

INTERTAPE POLYMER GROUP INC

Form 20-F

March 26, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2012

OR

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

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number: 1-10928

INTERTAPE POLYMER GROUP INC.

(Exact name of Registrant as specified in its charter)

Canada

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Burgess H. Hildreth, (941) 739-7500, bhildret@itape.com, 3647 Cortez Road West, Bradenton, Florida 34219

(Name, Telephone, E-mail, and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, without nominal or par value	Toronto Stock Exchange

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Securities registered or to be registered pursuant to Section 12(g) of the Act:

Not applicable

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Not applicable

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. As of December 31, 2012, there were 59,625,039 common shares outstanding

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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Not applicable.

Item 2: Offer Statistics and Expected Timetable

Not applicable.

Item 3: Key Information**A. SELECTED FINANCIAL DATA**

The selected financial data presented below for the three years ended December 31, 2012 is presented in US dollars and is derived from Intertape Polymer Group Inc.'s (Intertape, Intertape Polymer Group, or the Company) consolidated financial statements in US dollars and prepared in accordance with International Financial Reporting Standards (IFRS). The information set forth below was extracted from the consolidated financial statements and related notes included in this annual report and annual reports previously filed and should be read in conjunction with such consolidated financial statements. As required by the Canadian Accounting Standards Board, the Company adopted IFRS on January 1, 2011 and the Company's financial information for 2010, with the exception of statements as of the transition date of January 1, 2010, has been restated to comply with IFRS. Information prior to the transition date has not been restated.

	As at and for the Year Ended December 31		
	2012	2011	2010
	(in thousands of US dollars except percentages, shares and per share data)		
Statements of Consolidated Earnings (Loss):			
Revenue	784,430	786,737	720,516
Net Earnings (Loss) before Taxes	22,882	10,874	(15,316)
Net Earnings (Loss)	22,507	8,954	(48,549)
Earnings (Loss) per Share			
Basic	0.38	0.15	(0.82)
Diluted	0.37	0.15	(0.82)
Balance Sheets:			
Total Assets	426,152	446,723	476,614
Capital Stock	351,702	348,148	348,148
Shareholders' Equity	153,834	137,178	144,085
Number of Common Shares Outstanding	59,625,039	58,961,050	58,961,050
Dividends Declared per Share	CDN\$ 0.08		

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

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D. RISK FACTORS

Current economic conditions and uncertain economic forecast could adversely affect the Company's results of operations and financial conditions.

Unfavorable changes in the global economy have affected and may affect the demand for the Company's products. Adverse economic conditions could also increase the likelihood of customer delinquencies. A prolonged period of economic decline would have a material adverse effect on the results of operations, gross margins, and the overall financial condition of the Company, as well as exacerbate the other risk factors set forth below.

Fluctuations in the amount of available funds under the Company's Asset Based Loan would restrict the Company's available credit and could require unscheduled repayments.

The Company's credit facility is an asset-backed loan. A reduction in the eligible assets and receivables included in the borrowing base or an increase in the required reserves will reduce the Company's available credit under the Asset Based Loan (ABL). A decline in the borrowing base could also require an unscheduled repayment of funds already advanced in excess of the available credit amount.

The Company's Asset Based Loan contains a financial covenant which if not met, will result in an event of default.

The Company's ABL contains a fixed charge ratio which becomes effective only when unused availability under the borrowing base drops below \$25 million. The Company's failure to comply with this covenant could result in an event of default, which, if not cured or waived, could result in the Company being required to repay these borrowings before their scheduled due date. If the Company were unable to make this repayment or otherwise refinance these borrowings, the lenders under the ABL could elect to declare all amounts borrowed under the Company's ABL, together with accrued interest, to be due and payable, which, in some instances, would be an event of default under the Indenture governing the Senior Subordinated Notes. In addition, these lenders could foreclose on the Company's assets. If the Company were unable to refinance these borrowings on favourable terms, the Company's results of operations and financial condition could be adversely impacted by increased costs and less favorable terms, including interest rates and covenants. Any future refinancing of the Company's ABL is likely to contain similar or more restrictive covenants and financial tests.

The Company's significant debt could adversely affect its financial condition and prevent it from fulfilling its obligations under its ABL or Senior Subordinated Notes.

The Company has a significant amount of indebtedness. As of December 31, 2012, the Company had outstanding debt of \$151.3 million, which represented 50% of its total capitalization. Of such total debt, approximately \$110.4 million, or all of the Company's outstanding senior debt, was secured.

The Company's significant indebtedness could adversely affect its financial condition and make it more difficult for the Company to satisfy its obligations with respect to the Senior Subordinated Notes, as well as its obligations under its ABL. The Company's substantial indebtedness could also increase its vulnerability to adverse general economic and industry conditions; require the Company to dedicate a substantial portion of its cash flows from operations to payments on its indebtedness, thereby reducing the availability of the Company's cash flows to fund working capital, capital expenditures, research and development efforts and other general corporate purposes; limit the Company's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates; place the Company at a competitive disadvantage compared to its competitors that have less debt; and limit the Company's ability to borrow additional funds on terms that are satisfactory to it or at all.

The Company may not be able to generate sufficient cash flow to meet its debt service obligations.

The Company's ability to generate sufficient cash flows from operations to make scheduled payments on its debt obligations will depend on its future financial performance, which will be affected by a range of economic, competitive, regulatory, legislative and business factors, many of which are outside of the Company's control. If the Company does not generate sufficient cash flows from operations to satisfy its debt obligations, the Company may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments or seeking to raise

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additional capital. The Company cannot assure that any refinancing would be possible or that any assets could be sold on acceptable terms or otherwise. The Company's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its obligations on commercially reasonable terms, would have an adverse effect on the Company's business, financial condition and results of operations. In addition, any refinancing of the Company's debt could be at higher interest rates and may require the Company to comply with more onerous covenants, which could further restrict its business operations.

Despite the Company's level of indebtedness, it will be able to incur substantially more debt. Incurring such debt could further exacerbate the risks to the Company's financial condition described above.

The Company will be able to incur substantial additional indebtedness in the future. Although the Indenture governing the Senior Subordinated Notes and the loan and security agreement governing the ABL each contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and the indebtedness incurred in compliance with these restrictions could be substantial. The restrictions also do not prevent the Company from incurring obligations that do not constitute indebtedness. To the extent new debt is added to the Company's currently anticipated debt levels, the substantial leverage risks described above would increase.

The Company's Senior Subordinated Notes and ABL contain covenants that limit its flexibility and prevents the Company from taking certain actions.

The Indenture governing the Company's Senior Subordinated Notes and the loan and security agreement governing the Company's ABL include a number of significant restrictive covenants. These covenants could adversely limit the Company's ability to plan for or react to market conditions, meet its capital needs and execute its business strategy. These covenants, among other things, limit the Company's ability and the ability of its subsidiaries to incur additional debt; pay dividends and make other restricted payments; create or permit certain liens; issue or sell capital stock of restricted subsidiaries; use the proceeds from sales of assets; make certain investments; create or permit restrictions on the ability of the guarantors to pay dividends or to make other distributions to the Company; enter into certain types of transactions with affiliates; engage in unrelated businesses; enter into sale and leaseback transactions; and consolidate or merge or sell the Company's assets substantially as an entirety.

The Company's ABL includes other and more restrictive covenants, some of which can restrict the Company's ability to prepay its other debt.

The Company depends on its subsidiaries for cash to meet its obligations and pay any dividends.

The Company is a holding company. Its subsidiaries conduct all of its operations and own substantially all of its assets. Consequently, the Company's cash flow and its ability to meet its obligations or pay dividends to its stockholders depend upon the cash flow of its subsidiaries and the payment of funds by its subsidiaries to the Company in the form of dividends, tax sharing payments or otherwise. The Company's subsidiaries' ability to provide funding will depend on, amongst others, their earnings, the terms of indebtedness from time to time, tax considerations and legal restrictions.

Payment of dividends may not continue in the future, and the payment of dividends is subject to restriction.

In August 2012, the Board of Directors initiated the payment of a semi-annual cash dividend. The future declaration and payment of dividends, if any, will be at the discretion of the Board of Directors and will depend on a number of factors, including the Company's financial and operating results, financial position, and anticipated cash requirements. The Company can give no assurance that dividends will be declared and paid in the future or, if declared and paid in the future, at the same level as in the past. Additionally, the Company's ABL and Indenture restricts its ability to pay dividends if the Company does not maintain certain borrowing availability or if the Company is in default.

Fluctuations in raw material costs or the unavailability of raw materials may adversely affect the Company's profitability.

Historically, the Company has not always been able to pass on significant raw material cost increases through price increases to its customers. The Company's results of operations in prior years at times have been negatively impacted by raw material cost increases and decreases. These fluctuations adversely affected the Company's profitability. As a result of raw material cost fluctuations, the Company may have to either hold prices firm, which results in a reduced market share, or decrease prices which compresses the Company's gross margins. The Company's profitability in the future may be adversely

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affected due to continuing fluctuations in raw material prices. Additionally, the Company relies on its suppliers for deliveries of raw materials. If any of its suppliers are unable to deliver raw materials to the Company for an extended period of time, there is no assurance that the Company's raw material requirements would be met by other suppliers on acceptable terms, or at all, which could have a material adverse effect on the Company's results of operations.

A downgrade of the Company's credit ratings would have a negative impact on the Company's ability to obtain credit and on the trading price of its common shares.

The Company's Senior Subordinated Notes, as of March 11, 2013, are rated Caa1 by Moody Investor Services, Inc. and B- by Standard & Poor's Financial Services, LLC. These ratings are considered below investment grade. In the event the Company's credit ratings are downgraded, it would adversely affect the Company's cost of borrowing, access to capital markets and trading price of its common shares. A significant downgrade could also adversely affect payment terms with the Company's suppliers.

The failure to maintain effective internal control over financial reporting in accordance with applicable securities laws could cause the Company's stock price to decline.

Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the Securities and Exchange Commission, as well as applicable Canadian securities laws require annual management assessments of the effectiveness of the Company's internal control over financial reporting and a report by the Company's independent registered public accounting firm to express an opinion on these controls based on their audit. If the Company fails to maintain effective internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, the Company may not be able to conclude that it has effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the Securities and Exchange Commission or applicable Canadian securities laws. The Chief Executive Officer and Chief Financial Officer concluded that the Company's internal control over financial reporting was effective as of December 31, 2012. If the Company cannot in the future favorably assess, or the Company's independent registered public accounting firm is unable to provide an unqualified attestation report on the effectiveness of the Company's internal control over financial reporting, investors may lose confidence in the reliability of the Company's financial reports, which could cause the Company's stock price to decline.

The Company's pension and other post-retirement benefit plans are unfunded which could require Company contributions.

The Company's pension and other post-retirement benefit plans currently have an unfunded deficit of \$39.3 million as of December 31, 2012 as compared to \$36.8 million at the end of 2011. For 2012 and 2011, the Company contributed \$5.6 million and \$4.3 million, respectively, to its funded pension plans and to beneficiaries for its unfunded other benefit plans. The Company may need to divert certain of its resources in the future in order to resolve this funding deficit. In addition, the Company cannot predict whether a change in factors such as pension asset performance or interest rates, will require the Company to make a contribution in excess of its current expectations. Further, the Company may not have the funds necessary to meet future minimum pension funding requirements or be able to meet its pension benefit plan funding obligation through cash flows from operations.

The Company's ability to achieve its growth objectives depends in part on the timing and market acceptance of its new products.

Intertape Polymer Group's business plan involves the introduction of new products, which are both developed internally and obtained through acquisitions. The Company's ability to introduce these products successfully depends on the demand for the products, as well as their price and quality. In the event the market does not accept these products or competitors introduce similar products, the Company's ability to expand its markets and generate organic growth could be negatively impacted which could have an adverse effect on its operating results.

The Company's competition and customer preferences could impact the Company's profitability.

The markets for Intertape Polymer Group's products are highly competitive. Competition in its markets is primarily based upon the quality, breadth and performance characteristics of its products, customer service and price. The Company's

ability to compete successfully depends upon a variety of factors, including its ability to increase plant efficiencies and reduce manufacturing costs, as well as its access to quality, low-cost raw materials.

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Some of the Company's competitors may, at times, have lower raw material, energy and labor costs and less restrictive environmental and governmental regulations to comply with than the Company does. Other competitors may be larger in size or scope than the Company, which may allow them to achieve greater economies of scale on a global basis or allow them to better withstand periods of declining prices and adverse operating conditions.

Demand for the Company's products and, in turn, its revenue and profit margins, are affected by customer preferences and changes in customer ordering patterns which occur as a result of changes in inventory levels and timing of purchases which may be triggered by price changes and incentive programs.

The Company's customer contracts contain termination provisions that could decrease the Company's future revenues and earnings.

Most of the Company's customer contracts can be terminated by the customer on short notice without penalty. The Company's customers are, therefore, not contractually obligated to continue to do business with it in the future. This creates uncertainty with respect to the revenues and earnings the Company may recognize with respect to its customer contracts.

Intertape Polymer Group faces risks related to its international operations.

The Company has customers and operations located outside the United States and Canada. In 2012, sales to customers located outside the United States and Canada represented approximately 8% of its sales. The Company's international operations present it with a number of risks and challenges, including potential difficulties staffing and managing its foreign operations, potential adverse changes in tax regulations affecting tax rates and the way the United States and other countries tax multinational companies, the effective marketing of the Company's products in other countries; tariffs and other trade barriers; and different regulatory schemes and political environments applicable to its operations in these areas, such as environmental and health and safety compliance.

In addition, the Company's financial statements are reported in US dollars while a portion of its sales is made in other currencies, primarily the Canadian dollar and the Euro. A portion of the Company's debt is also denominated in currencies other than the US dollar. As a result, fluctuations in exchange rates between the US dollar and foreign currencies can have a negative impact on the Company's reported operating results and financial condition. Moreover, in some cases, the currency of the Company's sales does not match the currency in which it incurs costs, which can negatively affect its profitability. Fluctuations in exchange rates can also affect the relative competitive position of a particular facility where the facility faces competition from non-local producers, as well as the Company's ability to successfully market its products in export markets.

The Company's operations are subject to comprehensive environmental regulation and involve expenditures which may be material in relation to its operating cash flow.

