APTARGROUP INC
Form DEF 14A
March 22, 2017

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

AptarGroup, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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475 West Terra Cotta Avenue, Suite E
Crystal Lake, Illinois 60014
815-477-0424

March 22, 2017

Dear Stockholder,

It is my pleasure to invite you to attend our annual meeting of stockholders on May 3, 2017. At the meeting, we will review AptarGroup's performance for fiscal year 2016 and our outlook for the future.

We are pleased to take advantage of the Securities and Exchange Commission rule allowing companies to furnish proxy materials to their stockholders over the Internet. We believe that this e-proxy process expedites stockholders' receipt of proxy materials, while also lowering the costs and reducing the environmental impact of our annual meeting. Today, we mailed to most of our stockholders a Notice of Internet Availability of Proxy Materials ("Notice") containing instructions on how to access our proxy statement and annual report and vote online. All other stockholders will continue to receive a copy of the proxy statement and annual report by mail unless they elect to receive the annual meeting materials over the Internet.

The Notice and proxy statement contain instructions on how you can (i) receive a paper copy of the proxy statement and annual report, if you only received a Notice by mail, or (ii) receive your proxy statement and annual report for future annual meetings over the Internet, if you received them by mail this year.

The vote of each stockholder is important to us. Whether or not you expect to attend the annual meeting, I urge you to vote by the Internet or by telephone as soon as possible. If you received a printed copy of the proxy materials, you may also complete, sign and date your proxy card and return it in the envelope that was included with the printed materials.

Help us "go green" and reduce costs. For those stockholders who are still receiving paper copies of our proxy statement and annual report, please consider requesting electronic delivery or a Notice which will reduce the amount of paper materials needed to conduct our annual meeting. You may do so by contacting your broker, visiting www.proxyvote.com or emailing us at investorrelations@aptar.com.

I look forward to seeing you on May 3 and addressing your questions and comments.

Sincerely,

Stephan B. Tanda
President and Chief Executive Officer

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475 West Terra Cotta Avenue, Suite E
Crystal Lake, Illinois 60014
815-477-0424

March 22, 2017

NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 3, 2017: The Proxy Statement and the 2016 Annual Report/Form 10-K are available at www.proxyvote.com.

The annual meeting of stockholders of AptarGroup, Inc. ("Aptar") will be held on May 3, 2017, at 9:00 a.m. (local time), at the offices of Sidley Austin LLP, One South Dearborn Street, Chicago, Illinois 60603 to consider and take action on the following:

1. To elect the three director nominees named in the proxy statement to terms of office expiring at the annual meeting in 2020;

2. To approve, on an advisory basis, Aptar's executive compensation;

3. To approve, on an advisory basis, the frequency of the advisory vote on Aptar's executive compensation;

4. To ratify the appointment of the independent registered public accounting firm for 2017; and

5. To transact any other business that is properly raised at the meeting or any postponements or adjournments of the meeting.

Your Board of Directors recommends a vote FOR all of the director nominees, FOR the resolution on executive compensation, for ONE YEAR for the frequency of the advisory vote on executive compensation and FOR the ratification of the appointment of the independent registered public accounting firm for 2017.

Stockholders owning our common stock as of the close of business on March 10, 2017 are entitled to vote at the annual meeting. Each stockholder has one vote per share. If you would like to attend the annual meeting, you will be asked to present a photo ID when you check in at the security desk. We will have signs posted that direct you to the meeting room for the annual meeting. We will not permit cameras or other recording devices in the meeting room.

Whether or not you plan to attend the annual meeting, we urge you to vote your shares by using the Internet (which is the most cost effective means for Aptar), by calling the toll free telephone number or by completing and mailing a paper proxy card.

By Order of the Board of Directors,

Robert W. Kuhn
Secretary

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PROXY SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

2017 Annual Meeting of Stockholders Information

Date and Time:	Wednesday, May 3, 2017 at 9:00 a.m. (local time)
Place:	Offices of Sidley Austin LLP, located at One South Dearborn Street, Chicago, IL 60603
Record Date:	March 10, 2017

Voting Matters

Proposals	Board Recommendation	Page Number for Additional Information
1. Election of Directors	FOR	7
2. Advisory vote on executive compensation	FOR	24
3. Advisory vote on the frequency of the advisory vote on executive compensation	ONE YEAR	25
4. Ratification of the appointment of PricewaterhouseCoopers LLP as the Independent Registered Public Accounting Firm for 2017	FOR	26

Our Director Nominees

Name	Age	Director Since	Principal Occupation	Independent	Current Committee Memberships				Other Current Public Boards
					AC	C	CGC	EC	
George L. Fotiades	63	2011	Chairman and Operating Partner of Healthcare Investments at Diamond Castle Holdings LLC	YES		CC		X	2
King W. Harris	73	1993	Chairman of Harris Holdings	YES	X	X		CC	0
Dr. Joanne C. Smith	56	1999	President and CEO of Rehabilitation Institute of Chicago	YES			CC		0

AC = Audit Committee   C = Compensation Committee   CGC = Corporate Governance Committee   EC = Executive Committee   CC = Committee Chair

Our Corporate Governance Facts

Size of Board	11
Number of Independent Directors	8
Majority Voting for Directors and Director Resignation Policy in Uncontested Elections	Yes
Separate Chairman & CEO	Yes
Director Age Limits	Yes
Independent Directors Meet Regularly in Executive Session	Yes
Annual Board and Committee Self-Evaluations	Yes
Annual Advisory Approval of Executive Compensation	Yes
Stock Ownership Requirements for Directors and Executive Officers	Yes
Prohibits Directors and Executive Officers from Hedging or Pledging Stock	Yes

Our Executive Compensation Philosophy and Objectives

Our compensation philosophy and objectives are, first and foremost, to fairly reward our executives for growing our business and increasing value for stockholders, and secondly, to retain our experienced management team. The following factors demonstrate our performance objectives:

- Pay that is reasonable and performance-based;
- Significant amount of pay that is at risk (both annual and long-term), with a substantial amount provided in equity (and therefore aligned with stockholders);
- Stock ownership guidelines, limits on executive officer stock trading and prohibition of hedging or pledging Aptar equity securities;
- Reasonable employment and change-in-control agreements that are competitive in markets in which we compete for executive talent;
- Absence of tax gross-up agreements with named executive officers, other than those related to relocation benefits;
- Reasonable retirement plans; and
- Limited perquisites.

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475 West Terra Cotta Ave, Suite E
Crystal Lake, Illinois 60014

PROXY STATEMENT
ANNUAL MEETING INFORMATION

This proxy statement contains information related to the business to be conducted at the annual meeting of stockholders of AptarGroup, Inc. ("Aptar" or "Company") to be held on May 3, 2017, beginning at 9:00 a.m. (local time), at the offices of Sidley Austin LLP, One South Dearborn Street, Chicago, Illinois, 60603 and at any postponements or adjournments of the meeting. This proxy statement was prepared under the direction of Aptar's Board of Directors ("Board of Directors" or "Board") to solicit your proxy for use at the annual meeting. In accordance with rules and regulations adopted by the Securities and Exchange Commission (the "SEC"), instead of mailing a printed copy of our proxy materials to each stockholder of record or beneficial owner, we are furnishing proxy materials, which include this proxy statement, the notice of meeting and our Annual Report/Form 10-K, to our stockholders over the Internet. If you received a Notice of Internet Availability of Proxy Materials ("Notice") by mail, you will not receive a printed copy of the proxy materials. Instead, the Notice instructs you as to how you may access and review all of the important information contained in the proxy materials. The Notice also instructs you as to how you may submit your proxy over the Internet. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice. The Notice was mailed to stockholders on or about March 22, 2017.

Who is entitled to vote?

Stockholders owning our common stock at the close of business on March 10, 2017 are entitled to vote at the annual meeting, or any postponement or adjournment of the meeting. Each stockholder has one vote per share on all matters to be voted on at the meeting. At the close of business on March 10, 2017, there were 62,474,454 shares of common stock outstanding.

What am I voting on?

You are asked to vote on the following proposals:

- To elect the three director nominees named in this proxy statement to terms of office expiring at the annual meeting in 2020
- To approve, on an advisory basis, our executive compensation

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- To approve, on an advisory basis, the frequency of the advisory vote on our executive compensation
- To ratify the appointment of the independent registered public accounting firm for 2017

The Board of Directors knows of no other business that will be presented at the annual meeting. If other matters properly come before the meeting, the persons named as proxies will vote on them in accordance with their best judgment.

How does the Board of Directors recommend I vote on the proposals?

The Board has unanimously approved and recommends that you vote your shares:

- FOR all of the director nominees
- FOR the resolution on executive compensation
- ONE YEAR for the frequency of the advisory vote on executive compensation
- FOR the ratification of the appointment of the independent registered public accounting firm for 2017

Unless you give other instructions when voting your proxy, the persons named as proxies will vote in accordance with the recommendation of the Board.

How do I vote?

If you are a record holder, you can vote your proxy in any of the following ways:

- ♦ ***By Internet:*** Aptar encourages stockholders to vote by Internet because it allows the least costly method of tabulating votes. You can vote by Internet by following the instructions on the proxy card or the Notice.
- ♦ ***By Telephone:*** You can vote by touch-tone telephone by following the instructions on the proxy card.
- ♦ ***By Mail:*** If you received proxy materials by mail or if you request a paper proxy card, you may elect to vote by mail. To do so, you should sign, date and complete the proxy card you receive and return it in the envelope which accompanied that proxy card.
- ♦ ***In Person:*** You may vote in person at the annual meeting. We will give you a ballot when you arrive at the annual meeting. Even if you plan to attend the annual meeting, we encourage you to vote in advance by one of the methods specified above.

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When voting on the election of director nominees, the advisory vote on executive compensation and the ratification of the appointment of the independent registered public accounting firm, you have three options:

- Vote FOR a given nominee or proposal
- Vote AGAINST a given nominee or proposal
- ABSTAIN from voting on a given nominee or proposal

When making your advisory vote on the frequency of the advisory vote on executive compensation, you have four options:

- Vote for ONE YEAR as the frequency of the advisory vote on executive compensation
- Vote for TWO YEARS as the frequency of the advisory vote on executive compensation
- Vote for THREE YEARS as the frequency of the advisory vote on executive compensation
- ABSTAIN from voting on the frequency of the advisory vote on executive compensation

If you return your proxy with no voting instructions marked on a nominee or proposal, your shares will be voted in the manner recommended by the Board on such nominee or proposal as presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the annual meeting.

You can revoke your proxy at any time before it is exercised by any of the following methods:

- Entering a new vote by Internet or telephone
- Submitting another signed proxy card with a later date
- Writing to Aptar's Corporate Secretary
- Voting in person at the annual meeting

What is a quorum?

A "quorum" is the presence at the meeting, in person or by proxy, of the holders of a majority of the outstanding shares of Aptar's common stock on March 10, 2017. There must be a quorum for the meeting to be held.

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How are shares in a 401(k) plan voted?

If you hold shares of Aptar through your 401(k) plan, you will be instructing the trustee how to vote your shares by voting by Internet or by telephone, or by completing and returning the proxy card. If you do not vote by Internet or telephone or if you do not return the proxy card, or if you return it with unclear voting instructions, the trustee will not vote the shares in your 401(k) account.

How are shares held in a broker account voted?

If you own shares through a broker, you should be contacted by your broker regarding a proxy card and whether telephone or Internet voting options are available. If you do not instruct your broker on how to vote your shares, your broker, as the registered holder of your shares, may represent your shares at the annual meeting for purposes of determining a quorum. Even without instructions, your broker may exercise discretion in voting for the ratification of the appointment of the independent registered public accounting firm. Brokers have authority to vote in their discretion on "routine" matters if they do not receive voting instructions from the beneficial owner of the shares. Other than the proposal regarding the ratification of the independent registered public accounting firm, all other proposals are not considered "routine" matters and, as a result, brokers may not vote on behalf of their clients if no voting instructions have been furnished. Broker non-votes are counted as shares present in determining whether the quorum requirement is satisfied but do not affect the outcome of whether a matter is approved.

How many votes are required to approve each proposal?

In order to be elected, a director nominee must receive the affirmative vote of a majority of the votes cast present in person or by proxy at the meeting and entitled to vote on the election of directors. Stockholders do not have a right to cumulate their votes for the election of directors. Abstaining will not affect the outcome of director elections. The approval of the proposal regarding the advisory vote on executive compensation and the ratification of the appointment of the independent registered public accounting firm require the affirmative vote of a majority of the shares present in person or by proxy at the meeting and entitled to vote on these proposals. Abstaining is the legal equivalent of voting against these proposals. With respect to the proposal regarding the frequency of the advisory vote on executive compensation, the option receiving the greatest number of votes will be considered the frequency recommended by the Company's stockholders. Abstaining will not affect the outcome of this proposal.

Who will count the votes?

Our agent, Broadridge Financial Solutions, Inc., will count the votes cast by proxy or in person at the annual meeting.

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How can I help reduce the environmental impact of our annual meeting?

We encourage you to choose electronic (e-mail) delivery of future annual meeting materials by contacting your broker or emailing us at investorrelations@aptar.com. You may also visit www.proxyvote.com and follow the Vote By Internet instructions on the proxy card or the Notice to be provided with the opportunity to choose electronic delivery for future meeting materials.

Following are the proposals to be voted on at this year's annual meeting.

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PROPOSAL 1 ELECTION OF DIRECTORS

The Board of Directors is currently comprised of eleven members divided into three classes, with one class of directors elected each year for a three-year term. Mr. Pfeiffer is not standing for re-election at the annual meeting and, accordingly, the Board of Directors will be reduced to ten members effective at the annual meeting. The Board of Directors proposes the following nominees, all of whom are currently serving as directors, to be re-elected to a term expiring at the 2020 annual meeting.

If any of the director nominees is unable or fails to stand for election, the persons named in the proxy intend to vote for a substitute nominee nominated by the Corporate Governance Committee of the Board of Directors. The following sets forth information as to each nominee for election at this meeting and each director continuing in office.

We believe all of the members of the Board of Directors are individuals of outstanding character and sound judgment that have the business experience and acumen necessary to work together effectively and to make valuable contributions to the Board of Directors and management. As a U.S.-based company with significant international operations, particularly in Europe, we seek to maintain a balanced Board consisting of directors that are U.S. citizens and directors that are citizens from countries other than the U.S. Additionally, we value the following attributes: operating experience in packaging or packaging-related businesses; skill sets which may include experience in finance, strategic planning, marketing, pharmaceutical products and manufacturing; diversity, including a mix of genders and multi-cultural viewpoints; and previous board of directors experience.

Set forth below is biographical and other background information concerning each director nominee and each continuing director. This information includes each person's principal occupation as well as a discussion of the specific experience, qualifications, attributes and skills of each person that led to the Board of Directors' conclusion that he or she should serve or continue to serve as a director. In addition, set forth below is the year during which each director began serving on the Board of Directors and his or her age.

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NOMINEES FOR ELECTION AT THIS MEETING TO TERMS EXPIRING IN 2020

Name	Director Since	Age	Principal Occupation, Experience, and Directorships
George L. Fotiades	2011	63	Mr. Fotiades has been Chairman and Operating Partner of Healthcare Investments at Diamond Castle Holdings LLC (private equity investing) since 2007. He is a member of the board of directors of the following companies: Prologis, Inc. (integrated distribution facilities and services) and Cantel Medical Corp. (infection prevention and control products). He was a director of Alberto-Culver Co. (personal care and beauty products) from 2006 until the closing of the acquisition of Alberto-Culver by Unilever PLC in 2011. He also represents Diamond Castle on the boards of several privately held companies. The Board of Directors concluded that Mr. Fotiades should continue to serve as a director of Aptar in part due to his experience from previously held senior executive positions at leading healthcare and consumer product companies including Cardinal Health, Inc., Catalent Pharma Solutions, the former Warner-Lambert's Consumer Health Products Group (now part of Johnson & Johnson) and Bristol-Myers Squibb's Consumer Products, Japan division. The Board also considered his present and past board level experience with global organizations.

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Name	Director Since	Age	Principal Occupation, Experience, and Directorships
King W. Harris	1993	73	Mr. Harris has been Chairman of the Board since 1996. Since 2000, he has been Chairman of Harris Holdings, Inc. (investments). He was a director and member of the audit committee of Alberto-Culver Co. (personal care and beauty products) from 2006 until the closing of the acquisition of Alberto-Culver by Unilever PLC in 2011. In 2016, the Governor of Illinois appointed Mr. Harris as Board Chair of the Illinois Housing Development Authority Board of Directors. The Board of Directors concluded that Mr. Harris should continue to serve as a director of Aptar in part due to his role as former President and Chief Executive Officer of Aptar's former parent company, Pittway Corporation, and his experience as a member of the audit committee of the former Alberto-Culver. This experience has also led the Board to determine that Mr. Harris is an "audit committee financial expert" as defined by the SEC.
Dr. Joanne C. Smith	1999	56	Dr. Smith is a physician at the Rehabilitation Institute of Chicago ("RIC") and became RIC's President and Chief Executive Officer in 2006. Dr. Smith is a member of the board of directors of Performance Health, Inc. From 2003 to 2015, Dr. Smith was a director of Hill-Rom, Inc. (healthcare and medical technology, formerly Hillenbrand Industries). The Board of Directors concluded that Dr. Smith should continue to serve as a director of Aptar in part due to her executive background as President and Chief Executive Officer of a leading research and healthcare rehabilitation organization, her public company director experience, her knowledge of and background in the healthcare and medical technology industry, which is particularly relevant for Aptar's Pharma business, and her strategic planning, operations and senior management experience.

The Board of Directors recommends a vote FOR each of the nominees for director.

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DIRECTORS WHOSE PRESENT TERMS CONTINUE UNTIL 2018

Name	Director Since	Age	Principal Occupation, Experience, and Directorships
Andreas C. Kramvis	2014	64	Mr. Kramvis is an operating partner at AEA Investors (a private equity firm). Mr. Kramvis was Vice Chairman of Honeywell International (a multi-industry company with presence in Aerospace, Automation and Controls, Chemicals and Automotive Industries) from April 2014 to February 2017. From 2008 to 2014, Mr. Kramvis was President and Chief Executive Officer of the Honeywell Performance Materials and Technologies group (a developer of processes and chemicals for oil refining, petrochemicals and a variety of high-purity, high-quality performance chemicals and materials). He is a director of Axalta Coating Systems Ltd. (a developer, manufacturer and seller of liquid and powder coatings). The Board of Directors concluded that Mr. Kramvis should continue to serve as a director of Aptar in part due to his experience from holding senior executive positions at Honeywell, as well as his management of several companies with global businesses across five different industries. This experience has also led the Board to determine that Mr. Kramvis is an "audit committee financial expert" as defined by the SEC.

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Name	Director Since	Age	Principal Occupation, Experience, and Directorships
Maritza Gomez Montiel	2015	65	Ms. Montiel served as Deputy Chief Executive Officer and Vice Chairman of Deloitte LLP from 2011 through her retirement in May 2014. Prior to these positions, she held numerous senior management roles at Deloitte, including Managing Partner (Leadership Development and Succession, Deloitte University) from 2009 to 2011. During Ms. Montiel's tenure at Deloitte, she was the Advisory Partner for many engagements in which Deloitte was the principal auditor. Ms. Montiel has over 30 years of experience in leading and performing audits of various entities. Ms. Montiel is a director of McCormick & Company, Inc. (spice, herb and flavoring manufacturer) and Royal Caribbean Cruises Ltd (global cruise company). The Board of Directors concluded that Ms. Montiel should continue to serve as a director due to her experience from holding senior management positions in a global accounting and consulting firm, and her years of experience in leading and performing audit engagements. This experience has also led the Board to determine that Ms. Montiel is an "audit committee financial expert" as defined by the SEC.
Ralf K. Wunderlich	2009	50	Mr. Wunderlich has been a member of Amcor Limited's Global Executive Team and was President of the business group Amcor Flexibles Asia Pacific (packaging solutions) from 2010 to 2016 (currently on garden leave). Mr. Wunderlich was a director of AMVIG Holdings Limited (a cigarette packaging and printing company listed on the Hong Kong Stock Exchange) from 2010 to 2015. The Board of Directors concluded that Mr. Wunderlich should continue to serve as a director of Aptar in part due to his senior executive positions at leading global packaging companies, his knowledge of and background in the packaging industry and his international experience in working with and from various European, American and Asian countries.

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DIRECTORS WHOSE PRESENT TERMS CONTINUE UNTIL 2019

Name	Director Since	Age	Principal Occupation, Experience, and Directorships
Alain Chevassus	2001	72	Mr. Chevassus has been President of COSFIBEL Group (flexible plastic packaging) since 2000. The Board of Directors concluded that Mr. Chevassus should continue to serve as a director of Aptar in part due to his executive role as President of COSFIBEL Group, his knowledge of and background in the global packaging, merchandising solutions and cosmetics industries, particularly with respect to product categories that are important to Aptar, and his global financial and senior management experience.
Stephen J. Hagge	2001	65	Mr. Hagge was the President and Chief Executive Officer of Aptar from 2011 until February 1, 2017. From February 1, 2017, through March 31, 2017, Mr. Hagge is serving as Special Advisor to the Chief Executive Officer of Aptar. Mr. Hagge is a director of CF Industries Holdings, Inc. (nitrogen fertilizer manufacturer). The Board of Directors concluded that Mr. Hagge should continue to serve as a director of Aptar in part due to his previous role as President and Chief Executive Officer, his deep understanding of Aptar's business, as demonstrated by his more than 30 years as an executive of Aptar and its predecessor company, his knowledge of and background in the global dispensing systems and consumer packaging industry and his financial and senior management experience.

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Name	Director Since	Age	Principal Occupation, Experience, and Directorships
Giovanna Kampouri Monnas	2010	61	Ms. Kampouri Monnas is an independent consultant and serves on the boards of several global companies. Ms. Kampouri Monnas is a member of the supervisory board and Chairman of the Compensation Committee of Randstad Holding NV (provider of human resource services based in Amsterdam and publicly listed on the Euronext Amsterdam Exchange), as well as a director of Puig S.L. (fragrances, beauty and fashion products company based in Spain). In 2015, Ms. Kampouri Monnas was elected as a director of Imerys S.A. (producer of industrial minerals, based in France and listed on Euronext). The Board of Directors concluded that Ms. Kampouri Monnas should continue to serve as a director of Aptar in part due to her experience from previously holding senior executive positions at leading global consumer marketing companies including Joh. Benckiser GmbH (consumer products company) and The Procter & Gamble Company (consumer products company), her knowledge of and background in the fragrance and cosmetic markets, which are particularly important to Aptar, and her global marketing and senior management experience.
Stephan B. Tanda	2017	51	Mr. Tanda became President and Chief Executive Officer of Aptar on February 1, 2017. Prior to this, Mr. Tanda served from 2007 until 2017 as an Executive Managing Board Director at Royal DSM NV (leading global supplier of ingredients and material solutions for the food, dietary supplement, personal care, medical device, automotive, paint, electronic and bio-material markets). Mr. Tanda is a member of the board of directors of Patheon NV (an NYSE listed company that is a provider of pharmaceutical development and manufacturing services). The Board of Directors concluded that Mr. Tanda should serve as a director of Aptar due in part to his role as President and Chief Executive Officer, his extensive global experience leading and building successful business-to-business organizations in several markets currently served by Aptar, as well as his transaction and integration experience.

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CORPORATE GOVERNANCE

Aptar's corporate governance documents, including our Corporate Governance Principles, Code of Business Conduct and Ethics, Director Independence Standards and Board Committee Charters, are available through the Corporate Governance link on the Investor Relations page of the Aptar website at the following address: investors.aptar.com. The information provided on our website is not part of this proxy statement and is therefore not incorporated herein by reference.

Corporate Governance Principles

The Board of Directors has adopted a set of Corporate Governance Principles to provide guidelines for Aptar and the Board to promote effective corporate governance. The Corporate Governance Principles cover topics including, but not limited to, director qualification standards, Board and committee composition, director responsibilities, director compensation, director access to management and independent advisors, director orientation and continuing education, succession planning and the annual evaluations of the Board and its committees. The Corporate Governance Committee is responsible for overseeing and reviewing the Corporate Governance Principles and recommending to the Board any changes to the principles.

Code of Business Conduct and Ethics

Ethical business conduct is a shared value of our Board, management and employees. Aptar's Code of Business Conduct and Ethics ("Code of Conduct") applies to our Board as well as our employees and officers, including our principal executive officer and our principal financial and accounting officer.

