               |
| Consolidated Interest Coverage Ratio (1) | Minimum of 3.00 to 1.00 | 14.57 to 1.00              |

(1) Definitions of ratios are included as part of the revolving credit facility agreement and the private placement agreements.

The aggregate long term maturities, excluding lease obligations, which is discussed in Note 8, due annually for the next five years are \$61,350, \$60,045, \$59,116, \$133,068, \$239,889 and \$629,668 thereafter.

**NOTE 8 LEASE COMMITMENTS**

We lease certain warehouse, plant, and office facilities as well as certain equipment under noncancelable operating and capital leases expiring at various dates through the year 2027. Most of the operating leases contain renewal options and certain leases include options to purchase during or at the end of the lease term.

Amortization expense related to capital leases is included in depreciation expense while rent expense related to operating leases is included within cost of sales and Selling Research & Development and Administrative expenses (“SG&A”). Rent expense under operating leases (including taxes, insurance and maintenance when included in the rent) amounted to \$32,704, \$30,274 and \$27,360 in 2018, 2017 and 2016, respectively.

Assets recorded under capital leases consist of:

|                          | 2018      | 2017     |
|--------------------------|-----------|----------|
| Land                     | \$ 333    | \$ —     |
| Buildings                | 13,522    | 2,415    |
| Machinery and equipment  | 6,118     | 2,265    |
| Leasehold                | 171       | —        |
| Furniture                | 107       | —        |
|                          | \$ 20,251 | \$ 4,680 |
| Accumulated depreciation | (3,243)   | (2,357)  |
|                          | \$ 17,008 | \$ 2,323 |

Future minimum payments, by year and in the aggregate, under the capital leases and noncancelable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 2018:

|      | Capital<br>Leases | Operating<br>Leases |
|------|-------------------|---------------------|
| 2019 | \$ 1,828          | \$ 26,512           |

Edgar Filing: APTARGROUP INC - Form 10-K

|  |          |            |
|--|----------|------------|
| 2020   | 1,653    | 21,386     |
| 2021   | 1,546    | 16,529     |
| 2022   | 1,160    | 12,549     |
| 2023   | 880      | 10,225     |
| Subsequent to 2023                             | 3,827    | 21,932     |
| Total minimum lease payments                   | 10,894   | \$ 109,133 |
| Amounts representing interest                  | (2,541)  |            |
| Present value of future minimum lease payments | 8,353    |            |
| Lease amount due in one year                   | (1,327)  |            |
| Total  | \$ 7,026 |            |

NOTE 9 RETIREMENT AND DEFERRED COMPENSATION PLANS

We have various noncontributory retirement plans covering certain of our domestic and foreign employees. Benefits under our retirement plans are based on participants' years of service and annual compensation as defined by each plan. Annual cash contributions to fund pension costs accrued under our domestic plans are generally at least equal to the minimum funding amounts required by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Certain pension commitments under our foreign plans are also funded according to local requirements or at our discretion.

56/ATR 2018 Form 10-K

---

Table of Contents

The following table presents the changes in the benefit obligations and plan assets for the most recent two years for our domestic and foreign plans.

|   | Domestic Plans |            | Foreign Plans |            |
|---|----------------|------------|---------------|------------|
|   | 2018           | 2017       | 2018          | 2017       |
| Change in benefit obligation:           |                |            |               |            |
| Benefit obligation at beginning of year | \$ 198,450     | \$ 175,879 | \$ 109,030    | \$ 93,178  |
| Service cost                            | 11,396         | 9,706      | 5,954         | 5,526      |
| Interest cost                           | 6,878          | 7,010      | 1,828         | 1,747      |
| Special termination benefit charge      | —              | —          | 62            | —          |
| Curtailement/Settlement                 | —              | —          | (1,751)       | —          |
| Business acquired                       | —              | —          | 1,937         | —          |
| Prior service cost                      | —              | —          | 35            | 1,419      |
| Actuarial loss (gain)                   | (23,510)       | 21,085     | (3,743)       | (2,653)    |
| Benefits paid                           | (12,411)       | (15,230)   | (3,288)       | (3,489)    |
| Foreign currency translation adjustment | —              | —          | (5,153)       | 13,302     |
| Benefit obligation at end of year       | \$ 180,803     | \$ 198,450 | \$ 104,911    | \$ 109,030 |

|  | Domestic Plans |             | Foreign Plans |             |
|--|----------------|-------------|---------------|-------------|
|  | 2018           | 2017        | 2018          | 2017        |
| Change in plan assets:                         |                |             |               |             |
| Fair value of plan assets at beginning of year | \$ 169,600     | \$ 126,246  | \$ 73,384     | \$ 61,912   |
| Actual return on plan assets                   | (7,642)        | 18,372      | (487)         | 2,472       |
| Employer contribution                          | 20,411         | 40,212      | 2,780         | 3,824       |
| Benefits paid                                  | (12,411)       | (15,230)    | (3,288)       | (3,489)     |
| Foreign currency translation adjustment        | —              | —           | (3,397)       | 8,665       |
| Fair value of plan assets at end of year       | \$ 169,958     | \$ 169,600  | \$ 68,992     | \$ 73,384   |
| Funded status at end of year                   | \$ (10,845)    | \$ (28,850) | \$ (35,919)   | \$ (35,646) |

The following table presents the funded status amounts recognized in our Consolidated Balance Sheets as of December 31, 2018 and 2017.

|                         | Domestic Plans |             | Foreign Plans |             |
|-------------------------|----------------|-------------|---------------|-------------|
|                         | 2018           | 2017        | 2018          | 2017        |
| Non-current assets      | \$ 207         | \$ —        | \$ 500        | \$ 297      |
| Current liabilities     | (430)          | (423)       | (8)           | (9)         |
| Non-current liabilities | (10,622)       | (28,427)    | (36,411)      | (35,934)    |
|                         | \$ (10,845)    | \$ (28,850) | \$ (35,919)   | \$ (35,646) |

The following table presents the amounts not recognized as components of periodic benefit cost that are recognized in accumulated other comprehensive loss as of December 31, 2018 and 2017.



Edgar Filing: APTARGROUP INC - Form 10-K

|                        | Domestic Plans |           | Foreign Plans |           |
|------------------------|----------------|-----------|---------------|-----------|
|                        | 2018           | 2017      | 2018          | 2017      |
| Net actuarial loss     | \$ 48,776      | \$ 58,260 | \$ 29,761     | \$ 33,703 |
| Net prior service cost | —              | —         | 4,656         | 5,341     |
| Tax effects            | (17,876)       | (20,057)  | (4,855)       | (12,651)  |
|                        | \$ 30,900      | \$ 38,203 | \$ 29,562     | \$ 26,393 |

57/ATR 2018 Form 10-K

---

Table of Contents

Changes in benefit obligations and plan assets recognized in other comprehensive income in 2018, 2017 and 2016 are as follows:

|                                    | Domestic Plans |             |            |
|------------------------------------|----------------|-------------|------------|
|                                    | 2018           | 2017        | 2016       |
| Current year actuarial (loss) gain | \$ 4,611       | \$ (12,593) | \$ (4,335) |
| Amortization of net loss           | 4,873          | 3,205       | 3,283      |
|                                    | \$ 9,484       | \$ (9,388)  | \$ (1,052) |

|                                    | Foreign Plans |          |            |
|------------------------------------|---------------|----------|------------|
|                                    | 2018          | 2017     | 2016       |
| Current year actuarial (loss) gain | \$ 534        | \$ 2,952 | \$ (6,251) |
| Current year prior service cost    | (35)          | (1,399)  | (656)      |
| Recognition due to curtailment     | 1,692         | —        | —          |
| Amortization of net loss           | 1,716         | 1,895    | 1,540      |
| Amortization of prior service cost | 720           | 400      | 350        |
|                                    | \$ 4,627      | \$ 3,848 | \$ (5,017) |

The following table presents the amounts in accumulated other comprehensive loss as of December 31, 2018 expected to be recognized as components of periodic benefit cost in 2019.

|                                    | Domestic Plans | Foreign Plans |
|------------------------------------|----------------|---------------|
| Amortization of net loss           | \$ 2,009       | \$ 1,465      |
| Amortization of prior service cost | —              | 458           |
|                                    | \$ 2,009       | \$ 1,923      |

Components of net periodic benefit cost:

|                                | Domestic Plans |           |           |
|--------------------------------|----------------|-----------|-----------|
|                                | 2018           | 2017      | 2016      |
| Service cost                   | \$ 11,396      | \$ 9,706  | \$ 9,041  |
| Interest cost                  | 6,878          | 7,010     | 6,776     |
| Expected return on plan assets | (11,257)       | (9,880)   | (8,471)   |
| Amortization of net loss       | 4,873          | 3,205     | 3,283     |
| Net periodic benefit cost      | \$ 11,890      | \$ 10,041 | \$ 10,629 |

| Foreign Plans |      |      |
|---------------|------|------|
| 2018          | 2017 | 2016 |

Edgar Filing: APTARGROUP INC - Form 10-K

|                                    |          |          |          |
|------------------------------------|----------|----------|----------|
| Service cost                       | \$ 5,954 | \$ 5,526 | \$ 4,556 |
| Interest cost                      | 1,828    | 1,747    | 1,892    |
| Expected return on plan assets     | (2,610)  | (2,409)  | (2,181)  |
| Amortization of net loss           | 1,716    | 1,895    | 1,540    |
| Amortization of prior service cost | 720      | 400      | 350      |
| Net periodic benefit cost          | \$ 7,608 | \$ 7,159 | \$ 6,157 |
| Curtailment                        | (59)     | —        | —        |
| Special termination benefit charge | 62       | —        | —        |
| Total Net periodic benefit cost    | \$ 7,611 | \$ 7,159 | \$ 6,157 |

The accumulated benefit obligation (“ABO”) for our domestic defined benefit pension plans was \$163.0 million and \$178.9 million at December 31, 2018 and 2017, respectively. The ABO for our foreign defined benefit pension plans was \$80.9 million and \$84.7 million at December 31, 2018 and 2017, respectively.

58/ATR 2018 Form 10-K

---

Table of Contents

The following table provides the projected benefit obligation (“PBO”), ABO, and fair value of plan assets for all pension plans with an ABO in excess of plan assets as of December 31, 2018 and 2017.

|                                | Domestic Plans |           | Foreign Plans |           |
|--------------------------------|----------------|-----------|---------------|-----------|
|                                | 2018           | 2017      | 2018          | 2017      |
| Projected benefit obligation   | \$ 11,052      | \$ 11,478 | \$ 93,029     | \$ 89,618 |
| Accumulated benefit obligation | 9,216          | 9,291     | 68,981        | 65,524    |
| Fair value of plan assets      | —              | —         | 56,611        | 54,052    |

The following table provides the PBO, ABO and fair value of plan assets for all pension plans with a PBO in excess of plan assets as of December 31, 2018 and 2017.

|                                | Domestic Plans |            | Foreign Plans |           |
|--------------------------------|----------------|------------|---------------|-----------|
|                                | 2018           | 2017       | 2018          | 2017      |
| Projected benefit obligation   | \$ 11,052      | \$ 198,450 | \$ 92,555     | \$ 84,799 |
| Accumulated benefit obligation | 9,216          | 178,878    | 68,506        | 59,383    |
| Fair value of plan assets      | —              | 169,600    | 56,136        | 49,233    |

During 2018, our domestic employee retirement plan has plan assets in excess of the PBO.

## Assumptions:

|   | Domestic Plans |        |        | Foreign Plans |        |        |
|---|----------------|--------|--------|---------------|--------|--------|
|   | 2018           | 2017   | 2016   | 2018          | 2017   | 2016   |
| Weighted-average assumptions used to determine benefit obligations at December 31:                    |                |        |        |               |        |        |
| Discount rate   | 4.20 %         | 3.55 % | 4.05 % | 1.82 %        | 1.62 % | 1.65 % |
| Rate of compensation increase   | 4.00 %         | 4.00 % | 4.00 % | 3.01 %        | 3.02 % | 3.00 % |
| Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31: |                |        |        |               |        |        |
| Discount rate   | 3.55 %         | 4.05 % | 4.24 % | 1.62 %        | 1.65 % | 2.10 % |
| Expected long-term return on plan assets  | 7.00 %         | 7.00 % | 7.00 % | 3.66 %        | 3.66 % | 3.66 % |
| Rate of compensation increase   | 4.00 %         | 4.00 % | 4.00 % | 3.02 %        | 3.00 % | 3.00 % |

We develop the expected long term rate of return assumptions based on historical experience and by evaluating input from the plans’ asset managers, including the managers’ review of asset class return expectations and benchmarks, economic indicators and long term inflation assumptions.

Edgar Filing: APTARGROUP INC - Form 10-K

In order to determine the 2019 net periodic benefit cost, we expect to use the December 31, 2018 discount rates, December 31, 2018 rates of compensation increase assumptions and the same assumed long term returns on domestic and foreign plan assets used for the 2018 net periodic benefit cost.