The Company's operations are subject to extensive environmental regulation in each of the countries in which it maintains facilities. For example, United States (Federal, state and local) and Canadian (Federal, provincial and local) environmental laws applicable to the Company include statutes and regulations intended to impose certain obligations with respect to site contamination and to allocate the cost of investigating, monitoring and remedying soil and groundwater contamination among specifically identified parties, as well as to prevent future soil and groundwater contamination; imposing ambient standards and, in some cases, emission standards, for air pollutants which present a risk to public health, welfare or the natural environment; governing the handling, management, treatment, storage and disposal of hazardous wastes and substances; and regulating the discharge of pollutants into waterways.

The Company's use of hazardous substances in its manufacturing processes and the generation of hazardous wastes not only by the Company, but by prior occupants of its facilities suggest that hazardous substances may be present at or near certain of the Company's facilities or may come to be located there in the future. Consequently, the Company is required to monitor closely its compliance under all the various environmental laws and regulations applicable to it. In addition, the Company arranges for the off-site disposal of hazardous substances generated in the ordinary course of its business.

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The Company obtains Phase I or similar environmental site assessments, and Phase II environmental site assessments, if necessary, for most of the manufacturing facilities it owns or leases at the time it either acquires or leases such facilities. These assessments typically include general inspections and may involve soil sampling and/or ground water analysis. The assessments have not revealed any environmental liability that, based on current information, the Company believes will have a material adverse effect on it. Nevertheless, these assessments may not reveal all potential environmental liabilities and current assessments are not available for all facilities. Consequently, there may be material environmental liabilities that the Company is not aware of. In addition, ongoing clean up and containment operations may not be adequate for purposes of future laws and regulations. The conditions of the Company's properties could also be affected in the future by neighboring operations or the conditions of the land in the vicinity of its properties. These developments and others, such as increasingly stringent environmental laws and regulations, increasingly strict enforcement of environmental laws and regulations, or claims for damage to property or injury to persons resulting from the environmental, health or safety impact of its operations, may cause the Company to incur significant costs and liabilities that could have a material adverse effect on it.

Except as described in Item 4B(8) below, the Company believes that all of its facilities are in material compliance with applicable environmental laws and regulations and that it has obtained, and is in material compliance with, all material permits required under environmental laws and regulations. Although certain of the Company's facilities emit toluene and other pollutants into the air, these emissions are within current permitted limitations. The Company believes that these emissions from its US facilities will meet the applicable future federal Maximum Available Control Technology (MACT) requirements, although additional testing or modifications at the facilities may be required. The Company believes that the ultimate resolution of these matters should not have a material adverse effect on its financial condition or results of operations.

The Company's facilities are required to maintain numerous environmental permits and governmental approvals for its operations. Some of the environmental permits and governmental approvals that have been issued to the Company or to its facilities contain conditions and restrictions, including restrictions or limits on emissions and discharges of pollutants and contaminants, or may have limited terms. If the Company fails to satisfy these conditions or to comply with these restrictions, it may become subject to enforcement actions and the operation of the relevant facilities could be adversely affected. The Company may also be subject to fines, penalties or additional costs. The Company may not be able to renew, maintain or obtain all environmental permits and governmental approvals required for the continued operation or further development of the facilities, as a result of which the operation of the facilities may be limited or suspended.

The Company may become involved in litigation relating to its intellectual property rights, which could have an adverse impact on its business.

Intertape Polymer Group relies on patent protection, as well as a combination of copyright, trade secret and trademark laws, nondisclosure and confidentiality agreements and other contractual restrictions to protect its proprietary technology. Litigation may be necessary to enforce these rights, which could result in substantial costs to the Company and a substantial diversion of management attention. If the Company does not adequately protect its intellectual property, its competitors or other parties could use the intellectual property that the Company has developed to enhance their products or make products similar to the Company's and compete more efficiently with it, which could result in a decrease in the Company's market share.

While the Company has attempted to ensure that its products and the operations of its business do not infringe other parties' patents and proprietary rights, its competitors or other parties may assert that the Company's products and operations may be covered by patents held by them. In addition, because patent applications can take many years to issue, there may be applications now pending of which the Company is unaware, which may later result in issued patents which the Company's products may infringe. If any of the Company's products infringe a valid patent, it could be prevented from selling them unless the Company can obtain a license or redesign the products to avoid infringement. A license may not always be available or may require the Company to pay substantial royalties. The Company may not be successful in any attempt to redesign any of its products to avoid any infringement. Infringement or other intellectual property claims, regardless of merit or ultimate outcome, can be expensive and time-consuming and can divert management's attention from the Company's core business.

The Company may become involved in labor disputes or employees could form or join unions increasing the Company's costs to do business.

Some of Intertape Polymer Group's employees are subject to collective bargaining agreements. Other employees are not part of a union and there are no assurances that such employees will not form or join a union. Any attempt by employees to form or join a union could result in increased labor costs and adversely affect the Company's business, its financial condition and/or results of operations.

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Except for the strike which occurred at the Company's Brantford, Ontario plant, which is now closed, the Company has never experienced any work stoppages due to employee related disputes. Management believes that it has a good relationship with its employees. There can be no assurance that work stoppages, or other labor disturbances will not occur in the future. Such occurrences could adversely affect Intertape Polymer Group's business, financial condition and/or results of operations.

The Company may become involved in litigation which could have an adverse impact on its business.

Intertape Polymer Group, like other manufacturers and sellers, is subject to potential liabilities connected with its business operations, including potential liabilities and expenses associated with product defects, performance, reliability or delivery delays. Intertape Polymer Group is threatened from time to time with, or is named as a defendant in, legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against Intertape Polymer Group, or the imposition of a significant fine or penalty, as a result of a finding that the Company failed to comply with laws or regulations, or being named as a defendant on multiple claims could adversely affect the Company's business, financial condition and/or results of operations.

Uninsured and underinsured losses and rising insurance costs could adversely affect the Company's business.

Intertape Polymer Group maintains property, general liability and business interruption insurance and directors and officers liability insurance on such terms as it deems appropriate. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay for the full current market value or current replacement cost of the Company's lost investment. Not all risks are covered by insurance.

Intertape Polymer Group's cost of maintaining property, general liability and business interruption insurance and director and officer liability insurance is significant. The Company could experience higher insurance premiums as a result of adverse claims experience or because of general increases in premiums by insurance carriers for reasons unrelated to its own claims experience. Generally, the Company's insurance policies must be renewed annually. Intertape Polymer Group's ability to continue to obtain insurance at affordable premiums also depends upon its ability to continue to operate with an acceptable claims record. A significant increase in the number of claims against the Company, the assertion of one or more claims in excess of its policy limits or the inability to obtain adequate insurance coverage at acceptable rates, or at all, could adversely affect the Company's business, financial condition and/or results of operations.

Product liability could adversely affect the Company's business.

Difficulties in product design, performance and reliability could result in lost sales, delays in customer acceptance of Intertape Polymer Group's products and lawsuits and would be detrimental to the Company's market reputation. Intertape Polymer Group's products and the products supplied by third parties, on behalf of the Company, are not error free. Undetected errors or performance problems may be discovered in the future. The Company may not be able to successfully complete the development of planned or future products in a timely manner or to adequately address product defects, which could harm the Company's business and prospects. In addition, product defects may expose Intertape Polymer Group to product liability claims, for which it may not have sufficient product liability insurance. Difficulties in product design, performance and reliability or product liability claims could adversely affect Intertape Polymer Group's business, financial condition and/or results of operations.

Acquisitions could expose the Company to significant business risks.

The Company may make strategic acquisitions that would complement its existing products, expand its customer base and markets, improve distribution efficiencies and enhance its technological capabilities. Financial risks from these acquisitions include the use of the Company's cash resources and incurring additional debt and liabilities. Further, there are possible operational risks including difficulties in assimilating and integrating the operations, products, technology, information systems and personnel of acquired companies; the loss of key personnel of acquired entities; the entry into markets in which the Company has no or limited prior experience; and difficulties honoring commitments made to customers of the acquired companies prior to the acquisition. The failure to adequately address these risks could adversely affect the Company's business.

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Although the Company performs due diligence investigations of the businesses and assets that it acquires, and anticipates continuing to do so for future acquisitions, there may be liabilities related to the acquired business or assets that the Company fails to, or is unable to, uncover during its due diligence investigation and for which the Company, as a successor owner, may be responsible. When feasible, the Company seeks to minimize the impact of these types of potential liabilities by obtaining indemnities and warranties from the seller, which may in some instances be supported by deferring payment of a portion of the purchase price. However, these indemnities and warranties, if obtained, may not fully cover the liabilities because of their limited scope, amount or duration, the financial resources of the indemnitor or warrantor or other reasons.

The Company's manufacturing plant rationalization initiatives may result in higher costs and less savings than anticipated.

The Company has implemented several manufacturing plant rationalization initiatives. Each initiative may not be completed as planned and as a result, the costs and capital expenditures incurred by the Company may substantially exceed projections. This could result in additional debt incurred by the Company, reduced production and the loss of anticipated manufacturing cost savings.

Because Intertape Polymer Group is a Canadian company, it may be difficult to enforce rights under US bankruptcy laws.

Intertape Polymer Group and certain of its subsidiaries are incorporated under the laws of Canada and a substantial amount of its assets are located outside of the United States. Under bankruptcy laws in the United States, courts typically assert jurisdiction over a debtor's property, wherever located, including property situated in other countries. However, courts outside of the United States may not recognize the United States bankruptcy court's jurisdiction over property located outside of the territorial limits of the United States. Accordingly, difficulties may arise in administering a United States bankruptcy case involving a Canadian debtor with property located outside of the United States, and any orders or judgments of a bankruptcy court in the United States may not be enforceable outside the territorial limits of the United States.

It may be difficult for investors to enforce civil liabilities against Intertape Polymer Group under US federal and state securities laws.

Intertape Polymer Group and certain of its subsidiaries are incorporated under the laws of Canada. Certain of their directors and executive officers are residents of Canada and a portion of their assets are located outside of the United States. In addition, certain subsidiaries are located in other foreign jurisdictions. As a result, it may be difficult or impossible for US investors to effect service of process within the United States upon Intertape Polymer Group, its Canadian subsidiaries, or its other foreign subsidiaries, or those directors and officers or to realize against them upon judgments of courts of the United States predicated upon the civil liability provisions of US federal securities laws or securities or blue sky laws of any state within the United States. The Company believes that a judgment of a US court predicated solely upon the civil liability provisions of the Securities Act of 1933, as amended and/or the Exchange Act of 1934, as amended (Exchange Act) would likely be enforceable in Canada if the US court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. The Company cannot assure that this will be the case. There is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

The Company's exemptions under the Securities Exchange Act of 1934, as amended, as a foreign private issuer limits the protections and information afforded investors.

Intertape Polymer Group is a foreign private issuer within the meaning of the rules promulgated under the Exchange Act. As such, it is exempt from certain provisions applicable to United States companies with securities registered under the Exchange Act, including: the rules under the Exchange Act requiring the filing with the Securities and Exchange Commission of quarterly reports on Form 10-Q or current reports on Form 8-K; the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; and the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any short-swing trading transaction (*i.e.*, a purchase and sale, or sale and purchase, of the issuer's equity securities within a period of less than six months). Because of these exemptions, purchasers of Intertape Polymer Group's securities are not afforded the same protections or information generally available to investors in public companies organized in the United States. Prior to December 31, 2000, the Company filed its annual reports on Form 20-F. Commencing with the year

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ended December 31, 2000 through December 31, 2007, and again for the year ended December 31, 2009, the Company filed its annual reports on Form 40-F. For the years ended December 31, 2008 and December 31, 2010, Intertape Polymer Group filed its annual report on Form 20-F. Commencing for the year ended December 31, 2010 and going forward, the Company has elected to file its annual report on Form 20-F which also fulfills the requirements of the Annual Information Form required in Canada thus necessitating only one report. Intertape Polymer Group reports on Form 6-K with the United States Securities and Exchange Commission and publicly releases quarterly financial reports.

Item 4. Information on the Company

A. HISTORY AND DEVELOPMENT OF THE COMPANY

The business of Intertape was established when Intertape Systems Inc., a predecessor of the Company, established a pressure-sensitive tape manufacturing facility in Montreal. Intertape Polymer Group was incorporated under the *Canada Business Corporations Act* on December 22, 1989 under the name 171695 Canada Inc. On October 8, 1991, the Company filed a Certificate of Amendment changing its name to Intertape Polymer Group Inc. A Certificate of Amalgamation was filed by the Company on August 31, 1993, at which time the Company was amalgamated with EBAC Holdings Inc. The Shareholders, at the Company's June 11, 2003 annual and special meeting, voted on the replacement of the Company's By-Law No. 1 with a new General By-Law 2003-1. The intent of the replacement by-law was to conform the Company's general by-laws with amendments that were made to the *Canada Business Corporations Act* since the adoption of the general by-laws and to simplify certain aspects of the governance of the Company. On August 6, 2006, the Company filed a Certificate of Amendment to permit the Board of Directors of the Company to appoint one or more additional Directors to hold office for a term expiring not later than the close of the next annual meeting of the Company's Shareholders, so long as the total number of Directors so appointed does not exceed one-third of the number of Directors elected at the previous annual meeting of the Shareholders of the Company.

Intertape Polymer Group's corporate headquarters is located at 9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada H4M 2X5 and the address and telephone number of its registered office is 1250 René-Lévesque Blvd. West, Suite 2500, Montreal, Quebec, Canada H3B 4Y1, c/o Heenan Blaikie LLP, (514) 846-1212.

The Company operates in various geographic locations and develops, manufactures and sells a variety of paper and film based pressure sensitive and water activated tapes, specialized polyolefin films, woven fabrics and complementary packaging systems to a diverse customer base. Most of the Company's products are made from similar processes. A vast majority of the Company's products, while brought to market through various distribution channels, generally have similar economic characteristics.

The Company entered into an Asset Purchase Agreement in July 2011 to acquire equipment, a customer list and intellectual property to supplement the Company's existing water activated tape business. The Company's total expenditure with respect to the acquisition was \$0.9 million.

Intertape Polymer Group closed its Brantford, Ontario, facility during the second quarter of 2011 and discontinued the manufacture of certain products that were produced solely at the Brantford, Ontario, plant. Intertape Polymer Group also sold various assets of the Brantford, Ontario, facility. Intertape Polymer Group also sold its Hawkesbury, Ontario, plant in 2011. In the fourth quarter of 2012, the Company ceased manufacturing operations at its Richmond, Kentucky, manufacturing facility.