The Code of Conduct covers all areas of professional conduct, including, but not limited to, conflicts of interest, disclosure obligations, insider trading, confidential information, as well as compliance with all laws, rules and regulations applicable to Aptar's business. Aptar encourages all employees, officers and directors to promptly report any violations of the Code of Conduct to the appropriate persons identified in the Code of Conduct. In the event that an amendment to, or a waiver from, a provision of the Code of Conduct that applies to any of our directors or executive officers is necessary, Aptar intends to post such information on its website within the time period required by the SEC and the New York Stock Exchange ("NYSE").

Policy Against Hedging and Pledging

Our Board has adopted a policy that prohibits executive officers and directors, and discourages employees, from engaging in hedging or pledging transactions involving any equity security of Aptar.

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Common Stock Ownership Guidelines

In 2015, the Board adopted stock ownership guidelines that require all non-executive directors to hold shares of Aptar common stock having a value of at least five times the annual cash retainer. This currently represents a value of $375,000 for a non-executive director who is not serving as Chairman of the Board, and $750,000 for the Chairman of the Board. Under the guidelines, directors have to achieve the respective level of ownership within a phase-in period consisting of five years from the measurement date of April 17, 2015, which is the date when the guidelines were adopted, or if they became a director after the measurement date, within five years from becoming a director. As of December 31, 2016, every non-executive director (including the Chairman of the Board) is either in compliance with the guidelines or within the phase-in period.

Board Structure

The Chairman of the Board is an independent director who is not an executive officer or employee of the Company. The Company believes that having an independent Chairman enhances the oversight ability of the Board. An independent Chairman can also provide stability and continuity during senior management transitions.

The Board has four committees: the Audit, Compensation, Corporate Governance and Executive Committees. Each committee is governed by a charter approved by the Board. Each member of the Audit, Compensation and Corporate Governance Committees has been determined to be independent as discussed below under "Independence of Directors." Committees report their actions to the full Board at each next regular meeting. An affirmative vote of at least 70% of the Board is required to change the size, membership or powers of these committees, to fill vacancies in them, or to dissolve them.

Risk Oversight

The Board is responsible for the Company's risk oversight. The Board receives a presentation annually that is prepared by management. This presentation includes an assessment and discussion of various risks, including but not limited to operational, credit, cyber security and compensation practice risks. In addition, at each Audit Committee meeting, the Audit Committee discusses whether any new financial risks have arisen and the steps management has taken to monitor and control any such exposures.

Risk Assessment of Compensation Policies and Practices

The Company has concluded that there are not any compensation policies or practices that are reasonably likely to have a material adverse effect on the Company. The Board concurred with this conclusion. In conducting its risk assessment related to compensation policies and practices, the Company considered, among other things, the consistency of the Company's compensation practices over many years, and that certain annual performance incentive elements consider multiple year benchmarks.

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Independence of Directors

Our Corporate Governance Principles provide that the Board must be composed of a majority of independent directors. No director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with Aptar either directly or indirectly as a partner, stockholder or officer of an organization that has a relationship with Aptar. Our Board has determined that eight out of eleven current directors are independent in accordance with the NYSE listing standards. Those individuals determined to be independent are: A. Chevassus, G. Fotiades, M. Gomez Montiel, K. Harris, G. Kampouri Monnas, A. Kramvis, J. Smith and R. Wunderlich. The Board has made this determination based on the following categorical standards, in addition to any other relevant facts and circumstances. These standards provide that a director generally will not be independent if:

- The director is or has been an employee of the Company within the last three years or has an immediate family member who is or has been an executive officer of the Company within the last three years.
- The director has received or an immediate family member has received, during any twelve-month period within the last three years, more than $120,000 in direct compensation from the Company other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
- The director is, or has an immediate family member who is, a current partner of a firm that is the Company's internal or external auditor ("Firm").
- The director is a current employee of such Firm.
- The director has an immediate family member who is a current employee of such Firm and who personally works on the Company's audit.
- The director was, or has an immediate family member who was, within the last three years but is no longer a partner or employee of such Firm and personally worked on the Company's audit within that time.
- The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.
- The director is a current employee or an immediate family member is a current executive officer of another company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2% of such other company's consolidated gross revenues.

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- The director or an immediate family member is, or has been within the last three years, a director or executive officer of another company that is indebted to the Company, or to which the Company is indebted, if the total amount of either company's indebtedness for borrowed money to the other is or was 2% or more of the other company's total consolidated assets.
- The director or an immediate family member is currently an officer, director or trustee of a charitable organization that in any of the last three fiscal years received from the Company, or any executive officer of the Company, annual charitable contributions to the organization that exceeded the greater of $1 million, or 2% of such charitable organization's gross revenue.

The Board considers the following to be immaterial when making independence determinations:

- If a director is an officer, director or trustee of a charitable organization or entity to which the Company has made grants or contributions in the past year of less than $100,000.
- Ms. Kampouri Monnas' membership on the Board of Directors of Puig S.L., a customer of Aptar.
- Mr. Wunderlich's garden leave with Amcor Limited, from which Aptar purchases goods in the normal course of business that total less than one tenth of one percent of Amcor's revenues, and that Amcor may from time to time be a customer of Aptar and purchase goods in the normal course of business from Aptar that total less than one tenth of one percent of Aptar's revenues.

Executive Sessions

Non-management directors meet regularly in executive sessions without management. "Non-management" directors are all those who are not Company officers. Executive sessions are led by a "Presiding Director." An executive session is held in conjunction with each regularly scheduled Board meeting and other sessions may be called by the Presiding Director in his or her own discretion or at the request of the Board. Mr. Harris has been designated as the Presiding Director.

Nomination of Directors

It is the policy of the Corporate Governance Committee to consider candidates for director recommended by stockholders. The Board has established a maximum age limit for director nominees. Nominees must be 74 years old or younger at the time of election. In order to recommend a candidate, stockholders must submit the individual's name and qualifications in writing to the Corporate Governance Committee (in care of the Secretary at Aptar's principal executive office at 475 West Terra Cotta Avenue, Suite E, Crystal Lake, Illinois 60014) and otherwise in accordance with all of the procedures outlined under "Other Matters Stockholder Proposals and Nominations" for a director nomination.

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In identifying and evaluating nominees for director, the Corporate Governance Committee takes into account the applicable requirements for directors under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the listing standards of the NYSE. In addition, the Corporate Governance Committee may take into consideration such factors and criteria as it deems appropriate, including, but not limited to, the nominee's character, judgment, business experience and acumen, as well as the overall diversity of the Board. Because the Company's operations and customers are located in many different geographic regions, the Corporate Governance Committee considers international perspectives and cultural diversity when evaluating potential candidates. The Corporate Governance Committee also believes that a mix of genders is necessary to have a well-balanced and representative Board. In addition to candidates recommended by members of the Board or management, the Corporate Governance Committee also considers individuals recommended by stockholders. The Corporate Governance Committee evaluates candidates recommended for director by stockholders in the same way that it evaluates any nominee recommended by members of the Board or management. The Corporate Governance Committee may engage outside advisors to identify potential director candidates from time to time. The effectiveness of the nomination process is evaluated by the Board each year as part of its annual self-evaluation and more formally by the Corporate Governance Committee as it evaluates and identifies director candidates.

Majority Voting Policy

Our amended and restated by-laws require majority voting for the election of directors in uncontested elections. This means that a director nominee in an uncontested election must receive a number of votes "FOR" that director's election that exceeds the number of votes cast "AGAINST" that director's election. Our Corporate Governance Principles further provide that any incumbent director who does not receive a majority of "FOR" votes will promptly tender to the Board his or her resignation from the Board. The Corporate Governance Committee will consider the tendered resignation and recommend to the Board whether to accept or reject the tendered resignation, or whether other action should be taken. The Board will consider the recommendation and publicly disclose its decision within 120 days after the annual meeting. The director who tenders his or her resignation shall not participate in the recommendation of the Corporate Governance Committee or the decision of the Board with respect to his or her resignation.

Communications with the Board of Directors

The Board has established a process for stockholders and other interested parties to communicate with the Board or an individual director, including the Presiding Director or the non-management directors as a group. A stockholder or other interested party may contact the Board or an individual director by writing to their attention at Aptar's principal executive offices at 475 West Terra Cotta Avenue, Suite E, Crystal Lake, Illinois 60014. Communications received in writing are distributed to the Board or to individual directors as appropriate in accordance with procedures approved by Aptar's independent directors.

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Audit Committee

The Board has determined that each member of the Audit Committee is independent in accordance with the requirements of the NYSE and an "audit committee financial expert" as that term is defined in rules of the SEC implementing requirements of the Sarbanes-Oxley Act of 2002. In reaching this latter determination, the Board considered, among other things, the relevant experience of each member as described under "Election of Directors" in this proxy statement. The Audit Committee operates under a written charter that complies with all regulatory requirements.

This committee oversees the financial reporting process, system of internal controls and audit process of Aptar and reviews Aptar's annual and interim financial statements. In addition, the Audit Committee reviews the qualifications, independence and audit scope of Aptar's independent registered public accounting firm and is responsible for the appointment, retention, termination, compensation and oversight of the independent registered public accounting firm. This committee also reviews Aptar's process for monitoring compliance with laws, regulations and its Code of Conduct. The Audit Committee also approves or ratifies all related person transactions in accordance with Aptar's Related Person Transactions Policy.

Compensation Committee

The Compensation Committee is comprised solely of independent directors and is appointed by the Board to discharge the Board's responsibilities relating to compensation of the Company's executives. This committee may not delegate its authority other than to subcommittees. The Compensation Committee reviews and recommends to the Board compensation plans, policies and programs, as well as approves CEO and executive officer compensation, and employment and severance agreements, including change-in-control provisions. The Compensation Committee provides input and recommendations to the Board regarding the performance objectives for the CEO and other executive officers and their actual performance against such objectives. In addition, this committee annually reviews the succession plans affecting corporate and other key management positions and approves grants and/or awards of stock options, restricted stock units, long-term performance incentives based on total shareholder return, and other forms of equity-based compensation. For further information on this committee's procedures for consideration of executive compensation, see our "Compensation Discussion and Analysis."

The Compensation Committee receives recommendations annually from the CEO regarding the compensation levels of our other executive officers, including salary, annual performance incentives and equity compensation. For a further discussion of compensation information provided to the Compensation Committee by management, see our "Compensation Discussion and Analysis."

Under the Compensation Committee charter, this committee has the authority to retain outside advisers as deemed necessary. In 2016, the Compensation Committee engaged Willis Towers Watson to be the Compensation Committee's adviser and has also done so for 2017. The Compensation Committee has determined that Willis Towers Watson is independent according to the advisor independence factors outlined by the NYSE.

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Compensation Committee Interlocks and Insider Participation

None of the members of the Board who served on the Compensation Committee in 2016 has interlocking relationships as defined by the SEC or had any relationships requiring disclosure by Aptar under the SEC's rules requiring disclosure of certain relationships and related party transactions. In 2016, Mr. Hagge, former President and Chief Executive Officer, participated in all discussions regarding salaries and incentive compensation for all of our executive officers, except during discussions regarding his own salary and incentive compensation. Mr. Hagge made suggestions or recommendations during these discussions; however, all deliberations and determinations regarding the compensation of our executive officers were made solely by the Compensation Committee.

Corporate Governance Committee

The Corporate Governance Committee is comprised solely of independent directors. This committee identifies, evaluates and recommends to the Board individuals qualified to stand for election as directors, including nominations received from Board members, stockholders or outside parties. Additional information regarding director nominations can be found under the heading "Nomination of Directors."

The Corporate Governance Committee develops and recommends to the Board, Aptar's corporate governance principles and standards to be applied in determining director independence. This committee reviews and recommends to the Board appropriate compensation for directors, taking into consideration, among other things, director compensation levels of companies with similar annual revenues as Aptar. This committee also makes recommendations to the Board regarding changes to the size and composition of the Board or any Board committee.

Executive Committee

The Executive Committee exercises certain powers of the Board, when the Board is not in session, in the management of the business and affairs of Aptar.

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BOARD MEETING ATTENDANCE

The Board met 7 times in 2016. No director attended fewer than 75% of the aggregate number of meetings of the Board and the committees on which each director served. Aptar does not have a formal policy regarding director attendance at the annual meeting of stockholders. Messrs. Hagge and Harris attended the 2016 annual meeting.

COMMITTEE MEMBERSHIP AND MEETINGS HELD IN 2016

Name	Audit	Compensation	Corporate Governance	Executive
A. Chevassus (I)			X	
G. Fotiades (I)		X*		X
M. Gomez Montiel (I)	X*			
S. Hagge				X
K. Harris (I)	X	X		X*
G. Kampouri Monnas (I)		X		
A. Kramvis (I)	X			
P. Pfeiffer				X
J. Smith (I)			X*	
R. Wunderlich (I)			X	
Number of Meetings in 2016	8	5	4	4

X* Chairperson; (I) Independent Director

Effective as of Mr. Tanda's appointment as President and Chief Executive Officer on February 1, 2017, Mr. Tanda joined the Executive Committee and Messrs. Hagge and Pfeiffer resigned from the Executive Committee.

BOARD COMPENSATION

Employees of Aptar do not receive any additional compensation for serving as members of the Board or any of its committees. In 2016, cash compensation of non-employee directors consisted of the following:

(1) an annual retainer of $75,000; and

(2) additional annual retainers of:

- $15,000 for the Chairperson of the Audit Committee
- $11,000 for the Chairperson of the Compensation Committee
- $8,500 for the Chairperson of the Corporate Governance Committee

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$11,000 for members of the Audit Committee

$7,000 for members of the Compensation, Corporate Governance and Executive Committees; or

(3) in lieu of the annual retainers, an annual fee of $150,000 for the Chairman of the Board, who is not an executive of Aptar

Each director is reimbursed for out-of-pocket expenses incurred while attending Board and committee meetings, and each director is eligible to participate in Aptar's matching gift program, which matches eligible charitable donations by employees and non-employee directors up to an aggregate of $6,000 annually per person. No retirement benefits or perquisites are provided to any non-employee director.

In addition, each non-employee director received an equity grant under the 2015 Director Restricted Stock Unit Plan with a grant date fair value equal to approximately $130,000, except for the Chairman of the Board, who received an equity grant with a grant date fair value equal to approximately $150,000. Accordingly, on May 4, 2016, each non-employee director (other than the Chairman of the Board) was granted 1,720 Restricted Stock Units ("RSUs") and the Chairman of the Board was granted 1,985 RSUs. The 2016 RSUs vest on May 2, 2017.

The following table includes fees paid in cash during 2016 and the grant date fair value of RSUs granted during 2016 to each non-employee director.

2016 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)(2)	All Other Compensation ($)(3)	Total ($)
A. Chevassus	82,000	129,963		211,963
G. Fotiades	100,000	129,963		229,963
M. Gomez Montiel	101,000	129,963		230,963
K. Harris	150,000	149,987		299,987
G. Kampouri Monnas	82,000	129,963		211,963
A. Kramvis	86,000	129,963	6,000	221,963
P. Pfeiffer	82,000	129,963		211,963
J. Smith	90,500	129,963		220,463
R. Wunderlich	82,000	129,963		211,963

(1) The amounts reported in this column represent the grant date fair value of RSUs granted during 2016, calculated using the closing market price of our common stock on

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May 4, 2016 ($75.56). As of December 31, 2016, Mr. Harris held 1,985 RSUs and each other non-employee director held 1,720 RSUs.

(2) The aggregate number of options outstanding as of December 31, 2016 for each non-employee director is as follows: A. Chevassus 28,500, G. Fotiades 38,000, K. Harris 52,000, G. Kampouri Monnas 12,667, A. Kramvis 9,500, P. Pfeiffer 314,500 (286,000 of which were granted prior to Mr. Pfeiffer becoming a non-executive director and when he was an executive officer of the Company), J. Smith 52,000, and R. Wunderlich 3,167.

(3) Amounts reported include charitable contributions by Aptar, including charitable contributions under Aptar's matching gift program.

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PROPOSAL 2 ADVISORY VOTE ON EXECUTIVE COMPENSATION

Pursuant to Section 14A of the Exchange Act, Aptar stockholders are being offered the opportunity to cast an advisory vote at the annual meeting to approve the compensation of Aptar's Named Executive Officers ("NEOs") as disclosed in the Compensation Discussion and Analysis ("CD&A") and tabular disclosures of this proxy statement. This is not a vote on the Company's general compensation policies or the compensation of the Board. We currently intend to submit an advisory vote on the compensation of our NEOs to our stockholders annually.

Aptar's compensation philosophy and objectives are to fairly reward our executives for growing our business and increasing value to stockholders and to retain our experienced management team.

The overall compensation program for NEOs includes an annual performance incentive element that rewards the NEOs for the Company's short-term performance as well as equity-based elements (typically stock options, restricted stock units and long-term performance incentive awards such as our Outperformance awards) that provides for long-term compensation that is driven by our share performance and, therefore, is aligned with our stockholders' interests. The specific objectives of our compensation program are that a substantial portion of the NEOs' compensation should be performance-based and should be delivered in the form of equity-based awards. Our CD&A describes our compensation philosophy and objectives in more detail.

The Board of Directors values the opinions of our stockholders. Although the resolution is advisory and non-binding, the Board will consider the outcome of the advisory vote when making future compensation decisions.

The Board of Directors recommends a vote FOR the following non-binding resolution:

"Resolved, that the compensation of the Company's NEOs, as disclosed pursuant to the compensation disclosure rules of the SEC, including the CD&A, tabular disclosures, and other narrative executive compensation disclosures in this proxy statement, is hereby approved."

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PROPOSAL 3 ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON EXECUTIVE COMPENSATION

Pursuant to Section 14A of the Exchange Act, Aptar stockholders are being offered the opportunity to cast an advisory vote at the annual meeting to approve the recommended frequency of future advisory votes to approve the compensation of our NEOs. The option of one year, two years or three years receiving the greatest number of votes will be considered the frequency recommended by the Company's stockholders.

Following the recommendation of our stockholders approved at the 2011 annual meeting of stockholders, we currently submit an advisory vote on the compensation of our NEOs to our stockholders annually. After careful consideration of the various arguments supporting each frequency level, the Board believes that continuing to submit the advisory vote on the compensation of our NEOs to stockholders on an annual basis is appropriate for Aptar and our stockholders at this time.

The Board of Directors values the opinions of our stockholders. Although the resolution is advisory and non-binding, the Board will consider the outcome of the advisory vote when determining the frequency of future advisory votes to approve the compensation of our NEOs.

The Board of Directors recommends a vote for ONE YEAR as the frequency of the advisory vote on executive compensation.

PROPOSAL 4 RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2017

Aptar is asking stockholders to ratify the Audit Committee's appointment of PricewaterhouseCoopers LLP as Aptar's independent registered public accounting firm for the fiscal year ending December 31, 2017.

Independent Registered Public Accounting Firm Fees

PricewaterhouseCoopers LLP has audited Aptar's consolidated financial statements annually for over 10 years. Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting and will have the opportunity to make a statement if they desire to do so. It is also expected that those representatives will be available to respond to appropriate questions.

The following table sets forth the aggregate fees (rounded to the nearest thousand) charged to Aptar by PricewaterhouseCoopers LLP for audit services rendered in connection with the audited consolidated financial statements and reports for the 2016 and 2015 fiscal years and for other services rendered during the 2016 and 2015 fiscal years to Aptar and its subsidiaries.

Fee Category:	**2016**	**% of Total**	**2015**	**% of Total**
Audit Fees	$ 3,572,000	94%	$ 3,233,000	92%
Tax Fees	219,000	6%	299,000	8%
Total Fees	$ 3,791,000	100%	$ 3,532,000	100%

Audit Fees primarily represent amounts billed for the audit of Aptar's annual financial statements, including statutory audits of the financial statements at certain non-U.S. locations, the audit of our internal control over financial reporting, reviews of our quarterly financial statements, providing consents and reviewing documents to be filed with the SEC.

Tax Fees primarily represent amounts billed for services related to tax advice on the Company's global tax structure. Tax Fees also include tax compliance and preparation services including federal, state and international tax compliance and assistance with tax audits and appeals.

The Audit Committee's policies and procedures require pre-approval for all audit and permissible non-audit services to be performed by Aptar's independent registered public accounting firm. These services are pre-approved by the entire Audit Committee; however, the Audit Committee may delegate to one or more of its members the authority to grant such pre-approvals provided that any such decision of such member or members must be presented to the full Audit Committee at its next scheduled meeting.

The Board of Directors recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the Independent Registered Public Accounting Firm for 2017.

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EXECUTIVE OFFICER COMPENSATION

Compensation Discussion and Analysis

Executive Summary

Following is a discussion and analysis of our compensation programs as they apply to our NEOs for 2016, namely:

- Stephen J. Hagge, our former President and Chief Executive Officer ("CEO") who is scheduled to retire on March 31, 2017,
- Robert W. Kuhn, Executive Vice President and Chief Financial Officer ("CFO") and Secretary,
- Salim Haffar, President of our Aptar Pharma segment,
- Eldon Schaffer, President of our Aptar Beauty + Home segment, and
- Gael Touya, President of our Aptar Food + Beverage segment.

On February 1, 2017, Stephan Tanda succeeded Mr. Hagge as President and CEO of Aptar. For a discussion of the terms of Mr. Tanda's employment, please see "Employment Agreements" discussed below.

Financial Highlights

In 2016, Aptar reported:

- Record annual net income of $205.6 million;
- Record annual diluted earnings per share of $3.17; and
- Return on equity of over 16%.

Annual diluted earnings per share and return on equity were both components of the 2016 annual performance incentive formula (see "Elements of Our Compensation Programs Annual Performance Incentives" discussed below).

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Executive Compensation Highlights

Our compensation practices in place during 2016 for our NEOs included the following governance elements that we believe support our compensation philosophies and objectives:

Governance elements supporting compensation philosophies and objectives

- An independent Compensation Committee consultant, Willis Towers Watson
- Pay that is reasonable and performance-based
- Significant amount of pay that is at risk (both annual and long-term), with a substantial amount provided in equity (and therefore aligned with stockholders)
- Stock ownership guidelines, limits on NEO stock trading and prohibition of hedging or pledging Aptar equity securities
- Reasonable employment and change-in-control agreements that are competitive in markets in which we compete for executive talent
- Absence of tax gross-up agreements with NEOs, other than those related to relocation benefits
- Reasonable retirement plans
- Limited perquisites

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The NEO compensation elements for 2016 were generally consistent with elements traditionally used by Aptar and are described in the table below:

Element	Description	Purpose
Salary		
	Fixed cash compensation	To facilitate attraction and retention
Annual Performance Incentives		
	Cash incentive compensation	To provide an incentive to achieve performance goals that are critical to the business and aligned with stockholder value creation
	RSUs(1)	To encourage executive officer stock ownership and provide a compensation opportunity that is weighted towards equity
Long-term Performance Incentives		
	Stock options and RSUs	To provide alignment with stockholder interest
		To reward long-term success and growth
		To facilitate retention
	Outperformance awards(2)	To provide alignment with stockholder interest
		To provide an incentive opportunity that rewards for exceptional relative total shareholder performance
Other		
	Post-termination compensation	To facilitate attraction
	Pension plans, profit sharing and savings plans	To facilitate retention

	To encourage saving for retirement
Perquisites	To facilitate attraction and retention

(1) RSUs are awarded in lieu of up to 50% of the annual cash incentive at the NEO's election.

(2) Outperformance awards granted under our Outperformance Total Shareholder Return ("TSR") Plan are paid only in the event of superior stockholder value creation that results in Aptar equaling or exceeding the 50th percentile of the TSRs for companies that are included in the S&P 400 MidCap Index.

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Compensation Philosophy and Objectives

Our compensation philosophy and objectives are, first and foremost, to fairly and competitively compensate our executives for growing our business and increasing value for stockholders and, secondly, to retain our experienced management team. The low turnover rate at our senior management level has been a critical factor in the consistency of our long-term performance for over 20 years. We believe that one of Aptar's competitive advantages has been, and will continue to be, the cohesiveness of our executive officer group.

Stockholder Feedback on Compensation Practices

The Compensation Committee considered the continued support that our proposal on executive compensation received from stockholders at our 2016 annual meeting of stockholders, at which over 91% of votes cast (excluding abstentions and broker non-votes) were in favor of our compensation policies and practices. Therefore, no changes were made to our principal compensation policies or practices in response to the advisory vote.

