INTERTAPE POLYMER GROUP INC
Form 6-K
March 31, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of March, 2009

Commission File Number 1-10928

INTERTAPE POLYMER GROUP INC.

9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada, H4M 2X5

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:
Form 20-F __X___ Form 40-F _________

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): __________

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): __________

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.

INTERTAPE POLYMER GROUP INC.

Date: March 30, 2009

By: /s/ Victor DiTommaso________________

Victor DiTommaso, Chief Financial Officer

Intertape Polymer Group Inc.

Consolidated Financial Statements
December 31, 2008 and 2007

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Management s Responsibility for Financial Statements

The consolidated financial statements of Intertape Polymer Group Inc. and other financial information are the responsibility of the Company s management and have been examined and approved by its Board of Directors. These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include some amounts that are based on management s best estimates and judgments. The selection of accounting principles and methods is management s responsibility.

Management is responsible for the design, establishment and maintenance of appropriate internal controls and procedures over financial reporting, to ensure that financial statements for external purposes are fairly presented in conformity with generally accepted accounting principles. Pursuant to these internal controls and procedures, processes have been designed to ensure that the Company s transactions are properly authorized, the Company s assets are safeguarded against unauthorized or improper use, and the Company s transactions are properly recorded and reported to permit the preparation of the Company s consolidated financial statements in conformity with generally accepted accounting principles.

Management recognizes its responsibility for conducting the Company s affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors assigns its responsibility for the consolidated financial statements and other financial information to the Audit Committee, all of whom are non-management and unrelated directors.

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The Audit Committee s role is to examine the consolidated financial statements and annual report and recommend that the Board of Directors approve them, examine internal control over financial reporting and information protection systems and all other matters relating to the Company s accounting and finances. In order to do so, the Audit Committee meets periodically with the external auditors to review their audit plan and discuss the results of their examination. The Audit Committee is also responsible for recommending the appointment of the external auditors or the renewal of their engagement.

The Company s external independent auditors, Raymond Chabot Grant Thornton LLP were appointed by the shareholders at the Annual Meeting of Shareholders on June 4, 2008, to conduct the integrated audit of the Company s consolidated financial statements and the Company s internal control over financial reporting. Their reports indicating the scope of their audits and their opinion on the consolidated financial statements and the Company s internal control over financial reporting follow.

/s/ Melbourne F. Yull

Melbourne F. Yull
Executive Director

/s/ Victor DiTommaso

Victor DiTommaso
Chief Financial Officer

Sarasota/Bradenton, Florida and Montreal, Canada
March 30, 2009

Management s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company s financial reporting as well as the preparation of financial statements for external reporting purposes in accordance with Canadian generally accepted accounting principles, including a reconciliation to accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the Company s consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective can only provide reasonable assurance with respect to financial statements preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of completeness with policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2008 based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. During this process, management identified a material weakness in internal control over financial reporting related to the recording of freight invoices and the related accrual and expense. In response to the material weakness identified, the Company has already implemented a remediation plan. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company s consolidated financial statements will not be prevented and detected on a timely basis. Due to the material weakness identified, management has concluded that as of December 31, 2008, the Company s internal control over financial reporting was not effective. Notwithstanding the material weakness identified, management has concluded that the Company s consolidated financial statements as at and for the year ended December 31, 2008, present fairly the Company s consolidated financial position and results of operations.

The Company s internal control over financial reporting as of December 31, 2008 has been audited by Raymond Chabot Grant Thornton LLP, the Company s independent auditors, as stated in their report included later in this document.

/s/ Melbourne F. Yull

Melbourne F. Yull
Executive Director

/s/ Victor DiTommaso

Victor DiTommaso
Chief Financial Officer

Sarasota/Bradenton, Florida and Montreal, Canada
March 30, 2009

Raymond Chabot Grant Thornton LLP

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Independent Auditors Report

Raymond Chabot Grant Thornton LLP

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Montreal, Quebec H3B 4L8

Telephone: 514-878-2691

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To the Shareholders of
Intertape Polymer Group Inc.

We have audited the consolidated balance sheets of Intertape Polymer Group Inc. as at December 31, 2008 and 2007 and the consolidated statements of earnings, comprehensive income (loss), shareholders equity and cash flows for each of the years in the three-year period ended December 31, 2008. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

With respect to the financial statements for the years ended December 31, 2008 and 2007, we conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). With respect to the financial statements for the year ended December 31, 2006, we

conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Intertape Polymer Group Inc. s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 30, 2009 expressed an adverse opinion thereon.

/S/ RAYMOND CHABOT GRANT THORNTON LLP

Montreal, March 30, 2009

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[1] Chartered accountant auditor permit no. 20518

Chartered Accountants

Member of Grant Thornton International Ltd

Raymond Chabot Grant Thornton LLP

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Comments by Independent Auditors for U.S. Readers on Canada U.S. Reporting Difference

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In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the Company s consolidated financial statements, such as the changes described in Note 2 to the consolidated financial statements. Our report to the shareholders on the consolidated financial statements of the Company dated March 30, 2009 is expressed in accordance with Canadian reporting standards, which do not require a reference to such changes in accounting principles in the independent auditors report when the changes are properly accounted for and adequately disclosed in the consolidated financial statements.

/S/ RAYMOND CHABOT GRANT THORNTON LLP

Montreal, March 30, 2009

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[1] Chartered accountant auditor permit no. 20518

Chartered Accountants

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Independent Auditors Report on Internal Control over Financial Reporting

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To the Shareholders of
Intertape Polymer Group Inc.

We have audited Intertape Polymer Group Inc. s (the Company) internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining

an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on assessed risk and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company s annual or interim financial statements will no be prevented or detected on a timely basis. A material weakness related to the recording of freight invoices and the related accrual and expense has been identified and included in management s assessment. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the consolidated financial statements as at and for the year ended December 31, 2008 and consequently, does not affect our opinion of such consolidated financial statements.

In our opinion, because of the effect of the aforementioned material weakness on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by COSO.

We also have audited, in accordance with Canadian generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as at December 31, 2008 and 2007 and the consolidated statements of earnings, comprehensive income (loss), shareholders equity and cash flows for each of the years in the two-year period ended December 31, 2008 and audited, in accordance with Canadian generally accepted auditing standards, the consolidated statements of earnings, comprehensive income (loss), shareholders equity and cash flows for the year ended December 31, 2006, and our report dated March 30, 2009, expressed an unqualified opinion on those consolidated financial statements and included a separate report entitled, Comments by Independent Auditors for U.S. Readers on Canada U.S. Reporting Difference referring to a change in accounting principle.

/S/ RAYMOND CHABOT GRANT THORNTON LLP

Montreal, March 30, 2009

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[1] Chartered accountant auditor permit no. 20518

Chartered Accountants

Member of Grant Thornton International Ltd

Intertape Polymer Group Inc.

Consolidated Earnings

Years ended December 31, 2008, 2007 and 2006
(in thousands of US dollars, except per share amounts)

	2008	2007	2006
	$	$	$
Sales	**737,155**	767,272	812,285
Cost of sales	**658,900**	650,931	693,823
Gross profit	**78,255**	116,341	118,462
Selling, general and administrative expenses	**68,189**	71,169	84,903
Stock-based compensation expense (Note 15)	**1,268**	1,780	2,022
Research and development expenses	**5,610**	4,135	6,271
Financial expenses			
Interest	**18,365**	27,425	26,656
Other	**1,425**	(206)	(40)
Refinancing (Note 13)	**6,031**		
Manufacturing facility closures, restructuring, strategic alternatives, and other charges (Note 4)		8,114	76,057
	100,888	112,417	195,869
Earnings (loss) before impairment of goodwill and income taxes	**(22,633)**	3,924	(77,407)
Impairment of goodwill (Note 12)	**66,726**		120,000
Earnings (loss) before income taxes	**(89,359)**	3,924	(197,407)
Income taxes (recovery) (Note 5)	**3,440**	12,317	(30,714)
Net loss	**(92,799)**	(8,393)	(166,693)
Loss per share (Note 6)			
Basic	**(1.57)**	(0.19)	(4.07)
Diluted	**(1.57)**	(0.19)	(4.07)

The accompanying notes are an integral part of the consolidated financial statements and Note 3 provides additional information on consolidated earnings.

Intertape Polymer Group Inc.

Consolidated Comprehensive Income (Loss)

Years ended December 31, 2008, 2007 and 2006
(in thousands of US dollars)

	2008	2007	2006
	$	$	$
Net loss	**(92,799)**	(8,393)	(166,693)
Other comprehensive income (loss)			
Change in fair value of interest rate swap agreements, designated as cash flow hedges (net of future income taxes of $1,733, $964 in 2007)	**(2,950)**	(1,641)	
Settlement of interest rate swap agreements, recorded in the consolidated earnings (net of income taxes of $1,080)	**1,840**		
Change in fair value of forward foreign exchange rate contracts, designated as cash flow hedges (net of future income taxes of $151)	**(257)**		
Reduction in net investment in a foreign subsidiary (Note 3)	**(899)**		
Changes in accumulated currency translation adjustments	**(32,644)**	31,824	2,311
Other comprehensive income (loss)	**(34,910)**	30,183	2,311
Comprehensive income (loss) for the year	**(127,709)**	21,790	(164,382)

The accompanying notes are an integral part of the consolidated financial statements.

Intertape Polymer Group Inc.