On August 14, 2012, the Company entered into a secured debt equipment finance agreement (the Equipment Finance Agreement) in the amount of up to \$24.0 million for qualifying US capital expenditures during the period May 2012 through December 31, 2013. The Equipment Finance Agreement will have quarterly scheduling of amounts with each schedule having a term of sixty months and a fixed interest rate. The average of the fixed interest rates is expected to be less than 3.0%. The Company entered into the first schedule on September 27, 2012 for \$2.7 million at an interest rate of 2.74% with 60 monthly payments of \$48,577 and the last payment due on October 2, 2017. The Company entered into the second schedule on December 28, 2012 for \$2.6 million at an interest rate of 2.74% with 60 monthly payments of \$46,258 and the last payment due on December 31, 2017.

As of the result of an internal restructuring, effective December 31, 2012, the Company liquidated and dissolved ECP L.P. and ECP GP II Inc., its Canadian operating companies, and all business, assets and liabilities were transferred to Intertape Polymer Inc., another Canadian subsidiary of the Company. Also effective December 31, 2012, the Company liquidated and dissolved Polymer International Corp., a Virginia corporation, and all of its assets and liabilities are with Intertape Polymer Corp., a Delaware corporation, a US subsidiary of the Company.

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In February 2013, the Company announced an initiative to invest \$26 million, excluding real estate, to relocate within the same region and modernize its Columbia, South Carolina, manufacturing operation. The new facility will include state-of-the-art manufacturing equipment which the Company believes will allow it to realize significant productivity gains, provide a better working environment for employees, and benefit from advanced environmental controls. In March 2013, the Company entered into a letter of intent to purchase a manufacturing facility in Blythewood, South Carolina. The cost of the building, including improvements, is expected to total approximately \$13.5 million.

The Company's total capital expenditures in connection with property, plant and equipment were \$21.6 million and \$14.0 million for the years 2012 and 2011, respectively. The majority of the expenditures were to update existing manufacturing equipment and to obtain new equipment.

There has not been any indication of any public takeover offers by third parties in respect of the Company's shares or by the Company in respect of other companies' shares during the last and current fiscal year.

B. BUSINESS OVERVIEW

Intertape Polymer Group is a recognized leader in the specialty packaging industry in North America. The Company develops, manufactures and sells a variety of paper and film based pressure sensitive and water activated tapes, specialized polyolefin films, woven fabrics and complementary packaging systems for industrial use and retail applications. The Company's products include carton sealing tapes, including Intertape pressure-sensitive and water-activated tapes; industrial and performance specialty tapes, including masking, duct, electrical and reinforced filament tapes; Exlfilm® shrink film; StretchFlex® stretch wrap, engineered coated fabric products, and flexible intermediate bulk containers (FIBCs). These products are sold through a variety of industrial and specialty distributors with a focus on sales to the construction and agricultural markets as well as the flexible packaging market.

The Company has approximately 1,800 employees with operations in 16 locations, including 10 manufacturing facilities in North America and one in Europe.

Intertape Polymer Group has assembled a broad range of products by leveraging its manufacturing technologies, its research and development capabilities, global sourcing expertise and its strategic acquisition program. Over the years, the Company has made a number of strategic acquisitions in order to offer a broader range of products to better serve its markets. The Company's extensive product line permits Intertape Polymer Group to offer tailored solutions to a wide range of end-markets including food and beverage, consumer, industrial, building and construction, oil and gas, water supply, automotive, medical, agriculture, aerospace and military applications.

Overview of Periods

2010

During 2010, the Company remained in prudent management mode focusing on cost and debt reductions while making productivity improvements, introducing new products, and opening new market channels.

On June 8, 2010, Gregory A. Yull was named President and Chief Executive Officer of the Company, and was appointed to the Board on August 2, 2010. Mr. Yull has been with the Company many years and brought with him extensive industry knowledge, hands-on experience and a full understanding of the Company's objectives.

In May 2010, the Company announced that the Toronto Stock Exchange had approved the Company's normal course issuer bid pursuant to which the Company was entitled to repurchase for cancellation up to 2,947,552 common shares over the twelve-month period commencing May 26, 2010 and ending on May 25, 2011. The Company did not repurchase any common shares pursuant to the normal course issuer bid.

In October 2010 the Company obtained a \$3 million mortgage loan on its owned real estate located in Danville, Virginia. The mortgage is for a term of 32 months bearing interest at an annual rate of 10%. The mortgage requires monthly payments of principal and interest in the amount of \$63,741.00 with a lump sum payment of all remaining unpaid principal and accrued interest due on July 1, 2013.

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The Company has had a sales presence in Europe for many years with supply and services coming from the United States. In December 2010, the Company established a local facility near Flensburg, Germany, to support the Company's increased focus in Europe with expansion into several different market segments through an increased sales force. The new facility allows the Company to service its customers with pressure sensitive tapes including the following Intertape branded products: masking tapes, flatback tapes, aluminum foil tapes, double coated tapes, cloth duct tapes as well as several electrical and electronic grade tapes. In addition, Central® brands of water activated tapes have been stocked in the distribution center. This new facility is helping service the Company's European customers with faster deliveries and smaller minimum order quantities and is succeeding in increasing the Company's brand recognition in Europe.

2011

During 2011, the Company maintained its focus on its long term strategic plan of reducing debt and manufacturing costs and improving its product mix. Although the global economy continued to be sluggish during 2011, the Company's selling prices increased more than both conversion costs and raw material costs; however, the spread between selling prices and raw material costs remained compressed when compared to periods prior to 2010.

As a result of the ongoing strike of its unionized employees at the Company's Brantford, Ontario plant, operations at the plant remained unprofitable. The Company concluded that a turnaround was highly improbable and during the fourth quarter of 2010, decided to terminate operations. The plant closed in the second quarter of 2011. Some of the Brantford production was transferred to other facilities of Intertape Polymer Group, however, the majority of the activities at the Brantford plant were discontinued. In addition, during 2011 the Company selectively stopped selling certain low-margin products manufactured at its other locations and actively worked to increase sales of high-margin products.

Through December 31, 2010, the Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles. As required by the Canadian Accounting Standards Board, Intertape Polymer Group adopted the International Financial Reporting Standards (IFRS) on January 1, 2011. As required by the applicable standards, the Company restated its financial information for 2010 to comply with IFRS with the exception of statements as of the transition dated of January 1, 2010. The impact of the conversion to IFRS on the Company's current and future key financial metrics is immaterial.

In 2009, the Company filed a complaint in the US District Court for the Middle District of Florida against Inspired Technologies, Inc. (ITI) alleging that ITI had breached its obligations under a supply agreement with the Company and ITI filed a counterclaim against the Company alleging that the Company had breached its obligations under the agreements. On April 13, 2011, after two trials on the issues, the Court entered a Judgment against the Company in the amount of approximately \$1.0 million.

On May 19, 2011, the Company entered into a settlement agreement with ITI with respect to all outstanding litigation between the parties. Pursuant to the terms of the settlement, the Company paid approximately \$1.0 million to ITI in full and complete settlement of all matters between them with respect to the litigation.

In July 2011, the Company entered into an Asset Purchase Agreement for total consideration of \$0.9 million to acquire assets primarily consisting of equipment, a customer list, and intellectual property to supplement the Company's existing water activated tape business.

In August 2008, the Company acquired the exclusive North American rights to a pending patent with respect to an automatic wrapping system. The system is designed to automate the process of wrapping packages of up to 65 feet in length. The technology targets industries such as wood products, which are traditionally manually wrapped. Along with the distribution rights, the Company acquired wrapping machines and existing customer contracts for a total consideration of CDN\$5.5 million. As part of acquiring the distribution rights, the Company also made future performance commitments, which required additional considerations or penalties if these commitments were not met. However, within the first two years of the purchase agreement, the automatic wrapping system had to achieve certain market acceptance parameters or the Company had the right to renegotiate the future performance commitments with the vendor and if such renegotiation was not concluded on terms satisfactory to the Company, then the future performance commitments would not be binding on the Company. Effective

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September 30, 2009 and due to the adverse economic conditions impacting the lumber wrap film market targeted under the Asset Purchase Agreement, the Company did not meet the performance criteria included in the first milestone of the Asset Purchase Agreement. In August 2011, the Company entered into a Contract Adjustment Agreement. Under the Agreement the Company and the vendor agreed all accrued and future penalties, film purchase minimums and machine placement thresholds were eliminated.

2012

During 2012, the Company continued to focus on developing and selling higher margin products, reducing variable manufacturing costs, executing on previously announced manufacturing plant initiatives and optimizing its debt structure. The Company took several steps during 2012 to accomplish these objectives.

The Company has a \$200.0 million Asset Based Loan (ABL) entered into with a syndicate of financial institutions. The amount of borrowings available to the Company under the ABL is determined by its applicable borrowing base from time to time. The borrowing base is determined by calculating a percentage of eligible trade accounts receivable, inventories, and equipment. The ABL is priced at LIBOR plus a loan margin determined from a pricing grid. The loan margin declines as unused availability increases. The pricing grid of the ABL, prior to the February 1, 2012 amendment, ranged from 1.5% to 2.25%. Unencumbered real estate is subject to a negative pledge in favor of the ABL lenders. However the Company retained the ability to secure financing on all or a portion of its owned real estate up to \$35.0 million and have the negative pledge in favor of the ABL lenders terminated. The ABL was scheduled to mature in March 2013. Effective February 1, 2012, the Company entered into a Third Amendment to Loan and Security Agreement among certain subsidiaries of the Company, the Lenders referred to therein, Bank of America, N.A., as agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Lead Arranger and Wells Fargo Capital Finance, LLC, as right side joint lead arranger. The Third Amendment extended the maturity date of the ABL to February 2017 from March 2013, however the new maturity date can be accelerated to 90 days prior to August 1, 2014 (the maturity date of the Company's existing Senior Subordinated Notes) if such Notes have not been retired or if certain other conditions have not been met. Under the Third Amendment the interest rate will increase modestly while several other modifications in the terms provide the Company with greater flexibility. The pricing grid of the extended ABL ranges from 1.75% to 2.25%.

On June 26, 2012, the Company announced its intention to close its Richmond, Kentucky facility with the majority of production to be transferred to its Carbondale, Illinois, facility. The Company also announced the transfer of the shrink film production business from its Truro, Nova Scotia facility to its Tremonton, Utah plant. The Company believes this will allow it to further optimize its manufacturing footprint and generate significant annual savings. The Richmond, Kentucky plant is idle and it is anticipated it will close during the first half of 2013.

During 2012, the Company redeemed \$80.0 million of its Senior Subordinated Notes, \$25.0 million on August 1, 2012 and \$55.0 million on December 13, 2012, both at par value. The notional amount of Senior Subordinated Notes outstanding after the redemptions is \$38.7 million. The Senior Subordinated Notes mature on August 1, 2014.

On August 14, 2012, the Company entered into an Equipment Finance Agreement with a lifetime and maximum funding amount of \$24.0 million. The terms of the arrangements include multiple individual capital leases, each of which will have a term of sixty months and a fixed interest rate. The average of the fixed interest rates is expected to be less than 3%. If the Company does not finance the full amount of \$4.0 million and \$20.0 million by December 31, 2012 and December 31, 2013, respectively, then the Company will be required to pay a Reinvestment Premium as defined under the Equipment Finance Agreement on the difference between those amounts and the amounts actually funded in each of those years. The Company financed the required amounts and was not subject to a Reinvestment Premium.

On October 10, 2012, the Company paid a dividend of CDN\$0.08 per common share, to shareholders of record at the close of business on September 21, 2012. The aggregate amount of the dividend paid was USD\$4.8 million.

On October 16, 2012, the Company prepaid in full \$1.9 million, the outstanding balance on its \$3.0 million mortgage on its Danville, Virginia, facility which was originally due July 1, 2013.

On November 1, 2012, the Company entered into a Real Estate Loan of \$16.6 million, amortized on a straight-line basis over the ten year term. The maturity of the loan may be accelerated if the ABL is not extended and if Bank of America, N.A. ceases to be the agent by reason of an action of the Company. A portion of the loan may be required to be repaid early if

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any mortgage properties are disposed of prior to October 31, 2022. Interest on the Real Estate Loan through December 31, 2012, was at a rate of 30-day LIBOR plus 250 basis points. Thereafter, the Real Estate Loan will bear interest at a rate of 30-day LIBOR plus a loan margin between 225 and 275 basis points based on a pricing grid as defined in the loan agreement. The Real Estate Loan contains two financial covenants, both of which are determined at the end of each fiscal month. The Company has been in compliance with these covenants since entering into the Real Estate Loan. The loan is secured by certain of the Company's real estate.

(1) Products, Markets and Distribution

(a) Tapes

The Company manufactures a variety of paper and film based tapes, including pressure sensitive and water-activated carton sealing tapes; industrial and performance specialty tapes including paper, flatback, duct, double-coated foil, electrical filament tapes and stencil products.

The Company is the only packaging company that manufactures tapes using all four adhesive technologies: hot melt, acrylic, natural rubber and water-activated. As a vertically integrated manufacturer, Intertape Polymer Group has unique capabilities to produce its own adhesives used in the manufacture of its finished tape.

The Company's tape products are manufactured and sold under the Company's brands including Intertape, Central®, Crowell®, American®, Anchor®, ExlfilmPlus, and Exlfilm®, to industrial distributors and retailers, and are manufactured for sale to third parties under private brands.

Tape products launched in 2011 and 2012 include new transfer adhesive products, clean removal tensilized polypropylene and filament products, UL 723 rated aluminum foil and UL 181 rated HVAC tapes, and hot melt carton sealing tape manufactured with a proprietary Corru-Grip adhesive formulation for optimal closure of highly recycled corrugate. Further information regarding these new products can be found in the Research & Development section of this document.

In 2012, the Company redirected its focus to address specific solutions the Company is able to provide for the following targeted markets: Fulfillment, General Manufacturing, Food Processing and Specialty (Oil and Gas, HVAC, Aerospace, Residential and Commercial Painting, Building and Construction, and Mass Transportation).

For the years ending December 31, 2012, December 31, 2011, and December 31, 2010, tapes accounted for 66%, 66%, and 64%, respectively, of the Company's revenue.

The Company's tape products consist of two main product groups, Carton Sealing Tapes and Industrial & Specialty Tapes.

Carton Sealing Tapes

Carton sealing tapes are sold primarily under the Intertape and Central® brands to industrial distributors and leading retailers, as well as to third parties under private brands. Management believes Intertape Polymer Group is the only company worldwide that produces carton sealing tapes using all four adhesive technologies: hot melt, acrylic, natural rubber and water-activated. The Company also sells the application equipment required for the dispensing of its carton sealing tapes.