Our domestic and foreign pension plan weighted average asset allocations at December 31, 2018 and 2017 by asset category are as follows:

Plan Assets:

|                           | Domestic Plans Assets<br>at December 31, |   |      |   | Foreign Plans Assets<br>at December 31, |   |      |   |
|---------------------------|--|---|------|---|---|---|------|---|
|                           | 2018                                     |   | 2017 |   | 2018                                    |   | 2017 |   |
| Equity securities         | 44                                       | % | 42   | % | 4                                       | % | 4    | % |
| Fixed income securities   | 29                                       | % | 25   | % | 1                                       | % | 1    | % |
| Corporate debt securities | —  |   | —    |   | 3                                       | % | 3    | % |
| Infrastructure            | 7  | % | 6    | % | —                                       |   | —    |   |
| Hedge funds               | 10                                       | % | 9    | % | —                                       |   | —    |   |
| Money market              | 5  | % | 13   | % | 1                                       | % | 1    | % |
| Investment Funds          | —  |   | —    |   | 91                                      | % | 91   | % |
| Real estate               | 5  | % | 5    | % | —                                       |   | —    |   |
| Total                     | 100                                      | % | 100  | % | 100                                     | % | 100  | % |

Table of Contents

Our investment strategy for our domestic and foreign pension plans is to maximize the long term rate of return on plan assets within an acceptable level of risk. The investment policy strives to have assets sufficiently diversified so that adverse or unexpected results from one security type will not have an unduly detrimental impact on the entire portfolio and accordingly, establishes a target allocation for each asset category within the portfolio. The domestic plan asset allocation is reviewed on a quarterly basis and the foreign plan asset allocation is reviewed annually. Rebalancing occurs as needed to comply with the investment strategy. The domestic plan target allocation for 2019 is 60% equity securities and 40% fixed income securities and infrastructure. The foreign plan target allocation for 2019 is 100% investment funds.

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

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

| (In Thousands \$)                        | Domestic Fair Value Measurement<br>at December 31, 2018 |           |           |           | Foreign Fair Value Measurement<br>at December 31, 2018 |           |           |           |
|--|---|-----------|-----------|-----------|--|-----------|-----------|-----------|
|  | Total   | (Level 1) | (Level 2) | (Level 3) | Total  | (Level 1) | (Level 2) | (Level 3) |
| Cash and<br>Short-term<br>Securities (a) | \$ 8,964  | \$ 8,964  | \$ —      | \$ —      | \$ 718   | \$ 718    | \$ —      | \$ —      |
| USD                                      | —   | 8,964     | —         | —         | —  | —         | —         | —         |
| EUR                                      | —   | —         | —         | —         | —  | 718       | —         | —         |
| Equity<br>Securities (a)                 | \$ 66,707   | \$ 66,707 | —         | —         | \$ 2,591   | \$ 2,591  | —         | —         |
| U.S. Large Cap<br>Equities               | —   | 38,804    | —         | —         | —  | —         | —         | —         |
| U.S. Small Cap<br>Equities               | —   | 7,747     | —         | —         | —  | —         | —         | —         |
| International<br>Equities                | —   | 20,156    | —         | —         | —  | 2,591     | —         | —         |
| Fixed<br>Income (a&b)                    | \$ 32,272   | \$ 32,272 | —         | —         | \$ 717   | \$ 717    | —         | —         |
| Corporate debts<br>securities            | —   | —         | —         | —         | \$ 2,097   | \$ 2,097  | —         | —         |
| Euro Corporate<br>Bonds (a)              | —   | —         | —         | —         | —  | 2,097     | —         | —         |
| Investment Funds                         | —   | —         | —         | —         | \$ 62,869  | \$ 22,122 | \$ 40,747 | —         |
| Mutual Funds in<br>Equities (a)          | —   | —         | —         | —         | —  | 3,339     | —         | —         |
|  | —   | —         | —         | —         | —  | 18,060    | —         | —         |

Edgar Filing: APTARGROUP INC - Form 10-K

|  |            |            |      |      |           |           |           |      |
|--|------------|------------|------|------|-----------|-----------|-----------|------|
| Mutual Funds in<br>Bonds (a)                   |            |            |      |      |           |           |           |      |
| Mutual Funds<br>Diversified (a&b)              | —          | —          | —    | —    | —         | 723       | 40,747    | —    |
| Total Investments<br>in Fair Value             |            |            |      |      |           |           |           |      |
| Hierarchy                                      | \$ 107,943 | \$ 107,943 | \$ — | \$ — | \$ 68,992 | \$ 28,245 | \$ 40,747 | \$ — |
| Investments at Net<br>Asset Value per<br>Share | 62,015     | —          | —    | —    | —         | —         | —         | —    |
| Total Investments                              | \$ 169,958 | \$ 107,943 | \$ — | \$ — | \$ 68,992 | \$ 28,245 | \$ 40,747 | \$ — |

60/ATR 2018 Form 10-K

---

Table of Contents

| (In Thousands \$)                               | Domestic Fair Value Measurement<br>at December 31, 2017 |            |           |           | Foreign Fair Value Measurement<br>at December 31, 2017 |           |           |           |
|---|---|------------|-----------|-----------|--|-----------|-----------|-----------|
|   | Total   | (Level 1)  | (Level 2) | (Level 3) | Total  | (Level 1) | (Level 2) | (Level 3) |
| Cash and<br>Short-term<br>Securities (a)        | \$ 21,644   | \$ 21,644  | \$ —      | \$ —      | \$ 432   | \$ 432    | \$ —      | \$ —      |
| USD   | —   | 21,644     | —         | —         | —  | —         | —         | —         |
| EUR   | —   | —          | —         | —         | —  | 432       | —         | —         |
| Equity<br>Securities (a)                        | \$ 63,799   | \$ 63,799  | —         | —         | \$ 3,111   | \$ 3,111  | —         | —         |
| U.S. Large Cap<br>Equities                      | —   | 37,456     | —         | —         | —  | —         | —         | —         |
| U.S. Small Cap<br>Equities                      | —   | 7,569      | —         | —         | —  | —         | —         | —         |
| International<br>Equities                       | —   | 18,774     | —         | —         | —  | 3,111     | —         | —         |
| Fixed<br>Income (a&b)                           | \$ 27,904   | \$ 27,904  | —         | —         | \$ 779   | \$ 779    | —         | —         |
| Corporate debts<br>securities                   | —   | —          | —         | —         | \$ 2,256   | \$ 2,256  | —         | —         |
| Euro Corporate<br>Bonds (a)                     | —   | —          | —         | —         | —  | 2,256     | —         | —         |
| Investment Funds                                | —   | —          | —         | —         | \$ 66,807  | \$ 24,810 | \$ 41,997 | —         |
| Mutual Funds in<br>Equities (a)                 | —   | —          | —         | —         | —  | 4,356     | —         | —         |
| Mutual Funds in<br>Bonds (a)                    | —   | —          | —         | —         | —  | 19,639    | —         | —         |
| Mutual Funds<br>Diversified (a&b)               | —   | —          | —         | —         | —  | 815       | 41,997    | —         |
| Total Investments<br>in Fair Value<br>Hierarchy | \$ 113,347  | \$ 113,347 | \$ —      | \$ —      | \$ 73,384  | \$ 31,387 | \$ 41,997 | \$ —      |
| Investments at Net<br>Asset Value per<br>Share  | 56,253  | —          | —         | —         | —  | —         | —         | —         |
| Total Investments                               | \$ 169,600  | \$ 113,347 | \$ —      | \$ —      | \$ 73,384  | \$ 31,387 | \$ 41,997 | \$ —      |

(a) Based on third party quotation from financial institution.

(b) Based on observable market transactions.

## CONTRIBUTIONS

Annual cash contributions to fund pension costs accrued under our domestic plans are generally at least equal to the minimum funding amounts required by ERISA. We contributed \$20.4 million to our domestic defined benefit plans in 2018 and although we have no minimum funding requirement, we plan to contribute approximately \$0.4 million to pay our ongoing SERP annuity contracts in 2019. Contributions to fund pension costs accrued under our foreign plans



are made in accordance with local laws or at our discretion. We contributed approximately \$2.8 million to our foreign defined benefit plan in 2018 and expect to contribute approximately \$4.3 million in 2019.

ESTIMATED FUTURE BENEFIT PAYMENTS

As of December 31, 2018, we expect the plans to make the following estimated benefit payments relating to our defined benefit plans over the next ten years:

|             | Domestic<br>Plans | Foreign<br>Plans |
|-------------|-------------------|------------------|
| 2019        | \$ 9,929          | \$ 4,033         |
| 2020        | 10,380            | 3,490            |
| 2021        | 10,583            | 3,409            |
| 2022        | 11,103            | 3,653            |
| 2023        | 11,644            | 4,708            |
| 2024 - 2028 | 66,502            | 31,426           |

Table of Contents

## OTHER PLANS

We have a non-qualified supplemental pension plan for domestic employees which provides for pension amounts that would have been payable from our principal domestic pension plan if it were not for limitations imposed by income tax regulations. The liability for this plan, which is not funded, was \$11.1 million and \$11.5 million at December 31, 2018 and 2017, respectively. This amount is included in the liability for domestic plans shown above.

We have a defined contribution 401(k) employee savings plan available to substantially all domestic employees. Company matching contributions are made in cash up to a maximum of 3% of the participating employee's salary subject to income tax regulations. For each of the years ended December 31, 2018, 2017 and 2016, total contributions made to these plans were approximately \$3.7 million, \$3.3 million and \$3.1 million, respectively.

We have several foreign defined contribution plans, which require us to contribute a percentage of the participating employee's salary according to local regulations. For each of the years ended December 31, 2018, 2017 and 2016, total contributions made to these plans were approximately \$2.4 million, \$2.2 million and \$1.9 million, respectively.

We have no additional postretirement or postemployment benefit plans.

## NOTE 10 ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

## Changes in Accumulated Other Comprehensive Income/(Loss) by Component:

|   | Foreign<br>Currency | Defined Benefit<br>Pension Plans | Derivatives | Total        |
|---|---------------------|----------------------------------|-------------|--------------|
| Balance - December 31, 2015   | \$ (206,725)        | \$ (55,550)                      | \$ (72)     | \$ (262,347) |
| Other comprehensive loss before reclassifications                       | (52,795)            | (7,617)                          | —           | (60,412)     |
| Amounts reclassified from accumulated other comprehensive income (loss) | (368)               | 3,392                            | 26          | 3,050        |
| Net current-period other comprehensive income                           | (53,163)            | (4,225)                          | 26          | (57,362)     |
| Balance - December 31, 2016   | \$ (259,888)        | \$ (59,775)                      | \$ (46)     | \$ (319,709) |
| Other comprehensive income (loss) before reclassifications              | 74,385              | (8,944)                          | (11,806)    | 53,635       |
| Amounts reclassified from accumulated other comprehensive income        | —                   | 4,124                            | 8,648       | 12,772       |
| Net current-period other comprehensive income                           | 74,385              | (4,820)                          | (3,158)     | 66,407       |
| Balance - December 31, 2017   | \$ (185,503)        | \$ (64,595)                      | \$ (3,204)  | \$ (253,302) |
| Other comprehensive (loss) income before reclassifications              | (62,898)            | 5,266                            | 16,624      | (41,008)     |
|   | —                   | 5,524                            | (15,060)    | (9,536)      |

Edgar Filing: APTARGROUP INC - Form 10-K

Amounts reclassified from accumulated other comprehensive income (loss)

|   |              |             |            |              |
|---|--------------|-------------|------------|--------------|
| Net current-period other comprehensive income | (62,898)     | 10,790      | 1,564      | (50,544)     |
| Reclassification of stranded tax effects      | —            | (6,658)     | —          | (6,658)      |
| Balance - December 31, 2018                   | \$ (248,401) | \$ (60,463) | \$ (1,640) | \$ (310,504) |

62/ATR 2018 Form 10-K

---

Table of Contents

## Reclassifications Out of Accumulated Other Comprehensive Income/(Loss):

| Details about Accumulated Other Comprehensive Income Components Year Ended December 31, | Amount Reclassified from Accumulated Other Comprehensive Income |                  |                 | Affected Line in the Statement Where Net Income is Presented |
|---|---|------------------|-----------------|--|
|   | 2018  | 2017             | 2016            |  |
| <b>Defined Benefit Pension Plans</b>  |   |                  |                 |  |
| Amortization of net loss  | \$ 6,589  | \$ 5,100         | \$ 4,823        | (1)  |
| Amortization of prior service cost  | 720   | 400              | 350             | (1)  |
|   | 7,309   | 5,500            | 5,173           | Total before tax   |
|   | (1,785)   | (1,376)          | (1,781)         | Tax benefit  |
|   | \$ 5,524  | \$ 4,124         | \$ 3,392        | Net of tax   |
| <b>Foreign Currency</b>   |   |                  |                 |  |
| Foreign currency gain   | \$ —  | \$ —             | \$ (368)        | Miscellaneous, net   |
|   | —   | —                | (368)           | Total before tax   |
|   | —   | —                | —               | Tax benefit  |
|   | \$ —  | \$ —             | \$ (368)        | Net of tax   |
| <b>Derivatives</b>  |   |                  |                 |  |
| Changes in treasury locks   | \$ 26   | \$ 42            | \$ 40           | Interest Expense   |
| Changes in cross currency swap: interest component                                      | (5,150)   | (1,526)          | —               | Interest Expense   |
| Changes in cross currency swap: foreign exchange component                              | (13,025)  | 11,911           | —               | Miscellaneous, net   |
|   | (18,149)  | 10,427           | 40              | Total before tax   |
|   | 3,089   | (1,779)          | (14)            | Tax benefit  |
|   | \$ (15,060)   | \$ 8,648         | \$ 26           | Net of tax   |
| <b>Total reclassifications for the period</b>   | <b>\$ (9,536)</b>   | <b>\$ 12,772</b> | <b>\$ 3,050</b> |  |

(1) These accumulated other comprehensive income components are included in the computation of total net periodic benefit costs, net of tax (see Note 9 - Retirement and Deferred Compensation Plans for additional details).