Consolidated Shareholders Equity

Years ended December 31, 2008, 2007 and 2006
(in thousands of US dollars, except for number of common shares)

	Common shares					
	Number	Amount	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income	Total shareholders equity
		$	$	$	$	$
Balance as at December 31, 2005	40,957,574	287,187	6,237	107,161	33,830	434,415
Shares issued for cash upon exercise of stock options	29,366	136				136
Stock-based compensation expense			2,022			2,022
Accelerated vesting of stock options			1,527			1,527
Net loss				(166,693)		(166,693)
Changes in accumulated currency translation adjustments					2,311	2,311
Balance as at December 31, 2006	40,986,940	287,323	9,786	(59,532)	36,141	273,718
Cumulative impact of accounting changes relating to financial instruments and hedges				443	1,138	1,581
Balance as at December 31, 2006, as restated	40,986,940	287,323	9,786	(59,089)	37,279	275,299
Shares issued pursuant to shareholders rights offering (Note 15)	17,969,408	60,851				60,851
Stock-based compensation expense			1,780			1,780
Accelerated vesting of stock options			290			290

Net loss				(8,393)		(8,393)
Change in fair value of interest rate swap agreements, designated as cash flows hedges (net of future income taxes of $964)					(1,641)	(1,641)
Changes in accumulated currency translation adjustments					31,824	31,824
Balance as at December 31, 2007	58,956,348	348,174	11,856	(67,482)	67,462	360,010
Cumulative impact of accounting changes relating to inventories (Note 2)				(252)		(252)
Balance as at December 31, 2007, as restated	58,956,348	348,174	11,856	(67,734)	67,462	359,758
Stock-based compensation expense			1,268			1,268
Net loss				(92,799)		(92,799)
Change in fair value of interest rate swap agreements, designated as cash flow hedges (net of future income taxes of $1,733)					(2,950)	(2,950)
Settlement of interest rate swap agreements, recorded in the consolidated earnings (net of income taxes of $1,080)					1,840	1,840
Change in fair value of forward foreign exchange rate contracts, designated as cash flow hedges (net of future income taxes of $151)					(257)	(257)
Reduction in net investment in a foreign subsidiary					(899)	(899)
Changes in accumulated currency translation adjustments					(32,644)	(32,644)
Balance as at December 31, 2008	**58,956,348**	**348,174**	**13,124**	**(160,533)**	**32,552**	**233,317**

The accompanying notes are an integral part of the consolidated financial statements.

Intertape Polymer Group Inc.

Consolidated Cash Flows

Years ended December 31, 2008, 2007 and 2006
(in thousands of US dollars)

	2008	2007	2006
	$	$	$
OPERATING ACTIVITIES			
Net loss	**(92,799)**	(8,393)	(166,693)
Non-cash items			
Depreciation and amortization	**36,538**	38,902	36,622
Impairment of goodwill	**66,726**		120,000
Loss on disposal of property, plant and equipment	**532**	460	925
Property, plant and equipment impairment and other charges in connection with manufacturing facility closures, restructuring, strategic alternatives and other charges		1,373	49,382
Write-down of inventories	**7,703**		
Impairment of property, plant and equipment	**424**		
Write-off of debt issue expenses in connection with debt refinancing	**3,111**		
Future income taxes	**4,006**	11,439	(32,262)
Stock-based compensation expense	**1,268**	1,780	2,022
Pension and post-retirement benefits funding in excess of amounts expensed	**(1,479)**	(2,356)	(195)
Foreign exchange gain resulting from the reduction in net investment in a foreign subsidiary	**(899)**		
Other non-cash items			(435)
Cash flows from operations before changes in non-cash working capital items	**25,131**	43,205	9,366
Changes in non-cash working capital items			
Trade receivables	**12,310**	9,545	27,725
Other receivables	**(1,491)**	(791)	7,667
Inventories	**(6,556)**	(18,736)	27,783
Parts and supplies	**(1,306)**	(817)	(770)
Prepaid expenses	**364**	515	4,514
Accounts payable and accrued liabilities	**(7,664)**	4,835	(22,676)
	(4,343)	(5,449)	44,243

Cash flows from operating activities	**20,788**	37,756	53,609
INVESTING ACTIVITIES			
Property, plant and equipment	**(21,048)**	(18,470)	(27,090)
Proceeds on the disposal of property, plant and equipment	**3,202**	1,376	3,447
Business acquisition			(167)
Other assets	**(795)**	(1,308)	(5,448)
Intangible assets	**(3,207)**		
Goodwill		(300)	(298)
Cash flows from investing activities	**(21,848)**	(18,702)	(29,556)
FINANCING ACTIVITIES			
Change in bank indebtedness			(15,000)
Long-term debt	**160,119**	73	792
Debt issue expenses	**(2,777)**	(2,269)	
Repayment of long-term debt	**(154,952)**	(80,738)	(2,920)
Issue of common shares			136
Proceeds from shareholders rights offering		62,753	
Shareholders rights offering costs		(1,902)	
Cash flows from financing activities	**2,390**	(22,083)	(16,992)
Net increase (decrease) in cash	**1,330**	(3,029)	7,061
Effect of foreign currency translation adjustments	**(1,469)**	1,259	104
Cash, beginning of year	**15,529**	17,299	10,134
Cash, end of year	**15,390**	15,529	17,299
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION			
Interest paid	**20,264**	25,513	26,209
Income taxes paid	**364**	378	1,877

The accompanying notes are an integral part of the financial statements.

Intertape Polymer Group Inc.

Consolidated Balance Sheets

December 31, 2008 and 2007
(in thousands of US dollars)

	2008	2007

	$	$
ASSETS		
Current assets		
Cash	**15,390**	15,529
Trade receivables	**75,467**	91,427
Other receivables (Note 7)	**4,093**	2,970
Inventories (Note 8)	**90,846**	99,482
Parts and supplies	**14,119**	13,356
Prepaid expenses	**3,037**	3,522
Future income taxes (Note 5)	**9,064**	11,231
	212,016	237,517
Property, plant and equipment (Note 9)	**289,763**	317,866
Other assets (Note 10)	**22,364**	23,176
Intangible assets (Note 11)	**3,956**	
Future income taxes (Note 5)	**47,067**	53,990
Goodwill (Note 12)		70,250
	575,166	702,799
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**78,249**	88,866
Installments on long-term debt	**623**	3,074
	78,872	91,940
Long-term debt (Note 14)	**250,802**	240,285
Pension and post-retirement benefits (Note 17)	**9,206**	9,765
Derivative financial instruments (Note 21)	**2,969**	799
	341,849	342,789
SHAREHOLDERS EQUITY		
Capital stock (Note 15)	**348,174**	348,174
Contributed surplus	**13,124**	11,856
Deficit	**(160,533)**	(67,482)
Accumulated other comprehensive income (Note 16)	**32,552**	67,462
	(127,981)	(20)
	233,317	360,010
	575,166	702,799

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board of Directors,

/s/ George Bunze
George Bunze, Director

/s/ Allan Cohen
Allan Cohen, Director

Intertape Polymer Group Inc.

Notes to Consolidated Financial Statements

December 31, 2008, 2007 and 2006
(in US dollars, tabular amounts in thousands, except as otherwise noted)

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GOVERNING STATUTES AND NATURE OF ACTIVITIES

Intertape Polymer Group Inc. (the Company), incorporated under the Canada Business Corporations Act, is based in Montreal, Canada and in Sarasota/Bradenton, Florida and develops, manufactures and sells a variety of specialized polyolefin films, paper and film pressure sensitive tapes and complimentary packaging systems for use in industrial and retail applications.

The common shares of the Company are listed on the New York Stock Exchange in the United States of America (United States or US) and on the Toronto Stock Exchange (TSX) in Canada.

2

ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements are expressed in US dollars and are prepared in accordance with Canadian generally accepted accounting principles (GAAP), which, in certain respects, differ from the accounting principles generally accepted in the United States (US GAAP), as presented in Note 22.

Accounting Changes

On January 1, 2008, in accordance with the applicable transitional provisions, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 3031 *Inventories* , 1535, *Capital Disclosures* , 3862, *Financial Instruments Disclosures* and 3863, *Financial Instruments Presentation* .

Inventories

Section 3031, provides more extensive guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. Certain costs, such as storage costs and general and administrative expenses that do not contribute to bringing the inventories to their present location and condition, are excluded from the cost of inventories and expensed during the period in which they are incurred. In addition, the new section requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory costing methodology and requires that, when circumstances which previously caused inventories to be written down below

cost no longer exist, the amount of the write-down is to be reversed. The new standard also requires various additional disclosures, in particular, the amount of inventories recognized as an expense during the period and the amount of any reversal of write-downs that is recognized as a reduction of expenses.

In accordance with the transitional provision of this section, the Company has chosen that any adjustment of the previous carrying amount of inventories will be recognized as an adjustment to the opening balance of retained earnings (deficit) at the beginning of the fiscal year of initial application. The consolidated financial statements of prior fiscal years were not restated.

The adoption of this new standard resulted in the following changes as at January 1, 2008: a $0.3 million increase in deficit, a $0.4 million decrease to inventories and a $0.1 million increase of future income tax assets. In addition, the adoption of this new standard resulted in an increase in cost of sales of $0.4 million, an increase in net loss of $0.3 million and inconsequential impact on both basic and diluted earnings per share for the year ended December 31, 2008.

2 ACCOUNTING POLICIES (Continued)

Capital Management and Financial Instruments Disclosures and Presentation

Section 1535, establishes standards for disclosing information about an entity s capital and how it is managed. This additional disclosure includes quantitative and qualitative information regarding objectives, policies and processes for managing capital, as well as the entity s compliance with externally imposed capital requirements.

Section 3862 describes the required disclosures related to the significance of financial instruments on the entity s financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed to and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. These sections replaced Section 3861, *Financial Instruments Disclosure and Presentation* .

The results of the implementation of these new standards are included in Note 21 and had no impact on the Company s consolidated financial results and position.

Prompt Payment Discounts received from Vendors

During the year ended December 31, 2008, the Company applied the recommendations of the CICA Emerging Issues Committee (EIC) No. 144 *Accounting by a customer (including reseller) for certain considerations received from a vendor* with respect to prompt payment discounts received from its vendors. Historically, the Company did not apply this EIC with respect to prompt payment discounts since the related amounts were determined to be insignificant to the consolidated financial statements. However, in light of rapidly increasing raw material prices during 2008 and the resulting increase in the value of prompt payment discounts offered by the Company s vendors, such amounts have become significant in the determination of the Company s financial results for the year. This EIC requires that consideration given to a customer by a vendor in the form of prompt payment discounts, be classified as a reduction of cost of sales in the customer s statement of earnings. Accordingly, the Company retroactively reclassified approximately $1.9 million and $0.9 million of prompt payment discounts historically included in financial expenses as a reduction of cost of sales for the years ended December 31, 2007 and 2006, respectively. These reclassifications do not change the Company s reported net loss for these years. For the year ended December 31, 2008, included in the Company s consolidated earnings is $1.7 million of prompt payment discounts presented under the caption cost of sales.

Accounting Estimates and Measurement Uncertainty

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the consolidated balance sheet date and the recorded amounts of revenues and expenses during the year then ended. On an ongoing basis, management reviews its estimates based on currently available information. Actual results may differ from those estimates.