Hot Melt Tape

Hot melt carton sealing tape is a polypropylene film coated with a synthetic rubber adhesive which offers a wide range of application flexibility and is typically used in carton sealing applications. The Company's primary competitors are 3M Co., Shurtape Technologies LLC and Vibac Group.

Acrylic Tape

Acrylic carton sealing tape is a polypropylene film coated with an aqueous, pressure sensitive acrylic adhesive which is best suited for applications where performance is required within a broad range of temperatures from less than 40°F (4°C) to greater than 120°F (49°C). The Company's primary competitors are 3M Co., Pitamus and Sekisui TA Industries Inc.

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Natural Rubber Tape

Natural rubber carton sealing tape is a polypropylene film coated with natural rubber adhesive and is unique among the carton sealing tapes because of its aggressive adhesion properties. This tape is ideally suited for conditions involving hot, dusty, humid or cold environments. Typical uses include moving and storage industry applications, as well as packaging and shipping. The Company's primary competitors are Primetac and other European manufacturers.

Water Activated Tape

Water-activated carton sealing tape is typically manufactured using a filament reinforced kraft paper substrate and a starch based adhesive that is activated by water. Water-activated tape is used primarily in applications where a strong mechanical bond or tamper evidence is required. Typical end-use markets include fulfillment centers, mail order operations, furniture manufacturers and the apparel industry. The Company's primary competitor is Holland Manufacturing Co. Inc.

Industrial & Specialty Tapes

The Company produces eight primary industrial and specialty products sold primarily under the Intertape and American® brands: paper tape, flatback tape, duct tape, double-coated tape, foil tape, electrical tape, filament tapes and stencil products.

Paper Tape

Paper tape is manufactured from a crepe paper substrate coated with a natural rubber or a synthetic rubber adhesive. Paper tape is used for a variety of performance and general purpose end-use applications. Product applications include paint masking (consumer, contractor, automotive, aerospace and marine), splicing, bundling/packaging, and general light duty applications. The Company's primary competitors for this product are 3M Co., Shurtape Technologies, LLC, Cantech and tesa tape inc.

Flatback Tape

Flatback tape is manufactured using a smooth kraft paper substrate coated with a natural rubber/SIS blended adhesive. Flatback tape is designed with low elongation and is widely used in applications such as splicing where the tape should not be distorted. Typical applications for flatback tape include printable identification tapes, label products and carton closure. The Company's primary competitors for this product are 3M Co. and Shurtape Technologies, LLC.

Duct Tape

Duct tape is manufactured from a polyethylene film that has been reinforced with scrim and coated with natural/synthetic rubber blend adhesive or speciality polymer adhesives. Duct tape is primarily used by general consumers for a wide range of applications. Duct tapes are also used in maintenance, repair and operations, in the heating, ventilation and air conditioning markets, construction and in the convention and entertainment industries. The Company's primary competitors for this product are Berry Plastics Corp., 3M Co. and Shurtape Technologies, LLC.

Double-Coated Tapes

Double-coated tapes are manufactured from a paper, foam, or film substrate and are coated on both sides with a variety of adhesive systems. Double-coated tapes also use a release liner made from paper or film that prevents the tape from sticking to itself. Double-coated tapes are typically used to join two dissimilar surfaces. The Company's double-coated tape products are used across a range of markets that include automotive, aerospace, graphics, transportation, converting and trophies/monuments. The Company's primary competitors for this product are 3M Co., tesa tape, inc., and Scapa Group plc.

Foil Tapes

Foil tapes are manufactured using aluminum and a variety of adhesive systems. The tape is manufactured with a range of aluminum foil gauges and is designed for applications that range from HVAC, Building & Construction, Aerospace,

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Transportation, Industrial, and General Purpose. The products are UV resistant, have reflective and flame retardant properties, and remain flexible to resist cracking and lifting around irregular or curved surfaces. The Company's primary competitors for this product are 3M Co., Berry Plastics and Avery Dennison Corp.

Electrical and Electronic Tapes

Electrical and electronic tapes are manufactured from a number of different substrates, including paper, polyester, glass cloth and a variety of adhesive systems that include rubber, acrylic and silicone adhesives. Electrical and electronic tapes are Underwriters Laboratories (UL) approved and engineered to meet stringent application specifications. The Company's primary competitors for this product are 3M Co., and Nitto Denko.

Filament Tape

Filament tape is a film or paper adhesive tape with fiberglass strands or polyester fibers embedded in the adhesive to provide high tensile strength. Primary applications for filament tape include temporary holding (appliance), bundling and unitizing, subsea umbilical cables (oil and gas), metal coil tubing, and agricultural applications. The Company's primary competitors for this product are 3M Co., TaraTape, Inc. and Shurtape Technologies, LLC.

Stencil Products

Stencil products, sold under the Anchor® brand, are manufactured from a calendared natural/synthetic rubber blended substrate with an acrylic adhesive and specially formulated adhesives. Stencil products are used in applications within the sign and monument manufacturing markets to protect a surface where sandblasting is required. The Company's primary competitor for this product is 3M Co.

(b) Films

Films

The Company also manufactures a variety of specialized polyolefin films, as well as complementary packaging systems, for industrial use and retail applications, including shrink film, stretch wrap and air pillows. As a vertically integrated manufacturer, Intertape Polymer Group has unique capabilities to produce its own adhesives used in the manufacture of its film.

The Company's film products are manufactured and sold under the Company's brands including SuperFlex®, StretchFlex®, and iCushion® to industrial distributors and retailers, and are manufactured for sale to third parties under private brands. Film products launched in 2011 and 2012 include a new high performance cross-linked polyolefin shrink film. Further information regarding this new product can be found in the Research & Development section of this document.

During each of the last three years, films accounted for 19% of the Company's revenue.

The Company's film products consist of two main product groups, film and protective packaging.

The Company primarily produces two film product lines: ExlfilmPlus® and Exlfilm® shrink film and SuperFlex® and StretchFlex® stretch wrap.

Shrink Film

ExlfilmPlus® and Exlfilm® shrink film are specialty plastic films which shrink under controlled heat to conform to a package's shape. The process permits the over-wrapping of a vast array of products of varying sizes and dimensions with a single packaging line. ExlfilmPlus® and Exlfilm® are used to package paper products, consumer products such as bottled water, toys, games, sporting goods, hardware and housewares and a variety of other products. In 2011, the Company introduced ExlfilmPlus® GPS, a new polyolefin shrink film. The Company's primary competitors for this product are Sealed Air Corp. and Bemis Co. Inc.

Intertape Polymer Group entered the European shrink film market through its investment in Fibope in April 1995. The Company initially purchased a 50% equity interest in Fibope, acquiring the remaining 50% equity stake in July 2003 to serve as a platform to penetrate European and African markets with other products of the Company. Fibope operates as an autonomous unit within Intertape Polymer Group.

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Fibope produces a full range of shrink film products for sale in the European Community. Raw materials are primarily sourced within Europe, with multiple sources utilized to ensure stability of supply and a competitive price environment.

Stretch Wrap

Stretch wrap is a single or multi-layer plastic film that can be stretched without application of heat and which has the characteristic of trying to return to its original length thereby applying force on the wrapped load. It is used industrially to wrap pallets of various products ensuring a solid load for shipping. The Company uses state-of-the-art technology for the manufacturing of its stretch film products.

SuperFlex is a high performance, light gauge stretch film which offers customers good security for their loads but at a low cost per load. Genesys (introduced in 2006), Genesys Ultra (introduced in 2011), Fortress® (introduced in 2008), and ProLite® (introduced in 2010) are SuperFlex brand products. AEP Industries, Inc., Amtopp, Berry Plastics Corp., Malpack (Canada), and Paragon Films produce competitive products.

StretchFlex® is the Company's regular duty, typically a heavier gauge of stretch film which also provides the customer with secure loads at a low price per pound. SFI, SSC, SFIII, Hand Wrap II and Hand Wrap IV are StretchFlex® brand products and all were introduced prior to 2000. Competitors include AEP Industries Inc., Berry Plastics Corp., Sigma Plastics Group and Amtopp.

Protective Packaging

Air Pillows

Air pillows are manufactured from polyethylene film and are inflated at the point of use with an air pillow machine. The Company markets both traditional polyethylene, as well as oxo-biodegradable, air pillow products. Also, as mentioned above, the Company has added a biodegradable film to its iCushion® air pillow protective packaging products. Air pillows are used as packaging material for void fill and cushioning applications. Typical end-use markets for air pillows include fulfillment houses, contract packagers, and mail order pharmacies. The Company's primary competitors for this product are Pregis Corp., Sealed Air Corp., Storopack, Inc., Free-Flow Packaging International Inc. and Polyair Inter Pack Inc.

(c) Engineered Coated Products

The Company is a North American leader in the development and manufacture of innovative industrial packaging, protective covering, barrier and liner products utilizing engineered coated polyolefin fabrics, paper and other laminated materials. Its products are sold primarily direct to end-users in a wide number of industries including lumber, construction, food, paper, and agriculture.

On October 5, 2005, Intertape Polymer Inc., a subsidiary of the Company, acquired all of the issued and outstanding shares of Flexia Corporation Ltd., being the body corporate that resulted from the amalgamation of Flexia Corporation and Fib-Pak Industries, Inc. The businesses of such companies were operated under wholly-owned Canadian entities, ECP L.P. and ECP GP II Inc. through December 31, 2012. ECP GP II Inc. was a producer of a wide range of engineered coated and laminated products with its facilities located in Langley, British Columbia and Truro, Nova Scotia. As a result of an internal restructuring of the Company's subsidiaries, ECP L.P. and ECP GP II Inc. were liquidated and dissolved December 31, 2012 and as a result, all business, assets and liabilities were transferred to Intertape Polymer Inc.

The Company's engineered coated products are categorized in six markets: (A) building and construction, (B) agro-environmental, (C) specialty fabrics, (D) FIBCs, (E) industrial packaging, and (F) consumer packaging. For the years ended December 31, 2012, December 31, 2011, and December 31, 2010 engineered coated products accounted for approximately 15%, 15%, and 17%, respectively, of the Company's sales.

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Building and Construction Products

The Company's building and construction product group includes membrane structure fabrics used in clear span buildings and protective wrap for kiln dried lumber and a variety of other membrane barrier products such as roof underlayment, house wrap, window and door flashing and insulation facing, which are used directly in residential and commercial construction. The Company also supplies packaging over-wrap sleeves for unitizing multiple bags of fiberglass insulation. Intertape Polymer Group's lumber wrap is used to package, unitize, protect and brand lumber during transportation and storage. The product is available in polyethylene or polypropylene coated fabrics and polyethylene films printed to customer specifications. Lumber wrap is produced at the Company's plants in Langley, British Columbia, and Truro, Nova Scotia. The Company's primary competitors for these products include Interwrap, Inc., E.I. DuPont de Nemours and Company, Fiberweb Inc., Alpha ProTech and various producers from China and Korea.

Membrane Structure Fabrics

Nova-Shield® is a lightweight, wide-width, and durable polyolefin fabric used as the outer skin layer for flexible membrane structures. The introduction and continuous improvement of the Nova-Shield® fabric in the membrane structure market enabled membrane structure manufacturers to expand the use of this product beyond agricultural applications such as agriculture barns into larger structures for human occupancy such as amphitheatres, recreational facilities, trade show pavilions, aircraft hangers, and casinos. Developments in the product line include the patented stacked weave, and AmorKote® coatings. The Company sells the Nova-Shield® fabrics to membrane structure manufacturers who design, fabricate, and install the structures. The Company's primary competitors are Fabrene Inc. and a number of polyvinyl chloride producers. The Company produces these products primarily at its plant in Truro, Nova Scotia.

Roof Underlayment

The Company began commercial production of Nova-Seal®II at its Truro, Nova Scotia facility in August, 2008. It is a roof underlay that is lighter and easier to install than standard #30 building felt and costs less. In November 2010, the Company introduced new product names for its roof underlayment to insure consistency across products and to help customers distinguish among levels of product performance so they may specify and use the best solution for their particular application. The Company's primary competitors in this market are Interwrap, W.R. Grace, Alpha ProTech and a variety of #30 felt producers.

Agro-Environmental Products

The Company has developed a range of Agro-Environmental products, including bags for packaging processed cotton, fabrics designed for conversion into hay covers, grain covers, landfill covers, oil field membranes, and canal and pond liners. These fabrics are intended to provide protection during transit and storage and to line waterways and ponds to prevent loss of water and other liquids.

Geomembrane Fabrics

The Company's AquaMaster® line of geomembrane fabrics is used as irrigation canal liners, golf course and aquascape pond liners, oil pad liners, hydraulic fracturing ponds and in aquaculture operations. The Company's primary competitors for similar products include Fabrene Inc., Mai Weave LLC, Interwrap and Inland Tarp. Competitive products which may be used as substitutes are manufactured by GSE Environmental and Raven Industries Inc.

Poultry Fabrics

Woven coated polyolefin fabrics are used in the construction of poultry houses in the southern United States. Materials with high ultraviolet resistance are fabricated into side curtains that regulate ventilation and temperature in buildings. Other materials are used in ceiling construction. The Company's primary competitors for this product are Fabrene Inc. and Mai Weave LLC. These products are primarily produced at the Company's plant in Truro, Nova Scotia.

Specialty Fabrics

The Company's specialty fabric product category is comprised of a variety of specialty materials custom designed for unique applications or specific customers. The Company's ability to provide polyolefin fabrics in a variety of weights, widths, colors and styles, and to slit, print and perform various other conversion steps, allows it to provide an array of coated products designed to meet the specific needs of its customers.

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Products and applications of specialty fabrics include fabrics designed for conversion into pool covers, field covers, disaster relief materials, protective covers and construction sheeting, brattice cloth for mine ventilation, underground marking tapes, salt pile covers and industrial packaging.

Primary competitors of the Company for this product include Fabrene Inc., Mai Weave LLC and producers from China and Korea. The Company primarily produces these products at its Truro, Nova Scotia, plant.

Industrial Packaging Products

The Company's metal wrap is used to protect large coils of steel and aluminum during transit and storage. Primary competitors of the Company for this product include Interwrap Inc. and Covalence Specialty Materials Corp.

The Company also manufactures custom designed fabrics for dunnage bags, which are used to fill space in a shipping container or to position the contents in a container. The production of the dunnage bag fabrics are primarily produced at the Company's Truro, Nova Scotia, facility.