**NOTE 11 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

We maintain a foreign exchange risk management policy designed to establish a framework to protect the value of our non functional currency denominated transactions from adverse changes in exchange rates. Sales of our products can be denominated in a currency different from the currency in which the related costs to produce the product are denominated. Changes in exchange rates on such inter country sales or intercompany loans can impact our results of operations. Our policy is not to engage in speculative foreign currency hedging activities, but to minimize our net foreign currency transaction exposure defined as firm commitments and transactions recorded and denominated in currencies other than the functional currency. We may use foreign currency forward exchange contracts, options and cross currency swaps to economically hedge these risks.

For derivative instruments designated as hedges, we formally document the nature and relationships between the hedging instruments and the hedged items, as well as the risk management objectives, strategies for undertaking the various hedge transactions, and the method of assessing hedge effectiveness at inception. Quarterly thereafter, we formally assess whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of the hedged item. Additionally, in order to designate any derivative instrument as a hedge of an anticipated transaction, the significant characteristics and expected terms of any anticipated transaction must be specifically identified, and it must be probable that the anticipated transaction will occur. All derivative financial instruments used as hedges are recorded at fair value in the Consolidated Balance Sheets (See Note 12 – Fair Value).

#### CASH FLOW HEDGE

For derivative instruments that are designated and qualify as cash flow hedges, the changes in fair values are recorded in accumulated other comprehensive loss and included in changes in derivative gain/loss. The changes in the fair values of derivatives designated as cash flow hedges are reclassified from accumulated other comprehensive loss to net income when the underlying hedged item is recognized in earnings. Cash flows from the settlement of derivative contracts designated as cash flow hedges offset cash flows from the underlying hedged items and are included in operating activities in the Consolidated Statements of Cash Flows.

63/ATR 2018 Form 10-K

---

Table of Contents

As disclosed in Note 7 – Debt, our wholly owned UK subsidiary borrowed \$280 million in term loan borrowings under a new credit facility. In order to mitigate the currency risk of U.S. dollar debt on a euro functional currency entity and to mitigate the risk of variability in interest rates, we entered into a EUR/USD floating-to-fixed cross currency swap on July 20, 2017 in the notional amount of \$280 million to effectively hedge the foreign exchange and interest rate exposure on the \$280 million term loan. Related to this hedge, approximately \$1.6 and \$3.2 million, respectively, of net after-tax loss is included in accumulated other comprehensive loss at December 31, 2018 and 2017. The amount expected to be recognized into earnings during the next 12 months related to the interest component of our cross currency swap, based on prevailing foreign exchange and interest rates at December 31, 2018, is \$5.3 million. The amount expected to be recognized into earnings during the next 12 months related to the foreign exchange component of our cross currency swap is dependent on fluctuations in currency exchange rates. As of December 31, 2018, the fair value of the cross currency swap was a \$1.0 million liability. The swap contract expires on July 20, 2022.

## HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

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

## OTHER

As of December 31, 2018, we have recorded the fair value of foreign currency forward exchange contracts of \$0.3 million in prepaid and other and \$0.3 million in accounts payable and accrued liabilities in the balance sheet. All forward exchange contracts outstanding as of December 31, 2018 had an aggregate notional contract amount of \$85.7 million.

## Fair Value of Derivative Instruments in the Consolidated Balance Sheets as of

December 31, 2018 and December 31, 2017

|                               | Balance Sheet<br>Location | December 31, 2018  |   | December 31, 2017  |   |
|-------------------------------|---------------------------|--|---|--|---|
|                               |                           | Derivatives<br>not<br>Designated<br>as<br>Hedging<br>Instruments | Derivatives<br>Designated<br>as<br>Hedging<br>Instruments | Derivatives<br>not<br>Designated<br>as<br>Hedging<br>Instruments | Derivatives<br>Designated<br>as<br>Hedging<br>Instruments |
| Derivative Assets             |                           |  |   |  |   |
| Foreign Exchange<br>Contracts | Prepaid and other         | \$ —   | \$ 259  | \$ —   | \$ 663  |
|                               |                           | \$ —   | \$ 259  | \$ —   | \$ 663  |

Edgar Filing: APTARGROUP INC - Form 10-K

|                        |                         |          |        |           |          |
|------------------------|-------------------------|----------|--------|-----------|----------|
| Derivative Liabilities |                         |          |        |           |          |
| Foreign Exchange       | Accounts payable        |          |        |           |          |
| Contracts              | and accrued liabilities | \$ —     | \$ 331 | \$ —      | \$ 1,604 |
| Cross Currency Swap    | Accounts payable        |          |        |           |          |
| Contract (1)           | and accrued liabilities | 1,040    | —      | 16,309    | —        |
|                        |                         | \$ 1,040 | \$ 331 | \$ 16,309 | \$ 1,604 |

---

(1) This cross currency swap contract is composed of both an interest component and a foreign exchange component.

64/ATR 2018 Form 10-K

---

Table of Contents

The Effect of Cash Flow Hedge Accounting on Accumulated Other Comprehensive Income (Loss) for the Fiscal Years Ended December 31, 2018 and December 31, 2017

| Derivatives in Cash Flow Hedging Relationships | Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative |             | Location of (Loss) Gain Recognized in Income on Derivatives | Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income on Derivative |             | Total Amount of Affected Income Statement Line Item |
|--|--|-------------|---|--|-------------|---|
|  | 2018   | 2017        |   | 2018   | 2017        |   |
| Cross currency swap contract:                  |  |             |   |  |             |   |
| Interest component                             | \$ 7,014   | \$ (2,313)  | Interest expense  | \$ 5,150   | \$ 1,526    | \$ (32,626)   |
| Foreign exchange component                     | 13,025   | (11,911)    | Miscellaneous, net  | 13,025   | (11,911)    | 5,550   |
|  | \$ 20,039  | \$ (14,224) |   | \$ 18,175  | \$ (10,385) |   |

The Effect of Derivatives Not Designated as Hedging Instruments on the Consolidated Statements of Income for the Fiscal Years Ended December 31, 2018 and December 31, 2017

| Derivatives Not Designated as Hedging Instruments | Location of (Loss) Gain Recognized in Income on Derivatives | Amount of (Loss) Gain Recognized in Income on Derivatives |             |
|---|---|---|-------------|
|   |   | 2018  | 2017        |
| Foreign Exchange Contracts                        | Other (Expense) Income:<br>Miscellaneous, net               | \$ 652  | \$ (65,587) |
|   |   | \$ 652  | \$ (65,587) |

| Description       | Gross Amount | Gross Amounts Offset in the Statement of Financial Position | Net Amounts Presented in the Statement of Financial Position | Gross Amounts not Offset in the Statement of Financial Position |                          | Net Amount |
|-------------------|--------------|---|--|---|--------------------------|------------|
|                   |              |   |  | Financial Instruments   | Cash Collateral Received |            |
| December 31, 2018 |              |   |  |   |                          |            |
| Derivative Assets | \$ 259       | —   | \$ 259   | —   | —                        | \$ 259     |
| Total Assets      | \$ 259       | —   | \$ 259   | —   | —                        | \$ 259     |
|                   | \$ 1,371     | —   | \$ 1,371   | —   | —                        | \$ 1,371   |



|                        |           |   |           |   |   |           |
|------------------------|-----------|---|-----------|---|---|-----------|
| Derivative Liabilities |           |   |           |   |   |           |
| Total Liabilities      | \$ 1,371  | — | \$ 1,371  | — | — | \$ 1,371  |
| December 31, 2017      |           |   |           |   |   |           |
| Derivative Assets      | \$ 663    | — | \$ 663    | — | — | \$ 663    |
| Total Assets           | \$ 663    | — | \$ 663    | — | — | \$ 663    |
| Derivative Liabilities | \$ 17,913 | — | \$ 17,913 | — | — | \$ 17,913 |
| Total Liabilities      | \$ 17,913 | — | \$ 17,913 | — | — | \$ 17,913 |

As part of our repatriation activities, during the second quarter of 2017 we had a €700 million intercompany receivable balance on a U.S. Dollar functional subsidiary. In order to minimize the foreign currency risk, we executed foreign currency forward contracts to sell euros and receive U.S. Dollars. These foreign currency forward contracts matured on July 27, 2017, which coincided with the date of the planned repatriation and resulted in us delivering €700 million in cash and receiving approximately \$751 million in cash. At maturity, the foreign exchange transaction loss on the forward contract amounted to \$66.2 million. This impact was offset by the revaluation of the €700 million intercompany accounts receivable balance that had \$69.5 million gain during the same period. Therefore, the forward points on these forward contracts had a \$3.3 million favorable impact on other (expense) income miscellaneous, net for 2017.

Table of Contents

## NOTE 12 FAIR VALUE

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

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

As of December 31, 2018, the fair values of our financial assets and liabilities were categorized as follows:

|                                  | Total    | Level 1 | Level 2  | Level 3 |
|----------------------------------|----------|---------|----------|---------|
| Assets                           |          |         |          |         |
| Foreign exchange contracts (1)   | \$ 259   | \$ —    | \$ 259   | \$ —    |
| Total assets at fair value       | \$ 259   | \$ —    | \$ 259   | \$ —    |
| Liabilities                      |          |         |          |         |
| Foreign exchange contracts (1)   | \$ 331   | \$ —    | \$ 331   | \$ —    |
| Cross currency swap contract (1) | 1,040    | —       | 1,040    | —       |
| Total liabilities at fair value  | \$ 1,371 | \$ —    | \$ 1,371 | \$ —    |

As of December 31, 2017, the fair values of our financial assets and liabilities were categorized as follows:

|                                  | Total     | Level 1 | Level 2   | Level 3 |
|----------------------------------|-----------|---------|-----------|---------|
| Assets                           |           |         |           |         |
| Foreign exchange contracts (1)   | \$ 663    | \$ —    | \$ 663    | \$ —    |
| Total assets at fair value       | \$ 663    | \$ —    | \$ 663    | \$ —    |
| Liabilities                      |           |         |           |         |
| Foreign exchange contracts (1)   | \$ 1,604  | \$ —    | \$ 1,604  | \$ —    |
| Cross currency swap contract (1) | 16,309    | —       | 16,309    | —       |
| Total liabilities at fair value  | \$ 17,913 | \$ —    | \$ 17,913 | \$ —    |

(1) Market approach valuation technique based on observable market transactions of spot and forward rates. The carrying amounts of our other current financial instruments such as cash and equivalents, accounts and notes receivable, notes payable and current maturities of long term obligations approximate fair value due to the short term maturity of the instrument. We consider our long term obligations a Level 2 liability and utilize the market approach valuation technique based on interest rates that are currently available to us for issuance of debt with similar terms and

maturities. The estimated fair value of our long term obligations was \$1.1 billion as of December 31, 2018 and December 31, 2017. As discussed in Note 20 – Acquisitions, we have a contingent consideration obligation to the selling shareholders of Reboul SAS (“Reboul”) in connection with the Reboul Acquisition (as defined herein) based on 2018 earnings before net interest, taxes, depreciation and amortization (“EBITDA”). We consider this a Level 3 liability; however, we estimated the aggregate fair value for this contingent consideration arrangement to be zero as of December 31, 2018.

#### NOTE 13 COMMITMENTS AND CONTINGENCIES

In the normal course of business, we are subject to a number of lawsuits and claims both actual and potential in nature. While management believes the resolution of these claims and lawsuits will not have a material adverse effect on our financial position or results of operations or cash flows, claims and legal proceedings are subject to inherent uncertainties, and unfavorable outcomes could occur that could include amounts in excess of any accruals which management has established. Were such unfavorable final outcomes to occur, it is possible that they could have a material adverse effect on our financial position, results of operations and cash flows.

66/ATR 2018 Form 10-K

---

Table of Contents

Under our Certificate of Incorporation, we have agreed to indemnify our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have a directors and officers liability insurance policy that covers a portion of our exposure. As a result of our insurance policy coverage, we believe the estimated fair value of these indemnification agreements is minimal. We have no liabilities recorded for these agreements as of December 31, 2018.