2 ACCOUNTING POLICIES (Continued)

Key areas of estimation, where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, are the allowance for doubtful accounts, the ability to use income tax losses and other future income tax assets, allowance for obsolete and slow moving inventories, net realizable value of inventories, useful lives of depreciable assets, the assumptions underlying the Company s pension and post-retirement benefits and stock-based compensation fair value model, the estimated future cash flows and projections in connection with the impairment tests of goodwill, intangible assets and property, plant and equipment.

Significant changes in the underlying assumptions could result in significant changes to these estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All intercompany accounts and transactions have been eliminated. Foreign exchange gains and losses in connection with intercompany transactions which are not designated as part of the Company s net investment in its self-sustaining foreign operations are included in the determination of net earnings for the year.

Financial Assets and Liabilities

Financial instruments are measured at fair value on initial recognition. The measurement of financial instruments in subsequent periods depends on their classification. The classification of the Company s financial instruments in the various classes is presented in the following table:

Class	**Financial instruments**
Assets held for trading	Cash
Loans and receivables	Trade receivables Other receivables [(1)] Loans to officers and directors
Other financial liabilities	Accounts payable Long-term debt

(1)

Excluding income, sales and other taxes

Assets held for trading are recognized at fair value on the consolidated balance sheet.

Loans and receivables are recorded at amortized cost. Subsequent measurement of trade receivables are recorded at amortized cost, which usually corresponds to the amount initially recorded less any allowance for doubtful accounts. Subsequent measurements of other receivables are recorded at amortized cost using the effective interest method, including any impairment.

Accounts payable are measured at amortized cost using the effective interest method and the gains and losses resulting from their subsequent measurement, at the end of each period, are recognized in net earnings.

2 ACCOUNTING POLICIES (Continued)

Long-term debt is measured at amortized cost using the effective interest method. The amount recorded upon initial recognition corresponds to the notional amount of the long-term debt, representing its fair value, less the related debt issue expenses, with the exception of debt issue expenses incurred in connection with a line of credit or a revolving long-term credit agreement, such as the Company s ABL, which are capitalized and amortized, using the straight-line method, over the term of the related long-term debt agreement.

Derivative Financial Instruments

The Company uses derivative financial instruments to reduce or eliminate the risks inherent in certain transactions and identifiable balances that arise in the normal course of business. Derivative financial instruments are primarily utilized by the Company to reduce interest rate risk on its long-term debt and foreign exchange risk on certain of its inventory purchases. The Company therefore uses derivative financial instruments to ensure unfavourable fluctuations in cash flows are offset by changes in cash flows from derivative financial instruments. The Company does not enter into derivative financial instruments for trading or speculative purposes.

The Company s policy is to formally designate each derivative financial instrument as a hedge of a specifically identified debt instrument and inventory purchases, including the related settlement thereof. The Company believes that the derivative financial instruments are effective as hedges, both at inception and over the term of the instrument, since all critical terms in the derivative financial instruments match the terms of the debt instrument and inventory purchases, including the related settlement thereof, being hedged. Cash flow hedge accounting is used. The Company formally documents all relationships between the hedging items and the hedged items. The Company also assesses the effectiveness of the hedging relationships each quarter.

Interest rate swap agreements are used as part of the Company s program to manage the floating interest rate mix of the Company s total debt portfolio and related overall cost of borrowing. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based, and are recorded as an adjustment of interest expense on the hedged debt instrument. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

Forward foreign exchange rate contracts are used as part of the Company s program to manage the exchange risk associated with certain monthly inventory purchases of the Company s U.S. self-sustaining foreign operations, which are settled in Canadian dollars. Foreign exchange rate gains and losses resulting from the updating of the accounts payable related to these purchases or the settlement thereof, will be excluded from the determination of net earnings for the year and accordingly, will be recorded as an adjustment to other comprehensive income (loss). Upon the sale of the inventories and the settlement of the contracts, any remaining amounts in other comprehensive income (loss) relating to these purchases will be included in the determination of net earnings for the year as an increase or decrease to cost of sales.

2 ACCOUNTING POLICIES (Continued)

The effective portion of changes in the fair value of a financial instrument designated as a hedge is recognized in other comprehensive income (loss) and gains and losses related to the ineffective portion, if any, are immediately recognized in net earnings with the related hedged item. Amounts previously included as part of other comprehensive income (loss) are reclassified to net earnings with the hedged item in the period during which the changes in cash flow of the hedge item impact net earnings. Hedge accounting is discontinued prospectively when a derivative instrument ceases to satisfy the conditions for hedge accounting, is sold or liquidated or the Company terminates its designation of the hedging relationship. If the hedged item ceases to exist, unrealized gains or losses recognized in other comprehensive income (loss) are reclassified to net earnings.

Embedded Derivatives

An embedded derivative that is not closely related to the host contract should be separated and classified as a financial instrument held for trading. It is recorded at fair value and subsequent changes in the fair value are recognized in net earnings. The costs of transactions related to the embedded derivatives are recorded in net earnings. As at December 31, 2008 and 2007, the Company does not have any hybrid instruments that include an embedded derivative to be separated from the host contract.

Comprehensive Income

Comprehensive income is the change in equity or net assets of the Company during the period from transactions and other instruments and circumstances from non-owner sources and comprises the Company s net loss and other comprehensive income. Other comprehensive income (loss) comprises items that are recognized in comprehensive income, but excluded from the determination of net earnings, primarily including exchange gains and losses on net investments in self-sustaining foreign operations and changes in the fair value of financial instruments designated as cash flow hedges, net of future income taxes. The components of comprehensive income are presented in the consolidated statement of comprehensive income (loss).

Foreign Currency Translation

Reporting Currency

The accounts of the Company s operations having a functional currency other than the US dollar have been translated into the reporting currency using the current rate method as follows: assets and liabilities have been translated at the exchange rate in effect at the balance sheet date and revenues and expenses have been translated at the average rate during the year then ended. All translation gains or losses of the Company s net equity investments in these operations have been included in accumulated other comprehensive income in the consolidated balance sheet.

Foreign Currency Translation

Transactions denominated in currencies other than the functional currency have been translated into the functional currency as follows: monetary assets and liabilities have been translated at the exchange rate in effect at the end of each year and revenues and expenses have been translated at the average exchange rates for each year, except for depreciation and amortization which are translated at the historical rate; non-monetary assets and liabilities have been translated at the rates prevailing at the transaction dates. Exchange gains or losses on financial assets and liabilities are recognized in net earnings.

2 ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue from product sales is recognized when there is persuasive evidence of an arrangement (purchase order was received from the customer), the amount is fixed or determinable (pre-established price list with customers), delivery of the product to the customer has occurred (generally, FOB shipping point), there are no uncertainties surrounding product acceptance and collection of the amount is considered probable (credit worthiness of customers regularly evaluated). Title to the product passes upon shipment of the product. Sales returns and allowances are treated as reductions to sales and are provided for based on historical experience and current estimates.

Research and Development

Research and development expenses are expensed as they are incurred, net of any related investment tax credits, unless the criteria for capitalization of development expenses in accordance with GAAP are met.

Stock Option Plan

The Company has a stock-based compensation plan that grants stock options to employees and directors. Stock-based compensation expense is recognized over the vesting period of the options granted. Any consideration paid by employees and directors on exercise of stock options is credited to capital stock together with any related stock-based compensation expense originally recorded in contributed surplus. Forfeitures are estimated at the time of the grant and are subsequently adjusted to reflect actual events.

Earnings per Share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method giving effect to the exercise of options. The treasury stock method assumes that any proceeds that could be obtained upon the exercise of options would be used to repurchase common shares at the average market price during the year.

Cash

Cash includes cash on account and demand deposits.

Accounts Receivable

Credit is extended based on evaluation of a customer s financial condition. For certain customers, the Company may require a (i) cash on delivery arrangement or (ii) collateral. Accounts receivable are stated at amounts due from customers based on agreed upon payment terms, net of an allowance for doubtful accounts.

Inventories and Parts and Supplies

Raw materials, work in process and finished goods are valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method. The cost of work in process and finished goods includes the cost of raw materials, direct labour and manufacturing overhead.

Parts and supplies are valued at the lower of cost and replacement cost.

2 ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less applicable investment tax credits earned and are depreciated over their estimated useful lives or, if lower, over the terms of the related leases using the straight-line method over the

following years:

	Years
Buildings and building under capital lease	15 to 40
Manufacturing equipment	5 to 20
Computer equipment and software	3 to 10
Furniture, office equipment and other	3 to 7

The Company follows the policy of capitalizing interest during the construction and preproduction periods as part of the cost of significant property, plant and equipment. Normal repairs and maintenance are expensed as incurred. Expenditures constituting a betterment to the assets by way of change in capacities or extension of useful lives are capitalized. Depreciation is not charged on new property, plant and equipment until they become operative.

Deferred Charges

Debt issue expenses, incurred in connection with the Company s Asset-Based Loan (ABL), are deferred and amortized on a straight-line basis over the term of the ABL. Other deferred charges are amortized on a straight-line basis over the period of future benefit not exceeding five years as at December 31, 2008.

Debt issue expenses relating to long-term debt, other than debt issue expenses incurred in connection with a line of credit or a revolving debt, such as the Company s ABL, are capitalized against long-term debt and are amortized using the effective interest rate method.

Intangible Assets

Intangible assets consist of distribution rights and customer contracts. These intangible assets were acquired through an asset acquisition described in Note 11. The Company amortizes these intangible assets over their estimated useful lives, of six years, using the straight-line method.

Impairment of Long-lived Assets

Long-lived assets, such as property, plant and equipment and intangible assets, subject to amortization, are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

2 ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill is the excess of the cost of acquired businesses over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. It is tested for impairment annually or more frequently if events or changes in circumstances indicate that it is impaired. Goodwill is allocated to reporting units and any potential goodwill impairment is identified by comparing the carrying amount of a reporting unit with its fair value. If any potential impairment is identified, it is quantified by comparing the carrying amount of goodwill to its fair value. When the carrying amount of goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in an

amount equal to the excess. The fair value of reporting units, for purposes of goodwill impairment testing, is calculated as described in Note 12.

Transaction Costs

Transaction costs with respect to financial instruments not classified as held-for-trading, with the exception of a line of credit or a revolving credit agreement, are recorded as an adjustment to the cost of the underlying financial instruments, when they are recognized, and are amortized using the effective interest rate method.

Transaction costs incurred in connection with the securing of a line of credit or a revolving credit agreement are capitalized as part of other assets, on the consolidated balance sheet, and subsequently amortized using the straight-line method over the term of the agreement.