Compensation Determination

The Compensation Committee takes into account an assortment of factors and reviews a variety of information before setting annual compensation levels, as listed on the following table:

Factors and Information Considered and Reviewed to Determine Compensation Levels

- Value in the experience of our senior management team and the importance of retaining them
- Past compensation levels
- Benchmarking against size-appropriate published general industry survey data
- Proxy data from the Company's compensation peer group (discussed below) for the CEO and CFO positions as a secondary reference point

The Compensation Committee has historically intended to create a compensation program for NEOs that generally targets total direct compensation (combined salary, annual performance incentives and long-term performance incentives) at the median of total direct compensation delivered to individuals with comparable duties and revenue responsibilities in companies similar in size to Aptar. The Compensation Committee would consider setting total direct compensation above the 50th percentile should circumstances such as executive tenure, company performance or individual performance warrant above median positioning. The benchmarking study conducted by Willis Towers Watson in 2016, described in further detail below, noted the following high-level findings for our executive officers, including NEOs, as compared to general industry survey data:

- Base salaries are at approximately the 50th percentile;
- Actual total cash compensation is positioned at approximately the 50th percentile;

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- Long-term performance incentives (including stock options and Outperformance awards) are positioned between the median and 75th percentile of the general industry survey data; and
- Actual total direct compensation, reflecting the sum of actual total cash compensation and long-term incentives, are positioned competitively with the 50th percentile.

Aptar maintains a 17-company compensation peer group ("Peer Group") that was approved by the Compensation Committee, which, for select NEOs, serves as a supplement to the general industry published survey data that remains as the primary data source given its appropriateness from a size perspective. Additionally, the Peer Group is used for industry financial comparison purposes and as a source of data for compensation plan design characteristics. In consultation with Willis Towers Watson, the following characteristics of the Peer Group are considered by the Compensation Committee in assessing its reasonableness:

- U.S. companies that either compete with Aptar for market share or operate in similar industries as Aptar;
- Companies that compete with Aptar for capital;
- Competitors for senior executive talent (i.e., where Aptar would recruit senior talent from, and potentially lose executives to);
- Emphasis on companies with non-U.S. operations (i.e., a majority of the peers have a significant percentage of revenue attributable to foreign operations);
- Whether companies list Aptar as a compensation peer;
- Revenue and market capitalization in a range similar to that of Aptar;
- Feedback from Aptar.

The Compensation Committee will monitor the Peer Group for potential revisions in light of changing market or business conditions. With that in mind, the Compensation Committee approved a new Peer Group for use in the 2016 benchmarking assessment given that the prior group had lost a number of companies in recent years to M&A activity. The

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new Peer Group is based on the criteria noted above. The following 17 companies are contained in the 2016 Peer Group:

The Compensation Committee reviews compensation survey information prepared by Willis Towers Watson for the CEO and other executive officer positions annually. Consistent with prior years, the compensation elements evaluated by Willis Towers Watson are base salary, actual annual cash incentives, actual total cash compensation (the sum of base salaries and cash incentives), long-term incentives, and total direct compensation (the sum of total cash compensation and long-term incentives). In considering compensation for the CEO and CFO, the Compensation Committee considered proxy peer group compensation data in addition to the compensation survey information prepared by Willis Towers Watson. When determining the compensation of executive officers other than Mr. Hagge, the Compensation Committee also reviewed recommendations furnished by Mr. Hagge, including salary, annual cash incentive and long-term incentives recommendations.

Base salary and annual and long-term incentive data are provided by Willis Towers Watson from its proprietary U.S. and French executive compensation surveys, which contain general industry data from hundreds of companies. Data are adjusted to Aptar's revenue size using regression analysis (based on Aptar's revenue and the respective position's responsibilities, as summarized below). Long-term performance incentive compensation information is derived from Willis Towers Watson's U.S. Long-term Incentive Plan Report, using data for companies with revenues between $1 billion and $3 billion (113 companies). The same compensation elements were also reviewed in Willis Towers Watson's peer group proxy analysis for Messrs. Hagge and Kuhn.

Given the adjustments made to the data to reflect Aptar's revenue size, the Compensation Committee does not consider the specific identities of the companies included in the surveys to be material for purposes of its compensation deliberations and, accordingly, the specific identities of the companies included within each survey sample are not disclosed to the Compensation Committee.

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The information related to base salary and annual cash incentive compensation that was provided by Willis Towers Watson in 2016 was regressed based on the following annual revenue responsibilities, which are representative of Aptar's approximate revenue size:

- CEO and CFO: corporate revenues of approximately $2.3 billion, and
- Segment Presidents: group/segment revenues ranging from $335 million to $1.3 billion, depending on the segment.

As noted earlier, based on Willis Towers Watson's benchmarking analysis that was furnished to the Compensation Committee, Aptar's 2016 total direct compensation for the executive officers, including NEOs, in aggregate was positioned competitively with the 50th percentile of the published survey data. Specifically, with respect to the CEO and CFO, all elements of total direct compensation were generally competitive with the 50th percentile with respect to the additional peer proxy statement analysis.

Elements of Our Compensation Programs

We manage our business for the long-term benefit of all stakeholders and consequently we believe that it is important that our senior management receive a substantial portion of their compensation in the form of long-term performance incentives consisting of equity awards, including Outperformance awards. By making equity awards a substantial portion of senior management compensation, we are ensuring that Aptar's leaders are aligned with the long-term interests of our stockholders, and that they are rewarded for increases in stockholder value. Historically, a substantial portion of NEO compensation has been delivered in the form of time-vested stock options. Additionally, RSUs have generally only been awarded in lieu of up to 50% of the executive's annual cash performance incentive, at the executive's election. When determining the appropriate amount of equity compensation to be awarded to executive officers, the Compensation Committee considers the value of the equity award relative to market practice and in consideration of total direct compensation.

Salary. The salary level of the CEO is established by the Compensation Committee each January after evaluating individual performance and discussing the market data provided by Willis Towers Watson. The salary levels of other NEOs are also set each January after evaluating and discussing the recommendations of the CEO and reviewing any relevant

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market survey information for the other NEO positions. In January 2016, the Compensation Committee increased the salaries of our NEOs from the 2015 levels as follows:

Name	2016 Salary	2015 Salary	% Increase
Hagge	$1,040,000	$1,000,000	4%
Kuhn	$540,000	$520,000	4%
Haffar	$510,000	$470,000	9%
Schaffer(1)	$510,000	$440,000	16%
Touya(2)	€325,000	€231,750	40%

(1) Mr. Schaffer's increase in salary was in part due to his promotion to President of our Aptar Beauty + Home segment, which is larger than the segment he previously led.

(2) Mr. Touya's increase in salary was due to his promotion to President of our Aptar Food + Beverage segment as of January 1, 2016.

In considering the base salary increases for 2016, the Compensation Committee reviewed each NEO's 2015 relative positioning to the survey base salary and total cash compensation data as well as the recommendations of the CEO (for positions other than his own), the performance of each of the executive officers and other factors the Compensation Committee deems relevant. Generally, Aptar was aligned with the 50th percentile for base salary, and below the 50th percentile for actual total cash compensation, relative to the market survey data in 2016.

Annual Performance Incentives. An executive officer may elect to receive up to 50% of his or her annual performance cash incentive in the form of RSUs. If an executive elects to receive a portion of his or her annual performance cash incentive in RSUs, the executive will also receive an additional 20% of the elected amount in the form of RSUs. The value of each RSU is determined by the closing share price on the NYSE on the day preceding the date of grant. RSUs convert into shares of our common stock if the recipient is still employed by us or is an Aptar retiree on the date that RSUs vest. RSUs vest over a three-year period, with one third vesting on each of the first three anniversaries of the grant date. Recipients of RSUs may not vote the units in stockholder votes and they do not earn or receive any dividend payments on the units. In 2016, the only RSUs that were granted to NEOs were issued in lieu of a portion of the NEO's annual cash incentive award.

The Compensation Committee has determined that the minimum annual performance incentive amount that can be awarded to each NEO is zero. The Compensation Committee believes that the annual performance incentive amounts should reflect Aptar's financial performance and, accordingly, if Aptar's results declined significantly, it should be possible that no annual performance incentive be awarded to the NEOs.

The Compensation Committee has determined that the maximum annual performance incentive amount that can be awarded to each NEO is limited to 200% of base salary and in no circumstance greater than $3 million. The Compensation Committee believes that this maximum limit would allow the NEOs to be sufficiently rewarded for outstanding financial performance while considering the overall tax deductibility of such awards.

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Rather than setting thresholds with automatic awards, the annual performance incentive formulas are designed to provide for awards ranging from 0% to 200% of base salary depending on the outcome of the individual elements in the aggregate. Each element has a baseline, or starting point, from which a percentage of salary is established. These baseline percentages are then increased or decreased depending on our actual results as described below.

The Compensation Committee believes the annual performance incentive elements for the CEO, CFO and other NEOs should be closely aligned with stockholders' interests and, accordingly, selected the following elements which are each integral drivers of stockholder value.

2016 Annual Performance Incentive Elements

CEO & CFO	Other NEOs
• Adjusted diluted earnings per share	• Adjusted diluted earnings per share
• Adjusted return on equity	• Adjusted return on equity
• Successful integration of Mega Airless	• Adjusted business segment income
	• Ratio of adjusted business segment income to business segment capital
	• Successful integration of Mega Airless

The Compensation Committee believes that it is important to award annual performance incentives to our segment presidents that are based on a combination of elements that are closely aligned with stockholder interests and segment-specific elements. The Compensation Committee believes that Aptar's earnings per share and return on equity elements accomplish the objective of aligning a portion of the segment presidents' annual performance incentive amounts with the interests of stockholders. The Compensation Committee also believes that each business segment president should be rewarded for increasing the profits of their respective segment and, consequently, business segment income ("segment income") is one of the annual performance incentive elements. Further, because our business is capital intensive and efficient use of capital resources is critical to our success, the annual performance incentive for segment presidents includes an element for the respective segment's income to capital ratio. Another element had the potential of being included in the NEOs' annual performance incentives for 2016. This potential element is a one-year special bonus, which could equal a maximum of 10% of the NEOs' salary and would only be paid upon the successful integration of Mega Airless (as described below under the analysis of annual performance incentive elements).

The Compensation Committee considers both positive and negative unusual and extraordinary items when determining if any adjustments to the annual performance incentive elements are warranted in order to be more consistent with Aptar's core operating performance. In accordance with the Performance Incentive Plan that was approved by stockholders in 2013, the Compensation Committee determined that, for compensation purposes, the 2016 diluted earnings per share and return on equity metrics would be adjusted as follows: (i) to recognize certain negative extraordinary and non-recurring restructuring charges reported in 2013 that the Compensation Committee determined would be recognized

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ratably over a three-year period, beginning in 2014; (ii) to recognize one-third of the positive impact of the Company's change in an inventory valuation method reported in 2015 that the Compensation Committee determined would be recognized ratably over a three-year period, beginning in 2015; and (iii) to exclude any income or transaction costs reported in 2016 related to the acquisition of Mega Airless.

Analysis of annual performance incentive elements for the CEO:

- *Aptar's adjusted diluted earnings per share ("EPS"):* If EPS equals the average of the EPS of the past three years ("Baseline EPS"), a baseline annual performance incentive of 40% of salary is determined. This baseline annual performance incentive percentage is then increased or decreased by a factor for each 1.5% increase/decrease above or below the Baseline EPS. For example, if EPS were at or below the Baseline EPS, this element percentage would be between 0% and 40% of salary. If EPS were at or moderately above the Baseline EPS, this element percentage would be expected to be between 40% and 70% of salary. If EPS were significantly above the Baseline EPS, this element percentage would be expected to be between 70% and 100% of salary. Based on Aptar's EPS in 2016 of $3.14 (which has been adjusted as described above) as compared to the Baseline EPS, this annual performance incentive element percentage for 2016 was 55% of salary.

- *Aptar's adjusted return on equity ("ROE"):* Aptar's ROE element is calculated by dividing the fiscal year consolidated reported net income by the fiscal year's twelve month average stockholder's equity, each adjusted as discussed above. For this element, a 10% ROE is the Baseline Ratio and would result in a baseline annual performance incentive of 15% of salary. This baseline annual performance incentive percentage is then increased by a factor for each 1% increase above the Baseline Ratio or eliminated if the actual ratio is less than the Baseline Ratio. For example if the ROE ratio falls below 10%, no annual performance incentive percentage is awarded for this element. If the ratio is moderately above the Baseline Ratio, this element percentage would be expected to be between 15% and 25% of salary. If this ratio was significantly above the Baseline Ratio, this element percentage would be expected to be between 25% and 40% of salary. Based on Aptar's ROE of 16% in 2016 (which has been adjusted as described above), this annual performance incentive element percentage for 2016 was 39% of salary.

- *Successful Integration of Mega Airless:* This potential element is a one-year special bonus, which could equal a maximum of 10% of the CEO's salary and would only be paid upon the successful integration of Mega Airless. The successful integration of Mega Airless is measured by attaining two separate metrics: (i) achievement of a sales target of €62 million for Mega Airless (5% of salary) and (ii) achievement of an EBITDA target of €20 million for Mega Airless (5% of salary). This annual performance incentive element percentage for 2016 was 10% of salary.

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Analysis of annual performance incentive elements for the CFO:

- *Aptar's EPS and Aptar's ROE:* For the CFO, the annual performance incentive elements are the same as those of the CEO, however the CFO's annual performance incentive element percentages are 75% of the annual performance incentive element percentages described above for the CEO.

- *Successful Integration of Mega Airless:* This potential element is a one-year special bonus, which could equal a maximum of 10% of the NEOs' (including CFO's) salary and would only be paid upon the successful integration of Mega Airless. The successful integration of Mega Airless is measured by attaining three separate metrics: (i) achievement of a sales target of €62 million for Mega Airless (3% of salary); (ii) achievement of an EBITDA target of €20 million for Mega Airless (3% of salary); and (iii) a subjective component based upon the Compensation Committee's evaluation of the integration (4% of salary). This annual performance incentive element percentage for 2016 was 10% of salary.

Analysis of annual performance incentive elements for the Segment Presidents:

- *Aptar's EPS:* If Baseline EPS is reached, a baseline annual performance incentive of 8% is determined. This baseline annual performance incentive percentage is then increased or decreased by a factor for each 1% increase/decrease above or below the Baseline EPS. For example, if EPS were at or below the Baseline EPS, this element percentage would be between 0% and 8% of salary. If EPS were at or moderately above the Baseline EPS, this element percentage would be expected to be between 8% and 15% of salary. If EPS were significantly above the Baseline EPS, this element percentage would be expected to be between 15% and 25% of salary. This annual performance incentive element percentage for 2016 was 13% of salary.

- *Aptar's ROE:* For this element, a 10% ROE is the Baseline Ratio and would result in a baseline annual performance incentive of 5% of salary. This baseline annual performance incentive percentage is then increased by a factor for each 1% increase above the Baseline Ratio or eliminated if the actual ratio is less than the Baseline Ratio. For example, if the ROE ratio falls below 10%, no annual performance incentive is awarded for this element. If the ratio is moderately above the Baseline Ratio, this element percentage would be expected to be between 5% and 10% of salary. If this ratio was significantly above the Baseline Ratio, this element percentage would be expected to be between 10% and 15% of salary. This annual performance incentive element for 2016 was 11% of salary.

- *Segment income:* Segment income is reported in the footnotes to our financial statements included in our quarterly and annual reports filed with the SEC. For our Beauty + Home segment, segment income is adjusted to (i) recognize the previously mentioned restructuring charges; and (ii) exclude any income or transaction costs reported in 2016 related to the acquisition of Mega Airless. For our Pharma segment, segment income is adjusted to exclude any income or transaction costs reported in 2016 related to the acquisition of Mega Airless. If segment income equals the average

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of the past three years ("Baseline Average"), a baseline annual performance incentive of 10% of salary is determined. This baseline annual performance incentive element is then increased or decreased by a factor for each 1% increase/decrease above or below the Baseline Average. For example, if segment income were at or below the Baseline Average, this element percentage would be between 0% and 10% of salary. If segment income were at or moderately above the Baseline Average, this element percentage would be expected to be between 10% and 20% of salary. If segment income were significantly above the Baseline Average, this element percentage would be expected to be between 20% and 40% of salary. The 2016 results of our Pharma segment were above the Baseline Average, the 2016 results of our Beauty + Home segment (adjusted for certain extraordinary and non-recurring restructuring charges described above) were below the Baseline Average and the 2016 results of our Food + Beverage segment were above the Baseline Average, consequently, the annual performance incentive elements for 2016 were 18%, 5% and 8% of salary, respectively.

- *Segment income to capital ratio:* The segment income to capital ratio is calculated by dividing the segment income (adjusted for the Beauty + Home segment and the Pharma segment as described above) for the year by the respective segment's fiscal twelve month average capital. Segment capital represents segment equity plus segment debt less segment cash and equivalents. This annual performance incentive element is based upon achieving certain fixed levels of segment income to capital ratios. The range of this element percentage is 0% to 24% of salary. For 2016, the segment income to capital annual performance incentive element percentages for the Pharma, Beauty + Home (based on adjusted segment income as described above) and Food + Beverage segments were 24%, 10% and 12% of salary, respectively.

- *Successful Integration of Mega Airless:* A potential one-year special bonus equal to 10% of each Segment President's salary, as described above for the CFO. This annual performance incentive element percentage for 2016 was 10% of salary.

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In 2016, the mix of salary versus annual performance incentive for the NEOs is represented in the following graphs. Annual performance incentive amounts include cash awards and any deferred cash awards taken in the form of RSUs.

Long-term Performance Incentives.

Stock Options and RSUs. While our stockholder-approved Stock Awards Plans (the "SAP") provides for awards in the form of stock options, restricted stock, RSUs and other awards, NEOs have traditionally only been awarded stock options and, to a small degree, RSUs granted at the discretion of the Compensation Committee or issued to NEOs at their election in lieu of a portion of their annual performance cash incentive as described above.

Stock options granted under the SAP vest over a three-year period, with one third becoming exercisable on each anniversary of the grant date, and have a ten-year term. All options are granted with an exercise price equal to the fair market value of our common stock on the date of grant, and option re-pricing is expressly prohibited by the SAP's terms.

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Fair market value is defined as the closing market price of a share of our common stock on the date of grant.

All option awards made to NEOs or any other employee are authorized by the Compensation Committee. The Compensation Committee reviews the value of long-term incentive compensation in the competitive market when determining equity awards. The Compensation Committee made the 2016 option grants in February 2016 following the issuance of the press release reporting our 2015 earnings. The Compensation Committee believes that it is appropriate that annual awards be made on a consistent basis; however, the Compensation Committee retains discretion to make additional awards to NEOs or other employees at other times. Prior to 2015, NEOs were awarded a "fixed number" of options on the annual grant date. However, with the intention of managing compensation more effectively, better aligning with market practice, and providing a more consistent year-over-year grant value in long-term performance incentives, the Compensation Committee began awarding options to NEOs based on a "fixed dollar value" in 2015.

Outperformance Awards. Outperformance awards were granted to NEOs that are based on relative TSR over a three-year period. TSR is measured by share price appreciation of the Company's common stock over a three-year period and reinvestment of dividends. The Outperformance TSR Plan is designed to reward NEOs for superior value creation that results in the Company outperforming peers over several years. Specifically, the Outperformance TSR Plan provides that if the Company's TSR is equal to or exceeds the 50th percentile of the TSRs for companies that are included in the S&P 400 MidCap Index over a three-year performance period, the NEOs will be entitled to cash awards equal to a target percentage of base salary multiplied by a percentage determined by the relevant TSR as outlined in the table below. Cash was chosen as the payment form in part because it helps the Company better manage its share usage. The target amounts that are based on each NEO's base salary are:

NEO	% of Base Salary
Hagge	75%
All Other NEOs	37.5%

In setting the target amount for Mr. Hagge, the Compensation Committee intended to provide future motivational value to Mr. Hagge, with significant upside based on achieving outstanding performance relative to companies that are included in the S&P 400 MidCap Index. Mr. Hagge recommended the specific target amounts for each of the other NEOs. The Compensation Committee evaluated these recommendations and determined that each target amount reflected the individual's contributions, was aligned with competitive market levels and was appropriate for retention purposes. If the Company's relative TSR performance is below the 50th percentile, there will be no cash payout.

Cash awards in connection with the Outperformance TSR plan are performance-based compensation the awards are only paid to the extent the Company achieves TSR performance at or above the median of the S&P 400 MidCap Index over a three-year period. Below is a table showing the determination of cash awards an NEO may earn based upon

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different levels of achievement against the S&P 400 MidCap Index (of which Aptar is a component company) constituent company returns. The Compensation Committee chose the S&P 400 MidCap Index as the performance benchmark to reflect the Compensation Committee's expectation that, over time, the Company's performance must be competitive with other investment alternatives that are similar to investing in the Company.

Company TSR Percentile Rank vs. S&P 400 MidCap Constituent Company Returns	Percentage of Target Amount Earned
Below the 50th percentile	0%
50th percentile	100%
75th percentile	200%
90th percentile and above	250%

Cash awards will be interpolated for relative performance that falls between the 50th and 75th quartiles, and 75th and 90th quartiles.

No payments were made with respect to the awards granted in 2014 under the Outperformance TSR Plan. The earliest a payment could be made with respect to a cash award granted in 2015 or 2016 under the Outperformance TSR Plan is 2018 or 2019, respectively.

***Other Compensation Elements*.**

Post-termination compensation. The employment agreements of our NEOs provide for guaranteed minimum salary levels, death benefits, non-competition clauses and post-termination commitments. The post-termination commitments do not significantly affect the Compensation Committee's decisions concerning other compensation elements. We believe that the post-termination commitments included in the NEOs' agreements are not substantially different from what is typical at other companies with revenues similar to those of Aptar. Additional information about the employment agreements, including definitions of key terms and a quantification of benefits that would have been received by our NEOs had termination occurred on December 31, 2016, is found under "Potential Payments Upon Termination of Employment."

Retirement Plan Arrangements. We also offer pension plans to our employees, including NEOs. Additional information regarding our pension plans is found under "Pension Benefits."

We maintain profit sharing and savings plans for our employees, including NEOs. These plans permit employees to make such savings in a manner that is relatively tax efficient.

Perquisites. Perquisites have historically not been a significant percentage of overall NEO compensation and therefore generally do not affect the decisions of the Compensation Committee when determining other elements of compensation. These perquisites can include a company-provided automobile, memberships in social and professional clubs, and

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supplemental life insurance, among others. The Compensation Committee believes it is necessary to provide NEOs with a limited range of perquisites similar to those provided by other companies in order to recruit and retain the best executive talent. The Compensation Committee reviews the perquisites provided to its NEOs on a regular basis.

Analysis of Our Compensation Programs

Aptar's compensation programs for our NEOs are designed to support our compensation philosophy and objectives. Accordingly, the Compensation Committee aims to achieve a balance between short-term and long-term rewards using a combination of cash and equity-based compensation, while establishing a competitive overall compensation package that includes a competitive base salary. The use of time vested equity and Outperformance awards also allows the Compensation Committee to align the interests of NEOs with those of stockholders while providing compensation with retentive qualities. The program's specific objectives are described below.

Objective: A Substantial Portion of NEO Compensation Should Be Performance-Based

Elements	Purpose
Annual Performance Incentive Amounts	
Stock Options	To reward short-term and long-term performance.
Outperformance Awards	

For 2016, total performance-based compensation (annual performance incentive cash payments and the grant date fair values of any RSUs taken in lieu of cash, options and Outperformance awards) represented approximately 72% of total compensation (excluding changes in pension benefit valuations) for the NEOs on an aggregate basis. Taken together, the total performance-based compensation amount represented the following percentages of total compensation (excluding changes in pension benefit valuations) for 2016:

NEO	% of Total Compensation
Hagge	77%
Kuhn	69%
Haffar	69%
Schaffer	66%
Touya	67%

The graphs below illustrate the amount of performance-based compensation (annual performance cash incentive, equity awards and Outperformance awards, each shown

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separately) in relation to salary and other compensation. Amounts are represented as percentages of total compensation (excluding changes in pension benefit valuations).

When reviewing the portion of compensation that is performance-based as described above in relation to total compensation, the Compensation Committee does not include in total compensation any changes in the actuarial valuation of accrued pension benefits because these values can change dramatically if actuarial assumptions change. In addition, when determining the appropriate amount of equity based compensation to be awarded to executive

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officers, the Compensation Committee considers the value of the equity relative to market practice and in consideration of total direct compensation.