An environmental investigation, undertaken to assess areas of possible contamination, was completed at our facility in Jundiaí, São Paulo, Brazil. The facility is primarily an internal supplier of anodized aluminum components for certain of our dispensing systems. The testing indicated that soil and groundwater in certain areas of the facility were impacted above acceptable levels established by local regulations. In March 2017, we reported the findings to the relevant environmental authority, the Environmental Company of the State of São Paulo – CETESB. We continue to monitor and test the affected areas to determine the full extent of the impact and the scope of any required remediation. Initial costs for further investigation and possible remediation, which are based on assumptions about the area of impact and customary remediation costs, are estimated to be in the range of \$1.5 million to \$3.0 million. The range of possible loss associated with this environmental contingency is subject to considerable uncertainty due to the incomplete status of the investigation and ongoing review with the CETESB. We will continue to evaluate the range of likely costs as the investigation proceeds and we have further clarity on the nature and extent of remediation that will be required. We note that the contamination, or any failure to complete any required remediation in a timely manner, could potentially result in fines or penalties. We accrued \$1.5 million (operating expense) in the first quarter of 2017 relating to this contingency. The amount is periodically reviewed, and adjusted as necessary, as the matter continues to evolve. Based on the current status of the investigation, no adjustment to the accrual was necessary for the year ended December 31, 2018.

In March 2017, the Supreme Court of Brazil issued a decision that a certain state value added tax should not be included in the calculation of federal gross receipts taxes. The decision reduces our gross receipts tax in Brazil prospectively and, potentially, retrospectively. If the Judicial Court grants full retrospective recovery, we estimate potential recoveries of up to \$16.1 million, including interest. During the fourth quarter of 2018, we received a favorable court decision of \$631 thousand for the retrospective right to recover part of our claim. Due to uncertainties around our remaining court recovery requests, we have not recorded any further amounts relating to the retrospective nature of this matter. However, we anticipate decisions on our remaining claims during 2019.

**NOTE 14 STOCK REPURCHASE PROGRAM**

On October 20, 2016, we announced a share repurchase authorization of up to \$350 million of common stock. This authorization replaced previous authorizations and has no expiration date. Aptar may repurchase shares through the open market, privately negotiated transactions or other programs, subject to market conditions.

In 2018 and 2017, we repurchased approximately 668 thousand and 1.9 million shares of our outstanding common stock at a total cost of \$61.7 million and \$161.5 million, respectively. As of December 31, 2018, there was \$80.2 million of authorized share repurchases available to us.

**NOTE 15 CAPITAL STOCK**

We have 199 million authorized shares of common stock. The number of shares of common stock and treasury stock and the share activity were as follows:

Common Shares

Treasury Shares

Edgar Filing: APTARGROUP INC - Form 10-K

|                                      | 2018       | 2017       | 2018      | 2017      |
|--------------------------------------|------------|------------|-----------|-----------|
| Balance at the beginning of the year | 66,742,490 | 66,012,843 | 4,881,889 | 3,865,863 |
| Employee option exercises            | 1,182,547  | 1,173,936  | (502,005) | (394,991) |
| Restricted stock vestings            | 39,691     | 67,708     | —         | —         |
| Common stock repurchases             | —          | —          | 45,000    | 1,411,017 |
| Common stock repurchased and retired | (623,412)  | (511,997)  | —         | —         |
| Balance at the end of the year       | 67,341,316 | 66,742,490 | 4,424,884 | 4,881,889 |

The cash dividends paid on the common stock for the years ended December 31, 2018, 2017 and 2016 aggregated \$82.3 million, \$79.9 million and \$76.7 million, respectively.

67/ATR 2018 Form 10-K

---

Table of Contents

## NOTE 16 STOCK BASED COMPENSATION

We issue stock options and restricted stock units (“RSUs”), which consist of time-based and performance-based awards, to employees under stock awards plans approved by stockholders. In addition, RSUs are issued to non-employee directors under a Restricted Stock Unit Award Agreement for Directors pursuant to the 2018 Equity Incentive Plan. Previously, non-employee directors were issued stock options under a Director Stock Option Plan. Stock options are awarded with the exercise price equal to the market price on the date of grant and generally vest over three years and expire 10 years after grant.

RSUs granted to employees vest according to a specified performance period and/or vesting period. Time-based RSUs generally vest over three years. Performance-based RSUs vest at the end of the specified performance period, generally three years, assuming required performance or market vesting conditions are met. Performance-based RSUs have one of two vesting conditions: (1) based on Aptar’s internal financial performance metrics and (2) based on Aptar’s total shareholder return (“TSR”) relative to total shareholder returns of an industrial peer group, subject to discretion if the overall TSR is negative at the conclusion of the performance period. At the time of vesting, Aptar will issue or cause to be issued in the employee’s name the vested shares of common stock. In addition, RSU awards are generally net settled (shares are withheld to cover the employee tax obligation). Director RSUs are only time-based and generally vest over one year.

Compensation expense recorded attributable to stock options for the year ended December 31, 2018 was approximately \$10.9 million (\$8.4 million after tax). The income tax benefit related to this compensation expense was approximately \$2.5 million. Approximately \$8.7 million of the compensation expense was recorded in SG&A expenses and the balance was recorded in cost of sales. Compensation expense recorded attributable to stock options for the year ended December 31, 2017 was approximately \$15.2 million (\$10.5 million after tax). The income tax benefit related to this compensation expense was approximately \$4.7 million. Approximately \$13.2 million of the compensation expense was recorded in SG&A and the balance was recorded in cost of sales. Compensation expense recorded attributable to stock options for the year ended December 31, 2016 was approximately \$16.9 million (\$11.3 million after tax). The income tax benefit related to this compensation expense was approximately \$5.6 million. Approximately \$15.0 million of the compensation expense was recorded in SG&A expenses and the balance was recorded in cost of sales.

We use historical data to estimate expected life and volatility. The weighted average fair value of stock options granted under the Stock Awards Plans was \$14.82, \$11.86 and \$10.59 per share in 2018, 2017 and 2016, respectively. These values were estimated on the respective dates of grant using the Black Scholes option pricing model with the following weighted average assumptions:

| Stock Awards Plans:             |      |      |      |   |      |   |
|---------------------------------|------|------|------|---|------|---|
| Years Ended December 31,        | 2018 | 2017 | 2016 |   |      |   |
| Dividend Yield                  | 1.5  | %    | 1.7  | % | 1.8  | % |
| Expected Stock Price Volatility | 14.2 | %    | 15.8 | % | 16.9 | % |
| Risk-free Interest Rate         | 2.8  | %    | 2.2  | % | 1.6  | % |
| Expected Life of Option (years) | 6.6  |      | 6.7  |   | 6.7  |   |



Table of Contents

A summary of option activity under our stock plans as of December 31, 2018, and changes during the period then ended is presented below:

|  | Stock Awards Plans |                                 | Director Stock Option Plans |                                 |
|--|--------------------|---------------------------------|-----------------------------|---------------------------------|
|  | Options            | Weighted Average Exercise Price | Options                     | Weighted Average Exercise Price |
| Outstanding, January 1, 2018                                 | 8,059,319          | \$ 61.67                        | 214,967                     | \$ 57.44                        |
| Granted  | 603,901            | 88.39                           | —                           | —                               |
| Exercised  | (1,631,218)        | 52.35                           | (59,767)                    | 55.64                           |
| Forfeited or expired   | (270,947)          | 75.12                           | —                           | —                               |
| Outstanding at December 31, 2018                             | 6,761,055          | \$ 65.76                        | 155,200                     | \$ 58.13                        |
| Exercisable at December 31, 2018                             | 4,922,937          | \$ 61.08                        | 155,200                     | \$ 58.13                        |
| Weighted-Average Remaining Contractual Term (Years):         |                    |                                 |                             |                                 |
| Outstanding at December 31, 2018                             | 5.9                |                                 | 4.1                         |                                 |
| Exercisable at December 31, 2018                             | 5.0                |                                 | 4.1                         |                                 |
| Aggregate Intrinsic Value:                                   |                    |                                 |                             |                                 |
| Outstanding at December 31, 2018                             | \$ 191,374         |                                 | \$ 5,577                    |                                 |
| Exercisable at December 31, 2018                             | \$ 162,424         |                                 | \$ 5,577                    |                                 |
| Intrinsic Value of Options Exercised During the Years Ended: |                    |                                 |                             |                                 |
| December 31, 2018  | \$ 72,951          |                                 | \$ 2,286                    |                                 |
| December 31, 2017  | \$ 51,140          |                                 | \$ 1,995                    |                                 |
| December 31, 2016  | \$ 44,972          |                                 | \$ 548                      |                                 |

The grant date fair value of options vested during the years ended December 31, 2018, 2017 and 2016 was \$16.5 million, \$16.9 million and \$17.2 million, respectively. Cash received from option exercises was approximately \$88.2 million and the actual tax benefit realized for the tax deduction from option exercises was approximately \$17.7 million in the year ended December 31, 2018. As of December 31, 2018, the remaining valuation of stock option awards to be expensed in future periods was \$8.4 million and the related weighted average period over which it is expected to be recognized is 1.5 years.

The fair value of both time-based RSUs and performance-based RSUs pertaining to internal performance metrics is determined using the closing price of our common stock on the grant date. The fair value of performance-based RSUs pertaining to TSR is estimated using a Monte Carlo simulation. Inputs and assumptions used to calculate the fair value are shown in the table below. The fair value of these RSUs is expensed over the vesting period using the straight-line method or using the graded vesting method when an employee becomes eligible to retain the award at retirement.

|   |           |
|---|-----------|
| Year Ended December 31,                       | 2018      |
| Fair value per stock award                    | \$ 128.70 |
| Grant date stock price                        | \$ 89.42  |
| Assumptions:                                  |           |
| Aptar's stock price expected volatility       | 12.30 %   |
| Expected average volatility of peer companies | 27.50 %   |



Edgar Filing: APTARGROUP INC - Form 10-K

|                           |       |   |
|---------------------------|-------|---|
| Correlation assumption    | 20.20 | % |
| Risk-free interest rate   | 2.42  | % |
| Dividend yield assumption | 1.43  | % |

A summary of RSU activity as of December 31, 2018, and changes during the period then ended is presented below:

|                                | Time-Based RSUs |  | Performance-Based RSUs |  |
|--------------------------------|-----------------|--|------------------------|--|
|                                | Units           | Weighted Average Grant-Date Fair Value | Units                  | Weighted Average Grant-Date Fair Value |
| Nonvested at January 1, 2018   | 124,067         | \$ 74.65                               | —                      | \$ —                                   |
| Granted                        | 208,783         | 96.79                                  | 80,843                 | 111.55                                 |
| Vested                         | (39,691)        | 75.09                                  | —                      | —                                      |
| Forfeited                      | (31,672)        | 78.62                                  | (10,853)               | 111.55                                 |
| Nonvested at December 31, 2018 | 261,487         | \$ 91.78                               | 69,990                 | \$ 111.55                              |

Included in the December 31, 2018 time-based RSUs are 14,257 units awarded to non-employee directors and 14,793 units vested related to non-employee directors.

69/ATR 2018 Form 10-K

---

Table of Contents

Compensation expense recorded attributable to RSUs for the years ended December 31, 2018, 2017 and 2016 was approximately \$8.7 million, \$3.7 million and \$3.0 million, respectively. The actual tax benefit realized for the tax deduction from RSUs was approximately \$0.7 million for the year ended December 31, 2018. The fair value of units vested during the years ended December 31, 2018, 2017 and 2016 was \$3.0 million, \$4.7 million and \$1.9 million, respectively. The intrinsic value of units vested for the years ended December 31, 2018, 2017 and 2016 was \$3.7 million, \$5.2 million and \$2.3 million, respectively. As of December 31, 2018, there was \$20.6 million of total unrecognized compensation cost relating to RSU awards which is expected to be recognized over a weighted average period of 2.3 years.

We have a long-term incentive program for certain employees. Each award is based on the cumulative TSR of our common stock during a three year performance period compared to a peer group. The total expected expense related to this program for awards outstanding as of December 31, 2018 is approximately \$2.8 million. For the years ended December 31, 2018, 2017 and 2016, we recognized expense of \$2.3 million, expense of \$1.5 million and income of \$1.0 million, respectively.