Transaction costs with respect to equity instruments are recorded as a reduction of the proceeds received.

Environmental Costs

The Company expenses, as incurred, recurring costs associated with managing hazardous substances in ongoing operations. The Company also accrues the fair value of a liability for costs associated with the remediation of environmental pollution in the period in which it is incurred and when a reasonable estimate of fair value can be made.

Pension and Post-Retirement Benefit Plans

The Company has defined benefit and defined contribution pension plans and other post-retirement benefit plans for its Canadian and American employees.

The following policies are used with respect to the accounting for the defined benefit and other post-retirement benefit plans:

The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and is charged to earnings as services are provided by the employees. The calculations take into account management s best estimate of expected plan investment performance, salary escalation, retirement ages of employees, participants mortality rates and expected health care costs;

2 ACCOUNTING POLICIES (Continued)

For the purpose of calculating the expected return on plan assets, those assets are valued at the market-related value for certain plans and for other plans, at fair value. Market-related value of assets as at December 31 is determined based on the assets market value adjusted by a certain percentage, ranging from 20% to 80%, of the assets gains (losses) from the prior four years, resulting in values within 80% to 120% of the assets actual market value. Assets gains (losses) represent the difference between the assets market value and their expected value. The assets expected value is determined as a function of the assets prior year s market value adjusted for contributions, benefits paid and interest rate at the valuation date;

Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees who are active at the date of amendment;

Actuarial gains (losses) arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period and from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10% of the greater of the benefit obligations and the market-related value or the fair value of plan assets is amortized over the average remaining service period of active employees covered by the plans;

On January 1, 2000, the Company adopted the new accounting standard on employee future benefits using the prospective application method. The Company is amortizing the transitional obligations on a straight-line basis over the average remaining service periods of employees expected to receive benefits under the benefit plans as at January 1, 2000;

When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement;

Defined contribution plan accounting is applied to a multiemployer defined benefit plan for which the Company has insufficient information to apply defined benefit plan accounting.

Income Taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the financial statement values and tax values of assets and liabilities, using substantially enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. A valuation allowance is recognized to the extent the recoverability of future income tax assets is not considered to be more likely than not.

New Accounting Pronouncements Not Yet Implemented

As at March 30, 2009, certain new primary sources of GAAP (standards) have been published but are not yet in effect. The Company has not early adopted any of these standards. The new standards which could potentially impact the Company s consolidated financial statements are detailed as follows:

2 - ACCOUNTING POLICIES (Continued)

Goodwill and intangible assets

In February 2008, the CICA published new Section 3064, *Goodwill and Intangible Assets* . This section which replaces *Goodwill and Other Intangible Assets* , Section 3062, and *Research and Development Costs* , Section 3450, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. In addition, Section

1000, *Financial Statement Concepts* was amended to clarify the criteria for recognition of an asset. Finally, once a company adopts this new section it may no longer apply the guidance in EIC Abstract 27, *Revenues and Expenditures during the Pre-Operating Period* .

This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 and the Company will implement it as of January 1, 2009. The Company does not anticipate that the application of this new standard will have a material impact on its consolidated financial results upon adoption.

International financial reporting standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) announced that, as at January 1, 2011, publicly-accountable enterprises are expected to adopt IFRS. Accordingly, the Company expects to adopt these new standards during its fiscal year beginning on January 1, 2011. The AcSB also stated that, during the transition period, enterprises will be required to provide comparative IFRS information for the previous fiscal year. The IFRS issued by the International Accounting Standards Board (IASB) require additional financial statement disclosures and, while the conceptual framework is similar to GAAP, enterprises will have to take account of differences in accounting principles. The Company is currently assessing the impact of these new standards on its consolidated financial statements, however at this time, it is not possible to reasonably determine the impact of this anticipated accounting change on the Company s consolidated financial results and position.

Credit risk and the fair value of financial assets and financial liabilities

On January 20, 2009, the EIC of the CICA approved abstract No. 173 *Credit risk and the fair value of financial assets and financial liabilities* (EIC-173), which clarifies that an entity s own credit risk and the credit risk of its counterparty should be taken into account in determining the fair value of financial assets and liabilities. EIC-173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this abstract. The Company will implement the provisions of EIC-173 in its fair value determination of financial assets and liabilities as at March 31, 2009. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

3

ADDITIONAL INFORMATION REGARDING CONSOLIDATED EARNINGS

	2008	2007	2006
	$	$	$
Financial expenses			
Interest on long-term debt	**18,079**	24,856	25,476

Amortization of debt issue expenses on long-term debt	**934**	2,646	989
Interest on credit facilities	**244**	237	913
Amortization of debt issue expenses on credit facilities	**141**	698	371
Interest capitalized to property, plant and equipment	**(1,033)**	(1,012)	(1,093)
	18,365	27,425	26,656

Other			
Foreign exchange gain resulting from the reduction in net investment in a foreign subsidiary [(1)]	**(899)**		
Foreign exchange loss (gain)	**1,689**	(996)	(553)
Interest income and other	**635**	790	513
	1,425	(206)	(40)

Refinancing			
Write-off of debt issue expenses in connection with debt refinancing	**3,111**		
Settlement of interest rate swap agreements	**2,920**		
	6,031		

Depreciation of property, plant and equipment	**35,174**	35,313	34,934
Amortization of other deferred charges	**117**	245	328
Amortization of intangible assets	**172**		
Impairment of property, plant and equipment	**424**		32,168
Loss on disposal of property, plant and equipment	**532**	460	925
Write-down of inventory [(2)]	**7,703**		
Inventories recognized as an expense	**433,945**	438,099	460,249
Investment tax credits recorded as a reduction of research and development expenses	**170**	355	

(1)

During the second quarter of 2008, the Company reclassified from consolidated accumulated other comprehensive income, a foreign exchange gain amounting to $0.9 million as a result of a partial repayment of notes previously advanced to one of the Company s self-sustaining foreign operations (the Subsidiary). This repayment ultimately reduced the Company s net investment in this Subsidiary.

(2)

Includes a write-down of raw material inventories to be purchased pursuant to unfavourable (onerous) firm purchase commitments entered into by the Company amounting to approximately $2.3 million. The Company s management determined that the cost of the related finished goods, in which such raw materials will be ultimately incorporated into

upon their consumption in the production process, exceed their net realizable value as at December 31, 2008 and accordingly, warrant a write-down.

Intertape Polymer Group Inc.

Notes to Consolidated Financial Statements

December 31, 2008, 2007 and 2006
(in US dollars, tabular amounts in thousands, except as otherwise noted)

4

MANUFACTURING FACILITY CLOSURES, RESTRUCTURING, STRATEGIC ALTERNATIVES AND OTHER CHARGES

Year ended December 31, 2008

During the year ended December 31, 2008, the Company did not incur any additional costs in connection with its manufacturing facility closures, restructuring, strategic alternatives and other charges given that the Company had substantially completed all announced activities as at December 31, 2007. During the year ended December 31, 2008, the Company settled, in non-cash charges and cash payments, previously recorded obligations relating to such activities amounting to approximately $0.5 million and $0.8 million, respectively. In addition, and based on newly available information, the Company revised its estimation regarding the site restoration obligation recorded in connection with the previously closed Brighton, Colorado manufacturing facility, described later in this Note. This estimate revision resulted in a reduction of the related obligation in the amount of $0.7 million.

As at December 31, 2008, the Company s outstanding obligation in connection with manufacturing facility closures, restructuring, strategic alternatives and other charges, included in accounts payable and accrued liabilities, on the Company s consolidated balance sheet, amounted to approximately $0.4 million ($0.3 million and $0.1 million relating to site restoration and restructuring, respectively).

Year ended December 31, 2007

The following table describes the significant charges incurred by the Company in connection with its strategic alternative and restructuring processes, included in the Company s consolidated statement of earnings for the year ended December 31, 2007 under the caption manufacturing facility closures, restructuring, strategic alternatives and other charges.

Manufacturing facility closures				
Severance and other labor related costs	Site restoration	Restructuring	Other charges	Total
$	$	$	$	$
272	2,394	3,162	335	6,163

Balance as at January 1, 2007 included in accounts payable and accrued liabilities						
Staffing reductions	(a)			1,327		1,327
Strategic alternatives process	(b)				6,787	6,787
				1,327	6,787	8,114
Cash payments		272	1,140	3,308	6,832	11,552
Non-cash charges					290	290
Balance as at December 31, 2007 included in accounts payable and accrued liabilities			1,254	1,181		2,435

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MANUFACTURING FACILITY CLOSURES, RESTRUCTURING, STRATEGIC ALTERNATIVES AND OTHER COSTS (Continued)

Year ended December 31, 2007 (continued)

(a)

In connection with the cost reduction initiatives commenced in 2006, the Company recorded $1.3 million in severance and other labour related costs with respect to the staffing reductions undertaken by the Company. With respect to the staffing reductions, the Company had incurred a total of $7.3 million as at December 31, 2007.

(b)

At the annual and special meeting of shareholders held on June 28, 2007, shareholders rejected, by a vote of approximately 70%, a special resolution providing for the sale of all the outstanding common shares of the Company, thereby terminating the strategic alternative process, which commenced in the late part of 2006. In connection with the strategic alternative process and the termination thereof, the Company recorded a charge of approximately $5.5 million, bringing the total related cost to approximately $6.1 million. The $5.5 million incurred in 2007 is comprised of a $1.8 million termination fee paid to the rejected acquirer and $3.7 million paid in professional fees and other charges associated with this process.

In addition, the Company s Interim Chief Executive Officer retired in the second half of 2007. In connection with his retirement, the Company recorded a charge of approximately $1.1 million including $0.1 million in stock-based compensation expense and $1.0 representing the recognition of the balance of his pension obligation. In addition, the Company s Chief Financial Officer retired on June 30, 2007. In regards to his retirement, the Company recorded a charge of approximately $0.2 million in stock-based compensation expense.

The Company has substantively completed all announced restructurings and plant closures, as well as strategic alternative activities and it does not expect any additional costs in future periods with respect to such initiatives.

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MANUFACTURING FACILITY CLOSURES, RESTRUCTURING, STRATEGIC ALTERNATIVES AND OTHER COSTS (Continued)

Year ended December 31, 2006

The following table describes the significant charges incurred by the Company in connection with its restructuring efforts, included in the Company s consolidated statement of earnings for the year ended December 31, 2006 under the caption manufacturing facility closures, restructuring, strategic alternatives and other charges.