Objective: A Substantial Portion of NEO Compensation Should Be Equity-Based

Elements	Purpose
Stock Options	
RSU Grants	To reward short-term and long-term performance. To align interests with stockholders.
Outperformance Awards	

The Compensation Committee reviews the value of long-term incentive compensation in the competitive market when determining equity-based awards. The amount of compensation provided in the form of equity-based awards as determined by the Compensation Committee in a given year is dependent on the value of the option grant and the value of the Outperformance award on the date of grant relative to the executive's cash compensation. For 2016, total equity-based compensation (comprised of the value of stock options, RSU grants and Outperformance awards) represented approximately 59% of total compensation (excluding changes in pension benefit valuations) for the NEOs on an aggregate basis, and total cash and other compensation (comprised of salary, annual performance cash incentive and other compensation) represented approximately 41% of total compensation (excluding changes in pension benefit valuations). Total equity-based compensation represented the following percentages of total compensation (excluding changes in pension benefit valuations) for each NEO in 2016:

NEO	% of Total Compensation
Hagge	60%
Kuhn	57%
Haffar	58%
Schaffer	58%
Touya	58%

When including stock options that are exercisable and RSUs that are vesting within 60 days of March 10, 2017 (the date of record for voting at the annual meeting), Aptar's executive officers and directors, as a group, own approximately 5% of the outstanding shares of our common stock.

Stock Ownership

Under the stock ownership guidelines, the executive officers must own Company common stock and/or hold RSUs representing a value that is as follows: for the CEO, five times his base salary; for the remaining executive officers, one times their base salary. Under the guidelines, executive officers have to achieve the respective levels of ownership within a phase-in period consisting of five years from the date such executive officer attains their respective position. As of December 31, 2016, every NEO is either in compliance with the guidelines or within the phase-in period.

Compensation Committee's Use of Consultants and Consultant's Independence

The Compensation Committee of our Board of Directors has responsibility for approving the compensation programs for our NEOs and acts pursuant to a charter that has been approved by our Board and is available through the Corporate Governance link on the Investor Relations page of the Aptar website located at: www.aptar.com. Under this charter, the Compensation Committee has the authority to retain outside advisers as deemed necessary, and in 2016 the Compensation Committee retained Willis Towers Watson, a global Human Resources consulting firm. The Compensation Committee has determined that Willis Towers Watson is independent according to the advisor independence factors outlined by the NYSE. In making this independence determination, the Compensation Committee recognized that Willis Towers Watson provides other services to the Company. The Compensation Committee determined that the nature of these other services, described below, together with protocols implemented by Willis Towers Watson, did not give rise to any conflict of interest. Fees paid to Willis Towers Watson for services rendered in 2016 to the Compensation Committee for executive compensation consultation (including the proxy and survey benchmarking, participation in meetings with Aptar and its Compensation Committee and other requests from the Compensation Committee) totaled approximately $113,000 in fees. Aptar also engaged Willis Towers Watson for other services that were provided to the Company, primarily related to compensation market survey data, employee engagement surveys and retirement/actuarial analysis. These services were also considered by the Compensation Committee in connection with its independence determination of Willis Towers Watson, and totaled approximately $651,000 in fees.

Stock Trading Guidelines

We have an Insider Trading Policy that applies to senior management, including our NEOs. The Insider Trading Policy prohibits our senior management from engaging in selling short our common stock or engaging in hedging, pledging or offsetting transactions regarding our common stock.

Tax Considerations

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction for annual compensation in excess of $1 million paid to each of our CEO and our three other most highly compensated executive officers other than our CFO. Certain compensation is specifically exempt from the deduction limit to the extent that it is performance-based, as defined in Section 162(m). The Compensation Committee structures compensation to take advantage of this exemption under Section 162(m) to the extent practicable, while satisfying the Company's compensation policies and objectives. Because the Compensation Committee also recognizes the need to retain flexibility to make compensation decisions that may not meet the standards of Section 162(m) when deemed necessary to enable the Company to continue to attract, retain, and motivate highly-qualified executives, it reserves the authority to approve potentially non-deductible compensation.

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Compensation Committee Report

The Compensation Committee of the Board of Directors oversees Aptar's compensation program on behalf of the Board. In fulfilling its oversight responsibilities, the Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis set forth in this proxy statement.

In reliance on the review and discussions referred to above, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and this proxy statement.

Compensation Committee

George L. Fotiades (Chair)
King W. Harris
Giovanna Kampouri Monnas

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2016 Summary Compensation Table

The table below contains compensation information for the NEOs of Aptar. The non-equity incentive compensation plan amounts are presented in the fiscal year in which they were earned. These amounts were paid in February of the following year once the consolidated financial results of Aptar were completed. For information concerning the objectives of our compensation program, including an analysis of individual compensation elements awarded in 2016, see our "Compensation Discussion and Analysis."

Name and Principal Position	Year	Salary ($)	Bonus ($)	Grant Date Fair Value of Stock Awards ($)(1)	Grant Date Fair Value of Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	Changes in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	All Other Compensation ($)(4)	Total ($)
Stephen J. Hagge	2016	1,040,000		1,096,680	1,727,970	811,200	699,508	18,153	5,393,511
Former President and	2015	1,000,000		1,132,500	1,899,995	600,000	387,129	19,479	5,039,103
Chief Executive Officer (retiring March 31, 2017)	2014	1,000,000		1,207,500	2,151,800	375,000	1,157,800	19,786	5,911,886
Robert W. Kuhn	2016	540,000		462,915	575,990	218,700	218,210	22,407	2,038,222
Executive Vice President	2015	520,000		349,650	650,006	240,000	49,109	19,566	1,828,331
and Chief Financial Officer	2014	500,000		309,375	742,000	180,000	354,479	16,738	2,102,592
Salim Haffar	2016	510,000		421,898	575,990	193,800	102,304	26,364	1,830,356
President, Aptar Pharma	2015	470,000		362,018	650,006	173,900	70,339	44,859	1,771,122
(effective January 1, 2014)	2014	468,983		180,319	742,000	309,400	30,520	53,999	1,785,221
Eldon Schaffer	2016	510,000		339,278	575,990	124,950	164,401	19,710	1,734,329
President, Aptar	2015	440,000		323,070	650,006	149,600	65,752	15,727	1,644,155
Beauty+Home (effective January 1, 2016)	2014	390,000		281,093	742,000	111,150	215,649	12,667	1,752,559
Gael Touya(5) President, Aptar Food+Beverage (effective January 1, 2016)	2016	359,756		220,347	452,564	111,618	345,310	25,994	1,515,589

(1) Stock Award compensation for Messrs. Hagge, Kuhn, Haffar, Schaffer and Touya includes the fair value of RSUs granted in lieu of a portion of the executive's annual performance incentive for that year, at the executive's election, and additional RSUs granted to an executive officer who made such election. The value of the additional RSUs granted represents 20% of the value of the annual performance incentive (non-equity incentive compensation plan amount) that was taken in the form of RSUs in lieu of cash. RSUs vest over a three-year period. The number of RSUs granted to Messrs. Hagge, Kuhn, Haffar, Schaffer and Touya with respect to 2016 performance is included in the table below. The number of RSUs granted was determined by dividing the amount of the

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annual performance incentive taken in RSUs and the additional 20% on that amount by the closing market price of our common stock ($74.48) on February 27, 2017.

	Amounts Included In Stock Awards Column Above Taken In Lieu Of Cash ($)/(# RSUs)	Amounts Included In Stock Awards Column For Additional 20% On Amounts Taken In Lieu of Cash ($)/(# RSUs)	Combined Total ($)/(# RSUs)
S. Hagge	$ 270,400/3,631	$ 54,080/726	$ 324,480/4,357
R. Kuhn	$ 218,700/2,937	$ 43,740/587	$ 262,440/3,524
S. Haffar	$ 193,800/2,602	$ 38,760/520	$ 232,560/3,122
E. Schaffer	$ 124,950/1,678	$ 24,990/335	$ 149,940/2,013
G. Touya	$ 74,412/999	$ 14,882/200	$ 89,294/1,199

Stock Award compensation for Messrs. Hagge, Kuhn, Haffar, Schaffer and Touya also includes the values of Outperformance awards, which are reported (i) at their grant date fair value based upon the probable outcome of certain TSR conditions and (ii) in accordance with FASB ASC Topic 718 (excluding the effect of estimated forfeitures) (*i.e.,* $772,200 for Mr. Hagge, $200,475 for Mr. Kuhn, $189,338 for Mr. Haffar, $189,338 for Mr. Schaffer, and $131,052 for Mr. Touya). At the highest level of performance conditions achieved, the values of the Outperformance awards granted in 2016 would be $1,950,000 for Mr. Hagge, $506,250 for Mr. Kuhn, $478,125 for Mr. Haffar, $478,125 for Mr. Schaffer, and $320,988 for Mr. Touya. Mr. Touya's long-term performance incentive compensation is denominated in Euros and translated at the spot exchange rate on January 13, 2016, which was the date on which his annual performance incentive amount was determined, for the grant date fair value and December 31, 2016 for determining the value associated with achieving the highest level of performance condition.

(2)

Option Award values represent the grant date fair values determined in accordance with FASB ASC Topic 718. Assumptions used in the calculation of the expense related to options can be found in Note 15, "Stock-Based Compensation" to Aptar's audited financial statements for the year ended December 31, 2016, included in Aptar's Annual Report on Form 10-K filed with the SEC on February 27, 2017 ("Aptar's Financial Statements").

(3)

All of these amounts relate to changes in pension values. Assumptions used to calculate the change in the present value of accrued benefits were the same as those disclosed in Note 8, "Retirement and Deferred Compensation Plans" to Aptar's Financial Statements.

(4)

The amount of other compensation in 2016 includes Company contributions to profit sharing and savings plans, premiums related to Company-provided term life insurance and supplemental disability insurance, and amounts related to a Company-provided automobile for all NEOs. Also, the amount of other compensation in 2016 includes club dues for Mr. Hagge. The amount of other compensation in 2016 for Mr. Touya includes Company contributions related to a profit share program of approximately $18,000.

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(5) Mr. Touya's compensation is denominated in Euros and was translated to U.S. dollars using the average exchange rate for the year, except for the annual performance incentive amount which was translated using the spot exchange rate on the date the amount was determined.

2016 Grants of Plan-Based Awards

The table below includes information regarding the estimated possible annual performance incentive amounts for 2016 for the named executive officers relating to their annual performance incentive formulas and Outperformance awards.

The table below also includes information regarding grants of stock options in 2016 and grants of RSUs that were awarded in 2016. The grant date fair value of RSUs is calculated using, and the exercise price of option awards represents, the closing price of Aptar's common stock on the NYSE on the date of grant (or the last trading day preceding the date of grant is such date of grant is not a trading day).

2016 GRANTS OF PLAN-BASED AWARDS

				Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Approval Date	Grant Type(1)	Threshold ($)(2)	Target ($)(3)	Maximum ($)(4)	Threshold ($)(5)	Target ($)(6)	Maximum ($)(7)	(#)(8)	(#)	($/Sh)	($)(9)
S. Hagge	01/13/16	01/13/16	OA					780,000	1,950,000				772,200
	02/05/16	01/13/16	NQSO								163,170	71.12	1,727,970
	02/26/16	02/04/16	RSU							6,546			480,000
			API			2,080,000							
R. Kuhn	01/13/16	01/13/16	OA					202,500	506,250				200,475
	02/05/16	01/13/16	NQSO								54,390	71.12	575,990
	02/26/16	02/04/16	RSU							2,455			180,000
			API			1,080,000							
S. Haffar	01/13/16	01/13/16	OA					191,250	478,125				189,338
	02/05/16	01/13/16	NQSO								54,390	71.12	575,990
	02/26/16	02/04/16	RSU							2,846			208,680
			API			1,020,000							
E. Schaffer	01/13/16	01/13/16	OA					191,250	478,125				189,338
	02/05/16	01/13/16	NQSO								54,390	71.12	575,990
	02/26/16	02/04/16	RSU							2,448			179,520
			API			1,020,000							
G. Touya	01/13/16	01/13/16	OA					132,376	320,988				131,052
	02/05/16	01/13/16	NQSO								42,735	71.12	452,564

(1) During fiscal year 2016, NEOs received four types of plan-based awards: Outperformance Awards ("OA"), Nonqualified Stock Options ("NQSO"), Restricted Stock Units ("RSU") and Annual Performance Incentives (in cash) ("API").

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(2) The annual performance incentive programs allow for reduction factors that would result in no award being made should the Company's results significantly fall short of averages of the past several years and there are no set thresholds.

(3) The Company does not establish incentive targets. See our "Compensation Discussion and Analysis" for further information regarding annual performance incentive programs.

(4) The maximum award allowed under our annual performance incentive plans is 200% of salary provided that no award shall exceed $3 million.

(5) The Outperformance TSR Plan provides that if Aptar's relative TSR performance is below the 50th percentile relative to companies that are included in the S&P 400 MidCap Index over the three-year performance period, there will be no cash payout associated with the Outperformance awards (*i.e.,* there are no set thresholds in the Outperformance TSR Plan).

(6) The target for Outperformance awards is 100% of the cash award. See the discussion under "Outperformance Awards" in the "Compensation Discussion and Analysis" for further information regarding the determination of the Outperformance awards.

(7) The maximum award allowed under Outperformance awards is 250% of the target cash award. See the discussion under "Outperformance Awards" in the "Compensation Discussion and Analysis" for further information regarding the determination of the Outperformance awards.

(8) Amounts on February 26, 2016 represent RSUs granted to Messrs. Hagge, Kuhn, Haffar and Schaffer at their election to receive RSUs in lieu of a portion of their 2015 annual performance incentive (paid/awarded in 2016) and an additional 20% of the elected amount granted to those officers making such election.

(9) Outperformance awards in this column are reported (i) at their grant date fair value based upon the probable outcome of certain TSR conditions and (ii) in accordance with FASB ASC 718 (excluding the effect of estimated forfeitures).

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2016 Outstanding Equity Awards at Fiscal Year-End

The table below provides information on the holdings of stock option and stock awards by the named executive officers as of December 31, 2016.

2016 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

		Option Awards				Stock Awards		
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable (1)**	**Option Exercise Price ($)(2)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)(3)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(4)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(5)**
S. Hagge						13,114	963,223	
	01/16/08	27,500		37.52	01/16/18			
	01/14/09	75,000		30.56	01/14/19			
	01/20/10	75,000		36.42	01/20/20			
	01/12/11	75,000		48.20	01/12/21			
	01/11/12	143,000		51.80	01/11/22			
	01/16/13	145,000		51.57	01/16/23			
	01/15/14	96,667	48,333	68.00	01/15/24			
	01/14/15	49,363	98,727	64.60	01/14/25			750,000
	01/13/16							780,000
	02/05/16		163,170	71.12	02/05/26			
R. Kuhn						4,275	313,999	
	01/20/10	2,000		36.42	01/20/20			
	01/12/11	43,000		48.20	01/12/21			
	01/11/12	50,000		51.80	01/11/22			
	01/16/13	50,000		51.57	01/16/23			
	01/15/14	33,333	16,667	68.00	01/15/24			
	01/14/15	16,887	33,776	64.60	01/14/25			195,000
	01/13/16							202,500
	02/05/16		54,390	71.12	02/05/26			

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2016 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

		Option Awards				Stock Awards		
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price ($)(2)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested ($)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(5)
S. Haffar						2,846	209,039	
	01/15/14		16,667	68.00	01/15/24			
	01/14/15		33,776	64.60	01/14/25			176,250
	01/13/16							191,250
	02/05/16		54,390	71.12	02/05/26			
E. Schaffer						4,372	321,123	
	01/16/08	7,000		37.52	01/16/18			
	01/14/09	20,000		30.56	01/14/19			
	01/20/10	20,000		36.42	01/20/20			
	01/12/11	20,000		48.20	01/12/21			
	01/11/12	35,000		51.80	01/11/22			
	01/16/13	50,000		51.57	01/16/23			
	01/15/14	33,333	16,667	68.00	01/15/24			
	01/14/15	16,887	33,776	64.60	01/14/25			165,000
	01/13/16							191,250
	02/05/16		54,390	71.12	02/05/26			
G. Touya						3,676	270,002	
	01/16/13	20,000		51.57	01/16/23			
	01/15/14	13,333	6,667	68.00	01/15/24			
	01/14/15	6,666	13,334	64.60	01/14/25			
	01/13/16							132,376
	02/05/16		42,735	71.12	02/05/26			

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(1)

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

	January 2017	**February 2017**	**January 2018**	**February 2018**	**February 2019**	**Total**
S. Hagge	97,696	54,390	49,364	54,390	54,390	310,230
R. Kuhn	33,555	18,130	16,888	18,130	18,130	104,833
S. Haffar	33,555	18,130	16,888	18,130	18,130	104,833
E. Schaffer	33,555	18,130	16,888	18,130	18,130	104,833
G. Touya	13,334	14,245	6,667	14,245	14,245	62,736

(2)

Stock options are granted with an exercise price equal to closing price of Aptar's common stock on the NYSE on the date of grant.

(3)

Stock awards represent RSUs that were granted in lieu of a portion of the annual performance incentive taken in cash, and awards granted at the discretion of the Compensation Committee. RSUs granted vest over a three-year period, with restrictions lapsing on one third of the units on each of the first three anniversaries of the grant date. The following numbers of units vest for each respective executive officer in the months indicated:

	January 2017	**February 2017**	**February 2018**	**February 2019**	**Total**
S. Hagge		6,472	4,460	2,182	13,114
R. Kuhn		2,030	1,426	819	4,275
S. Haffar		949	948	949	2,846
E. Schaffer		2,065	1,491	816	4,372
G. Touya	3,676				3,676

(4)

The market value of RSUs that have not yet vested is calculated using the closing price of Aptar's common stock on the NYSE on December 30, 2016, which was $73.45 per share.

(5)

This column represents the performance value (payable in cash) of the Outperformance awards as of December 31, 2016. However, since the payout values associated with the Outperformance awards are based on the Company's relative TSR against the S&P 400 MidCap Index over a 3-year performance period, we are unable to currently determine the actual payout values associated with the Outperformance awards. See the discussion under "Outperformance Awards" in the "Compensation Discussion and Analysis" for further information regarding the vesting of the Outperformance awards. The Outperformance award payout value associated with Mr. Touya's grant on January 13, 2016 is denominated in Euros and translated at a one-year average exchange rate.

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2016 Option Exercises and Stock Vested

The table below provides information on stock option exercises and the vesting of RSUs in 2016.

2016 OPTION EXERCISES AND STOCK VESTED

	Stock Options		**Restricted Stock Units**	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)(1)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)(2)**
S. Hagge	75,000	3,027,321	6,393	468,799
R. Kuhn	8,000	326,534	1,954	143,287
S. Haffar	67,220	879,750	834	65,027
E. Schaffer			1,721	126,201
G. Touya	21,000	577,023		

(1) Value realized represents the difference between the closing price on the NYSE of Aptar's common stock on the date of exercise and the exercise price of the option award.

(2) Value realized represents the closing price on the NYSE of Aptar's common stock on the date of vesting multiplied by the number of shares vested.

Employment Agreements

Tanda Employment Agreement

On November 21, 2016, Aptar entered into an employment agreement with Mr. Tanda, pursuant to which Mr. Tanda began employment on February 1, 2017. The employment agreement provides for employment through December 31, 2019, unless earlier terminated, at an initial salary of $1,000,000 per year, which amount may be increased (but not decreased) over the term of the agreement. The employment agreement automatically extends for one additional year each January 1st, unless terminated, but may not be extended beyond December 31, 2030.

The employment agreement provides that Mr. Tanda's target annual performance incentive for 2017 will be set at 100% of his base salary, and may range from 50% to 200% of his base salary, depending on the level of attainment of certain goals and objectives. For 2017, Mr. Tanda will also be entitled to receive stock options having a Black-Scholes value of $1,900,000 and an award under Aptar's Total Shareholder Return Outperformance Plan with a target cash amount of $750,000, and a payout range of 0% to 250% of the target, subject to

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the achievement of underlying performance goals, and will cliff vest after a three year period. Mr. Tanda is also entitled to participate in Aptar's retirement and executive benefit programs on the same basis as Aptar's other senior executives.

In recognition of the fact that Mr. Tanda forfeited certain equity awards provided to him by his former employer, the employment agreement provides for the payment of the cash value of such awards scheduled to vest in 2017, 2018 and 2019 (each in the amount of approximately $1,000,000), subject to Mr. Tanda's continued employment with Aptar on the respective scheduled vesting dates. Mr. Tanda is also entitled to be reimbursed for additional expenses related to his change in employment and relocation in the maximum amount of $250,000, plus a tax gross-up on certain of such reimbursed expenses. If, prior to the one-year anniversary of his start date, Mr. Tanda is terminated for "cause" or resigns without "good reason" (as each such term is defined in the employment agreement), he must repay any amounts paid to him with respect to the awards of his current employer scheduled to vest in 2017, as well as any reimbursed expenses related to his change in employment and relocation.

If Mr. Tanda's employment ends on account of death, Mr. Tanda's estate will receive one-half of the base salary that Mr. Tanda would have received until the second anniversary of his death. If his employment ends due to the expiration of the employment agreement as a result of non-renewal by Aptar, Mr. Tanda is entitled to receive an amount equal to one year's base salary, his target annual performance incentive and the medical, disability and life insurance benefits he would have otherwise received for a period of one year following the expiration date. If Mr. Tanda is terminated without "cause," he is entitled to receive 1.5 times (i) his base salary then in effect and (ii) the greater of (x) his target annual performance incentive for the year in which he was terminated and (y) the average of the annual performance incentives paid to him for the two preceding years, paid in 18 equal monthly installments, as well as the medical, disability and life insurance benefits he would have otherwise received for a period of 18 months following the termination date.

After a "change in control" (as defined in the employment agreement), if Mr. Tanda's employment is terminated by Aptar or its successor other than for "cause," disability or death, or if Mr. Tanda terminates his employment for "good reason," in each case within two years following the change in control, Mr. Tanda is entitled to receive a lump-sum payment equal to (i) three times his highest annualized salary during the 12 month period preceding the termination and (ii) three times the average of the annual performance incentives in respect of the three years immediately preceding the year in which the change in control occurs, plus a prorated annual performance incentive equal to an amount at least equal to the average of the annual performance incentives in respect of the three years immediately preceding the year in which the change in control occurs, as well as the continuation of medical, disability and life insurance benefits for three years.

The employment agreement also contains certain noncompetition and nonsolicitation covenants prohibiting Mr. Tanda from, among other things, becoming employed by a competitor of Aptar for a period of 18 months or two years following termination (depending on the nature of the termination).

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Hagge Employment and Letter Agreements

Mr. Hagge's employment agreement provided for employment through December 31, 2016, at a salary of $1,040,000 per year (which is the 2016 salary approved by the Compensation Committee). In addition to participation in executive benefit programs on the same basis as other executives, Mr. Hagge was entitled to additional term life and supplementary long-term disability insurance coverage. Mr. Hagge's employment agreement extended until March 31, 2017 as described below.

In November 2016, in connection with the previously announced retirement of Mr. Hagge, Aptar entered into a three-month letter agreement with Mr. Hagge that became effective January 1, 2017 (the "Letter Agreement"), and extended Mr. Hagge's employment agreement until March 31, 2017. Pursuant to the Letter Agreement, Mr. Hagge agreed to serve as Aptar's President and CEO from January 1, 2017 through January 31, 2017 and as Special Advisor to the CEO from February 1, 2017 to March 31, 2017 (the "Term"). Compensation for services to be provided by Mr. Hagge during Term will be $100,000 per month and will be paid monthly. Mr. Hagge will also continue to receive benefits and perquisite arrangements during the Term at the same level that they were during 2016. After the Term, Mr. Hagge is entitled to receive an amount equal to one year's base salary (based on a salary of $1,040,000) and medical and life insurance benefits as he would have otherwise received for a period of one year.

Employment Agreements of Other NEOs

The employment agreements of Messrs. Kuhn, Haffar and Schaffer provide (i) for automatic extensions, as of each January 1st commencing January 1, 2016, for one additional year unless either Aptar or the executive terminates such automatic extension by written notice to the other party at least 30 days prior to the automatic extension date, but in no event will continue later than December 31st of the year in which the executive turns 65 and (ii) that Messrs. Kuhn, Haffar and Schaffer will receive minimum annual salaries of $540,000, $510,000 and $510,000, respectively (which are the 2016 salaries that were approved by the Compensation Committee). These annual salaries may be increased (but not decreased) over the remaining terms of the agreements. In addition to participation in executive benefit programs on the same basis as other executives, Messrs. Kuhn, Haffar and Schaffer are entitled to additional term life and supplementary long-term disability insurance coverage.

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

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After a change in control of Aptar, if Messrs. Kuhn, Haffar or Schaffer are terminated by Aptar or its successor other than for cause, disability or death, or if Messrs. Kuhn, Haffar or Schaffer terminates his employment for "good reason," in each case within two years following the change in control, Messrs. Kuhn, Haffar, and Schaffer are entitled to receive a lump-sum payment equal to (x) two and one-half times his highest annualized salary during the 12 month period preceding the termination and (y) two and one-half times the average of the annual performance incentives in respect of the three fiscal years of Aptar immediately preceding the fiscal year in which the change in control occurs, plus a prorated annual performance incentive equal to an amount at least equal to the average of the annual performance incentives in respect of the three fiscal years of Aptar immediately preceding the fiscal year in which the change in control occurs, as well as the continuation of medical, disability, and life insurance benefits for two and one-half years.