## NOTE 17 EARNINGS PER SHARE

Basic net income per share is calculated by dividing net income attributable to Aptar by the weighted-average number of common shares outstanding during the period. Diluted net income per share is calculated by dividing the net income attributable to Aptar by the weighted-average number of common and common equivalent shares outstanding during the applicable period. The difference between basic and diluted earnings per share is attributable to stock based compensation awards. Share-based compensation awards for which total employee proceeds exceed the average market price over the applicable period would have an antidilutive effect on earnings per share, and accordingly, are excluded from the calculation of diluted earnings per share. The reconciliation of basic and diluted earnings per share ("EPS") for the years ended December 31, 2018, 2017 and 2016 are as follows:

|   | Income<br>(Numerator) | Shares<br>(Denominator) | Per Share<br>Amount |
|---|-----------------------|-------------------------|---------------------|
| For the Year Ended December 31, 2018    |                       |                         |                     |
| Basic EPS                               |                       |                         |                     |
| Income available to common stockholders | \$ 194,745            | 62,437                  | \$ 3.12             |
| Effect of Dilutive Securities           |                       |                         |                     |
| Stock options                           |                       | 2,440                   |                     |
| Restricted stock                        |                       | 81                      |                     |
| Diluted EPS                             |                       |                         |                     |
| Income available to common stockholders | \$ 194,745            | 64,958                  | \$ 3.00             |
| For the Year Ended December 31, 2017    |                       |                         |                     |
| Basic EPS                               |                       |                         |                     |
| Income available to common stockholders | \$ 220,030            | 62,435                  | \$ 3.52             |
| Effect of Dilutive Securities           |                       |                         |                     |
| Stock options                           |                       | 2,106                   |                     |
| Restricted stock                        |                       | 55                      |                     |
| Diluted EPS                             |                       |                         |                     |
| Income available to common stockholders | \$ 220,030            | 64,596                  | \$ 3.41             |
| For the Year Ended December 31, 2016    |                       |                         |                     |
| Basic EPS                               |                       |                         |                     |
| Income available to common stockholders | \$ 205,590            | 62,804                  | \$ 3.27             |
| Effect of Dilutive Securities           |                       |                         |                     |

|   |            |        |         |
|---|------------|--------|---------|
| Stock options                           |            | 1,988  |         |
| Restricted stock                        |            | 57     |         |
| Diluted EPS                             |            |        |         |
| Income available to common stockholders | \$ 205,590 | 64,849 | \$ 3.17 |

## NOTE 18 SEGMENT INFORMATION

We are organized into three reporting segments. Operations that sell dispensing systems and sealing solutions primarily to the beauty, personal care and home care markets form the Beauty + Home segment. Operations that sell dispensing systems and sealing solutions to the prescription drug, consumer health care, injectables and active packaging markets form the Pharma segment. Operations that sell dispensing systems and sealing solutions to the food and beverage markets form the Food + Beverage segment. CSP Technologies' financial results are reported in the Pharma and Food + Beverage segments.

70/ATR 2018 Form 10-K

---

Table of Contents

The accounting policies of the segments are the same as those described in Note 1 – Summary of Significant Accounting Policies. In order to more closely align with how the markets analyze our segment results, we have changed our non-U.S. GAAP segment measure of profitability from Segment Income to Adjusted EBITDA beginning in 2018. All internal segment reporting and discussions of results with our Chief Operating Decision Maker (CODM) are now based on segment Adjusted EBITDA. All references to segment profitability have been updated for this change.

Financial information regarding our reporting segments is shown below:

| Year Ended December 31,        | 2018         | 2017         | 2016         |
|--------------------------------|--------------|--------------|--------------|
| Total Sales:                   |              |              |              |
| Beauty + Home                  | \$ 1,446,231 | \$ 1,333,048 | \$ 1,278,151 |
| Pharma                         | 955,069      | 805,913      | 741,473      |
| Food + Beverage                | 386,689      | 352,483      | 330,231      |
| Total Sales                    | \$ 2,787,989 | \$ 2,491,444 | \$ 2,349,855 |
| Less: Intersegment Sales:      |              |              |              |
| Beauty + Home                  | \$ 19,849    | \$ 19,262    | \$ 17,065    |
| Pharma                         | 417          | 33           | —            |
| Food + Beverage                | 2,962        | 2,866        | 1,856        |
| Total Intersegment Sales       | \$ 23,228    | \$ 22,161    | \$ 18,921    |
| Net Sales:                     |              |              |              |
| Beauty + Home                  | \$ 1,426,382 | \$ 1,313,786 | \$ 1,261,086 |
| Pharma                         | 954,652      | 805,880      | 741,473      |
| Food + Beverage                | 383,727      | 349,617      | 328,375      |
| Net Sales                      | \$ 2,764,761 | \$ 2,469,283 | \$ 2,330,934 |
| Adjusted EBITDA (1):           |              |              |              |
| Beauty + Home                  | \$ 185,926   | \$ 173,227   | \$ 186,993   |
| Pharma                         | 343,706      | 275,933      | 259,241      |
| Food + Beverage                | 57,589       | 62,903       | 61,588       |
| Corporate & Other, unallocated | (36,285)     | (37,457)     | (31,712)     |
| Acquisition-related costs (2)  | (23,770)     | —            | (8,217)      |
| Restructuring Initiatives (3)  | (63,829)     | (2,208)      | —            |
| Gain on insurance recovery (4) | —            | 10,648       | —            |
| Depreciation and amortization  | (171,747)    | (153,094)    | (154,802)    |
| Interest Expense               | (32,626)     | (40,597)     | (35,237)     |
| Interest Income                | 7,056        | 5,470        | 2,643        |
| Income before Income Taxes     | \$ 266,020   | \$ 294,825   | \$ 280,497   |
| Depreciation and Amortization: |              |              |              |
| Beauty + Home                  | \$ 83,546    | \$ 79,422    | \$ 84,273    |
| Pharma                         | 51,495       | 41,143       | 39,776       |
| Food + Beverage                | 27,467       | 24,720       | 23,891       |
| Corporate & Other              | 9,239        | 7,809        | 6,862        |
| Depreciation and Amortization  | \$ 171,747   | \$ 153,094   | \$ 154,802   |
| Capital Expenditures:          |              |              |              |
| Beauty + Home                  | \$ 101,371   | \$ 76,425    | \$ 75,165    |
| Pharma                         | 54,433       | 33,005       | 58,970       |

Edgar Filing: APTARGROUP INC - Form 10-K

|   |              |              |              |
|---|--------------|--------------|--------------|
| Food + Beverage                                   | 41,236       | 38,730       | 21,533       |
| Corporate & Other                                 | 25,739       | 18,924       | 17,490       |
| Transfer of Corporate Technology Expenditures (5) | (11,527)     | (10,460)     | (44,172)     |
| Capital Expenditures                              | \$ 211,252   | \$ 156,624   | \$ 128,986   |
| Total Assets:                                     |              |              |              |
| Beauty + Home                                     | \$ 1,373,816 | \$ 1,358,283 | \$ 1,270,858 |
| Pharma  | 1,324,696    | 881,443      | 831,569      |
| Food + Beverage                                   | 501,700      | 296,271      | 259,282      |
| Corporate & Other                                 | 177,523      | 601,826      | 245,076      |
| Total Assets                                      | \$ 3,377,735 | \$ 3,137,823 | \$ 2,606,785 |

- 
- (1) We evaluate performance of our business units and allocates resources based upon Adjusted EBITDA. Adjusted EBITDA is defined as earnings before net interest, taxes, depreciation, amortization, unallocated corporate expenses, restructuring, acquisition-related costs and insurance recoveries.
- (2) Acquisition-related costs include transaction costs and purchase accounting adjustments related to inventory for acquisitions (see Note 20 – Acquisitions for further details).

71/ATR 2018 Form 10-K

---

Table of Contents

- (3) Restructuring Initiatives includes expense items for the years ended December 31, 2018 and 2017 as follows (see Note 21 – Restructuring Initiatives for further details):

| Year Ended December 31,              | 2018      | 2017     |
|--------------------------------------|-----------|----------|
| Restructuring Initiatives by Segment |           |          |
| Beauty + Home                        | \$ 52,244 | \$ 529   |
| Pharma                               | 3,589     | —        |
| Food + Beverage                      | 4,185     | 1,679    |
| Corporate & Other                    | 3,811     | —        |
| Total Restructuring Initiatives      | \$ 63,829 | \$ 2,208 |

- (4) The gain on insurance recovery relates to the Ancey fire (see Note 19 – Insurance Settlement Receivable for further details).
- (5) The transfer of corporate technology expenditures represents amounts of projects managed by corporate for the benefit of specific entities within each segment. Once the projects are complete, all related costs are allocated from corporate to and paid by the appropriate entity and the associated assets are then depreciated at the entity level.

## GEOGRAPHIC INFORMATION

The following are net sales and long lived asset information by geographic area and product information for the years ended December 31, 2018, 2017 and 2016:

|  | 2018         | 2017         | 2016         |
|--|--------------|--------------|--------------|
| Net Sales to Unaffiliated Customers (1): |              |              |              |
| United States                            | \$ 726,336   | \$ 642,164   | \$ 619,814   |
| Europe:                                  |              |              |              |
| France                                   | 862,364      | 744,856      | 695,727      |
| Germany                                  | 474,369      | 416,802      | 386,553      |
| Italy                                    | 144,044      | 131,523      | 126,890      |
| Other Europe                             | 146,701      | 132,992      | 120,228      |
| Total Europe                             | 1,627,478    | 1,426,173    | 1,329,398    |
| Other Foreign Countries                  | 410,947      | 400,946      | 381,722      |
| Total                                    | \$ 2,764,761 | \$ 2,469,283 | \$ 2,330,934 |
| Property, Plant and Equipment            |              |              |              |
| United States                            | \$ 265,004   | \$ 182,434   | \$ 175,578   |
| Europe:                                  |              |              |              |
| France                                   | 308,250      | 266,804      | 228,082      |
| Germany                                  | 154,505      | 163,948      | 154,588      |
| Italy                                    | 54,978       | 57,080       | 51,732       |
| Other Europe                             | 59,411       | 59,963       | 54,575       |
| Total Europe                             | 577,144      | 547,795      | 488,977      |
| Other Foreign Countries                  | 149,465      | 137,677      | 119,766      |
| Total                                    | \$ 991,613   | \$ 867,906   | \$ 784,321   |

- (1) Sales are attributed to countries based upon where the sales invoice to unaffiliated customers is generated.

No single customer represents 6% or more of our net sales in 2018, 2017 or 2016.

NOTE 19 INSURANCE SETTLEMENT RECEIVABLE

A fire caused damage to Aptar's facility in Annecy, France in June 2016. The fire was contained to one of three production units and there were no reported injuries. Aptar Annecy supplies anodized aluminum components for certain Aptar dispensing systems. While repairs are underway, Aptar sources from its network of suppliers as well as from its anodizing facility in Brazil. We are insured for the damages caused by the fire, including business interruption insurance, and we do not expect this incident to have a material impact on our financial results.

72/ATR 2018 Form 10-K

---

Table of Contents

Losses related to the Ancey fire of \$18.9 million and \$20.3 million were incurred during 2018 and 2017, respectively. For the year ended December 31, 2018, we received insurance proceeds of \$24.2 million. We have established an insurance receivable of \$3.4 million as of December 31, 2018, for known losses, which is included in Prepaid and Other in the Consolidated Balance Sheet. In many cases, our insurance coverage exceeds the amount of these incurred losses. Operating Income was negatively impacted by \$5.8 million during 2018. These 2018 losses negatively impacted the Beauty + Home and Pharma segments by \$3.8 million and \$2.0 million, respectively. Operating income was negatively impacted by \$5.6 million during 2017. During 2017, we also recognized \$10.6 million of gain due to the insurance recovery on the involuntary conversion of fixed assets related to this fire, which is included in Other (Expense) Income on the Consolidated Statements of Income. These 2017 amounts impacted the Beauty + Home segment.

A separate fire caused damage to the roof and production area of one of our facilities in Brazil in September 2014. There were no injuries. The facility is primarily an internal supplier of anodized aluminum components for certain dispensing systems sold to the regional beauty and personal care markets. Repairs of the facility were essentially completed in the fourth quarter 2015. AptarGroup was insured for the damages caused by the fire, including business interruption insurance. The final insurance settlement was received in the fourth quarter of 2016. During 2016, we recognized \$559 thousand of gain related to this fire, which is included in Other (Expense) Income on the Consolidated Statements of Income.

## NOTE 20 ACQUISITIONS

On August 27, 2018, we completed our acquisition (the “CSP Technologies Acquisition”) of all of the outstanding capital stock of CSP Technologies S.à r.l. (“CSP Technologies”). CSP Technologies is a leader in active packaging technology based on proprietary material science expertise for the pharma and food service markets. CSP Technologies operates manufacturing locations in the U.S. and France. The preliminary purchase price was approximately \$553.5 million and was funded by cash on hand. As of December 31, 2018, \$5 million was held in restricted cash pending the finalization of a working capital adjustment. The \$5 million cash amount was released from restriction in January 2019 after the finalization of the working capital adjustment, resulting in a refund of \$1.0 million.

CSP Technologies contributed net sales of \$48.9 million and pretax loss of \$10.2 million for the year ended December 31, 2018. Sales of \$33.9 million and \$15.0 million were reported in the Pharma and Food + Beverage segments, respectively, for the year ended December 31, 2018. Pretax loss of \$10.3 million and pretax income of \$0.1 million were reported in the Pharma and Food + Beverage segments, respectively, for the year ended December 31, 2018. Included in pretax income is \$14.1 million of fair value adjustment amortization for inventory sold during 2018. The aforementioned purchase accounting adjustments and amounts included in the following tables are provisional, as we are in the process of finalizing purchase accounting.

For the year ended December 31, 2018, we recognized \$9.0 million in transaction costs related to the acquisition of CSP Technologies. These costs are reflected in the selling, research & development and administration section of the Consolidated Statements of Income and within acquisition-related costs as disclosed in Note 18 – Segment Information.