FIBC Products

FIBCs are flexible, intermediate bulk containers generally designed to carry and discharge 1,500 to 3,500 pounds of dry flowable products such as chemicals, minerals and dry food ingredients. The market for FIBCs is highly fragmented. The Company has established proven supply lines with integrated bag manufacturers in India, China and Mexico.

(2) Sales and Marketing

As of December 31, 2012, the Company had 202 sales, customer service and marketing personnel, including manufacturer representatives. The Company participates in industry trade shows and uses trade advertising as part of its marketing efforts. The Company's customer base is diverse, with no single customer accounting for more than 5% of total sales in 2012. Sales of products from facilities located in the United States, Canada and Europe accounted for approximately 81%, 9% and 3% of total sales, respectively, in 2012, 80%, 9% and 3% in 2011; and 80%, 10% and 3% in 2010.

Many tape and film products are sold to the market through a network of paper, packaging and industrial distributors throughout North America. In order to enhance sales of the Company's pressure-sensitive carton sealing tape, it also sells carton closing systems, including automatic and semi-automatic carton sealing equipment. The Company's shrink and stretch film products are sold through an existing industrial distribution base primarily to manufacturers of packaged goods and printing and paper products which package their products internally. The industrial electrical tapes are sold to the electronics and electrical industries. The Company's engineered coated products are primarily sold directly to end-users. The Company offers a line of lumberwrap, FIBCs, and specialty fabrics manufactured from plastic resins. The Company's engineered coated products are marketed throughout North America.

(3) Equipment and Raw Materials

Intertape Polymer Group purchases mostly custom designed manufacturing equipment, including extruders, coaters, finishing equipment, looms, printers, bag manufacturing machines and injection molds, from manufacturers located in the United States and Western Europe, and participates in the design and upgrading of such equipment. The Company is not dependent on any one manufacturer for its equipment.

The major raw materials purchased for the Company's tape products are polypropylene resin, synthetic rubber, hydrocarbon resin, and paper (crepe and kraft). The resins and synthetic rubber are generated from petrochemicals which are by-products of crude oil and natural gas. Almost all of these products are sourced from North American manufacturers. The paper products are produced by North American paper manufacturers and are derived from the North American pulp and paper industry.

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The major raw material used in our film products is polyethylene resin. Polyethylene is a derivative of natural gas petrochemical by-products and/or crude oil.

The major raw materials used to produce the Company's engineered coated products are polyethylene and polypropylene resins. Both of these products are petrochemical based products derived from crude oil and/or natural gas. These products are predominantly sourced from North American petrochemical manufacturers.

During 2012 selling prices, including the impact of product mix, increased more than raw material costs, which did decrease, however, the spread between selling prices and raw material costs was still compressed when compared to periods prior to 2010. During 2010 resin-based, paper and adhesive raw material costs significantly increased and the Company was unable to pass on a portion of the cost increases to its customers due to pricing pressure. During 2012, resin-based raw material costs decreased by about 6%, paper costs were approximately the same, and adhesives increased about 1%.

(4) Research and Development and New Products

Intertape Polymer Group's strategy is to create growth opportunities through enhancements of existing products and the introduction of new products. The Company's research and development efforts continue to focus on new products, technology developments, new product processes and formulations. As described in the sections that follow, the Company introduced 35 new products in both 2012 and 2011.

During 2010, Intertape Polymer Group introduced its line of Intertape brand double-coated tapes. These high-performance technical products are used in a number of applications including corrugated splicing, gasket attachment, plastic housing and component assembly, nameplates, interior and exterior trim attachments, and lens bonding. The double-coated tapes are also convertible for a wide variety of applications requiring die cuts and custom parts. During 2011, Intertape Polymer Group launched its new transfer adhesives product line introducing four new products developed as part of the Company's on-going product line development in double coated tapes. Intertape brand ATA200 and ATA400, a 2 mil and 4 mil acrylic transfer adhesive, was designed for use in general purpose applications such as core starting, paper/film splicing, arts and crafts bonding, picture framing and lamination. The Company also introduced ATA201 and ATA401 which are more suitable for more demanding and specialized applications requiring long term bonding and high temperature and solvent resistance.

In 2012, The Company enhanced its appliance grade clean removal portfolio with new tensilized polypropylene and filament products: APL145, TPP200, TPP350, and TPP400. Each offers excellent adhesion and stain/residue free removal from painted metals, stainless steel, ABS plastic, fiberglass and various other surfaces used in the appliance, steel, composite, plastic extrusion, fulfillment and window and door industries.

In 2009, the Company also created a new technology called roll edge face coated which creates cleaner sharper paint lines with the Company's BLOC-IT® painters tape. In 2012, ProMask Pink painters tape was introduced in support of the Susan G. Komen For the Cure Foundation® in the fight against breast cancer. It is a premium pink painter's tape with the Company's clean releasing adhesive that delivers superior paint lines for the professional and do-it-yourself consumer of masking tape.

In 2010, the Company launched a number of new products into the Housewrap sector through a new Private Label Supply Agreement with a major Building and Construction distribution company. The Company also launched a new line of AquaMaster® geomembrane products that has allowed the Company to significantly increase both volume and profitability in this market segment.

In 2010, Intertape Polymer Group launched Genesys Ultra, a new high performance, thin gauge cast stretch film. This film has been very successful in the first few years post launch in gaining market share in the demanding low gauge performance segment of the stretch film market.

Intertape Polymer Group entered into the foil tape market with a full line of aluminum foil tapes manufactured at its Carbondale, Illinois facility in 2010. These tapes have application in various industries including aerospace, transportation, HVAC and industrial. The product line offers performance ranges within a variety of foil thicknesses and adhesive systems. The shiny, UV resistant foil backing offers an enhanced appearance, excellent reflective and flame retardant properties, and remains flexible to resist cracking and lifting around irregular or curved surfaces. The Company's foil products include lined, self-wound, FSK, ASJ, foil barrier laminates and metalized films. During 2011 the Company introduced a new aluminum foil tape

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designed primarily for HVAC applications. In developing this product the Company focused on producing a finished product that supported both the rigid duct and flexible duct application requirements. The finished product received dual certifications which permits its use to support both flexible and rigid duct HVAC criteria for building codes throughout the United States. The Company also introduced Intertape brand ALF175L to meet the need of a UL723 rated multi-purpose foil tape. This product was designed to give exceptional performance where use of a thinner gauge foil base material is acceptable for this application.

In 2011, the Company launched ExlfilmPlus GPS, the Company's newest high performance crosslinked polyolefin shrink film. This multilayered film is versatile enough to perform on all sealing systems and shrink tunnels. The premium resin formulation provides consistently strong seals and offers high shrink force, making it the ideal choice for multipacking and unitizing products.

In 2012, the Company introduced UL 181-rated AC50UL, a premium-grade HVAC duct tape for flexible air ducts and air connectors. This 14 mil high-strength polyethylene-coated cloth duct tape meets flexible duct criteria for HVAC systems required by many building codes throughout the US, including that recommended by the 2009 California Residential Compliance Manual. The Company also expanded its offering to contractors with the addition of a metalized version of this AC50UL product. Its reflective finish is especially suited for joining seams on flexible air duct with metallic jackets and duct board with exterior foil laminate vapor retarders.

With more than 90% of all corrugated boxes being recovered for recycling and the average percent of recycled content in a corrugated box greater than 40%, the Company's Research and Development recognized the need for a test that mirrors the effectiveness of carton sealing tapes when applied to boxes of varying recycled content. A new test apparatus was designed that accepts any box sample, duplicates the box sealing application and measures closure performance under a variety of controlled environmental conditions. In response to this market change, R&D also formulated a new Corru-Grip adhesive technology designed specifically for optimal closure of highly recycled corrugate, including 100% recycled boxes. In 2012, the Company introduced a new 1100 premium hot melt carton sealing tape designed with this new proprietary adhesive formulation.

The Company's R&D expenses in 2012, 2011, and 2010 totaled \$6.2 million, \$6.2 million, and \$6.3 million, respectively.

(5) Trademarks and Patents

Intertape Polymer Group embarked on a new corporate branding strategy during 2009 to create and communicate overall consistency and simplicity to its markets. The Company adopted a new look to its corporate logo and redid its sub-brand logos which are clearer and will help identify the individual product lines.

Intertape Polymer Group markets its tape products under the trademarks Intertape, Central®, Crowell®, American®, and various private labels. The Company's shrink wrap is sold under the registered trademark ExlfilmPlus and Exlfilm®. Its stretch films are sold under the trademark SuperFlex and StretchFlex®.

The Company markets its open mouth bags under the registered trademark Nova-Pac®. The other key engineered coated products are sold under the registered trademarks Nova-Thene®, Nova-Shield®, Nova-Seal®, NovaWrap, and NovaFlash®. Its engineered fabric polyolefin fabrics are sold under the registered trademark Nova-Thene®. The Company has approximately 153 active registered trademarks, 72 in the United States, 20 in Canada, and 8 in Mexico, and 53 foreign, which include trademarks acquired from American Tape, Anchor, Rexford Paper Company, Central Products Company, and Flexia. The Company currently has 11 pending trademark applications in the United States, 1 in Canada, and 15 foreign.

Intertape Polymer Group does not have, nor does management believe it important to the Company's business to have, patent protection for its carton sealing tape products. However, the Company has pursued patents in select areas where unique products offer a competitive advantage in profitable markets, primarily in engineered coated products for which the Company has 8 patents and no patents pending, film for which it has 10 patents and no patents pending, tape products for which it has 22 patents and 12 patents pending, adhesive products for which it has 5 patents and 3 patents pending, container products for which it has 4 patents and no patents pending, and retail for which it has 2 patents and no patents pending.

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(6) Competition

The Company competes with other manufacturers of plastic packaging products as well as manufacturers of alternative packaging products, such as paper, cardboard and paper-plastic combinations. Some of these competitors are larger companies with greater financial resources than the Company. Management believes that competition, while primarily based on price and quality, is also based on other factors, including product performance characteristics and service. No statistics, however, on the packaging market as a whole are currently publicly available. Please refer to Section B(1) above for a discussion of the Company's main competitors by product.

The Company believes that significant barriers to entry exist in the packaging market. Management considers the principal barriers to be the high cost of vertical integration which is necessary to operate competitively, the significant number of patents which already have been issued in respect of various processes and equipment, and the difficulties and expense of developing an adequate distribution network.

(7) Environmental Initiatives and Regulation

(a) Initiatives

Intertape Polymer Group has and continues to be focused on reducing waste and minimizing any harmful environmental impact throughout its manufacturing process, or footprint left behind by the line of products manufactured and marketed by the Company. Lili is the Company's environmental stewardship program and stands for low environmental impact line from IPG, however it is more than just the growing number of environmentally preferred products that the Company has and continues to develop, but is also a commitment by management and employees of the Company to continually look for opportunities to lower the Company's environmental impact. Intertape Polymer Group has and continues to implement activities, changes and programs that are designed to reduce waste in the manufacturing process; reduce the footprint left behind by its products, processes and employees; increase the recycle ability of products through mainstream recycling; provide an alternative solution to a less environmentally friendly product or application; reduces consumption of raw materials, fuel and other energy sources; reduces pollutants released through air, water and waste; and improves the safety and health of employees.

The Company's latest environmental initiative has been to focus on energy savings. In August 2009, the Company became an Energy Star® Partner, which is a voluntary partnership with the US Environmental Protection Agency to improve energy efficiency and fight global warming. Intertape Polymer Group as an Energy Star® Partner joined the fight against global warming by improving the efficiency of its buildings and facilities. Products and buildings that have earned the Energy Star® designation prevent greenhouse gas emissions by meeting strict energy efficiency specifications set by the government. In 2011 Intertape Polymer Group was recognized for meeting the US EPA Energy Star Challenge by improving energy efficiency at commercial and industrial facilities by ten percent or more within five years. Only the efforts of 34 facilities operated by 14 companies were publicly acknowledged for successfully reducing emissions at their manufacturing sites. Intertape was cited for energy efficiency improvements of 29.1% in Carbondale, Illinois, 23.4% in Richmond, Kentucky, and 18.3% in Menasha, Wisconsin.

(b) Regulation

Intertape Polymer Group's operations are subject to extensive environmental regulation in each of the countries in which it maintains facilities. For example, United States (federal, state and local) and Canadian (federal, provincial and municipal) environmental laws applicable to the Company include statutes and regulations intended to (i) impose certain obligations with respect to site contamination and to allocate the cost of investigating, monitoring and remediating soil and groundwater contamination among specifically identified parties, (ii) prevent future soil and groundwater contamination; (iii) impose national ambient standards and, in some cases, emission standards, for air pollutants which present a risk to public health, welfare or the natural environment; (iv) govern the handling, management, treatment, storage and disposal of hazardous wastes and substances; and (v) regulate the discharge of pollutants into waterways.

The Company's use of hazardous substances in its manufacturing processes and the generation of hazardous wastes not only by the Company, but by prior occupants of its facilities, suggest that hazardous substances may be present at or near certain of the Company's facilities or may come to be located there in the future. Consequently, the Company is required to monitor closely its compliance under all the various environmental laws and regulations applicable to the Company. In addition, the Company arranges for the off-site disposal of hazardous substances generated in the ordinary course of its business.

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Intertape Polymer Group obtains Phase I or similar environmental site assessments, and Phase II environmental site assessments, if necessary, for most of the manufacturing facilities it owns or leases at the time the Company either acquires or leases such facilities. These assessments typically include general inspections and may involve soil sampling and/or ground water analysis. The assessments have not revealed any environmental liability that, based on current information, the Company believes will have a material adverse effect on the Company. Nevertheless, these assessments may not reveal all potential environmental liabilities and current assessments are not available for all facilities. Consequently, there may be material environmental liabilities that the Company is not aware of. In addition, ongoing clean up and containment operations may not be adequate for purposes of future laws and regulations. The conditions of the Company's properties could also be affected in the future by neighboring operations or the conditions of the land in the vicinity of the Company's properties. These developments and others, such as increasingly stringent environmental laws and regulations, increasingly strict enforcement of environmental laws and regulations, or claims for damage to property or injury to persons resulting from the environmental, health or safety impact of the Company's operations, may cause it to incur significant costs and liabilities that could have a material adverse effect on the Company.

Except as described below, the Company believes that all of its facilities are in material compliance with applicable environmental laws and regulations, and that the Company has obtained, and is in material compliance with, all material permits required under environmental laws and regulations.