The employment agreement of Mr. Touya is in accordance with the French Collective Bargaining Agreement of the Plastics Industry. The agreement of Mr. Touya remains in effect for an unlimited period; however, the Company and Mr. Touya have the right to terminate the agreement according to local law. The agreement provides for minimum annual salary to Mr. Touya of $342,000 (which is the 2017 local currency salary approved by the Compensation Committee translated using the December 31, 2016 exchange rate). The agreement contains certain noncompetition and nonsolicitation covenants prohibiting Mr. Touya from, among other things, becoming employed by a competitor of Aptar for a period of two years following termination (regardless of the reason for termination except for gross misconduct) and that Mr. Touya will receive payments as described under "Potential Payments Upon Termination of Employment."

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

Pension Benefits

U.S. Employees

Substantially all of the U.S. employees of Aptar and its subsidiaries are eligible to participate in the Aptar Pension Plan. Employees are eligible to participate after six months of credited service and become fully vested after five years of credited service. The annual benefit payable to an employee under the Pension Plan upon retirement is computed as a straight life annuity equal to the sum of the separate amounts the employee accrues for each of his years of credited service under the Plan. Such separate amounts are determined as follows: for each year of credited service through 1988, 1.2% of such year's compensation up to the Social Security wage base for such year and 1.8% (2% for years after 1986) of such year's compensation above such wage base, plus certain increases put into effect prior to 1987; for each year after 1988 through the year in which the employee reaches 35 years of service, 1.2% of such year's "Covered Compensation" and 1.85% of such year's compensation above such "Covered Compensation" and for each year thereafter, 1.2% of such year's compensation. The employee's compensation under the Pension Plan for any year includes all salary, commissions and overtime pay and, beginning in 1989, annual performance incentives,

subject to such year's limit applicable to tax-qualified retirement plans. The employee's "Covered Compensation" under the Pension Plan for any year is generally the average of the Social Security wage base for each of the 35 years preceding the employee's Social Security retirement age, assuming that such year's Social Security wage base will not change in the future. Normal retirement under the Pension Plan is age 65 and reduced benefits are available as early as age 55 provided that the employee has completed 10 years of service. If an employee has completed 10 years of service and elects to retire and receive pension benefits before age 65, the benefit will be calculated in the same manner as under normal retirement conditions, but will be permanently reduced for each month the benefit commences prior to age 65. The reduction factors are: 1/180 for each of the first 60 months, and 1/360 for each additional month that is in advance of the normal retirement age. Benefits are not subject to reduction for Social Security benefits or other offset items.

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

Mr. Touya is a resident of Europe and does not participate in the U.S. pension benefit plans, but as described below, is entitled to other pension benefits.

Non-U.S. Employees

Mr. Touya is entitled to certain retirement indemnity benefits in accordance with the Collective Bargaining Agreement of the French Plastics Industry ("Collective Pension"). Such benefits are based on a formula that takes salary and years of service into consideration. In addition, Mr. Touya is eligible for benefits pursuant to a supplemental pension plan available to certain French executives ("Supplemental Pension"). This plan provides participants with an annual pension compensation for life, subject to cost of living adjustments, of up to 10% of the average annual salary and bonus paid to a participant in the five years preceding retirement, the total of the amounts received by the employee according to the Collective Pension and the Supplemental Pension being subject to a ceiling equal to 55% of the average annual salary and bonus paid to a participant in the five years preceding retirement. In the event of a participant's death after retirement, the plan provides a surviving spouse with annual payments of 60% of the participant's Supplemental Pension for life. Pension benefits would normally commence at age 67, which is the legal retirement age in France, but reduced benefits are available after age 57.

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The table below includes information relating to the defined benefit retirement plans of each NEO Assumptions used to determine the present value of accumulated benefit as of December 31, 2016 are the same as those found in Note 8, "Retirement and Deferred Compensation Plans" to Aptar's Financial Statements.

PENSION BENEFITS

Name	Plan Name(1)	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)
S. Hagge	Employees' Retirement Plan	35	1,326,651
	Supplemental Retirement Plan	35	4,105,593
R. Kuhn	Employees' Retirement Plan	29	643,639
	Supplemental Retirement Plan	29	626,081
S. Haffar	Employees' Retirement Plan	11	98,292
	Supplemental Retirement Plan	11	135,398
E. Schaffer	Employees' Retirement Plan	27	518,307
	Supplemental Retirement Plan	27	370,124
G. Touya	Retirement Indemnities	22	164,524
	Pension Plan	22	678,470

(1) The retirement indemnities and pension plan of Mr. Touya represent non-qualified pension plans. The AptarGroup, Inc. Employees' Retirement Plan (Employees' Retirement Plan) is a qualified plan and the AptarGroup, Inc. Supplemental Executive Retirement Plan (Supplemental Retirement Plan) is a non-qualified plan.

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Potential Payments Upon Termination of Employment

The following table provides information concerning potential payments or other compensation that could have been awarded to the named executives if any of the various termination scenarios presented below occurred on December 31, 2016.

Name	Normal Expiration of Employment Agreement	Voluntary or With Cause Termination	Involuntary Termination	Involuntary or Good Reason Termination After a CIC	Disability	Death
S. Hagge						
Cash Payment	1,040,000		1,381,600	6,617,600	693,368	1,040,000
Continuation of Medical/Welfare Benefits	10,800			43,800		
Acceleration of Equity Awards (Value as of 12/31/16)				2,480,638	2,480,638	2,480,638
Outperformance Awards(1)			396,000	730,500	396,000	396,000
Total Termination Benefits	1,050,800		1,777,600	9,872,538	3,570,006	3,916,638
R. Kuhn						
Cash Payment	540,000		1,517,400	2,557,233	360,018	540,000
Continuation of Medical/Welfare Benefits	9,600			25,500		
Acceleration of Equity Awards (Value as of 12/31/16)				830,472	830,472	830,472
Outperformance Awards(1)			102,925	189,825	102,925	102,925
Total Termination Benefits	549,600		1,620,325	3,603,030	1,293,415	1,473,397
S. Haffar						
Cash Payment	510,000		1,407,600	2,440,650	340,017	510,000
Continuation of Medical/Welfare Benefits	9,600			25,500		
Acceleration of Equity Awards (Value as of 12/31/16)				725,512	725,512	725,512
Outperformance Awards(1)			93,988	174,450	93,988	93,988
Total Termination Benefits	519,600		1,501,588	3,366,112	1,159,517	1,329,500

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Name	Normal Expiration of Employment Agreement	Voluntary or With Cause Termination	Involuntary Termination	Involuntary or Good Reason Termination After a CIC	Disability	Death
E. Schaffer						
Cash Payment	510,000		1,269,900	2,117,608	**December 31, 2005**	

Changes in plan assets		
Fair value of plan assets at beginning of period	$	$
Expected return on plan assets	536	
Employer contribution	12,840	
Fair value of plan assets at end of period	$ 13,376	$

	September 30, 2006		**December 31, 2005**		
Components of benefit obligation					
Benefit obligation at beginning of period	$	12,439	$	11,371	
Interest cost	550		683		
Amendments	315		385		
Benefit obligation at end of period	$	13,304	$	12,439	
Reconciliation of Funded Status					
Funded Status	$		$	(12,439	)
Unrecognized loss	385		385		
Unrecognized prior service cost	4,715		6,436		
Prepaid (accrued) benefit cost	$	5,100	$	(5,618	)

2) Long Term Equity Compensation Plan

The Company has adopted a Long-Term Equity Compensation Plan (LTEC) that provides for the grant of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock awards, performance share and performance unit awards and share purchase rights. The maximum number of common shares with respect to which awards may be granted under the plan is 14,855,192, of which 1,200,000 are available for issuance pursuant to share purchase rights and of which 13,655,192 are available for issuance under all other awards. The plan is administered by the Compensation Committee of the Board of Directors.

Effective January 1, 2006, the Company adopted, prospectively, the fair value recognition provisions of FAS No. 123 (revised) Share-Based Payments (FAS No. 123 (R)) for all unvested stock options and restricted shares that were outstanding on January 1, 2006 that are granted or subsequently modified or cancelled. Compensation expense for stock options and for restricted stock awards granted to employees is recorded over the vesting period using the fair value method, net of estimated forfeitures. For awards that have a graded vesting schedule, the Company recognizes compensation expense on a straight-line basis over the vesting period for each separate vesting portion of the award as if the award was, in-substance, multiple awards. The Company has not issued awards subject to performance and market conditions.

The compensation cost recognized in the nine months of 2006 includes compensation cost for all share-based payments granted prior to, but not vested as of January 1, 2006, based on the grant-date fair value estimated

in accordance with FAS No. 123, Accounting for Stock-Based Compensation (FAS 123), and compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with FAS No. 123 (R). Prior periods have not been restated to reflect the adoption of the new standard. The adoption of FAS No. 123 (R) did not have a significant impact on net income and basic and diluted earnings per share for the nine months ended September 30, 2006.

On January 1, 2003, the Company adopted FAS No. 123 by applying the prospective method permitted under FAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. Prior to 2003, the Company followed Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations in accounting for its employee stock compensation. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FAS 123 to all of its stock-based compensation prior to January 1, 2003.

	Quarters Ended		**Nine Months Ended**	
	September 30, 2006	**September 30, 2005**	**September 30, 2006**	**September 30, 2005**
Net income (loss) available to common shareholders, as reported	$ 226,222	$ (468,075)	$ 644,807	$ (143,431)
Add: Stock-based employee compensation expense included in net income, net of related tax effects	5,709	5,552	16,433	16,057
Deduct: Total stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax effects	(5,709)	(5,731)	(16,433)	(16,593)
Pro-forma net income (loss) available to common shareholders	$ 226,222	$ (468,254)	$ 644,807	$ (143,967)
Earnings per common share:				
Basic as reported	$ 1.51	$ (3.32)	$ 4.31	$ (1.01)
Basic pro-forma	$ 1.51	$ (3.32)	$ 4.31	$ (1.01)
Diluted as reported	$ 1.37	$ (3.32)	$ 3.94	$ (1.01)
Diluted pro-forma	$ 1.37	$ (3.32)	$ 3.94	$ (1.01)

(i) Options

Options granted under the plan generally expire 10 years after the date of grant and generally vest ratably on an annual basis over three years from the date of grant. Exercise prices are established at the fair value of the Company s common shares at the date of grant. Upon exercise, new shares are issued by the Company.

During the quarter ended September 30, 2006, the Company expensed $1.3 million (quarter ended September 30, 2005: $1.7 million) related to the grant of options and realized a tax benefit of $0.2 million (quarter ended September 30, 2005: $0.4 million). During the nine months ended September 30, 2006, the Company expensed $3.0 million (nine months ended September 30, 2005: $3.8 million) related to the grant of options and realized a tax benefit of $1.1 million (nine months ended September 30, 2005: $1.3 million). At September 30, 2006, there was $1.7 million of unrecognized compensation cost related to options which is expected to be recognized over the weighted average period of 1 year. The total intrinsic value of options exercised during the nine months ended September 30, 2006 was $11.0 million (year ended December 31, 2005: $10.3 million) and the Company received proceeds of $16.9 million (year ended December 31, 2005: $8.6 million). The total intrinsic value of options vested at September 30, 2006, was $75.7 million (year ended December 31, 2005: $69.9 million). The fair value of options granted during 2006 was $0.2 million (year ended December 31, 2005: $6.4 million). The grants in 2006 reflect modifications to grants made in prior years to an employee pursuant to a severance

agreement. The earlier grants were deemed cancelled and new grants issued at the new terms. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2006: risk free interest rates of 4.6% (2005: 4.2%), expected life of 0.3 years (2005: 7.0 years), a dividend yield of 1.7% (2005: 2.5%) and an expected volatility of 20% (2005: 22%). The Company has elected to use the simplified method of calculating the expected life of the options, which is the average of the vesting period and the expiry period.

The following is a summary of stock options granted under the LTEC and related activity:

	Nine Months Ended September 30, 2006		Year Ended December 31, 2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding beginning of period	6,054,464	$ 18.99	5,622,181	$ 16.38
Granted	45,000	26.90	1,269,834	28.01
Exercised	(899,146)	18.84	(653,881)	13.13
Forfeited	(113,333)	29.09	(183,670)	25.92
Outstanding end of period	5,086,985	$ 18.86	6,054,464	$ 18.99

The following table summarizes information about the Company s stock options for options granted under the LTEC and outstanding as of September 30, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise prices	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options	Weighted Average Exercise Price
$12.50-$13.75	2,583,147	$ 12.55	5.35	2,583,147	$ 12.55
$13.76-$15.00	599,000	14.50	6.20	599,000	14.50
$15.01-$16.25	53,334	16.25	6.67	53,334	16.25
$16.26-$25.65	59,000	25.54	7.08	39,334	25.54
$25.66-$29.62	1,792,504	$ 28.81	7.65	909,331	$ 29.09

In addition, the Company receives a tax deduction for certain stock option exercises in the period of exercise. In accordance with FAS No. 123 (R), the consolidated statement of cash flows for the nine months ended September 30, 2006 includes excess tax benefits of $0.4 million on exercise of stock options as a financing cash flow.

(ii) Restricted Stock

The fair value of restricted share grants is determined using the closing price of the Company s shares on the New York Stock Exchange on the day prior to the grant, with grants generally vesting three years after the date of grant or upon the employee s earlier retirement, death, permanent disability or a change in control of the Company. Restricted shares are entitled to vote and to receive dividends but may not be transferred during the period of restriction and are forfeited if the employee s employment terminates prior to vesting. Compensation cost equivalent to the estimated fair market value at the date of grant for the number of shares expected to fully vest is amortized over a three-year vesting period. As of September 30, 2006, there was $35.2 million of unrecognized compensation cost related to these awards which is expected to be recognized over the weighted average period of 1.5 years. The total fair value of shares vested during the nine months ended September 30, 2006 was $3.0 million

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(year ended December 31, 2005: $25.7 million). During the quarter ended September 30, 2006, the Company expensed $5.4 million (quarter ended September 30, 2005: $4.6 million) in respect of restricted stock, and recorded tax benefits thereon of $0.7 million (quarter ended September 30, 2005: $0.8 million). During the nine months ended September 30, 2006, the Company expensed $16.2 million (nine months ended September 30, 2005: $14.5 million) in respect of restricted stock, and recorded tax benefits thereon of $2.5 million (nine months ended September 30, 2005: $2.4 million).

The following is a summary of restricted stock granted under the LTEC and related activity:

	September 30, 2006			December 31, 2005		
	Number of Shares		Weighted Average Grant-Date Fair Value	Number of Shares		Weighted Average Grant-Date Fair Value
Nonvested beginning of period	1,175,750		$ 28.40	2,126,700		$ 17.36
Granted	1,288,750		30.99	898,750		28.35
Vested	(110,000	)	27.26	(1,723,330	)	14.91
Forfeited	(103,750	)	21.01	(126,400	)	26.18
Nonvested end of period	2,250,750		$ 30.28	1,175,750		$ 28.40

The grants in 2006 include modifications to grants made in prior years to an employee pursuant to a severance agreement. The earlier grants were deemed cancelled and new grants issued at the new terms.

(b) Director Benefit Plans

(1) 2004 Directors Long-Term Equity Compensation Plan

The Company has adopted a Directors Long-Term Equity Compensation Plan (DLTECP) that provides for the grant of non-qualified stock options and stock awards (restricted and unrestricted) to non-employee directors of the Company. The maximum number of common shares with respect to which awards may be granted under the plan is 1,200,000. The plan is administered by the Compensation Committee of the Board of Directors.

(i) Options

Options granted under the plan generally expire 10 years after the date of grant and generally vest ratably on an annual basis over three years from the date of grant. Exercise prices are established at the fair value of the Company s common shares at the date of grant. Upon exercise, new shares are issued by the Company.

During the quarter ended September 30, 2006, the Company expensed $0.06 million (quarter ended September 30, 2005: $0.05 million) related to the grant of options. During the nine months ended September 30, 2006, the Company expensed $0.1 million (nine months ended September 30, 2005: $0.1 million) related to the grant of options. At September 30, 2006, there was $0.07 million of unrecognized compensation cost related to options which is expected to be recognized over the weighted average period of 1 year. The total intrinsic value of options exercised during the nine months ended September 30, 2006 was $0.09 million (December 31, 2005: $nil) and the Company received proceeds of $0.03 million (year ended December 31, 2005: $nil) and realized no tax benefit. The total intrinsic value of options vested at September 30, 2006, was $0.7 million (December 31, 2005: $0.3 million). There were no option grants during the nine months ended September 30, 2006, and the fair value of options granted during 2005 was $0.2 million. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2005: risk free interest rates of 4.2%, expected life of 7 years, a dividend yield of 2.5% and an expected volatility of 22%. The Company has elected to use the simplified method of calculating the expected life of the options, which is the average of the vesting period and the expiry period.

The following is a summary of stock options granted under the DLTECP and related activity:

	Nine Months Ended September 30, 2006		Year Ended December 31, 2005	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding beginning of period	120,000	$ 25.19	72,000	$ 23.68
Granted			48,000	27.45
Exercised	(13,332)	23.84		
Outstanding end of period	106,668	$ 25.36	120,000	$ 25.19

The following table summarizes information about the Company s stock options granted under the DLTECP and for options outstanding as of September 30, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise prices	**Number of Options**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**	**Number of Options**	**WeightedAverage Exercise Price**
$15.01-$16.25	26,667	$ 16.25	6.25	26,667	$ 16.25
$25.66-$29.62	80,001	$ 28.39	7.82	34,668	$ 28.79

(ii) Restricted Stock

The fair value of restricted share grants is determined using the closing price of the Company s shares on the New York Stock Exchange on the day prior to the grant, with grants generally vesting six months after the date of grant or upon the director s earlier retirement, death, permanent disability or a change in control of the Company. Restricted shares are entitled to vote and to receive dividends but may not be transferred during the period of restriction and are forfeited if the director resigns prior to vesting. Compensation cost equivalent to the estimated fair market value at the date of grant for the number of shares expected to fully vest is amortized over a six-month vesting period. As of September 30, 2006, there was no unrecognized compensation cost related to these awards. The total fair value of shares vested during the quarter ended September 30, 2006 was $0.3 million (year ended December 31, 2005: $0.1 million). During the quarter ended September 30, 2006, the Company expensed $0.1 million (quarter ended September 30, 2005: $nil) in respect of restricted stock, and recorded no tax benefits. During the nine months ended September 30, 2006, the Company expensed $0.3 million (quarter ended September 30, 2005: $0.1 million) in respect of restricted stock, and recorded no tax benefits.

The following is a summary of restricted stock granted under the DLTECP and related activity:

	Nine Months Ended September 30, 2006		Year Ended December 31, 2005	
	Number of Shares	**Weighted Average Grant Date Fair Value**	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Nonvested beginning of period		$		$
Granted	9,282	31.78	4,368	27.45
Vested	(9,282)	31.78	(4,368)	27.45
Nonvested end of period		$		$

In addition, directors may elect to receive their fees in common shares rather than cash. As at September 30, 2006, 44,834 (December 31, 2005: 40,235) common shares had been granted under the plan in lieu of fees. All awards are made at the fair market value of the common shares at the time of the grant.

(2) 2004 Directors Deferred Compensation Plan

The Company has an unfunded nonqualified deferred compensation plan that allows participating directors to elect (i) the amount, if any, of cash or stock as fees for services to be deferred and (ii) the form in which payment is to be made. Directors who choose to defer fees otherwise payable in shares are credited a number of phantom stock units equal in amount to the number of shares of stock deferred. In the event a cash dividend is declared on the stock, the portion of the participant s deferral account denominated in phantom share units is credited with additional phantom share units (or portions thereof). Directors who choose to defer fees otherwise payable in cash are credited with interest on their cash deferral at a rate for the year of deferral that is 100 basis points above the 12-month LIBOR rate for deposits of U.S. dollars. Generally, benefits are paid upon termination of service as a director. As at September 30, 2006, 36,579 (December 31, 2005: 31,411) phantom share units had been issued under the plan in lieu of fees, and 11,857 (December 31, 2005: 6,657) had been issued in lieu of restricted shares.

5. Investments

The following table summarizes the fixed maturity investments in an unrealized loss position at September 30, 2006 and December 31, 2005 and the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position:

As at September 30, 2006:

	12 months or greater		Less than 12 months		Total	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. government and agency securities	$ 598,306	$ (15,011)	$ 338,655	$ (2,552)	$ 936,961	$ (17,563)
Non - U.S. government securities	4,209	(135)	31,381	(2,470)	35,590	(2,605)
Corporate securities	467,313	(10,504)	506,117	(6,590)	973,430	(17,094)
Mortgage-backed securities	1,208,818	(30,326)	664,933	(9,375)	1,873,751	(39,701)
Asset-backed securities	149,932	(2,289)	111,984	(474)	261,916	(2,763)
Municipals	143,013	(1,981)	68,005	(184)	211,018	(2,165)
Total	$ 2,571,591	$ (60,246)	$ 1,721,075	$ (21,645)	$ 4,292,666	$ (81,891)

As at December 31, 2005:

	12 months or greater		Less than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and agency securities	$ 527,787	$ (10,823)	$ 746,012	$ (9,406)	$ 1,273,799	$ (20,229)
Non - U.S. government securities			115,871	(6,196)	115,871	(6,196)
Corporate securities	258,287	(6,361)	813,927	(14,314)	1,072,214	(20,675)
Mortgage-backed securities	309,808	(8,980)	1,674,865	(27,262)	1,984,673	(36,242)
Asset-backed securities	107,636	(2,198)	85,714	(1,217)	193,350	(3,415)
Municipals	55,720	(1,476)	157,116	(1,356)	212,836	(2,832)
Total	$ 1,259,238	$ (29,838)	$ 3,593,505	$ (59,751)	$ 4,852,743	$ (89,589)

As of September 30, 2006, there were approximately 1,937 securities (2005: 2,113) in an unrealized loss position with a fair market value of $4,292.7 million (2005: $4,852.7 million). Of these securities, there are 1,448 securities (2005: 517) that have been in an unrealized loss position for 12 months or greater with a fair market value of $2,571.6 million (2005: $1,259.2 million). The unrealized losses from these securities were not a result of credit, collateral or structural issues. As of September 30, 2006, 33 (2005: none) securities were considered to be other than temporarily impaired resulting in an impairment charge of $1.0 million for the quarter and $1.6 million for the nine months ended September 30, 2006.

6. Catastrophe Bond and Total Return Swap Facility

During the quarter ended September 30, 2006, the Company purchased a $50.0 million catastrophe bond with a floating rate coupon where the return is contingent upon certain geological events that may occur in the Pacific Northwest region of North America. This catastrophe bond is included in other investments in the consolidated balance sheets.

Subsequent to September 30, 2006, the Company entered into a $100.0 million Total Return Swap Facility (the Facility) with a financial institution for the purpose of accessing and isolating natural peril exposures embedded in capital market instruments. Following this transaction, the Company sold the $50.0 million catastrophe bond and utilized half of the Facility to enter into a $50.0 million catastrophe-related total return swap transaction, which was collateralized by a lien over a portfolio of the Company s investment grade securities. The Company will receive contract payments in exchange for assuming losses from qualifying earthquake loss events. The total return swap will be marked-to-market and reported in the consolidated balance sheets with any subsequent changes in estimated fair value reported as other insurance related income (loss) in the consolidated statements of operations. The quarterly net contract payments, including the Facility fee and potential loss payments, will also be included in other insurance related income (loss). The Facility will terminate on September 15, 2009.

7. Intangible Assets

The following table shows an analysis of intangible assets by major class as of September 30, 2006 and December 31, 2005:

	Goodwill		Intangible assets with an indefinite life		Intangible assets with a definite life		Total	
Net balance at December 31, 2005	$	2,750	$	26,036	$	8,227	$	37,013
Additions								
Amortization					(2,470)		(2,470)	
Net balance at September 30, 2006	$	2,750	$	26,036	$	5,757	$	34,543
Gross balance	$	2,750	$	26,036	$	15,118	$	43,904
Accumulated amortization					(9,361)		(9,361)	
Net balance	$	2,750	$	26,036	$	5,757	$	34,543

8. Debt and Financing Arrangements

a) Senior Notes

On November 15, 2004, the Company issued $500.0 million of senior unsecured debt (Senior Notes) at an issue price of 99.785%, generating net proceeds of $495.7 million. The Senior Notes bear interest at a rate of 5.75%, payable semi-annually in arrears on June 1 and December 1 of each year. Unless previously redeemed, the Senior Notes will mature on December 1, 2014. The Company may redeem the Senior Notes at any time and from time to time, in whole or in part, at a make-whole redemption price, however, the Company has no current intentions of calling the Senior Notes. The Senior Notes indenture contains various covenants, including limitations on liens on the stock of restricted subsidiaries, restrictions as to the disposition of the stock of restricted subsidiaries and limitations on mergers and consolidations. The Company was in compliance with all the covenants contained in the Senior Notes indenture at September 30, 2006. The market value of the Senior Notes at September 30, 2006 was $492.9 million (December 31, 2005: $498.5 million).