		Manufacturing Facility Closures							
		Impairment of long-lived assets	Severance and other labor related costs	Site Restoration	Inventory	Other	Restructuring	Other Charges	Total
		$	$	$	$	$	$	$	$
Piedras Negras, Mexico facility closure	(a)	961	519		1,403	326			3,209
Brighton, Colorado facility closure	(b)	22,131	1,292	2,583	3,524	649			30,179
Environmental remediation	(c)					1,480			1,480
Facilities sale	(d)					925		14	939
Gretna, Virginia facility closure	(e)	1,225	42		1,515	402			3,184
Retirement of Chief Executive Officer	(f)							9,900	9,900
Canadian income trust project	(g)							3,940	3,940
Staffing reductions and Chief Executive Officer succession planning	(h)						6,005	1,289	7,294
Termination of corporate aircraft lease	(i)						2,515		2,515
Credit facilities amendments	(j)							1,908	1,908
Impairment of long-lived	(k)						7,851	176	8,027

assets									
Patent litigations	(l)							2,873	2,873
Strategic alternatives process	(m)							609	609
		24,317	1,853	2,583	6,442	3,782	16,371	20,709	76,057
Cash payments			1,581	189		2,857	5,358	9,487	19,472
Non-cash charges		24,317			6,442	925	7,851	10,887	50,422
Balance as at December 31, 2006 included in accounts payable and accrued liabilities			272	2,394			3,162	335	6,163

Intertape Polymer Group Inc.

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MANUFACTURING FACILITY CLOSURES, RESTRUCTURING, STRATEGIC ALTERNATIVES AND OTHER COSTS (Continued)

Manufacturing Facility Closures

During the year ended December 31, 2006, the Company underwent significant changes including making several revisions to its business model, which included the following: (1) seeking ways to restructure its business and reduce costs to levels more proportionate with near term anticipated sales volume and gross margins; (2) expanding the use of imported products and (3) exiting of several unprofitable customer accounts and streamlining product offerings, particularly with respect to products sold to its consumer accounts. Consequently, the Company undertook the following facility closures activities during the year ended December 31, 2006:

(a)

In the first quarter of 2006, the Company closed its flexible intermediate bulk container (FIBC) manufacturing facility in Piedras Negras, Mexico. The total charge for closing this facility was $3.2 million, of which $2.4 million was non-cash charges resulting from the impairment charge recorded to reflect the fair value of the machinery and equipment which were idled upon closure of the facility, and inventories located in Piedras Negras in the amount of $1.0 million and $1.4 million respectively. In addition, the Company incurred $0.5 million in severance and other labour related costs in connection with the facility s employees and $0.3 million in other costs associated with the facility closure.

(b)

The Company closed its manufacturing facility in Brighton, Colorado in early November 2006. The total costs for severance, equipment relocation and facility restoration were approximately $1.3 million, $0.6 million and $2.6 million, respectively. The Company also recorded $25.7 million in non-cash charges as an impairment to reflect the estimated recoverable value of the machinery and equipment, which were idled upon the closure of the facility and inventories located in Brighton, in the amount of $22.1 million and $3.5 million, respectively.

(c)

In the second quarter of 2006, the Company recorded $1.5 million in additional remediation expenses at its Montreal manufacturing facility that was closed in December 2004. The Company had originally estimated the cost of the environmental remediation to be approximately $0.5 million. When remediation activities commenced in April 2006, the Company was notified that excavation had uncovered additional soil contamination requiring remediation in

excess of the original estimate. The remediation was completed during the third quarter and in October 2006, the Company sold the property to a third party and has no residual environmental liability related to this site.

(d)

In June and July 2006, the Company sold the properties of two previously closed manufacturing facilities in Edmunston, New Brunswick and Green Bay, Wisconsin. The Company realized net cash proceeds of approximately $2.5 million and recorded a loss on disposition of approximately $0.9 million.

(e)

In an effort to improve its customer service levels and reduce related service costs, during 2006, the Company implemented changes in the manner in which it handles packaging, sales and delivery of products to retail customers in its consumer business. These changes required the closing of the Company s repackaging facility in Gretna, Virginia. The cost to close the facility totalled $3.2 million including $2.7 million of non-cash charges related to adjusting discontinued inventories by approximately $1.5 million to estimated net realizable value, retiring information technology systems amounting to $1.2 million and an additional $0.5 million in other charges associated with the facility closure.

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MANUFACTURING FACILITY CLOSURES, RESTRUCTURING, STRATEGIC ALTERNATIVES AND OTHER COSTS (Continued)

Restructuring and Other Charges

(f)

The Company s founder, Chief Executive Officer and Chairman of the Board of Directors retired at the Company s annual shareholders meeting on June 14, 2006. In connection with his retirement, the Company recorded charges totalling $9.9 million including $1.5 million in accelerated stock-based compensation expense and $2.4 million related to the recognition of the balance of his pension obligation.

(g)

As originally announced in December 2005, the Company investigated the possibility of selling a portion of its interest in the combined coated products operation and FIBC business through an initial public offering of the combined businesses using a Canadian Income Trust. On May 24, 2006, the Company announced that it had indefinitely deferred the decision to proceed with this offering. Accordingly, during the second and third quarters of 2006, the Company recorded a net charge of $3.9 million representing the write-off of the fees and expenses incurred in connection with the decision.

(h)

The Company made significant reductions in its staffing levels beginning in the second quarter of 2006 and continuing through the remainder of the year. These staffing adjustments, coupled with Chief Executive Officer succession planning costs resulted in restructuring and other charges of approximately $7.3 million.

(i)

In June 2006, the Company decided to exit its corporate aircraft lease, resulting in a charge of $2.5 million. The Company successfully exited the corporate aircraft lease in the fourth quarter of 2006.

(j)

During the year ended December 31, 2006, the Company amended its credit facilities twice in order to accommodate the various charges discussed herein, to allow for the goodwill impairment charge and to provide for the relaxation of the credit facilities covenants. As a result, the Company incurred approximately $1.9 million in amendment fees.

(k)

The Company recorded property, plant and equipment impairment charges totalling $8.0 million in 2006 related to efforts to streamline manufacturing operations through the elimination of redundant capacity as well as ongoing revisions to product marketing strategies.

(l)

During the second quarter of 2006, the Company reassessed the recoverability of certain legal costs incurred in defence of lawsuits alleging trademark infringement and concluded that the costs were no longer recoverable. Accordingly, in the second quarter of 2006, the Company wrote-off approximately $2.9 million in legal costs related to these claims.

(m)

On October 2, 2006, the Company announced that its Board of Directors was initiating a process to explore and evaluate various strategic and financial alternatives available to enhance shareholder value. During the fourth quarter of 2006, the Company incurred costs of approximately $0.6 million in connection with this process.

5

INCOME TAXES

The provision for income taxes (recovery) consists of the following:

	2008	2007	2006
	$	$	$
Current	**(566)**	878	1,548
Future	**4,006**	11,439	(32,262)
	3,440	12,317	(30,714)

The reconciliation of the combined federal and provincial statutory income tax rate to the Company s effective income tax rate is detailed as follows:

	2008	2007	2006
	%	%	%

Combined federal and provincial income tax rate	**34.0**	33.9	36.2
Foreign losses recovered at lower rates	**1.4**	7.7	0.4
Change in income tax rate		121.1	
Impairment of goodwill	**(19.0)**		(17.2)
Non-deductible expenses		41.5	(1.2)
Impact of other differences	**(0.9)**	44.2	(2.6)
Change in valuation allowance	**(19.3)**	65.6	
Effective income tax rate	**(3.8)**	314.0	15.6

The net future income tax assets are detailed as follows:

	2008	2007
	$	$
Future income tax assets		
Trade and other receivables	**61**	220
Inventories	**1,251**	2,502
Property, plant and equipment	**8,549**	8,355
Accounts payable and accrued liabilities	**1,358**	2,595
Derivative financial instruments	**1,099**	296
Tax credits, losses carry-forward and other tax deductions	**105,597**	112,369
Pension and post-retirement benefits	**275**	804
Goodwill	**12,339**	4,337
Other	**599**	1,050
Valuation allowance	**(24,295)**	(14,286)
	106,833	118,242
Future income tax liabilities		
Property, plant and equipment	**50,448**	52,467
Pension and post-retirement benefits	**254**	554
	50,702	53,021
Total net future income tax assets	**56,131**	65,221
Net current future income tax assets	**9,064**	11,231
Net long-term future income tax assets	**47,067**	53,990
Total net future income tax assets	**56,131**	65,221

5 - INCOME TAXES (Continued)

As at December 31, 2008, the Company has $39.6 million (CAD$48.3 million) of Canadian operating losses carry-forward expiring in 2009 through 2028, of which $7.3 million (CAD$8.9 million) were not recognized as future income tax assets, and $221.6 million of US federal and state operating losses expiring in 2010 through 2028, of which $38.2 million were not recognized as future income tax assets.

	Canada		United States
	Federal	Provincial	
	$	$	$
2009	17.2	17.2	
2010	6.7	6.7	0.2
2011			3.5
2012			8.8
2014	1.2	1.2	
2015	2.0	2.0	
2018			4.6
2019			15.0
2020			11.9
2021			50.9
2022			33.9
2023			34.8
2024			8.9
2026	6.0	6.0	27.2
2027	4.4	4.4	
2028	2.1	2.1	21.9
	39.6	39.6	221.6

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will not be realized. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The Company expects the future income tax assets, net of the valuation allowance, as at December 31, 2008, to be realized as a result of the reversal of existing taxable temporary differences, projection of taxable income and tax planning strategies implementation.

During the year ended December 31, 2008, the Company s management revised its assessment of the recoverability of the Company s future income tax assets. Accordingly, the Company recorded a $10.0 million net increase to its future income tax assets valuation allowance consisting primarily of the following: i) a $16.5 million increase with respect to the long-term uncertainties inherent in the recent worldwide credit crisis and economic slowdown, ii) a $5.5 million decrease in connection with the improved financial performance of the Company s Engineered Coated Products Division and management s ability to take advantage of certain income tax planning strategies, and iii) a $1.0 million decrease regarding the foreign exchange impact due to the significant weakening of the Canadian dollar.

5 - INCOME TAXES (Continued)

During the year ended December 31, 2007, the Company recorded a $1.8 million increase to its income tax assets valuation allowance. The increase in the valuation allowance was based on the Company s expectation that certain Canadian net operating losses scheduled to expire in future years, will likely not be utilized, mitigated in part by the expected utilization of certain net operating losses in the US that had previously been provided for.