The Company is currently monitoring contamination at its Columbia, South Carolina plant, which has negatively impacted the value of the property. In addition, although certain of the Company's facilities emit regulated pollutants into the air, the emissions are within current permitted limitations, including applicable Maximum Achievable Control Technology (MACT) requirements.

Intertape Polymer Group and its operating subsidiaries are required to maintain numerous environmental permits and governmental approvals for their operations. Some of the environmental permits and governmental approvals that have been issued to the Company or its operating subsidiaries contain conditions and restrictions, including restrictions or limits on emissions and discharges of pollutants and contaminants, or may have limited terms. If the Company or any of its operating subsidiaries fails to satisfy these conditions or to comply with these restrictions, it may become subject to enforcement action and the operation of the relevant facilities could be adversely affected. The Company may also be subject to fines, penalties or additional costs. The Company or its operating subsidiaries may not be able to renew, maintain or obtain all environmental permits and governmental approvals required for the continued operation or further development of its facilities, as a result of which the operation of its facilities may be limited or suspended.

C. ORGANIZATIONAL STRUCTURE

Intertape Polymer Group is a holding company which owns various operating companies in the United States, Canada and internationally. Intertape Polymer Inc., a Canadian corporation, is the principal operating company for the Company's Canadian operations. Intertape Polymer Corp., a Delaware corporation, is the principal operating company for the Company's United States and international operations.

In an effort to simplify its corporate structure, Intertape Polymer Group has liquidated and dissolved two of its Canadian subsidiaries, ECP L.P. and ECP GP II Inc., and one US subsidiary, Polymer International Corp., effective December 31, 2012. All assets and liabilities of the Canadian entities are now with Intertape Polymer Inc. and all assets and liabilities of Polymer International Corp. are with Intertape Polymer Corp.

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The table below lists for each of the subsidiaries of the Company their respective place of incorporation or constitution, as the case may be, and the percentage of voting securities beneficially owned or over which control or direction is exercised directly or indirectly by Intertape Polymer Group.

Corporation	Place of Incorporation or Constitution	Percentage of Ownership or Control
Intertape Polymer Group Inc.	Canada	Parent
Intertape Polymer Inc.	Canada	100%
Spuntech Fabrics Inc. *	Canada	100%
Intertape Polymer Corp.	Delaware	100%
Intertape Woven Products Services S.A. de C.V.	Mexico	100%
Intertape Woven Products, S.A. de C.V.	Mexico	100%
IPG Holdings LP *	Delaware	100%
IPG (US) Inc.	Delaware	100%
IPG (US) Holdings Inc.	Delaware	100%
Intertape Polymer US Inc.	Delaware	100%
Fibope Portuguesa-Filmes Biorientados S.A.	Portugal	100%
Intertape Polymer Europe GmbH	Germany	100%

* Dormant

D. PROPERTY, PLANTS AND EQUIPMENT

Location	Status	Use	Products	Square Feet	Property Size (Acres)
3647 Cortez Road West ⁽¹⁾ Bradenton, FL 34210	Owned	Office Building	N/A	1 Building 20,806	3.71
369 Elgin Street Brantford, Ontario N3S 7P5	Owned	Manufacturing	Sold January 2013	1 Building 169,000	9.20
2000 South Beltline Boulevard Columbia, South Carolina 29201	Owned	Manufacturing	Tapes (paper duct)	7 Buildings 499,770	86.48
360 Ringgold Industrial Pkwy. Danville, VA 24540	Leased	Regional Distribution Center	All products	199,600	
1201 and 1301 Spence Avenue Hawkesbury, Ontario K6A 3T4	Owned	Manufacturing	Sold in 2011	2 Buildings 64,900	6.30
19680 94A Avenue Langley, British Columbia	Leased	Manufacturing	ECPs	136,000	
V1M 3B7 317 Kendall Street ⁽²⁾ Marysville, Michigan 48040	Owned	Manufacturing	Tapes (paper reinforced)	5 Buildings 226,016	11.53
741 4 th Street	Owned	Manufacturing		1 Building 168,000	5.81

Menasha, Wisconsin 54952

Tapes (water
activated)

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Location	Status	Use	Products	Square Feet	Property Size (Acres)
748 4 th Street Menasha, Wisconsin 54953	Owned	Office Building	N/A	1 Building 23,100	n/a
333 Bay Street Bay Adelaide Centre Suite 2900	Leased	Office	N/A		N/A
Toronto, Ontario M5H 2T4 2000 Enterprise Drive ⁽²⁾	Owned	Idle	carton sealing tape, masking tape, and reinforced tape	1 Building 194,000	35.00
Richmond, Kentucky 40475 760 West 1000 North ⁽²⁾	Owned	Manufacturing	Exlfilm®, Stretchflex®	1 Building 115,000	17.00
Tremonton, Utah 84337 50 Abbey Avenue ⁽²⁾	Owned	Manufacturing	engineered fabric products and Exlfilm®	1 Building 306,200	13.00
Truro, Nova Scotia 543 Willow Street	Leased	Warehouse			
Truro, Nova Scotia 9942 Currie Davis Dr., Ste 23B	Leased		Assembles tape dispensing machinery		
Tampa, Florida 33619 2200 North McRoy Drive ⁽²⁾	Owned	Manufacturing	Tapes electrical	190,324	
Carbondale, Illinois 62901 1095 S. 4 th Avenue	Leased	Manufacturing	Film	Manufacturing & Office 252,940	
Brighton, Colorado 80601 1101 Eagle Springs Road ⁽²⁾	Owned	Manufacturing	Carton sealing tape, Stretchflex®, acrylic coating	1 Building 289,195	26.0
Danville, Virginia 24540 341 Bullys Street	Leased	Warehouse	FIBCs	20,000	
Eagle Pass, Texas 78852 772 Specialists Avenue	Leased	Distribution	Tapes water activated		
Neenah, Wisconsin 54956 1407 The Boulevard, Suite E	Leased	Offices	N/A		
Rayne, Louisiana 70578 185 McQueen Street	Leased	Warehouse	Tapes		
West Columbia, South Carolina 29172 4061 E. Francis Street	Leased	Warehouse and Distribution	Tapes	45,630	
Ontario, California 91761 9999 Cavendish Blvd., Suite 200	Leased	Offices	Packaging products N/A		

St. Laurent, Quebec H4M 2X5

4447 46 Avenue

Leased Warehouse

Calgary, Alberta T2B 2M1

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Location	Status	Use	Products	Square Feet	Property Size (Acres)
23 Lower Truro Road Truro, Nova Scotia B2N 6W4	Leased	Warehouse			
Industrieweg 30 24955 Harrislee	Leased	Office	N/A		
Germany Philipp-Reis-Stra Be5	Leased	Warehouse	N/A		
Flensburg, Germany 24941 Trevino Norte No. 1125	Leased	Manufacturing	Tapes rewinding	38,500	
Pedras Negras, 26080 Coahuila, Mexico Lugar de Vilares-Barqueiros	Owned	Manufacturing and Distribution	ExIfilm®	35,500	
4740-676 Barqueiros BCL Barcelos, Portugal					

- (1) \$1,765,500 Commercial Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Filing.
- (2) \$15,122,500 real estate secured term loan secured by certain real estate and improvements.

Item 4A. Unresolved Staff Comments

Not Applicable.

Item 5. Operating and Financial Review and Prospects (Management's Discussion & Analysis)**Business Overview**

The Company was founded in 1981 and is a recognized leader in the specialty packaging industry in North America. The Company develops, manufactures and sells a variety of paper and film based pressure sensitive and water activated tapes, specialized polyolefin films, woven fabrics and complementary packaging systems for industrial use and retail applications. The Company designs its specialty products for aerospace, automotive and industrial applications. The Company's tape and film products are sold to a broad range of industrial and specialty distributors, consumer outlets and large end-users in diverse markets. Other tape products include carton sealing tapes, including Intertape pressure-sensitive and water-activated tapes; industrial and performance specialty tapes, including paper, duct, electrical and reinforced filament tapes; ExIfilm® shrink film; and Stretchflex® stretch wrap. The Company also manufactures engineered coated fabrics and flexible intermediate bulk containers (FIBC). These products are sold through a variety of industrial and specialty distributors with a focus on sales to the construction and agricultural markets as well as the flexible packaging market.

In 2012, the Company reported revenue of \$784.4 million, a decrease of 0.3% compared to \$786.7 million for 2011. Gross profit totalled \$141.0 million in 2012 as compared to \$114.5 million in 2011, a 23.2% increase. Sales volume in 2012 decreased approximately 4% compared to 2011 primarily due to progress made toward reducing sales of low-margin products and to the closure of the Brantford facility. The primary reasons for the increase in gross profit during 2012 were:

Improved pricing environment allowing for an increase in the spread between raw material costs and selling prices;

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Continued success in reducing manufacturing costs;

Closure of the Brantford, Ontario manufacturing facility in 2011; and

Increased sales of higher margin products.

For the year ended December 31, 2012, the Company reported net earnings of \$22.5 million (\$0.38 per share basic, \$0.37 per share diluted) as compared to \$9.0 million (\$0.15 per share, both basic and diluted) in 2011. For the year ended December 31, 2010 the Company reported a net loss of \$48.5 million ((\$0.82) per share, both basic and diluted). The significant increase in net earnings for the year ended December 31, 2012 compared to 2011 was primarily due to improved gross profit as discussed above, partially offset by significantly increased manufacturing facility closure costs.

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The Company continued its efforts to focus on increasing sales and marketing of higher margin products, which include recently launched products and a portfolio of existing products. Manufacturing cost reduction programs implemented during 2012, which included productivity improvements, waste reduction and energy conservation, totalled more than \$17 million.

Outlook

The Company will continue to focus on developing and selling higher margin products, reducing variable manufacturing costs, executing manufacturing plant rationalization initiatives and optimizing its debt structure. As a result, the Company anticipates the following:

Revenue for the first quarter of 2013 is expected to be greater than the fourth quarter of 2012, which is reflective of normal seasonality. Revenue is expected to be approximately the same or slightly lower than the first quarter of 2012 due to fewer shipping days;

Gross margin for the first quarter of 2013 is expected to be similar to the fourth quarter of 2012;

Adjusted EBITDA for the first quarter of 2013 is expected to be greater than both the fourth quarter of 2012 and the first quarter of 2012;

Cash flows from operations in the first quarter of 2013 are expected to be lower than the fourth quarter of 2012 primarily due to changes in working capital requirements related to:

Higher trade receivables resulting from the expected return to a more typical distribution of shipments within the quarter and higher revenue; and

Payments of amounts expensed in 2012.

Total debt at March 31, 2013 is expected to be greater than at December 31, 2012, which is consistent with typical seasonal working capital requirements;

Cash income taxes paid in 2013 are expected to be less than \$2 million. The effective income tax rate may vary significantly from historical rates due to the accounting for tax assets in conjunction with the impact of restructuring charges and other adjustments. Such potential variations in rate would, therefore, not necessarily be indicative of future income tax payments;

Capital expenditures for 2013, excluding any real estate purchases, are expected to be \$33 to \$39 million, reflecting planned replacements of machinery and equipment to achieve improved manufacturing efficiencies. Capital expenditures are expected to return to a lower level of \$17 to \$21 million in 2014;

The remaining \$38.7 million Senior Subordinated Notes (Notes) outstanding are expected to be redeemed in 2013. In order to retire the Notes and finance capital expenditures, the Company expects to increase borrowings under both its Asset-Based Loan (ABL) facility and secured debt equipment finance agreement (Equipment Finance Agreement). Furthermore, any real estate purchases are expected to be financed through mortgages;

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Manufacturing cost reductions are expected to total \$16 to \$20 million in 2013, which includes \$5 million of expected savings related to:

Closure of the Richmond, Kentucky manufacturing facility; and

Consolidation of shrink film production from Truro, Nova Scotia to Tremonton, Utah.

Consistent with prior years, the Company anticipates that some of these cost savings will be offset by other manufacturing costs that are expected to increase, such as labor and energy;

Over the next two years, the Company plans to relocate and modernize its Columbia, South Carolina manufacturing operations with state-of-the-art equipment in a new facility. A letter of intent has been entered into for the purchase of a manufacturing facility in Blythewood, South Carolina, which is in close proximity to Columbia. This plan, which reflects the Company's largest single facility improvement in many years, is expected to result in the following:

Total annual cash savings in excess of \$13 million starting in the first half of 2015 with the first full year effects in 2016;

Total charge of \$32 to \$38 million between 2013 and 2015, with \$28 to \$32 million expected to be recorded in the first quarter of 2013;

Of the total charge recorded in the first quarter of 2013, \$25 to \$27 million relates to non-cash impairment of property, plant and equipment with the remaining \$3 to \$5 million relating to cash items that will be disbursed over the next two years;

Subsequent to the first quarter of 2013, \$4 to \$6 million of expenses are expected to be recorded and paid over the next two years;

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Total capital expenditures for equipment related to this project are expected to be \$26 million, of which \$2.7 million was paid for in the fourth quarter of 2012, \$15 to \$17 million expected to be paid in 2013 and the remainder to be incurred in periods subsequent to 2013. These capital expenditure amounts do not include any real estate investments. This capital expenditure of \$15 to \$17 million in 2013 is included in the \$33 to \$39 million total capital expenditures discussed above; and

Total cost of the new building and facility improvements is expected to be approximately \$13.5 million; and

On March 6, 2013, the Company declared a dividend, in the amount of US\$0.08, under the semi-annual dividend policy. The dividend will be paid on April 10, 2013 to shareholders of record at the close of business on March 25, 2013.

Assuming stable or improving macro-economic conditions, the Company expects to achieve quarterly gross margin in the range of 18% to 20% during 2013.

Results of Operations

The following discussion and analysis of operating results includes adjusted financial results for the years ended December 31, 2012, 2011 and 2010. A reconciliation of the operating results found in the audited consolidated financial statements to the adjusted operating results discussed herein, a non-GAAP financial measure, can be found in the Adjusted Net Earnings (Loss) Reconciliation to Net Earnings (Loss) table set forth below in the section titled Adjusted Net Earnings (Loss).

Included in this Item as well as in the Company's Management's Discussion and Analysis, are references to events and circumstances which have influenced the Company's quarterly operating results presented in the table of Consolidated Quarterly Statements of Earnings (Loss) set forth in the Company's Management's Discussion and Analysis.

Net earnings for 2012 were \$22.5 million compared to net earnings of \$9.0 million for 2011 and net loss of \$48.5 million for 2010.