On February 29, 2016, we completed our acquisition of MegaPlast GmbH and its subsidiaries along with Megaplast France S.a.r.l and Mega Pumps L.P. (“Mega Airless”). Mega Airless is a leading provider of innovative all-plastic airless dispensing systems for the beauty, personal care and pharmaceutical markets and operates two manufacturing facilities in Germany and one in the United States. The purchase price paid for Mega Airless was approximately \$223.2 million (\$203.0 million net of cash received) and was funded by cash on hand and borrowings on our revolving line of credit.



Mega Airless contributed net sales of \$59.4 million and pretax income of \$4.1 million for the year ended December 31, 2016. Included in pretax income is a purchase accounting adjustment of \$2.6 million related to the fair value of inventory acquired. The results of the acquired business from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Beauty + Home and Pharma reporting segments.

For the year ended December 31, 2016, we recognized \$5.6 million in transaction costs related to the acquisition of Mega Airless. These costs are reflected in the selling, research & development and administration section of the Consolidated Statements of Income.

73/ATR 2018 Form 10-K

---

Table of Contents

The following table summarizes the assets acquired and liabilities assumed as of the acquisition date at estimated fair value.

|   | Mega Airless<br>February 29, 2016 | CSP<br>Technologies<br>August 27, 2018 |
|---|-----------------------------------|--|
| <b>Assets</b>                               |                                   |  |
| Cash and equivalents                        | \$ 20,197                         | \$ 24,053                              |
| Accounts receivable                         | 8,275                             | 20,847                                 |
| Inventories                                 | 8,373                             | 42,169                                 |
| Prepaid and other                           | 378                               | 3,995                                  |
| Property, plant and equipment               | 47,768                            | 99,194                                 |
| Goodwill                                    | 105,561                           | 278,020                                |
| Intangible assets                           | 72,106                            | 177,120                                |
| Other miscellaneous assets                  | 8                                 | 1,039                                  |
| <b>Liabilities</b>                          |                                   |  |
| Current maturities of long-term obligations | 319                               | 129                                    |
| Accounts payable and accrued liabilities    | 7,398                             | 31,989                                 |
| Long-term obligations                       | 13,402                            | 6,037                                  |
| Deferred income taxes                       | 18,366                            | 38,442                                 |
| Retirement and deferred compensation plans  | —                                 | 1,038                                  |
| Deferred and other non-current liabilities  | —                                 | 15,344                                 |
| Net assets acquired                         | \$ 223,181                        | \$ 553,458                             |

The following table is a summary of the fair value estimates of the acquired identifiable intangible assets and weighted-average useful lives as of the acquisition date:

|                              | Mega Airless<br>Weighted-Average<br>Useful Life<br>(in years) | Estimated<br>Fair Value<br>of Asset | CSP Technologies<br>Weighted-Average<br>Useful Life<br>(in years) | Estimated<br>Fair Value<br>of Asset |
|------------------------------|---|-------------------------------------|---|-------------------------------------|
| Acquired technology          | 15  | \$ 10,838                           | 12  | \$ 46,700                           |
| Customer relationships       | 11  | 57,120                              | 16  | 113,300                             |
| Trademarks and trade names   | 4   | 4,148                               | 9   | 14,600                              |
| License agreements and other |   |                                     | 11  | 2,520                               |
| Total                        |   | \$ 72,106                           |   | \$ 177,120                          |

Goodwill in the amount of \$278.0 million was recorded for the CSP Technologies acquisition, of which \$174.3 million and \$103.7 million is included in the Pharma and Food + Beverage segments, respectively. Goodwill in the amount of \$105.6 million was recorded for the acquisition of Mega Airless, of which \$49.8 million and \$55.8 million is included in the Beauty + Home and Pharma segments, respectively. Goodwill is calculated as the excess of the

consideration transferred over the net assets acquired and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill largely consists of leveraging our commercial presence in selling the CSP Technologies and Mega Airless lines of products in markets where CSP Technologies and Mega Airless did not previously operate and the abilities of CSP Technologies and Mega Airless to maintain their competitive advantage from a technical viewpoint. Goodwill will not be amortized, but will be tested for impairment at least annually. We do not expect any of the goodwill will be deductible for tax purposes.

The unaudited pro forma results presented below include the effects of the CSP Technologies acquisition as if it had occurred as of January 1, 2017. The unaudited pro forma results reflect certain adjustments related to the acquisition, such as intangible asset amortization, fair value adjustments for inventory and financing costs related to the change in our debt structure. The 2018 pro forma earnings were adjusted to exclude \$16.7 million after tax (\$22.0 million pretax) of transaction and other costs. The aforementioned costs include compensation, consulting, legal and advisory fees. The 2018 pro forma earnings were also adjusted to exclude \$10.9 million after tax (\$14.1 million pretax) of nonrecurring expense related to the fair value adjustment to acquisition-date inventory. The 2017 pro forma earnings were adjusted to include these adjustments.

The unaudited pro forma results presented below include the effects of the Mega Airless acquisition as if it had occurred as of January 1, 2015. The unaudited pro forma results reflect certain adjustments related to the acquisition, such as the amortization associated with estimates for the acquired intangible assets and fair value adjustments for inventory. The 2016 pro forma earnings were adjusted to exclude \$4.2 million after tax (\$5.6 million pretax) of transaction costs, including consulting, legal, and advisory fees. The 2016 pro forma earnings were also adjusted to exclude \$1.7 million after tax (\$2.6 million pretax) of nonrecurring expense related to the fair value adjustment to acquisition-date inventory.

74/ATR 2018 Form 10-K

---

Table of Contents

The pro forma results do not include any synergies or other expected benefits of the acquisition. Accordingly, the unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been completed on the dates indicated.

| Years Ended December 31,                   | 2018         | 2017         | 2016         |
|--|--------------|--------------|--------------|
| Net Sales                                  | \$ 2,857,765 | \$ 2,605,095 | \$ 2,340,000 |
| Net Income Attributable to AptarGroup Inc. | 208,717      | 230,753      | 213,000      |
| Net Income per common share — basic        | 3.34         | 3.70         | 3.39         |
| Net Income per common share — diluted      | 3.21         | 3.57         | 3.29         |

On May 1, 2018, we acquired 100% of the common stock of Reboul, a French manufacturer specializing in stamping, decorating and assembling metal and plastic packaging for the cosmetics and luxury markets, for an initial purchase price of approximately \$3.6 million (exclusive of \$112 thousand of cash acquired) (the “Reboul Acquisition”). The results of Reboul’s operations have been included in the consolidated financial statements within our Beauty + Home segment since the date of acquisition. As part of the Reboul Acquisition, we were obligated to pay to the selling shareholders of Reboul certain contingent consideration based on 2018 EBITDA as defined in the purchase agreement. These targets were not achieved and we did not pay any contingent consideration.

In May 2018, we invested \$10.0 million in preferred equity stock of Reciprocal Labs Corporation, doing business as Propeller Health, consistent with measurement alternative guidance described in Note 1 above. No impairment charge was recorded during 2018 against this investment. We recorded a gain of approximately \$6.5 million during the fourth quarter of 2018 by adjusting the carrying amount to its expected sales proceeds as this investment was ultimately sold during January 2019.

In February 2017, we acquired a 20% minority interest in Kali Care, Inc. (“Kali Care”) for \$5.0 million. Kali Care is a Silicon Valley-based technology company, which provides digital monitoring systems for ophthalmic medication. Kali Care’s sensing technology allows clinicians to collect real time compliance data and is a powerful tool for ophthalmologists in managing the care of their patients and represents an additional investment into connected devices for our Pharma applications. This investment is being accounted for under the equity method of accounting from the date of acquisition. There were no indications of impairment for the twelve months ended December 31, 2018.

**NOTE 21 RESTRUCTURING INITIATIVES**

In late 2017, Aptar began a business transformation to drive profitable sales growth, increase operational excellence, enhance our approach to innovation and improve organizational effectiveness. The primary focus of the plan will be the Beauty + Home segment; however, certain global general and administrative functions will also be addressed. During 2018 and 2017, we recognized approximately \$63.8 and \$2.2 million of restructuring costs related to this plan, respectively. Using current exchange rates, we estimate total implementation costs of approximately \$90 million over three years. We also anticipate making capital investments related to the transformation plan of approximately \$55 million, of which the majority will be in 2019.

Edgar Filing: APTARGROUP INC - Form 10-K

As of December 31, 2018 we have recorded the following activity associated with the transformation plan:

|                                   | Beginning<br>Reserve at | Net Charges<br>for the Year<br>Ended | Cash Paid   | FX Impact | Ending<br>Reserve at |
|-----------------------------------|-------------------------|--------------------------------------|-------------|-----------|----------------------|
|                                   | 12/31/2017              | 12/31/2018                           |             |           | 12/31/2018           |
| Employee severance                | \$ 2,258                | \$ 5,107                             | \$ (3,361)  | \$ (70)   | \$ 3,934             |
| Professional fees and other costs | —                       | 58,722                               | (47,617)    | (4)       | 11,101               |
| Totals                            | \$ 2,258                | \$ 63,829                            | \$ (50,978) | \$ (74)   | \$ 15,035            |

75/ATR 2018 Form 10-K

---

Table of Contents

## NOTE 22 QUARTERLY DATA (UNAUDITED)

Quarterly results of operations and per share information for the years ended December 31, 2018 and 2017 are as follows:

|   | Quarter<br>First | Second     | Third      | Fourth     | Total<br>for Year |
|---|------------------|------------|------------|------------|-------------------|
| Year Ended December 31, 2018:               |                  |            |            |            |                   |
| Net sales                                   | \$ 703,350       | \$ 710,608 | \$ 665,775 | \$ 685,028 | \$ 2,764,761      |
| Gross profit (1)                            | 209,171          | 209,018    | 192,544    | 184,775    | 795,508           |
| Net Income                                  | 59,288           | 55,781     | 39,022     | 40,675     | 194,766           |
| Net Income Attributable to AptarGroup, Inc. | 59,300           | 55,775     | 38,996     | 40,674     | 194,745           |
| Per Common Share — 2018:                    |                  |            |            |            |                   |
| Net Income Attributable to AptarGroup, Inc. |                  |            |            |            |                   |
| Basic                                       | \$ .95           | \$ .89     | \$ .63     | \$ .65     | \$ 3.12           |
| Diluted                                     | .92              | .86        | .60        | .62        | 3.00              |
| Average number of shares outstanding:       |                  |            |            |            |                   |
| Basic                                       | 62,128           | 62,402     | 62,378     | 62,834     | 62,437            |
| Diluted                                     | 64,414           | 64,850     | 65,129     | 65,344     | 64,958            |
| Year Ended December 31, 2017:               |                  |            |            |            |                   |
| Net sales                                   | \$ 601,316       | \$ 617,746 | \$ 624,326 | \$ 625,895 | \$ 2,469,283      |
| Gross profit (1)                            | 181,729          | 183,346    | 179,166    | 179,217    | 723,458           |
| Net Income                                  | 51,805           | 65,189     | 53,529     | 49,506     | 220,029           |
| Net Income Attributable to AptarGroup, Inc. | 51,820           | 65,174     | 53,523     | 49,513     | 220,030           |
| Per Common Share — 2017:                    |                  |            |            |            |                   |
| Net Income Attributable to AptarGroup, Inc. |                  |            |            |            |                   |
| Basic                                       | \$ .83           | \$ 1.04    | \$ .86     | \$ .80     | \$ 3.52           |
| Diluted                                     | .81              | 1.01       | .83        | .77        | 3.41              |
| Average number of shares outstanding:       |                  |            |            |            |                   |
| Basic                                       | 62,355           | 62,631     | 62,592     | 61,944     | 62,435            |
| Diluted                                     | 64,234           | 64,828     | 64,821     | 64,528     | 64,596            |

(1) Gross profit is defined as net sales less cost of sales and depreciation.



Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of AptarGroup, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of AptarGroup, Inc. and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and the financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting, under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.



As described in Management's Report on Internal Control over Financial Reporting, management has excluded CSP Technologies S.à. r.l. ("CSP Technologies") from its assessment of internal control over financial reporting as of December 31, 2018, because it was acquired by the Company in a purchase business combination during 2018. We have also excluded CSP Technologies from our audit of internal control over financial reporting. CSP Technologies is a wholly-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 5% and 2%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2018.

77/ATR 2018 Form 10-K

---

Table of Contents

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois

February 21, 2019

We have served as the Company's auditor since 1992.