EARNINGS PER SHARE

	2008	2007	2006
	$	$	$
Net loss	**(92,799)**	(8,393)	(166,693)
Weighted average number of common shares outstanding	**58,956,348**	45,286,644	40,980,939
Basic loss per share	**(1.57)**	(0.19)	(4.07)
Diluted loss per share	**(1.57)**	(0.19)	(4.07)

The following number of options were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented:

	2008	2007	2006
Options	**3,511,462**	3,976,337	3,154,028

7

OTHER RECEIVABLES

	2008	2007
	$	$
Income and other taxes	**390**	266
Supplier rebates receivable	**1,438**	402
Sales taxes	**827**	1,761
Other	**1,438**	541
	4,093	2,970

8

INVENTORIES

	2008	2007
	$	$
Raw materials	**23,645**	32,244
Work in process	**19,706**	18,875
Finished goods	**47,495**	48,363
	90,846	99,482

The carrying amount of inventories carried at net realizable value is as follows as at December 31, 2008:

	$
Cost	**40,877**
Write-down to net realizable value [1]	**5,379**
Carrying amount	**35,498**

(1)

Excludes the write-down of inventories to be purchased pursuant to firm purchase commitments as described in Note 20.

9

PROPERTY, PLANT AND EQUIPMENT

			2008
	Cost	**Accumulated depreciation**	**Net**
	$	**$**	**$**
Land	**3,708**		**3,708**
Buildings	**76,498**	**35,897**	**40,601**
Manufacturing equipment	**489,713**	**273,620**	**216,093**
Computer equipment and software	**66,850**	**52,088**	**14,762**
Furniture, office equipment and other	**2,687**	**2,579**	**108**
Construction in progress	**14,491**		**14,491**
	653,947	**364,184**	**289,763**

			2007
	Cost	Accumulated depreciation	Net
	$	$	$
Land	4,024		4,024
Buildings	79,286	36,952	42,334
Manufacturing equipment	505,805	265,358	240,447
Computer equipment and software	65,165	46,822	18,343
Furniture, office equipment and other	3,077	2,778	299
Construction in progress	12,419		12,419
	669,776	351,910	317,866

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Included in property, plant and equipment are assets under capital lease, primarily a building and computer hardware, with cost and accumulated amortization of $11,782 and $5,269, respectively ($11,619 and $4,256, respectively in 2007).

10

OTHER ASSETS

	2008	2007
	$	$
Debt issue expenses and other deferred charges, at amortized cost	**3,115**	1,086
Loans to officers and directors, without interest, various repayment terms	**108**	108
Accrued pension benefit asset	**10,866**	9,805
Employees relocation program	**91**	2,951
Investment tax credits recoverable	**5,621**	6,446
Funds held in guarantor trust to satisfy future pension obligation	**1,748**	1,844
Other	**815**	936
	22,364	23,176

11

INTANGIBLE ASSETS

During the year ended December 31, 2008, the Company entered into an Asset Purchase Agreement (the Agreement). Under the Agreement the Company acquired a group of assets (the Group) for total consideration of CAD$5.5 million (the Purchase Price). The Group comprised both tangible and intangible assets primarily consisting of machines, distribution rights and customer contracts. Under the distribution rights, the Company committed to distribute and sell manufacturing machines and technology and attain specific thresholds in this respect over a period of 61 months terminating in September 2013 (the Commitment). The assets acquired complement the Company s product offerings and customer base as part of its Engineered Coated Products Division.

The Purchase Price amounted to CAD$5.5 million, of which CAD$4.4 million was paid in cash, and the balance, of approximately CAD$1.1 million, is included in the Company s accounts payable and accrued liabilities on its consolidated balance sheet as at December 31, 2008. The Purchase Price attributed to the machines acquired amounted to CAD$0.8 million (USD$0.7 million), and is included under the caption property, plant and equipment on the Company s consolidated cash flows.

The Company determined the fair value of each of the assets acquired in the Group. The Purchase Price paid was then allocated to each asset acquired, on the basis, of the assets relative fair value.

As at December 31, 2008, the intangible assets recognized including their costs and respective accumulated amortization are as follows:

	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**

Distribution rights	**3,090**	**129**	**2,961**
Customer contracts	**1,038**	**43**	**995**
	4,128	**172**	**3,956**

9 INTANGIBLE ASSETS (Continued)

The Agreement provides for additional consideration to be paid in connection with the Company s Commitment. However, within the first two years of the Agreement, the machines acquired must attain certain market acceptance parameters or the Company has the right to renegotiate the Commitment with the vendor and if such renegotiation is not concluded on terms satisfactory to the Company, and if the vendor remains unable to resolve the issues to the satisfaction of the Company, then the Commitment will be relieved. Accordingly, as at December 31, 2008, the Company i) was not in the position to determine, beyond a reasonable doubt, the outcome of its Commitment and ii) concluded that the vendor retains future performance obligations under the provisions of the Agreement. Consequently, the Company will account for these contingencies upon their resolution as part of the cost of the machines acquired or as performance penalties to be charged to net earnings.

12

GOODWILL

The Company performs an annual goodwill impairment test as at December 31. In the fourth quarter of 2007, the Company realigned its organizational and related internal reporting structures as described in Note 18. Consequently, the goodwill was reassigned to two new reporting units using a relative fair value allocation approach. As at December 31, 2008, the carrying amount of goodwill assigned to the Tapes and Films Division and to the Engineered Coated Products Division was nil ($58.1 million and $12.2 million, respectively in 2007). The Company calculates the fair value of each reporting unit using the discounted cash flows method.

As at December 31, 2008, and in connection with the worldwide credit crisis and economic slowdown which unfolded during the latter part of the year, management revised its estimates of growth and future business activities. This revision included, among others, a detailed assessment of: i) its operating markets, ii) operating plans and budgets and iii) other areas where the Company s business might be adversely impacted by the changing operating environment. As a result of these assessments, management concluded that the Company s future business activities and underlying markets have suffered adverse consequences in connection with the worldwide credit crisis and economic slowdown and consequently, reduced its related future cash flows and revenue projections. Accordingly, the Company recorded a goodwill impairment charge in its consolidated earnings amounting to $66.7 million (nil in 2007).

The changes in the carrying amount of goodwill are as follows:

	2008	2007
	$	$
Balance, beginning of year	**70,250**	63,746
Contingent consideration		300
Impairment	**(66,726)**	
Foreign exchange impact	**(3,524)**	6,204
Balance, end of year		70,250

During the three months ended September 30, 2006, the Company performed a comprehensive assessment of its business and operating plans, in light of the significant changes to the underlying business. As a result of this

assessment, the Company conducted a goodwill impairment test as at September 30, 2006. This resulted in a charge to the consolidated earnings of $120.0 million. No further impairment was required as at December 31, 2006.

13

BANK INDEBTEDNESS

Refinancing

On March 27, 2008, the Company successfully refinanced its entire senior secured credit facility (the Facility), which included the Company s revolving credit facility and term loan, with a five-year, $200.0 million ABL entered into with a syndicate of financial institutions. The ABL is described in more detail in Note 14.

In connection with this refinancing, the Company has reported a refinancing charge amounting to $6.0 million, comprised of $3.1 million representing the write-off of debt issue expenses incurred in connection with the issuance and subsequent amendments of the Facility and $2.9 million representing the settlement of the interest rate swap agreements, designated as cash flow hedges, on a portion of the term loan, as described in Note 21.

Finally, in securing the ABL the Company incurred debt issue expenses amounting to approximately $2.8 million, primarily comprised of $1.4 million paid to the primary lender and $1.4 million representing professional and other fees. These expenses were capitalized as part of other assets, on the Company s consolidated balance sheet, and are amortized over the term of the ABL of five years using the straight-line method.

Revolving Credit Facility

On August 8, 2007, the Company successfully amended its credit facilities to accommodate the costs of its strategic alternatives process. The Company paid a fee to its lenders of approximately $0.6 million that was deferred and amortized over the remaining term of the related revolving credit facility. The amendment resulted in an increase to the loan premium under both the Company s term loan, as described in Note 14, and its revolving credit facility. Additionally, the amendment reduced the Company s maximum revolving credit facility from $75.0 million to $60.0 million and as a result of this reduction, the Company recorded a charge of approximately $0.3 million in its consolidated earnings representing the write-off of a portion of debt issue expenses related to the revolving credit facility. This charge was included under the caption financial expenses - interest.

As at December 31, 2007, the Company had an available US$60.0 million revolving credit facility with a five-year term expiring in July 2009 which comprised US$52.0 million available in US dollars and US$8.0 million available in Canadian dollars. Any loans drawn under the facility bear interest at various interest rates including (i) US prime rate plus a premium varying between 225 and 325 basis points (100 and 200 basis points prior to August 8, 2007) (300 basis points as at December 31, 2007); (ii) Canadian prime rate plus a premium varying between 225 and 325 basis points (100 and 200 basis points prior to August 8, 2007) (300 basis points as at December 31, 2007); and (iii) LIBOR plus a premium varying between 325 and 425 basis points (200 and 300 basis points prior to August 8, 2007) (400 basis points as at December 31, 2007), depending on whether certain financial ratios had been achieved. As at December 31, 2007, the revolving credit facility had not been drawn. The revolving credit facility available, as a result of covenant restrictions, was $57.9 million, after considering outstanding letters of credit of $2.1 million.

14

LONG-TERM DEBT

Long-term debt consists of the following:

	2008	2007
	$	$
Senior subordinated notes (a)[1]	**121,184**	120,697
Asset-based loan (b)	**114,000**	
Term loan (c) [1]		114,482
Obligations under capital leases (d)	**6,789**	7,532
Term debt (e)	**7,693**	
Mortgage loan (f)	**1,759**	
Other debt (g)		648
	251,425	243,359
Less: Installments on long-term debt	**623**	3,074
	250,802	240,285

(1)

The senior subordinated notes and the term loan are presented net of related debt issue expenses and are amortized using the effective interest rate method, as described in Note 2, amounting to $3.8 million and nil, respectively in 2008 ($4.3 million and $2.5 million, respectively in 2007).

(a)

Senior Subordinated Notes

Senior subordinated notes bearing interest at 8.5%, payable semi-annually on February 1 and August 1. The principal is due on August 1, 2014. The effective interest rate of the senior subordinated notes is 9.21%.