Interest expense includes interest payable, amortization of the offering discount and amortization of debt offering expenses. The offering discount and debt offering expenses are amortized over the period of time during which the Senior Notes are outstanding. For the quarters ended September 30, 2006 and 2005, the Company incurred interest expense for the Senior Notes of $7.3 million. For the nine months ended September 30, 2006 and 2005, the Company incurred interest expense for the Senior Notes of $21.9 million.

b) Credit Facilities

As at September 30, 2006, the Company had a $1.5 billion credit facility agreement with a syndicate of lenders. The credit agreement is an unsecured five-year facility that allows the Company and its operating subsidiaries to issue letters of credit up to the full amount of the facility and to borrow up to $500.0 million for general corporate purposes, with total usage not to exceed $1.5 billion. The credit agreement contains various loan covenants, including limitations on the incurrence of future indebtedness, future liens, fundamental changes, investments and certain transactions with affiliates. The facility also requires that the Company maintain 1) a minimum consolidated net worth of $2.0 billion plus (A) 25% of consolidated net income (if positive) of AXIS Capital for each semi-annual fiscal period ending on or after December 31, 2005 plus (B) an amount equal to 25% of the net cash proceeds received by AXIS Capital from the issuance of its capital stock during each such semi-annual fiscal period and 2) a maximum debt to total capitalization ratio of 0.35:1.0. The Company was in compliance with all covenants contained in the credit agreement at September 30, 2006. As at September 30, 2006, the Company had letters of credit of $598.7 million (December 31, 2005: $685.1 million) outstanding. There was no debt outstanding under the credit facility as at September 30, 2006 or December 31, 2005.

9. Earnings Per Common Share

The following table sets forth the calculation of basic and diluted earnings per common share:

	Quarters Ended		Nine Months Ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Basic earnings per common share				
Net income (loss) available to common shareholders	$ 226,222	$ (468,075)	$ 644,807	$ (143,431)
Weighted average common shares outstanding	149,884,027	140,995,298	149,656,707	142,711,852
Basic earnings per common share	$ 1.51	$ (3.32)	$ 4.31	$ (1.01)
Diluted earnings per common share				
Net income (loss) available to common shareholders	$ 226,222	$ (468,075)	$ 644,807	$ (143,431)
Weighted average common shares outstanding	149,884,027	140,995,298	149,656,707	142,711,852
Share equivalents				
Warrants	11,782,186		11,474,163	
Options	2,009,716		1,940,837	
Restricted stock	1,024,997		790,951	
Weighted average common shares and common share equivalents outstanding diluted	164,700,926	140,995,298	163,862,658	142,711,852
Diluted earnings per common share	$ 1.37	$ (3.32)	$ 3.94	$ (1.01)

Share equivalents that would result in the issuance of common shares of nil, 1,175,973, 16,570,771, 17,186,868 were outstanding for the quarters and nine months ended September 30, 2006 and 2005, respectively, but were not included in the computation of diluted earnings per share because the effect would be antidilutive.

10. Commitments and Contingencies

a) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of investments and reinsurance recoverable balances. The investment portfolio is managed by external advisors in accordance with prudent standards of diversification. Specific provisions limit the allowable holdings of a single issue and issuers. The Company did not have an aggregate exposure in a single entity, other than in U.S. Government and U.S. Government agency securities, of more than 2.0% of shareholders equity at September 30, 2006. Concentration of credit risk with respect to reinsurance recoverable balances is limited due to the number of reinsureds used on the Company s reinsurance programs. At September 30, 2006 the provision for unrecoverable reinsurance was $15.2 million (December 31, 2005: $15.6 million).

b) Lease Commitments

The Company and its subsidiaries lease office space in the countries in which they operate under operating leases which expire at various dates. The Company renews and enters into new leases in the ordinary course of business as required. Total rent expense with respect to these operating leases for the nine months ended September 30, 2006 and 2005 was approximately $7.2 million and $6.0 million, respectively.

Future minimum lease payments under the leases are expected to be as follows:

Year ended September 30,	
2007	$ 10,545
2008	10,240
2009	9,662
2010	9,517
2011	9,716
Later years	30,303
Total minimum future lease commitments	$ 79,983

c) Investment Commitments

During the nine months ended September 30, 2006, the Company made certain commitments with respect to an additional investment in an alternative investment fund. At September 30, 2006, the total outstanding investment commitment was $23.0 million which the Company anticipates funding by the end of 2006. There were no investment commitments at December 31, 2005.

d) Reinsurance Purchase Commitment

During the nine months ended September 30, 2006, the Company purchased reinsurance coverage for its U.S. property line of business. The minimum reinsurance premiums are contractually due on a quarterly basis in advance. Accordingly, at September 30, 2006, the Company has an outstanding reinsurance purchase commitment of $77.3 million.

e) Legal Proceedings

From time to time, the Company is subject to routine legal proceedings, including arbitrations, arising in the ordinary course of business. These legal proceedings generally relate to claims asserted by or against the Company in the ordinary course of insurance or reinsurance operations. In the opinion of management, the eventual outcome of these legal proceedings is not expected to have a material adverse effect on the Company s financial condition or results of operations.

f) Dividends for Common Shares and Preferred Shares

On September 8, 2006 the Board of Directors declared a quarterly dividend of $0.15 per common share to shareholders of record at September 30, 2006 and payable on October 16, 2006. Additionally, the Board of Directors declared a dividend of $0.45 per Series A 7.25% Preferred share and a dividend of $1.88 per Series B 7.5% Preferred share. The Series A Preferred share is payable on October 16, 2006, to shareholders of record at September 30, 2006 and the Series B Preferred share is payable on December 1, 2006 to shareholders of record at November 15, 2006.

11. Related Party Transactions

During the nine months ended September 30, 2005, Marsh & McLennan Companies, Inc. (Marsh) and its subsidiaries were considered to be related parties due to a direct shareholding in the Company. During this period the Company paid brokerage and commissions to Marsh of $66.4 million.

12. Taxation

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on its income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, the Company will be exempt from taxation in Bermuda until March 2016.

The Company s U.S. subsidiaries are subject to federal, state and local corporate income taxes and other taxes applicable to U.S. corporations. The provision for federal income taxes has been determined under the principles of the consolidated tax provisions of the U.S. Internal Revenue Code and Regulations thereunder. Should the U.S. subsidiaries pay a dividend to the Company, withholding taxes will apply.

The Company has operating subsidiaries and branch operations in Ireland, the United Kingdom and Switzerland and is subject to the relevant taxes in those jurisdictions.

Deferred income taxes reflect the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Significant components of the net deferred tax asset (liability) are as follows:

	September 30, 2006	**December 31, 2005**
Deferred tax assets:		
Discounting of loss reserves	$ 50,486	$ 26,239
Unearned premium	30,896	41,050
Other	23,706	18,370
Deferred tax assets, gross of valuation allowance	105,088	85,659
Valuation allowance	(4,368)	(5,774)
Deferred tax assets, net of valuation allowance	100,720	79,885
Deferred tax liabilities:		
Deferred acquisition costs	(34,440)	(25,794)
Other	(3,435)	(3,217)
Deferred tax liabilities	(37,875)	(29,011)
Net deferred tax assets	$ 62,845	$ 50,874

The valuation allowance is related to net realized and unrealized losses on the Company s fixed maturity investments. The Company believes it is necessary to establish a valuation allowance against the deferred tax asset arising from net realized and unrealized losses and realized capital losses on fixed maturity investments due to the inability to guarantee the reversal of these losses. At September 30, 2006, the total valuation allowance related to net unrealized losses on investments of $3.6 million (December 31, 2005: $5.1 million) has been recorded as a component of other comprehensive income consistent with the treatment of the net unrealized losses on investments. The remaining balance of the valuation allowance of $0.8 million (December 31, 2005: $0.7 million) for the realized capital losses has been included in the income tax expense in the consolidated statements of operations. Management believes it is more likely than not that the tax benefit of the remaining net deferred tax assets will be realized. The net deferred tax assets are included in other assets in the consolidated balance sheets.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

As used in this quarterly report, references to we, us or our refer to the consolidated operations of AXIS Capital and its direct and indirect subsidiaries and branches, unless the context suggests otherwise.

Overview

The following is a discussion of the Company s financial condition, liquidity and results of operations. This discussion should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 9, 2006.

We derive our revenues primarily from the sale of our insurance policies and reinsurance contracts. Insurance and reinsurance premiums are a function of the number and type of contracts we write, as well as prevailing market prices. Our expenses primarily consist of net losses and loss expenses, acquisition costs, general and administrative expenses and interest expense.

Our objective as an insurance and reinsurance company is to generate superior returns on capital that appropriately reward us for the risks we assume and to grow revenue only when we deem the returns meet or exceed our requirements. To achieve this objective, we must be able to accurately assess the potential losses associated with the risks that we insure and reinsure, to manage our investment portfolio risk appropriately, and to control acquisition costs and infrastructure throughout the organization. Four financial measures that are meaningful in analyzing our performance are return on common equity, book value per common share, combined ratio and underwriting income. Our return on common equity calculation is based on the level of net income available to common shareholders generated from the average of the opening and closing common shareholders equity during the period. Book value per common share is calculated by dividing common shareholders equity by the number of outstanding common shares at any period end. The combined ratio is a formula used by insurance and reinsurance companies to relate net premiums earned during a period to net losses and loss expenses, acquisition costs and general and administrative expenses during a period. We consider return on common equity and book value per common share to be appropriate indicators of our returns to common shareholders. A combined ratio above 100% indicates that a company is incurring more in net losses and loss expenses, acquisition costs and general and administrative expenses than it is earning in net premiums. We consider the combined ratio an appropriate indicator of our underwriting performance, particularly given the relatively short tail orientation of our overall portfolio of risks. Underwriting income on a segment basis is a measure of underwriting profitability that takes into account net premiums earned and other insurance related income as revenue and net losses and loss expenses, acquisition costs and underwriting related general and administrative expenses as expenses. Underwriting income is the difference between these revenue and expense items.

The following table details our key performance indicators for the periods indicated:

	Quarters Ended September 30, 2006	September 30, 2005	Nine Months Ended September 30, 2006	September 30, 2005
	($in thousands, except per share amounts)			
Gross premiums written	$ 734,910	$ 794,571	$ 2,895,030	$ 2,760,563
Net premiums earned	692,780	616,814	2,005,473	1,866,817
Net investment income	98,787	67,015	284,018	177,774
Net income (loss) available to common shareholders	226,222	(468,075)	644,807	(143,431)
Net loss and loss expense ratio	52.8%	167.8%	54.7%	91.2%
Acquisition cost ratio	15.0%	10.4%	14.7%	12.9%
General and administrative expense ratio	9.9%	7.2%	9.1%	8.3%
Combined ratio	77.7%	185.4%	78.5%	112.4%
Return on average common equity	26.0%	(64.7%)	25.8%	(6.5%)
Book value per common share	$ 24.27	$ 18.52	$ 24.27	$ 18.52

Because we have a limited operating history and are exposed to volatility in our results of operations, period-to-period comparisons of our results of operations may not be meaningful. In addition, the amount of premiums written with respect to any particular segment or line of business may vary from quarter to quarter as a result of changes in market conditions and our view of the long-term profit potential of individual lines of business. Operating results for the third quarter and nine months of 2005 were significantly impacted by Hurricanes Katrina and Rita, consequently any comparison between corresponding periods must consider these factors.

Outlook

The markets in which we operate have historically been cyclical. During periods of excess underwriting capacity, as defined by availability of capital, competition can result in lower pricing and less favorable policy terms and conditions for insurers and reinsurers. During periods of reduced underwriting capacity, pricing and policy terms and conditions are generally more favorable for insurers and reinsurers. Historically, underwriting capacity has been impacted by several factors, including industry losses, catastrophes, changes in legal and regulatory guidelines, investment results and the ratings and financial strength of competitors.

We believe we are currently operating in a marketplace that, with appropriate risk selection, can generally offer favorable pricing and/or terms and conditions in all of our business segments. The market has been most impacted by record catastrophe losses incurred by the insurance industry in 2005, led by Hurricanes Katrina, Rita and Wilma, and reflects more disciplined underwriting and recalibration of catastrophe models addressing increased assumptions regarding potential losses and increased capital requirements for loss scenarios. We are managing our group catastrophe exposures on the basis of these new assumptions and, while gross group catastrophe exposures have been adjusted downward relative to last year on this basis, increased pricing on a gross basis has largely compensated for this exposure reduction. In general, property lines in our wholesale insurance and reinsurance businesses have experienced significantly improved pricing, terms and conditions. The most dramatic hardening, including major revisions of terms, conditions and structures, has occurred for business exposed to U.S. wind perils. This has also resulted in an increased orientation in our reinsurance segment toward non-proportional business.

For short-tail insurance and reinsurance business without natural perils exposure or with natural perils exposure but outside the U.S., we have experienced increased competition. We have not observed any notable upward momentum in rates for European catastrophe exposures, but expect a positive orientation for this exposure in our reinsurance business as we near year-end. For casualty insurance and reinsurance lines of

business, particularly in the U.S., pricing, terms and conditions are at or above technically adequate levels. This favorable underwriting environment may increase pressure on rates in the near-term for both casualty insurance and reinsurance. This would be due to greater retentions on the part of the primary insurance market causing additional competition.

We purchase reinsurance to mitigate volatility in our insurance segments and the substantial changes in the property reinsurance marketplace have impacted upon on our reinsurance buying strategy. In our insurance segment, we have been reducing aggregate catastrophe exposures from the underlying business by non-renewing inadequately priced business, reducing limits and writing new business that is meeting or exceeding our pricing requirements. While we continue to purchase reinsurance opportunistically throughout the year in our global insurance segment, we are seeing fewer attractive opportunities and have concentrated on reducing our gross exposures to mitigate volatility in the portfolio. We have purchased less reinsurance in global insurance while reducing gross exposures. In U.S. insurance, we maintain a comprehensive excess of loss property reinsurance program which includes a per risk program (renews May 1st) and catastrophe program (renews July 1). We have completed renewals of both of these programs. Per risk treaty limits were adjusted to reflect current business needs. We purchased the same limit of $400.0 million for our Catastrophe program. The renewed reinsurance programs have an increased level of retention from any one event.

Critical Accounting Estimates

The Company s critical accounting estimates are discussed in Management s Discussion and Analysis of Results of Operations and Financial Condition contained in our Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 9, 2006.

Recent Accounting Pronouncements

Effective January 1, 2006, we adopted the fair value recognition provisions of FAS No.123(R) using the modified prospective transition method and therefore have not restated results for prior periods. See Note 2 to the Consolidated Financial Statements for a discussion of other recent accounting pronouncements.

Consolidated Results of Operations

Quarters Ended September 30, 2006 and 2005

Premiums. The $59.7 million decrease in gross premiums written was largely due to a $59.6 million reduction in reinstatement premiums in our reinsurance segment. These were significantly higher in the third quarter of 2005 following the reinstatement of our cedants reinsurance coverage utilized by losses from Hurricanes Katrina and Rita.

The $147.9 million decrease in premiums ceded was driven by a decrease in ceded reinstatement premiums in our insurance segment. Premiums ceded increased significantly in the quarter ended September 30, 2005 following the reinstatement of our reinsurance protection that had been utilized by Hurricanes Katrina and Rita.

The $76.0 million increase in net premiums earned was primarily generated by our insurance segment, which reported an increase of $79.2 million, largely due to lower ceded amortized reinsurance costs in global insurance.

Net Investment Income. The increase in net investment income of $31.8 million is due to a combination of higher investment balances and higher investment yields. Net investment income for the quarter ended September 30, 2006 consisted of $97.5 million of interest on cash and fixed maturity investments and $3.4 million of income from other investments, offset by $2.1 million of net investment expenses. Included in net investment income was $0.2 million (2005: $4.2 million) of unrealized gains from other investments. Net

investment income for the quarter ended September 30, 2005 consisted of $62.3 million of interest on cash and fixed maturity investments, $6.4 million of income from other investments, offset by $1.7 million of net investment expenses.

Cash and fixed maturity investments increased by 11.3% from December 31, 2005 to September 30, 2006 due to positive operating cash-flows. The annualized effective yield of cash and fixed maturity investments managed by our portfolio managers (calculated by dividing the net investment income generated from invested assets by the average balance of the assets managed by our portfolio managers) increased by 0.5 percentage points to 4.8%. The increase in the effective yield was primarily due to higher U.S. interest rates at the short end of the yield curve. The effective yield may vary significantly from period to period due primarily to the timing of cash flows, changes in interest rates and changes in asset allocation.

Net Realized Losses. Net realized losses decreased by $4.7 million. The decrease was primarily a result of lower losses in net realized and unrealized gains of $4.7 million from investment derivatives that we use to hedge foreign exchange risk in our investment portfolio. We manage our portfolio to produce a total return. In assessing returns under this approach, we include investment income, realized gains and losses and unrealized gains and losses generated by the investment portfolio. As a result, there can be significant changes in the levels of our net realized gains (losses) from quarter to quarter. Included within net realized losses was $0.8 million (2005: ($0.7) million) of realized gains from mortgage-backed securities that are required to be classified as derivatives.

The total return for our cash and fixed maturity investments managed by our portfolio managers for the quarter ended September 30, 2006 (calculated using beginning and ending market portfolio values, adjusted for external cash flows) was 3.1% versus (0.2%) for the quarter ended September 30, 2005. The total return for an investment portfolio consists of price and income return. These components are primarily affected by the timing of cash flows, changes in interest rates and changes in asset allocation. The return for the quarter ended September 30, 2006 was higher than the same period in 2005 primarily due to decreases in intermediate yields that positively impacted the price of our fixed income securities in the 2006 period.

A portion of the Company s fixed maturities were in an unrealized loss position at September 30, 2006. The Company evaluates these investments to determine whether such securities are other-than-temporarily-impaired based on the length of time the securities amortized cost has exceeded current market prices, the expected maturity of the investment, the significance of the decline, the liquidity, business prospects and overall financial condition of the issuer and the Company s intent and ability to hold the investment to recovery. During the quarter ended September 30, 2006, we identified twenty-two fixed maturity securities as having an other-than-temporary impairment. Consequently, the cost of such securities was written down to fair value, and the Company recognized a loss of $1.0 million (2005: nil) on these securities.

Net Losses and Loss Expenses. Net losses and loss expenses for the quarter ended September 30, 2006 was $365.9 million, or 52.8% of net premiums earned, compared to $1,035.3 million, or 167.8% of net premiums earned, for the quarter ended September 30, 2005. The decrease was primarily due to lower catastrophe activity in the current quarter compared to the third quarter of 2005, when we incurred net losses of $804.5 million, or 130.4 percentage points, from Hurricanes Katrina and Rita. During the quarter ended September 30, 2006, we experienced favorable prior period development of $56.6 million, or 8.2 percentage points, which was net of $37.0 million of adverse development relating to Hurricanes Katrina, Rita and Wilma. During the quarter ended September 30, 2005 we experienced favorable development of $95.8 million, or 15.5 percentage points.

Acquisition Costs. The acquisition cost ratio for the quarter ended September 30, 2006 was 15.0% compared to 10.4% for the quarter ended September 30, 2005. During the quarter ended September 30, 2005, we reduced our estimate for amounts due under our incentive commission arrangements with brokers from 2004, resulting in a reduction in our 2005 acquisition cost ratio of 4.5 percentage points.

At September 30, 2006, we had one remaining incentive commission arrangement with a broker from 2004 that had yet to be resolved. Although we have accrued our best estimate of the amount due under this arrangement, given the uncertainties that exist surrounding the calculation and payment of this incentive commission, our estimate is subject to change. Any change in the estimate will be recorded during the period in which the change is identified. There was no change in the estimate during the quarter ended September 30, 2006.

General and Administrative Expenses. The 2.7 percentage point increase in our general and administrative expense ratio was primarily due to higher employee compensation costs under our incentive plans resulting from lower loss activity in 2006.

Foreign Exchange. Our functional currency is the U.S. dollar; however, some of our business is written in other currencies. For the quarter ended September 30, 2006, we experienced a foreign exchange loss of $2.7 million compared to $1.7 million for the quarter ended September 30, 2005. The loss was principally driven by the revaluation of asset balances denominated in Euros following a 0.9% depreciation of the Euro against the U.S. dollar during the quarter ended September 30, 2006.

In 2005, we implemented a currency hedging program by entering into several foreign currency forward contracts to attempt to minimize negative effects of fluctuation in foreign currency rates on our foreign currency denominated assets and liabilities. As at September 30, 2006, the net contractual amount of foreign currency forward contracts was $15.7 million with an unrealized loss of $0.8 million.

Income Tax. Income tax expense increased by $14.5 million in the quarter ended September 30, 2006 compared to the same quarter of 2005. This was primarily due to the generation of taxable income in our U.S and European subsidiaries. In the quarter ended September 30, 2005 our U.S and European subsidiaries generated taxable losses following significant hurricane-related net loss and loss expenses.

Preferred Dividends. The increase of $9.2 million was due to dividends on our Series A and Series B preferred shares issued in the fourth quarter of 2005.

Nine Months Ended September 30, 2006 and 2005

Premiums. The $134.5 million increase in gross premiums written was primarily due to a $117.0 million increase in our insurance segment driven by rate increases within our property and energy lines and by new business written in our professional lines and other specialty business.

The decrease of $88.9 million in premiums ceded was driven by a decrease in reinstatement premiums ceded in our insurance segment. Premiums ceded increased significantly in the quarter ended September 30, 2005 following the reinstatement of reinsurance protections that had been utilized by Hurricanes Katrina and Rita.

The increase in net premiums earned was generated by both our insurance and reinsurance segments. Premiums are earned over the period of the risks to which they relate. As the level of net premiums written increases, the level of net premiums earned also increases. As we experienced an increase in net premiums written over the rolling twelve-month period ended September 30, 2006 compared to the rolling twelve-month period ended September 30, 2005, our net premiums earned increased. We also experienced lower ceded amortized reinsurance costs in global insurance which were higher in 2005 following the impact of the hurricanes.

Net Investment Income. The increase in net investment income of $106.2 million is due to a combination of higher investment balances, higher investment yields and increased income from other investments. Net investment income in the nine months ended September 30, 2006 consisted of $267.2 million of interest on cash

and fixed maturity investments and $22.4 million of income from other investments, offset by $5.6 million of net investment expenses. Included in net investment income was $13.8 million (2005: $5.1 million) of unrealized gains from other investments. Net investment income for the nine months ended September 30, 2005 consisted of $172.1 million of interest on cash and fixed maturity investments, $10.6 million of income from other investments, offset by $4.9 million of net investment expenses.

Cash and fixed maturity investments increased by 11.3% from December 31, 2005 to September 30, 2006 due to positive operating cash-flows. The annualized effective yield of cash and fixed maturity investments managed by our portfolio managers (calculated by dividing the net investment income generated from invested assets by the average balance of the assets managed by our portfolio managers) increased by 0.6% to 4.6%. The increase in the effective yield was primarily due to higher U.S. interest rates at the short end of the yield curve. The effective yield may vary significantly from period to period due primarily to the timing of cash flows, changes in interest rates and changes in asset allocation.

Net Realized Losses. Net realized losses increased by $16.4 million. The increase was generated by higher net realized losses of $13.9 million from fixed maturity investments and higher net realized and unrealized losses of $2.5 million from investment derivatives that we use to hedge foreign exchange risk in our investment portfolio. We manage our portfolio to produce a total return. In assessing returns under this approach, we include investment income, realized gains and losses and unrealized gains and losses generated by the investment portfolio. As a result, there can be significant changes in the levels of our net realized gains (losses) from quarter to quarter. Included within net realized gains (losses) was ($2.7) million (2005: $0.7 million) of realized losses from mortgage-backed securities that are required to be classified as derivatives.

The total return for our cash and fixed maturity investments managed by our portfolio managers for the nine months ended September 30, 2006 (calculated using beginning and ending market portfolio values, adjusted for external cash flows) was 3.4% versus 1.7% for the nine months ended September 30, 2005. The total return for an investment portfolio consists of price and income return. These components are primarily affected by the timing of cash flows, changes in interest rates and changes in asset allocation. The return for the nine months ended September 30, 2006 was higher than the same period in 2005 primarily due to increases in intermediate yields that negatively impacted the price of our fixed income portfolio in the 2005 period.