78/ATR 2018 Form 10-K

---

Table of Contents

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Management has evaluated, with the participation of the chief executive officer and chief financial officer of the Company, the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2018. Based on that evaluation, the chief executive officer and chief financial officer have concluded that these controls and procedures were effective as of such date.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. On August 27, 2018, we completed our acquisition of CSP Technologies as discussed in Note 20 - Acquisitions to the Consolidated Financial Statements. Management excluded CSP Technologies from its assessment of our internal control over financial reporting as it was acquired during the fiscal year. CSP Technologies' total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 5% and 2%, respectively, of the Consolidated Financial Statement amounts as of and for the year ended December 31, 2018. Management has evaluated, with the participation of the chief executive officer and chief financial officer of the Company, the effectiveness of our internal control over financial reporting as of December 31, 2018 based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation under the framework in Internal Control—Integrated Framework, management has concluded that our internal control over financial reporting was effective as of December 31, 2018.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has issued an attestation report on the effectiveness of our internal control over financial reporting. This report appears on page 77.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during our fiscal quarter ended December 31, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As noted above, we excluded CSP Technologies from our evaluation of internal control over financial reporting as of December 31, 2018 because the acquisition was completed during the fiscal year.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to directors may be found under the caption “Election of Directors” in our Proxy Statement for the Annual Meeting of Stockholders to be held on May 1, 2019 (the “2018 Proxy Statement”) and is incorporated herein by reference.

Information with respect to executive officers may be found under the caption “Executive Officers” in Part I of this report and is incorporated herein by reference.

Information with respect to audit committee members and audit committee financial experts may be found under the caption “Corporate Governance—Audit Committee” in the 2019 Proxy Statement and is incorporated herein by reference.

Information with respect to our Code of Business Conduct and Ethics may be found under the caption “Corporate Governance—Code of Business Conduct and Ethics” in the 2019 Proxy Statement and is incorporated herein by reference.

79/ATR 2018 Form 10-K

---

Table of Contents

Our Code of Business Conduct and Ethics is available through the Corporate Governance link on the Investor Relations page of our website (www.aptar.com).

The information set forth under the heading “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2019 Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the headings “Board Compensation”, “Executive Officer Compensation” and “Management Development and Compensation Committee Report” in the 2019 Proxy Statement is incorporated herein by reference. The information included under the heading “Management Development and Compensation Committee Report” in the 2019 Proxy Statement shall not be deemed to be “soliciting” material or to be “filed” with the Securities and Exchange Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the heading “Security Ownership of Certain Beneficial Owners, Directors and Management” and “Equity Compensation Plan Information” in the 2019 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information set forth under the heading “Transactions with Related Persons” and “Corporate Governance—Independence of Directors” in the 2019 Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to the independent registered public accounting firm fees and services may be found under the caption “Ratification of the Appointment of PricewaterhouseCoopers LLP as the Independent Registered Public Accounting Firm for 2019” in the 2019 Proxy Statement. Such information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

| Description   |    |
|---|----|
| 1) All Financial Statements   |    |
| The financial statements are set forth under Item 8 of this report on Form 10 K                             |    |
| <u>Consolidated Statements of Income for the Years Ended December 31, 2018, 2017 and 2016</u>               | 35 |
| <u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2018, 2017 and 2016</u> | 36 |
| <u>Consolidated Balance Sheets as of December 31, 2018 and 2017</u>   | 37 |

|    |  |    |
|----|--|----|
|    | <u>Consolidated Statements of Changes in Equity for the Years Ended December 31, 2018, 2017 and 2016</u> | 39 |
|    | <u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016</u>        | 40 |
|    | <u>Notes to Consolidated Financial Statements</u>  | 42 |
|    | <u>Report of Independent Registered Public Accounting Firm</u>   | 77 |
| 2) | <u>II – Valuation and Qualifying Accounts</u>  | 87 |

All other schedules have been omitted because they are not applicable or not required.

- (b) Exhibits required by Item 601 of Regulation S K are incorporated by reference to the Exhibit Index on pages 81-85 of this report.

#### ITEM 16. FORM 10 K SUMMARY

None.

80/ATR 2018 Form 10-K

---

Table of Contents

## INDEX TO EXHIBITS

## Exhibit

## Number Description

- 2.1 Share Purchase Agreement, dated as of January 25, 2016, between shareholders of MEGAPLAST GmbH, Megaplast France S.a.r.l. and MEGA Pumps L.P., and Aptargroup Holding SAS, filed as Exhibit 2.1 to the Company's annual report on Form 10-K for the year ended December 31, 2015 (File No. 1 11846), is hereby incorporated by reference.
- 2.2 Stock Purchase Agreement, dated as of July 26, 2018, between AptarGroup, Inc. and CSP Technologies Parent S.A., filed as Exhibit 2.2 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2018 (File No. 1-11846), is hereby incorporated by reference. †
- 3(i) Amended and Restated Certificate of Incorporation of AptarGroup, Inc., as amended, filed as Exhibit 4(a) to the Company's Registration Statement on Form S-8, Registration Number 333-152525, filed on July 25, 2008, is hereby incorporated by reference.
- 3(ii) Amended and Restated By Laws of the Company, filed as Exhibit 3.1 to the Company's Form 8 K filed on October 24, 2016 (File No. 1 11846), is hereby incorporated by reference.  
The Company hereby agrees to provide the Commission, upon request, copies of instruments defining the rights of holders of long term debt of the Registrant and its subsidiaries as are specified by item 601(b)(4)(iii)(A) of Regulation S K.
- 4.1 Note Purchase Agreement dated as of July 31, 2008, among AptarGroup, Inc. and the purchasers listed on Schedule A thereto, filed as Exhibit 4.1 to the Company's quarterly report on Form 10 Q for the quarter ended June 30, 2008 (File No. 1 11846), is hereby incorporated by reference.
- 4.2 First Amendment to 2008 Note Purchase Agreement, dated as of November 30, 2010, among the Company and each of the institutions listed as signatories thereto, filed as Exhibit 4.2 to the Company's current report on Form 8 K filed on December 1, 2010 (File No. 1 11846), is hereby incorporated by reference.
- 4.3 Supplemental Note Purchase Agreement, dated as of November 30, 2010, among the Company and each of the purchasers listed in Exhibit A thereto, filed as Exhibit 4.3 to the Company's current report on Form 8 K filed on December 1, 2010 (File No. 1 11846), is hereby incorporated by reference.
- 4.4 Form of AptarGroup, Inc. 3.78% Series 2008 B 2 Senior Notes due November 30, 2020, filed as Exhibit 4.5 to the Company's current report on Form 8 K filed on December 1, 2010 (File No. 1 11846), is hereby incorporated by reference.
- 4.5 Second Supplemental Note Purchase Agreement, dated as of September 5, 2012, among the Company and each of the purchasers listed in Exhibit A thereto, filed as Exhibit 4.1 to the Company's current report on Form 8 K filed on September 5, 2012 (File No. 1 11846), is hereby incorporated by reference.
- 4.6 Form of AptarGroup, Inc. 3.25% Series 2008 C 1 Senior Notes Due September 5, 2022, filed as Exhibit 4.2 to the Company's current report on Form 8 K filed on September 5, 2012 (File No. 1 11846), is hereby incorporated by reference.
- 4.7 Form of AptarGroup, Inc. 3.40% Series 2008 C 2 Senior Notes Due September 5, 2024, filed as Exhibit 4.3 to the Company's current report on Form 8 K filed on September 5, 2012 (File No. 1 11846), is hereby incorporated by reference.
- 4.8 Note Purchase Agreement, dated as of December 16, 2014, among the Company and each of the purchasers listed in Schedule B thereto, filed as Exhibit 4.1 to the Company's current report on Form 8 K filed on December 17, 2014 (File No. 1 11846), is hereby incorporated by reference.
- 4.9 Form of AptarGroup, Inc. 3.49% Series 2014 A 1 Senior Notes due December 16, 2023 (included as a part of Exhibit 4.13), filed as Exhibit 4.2 to the Company's current report on Form 8 K filed on December 17, 2014 (File No. 1 11846), is hereby incorporated by reference.

Edgar Filing: APTARGROUP INC - Form 10-K

- 4.10 Form of AptarGroup, Inc. 3.49% Series 2014 A 2 Senior Notes due February 26, 2024 (included as a part of Exhibit 4.13), filed as Exhibit 4.3 to the Company's current report on Form 8-K filed on December 17, 2014 (File No. 1-11846), is hereby incorporated by reference.
- 4.11 Form of AptarGroup, Inc. 3.61% Series 2014 A 3 Senior Notes due December 16, 2025 (included as a part of Exhibit 4.13), filed as Exhibit 4.4 to the Company's current report on Form 8-K filed on December 17, 2014 (File No. 1-11846), is hereby incorporated by reference.
- 4.12 Form of AptarGroup, Inc. 3.61% Series 2014 A 4 Senior Notes due February 26, 2026 (included as a part of Exhibit 4.13), filed as Exhibit 4.5 to the Company's current report on Form 8-K filed on December 17, 2014 (File No. 1-11846), is hereby incorporated by reference.

81/ATR 2018 Form 10-K

---



Table of Contents

## Exhibit

## Number Description

- 4.13 Second Amendment to 2008 Note Purchase Agreement, dated as of December 16, 2014, among the Company and each of the noteholders listed on the signature pages thereto, filed as Exhibit 4.7 to the Company's current report on Form 8-K filed on December 17, 2014 (File No. 1-11846), is hereby incorporated by reference.
- 4.14 Note Purchase and Guaranty Agreement, dated as of July 19, 2017, among AptarGroup UK Holdings, Limited and each of the purchasers listed in Purchasers Schedule thereto, filed as Exhibit 4.1 to the Company's current report on Form 8-K filed on July 25, 2017 (File No. 1-11846), is hereby incorporated by reference.
- 4.15 Form of AptarGroup, Inc. 0.98% Series D Senior Notes due July 19, 2023 (included as a part of Exhibit 4.20), filed as Exhibit 4.2 to the Company's current report on Form 8-K filed on July 25, 2017 (File No. 1-11846), is hereby incorporated by reference.
- 4.16 Form of AptarGroup, Inc. 1.17% Series E Senior Notes due July 19, 2024 (included as a part of Exhibit 4.20), filed as Exhibit 4.3 to the Company's current report on Form 8-K filed on July 25, 2017 (File No. 1-11846), is hereby incorporated by reference.
- 4.17 Third Amendment to the 2008 Note Purchase Agreement, dated as of July 19, 2017, among the Company and each of the noteholders listed on the signature pages thereto, filed as Exhibit 4.4 to the Company's current report on Form 8-K filed on July 25, 2017 (File No. 1-11846), is hereby incorporated by reference.
- 4.18 First Amendment to 2014 Note Purchase Agreement, dated as of July 19, 2017, among the Company and each of the noteholders listed on the signature pages thereto, filed as Exhibit 4.5 to the Company's current report on Form 8-K filed on July 25, 2017 (File No. 1-11846), is hereby incorporated by reference.
- 10.1 AptarGroup, Inc. 2000 Stock Awards Plan, filed as Appendix A to the Company's Proxy Statement, dated April 6, 2000 (File No. 1-11846), is hereby incorporated by reference.\*\*
- 10.2 AptarGroup, Inc. 2004 Stock Awards Plan, filed as Appendix A to the Company's Proxy Statement, dated March 26, 2004 (File No. 1-11846), is hereby incorporated by reference.\*\*
- 10.3 AptarGroup, Inc. 2004 Director Stock Option Plan, filed as Appendix B to the Company's Proxy Statement, dated March 26, 2004 (File No. 1-11846), is hereby incorporated by reference.\*\*
- 10.4 AptarGroup, Inc., Stock Option Agreement for Employees pursuant to the AptarGroup, Inc. 2004 Stock Awards Plan, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2004 (File No. 1-11846), is hereby incorporated by reference.\*\*
- 10.5 AptarGroup, Inc. Stock Option Agreement for Non-Employee Directors pursuant to the AptarGroup, Inc. 2004 Director Option Plan, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2004 (File No. 1-11846), is hereby incorporated by reference.\*\*
- 10.6 AptarGroup, Inc. Stock Option Agreement for Employees pursuant to the AptarGroup, Inc. 2000 Stock Awards Plan, filed as Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2004 (File No. 1-11846), is hereby incorporated by reference.\*\*
- 10.7 AptarGroup, Inc. Restricted Stock Award Agreement pursuant to the AptarGroup, Inc. 2000 Stock Awards Plan, filed as Exhibit 10.4 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2004 (File No. 1-11846), is hereby incorporated by reference.\*\*
- 10.8 Form of AptarGroup, Inc. Stock Option Agreement for Employees pursuant to the AptarGroup, Inc. 2014 Stock Awards Plan, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2014 (File No. 1-11846), is hereby incorporated by reference.\*\*
- 10.9 Form of AptarGroup, Inc. Restricted Stock Unit Award Agreement pursuant to the AptarGroup, Inc. 2014 Stock Awards Plan, filed as Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2014 (File No. 1-11846), is hereby incorporated by reference.\*\*
- 10.10 Supplementary Pension Plan—France dated August 24, 2001, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2004 (File No. 1-11846), is hereby incorporated by reference.\*\*
- 10.11

Edgar Filing: APTARGROUP INC - Form 10-K

AptarGroup, Inc. Supplemental Retirement (amended and restated effective January 1, 2009), filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008 (File No. 1 11846), is hereby incorporated by reference.\*\*

- 10.12 Indemnification Agreement dated January 1, 1996 of King Harris, filed as Exhibit 10.25 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2001 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.13 Employment Agreement, dated November 21, 2016, between AptarGroup, Inc. and Stephan B. Tanda, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on November 22, 2016 (File No. 1 11846), is hereby incorporated by reference.\*\*