The Company and all of its subsidiaries, which are all wholly-owned directly or indirectly by the Company, other than the subsidiary issuer, have guaranteed the senior subordinated notes. The senior subordinated notes were issued and the guarantees executed pursuant to an indenture dated July 28, 2004. All of the guarantees are full, unconditional, joint and several. There are no significant restrictions on the ability of the Company or any guarantor to obtain funds from its subsidiaries by dividend or loan. The Company, on a non-consolidated basis, has no independent assets or operations. The subsidiary issuer is an indirectly wholly-owned subsidiary of the Company and has nominal assets and no operations.

(b)

Asset-Based Loan

Five-year, $200.0 million ABL bearing interest at LIBOR plus a premium varying between 150 and 225 basis points depending on the loan s remaining availability (200 basis points as at December 31, 2008). The loan premium remained unchanged and fixed at 175 basis points up to and including September 2008 and subsequently increased to 200 basis points. As at December 31, 2008, the effective interest rate on the ABL was 4.13%, taking into account the effect of the interest rate swap agreements described in Note 21.

14 - LONG-TERM DEBT (Continued)

The amount of the borrowing available to the Company under the ABL is determined by its applicable borrowing base from time to time. The borrowing base is calculated as a function of a percentage of eligible trade receivables, inventories and property, plant and equipment as defined in the ABL agreement.

Under the ABL agreement, the Company s remaining unencumbered real estate is subject to a negative pledge in favour of the ABL lenders. However, the Company retains the ability to secure financing, on all or a portion of, its owned real estate thereby subordinating the negative pledge to the ABL lenders up to an amount of $35.0 million of the real estate financing secured. During the year ended December 31, 2008, the Company obtained a $1.8 million mortgage financing on its owned real estate located in Bradenton, Florida.

As at December 31, 2008, the ABL s borrowing base amounted to $153.7 million of which $118.3 million was drawn, including $4.3 million in letters of credit. Accordingly, the Company s unused availability amounted to $35.4 million.

The ABL is secured by a first priority lien on the Company s, and substantially all of its subsidiaries , trade receivables, inventories and property, plant and equipment with a carrying amount of $75.5 million, $90.8 million and $289.8 million, respectively as at December 31, 2008.

The ABL contains one financial covenant, described in Note 21, which becomes enforceable only when unused availability is under $25.0 million. As at December 31, 2008, the Company s availability on its ABL exceeded $25.0 million and accordingly, the related financial covenant was not applicable.

In line with the Company s interest rate risk policy to mitigate the risk associated with its variable interest rate debt instruments, including a portion of its ABL, the Company entered into two interest rate swap agreements designated as cash flow hedges. These interest rate swap agreements as well as the Company s interest rate risk policy are described in Note 21.

(c)

Term Loan

Term loan, which was refinanced, bore interest at LIBOR plus a premium varying between 325 and 425 basis points depending on whether a certain financial ratio had been achieved (400 basis points as at December 31, 2007), payable in quarterly instalments of $0.5 million until June 30, 2010, followed by two quarterly instalments of $47.1 million and a final payment of $17.8 million in March 2011. In addition to the quarterly instalments of $0.5 million through June 30, 2010, the term loan required annual mandatory principal prepayments 90 days after year-end based on a percentage of Excess Cash Flow as defined in the Senior Secured Credit Facility. On March 30, 2007, the Company repaid $15.6 million of the term loan pursuant to the Excess Cash Flow calculation.

On August 8, 2007, the Company successfully amended the terms of its term loan to accommodate the costs of its strategic alternatives process. The Company paid a fee to its lenders of approximately $1.7 million that was capitalized against the term loan and was amortized using the effective interest method.

14 - LONG-TERM DEBT (Continued)

In addition, pursuant to the rights offering described in Note 15, the Company used the proceeds from the rights offering to repay $60.9 million of the term loan. As a result, the Company recorded a charge of approximately $1.2 million in its consolidated earnings reflecting the write-off of a portion of the deferred debt issue expenses relating to the portion of the term loan repaid. This charge is included under the caption financial expenses - interest.

(d)

Obligations under Capital Leases

The Company has obligations under capital leases for the rental of a building and computer hardware, bearing interest at rates varying between 5.1% to 8.6% (0.6% to 5.1% as at December 31, 2007), payable in monthly instalments ranging from $867 to $47,817 ($359 to $47,817 in 2007), including interest and maturing on various dates until 2024.

(e)

Term debt

In the second quarter of 2008, the Company s wholly-owned subsidiary entered into a long-term loan agreement, containing two debt instruments, totalling approximately $7.7 million, with each instrument bearing interest at a rate of Euribor (2.97% as at December 31, 2008) plus a premium (125 basis points as at December 31, 2008) increasing semi-annually by 75 basis points. Under the terms of the agreement, only monthly interest payments are required for the first two years followed by eight equal semi-annually principal payments amounting to $0.3 million and $0.6 million for each of the instruments commencing on January 2010 and November 2010, respectively. The term debt is secured by a comfort letter issued to the lender by the Company in favour of its wholly-owned subsidiary.

(f)

Mortgage loan

On September 29, 2008, the Company obtained a $1.8 million mortgage loan on its owned real estate located in Bradenton, Florida having a net book value of $0.8 million as at December 31, 2008. The mortgage is for a period of 20 years, bearing interest at 7.96%, and thereafter, the applicable interest rate will adjust every three years to a 355 basis points spread over the 10-year Interest Rate Swap published in the daily release of the Federal Reserve. The mortgage requires monthly payments of principal and interest amounting to $14,723.

(g)

Other Debt

In 2007, the Company had other debt consisting primarily of a bond bearing a fixed interest rate of 8.03%. These debt instruments were fully repaid in 2008.

14 - LONG-TERM DEBT (Continued)

Long-term debt repayments are due as follows:

	Obligations under capital leases	Other long-term loans
	$	$
2009	955	41
2010	721	1,201
2011	637	2,012
2012	574	2,016

2013	574	116,020
Thereafter	6,121	127,162
Total payments	9,582	248,452
Interest expense included in minimum lease payments	2,793	
Total	6,789	248,452

15

CAPITAL STOCK

Authorized

Unlimited number of shares without par value

Common shares, voting and participating

Class A preferred shares, issuable in series, ranking in priority to the common shares with respect to dividends and return of capital on dissolution. The Board of Directors is authorized to fix, before issuance, the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

Share Repurchase

The Company announced a normal course issuer bid effective August 28, 2008. In connection with this normal course issuer bid, the Company is entitled to repurchase for cancellation up to 2,947,817 of its 58,956,348 common shares issued and outstanding, representing 5% of the Company s common shares issued and outstanding as at that date.

In accordance with the TSX policies, a maximum daily repurchase of 25% of the daily volume trading averages for the six months preceding August 13, 2008 may be made. In addition, the Company may make, once per calendar week, a block purchase, as defined by the TSX Manual, of its common shares. The normal course issuer bid will result in a reduction of the common shares in circulation and the proportionate interest of all remaining shareholders will be increased on a pro rata basis.

The normal course issuer bid will end no later than August 27, 2009. All shares purchased under the normal course issuer bid were cancelled.

During the year ended December 31, 2008, the Company s common shares repurchased for cancellation under the normal course issuer bid were insignificant.

15 CAPITAL STOCK (Continued)

Rights Offering

On September 13, 2007, the Company completed a shareholder s rights offering. The rights offering granted the shareholders the right to subscribe to one common share of the Company for each 1.6 rights held. The offering raised $60.9 million net of related expenses of $1.9 million. The proceeds were received from several major shareholders, directors and senior officers, including one former senior officer. In connection with the rights offering, the Company issued 17,969,408 common shares during the fourth quarter of 2007. Directors and senior officers of the Company subscribed to 1,508,304 common shares amounting to gross proceeds of $5.2 million. The proceeds from the rights offering were used to repay a portion, amounting to $60.9 million, of the Company s term loan.

Shareholder s Protection Rights Plan

On June 14, 2006, the shareholders voted to adopt amendments to extend the Shareholder s Protection Rights Plan through the date immediately following the date of the Company's 2009 annual shareholders' meeting. The effect of the Shareholder s Protection Rights Plan is to require anyone who seeks to acquire 20% or more of the Company s voting shares to make a bid complying with specific provisions of the plan.

Stock Options

On September 5, 2007, the Company amended its executive stock option plan. Under the amended plan, options may be granted to the Company's executives, directors and employees for the purchase of up to a total of 10% of the Company s issued and outstanding common shares. Options expire no later than 10 years after the date of the grant. The plan provides that such options granted to employees and executives will vest and may be exercisable 25% per year over four years. The options granted to directors, who are not officers of the Company, will vest and may be exercisable 25% on the grant date, and a further 25% will vest and may be exercisable per year over three years.

All options are granted at a price determined and approved by the Board of Directors, which cannot be less than the average of the closing price of the common shares on the TSX and New York Stock Exchange for the day immediately preceding the grant date.

Intertape Polymer Group Inc.

Notes to Consolidated Financial Statements

December 31, 2008, 2007 and 2006
(in US dollars, tabular amounts in thousands, except as otherwise noted)

15 - CAPITAL STOCK (Continued)

The changes in number of options outstanding were as follows:

	2008		2007		2006	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	$		$		$	
Balance, beginning of year	**6.44**	**3,976,337**	8.74	3,154,028	9.18	3,919,251
Granted	**3.44**	**200,000**	3.45	1,651,184	8.15	549,000
Exercised					4.54	(29,366)
Forfeited	**3.99**	**(163,250)**	8.88	(485,125)		
Expired	**10.08**	**(501,625)**	9.85	(343,750)	10.57	(1,284,857)
Balance, end of year	**5.91**	**3,511,462**	6.44	3,976,337	8.74	3,154,028
Options exercisable at the end of the year		**1,997,680**		1,909,364		1,811,132

The following table summarizes information about options outstanding and exercisable as at December 31, 2008:

	Options outstanding			Options exercisable	
	Number	Weighted average contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price
Range of exercise prices			$		$
$3.44 to $4.41	1,902,684	3.5	3.54	606,796	3.67
$6.60 to $9.10	1,206,778	2.2	7.91	990,634	7.90
$10.87 to $12.32	390,000	1.5	10.92	388,250	10.91

$17.65	12,000	1.1	17.65	12,000	17.65
	3,511,462	2.4	5.91	1,997,680	7.26

Intertape Polymer Group Inc.