During the nine months ended September 30, 2006, we identified 33 fixed maturity securities as having an other-than-temporary-impairment. Consequently, the cost of such securities was written down to fair value and we recognized a loss of $1.6 million (2005: nil) on these securities.

Other Insurance Related Income/Loss. The increase of $7.1 million in other insurance income/loss was largely due to losses recognized in 2005 following the expiration of a political risk contract that we accounted for as a derivative.

Net Losses and Loss Expenses. Net losses and loss expenses for the nine months ended September 30, 2006 was $1,096.6 million, or 54.7% of net premiums earned, compared to $1,702.4 million, or 91.2% of net premiums earned, for the nine months ended September 30, 2005. The decrease was primarily due to lower catastrophe activity in 2006 compared to 2005, when we incurred net losses of $804.5 million, or 43.1 percentage points, from Hurricanes Katrina and Rita. During the nine months ended September 30, 2006, we experienced favorable prior period development of $182.1 million, or 9.1 percentage points, which was net of $91.0 million of adverse development relating to Hurricanes Katrina, Rita and Wilma. During the nine months ended September 30, 2005 we experienced favorable development of $236.5 million, or 12.7 percentage points.

Acquisition Costs. The acquisition cost ratio for the nine months ended September 30, 2006 was 14.7% compared to 12.9% for the nine months ended September 30, 2005. During the nine months ended September 30, 2005, we reduced our estimate for amounts due under our incentive commission arrangements with brokers

from 2004, resulting in a reduction in our 2005 acquisition cost ratio of 0.8 percentage points. The remainder of the increase was mostly driven by a change of business mix in our insurance segment.

General and Administrative Expenses. The 0.8 percentage point increase in our general and administrative expense ratio was primarily due to higher employee compensation costs under our incentive plans resulting from lower loss activity in 2006.

Foreign Exchange. Our functional currency is the U.S. dollar; however, some of our business is written in other currencies. For the nine months ended September 30, 2006, we experienced a foreign exchange gain of $25.4 million compared to a foreign exchange loss of $52.4 million for the nine months ended September 30, 2005. The gain was principally made on the revaluation of asset balances denominated in Sterling and Euros following an 8.7% and 7.0% appreciation of Sterling and the Euro against the U.S. dollar, respectively, during the nine months ended September 30, 2006. The foreign exchange loss experienced for the nine months ended September 30, 2005 was primarily driven by the depreciation in Sterling and the Euro against the U.S. dollar since the year end. Movements of 8.1% and 11.7% were experienced in Sterling and the Euro, respectively.

In 2005, we implemented a currency hedging program by entering into several foreign currency forward contracts to attempt to minimize negative effects of fluctuation in foreign currency rates on our foreign currency denominated assets and liabilities. As at September 30, 2006, the net contractual amount of foreign currency forward contracts was $15.7 million with an unrealized loss of $0.8 million.

Income Tax. Income tax expense increased by $22.4 million in the nine months ended September 30, 2006 compared to the same period of 2005 primarily due to the generation of additional taxable income in our U.S and European subsidiaries.

Preferred Dividends. The increase of $28.1 million was due to the dividends on our Series A and Series B preferred shares issued in the fourth quarter of 2005.

Underwriting Results by Segment

Our business consists of two underwriting segments: insurance and reinsurance. Our insurance segment is further divided into two sub-segments: global insurance and U.S. insurance.

We evaluate the performance of each underwriting segment based on underwriting results. We allocate all of our general and administrative costs, except our corporate expenses, to our underwriting segments. Our corporate expenses include holding company costs necessary to support our worldwide insurance and reinsurance operations and costs associated with operating as a publicly-traded company. We do not allocate our assets by segment as we evaluate the underwriting results of each segment separately from the results of our investment portfolio.

Insurance

Our insurance segment provides coverage for specialty lines of business on a worldwide basis.

Global insurance provides specialty lines coverage predominantly through the London broker network with product lines comprising property, marine, terrorism and war risk, aviation and aerospace, political risk and professional lines and other specialty risks.

U.S. insurance operates through offices throughout the U.S., provides coverage through a variety of distribution channels in the U.S., and covers predominantly U.S. exposures. The product lines are property, professional lines, liability and other specialty and are offered through wholesale brokers, retail brokers and managing general agents and underwriters. Many of our property and casualty insurance products are for nonstandard and complex risks. U.S. insurance has the ability to write business on an admitted basis using forms

and rates as filed with state insurance regulators and on a non-admitted, or surplus lines basis, with flexibility in forms and rates not filed with state insurance regulators. Having a non-admitted carrier provides the pricing flexibility needed to write non-standard coverage.

Quarters Ended September 30, 2006 and 2005

The following table summarizes the underwriting results and ratios for the insurance segment for the quarters ended September 30, 2006 and 2005:

	Quarters Ended September 30, 2006 ($ in thousands)	September 30, 2005	Change	% Change
Revenues:				
Gross premiums written	$ 453,116	$ 460,583	$ (7,467)	(1.6)%
Net premiums written	323,618	187,874	135,744	72.3%
Net premiums earned	327,701	248,533	79,168	31.9%
Other insurance related income	412	236	176	74.6%
Expenses:				
Net losses and loss expenses	(182,280)	(438,524)	256,244	(58.4)%
Acquisition costs	(40,796)	(11,571)	(29,225)	252.6%
General and administrative expenses	(36,141)	(28,755)	(7,386)	25.7%
Underwriting income (loss)	$ 68,896	$ (230,081)	$ 298,977	129.9%
Ratios:				
Net loss and loss expense ratio	55.6%	176.4%	(120.8)%	
Acquisition cost ratio	12.4%	4.7%	7.7%	
General and administrative expense ratio	11.0%	11.6%	(0.6)%	
Combined ratio	79.0%	192.7%	(113.7)%	

Premiums. The decrease in gross premiums written was due to a decrease of $14.3 million in global insurance offset by a $6.8 million increase in U.S. insurance.

The table below shows gross premiums written in global insurance by line of business for the quarters ended September 30, 2006 and 2005:

	Quarters Ended September 30, 2006 ($ in thousands)	September 30, 2005	Change	% Change
Property	$ 43,599	$ 49,136	$ (5,537)	(11.3)%
Marine	33,208	23,671	9,537	40.3%
Terrorism and War Risk	23,737	23,919	(182)	(0.8)%
Aviation and Aerospace	11,678	28,037	(16,359)	(58.3)%
Political Risk	35,392	45,743	(10,351)	(22.6)%
Professional Lines and Other Specialty	29,736	21,110	8,626	40.9%
Total	$ 177,350	$ 191,616	$ (14,266)	(7.4)%

The decrease in gross premiums written was largely due to a reduction in our aviation and aerospace book where the pricing environment continued to deteriorate and fewer risks met our underwriting criteria. Our primary renewal period for this business is the fourth quarter and similar to 2005 we expect the deterioration in

the pricing environment will continue to limit the level of premiums written in this line. Also contributing to the decrease was our political risk book which has unpredictable business flows; consequently there can be some variability in the level of our gross premiums written for comparable periods. We experienced a decrease in our property account that was largely due to changes in the timing of renewals.

The increase in our marine line was primarily driven by significantly improved pricing in our energy offshore account, particularly for business exposed to U.S. wind perils. These substantially improved market conditions followed the recalibration of catastrophe models addressing the increased frequency and severity of potential losses and increased capital requirements of rating agencies. The increase in our professional lines and other specialty business was driven by growth of a specialty property program that we began to write in the third quarter of 2005 and new market opportunities in the current period.

The table below shows gross premiums written in U.S. insurance by line of business for the quarters ended September 30, 2006 and 2005:

	Quarters Ended									
	September 30, 2006		**September 30, 2005**			**Change**			**% Change**	
	($ in thousands)									
Property	$	114,032	$	116,250	$	(2,218	)	(1.9	%)
Professional Lines	83,296		84,665			(1,369	)	(1.6	%)
Liability	65,381		64,977			404		0.6	%
Other Specialty	13,057		3,075			9,982		324.6	%
Total	$	275,766	$	268,967	$	6,799		2.5	%

The growth in U.S insurance was primarily driven by our other specialty account. Gross premiums written in this line primarily relate to our employer medical stop-loss business we entered into in late 2004, that developed throughout 2005, and experienced additional growth during 2006. Gross premiums written in our property account were consistent with the third quarter of 2005. Despite substantially reducing our aggregate catastrophe exposures, the impact was largely offset by significant rate increases on this business together with growth in new specialty property program business.

Premiums ceded decreased by $143.2 million from $272.7 million for the quarter ended September 30, 2005 to $129.5 million for the quarter ended September 30, 2006. This was primarily due to lower reinstatement premiums ceded this quarter. During the quarter ended September 30, 2005 we ceded an additional $96.7 million of premium following the reinstatement of reinsurance protections that had been utilized by Hurricanes Katrina and Rita. The remainder of the decrease largely relates to global insurance where ceded premium varies quarter on quarter depending on available market opportunities.

The following table shows net premiums earned in our insurance segment for the quarters ended September 30, 2006 and 2005:

	Quarters Ended							
	September 30, 2006		**September 30, 2005**		**Change**		**% Change**	
	($ in thousands)							
Gross premiums earned	$ 490,150		$ 486,194		$ 3,956		0.8	%
Ceded premiums amortized	(162,449	)	(237,661	)	75,212		(31.6	%)
Net premiums earned	$ 327,701		$ 248,533		$ 79,168		31.9	%

The increase in net premiums earned was primarily due to the impact of the hurricanes in 2005. We fully amortized ceded premiums and associated reinstatement premiums that related to reinsurance protections utilized by Hurricanes Katrina and Rita.

Net Losses and Loss Expenses. The decrease in the net loss and loss expense ratio of 120.8 percentage points was primarily due to significant hurricane activity in the quarter ended September 30, 2005.

The net loss and loss expense ratio for global insurance was 51.8% for the quarter ended September 30, 2006 compared to 217.9% for the quarter ended September 30, 2005. The decrease was primarily due to lower catastrophe activity in the current quarter compared to the third quarter of 2005, when we incurred net losses from Hurricanes Katrina and Rita of $248.5 million, or 175.8 percentage points. During the quarter ended September 30, 2006, we experienced favorable development in prior year loss and loss expense reserves of $20.5 million, or 10.8 percentage points, which is net of $46.0 million of adverse development on losses relating to Hurricanes Katrina, Rita and Wilma. We experienced favorable development of $59.2 million, or 41.9 percentage points, for the quarter ended September 30, 2005. In estimating the ultimate cost of losses, we primarily use the Bornhuetter-Ferguson method. This method takes as a starting point an initial expected loss and loss expense ratio and blends in the loss and loss expense ratio implied by our experience to date. Consequently, as actual claims have been less than expected on our short-tail lines of business, this has generated favorable loss development. The accident year net loss and loss expense ratio for the quarter ended September 30, 2006 was 62.6%. Our accident year ratio has increased during 2006 primarily due to a shift in business mix towards professional lines business that typically has a higher initial expected net loss and loss expense ratio.

The net loss and loss expense ratio for U.S. insurance was 60.8% for the quarter ended September 30, 2006 compared to 121.8% for the quarter ended September 30, 2005. The decrease was primarily due to lower catastrophe activity in the quarter compared to the third quarter of 2005, when we incurred net losses from Hurricanes Katrina and Rita of $61.0 million, or 56.9 percentage points. During the quarter ended September 30, 2006, we experienced favorable prior year development of $7.5 million, or 5.4 percentage points, that was primarily generated from our property line of business. During the quarter ended September 30, 2005, we experienced favorable prior period development of $6.9 million, or 6.4 percentage points. The accident year net loss and loss expense ratio for quarter ended September 30, 2006 was 66.2%.

Acquisition Costs. The increase in the acquisition cost ratio was driven by an increase in the acquisition cost ratio in both global insurance and U.S insurance.

Acquisition costs in global insurance were $27.4 million, or 14.5% of net premiums earned, for the quarter ended September 30, 2006, compared with $13.3 million, or 9.4% of net premiums earned, for the quarter ended September 30, 2005. During the quarter ended September 30, 2005, we reduced our estimate for amounts due under our incentive commission arrangements with brokers from 2004 resulting in a reduction in our 2005 acquisition cost ratio of 8.5 percentage points. This was partially offset by lower ceded amortized reinsurance costs in the current period.

Acquisition costs in U.S. insurance were $13.4 million, or 9.7% of net premiums earned, for the quarter ended September 30, 2006 compared to $(1.7) million, or (1.6%) of net premiums earned, for the quarter ended September 30, 2005. During the quarter ended September 30, 2005, we reduced our estimate for amounts due under our incentive commission arrangements with brokers from 2004 resulting in a reduction in our 2005 acquisition cost ratio of 6.8 percentage points. The remainder of the increase was largely due to a shift in business mix with more business generated from our specialty program business, which has higher acquisition costs.

General and Administrative Expenses. We experienced an increase in general and administrative expenses of $7.4 million, however our general and administrative ratio decreased by 0.6 percentage points due to the impact of increased net premiums earned this quarter.

Nine Months Ended September 30, 2006 and 2005

The following table summarizes the underwriting results and ratios for the insurance segment for the nine months ended September 30, 2006 and 2005:

	Nine Months Ended					
	September 30, 2006	September 30, 2005	Change		% Change	
	($ in thousands)					
Revenues:						
Gross premiums written	$ 1,519,771	$ 1,402,814	$ 116,957		8.3	%
Net premiums written	1,053,794	847,639	206,155		24.3	%
Net premiums earned	973,985	884,930	89,055		10.1	%
Other insurance related income (loss)	1,474	(5,283)	6,757		127.9	%
Expenses:						
Net losses and loss expenses	(486,235)	(724,834)	238,599		(32.9	)%
Acquisition costs	(117,006)	(77,847)	(39,159	)	50.3	%
General and administrative expenses	(104,069)	(89,327)	(14,742	)	16.5	%
Underwriting income	$ 268,149	$ (12,361)	$ 280,510		nm	
Ratios:						
Net loss and loss expense ratio	49.9%	81.9%	(32.0	)%		
Acquisition cost ratio	12.0%	8.8%	3.2	%		
General and administrative expense ratio	10.7%	10.1%	0.6	%		
Combined ratio	72.6%	100.8%	(28.2	)%		

nm not meaningful

Premiums. The increase in gross premiums written was primarily generated by an $88.0 million increase in our U.S insurance segment.

The table below shows gross premiums written in global insurance by line of business for the nine months ended September 30, 2006 and 2005:

	Nine Months Ended					
	September 30, 2006	September 30, 2005	Change		% Change	
	($ in thousands)					
Property	$ 180,811	$ 160,340	$ 20,471		12.8	%
Marine	157,716	143,436	14,280		10.0	%
Terrorism and War Risk	111,479	128,450	(16,971	)	(13.2	)%
Aviation and Aerospace	35,957	72,409	(36,452	)	(50.3	)%
Political Risk	119,748	107,532	12,216		11.4	%
Professional Lines and Other Specialty	94,672	59,284	35,388		59.7	%
Total	$ 700,383	$ 671,451	$ 28,932		4.3	%

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We experienced growth across all our lines of business in global insurance with the exception of our terrorism and war risk and aviation and aerospace lines of business. These lines were impacted by a continued deterioration in the pricing environment, which resulted in fewer risks meeting our underwriting criteria.

The increase in our professional lines and other specialty business was primarily due to a new specialty property program that we began to write in the third quarter of 2005, and generated an additional $19.8 million of gross premiums written in 2006. The remainder of the increase related to growth of existing business as well as new market opportunities. The increase in our property account was primarily due to growth of $13.1 million in gross premiums written in our property program business driven by rate increases on existing accounts. Our property account also experienced significantly improved pricing in our energy onshore business, particularly for business exposed to U.S. wind perils. We also experienced significant rate increases in our energy offshore account that largely accounted for the increase in gross premiums written on our marine line. These substantially improved market conditions followed the recalibration of catastrophe models addressing the increased frequency and severity of potential losses and increased capital requirements of rating agencies. We also experienced an increase in our political risk book; however this line has unpredictable business flows and can exhibit some variability in the level of gross premiums written for comparable periods.

The table below shows gross premiums written in U.S. insurance by line of business for the nine months ended September 30, 2006 and 2005:

	Nine Months Ended			
	September 30, 2006	**September 30, 2005**	**Change**	**% Change**
	($ in thousands)			
Property	$ 318,991	$ 275,610	$ 43,381	15.7 %
Professional Lines	264,138	242,195	21,943	9.1 %
Liability	207,979	207,508	471	0.2 %
Other Specialty	28,280	6,050	22,230	nm
Total	$ 819,388	$ 731,363	$ 88,025	12.0 %

nm not meaningful

The growth in U.S insurance was primarily driven by our property line of business and is largely attributable to significant rate increases experienced since the catastrophic loss activity in 2005. Despite substantially reducing our aggregate catastrophe exposures during the nine months ended September 30, 2006, this reduction was largely offset by significant rate increases for catastrophe exposed business. We also experienced a $17.7 million increase in our specialty property program business that was primarily driven by growth in new accounts. The increase in gross premiums written in our professional lines business was largely attributable to an additional $22.7 million of gross premiums written within our errors and omissions account, that we began to write in 2005. Gross premiums written in our other specialty account primarily relate to our employer medical stop-loss business we entered into in late 2004, developed throughout 2005, and experienced additional growth from during 2006.

Although gross premiums written in our liability business was flat, there was a change of business mix within this line. We experienced a reduction in this line primarily due to construction business written in 2005, which was one-time in nature, and the non-renewal of a contract written in 2005. This was offset by the introduction of new specialty liability program and umbrella excess liability business.

Premiums ceded decreased by $89.2 million from $555.2 million in the nine months ended September 30, 2005 to $466.0 million in the nine months ended September 30, 2006. This was primarily due to lower reinstatement premiums ceded in 2006. During 2005 we ceded an additional $96.7 million of premiums following the reinstatement of reinsurance protections that had been utilized by Hurricanes Katrina and Rita.

The following table shows net premiums earned in our insurance segment for the nine months ended September 30, 2006 and 2005:

	Nine Months Ended September 30, 2006 ($ in thousands)	September 30, 2005	Change	% Change
Gross premiums earned	$ 1,448,421	$ 1,403,868	$ 44,553	3.2 %
Ceded premiums amortized	(474,436)	(518,938)	44,502	(8.6)%
Net premiums earned	$ 973,985	$ 884,930	$ 89,055	10.1 %

Gross premiums are earned over the period of the insured risk. The increase in gross premiums earned was driven by continued growth in gross premiums written in U.S insurance.

We experienced a decrease in ceded premiums amortized in global insurance of $78.7 million that was largely driven by the impact of hurricanes in 2005. In 2005, we fully amortized ceded premiums and associated reinstatement premiums that related to reinsurance protections utilized by Hurricanes Katrina and Rita. This was partially offset by a $34.2 million increase in ceded premiums amortized in U.S insurance that was driven by an increase in gross premiums earned in the nine months ended September 30, 2006.

Other Insurance Related Income (Loss). The increase of $6.8 million in other insurance income/loss was largely due to losses in 2005 following the expiration of a political risk contract that we accounted for as a derivative.

Net Losses and Loss Expenses. The decrease in the net loss and loss expense ratio of 32.0 percentage points was primarily due to significant hurricane activity in the nine months ended September 30, 2005.

The net loss and loss expense ratio for global insurance was 44.6% for the nine months ended September 30, 2006 compared to 80.3% for the nine months ended September 30, 2005. The decrease was primarily due to lower catastrophe activity in 2006 compared to 2005, when we incurred net losses from Hurricanes Katrina and Rita of $248.5 million, or 44.1 percentage points. During the nine months ended September 30, 2006, we experienced favorable development in prior year loss and loss expense reserves of $115.6 million, or 20.8 percentage points, which is net of $46.0 million of adverse development on losses relating to Hurricanes Katrina, Rita and Wilma. We experienced favorable development of $165.2 million, or 29.3 percentage points, for the nine months ended September 30, 2005. In estimating the ultimate cost of losses, we primarily use the Bornhuetter-Ferguson method. This method takes as a starting point an initial expected loss and loss expense ratio and blends in the loss and loss expense ratio implied by our experience to date. Consequently, as actual claims have been less than expected on our short-tail lines of business, this has generated favorable loss development. The accident year net loss and loss expense ratio for the nine months ended September 30, 2006 was 65.4%. Our accident year ratio has increased during 2006 primarily due to a shift in business mix towards professional lines business that typically has a higher initial expected net loss and loss expense ratio.

The net loss and loss expense ratio for U.S. insurance was 57.0% for the nine months ended September 30, 2006 compared to 84.7% for the nine months ended September 30, 2005. The decrease was primarily due to lower catastrophe activity in 2006 compared to 2005 when we incurred net losses from Hurricanes Katrina and Rita of $61.0 million, or 18.9 percentage points. During the nine months ended September 30, 2006, we experienced favorable prior year development of $36.5 million, or 8.7 percentage points compared with $7.4 million, or 2.3 percentage points, during the nine months ended September 30, 2005. The accident year net loss and loss expense ratio for the nine months ended September 30, 2006 was 65.7%.

Acquisition Costs. The increase in the acquisition cost ratio was driven by an increase in the acquisition cost ratio of both global insurance and U.S insurance.

Acquisition costs in global insurance were $78.5 million, or 14.1% of net premiums earned, for the nine months ended September 30, 2006, compared with $72.8 million, or 12.9% of net premiums earned, for the nine months ended September 30, 2005. During the quarter ended September 30, 2005 we reduced our estimate for amounts due under our incentive commission arrangements with brokers from 2004 resulting in a reduction in our 2005 acquisition cost ratio of 0.6 percentage points. The remainder of the increase was primarily due to higher commissions, primarily in our professional lines and other specialty book, driven by a new specialty program that we began to write in mid-2005.

U.S. insurance acquisition costs were $38.5 million, or 9.2% of net premiums earned, for the nine months ended September 30, 2006 compared to $5.0 million, or 1.6% of net premiums earned, for the nine months ended September 30, 2005. The increase was driven by a shift in business mix, with more business generated from managing general underwriters and our specialty program business, which typically have higher acquisition costs. We also experienced a reduction in the level of commissions received on ceded premium, also driven by the shift in business mix, that resulted in more business being generated from a line of business that does not have an override commission associated with its reinsurance coverage.

General and Administrative Expenses. The 0.6 percentage point increase in our general and administrative expenses ratio was driven by a shift in the business mix from global insurance business to U.S. insurance business. Our U.S. insurance business has a higher general and administrative ratio expense than our global insurance business.

Reinsurance

Our reinsurance segment provides treaty property and casualty reinsurance to insurance companies on a worldwide basis. Treaty reinsurance contracts are contractual arrangements that provide for automatic reinsurance of any agreed upon portion of business written as specified in a reinsurance contract. Contracts can be written on an excess of loss basis or a pro rata basis, also known as proportional. The product lines in this segment are catastrophe, property, professional liability, credit and bond, motor, liability and other.

Quarters Ended September 30, 2006 and 2005

The following table summarizes the underwriting results and ratios in our reinsurance segment for the quarters ended September 30, 2006 and 2005:

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	Quarters Ended				
	September 30, 2006		September 30, 2005	Change	% Change
	($ in thousands)				
Revenues:					
Gross premiums written	$ 281,794		$ 333,988	$ (52,194)	(15.6)%
Net premiums written	282,295		329,843	(47,548)	(14.4)%
Net premiums earned	365,079		368,281	(3,202)	(0.9)%
Other insurance related income	392		-	392	100%
Expenses:					
Net losses and loss expenses	(183,678)		(596,746)	413,068	(69.2)%
Acquisition costs	(62,819)		(52,865)	(9,954)	18.8%
General and administrative expenses	(12,162)		(12,187)	25	(0.2)%
Underwriting income (loss)	$ 106,812		$ (293,517)	$ 400,329	136.4%
Ratios:					
Net loss and loss expense ratio	50.3%		162.0%	(111.7)%	
Acquisition cost ratio	17.2%		14.4%	2.8%	
General and administrative expenses ratio	3.3%		3.3%	%	
Combined ratio	70.8%		179.7%	(108.9)%	

Premiums. The table below shows gross premiums written by line of business in our reinsurance segment for the quarters ended September 30, 2006 and 2005:

	Quarters Ended				
	September 30, 2006		September 30, 2005	Change	% Change
	($ in thousands)				
Catastrophe	$ 100,759		$ 106,627	$ (5,868)	(5.5)%
Property	53,933		115,262	(61,329)	(53.2)%
Professional lines	49,431		50,238	(807)	(1.6)%
Credit and bond	1,889		1,865	24	1.3%
Motor	5,896		1,809	4,087	225.9%
Liability	48,640		50,344	(1,704)	(3.4)%
Other	21,246		7,843	13,403	170.9%
Total	$ 281,794		$ 333,988	$ (52,194)	(15.6)%

Gross premiums written in our reinsurance segment were impacted by lower reinstatement premiums this quarter. These were significantly higher in the third quarter of 2005 following the reinstatement of cedants reinsurance coverage utilized by losses from Hurricanes Katrina and Rita. As a result, reinstatement premiums in our catastrophe and property lines of business decreased by $41.8 million and $18.7 million respectively this quarter.