The net earnings for 2012 include the following:

Improved gross profit as discussed above;

Facility closure costs of \$18.3 million primarily related to the Richmond, Kentucky manufacturing facility closure and consolidation of shrink film production from Truro, Nova Scotia to Tremonton, Utah;

Reduced interest expense; and

Recognition of an income tax benefit in 2012.

The net earnings for 2011 included the following:

Gross margin expansion resulting from implemented price increases;

Increased sales of higher margin products and reduction in sales of low-margin products;

Manufacturing cost reductions of approximately \$17 million; and

Facility closure costs of \$2.9 million, primarily related to the Brantford, Ontario manufacturing facility closure. The net loss for 2010 included the following:

Gross margin compression resulting from raw material cost increases;

A derecognition of deferred tax assets of \$36.7 million, which included a \$32.5 million charge in the fourth quarter with respect to the US jurisdiction;

Facility closure costs of \$3.5 million, including \$2.9 million related to the Brantford, Ontario manufacturing facility closure; and

Asset impairments of \$4.0 million, including \$2.9 million related to the lumber film automatic wrapping machines and related assets.

Revenue

Revenue for the year ended December 31, 2012 was \$784.4 million, a decrease of 0.3% compared to \$786.7 million for the year ended December 31, 2011. Sales volume decreased approximately 4% and selling prices, including the impact of product mix, increased approximately 4% in 2012 compared to 2011.

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The Company closed its Brantford facility in the second quarter of 2011. Revenue increased 0.3% in 2012 compared to \$781.7 million for 2011 after adjusting for the closure of the Brantford facility. The adjusted selling prices, including the impact of product mix, increased approximately 3% partially offset by the adjusted sales volume decrease of approximately 3%. An improved pricing environment that began in 2011 as well as the reduction in sales of low-margin products were the primary reasons for the increase in selling prices including the impact of product mix. The decrease in sales volume was primarily due to the progress the Company made toward reducing sales of low-margin products partially offset by an increase in sales of new products.

Revenue for the year ended December 31, 2011 increased 9.2% over revenue of \$720.5 million for the year ended December 31, 2010. Selling prices, including the impact of product mix, increased approximately 13% and sales volume decreased approximately 4% in 2011 compared to 2010. The sales volume decrease was primarily due to the reduction in sales of low-margin products and the closure of the Brantford facility. The increase in selling prices, including the impact of product mix, was primarily due to an improved pricing environment that began in the second quarter of 2011 as well as improved mix from reduction in sales of low-margin products.

The Company's revenue for the fourth quarter of 2012 was \$189.3 million, a 3.4% increase compared to \$183.0 million for the fourth quarter of 2011. Sales volume for the fourth quarter of 2012 increased approximately 6% compared to the fourth quarter of 2011 primarily due to increased demand for tape products partially offset by decreased demand for other products. Selling prices, including the impact of product mix, decreased approximately 3% in the fourth quarter of 2012 compared to the fourth quarter of 2011 primarily due to a shift in the mix of products sold.

The Company's revenue for the fourth quarter of 2012 was \$189.3 million, a 4.6% decrease compared to \$198.5 million for the third quarter of 2012. Sales volume for the fourth quarter of 2012 decreased approximately 3% compared to the third quarter of 2012 primarily due to normal seasonality. Selling prices, including the impact of product mix, decreased approximately 2% in the fourth quarter of 2012 compared to the third quarter of 2012 primarily due to a shift in the mix of products sold.

Gross Profit and Gross Margin

Gross profit totalled \$141.0 million for 2012, an increase of 23.2% from 2011. Gross margin was 18.0% in 2012 and 14.6% in 2011. The increase in gross profit in 2012 compared to 2011 was primarily due to an improved pricing environment, manufacturing cost reductions, increase in sales of higher margin products, and the closure of the Brantford, Ontario manufacturing facility in 2011 partially offset by lower sales volumes. The increase in gross margin in 2012 compared to 2011 was primarily due to manufacturing cost reductions, an increase in sales of higher margin products, an improved pricing environment and the progress made toward reducing sales of low-margin products.

Gross profit totalled \$114.5 million in 2011, an increase of 35.8% from \$84.3 million gross profit for 2010. Gross margin was 11.7% in 2010. Gross profit and gross margin increased in 2011 over 2010 primarily due to increased selling prices, improved product mix and manufacturing cost reductions, partially offset by lower sales volume.

Gross profit totalled \$35.3 million in the fourth quarter of 2012, an increase of 28.0% from \$27.6 million in the fourth quarter of 2011. Gross margin was 18.7% in the fourth quarter of 2012 and 15.1% in the fourth quarter of 2011. As compared to the fourth quarter of 2011, gross profit and gross margin increased primarily due to an improved pricing environment and manufacturing cost reductions.

Selling, General, and Administrative Expenses

Selling, general and administrative expenses (SG&A) for the year ended December 31, 2012 was \$79.1 million compared to \$77.0 million for the year ended December 31, 2011. As a percentage of revenue, SG&A was 10.1% and 9.8% for the years ended December 31, 2012 and 2011, respectively. The increase of \$2.2 million in 2012 compared to 2011 was primarily the result of higher variable compensation expense related to higher profitability, higher stock-based compensation expense and increased professional fees, partially offset by the non-recurrence of the settlement of a lawsuit.

SG&A for the year ended December 31, 2011 was \$77.0 million compared to \$73.3 million for the year ended December 31, 2010. As a percentage of revenue, SG&A was 10.2% for the year ended December 31, 2010. The increase of \$3.7 million in 2011 compared to 2010 was primarily the result of higher selling expenses and other compensation costs related to higher revenue and profitability and the settlement of a lawsuit.

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SG&A totalled \$20.8 million for the fourth quarter of 2012 compared to \$18.4 million in the fourth quarter of 2011. As a percentage of revenue, SG&A was 11.0% and 10.1% for the fourth quarter of 2012 and the fourth quarter of 2011, respectively. SG&A was \$2.4 million higher in the fourth quarter of 2012 compared to the fourth quarter of 2011 primarily due to higher stock-based compensation, severance and professional fees related to managerial reporting enhancements.

Research Expenses

Research remains an important aspect of the Company's strategy. As a percentage of revenue, research expenses represented 0.8%, 0.8%, 0.9% for the years ended December 31, 2012, 2011 and 2010, respectively. The Company continues to focus its research efforts on new products, technology, manufacturing processes and formulations for existing products.

As a percentage of revenue, research expenses represented 0.8% for the fourth quarter of 2012 and 0.9% for the fourth quarter of 2011.

Manufacturing Facility Closures, Restructuring and Other Related Charges

As announced on June 26, 2012, the Company ceased production at its Richmond, Kentucky manufacturing operation in the fourth quarter of 2012. North America shrink film production was consolidated in Tremonton, Utah and the production of shrink film in Truro, Nova Scotia ceased in the first quarter of 2013. The Truro facility will continue to manufacture woven products. Other smaller initiatives included the closure of the manufacturing operation in Piedras Negras, Mexico in the fourth quarter of 2012. Total costs incurred were \$17.2 million, \$3.0 million and nil for the full year ended December 31, 2012, fourth quarter of 2012 and fourth quarter of 2011, respectively. The \$17.2 million charge consists of \$3.0 million of cash items, and the remainder is non-cash charges primarily related to property, plant and equipment impairments. The Company anticipates that additional costs of approximately \$1.4 million will be recorded in subsequent periods, of which \$1.2 million is expected to be incurred in the first half of 2013 and the remainder in the second half of 2013. Total capital expenditures related to these initiatives are expected to be approximately \$1.5 million. These initiatives are expected to optimize the Company's manufacturing footprint while generating significant annual savings and maintaining operating capacity to position the Company for future profitable growth.

The Brantford, Ontario facility was shut down in the second quarter of 2011. The decision to close the facility was made at the end of 2010 and a charge of \$2.9 million was recorded in the fourth quarter of 2010. The \$2.9 million charge was related to employee severance and inventory write-downs. In 2011, \$3.0 million was recorded for additional severance, retention incentives, equipment transfers and other costs related to this facility closure. Total costs incurred during the full year ended December 31, 2012 related to this facility closure were \$1.1 million. Facility closure costs were \$0.2 million and \$0.4 million during the fourth quarter of 2012 and the fourth quarter of 2011, respectively. In January 2013, the Company sold the Brantford, Ontario facility and received net proceeds of \$1.6 million.

The Hawkesbury manufacturing operations were shut down at the end of 2009. Asset impairments of \$0.7 million were recorded in 2010 on remaining assets that were not sold as of December 31, 2010. The remaining assets were sold in 2011 and the Company recovered \$0.2 million of the asset impairment charge.

Operating Profit

Operating profit for 2012 amounted to \$37.4 million compared to \$28.4 million for 2011. The increase of \$9.0 million in 2012 over 2011 was primarily the result of higher gross profit related to an improved pricing environment and manufacturing cost reductions partially offset by lower volumes.

Operating profit for 2011 amounted to \$28.4 million compared to \$1.2 million for 2010. The increase of \$27.2 million in 2011 over 2010 was primarily the result of gross profit improvement related to price increases implemented in 2011 to offset increases in raw material costs that compressed gross profit in 2010. The increase in gross profit in 2011 was partially offset by higher selling expenses and other compensation costs related to higher revenue and profitability and the settlement of a lawsuit.

The Company's operating profit for the fourth quarter of 2012 was \$9.8 million compared to an operating profit of \$7.2 million for the fourth quarter of 2011. The 2012 improvement was primarily due to higher gross profit offset by higher manufacturing facility closure costs.

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Interest

Interest expense for 2012 totalled \$13.2 million; a \$2.1 million or 13.9% decrease from \$15.4 million of interest expense for 2011, primarily due to lower average debt levels resulting from improved free cash flows. Also, the average cost of debt decreased as the Company took the following actions:

On February 1, 2012, the Company entered into an amendment to its ABL facility extending its maturity date to February 2017, and generally providing more flexibility to the Company;

On August 1, 2012, the Company redeemed, at par value, the aggregate principal amount of \$25.0 million of its outstanding Notes due August 2014;

On August 14, 2012, the Company entered into an Equipment Finance Agreement with a lifetime and maximum funding amount of \$24.0 million with the final funding to occur by December 31, 2013. The terms of the arrangement include multiple individual finance leases, each of which will have a term of 60 months and a fixed interest rate;

On November 1, 2012, the Company entered into a ten-year real estate secured term loan (Real Estate Loan) in the amount of \$16.6 million; and

On December 13, 2012, the Company redeemed, at par value, the aggregate principal amount of \$55.0 million of its outstanding Notes due August 2014.

The decrease in interest expense was partially offset by \$0.9 million of debt issue costs expensed as a result of the Note redemptions.

Interest expense was \$15.4 million and \$15.7 million for the years ended December 31, 2011 and 2010, respectively. The decrease in interest expense from 2010 to 2011 was primarily due to the expiration in September 2011 of the interest rate swap agreement and partially due to a lower average level of ABL borrowings.

Interest expense for the fourth quarter of 2012 totalled \$3.1 million, a \$0.5 million or 14.0% decrease from \$3.7 million for the fourth quarter of 2011, primarily due to lower average debt levels resulting from the redemptions of Notes on August 1, 2012 of \$25.0 million and on December 13, 2012 of \$55.0 million as well as the prepayment on October 16, 2012 of the mortgage on the Company's Danville, Virginia facility. These decreases were partially offset by \$0.6 million of debt issue costs expensed as a result of the Note redemption on December 13, 2012.

Other (Income) Expense

Other expense for the year ended December 31, 2012 was \$1.3 million compared to \$2.2 million for 2011, a decrease of \$0.9 million. The decrease of \$0.9 million in 2012 compared to 2011 was primarily due to lower foreign exchange losses in 2012.

Other expense for the year ended December 31, 2010 was \$0.9 million. The increase of \$1.3 million in 2011 compared to 2010 was primarily due to foreign exchange losses in 2011.

Other expense was \$0.4 million for both the fourth quarter of 2012 and the fourth quarter of 2011. In both periods, the amounts primarily consisted of fees related to the unused portion of the ABL facility and losses on the disposal of property, plant and equipment.

Income Taxes

The Company is subject to income taxation in multiple tax jurisdictions around the world. Accordingly, the Company's effective income tax rate fluctuates depending upon the geographic source of its earnings. The Company's effective income tax rate is also impacted by tax planning

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strategies that the Company implements. The effective tax rate for 2012 was 1.6% compared to 17.7% for 2011. The Company's effective tax rate for the year ended December 31, 2010 was negative 217%. The decrease in the effective tax rate in the year ended December 31, 2012 compared to the year ended December 31, 2011 was primarily due to increased earnings in jurisdictions with lower effective tax rates and the benefit received from the ability to utilize certain US alternative minimum tax (AMT) net operating losses without limitation. The AMT benefit was the result of a refund of \$1.2 million of AMT recorded in 2012. Approximately \$0.5 million was received in 2012, and \$0.7 million is expected to be received in 2013. The increase in the effective tax rate in the year ended December 31, 2011 compared to the year ended December 31, 2010 was primarily due to the derecognition of \$36.7 million of deferred tax assets in 2010 and improved earnings in 2011.

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The effective tax rate was 8.7% in the fourth quarter of 2012 and 24.5% in the fourth quarter of 2011. As compared to the fourth quarter of 2011, the effective tax rate decreased primarily due to the non-recurrence of expense recorded in the fourth quarter of 2011 related to the reduction in deferred tax assets due to changes in applicable future tax rates combined with an increase in earnings in the fourth quarter of 2012 in jurisdictions with lower effective tax rates. These decreases were partially offset by tax expense recorded in the fourth quarter of 2012 related to stock options exercised during 2012.

In assessing the recoverability of deferred tax assets, the Company's Management determines, at each balance sheet date, whether it is more likely than not that a portion or all of its deferred tax assets will be realized. In accordance with GAAP, this determination is based on quantitative and qualitative assessments by the Company's Management and the weighing of all available evidence, both positive and negative. Such evidence includes the scheduled reversal of deferred tax liabilities, projected future taxable income and the implementation of tax planning strategies. However, GAAP places a significant weight on the Company's historical financial performance when making such a determination. Accordingly, the expectation of generating taxable income in future periods may not be sufficient to overcome the negative presumption associated with historical and cumulative operational losses.

As of December 31, 2012, the Company has \$49.6 million (CDN\$49.3 million) of Canadian operating loss carry-forwards expiring in 2014 through 2032, including \$25.9 million (CDN\$25.8 million) which has been derecognized, and \$140.0 million of US federal and state operating losses expiring in 2021 through 2031, \$66.7 million of which have been derecognized.