Notes to Consolidated Financial Statements

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15 - CAPITAL STOCK (Continued)

The Company uses the fair value based method of accounting for stock-based compensation expense and other stock-based payments. Accordingly, the Company recorded a pre-tax stock-based compensation expense of approximately $1.3 million in 2008, $1.8 million in 2007 and $2.0 million in 2006.

For stock options granted during the year ended December 31, 2002, the Company is required to make pro forma disclosures of net earnings and basic and diluted earnings per share as if the fair value based method of accounting had been applied. The stock options granted during the year ended December 31, 2002, were fully vested as at December 31, 2006. Consequently, there is no further pro forma impact on net loss for years ended subsequent to December 31, 2006.

Accordingly, the Company s net loss and basic and diluted loss per share, for the year ended December 31, 2006, would have been increased to the pro forma amounts indicated in the following table:

	$
Net loss - as reported	(166,693)
Add: Stock-based compensation expense included in reported net loss	2,022
Deduct: Total stock-based compensation expense determined under fair value based method	(2,163)
Pro forma net loss	(166,834)
Loss per share:	
Basic - as reported	(4.07)
Basic - pro forma	(4.07)
Diluted - as reported	(4.07)
Diluted - pro forma	(4.07)

The fair value of options granted was estimated using the Black-Scholes option pricing model, taking into account the following weighted average assumptions:

	2008	2007	2006

Expected life	**5.5 years**	5.2 years	5.5 years
Expected volatility	**50%**	52%	55%
Risk-free interest rate	**3.13%**	3.27%	4.80%
Expected dividends	**$0.00**	$0.00	$0.00

The weighted average fair value per option granted is:

2008	2007	2006
$	$	$
1.14	3.27	4.49

In the course of 2008, 200,000 stock options were granted at exercise prices exceeding the market price of the Company's common shares at the date of the grant. The exercise price and fair value of these options were $3.44 and $1.14, respectively.

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ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of other accumulated comprehensive income as at December 31 are as follows:

	2008	2007
		$
Accumulated currency translation adjustments	**34,422**	67,965
Fair value of interest rate swap agreements, designated as cash flow hedges resulting from the initial application of accounting for hedges		1,138
Cumulative changes in fair value of interest rate swap agreements (net of future income taxes of $948, $964 in 2007)	**(1,613)**	(1,641)
	(1,613)	(503)
Cumulative changes in fair value of forward foreign exchange rate contracts (net of future income taxes of $151)	**(257)**	
	32,552	67,462

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PENSION AND POST-RETIREMENT BENEFIT PLANS

The Company has several defined contribution plans and defined benefit plans for substantially all its employees in both Canada and the United States. These plans are generally contributory in Canada and non-contributory in the United States.

Total Cash Payments

Total cash payments for employee future benefits for 2008, consisting of cash contributed by the Company to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, cash contributed to its defined contribution plans and cash contributed to its multi-employer defined benefit plans, were $5.8 million ($7.1 million in 2007 and $8.7 million in 2006).

Defined Contribution Plans

In the United States, the Company maintains a savings retirement plan (401(k) Plan) for the benefit of certain employees who have been employed for at least 90 days. Contribution to this plan is at the discretion of the Company. The Company also maintains 401(k) plans according to the terms of certain collective bargaining agreements.

The Company contributes as well to its multi-employer plans for employees covered by certain collective bargaining agreements.

In Canada, the Company maintains defined contribution pension plans for its salaried employees and contributes amounts equal to 4% of each participant's eligible salary.

The Company has expensed $2.8 million for these plans for the year ended December 31, 2008 ($2.7 million and $2.3 million in 2007 and 2006, respectively).

17 PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)

Defined Benefit Plans

The Company has, in the United States, three defined benefit plans (hourly and salaried). Benefits for employees are based on compensation and years of service for salaried employees and fixed benefits per month for each year of service for hourly employees.

In Canada, certain non-union hourly employees of the Company are covered by a plan which provides a fixed benefit of CAD$20.00 in 2008, 2007 and 2006 (USD$18.79 in 2008, USD$20.44 in 2007 and USD$17.15 in 2006) per month for each year of service. In addition, the Company maintains a defined benefit plan, which provides for a fixed benefit at a rate ranging from 40% to 62.5% (40% to 50.0% and 50% to 62.5% in 2007 and 2006, respectively) of the employee contributions, depending on the participation start date.

In the United States, the Company provides group health care and life insurance benefits to certain retirees.

In Canada, the Company provides group health care, dental and life insurance benefits for eligible retired employees.

Supplementary Executive Retirement Plans

The Company has Supplementary Executive Retirement Plans (SERPs) to provide supplemental pension benefits to certain key executives. The SERPs are not funded and provide for an annual pension benefit, from retirement or termination date, in the amounts ranging from $0.2 million to $0.3 million, annually. The SERPs had accrued benefit obligations as at December 31, 2008 of $4.4 million ($4.6 million in 2007).

In 2007, the Company recorded a charge of approximately $1.0 million representing the recognition of the balance of past service costs relating to a member of senior management s pension obligation.

The Company s founder, Chief Executive Officer and Chairman of the Board of Directors retired in 2006. In connection with his retirement, the Company recorded a charge of approximately $2.4 million representing the recognition of the balance of his pension obligation.

Acquisition and Plan Termination

One of the pension plans acquired with the Flexia acquisition, in 2005, was terminated in 2006 with the termination of employees due to the closure of one of the facilities purchased. This termination was taken into account at the time of the acquisition in the valuation of the accrued benefit obligations. The termination resulted in a curtailment gain of $0.2 million and a settlement loss of $0.5 million.

17 PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)

Investment Policy

The Company's Investment Committee comprised of the Company s Chief Financial Officer and Vice President, Human Resources, established a target mix of equities and bonds of 70% equities and 30% bonds over time. In January 2003, the Committee determined, with assistance from the investment manager and trustee, to temporarily increase the allocation for the US plans to 80% equity and 20% bonds due to the performance, current and expected, in the bond market and the expected appreciation in the small and midcap equity markets. The increased investment in those markets was 7.5% target in small cap and 2.5% in midcap. That direction was reviewed with the same advisors, and the Committee determined to continue this approach at its meeting in 2005. In February 2006, the Committee revised the target mix back to 70% equity and 30% bonds. The relatively heavy emphasis on equities is due to the better performance over time in equities versus bonds and the fact that the Company's pension funds do not have a large number of current recipients. In Canada, the funds of the non-union plans are split evenly between two balanced mutual funds, thus, over time, achieving the target mix of 70% equities and 30% bonds. The funds of the union plans have a target equity weighing ranging from 45% to 65%.

The rate of return decision is a function of advice from the Company's actuaries and their review of current holdings, general market trends and common levels used by other employers.

Measurement Date and Date of Actuarial Valuations

The Company measures its plan assets and accrued benefit obligations for accounting purposes as at December 31 of each year.

The most recent actuarial valuations for funding purposes were October 1, 2007 and January 1, 2008 for the US plans and October 2, 2005, December 31, 2005 and September 30, 2006 for the Canadian plans.

The next valuation dates for actuarial valuations to be used for funding purposes are October 1, 2008 and January 1, 2009 for the US plans and December 31, 2008 and September 30, 2009 for the Canadian plans.

17 - PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)

Information relating to the various plans is as follows:

	Pension Plans		**Other plans**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Accrued benefit obligations				

Balance, beginning of year	**53,540**	52,948	**3,432**	3,266
Current service cost	**1,057**	1,393	**75**	82
Plan participants contributions	**100**	135		
Plan amendments	**649**		**33**	
Interest cost	**3,163**	2,961	**189**	178
Benefits paid	**(1,857)**	(1,859)	**(73)**	(68)
Actuarial gains	**(711)**	(4,301)	**(654)**	(425)
Foreign exchange rate adjustment	**(3,050)**	2,263	**(397)**	399
Balance, end of year	**52,891**	53,540	**2,605**	3,432
Plans assets				
Balance, beginning of year	**46,576**	39,977		
Actual return on plans assets	**(10,266)**	1,691		
Employer contributions	**3,104**	4,170		
Plan participants' contributions	**100**	135		
Benefits paid	**(1,857)**	(1,859)		
Foreign exchange rate adjustment	**(3,077)**	2,462		
Balance, end of year	**34,580**	46,576		
Funded status deficit	**18,311**	6,964	**2,605**	3,432
Unamortized past service costs	**(2,730)**	(2,500)	**(39)**	(6)
Unamortized net actuarial gains (losses)	**(20,726)**	(8,444)	**852**	424
Unamortized transition assets (obligation)	**82**	109	**(15)**	(19)
Accrued benefit liability (accrued pension benefit asset)	**(5,063)**	(3,871)	**3,403**	3,831

Included in the above accrued benefit obligation and fair value of plan assets as at December 31, are the following amounts in respect of plans that are not fully funded:

		Pension plans
	2008	2007
	$	$
Accrued benefit obligation	**42,978**	44,546
Fair value of plan assets	**22,538**	36,051
Funded status plan deficit	**20,440**	8,495

Weighted average plan assets allocations as at December 31:

		Pension Plans
	2008	2007
Asset category	**%**	%

Equity securities	**55**	69
Debt securities	**35**	30
Other	**10**	1
Total	**100**	100

Intertape Polymer Group Inc.

Notes to Consolidated Financial Statements

December 31, 2008, 2007 and 2006
(in US dollars, tabular amounts in thousands, except as otherwise noted)

17 - PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)

The accrued benefit liability (accrued pension benefit asset) is included in the Company s consolidated balance sheets as follows:

	Pension plans		**Other plans**		**Total plans**	
	2008	2007	**2008**	2007	**2008**	2007
	$	$	**$**	$	**$**	$
Other assets (Note 10)	**(10,866)**	(9,805)			**(10,866)**	(9,805)
Pension and post-retirement benefits	**5,803**	5,934	**3,403**	3,831	**9,206**	9,765
	(5,063)	(3,871)	**3,403**	3,831	**(1,660)**	(40)

17 - PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)

Net Benefit Cost

	Pension plans			**Other plans**		
	2008	2007	2006	**2008**	2007	2006
	$	$	$	**$**	$	$
Current service cost	**1,057**	1,393	1,289	**75**	82	75
Interest cost	**3,163**	2,961	2,887	**189**	178	171
Actual return on plans assets	**10,266**	(1,691)	(4,109)			
Plan amendments	**649**					