The decrease in our property line was primarily due to a $57.3 million reduction in our pro rata book. This was driven by net upward adjustments to prior year gross premium estimates recognized in the third quarter of 2005 and the non-renewal of several treaties following an exit of certain cedants from the property market. We experienced an increase in other gross premiums that was primarily due to an increase of $10.5 million in gross premiums written in our property exposed engineering business. Gross premiums written in our catastrophe line, excluding the impact of reinstatement premiums, were higher in the current quarter due to significantly improved rates and new market opportunities. Although gross premiums written in our professional lines business was flat, there was a change of business mix within this line. We wrote a significant treaty in the

third quarter of 2005 that will not be renewed until the fourth quarter of 2006. However this was largely offset by an increase in our participation on directors and officers reinsurance renewal business.

The following table shows net premiums earned in our reinsurance segment for the quarters ended September 30, 2006 and 2005:

	Quarters ended						
	September 30, 2006		September 30, 2005		Change		% Change
	($ in thousands)						
Gross premiums earned	$ 368,160		$ 376,265		$ (8,105	)	(2.2)%
Ceded premiums amortized	(3,081	)	(7,984	)	4,903		(61.4)%
Net premiums earned	$ 365,079		$ 368,281		$ (3,202	)	(0.9)%

The decrease in gross premiums earned was primarily due to the impact of the hurricanes in the third quarter of 2005. During the quarter ended September 30, 2005 we earned $58.7 million of reinstatement premiums following the reinstatement of cedants reinsurance coverage utilized by losses incurred from Hurricanes Katrina and Rita. Gross premiums earned otherwise increased in the current quarter reflecting an increase in gross premiums written over the twelve-month period ended September 30, 2006 compared to the twelve-month period ended September 30, 2005.

Ceded premiums are amortized over the contract term. During the quarter ended September 30, 2005, the level of ceded premiums amortized reflected the exhaustion of our reinsurance protections following losses recovered from Hurricanes Katrina and Rita.

Net Losses and Loss Expenses. The net loss and loss expense ratio for reinsurance was 50.3% for the quarter ended September 30, 2006 compared to 162.0% for the quarter ended September 30, 2005. The decrease was primarily due to lower catastrophe activity this quarter compared to 2005 when we incurred net losses from Hurricanes Katrina and Rita of $495.0 million, or 134.4 percentage points. During the quarter ended September 30, 2006, we experienced favorable development on prior year loss and loss expense reserves of $28.6 million, or 7.8 percentage points, which includes of $10.0 million of favorable development on losses relating to Hurricanes Katrina, Rita and Wilma. We experienced favorable development of $29.7 million, or 8.1 percentage points, for the quarter ended September 30, 2005. The accident year net loss and loss expense ratio for the quarter ended September 30, 2006 was 58.1%. Our accident year ratio has increased during 2006 primarily due to a shift in business mix from our property reinsurance line of business to our professional and liability lines of business. Typically, our professional and liability lines of business have higher initial expected net loss and loss expense ratios than our property reinsurance lines.

Acquisition Costs. Acquisition costs were $62.8 million, or 17.2% of net premiums earned for the quarter ended September 30, 2006 compared to $52.9 million, or 14.4% of net premiums earned, for the quarter ended September 30, 2005. During the quarter ended September 30, 2005 we reduced our estimate for amounts due under our incentive commission arrangements with brokers from 2004 resulting in a reduction in our 2005 acquisition cost ratio of 2.3 percentage points. The remainder of the increase was largely due to higher reinstatement premiums in the quarter ended September 30, 2005, following Hurricanes Katrina and Rita, which had a lower acquisition cost ratio.

Nine Months Ended September 30, 2006 and 2005

The following table summarizes the underwriting results and ratios in our reinsurance segment for the nine months ended September 30, 2006 and 2005:

	Nine Months Ended September 30, 2006	September 30, 2005	Change	% Change
	($ in thousands)			
Revenues:				
Gross premiums written	$ 1,375,259	$ 1,357,749	$ 17,510	1.3 %
Net premiums written	1,365,179	1,347,945	17,234	1.3 %
Net premiums earned	1,031,488	981,887	49,601	5.1 %
Other insurance related income	392		392	100 %
Expenses:				
Net losses and loss expenses	(610,363)	(977,579)	367,216	(37.6)%
Acquisition costs	(178,145)	(163,361)	(14,784)	9.0 %
General and administrative expenses	(34,377)	(36,818)	2,441	(6.6)%
Underwriting income	$ 208,995	$ (195,871)	$ 404,866	206.7 %
Ratios:				
Net loss and loss expense ratio	59.2 %	99.6 %	(40.4 %)	
Acquisition cost ratio	17.3 %	16.6 %	0.7 %	
General and administrative expenses ratio	3.3 %	3.7 %	(0.4 %)	
Combined ratio	79.8 %	119.9 %	(40.1 %)	

Premiums. The table below shows gross premiums written by line of business in our reinsurance segment for the nine months ended September 30, 2006 and 2005:

	Nine Months Ended September 30, 2006	September 30, 2005	Change	% Change
	($ in thousands)			
Catastrophe	$ 446,692	$ 469,451	$ (22,759)	(4.9)%
Property	259,466	341,270	(81,804)	(24.0)%
Professional lines	226,221	176,354	49,867	28.3 %
Credit and bond	94,380	103,915	(9,535)	(9.2)%
Motor	81,210	75,426	5,784	7.7 %
Liability	197,623	161,659	35,964	22.2 %
Other	69,667	29,674	39,993	134.8 %
Total	$ 1,375,259	$ 1,357,749	$ 17,510	1.3 %

Gross premiums written in the nine months ended September 30, 2006 were impacted by a stronger U.S. dollar exchange rate against the Euro and Sterling at January 1, 2006 compared to January 1, 2005. We write significant amounts of Sterling and Euro, denominated business in our catastrophe, property, credit and bond and motor lines of business. Consequently, as a result of exchange rate movements, gross premiums written on these lines decreased by approximately $16.6 million, $9.2 million, $11.6 million and $8.3 million, respectively.

Gross premiums written in our reinsurance segment were also impacted by lower reinstatement premiums this period. These were significantly higher in 2005 following the reinstatement of cedants reinsurance coverage utilized by losses from Hurricanes Katrina and Rita. As a result, reinstatement premiums in our catastrophe and property lines of business decreased by $49.6 million and $22.0 respectively.

The decrease in our property line was primarily due to a $75.4 million reduction in pro rata gross premiums written. This was driven by the non-renewal of several treaties written in 2005 due to the exit of certain cedants from the property market, and also pricing and return considerations. The increase in our professional lines book in 2006 was due to a combination of new business, increased participation in renewal premium and also net upward adjustments on prior year gross premium estimates. We experienced an increase in other gross premiums that was driven by a $32.5 million increase in our property exposed engineering business. The increase in our liability account was primarily driven by growth of existing accounts and increased marketing efforts within our U.S. general liability and umbrella excess reinsurance business. Excluding the impact of reinstatement premiums and foreign exchange movements, gross premiums written in our catastrophe line increased in 2006 due to significantly improved rates and new market opportunities.

The following table shows the derivation of net premiums earned in our reinsurance segment for the nine months ended September 30, 2006 and 2005:

	Nine Months Ended					
	September 30, 2006		September 30, 2005		Change	% Change
	($ in thousands)					
Gross premiums earned	$	1,039,715	$	998,281	$ 41,434	4.2 %
Ceded premiums amortized	(8,227	)	(16,394	)	8,167	(49.8)%
Net premiums earned	$	1,031,488	$	981,887	$ 49,601	5.1 %

Gross premiums are earned over the period of the reinsured risk. Consequently, as the level of gross premiums written increases, the level of gross premiums earned also increases. As we experienced an increase in gross premiums written over the twelve-month period ended September 30, 2006 compared to the twelve-month period ended September 30, 2005, we experienced an increase in our gross premiums earned during the nine months ended September 30, 2006.

Ceded premiums are amortized over the contract term. During the nine months ended September 30, 2005, our ceded premiums amortized reflected the exhaustion of reinsurance protections following losses recovered from Hurricanes Katrina and Rita.

Net Losses and Loss Expenses. The net loss and loss expense ratio was 59.2% for the nine months ended September 30, 2006 compared to 99.6% for the nine months ended September 30, 2005. The decrease was primarily due to lower catastrophe activity in 2006 compared to 2005 when we incurred net losses from Hurricanes Katrina and Rita of $495.0 million, or 50.4 percentage points. During the nine months ended September 30, 2006, we experienced favorable development on prior year loss and loss expense reserves of $30.0 million, or 2.9 percentage points, which included $52.0 million of adverse development on losses relating to Hurricanes Katrina, Rita and Wilma. We experienced favorable development of $63.9 million, or 6.5 percentage points, for the nine months ended September 30, 2005. The accident year net loss and loss expense ratio for the nine months ended September 30, 2006 was 62.1%. Our accident year ratio has increased during 2006 primarily due to a shift in business mix from our property reinsurance lines of business to our professional and liability lines of business. Typically, our professional and liability lines of business have higher initial expected net loss and loss expense ratios than our property reinsurance lines.

Acquisition Costs. Acquisition costs were $178.1 million, or 17.3% of net premiums earned, for the nine months ended September 30, 2006 compared to $163.4 million, or 16.6% of net premiums earned, for the nine months ended September 30, 2005. During the nine months ended September 30, 2005 we reduced our estimate for amounts due under our incentive commission arrangements with brokers from 2004 resulting in a reduction in our 2005 acquisition cost ratio of 0.7 percentage points.

Financial Condition, Liquidity and Capital Resources

We are a holding company and have no substantial operations of our own. Our assets consist primarily of our investments in subsidiaries. At September 30, 2006, we had operating subsidiaries in Bermuda, Ireland and the United States, a branch in the United Kingdom, a branch in Switzerland and a representative office in Singapore. Accordingly, our future cash flows depend upon the availability of dividends or other statutorily permissible payments from our subsidiaries. The ability to pay dividends or distributions is limited by the applicable laws and regulations of Bermuda, Ireland and the United States, which subject our insurance subsidiaries to significant regulatory restrictions. These laws and regulations require, among other things, some of our insurance subsidiaries to maintain minimum solvency requirements and limit the amount of dividends that these subsidiaries can pay to us, which in turn may limit our ability to pay dividends and make other payments.

We are subject to Bermuda regulatory constraints that affect our ability to pay dividends on our common shares and make other payments. Under the Bermuda Companies Act 1981, as amended, AXIS Capital may declare or pay a dividend or make a distribution out of contributed surplus only if it has no reasonable grounds for believing that it is, or would after the payment be, unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than the aggregate of its liabilities and issued share capital and share premium accounts.

At September 30, 2006, the maximum amount of distributions that our subsidiaries could pay to AXIS Capital under applicable laws and regulations without prior regulatory approval was approximately $1.3 billion.

Financial Condition

Shareholders Equity

At September 30, 2006, our shareholders equity was $4.1 billion compared to $3.5 billion at December 31, 2005, an increase of 17.1%. This increase was primarily due to net income of $672.9 million for the nine months ended September 30, 2006. Our book value per common share increased by 20.0% to $24.27 per common share at September 30, 2006.

Investments

At September 30, 2006, our total investments at fair market value, accrued interest receivable and cash net of unsettled investment trades totaled $8.9 billion compared to $7.8 billion at December 31, 2005. Our investment portfolio at September 30, 2006 included fixed income securities that were managed by several external investment management firms. At September 30, 2006, all of these fixed income securities were investment grade, with 82.2% rated Aa3 or AA- or better by an internationally recognized rating agency. The weighted-average rating of our fixed income portfolio was AA+ based on ratings assigned by Standard & Poor s.

During 2006, we continued to increase the size of the allocation to other investments within our investment portfolio. At September 30, 2006, other investments were $714.4 million compared to $409.5 million at December 31, 2005 and consisted of investments in hedge funds of funds, a fund that invests in U.S. dollar high yield credit, funds that primarily invest in senior secured bank loans, a fund that invests in distressed debt opportunities, a catastrophe bond and a portfolio of investments in collateralized loan obligations.

We regularly review our investment portfolio for other than temporary impairments and determined as at September 30, 2006, 33 (2005: none) securities were other than temporarily impaired resulting in an impairment charge of $1.6 million for the nine months ended September 30, 2006.

Reserve for loss and loss expenses

At September 30, 2006, we had $5.0 billion of reserves for losses and loss expenses compared to $4.7 billion at December 31, 2005. Of this balance, $3.1 billion, or 61.4%, was for incurred but not reported claims, compared to $2.7 billion, or 57.5%, at December 31, 2005. At September 30, 2006, we had $1.0 billion of reserves for losses and loss expenses relating to Hurricanes Katrina, Rita and Wilma compared to $1.7 billion at December 31, 2005.

Reinsurance recoverable balances

Of the reinsurance recoverable balances, 96.5% were due from reinsurers rated the equivalent of A- or better by internationally recognized rating agencies. Of the remaining reinsurance recoverable balances, 22.1% was fully collateralized. At September 30, 2006, the provision for uncollectible reinsurance was $15.2 million (December 31, 2005: $15.6 million).

Liquidity

Our cash flows from operations generally represent the difference between: (1) premiums collected, reinsurance recoveries and investment income received and (2) losses and loss expenses paid, reinsurance purchased and underwriting and other expenses paid. Cash flows from operations may differ substantially, however, from net income. The potential for a large claim under one of our insurance or reinsurance contracts means that substantial and unpredictable payments may need to be made within relatively short periods of time.

During the nine months ended September 30, 2006, we generated a net operating cash inflow of $1,229.7 million, comparable with $1,121.9 million for the nine months ended September 30, 2005. Although we generated additional net income of $816.3 million during the nine months ended September 30, 2006 compared to the nine months ended September 30, 2005, this was largely offset by an increase in paid losses. During the nine months ended September 30, 2006, we paid gross losses of $1,072.0 million and received reinsurance recoveries of $370.2 million compared to $471.1 million and $169.0 million, respectively, in the nine months ended September 30, 2005. These increases were primarily due to settlements relating to Hurricanes Katrina, Rita and Wilma.

During the nine months ended September 30, 2006, net cash of $78.9 million was used in financing activities compared to $165.6 million for the nine months ended September 30, 2005. The decrease was primarily due to a repurchase of common shares in 2005. On February 16, 2005, we repurchased 12,738,094 common shares for the aggregate price of $350.0 million from initial investors pursuant to our repurchase program. This was partially offset by the issuance of $250.0 million of 7.25% Series A preferred shares in the third quarter of 2005, which generated net proceeds of $242.3 million.

During the nine months ended September 30, 2006, the Board of Directors declared a dividend of $2.04 per Series B 7.5% preferred share to shareholders of record at February 16, 2006, and $1.88 per share of record at May 15, 2006 and August 16, 2006. The dividends were paid on March 1, 2006, June 1, 2006 and September 1, 2006. We also declared dividends of $0.45 per Series A 7.25% preferred share and a $0.15 dividend per common share to shareholders of record at March 31, 2006 and June 30, 2006, respectively. These dividends were paid on April 17, 2006 and July 17, 2006, respectively. Refer to Commitments and Contingencies for further declared dividends payable subsequent to September 30, 2006.

Capital Resources

In addition to common equity, we depend upon other external sources of finance such as debt, preferred shares, letters of credit and other credit facilities to support our operating activities. Having sufficient capital allows us to take advantage of profitable opportunities that may arise in our operating segments. We are also

required to maintain adequate capital resources to comply with various statutory regulations in Bermuda, Ireland and the U.S. A strong capital base is also important for maintaining the financial strength ratings of our operating subsidiaries, which is essential in establishing our competitive position.

There have been no material changes in our external sources of finance since December 31, 2005. Refer to Item 7 included in our Annual Report on form 10-K for the year ended December 31, 2005 filed with the SEC on March 9, 2006.

Commitments and Contingencies

We did not make any significant capital expenditures during the nine months ended September 30, 2006. We currently expect capital expenditures for the remainder of 2006 to be less than $50.0 million.

During the nine months ended September 30, 2006, the Company made certain commitments with respect to an additional investment in an alternative investment fund. At September 30, 2006, the total outstanding investment commitment was $23.0 million, which the Company anticipates funding by end of 2006. During the three months ended September 30, 2006, the Company purchased reinsurance coverage for its U.S. property line of business, effective May 1, 2006. The minimum reinsurance premiums are contractually due on a quarterly basis in advance. Accordingly, at September 30, 2006, the Company has an outstanding reinsurance purchase commitment of $77.3 million.

On September 8, 2006 the Board of Directors declared a quarterly dividend of $0.15 per common share to shareholders of record at September 30, 2006 and payable on October 16, 2006. Additionally, the Board of Directors declared a dividend of $0.45 per Series A 7.25% Preferred share and a dividend of $1.88 per Series B 7.5% Preferred share. The Series A Preferred share is payable on October 16, 2006, to shareholders of record at September 30, 2006 and the Series B Preferred share is payable on December 1, 2006 to shareholders of record at November 15, 2006.

There have been no other material changes in the Company s commitments or contingencies since December 31, 2005. Refer to Item 7 included in our Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 9, 2006.

Off Balance Sheets and Special Purpose Entity Arrangements

At September 30, 2006, we have not entered into any off-balance sheet arrangements, as defined by Item 303(a) (4) of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in the Company s market risk exposures since December 31, 2005. Refer to Item 7A included in our Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 9, 2006.

Cautionary Note Regarding Forward-Looking Statements

This quarterly report contains certain forward-looking statements within the meaning of the U.S. federal securities laws. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws. In some cases, these statements can be identified by the use of forward-looking words such as may, should, could, anticipate, estimate, expect, p believe, predict, potential and intend. Forward-looking statements contained in this quarterly report include information regarding our estimates of losses related to Hurricanes Katrina, Rita and Wilma and the impact of such losses on our reinsurers, our expectations regarding pricing and other market conditions, the amount of our net losses and loss reserves, the projected amount of our capital expenditures, valuations of potential interest rate shifts, foreign currency rate changes and measurements of potential gains and losses in fair market values of our investment portfolio. Forward-looking statements only reflect our expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from our expectations. Important factors that could cause actual events or results to be materially different from our expectations include (1) our limited operating history, (2) the occurrence of natural and man-made disasters, (3) actual claims exceeding our loss reserves, (4) the failure of any of the loss limitation methods we employ, (5) the effects of emerging claims and coverage issues, (6) the failure of our cedents to adequately evaluate risks, (7) the loss of one or more key executives, (8) a decline in our ratings with rating agencies, (9) the loss of business provided to us by our major brokers, (10) changes in governmental regulations, (11) increased competition, (12) general economic conditions and (13) the other matters set forth under Item 1A, Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 9, 2006. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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Item 4. Controls and Procedures

The Company s management has performed an evaluation, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)) as of September 30, 2006. Based upon that evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

The Company s management has performed an evaluation, with the participation of the Company s Chief Executive Officer and Chief Financial Officer of changes in the Company s internal control over financial reporting that occurred during the quarter ended September 30, 2006. Based upon that evaluation, there have been no changes to the Company s internal control over financial reporting during the quarter ended September 30, 2006 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Except as set forth below, we are not currently a party to any material legal proceedings. From time to time, we are subject to routine legal proceedings, including arbitrations, arising in the ordinary course of business. These legal proceedings generally relate to claims asserted by or against us in the ordinary course of our insurance or reinsurance operations.

Our U.S. holding company has received subpoenas from the Office of the Attorney General of the State of New York seeking information regarding incentive commission agreements, fictitious and inflated quotes and related matters and conditioning direct insurance on the placement of reinsurance. In addition, our U.S. insurance companies have received subpoenas and requests for information from various state insurance regulators regarding these same matters. These inquiries are part of industry-wide investigations in these jurisdictions and we understand that officials from other jurisdictions in which we do business have also initiated investigations into similar matters. Accordingly, we may in the future receive additional subpoenas and requests for information. We have cooperated fully with the Attorney General of the State of New York and the other state regulators in their investigations and intend to cooperate fully with any future requests.

In connection with these inquiries, we conducted an internal investigation, led by outside counsel, to determine whether we engaged in any of the improper business practices that are the focus of the inquiries. This investigation was completed in August 2005 and uncovered no evidence indicating that we engaged in bid rigging, fictitious or inflated quotes or related matters or conditioning direct insurance on the placement of reinsurance. Consistent with long-standing and wide-spread industry practice, we have in the past entered into incentive commission arrangements with brokers. However, we have not entered into any of these arrangements with respect to business underwritten in 2005 or thereafter.

A purported shareholders class action lawsuit has been filed against us and some of our executive officers relating to the practices being investigated by the Attorney General of the State of New York and other state regulators. *James Dolan v. AXIS Capital Holdings Limited, Michael A. Butt and John R. Charman* was filed on October 28, 2004 in the United States District Court, Southern District of New York. *Robert Schimpf v. AXIS Capital Holdings Limited, Michael A. Butt, Andrew Cook and John R. Charman* was filed on November 5, 2004 in the United States District Court, Southern District of New York. On April 13, 2005, these lawsuits were consolidated and are now known as *In re AXIS Capital Holdings Ltd. Securities Litigation*. On May 13, 2005, the plaintiffs filed an amended, consolidated complaint and added as defendants the managing underwriters and one of the selling shareholders in our secondary offering completed in March 2004. The lawsuit alleges securities violations in connection with the failure to disclose payments made pursuant to incentive commission arrangements and seeks damages in an unspecified amount. On October 17, 2006, the District Court dismissed the Amended Complaint without prejudice and granted plaintiffs 30 days to file a second amended, consolidated complaint consistent with the Court s opinion. We continue to believe that the allegations underlying this lawsuit are completely without merit.

A putative class action lawsuit also has been filed against our U.S. insurance companies. *In re Insurance Brokerage Antitrust Litigation* was filed on August 1, 2005 in the United States District Court for the District of New Jersey and includes as defendants numerous insurance brokers and insurance companies. The lawsuit alleges antitrust and Racketeer Influenced and Corrupt Organizations Act (RICO) violations in connection with the payment of contingent commissions and manipulation of insurance bids and seeks damages in an unspecified amount. We believe that the lawsuit is completely without merit and are vigorously defending the filed action.

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Item 1A. Risk Factors

There were no material changes from the risk factors as previously disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission on March 9, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information regarding the number of shares we repurchased during each month in the quarter ended September 30, 2006.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number Of Shares Purchased as Part Of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Announced Plans or Programs (b)
July 1-31, 2006	0	$ 0	0	$ 150,000,000
August 1-31, 2006	0	$ 0	0	$ 150,000,000
September 1-30, 2006	0	$ 0	0	$ 150,000,000
Total	0	$ 0	0	$ 150,000,000

(a) Comprises shares withheld to satisfy tax liabilities upon the vesting of restricted stock awarded under our 2003 Long Term Equity Compensation Plan. These shares are not included in our repurchase program.

(b) On March 14, 2005, we announced that our Board of Directors had approved the repurchase of up to $150 million of our common shares to be effected from time to time in open market or privately negotiated transactions. The repurchase program is authorized to continue until December 2006.

Item 6. Exhibits

(a) Exhibits

3.1 Certificate of Incorporation and Memorandum of Association (incorporated by reference to Exhibit 3.1 to the Company s Registration Statement on Form S-1/A (Registration No. 333-103620) filed on April 16, 2003).

3.2 Certificate of Designations setting forth the specific rights, preferences, limitations and other terms of the Series A Preferred Shares (incorporated by reference to Exhibit 3.1 to the Company s current report on form 8-K filed on October 4, 2005).

3.3 Certificate of Designations setting from specific rights, preferences, limitations and other terms of the Series B Preferred Shares (incorporated by reference to Exhibit 3.1 to the Company s current report on form 8-K filed on November 23, 2005).

3.4	Bye-Laws (incorporated by reference to Exhibit 3.2 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 1, 2006

AXIS CAPITAL HOLDINGS LIMITED

	By:	/s/ John R. Charman John R. Charman President and Chief Executive Officer
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-		/s/ David B. Greenfield David B. Greenfield Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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