82/ATR 2018 Form 10-K

---

Table of Contents

## Exhibit

## Number Description

- 10.14 Employment Agreement effective January 1, 2012 of Robert W. Kuhn, filed as Exhibit 10.2 to the Company's quarterly report on Form 10 Q for the quarter ended September 30, 2012 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.15 Employment Agreement effective January 1, 2012 of Eldon W. Schaffer, filed as Exhibit 10.4 to the Company's quarterly report on Form 10 Q for the quarter ended September 30, 2012 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.16 Employment Agreement dated March 30, 2011 and as amended February 10, 2016 of Gael Touya, filed as Exhibit 10.17 to the Company's annual report on Form 10 K for the fiscal year ended December 31, 2015 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.17 Employment Agreement effective October 1, 2010 of Ursula Saint Léger, filed as Exhibit 10.21 to the Company's annual report on Form 10 K for the fiscal year ended December 31, 2010 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.18 Employment Agreement effective August 1, 2014 of Salim Haffar, filed as Exhibit 10.4 to the Company's quarterly report on Form 10 Q for the quarter ended June 30, 2014 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.19 AptarGroup, Inc. 2008 Stock Option Plan, filed as Exhibit 10.3 to the Company's current report on Form 8 K filed on May 1, 2008 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.20 AptarGroup, Inc. 2008 Director Stock Option Plan, filed as Exhibit 10.1 to the Company's current report on Form 8 K filed on May 1, 2008 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.21 Form of AptarGroup, Inc. Stock Option Agreement for Employees pursuant to the AptarGroup, Inc. 2008 Stock Option Plan, filed as Exhibit 10.4 to the Company's quarterly report on Form 10 Q for the quarter ended June 30, 2008 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.22 Form of AptarGroup, Inc. Stock Option Agreement for Directors pursuant to the AptarGroup, Inc. 2008 Director Stock Option Plan, filed as Exhibit 10.5 to the Company's quarterly report on Form 10 Q for the quarter ended June 30, 2008 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.23 Form of AptarGroup, Inc. Restricted Stock Unit Award Agreement pursuant to the AptarGroup, Inc. 2004 Stock Awards Plan, filed as Exhibit 10.6 to the Company's quarterly report on Form 10 Q for the quarter ended June 30, 2008 (File No. 1 11846), and amended as of January 1, 2010.\*\*
- 10.24 Form of AptarGroup, Inc. Stock Option Agreement for Employees pursuant to the AptarGroup, Inc. 2011 Stock Awards Plan, filed as Exhibit 10.2 to the Company's quarterly report on Form 10 Q for the quarter ended September 30, 2011 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.25 Form of AptarGroup, Inc. Restricted Stock Unit Award Agreement pursuant to the AptarGroup, Inc. 2011 Stock Awards Plan, filed as Exhibit 10.3 to the Company's quarterly report on Form 10 Q for the quarter ended September 30, 2011 (File No. 1 11846), is hereby incorporated by reference filed as Exhibit 10.34 to the Company's annual report on Form 10-K for the year ended December 31, 2009 (File No. 1 11846).\*\*
- 10.26 AptarGroup, Inc. 2011 Stock Awards Plan, filed as Exhibit 10.1 to the Company's current report on Form 8 K filed on May 10, 2011 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.27 AptarGroup, Inc. 2014 Stock Awards Plan, filed as Exhibit 10.1 to the Company's current report on Form 8 K filed on May 12, 2014 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.28 Amendment to Stock Option Award Agreements, filed as Exhibit 10.1 to the Company's quarterly report on Form 10 Q for the quarter ended September 30, 2015 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.29 AptarGroup Performance Incentive Plan, filed as Exhibit 10.1 to the Company's current report on Form 8 K filed on May 13, 2013 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.30 AptarGroup, Inc. 2014 Long Term Incentive Program (as Amended and Restated) under the AptarGroup, Inc. Performance Incentive Plan, filed as Exhibit 10.28 to the Company's annual report on Form 10 K for the fiscal

- year ended December 31, 2013 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.31 AptarGroup, Inc. 2014 Long Term Incentive Program (as Amended and Restated) under the AptarGroup, Inc. Performance Incentive Plan filed as Exhibit 10.31 to the Company's annual report on Form 10 K for the fiscal year ended December 31, 2014 (File No. 1 11846), is hereby incorporated by reference.\*\*
- 10.32 AptarGroup, Inc. 2015 Director Restricted Stock Unit Plan, filed as Exhibit 4(c) to the Company's Registration Statement on Form S-8, Registration Number 333-203905, filed on May 6, 2015, is hereby incorporated by reference.\*\*
- 10.33 Form of AptarGroup, Inc. 2015 Restricted Stock Unit Award Agreement for Directors pursuant to the AptarGroup, Inc. 2015 Director Restricted Stock Unit Plan, filed as Exhibit 10.2 to the Company's quarterly report on Form 10 Q for the quarter ended June 30, 2015 (File No. 1 11846), is hereby incorporated by reference.\*\*

83/ATR 2018 Form 10-K

---

Table of Contents

## Exhibit

| Number | Description   |
|--------|---|
| 10.34  | <u>AptarGroup, Inc. 2016 Equity Incentive Plan, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on May 9, 2016 (File No. 1-11846), is hereby incorporated by reference.**</u>   |
| 10.35  | <u>Form of AptarGroup, Inc. Stock Option Agreement for Employees pursuant to the AptarGroup, Inc. 2016 Equity Incentive Plan, filed as Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2016 (File No. 1-11846), is hereby incorporated by reference.**</u>  |
| 10.36  | <u>Form of AptarGroup, Inc. Restricted Stock Unit Award Agreement pursuant to the AptarGroup, Inc. 2016 Equity Incentive Plan, filed as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2016 (File No. 1-11846), is hereby incorporated by reference.**</u>   |
| 10.37  | <u>Form of AptarGroup, Inc. 2016 Restricted Stock Unit Award Agreement for Directors pursuant to the AptarGroup, Inc. 2016 Equity Incentive Plan, filed as Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2016 (File No. 1-11846), is hereby incorporated by reference.**</u>  |
| 10.38  | <u>Credit Agreement, dated as of July 20, 2017 among AptarGroup, Inc., AptarGroup UK Holdings, Limited and the financial institutions party thereto as Lenders, Wells Fargo Bank, National Association, as administrative agent, Bank of America, N.A., HSBC Bank USA, N.A. and JPMorgan Chase Bank, N.A., as co-syndication agents, BNP Paribas as documentation agent, and Wells Fargo Securities, LLC, HSBC Bank USA, N.A., J.P. Morgan Chase Bank N.A. and Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated, as joint lead arrangers and joint bookrunners, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on July 25, 2017 (File No. 1-11846), is hereby incorporated by reference.</u> |
| 10.39  | <u>AptarGroup 2018 Performance Incentive Plan, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on February 08, 2018 (File No. 1-11846), is hereby incorporated by reference.**</u>  |
| 10.40  | <u>AptarGroup, Inc. Restricted Stock Unit Award Agreement (Service-Based Vesting Form), filed as Exhibit 10.43 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2017 (File No. 1-11846), is hereby incorporated by reference.**</u>   |
| 10.41  | <u>AptarGroup, Inc. Restricted Stock Unit Award Agreement (Performance-Based Vesting Form), filed as Exhibit 10.44 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2017 (File No. 1-11846), is hereby incorporated by reference.**</u>   |
| 10.42  | <u>AptarGroup, Inc. 2018 Equity Incentive Plan, filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on May 03, 2018 (File No. 1-11846), is hereby incorporated by reference.**</u>  |
| 10.43  | <u>2018 Equity Incentive Plan Restricted Stock Unit Award Agreement (Service-Based Vesting Form), filed as Exhibit 10.1 to the Company's quarterly report for the quarter ended June 30, 2018 (File No. 1-11846), is hereby incorporated by reference.**</u>  |
| 10.44  | <u>2018 Equity Incentive Plan Restricted Stock Unit Award Agreement (Performance-Based Vesting Form), filed as Exhibit 10.2 to the Company's quarterly report for the quarter ended June 30, 2018 (File No. 1-11846), is hereby incorporated by reference.**</u>  |
| 10.45  | <u>2018 Equity Incentive Plan Restricted Stock Unit Award Agreement for Directors, filed as Exhibit 10.3 to the Company's quarterly report for the quarter ended June 30, 2018 (File No. 1-11846), is hereby incorporated by reference.**</u>   |
| 21*    | <u>List of Subsidiaries.</u>  |
| 23*    | <u>Consent of Independent Registered Public Accounting Firm.</u>  |
| 31.1*  | <u>Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</u>   |
| 31.2*  | <u>Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</u>   |
| 32.1*  | <u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.</u>  |
| 32.2*  | <u>Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.</u>   |
| 101*   |   |

Edgar Filing: APTARGROUP INC - Form 10-K

The following financial information from AptarGroup, Inc.'s annual report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on February 21, 2019, formatted in Extensible Business Reporting Language (XBRL): (1) the consolidated statements of income for the years ended December 31, 2018, 2017 and 2016, (2) the consolidated statements of comprehensive income for the years ended December 31, 2018, 2017 and 2016, (3) the consolidated balance sheets as of December 31, 2018 and 2017, (4) the consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016, (5) the consolidated statements of changes in equity for the years ended December 31, 2018, 2017 and 2016 and (6) notes to the consolidated financial statements, tagged as blocks of text.

---

\*Filed or furnished herewith.

84/ATR 2018 Form 10-K

---

Table of Contents

\*\*Management contract or compensatory plan or arrangement.

†Omitted schedules will be furnished supplementally to the SEC upon request.

85/ATR 2018 Form 10-K

---

Table of Contents

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AptarGroup, Inc.

(Registrant)

Date: February 21, 2019      By      /s/ Robert W. Kuhn  
 Robert W. Kuhn  
 Executive Vice President,  
 Chief Financial Officer and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the date indicated.

| Signature  | Title  | Date              |
|--|--|-------------------|
| /s/ George L. Fotiades<br>George L. Fotiades       | Chairman of the Board and Director   | February 21, 2019 |
| /s/ Stephan B. Tanda<br>Stephan B. Tanda           | President and Chief Executive Officer and<br>Director (Principal Executive Officer)                                | February 21, 2019 |
| /s/ Robert W. Kuhn<br>Robert W. Kuhn               | Executive Vice President,<br>Chief Financial Officer and Secretary<br>(Principal Accounting and Financial Officer) | February 21, 2019 |
| /s/ Alain Chevassus<br>Alain Chevassus             | Director   | February 21, 2019 |
| /s/ Maritza Gomez Montiel<br>Maritza Gomez Montiel | Director   | February 21, 2019 |
| /s/ Stephen J. Hagge<br>Stephen J. Hagge           | Director   | February 21, 2019 |



Edgar Filing: APTARGROUP INC - Form 10-K

Stephen J. Hagge

/s/ Giovanna Kampouri-Monnas Director

February 21, 2019

Giovanna Kampouri-Monnas

/s/ Andreas Kramvis Director

February 21, 2019

Andreas Kramvis

/s/ B. Craig Owens Director

February 21, 2019

B. Craig Owens

/s/ Dr. Joanne C. Smith Director

February 21, 2019

Dr. Joanne C. Smith

/s/ Jesse Wu Director

February 21, 2019

Jesse Wu

/s/ Ralf Wunderlich Director

February 21, 2019

Ralf Wunderlich

86/ATR 2018 Form 10-K

---

Table of Contents

AptarGroup, Inc.

## SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 2018, 2017 and 2016

Dollars in thousands

|                                  | Balance at<br>Beginning<br>Of Period | Charged to<br>Costs and<br>Expenses | Charged<br>to Other<br>Accounts | Deductions<br>from<br>Reserve (a) | Balance<br>at End of<br>Period |
|----------------------------------|--------------------------------------|-------------------------------------|---------------------------------|-----------------------------------|--------------------------------|
| 2018                             |                                      |                                     |                                 |                                   |                                |
| Allowance for doubtful accounts  | \$ 3,161                             | \$ 923                              | \$ —                            | \$ (543)                          | \$ 3,541                       |
| Deferred tax valuation allowance | 5,414                                | 4,230                               | 2,604                           | (1,059)                           | 11,189                         |
| 2017                             |                                      |                                     |                                 |                                   |                                |
| Allowance for doubtful accounts  | \$ 2,989                             | \$ 235                              | \$ —                            | \$ (63)                           | \$ 3,161                       |
| Deferred tax valuation allowance | 4,070                                | 3,640                               | —                               | (2,296)                           | 5,414                          |
| 2016                             |                                      |                                     |                                 |                                   |                                |
| Allowance for doubtful accounts  | \$ 2,710                             | \$ 561                              | \$ —                            | \$ (282)                          | \$ 2,989                       |
| Deferred tax valuation allowance | 6,125                                | 535                                 | —                               | (2,590)                           | 4,070                          |

---

(a) Write-off accounts considered uncollectible, net of recoveries and foreign currency impact adjustments.

87/ATR 2018 Form 10-K