Net Earnings (Loss)

Net earnings for the year ended December 31, 2012 totalled \$22.5 million compared to net earnings of \$9.0 million for the year ended December 31, 2011. The increase in earnings for the year ended 2012 compared to 2011 was primarily due to an increase in gross profit partially offset by an increase in manufacturing facility closure costs, restructuring and other related charges previously discussed.

Net loss for the year ended December 31, 2010 was \$48.5 million. The increase in earnings for 2011 compared to 2010 was primarily due to the derecognition of \$36.7 million of deferred tax assets in 2010 and increased revenue and gross margin in 2011.

Net earnings for the fourth quarter of 2012 were \$5.7 million compared to net earnings of \$2.3 million in the fourth quarter of 2011. The increase in earnings for the fourth quarter of 2012 compared to the fourth quarter of 2011 was primarily due to higher gross profit partially offset by higher manufacturing facility closure costs, restructuring and other related charges previously discussed.

Non-GAAP Financial Measures

This Item contains certain non-GAAP financial measures as defined under applicable securities legislation, including EBITDA, adjusted EBITDA, adjusted net earnings (loss) and adjusted earnings (loss) per share. The Company believes such non-GAAP financial measures improve the period-to-period comparability of the Company's results by providing more insight into the performance of ongoing core business operations. As required by applicable securities legislation, the Company has provided reconciliations of those measures to the most directly comparable GAAP measures. Investors and other readers are encouraged to review the related GAAP financial measures and the reconciliation of non-GAAP measures to their most closely applicable GAAP measures set forth below and should consider non-GAAP measures only as a supplement to, not as a substitute for or as a superior measure to, measures of financial performance prepared in accordance with GAAP.

The Company's definition of adjusted EBITDA has recently changed to exclude the impact of stock-based compensation expense. All historical adjusted EBITDA information presented has been updated to conform to the new definition.

Adjusted Net Earnings (Loss)

A reconciliation of the Company's adjusted net earnings (loss), a non-GAAP financial measure, to GAAP net earnings (loss) is set out in the adjusted net earnings (loss) reconciliation table below. Adjusted net earnings (loss) should not be construed as net earnings (loss) as determined by GAAP. The Company defines adjusted net earnings (loss) as net earnings (loss) before (i) manufacturing facility closures, restructuring and other related charges; (ii) stock-based compensation expense; (iii) impairment of goodwill; (iv) impairment of long-lived assets and other assets; (v) write-down on assets classified as held-for-sale; (vi) other

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items as disclosed; and (vii) income tax effect of these items. The term adjusted net earnings (loss) does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted net earnings (loss) is not a measurement of financial performance under GAAP and should not be considered as an alternative to net earnings (loss) as an indicator of the Company's operating performance or any other measures of performance derived in accordance with GAAP. The Company has included this non-GAAP financial measure because it believes that it permits investors to make a more meaningful comparison of the Company's performance between periods presented. In addition, adjusted net earnings (loss) is used by Management in evaluating the Company's performance because it believes it provides a more accurate indicator of the Company's performance.

Adjusted earnings (loss) per share is also presented in the following table and is a non-GAAP financial measure. Adjusted earnings (loss) per share should not be construed as earnings (loss) per share as determined by GAAP. The Company defines adjusted earnings (loss) per share as adjusted net earnings (loss) divided by the weighted average number of common shares outstanding, both basic and diluted. The term adjusted earnings (loss) per share does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted earnings (loss) per share is not a measurement of financial performance under GAAP and should not be considered as an alternative to earnings (loss) per share as an indicator of the Company's operating performance or any other measures of performance derived in accordance with GAAP. The Company has included this non-GAAP financial measure because it believes that it permits investors to make a more meaningful comparison of the Company's performance between periods presented. In addition, adjusted earnings (loss) per share is used by Management in evaluating the Company's performance because it believes it provides a more accurate indicator of the Company's performance.

ADJUSTED NET EARNINGS (LOSS) RECONCILIATION TO NET EARNINGS (LOSS)

(in millions of US dollars except per share amounts and share numbers)

(Unaudited)

	Three months ended		Year ended December 31,		
	2012	2011	2012	2011	2010
	\$	\$	\$	\$	\$
Net earnings (loss)	5.7	2.3	22.5	9.0	(48.5)
Add back:					
Manufacturing facility closures, restructuring, and other related charges	3.2	0.4	18.3	2.9	3.5
Stock-based compensation expense	0.9	0.2	1.8	0.8	0.8
ITI litigation settlement				1.0	
Less: income tax expense	(0.5)		(1.6)		
Adjusted net earnings (loss)	9.3	2.9	41.0	13.6	(44.2)
Earnings (loss) per share					
Basic	0.10	0.04	0.38	0.15	(0.82)
Diluted	0.09	0.04	0.37	0.15	(0.82)
Adjusted earnings (loss) per share					
Basic	0.16	0.05	0.69	0.23	(0.75)
Diluted	0.15	0.05	0.68	0.23	(0.75)
Weighted average number of common shares outstanding					
Basic	59,316,858	58,961,050	59,072,407	58,961,050	58,961,050
Diluted	61,036,145	59,526,474	60,629,136	59,099,198	58,961,050

Adjusted net earnings amounted to \$41.7 million for the year ended December 31, 2012 compared to adjusted net earnings of \$13.6 million for 2011. Adjusted net earnings were \$28.1 million higher in the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily due to higher gross profit, lower finance costs and lower income tax expense, as discussed above.

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Adjusted net loss for the year ended December 31, 2010 was \$44.2 million. The increase of \$57.9 million in the year ended December 31, 2011 over the year ended December 31, 2010 was primarily the result of a derecognition of \$36.7 million of deferred tax assets relating to US federal and state operating losses and higher revenue and gross margin, as discussed above.

Adjusted net earnings were \$10.0 million for the fourth quarter of 2012 as compared to adjusted net earnings of \$2.9 million for the fourth quarter of 2011. The increase in adjusted net earnings of \$7.1 million was primarily due to higher revenue, increased gross profit and reduced interest expense, as discussed above.

Table of Contents**EBITDA**

A reconciliation of the Company's EBITDA, a non-GAAP financial measure, to GAAP net earnings (loss) is set out in the EBITDA reconciliation table below. EBITDA should not be construed as earnings (loss) before income taxes, net earnings (loss) or cash flows from operating activities as determined by GAAP. The Company defines EBITDA as net earnings (loss) before (i) interest and other (income) expense; (ii) income tax expense (benefit); (iii) refinancing expense, net of amortization; (iv) amortization of debt issue expenses; (v) amortization of intangible assets; and (vi) depreciation of property, plant and equipment. Adjusted EBITDA is defined as EBITDA before (i) manufacturing facility closures, restructuring and other related charges; (ii) stock-based compensation expense; (iii) impairment of goodwill; (iv) impairment of long-lived assets and other assets; (v) write-down on assets classified as held-for-sale; and (vi) other items as disclosed. The terms EBITDA and adjusted EBITDA do not have any standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA and adjusted EBITDA are not measurements of financial performance under GAAP and should not be considered as alternatives to cash flows from operating activities or as alternatives to net earnings (loss) as indicators of the Company's operating performance or any other measures of performance derived in accordance with GAAP. The Company has included these non-GAAP financial measures because it believes that it permits investors to make a more meaningful comparison of the Company's performance between periods presented. In addition, EBITDA and adjusted EBITDA are used by Management and the Company's lenders in evaluating the Company's performance.

EBITDA AND ADJUSTED EBITDA RECONCILIATION TO NET EARNINGS (LOSS)

(in millions of US dollars)

(Unaudited)

	Three months ended		Year ended		
	December 31,		December 31,		
	2012	2011	2012	2011	2010
	\$	\$	\$	\$	\$
Net earnings (loss)	5.7	2.3	22.5	9.0	(48.5)
Add back:					
Interest and other expense	3.5	4.1	14.5	17.5	16.6
Income tax expense (benefit)	0.5	0.8	0.4	1.9	33.2
Depreciation and amortization	7.6	7.7	30.4	30.9	33.5
EBITDA	17.4	14.9	67.8	59.3	34.7
Manufacturing facility closures, restructuring and other related charges	3.2	0.4	18.3	2.9	3.5
Stock-based compensation expense	0.9	0.2	1.8	0.8	0.8
Impairment of long-lived assets					2.9
Write-down of assets held-for-sale					0.7
ITI litigation settlement				1.0	
Adjusted EBITDA	21.5	15.5	87.9	64.0	42.7

Adjusted EBITDA totaled \$87.9 million for the year ended December 31, 2012 compared to an adjusted EBITDA of \$64.0 million for 2011. Adjusted EBITDA was \$23.9 million higher in the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily due to increased gross margin, as discussed above.

Adjusted EBITDA for the year ended December 31, 2010 was \$42.7 million. The increase of \$21.3 million in the year ended 2011 over the year ended 2010 was primarily due to increased revenue and higher gross margin, as discussed above.

Adjusted EBITDA was \$21.5 million for the fourth quarter of 2012 as compared to an adjusted EBITDA of \$15.5 million for the fourth quarter of 2011. The \$5.9 million adjusted EBITDA increase is primarily due to higher revenue and gross margin in the fourth quarter of 2012, as discussed above.

Table of Contents**Earnings (Loss) Per Share**

The Company reported earnings per share of \$0.38 basic and \$0.37 diluted for 2012 as compared to earnings per share of \$0.15 per share, both basic and diluted, for 2011. A loss per share of \$0.82 was reported for both basic and diluted for 2010. The weighted-average number of common shares outstanding for the purpose of the basic earnings per share calculations was 59.1 million, 59.0 million and 59.0 million for 2012, 2011 and 2010, respectively. The weighted-average number of common shares outstanding for the purpose of the diluted earnings per share calculations was 60.6 million, 59.1 million and 59.0 million for 2012, 2011 and 2010, respectively.

Adjusted earnings per share (see the Adjusted Net Earnings (Loss) Reconciliation to Net Earnings (Loss) table above) for 2012 was \$0.71 basic and \$0.69 diluted. Adjusted earnings per share for 2011, both basic and diluted, was \$0.23 and adjusted loss per share for 2010 was \$0.75, both basic and diluted. Adjusted earnings per share for 2012 increased \$0.48 for basic and \$0.46 for diluted when compared to the corresponding 2011 adjusted earnings per share. Adjusted earnings per share for 2011 increased \$0.98 for both basic and diluted when compared to the corresponding 2010 adjusted earnings per share.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net earnings (loss) and other comprehensive income (loss). For the years ended December 31, 2012, 2011 and 2010, the Company reported comprehensive income of \$18.1 million, comprehensive loss of \$7.7 million and comprehensive loss of \$46.7 million, respectively. The increase in comprehensive income in 2012 was primarily due to higher net earnings in 2012 and lower actuarial losses on defined benefits plans when compared to 2011. The decrease of comprehensive loss in 2011 was primarily due to the derecognition of deferred tax assets recorded in 2010 partially offset by the increase in net earnings in 2011.

Off-Balance Sheet Arrangements

The Company maintains no off-balance sheet arrangements except for the letters of credit issued and outstanding.

Related Party Transactions

In prior reporting periods, the Company entered into two agreements, each with a company controlled by two members of its current Board of Directors. Both of these agreements ended prior to 2012 and no support service compensation was paid in 2012. These agreements required the provision of support services that included the duties of the Executive Director and the Chairman of the Board of Directors. The Executive Director support services agreement was effective through September 30, 2010 and provided for monthly compensation beginning January 2010 in the amount of \$50,000. The Chairman of the Board of Directors support services agreement was effective through June 30, 2011 and provided monthly compensation beginning January 2010 in the amount of CDN\$25,000. These amounts were in lieu of the fees otherwise paid to Directors for their services. During the year ended December 31, 2011, an amount of CDN\$150,000 was recorded with respect to the support services agreement with the Chairman of the Board of Directors. During the year ended December 31, 2010, amounts of \$300,000 and CDN\$450,000 were recorded with respect to the support services agreements with the Executive Director and Chairman of the Board of Directors, respectively. Support service-related expenses of nil and \$76,000 were recorded for the years ended December 31, 2011 and December 31, 2010, respectively.

Working Capital

One of the metrics the Company uses to measure inventory performance is Days Inventory. Days Inventory increased one day from 53 in the fourth quarter of 2011 to 54 in the fourth quarter of 2012. The Company expects Days Inventory to be in the mid 50 s during the first quarter of 2013. Inventories increased \$1.2 million to \$91.9 million as of December 31, 2012 from \$90.7 million as of December 31, 2011.

One of the metrics the Company uses to measure trade receivables is Days Sales Outstanding (DSO s). DSO s decreased by five days from 42 in the fourth quarter of 2011 to 37 in the fourth quarter of 2012. The reduction in DSO s was due to an increase in the amount of revenue invoiced early in the fourth quarter of 2012 compared to the fourth quarter of 2011 and, accordingly, cash collections increased prior to the end of the fourth quarter of 2012. DSO s are expected to return to the mid 40 s during the first quarter of 2013. Trade receivables decreased \$6.8 million to \$75.9 million as of December 31, 2012 from \$82.6 million as of December 31, 2011.

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The calculations are shown in the following tables:

	Three months ended			Three months ended	
	Dec. 31, 2012	Dec. 31, 2011		Dec. 31, 2012	Dec. 31, 2011
Cost of Sales (in millions of US dollars)	\$ 154.0	\$ 155.4	Revenue (in millions of US dollars)	\$ 189.3	\$ 183.0
Days in Quarter	92	92	Days in Quarter	92	92
Cost of Sales Per Day (in millions of US dollars)	\$ 1.67	\$ 1.69	Revenue Per Day (in millions of US dollars)	\$ 2.06	\$ 1.99
Average Inventory (in millions of US dollars)	\$ 90.2	\$ 89.9	Trade Receivables (in millions of US dollars)	\$ 75.9	\$ 82.6
Days Inventory	54	53	DSO s	37	42

Days Inventory is calculated as follows:

Cost of Sales ÷ Days in Quarter = Cost of Sales Per Day
 (Beginning Inventory + Ending Inventory) ÷ 2 = Avg Inventory
 Average inventory ÷ Cost of Goods Sold Per Day = Days Inventory

Accounts payable and accrued liabilities increased \$2.0 million to \$76.0 million as of December 31, 2012 from \$74.0 million as of December 31, 2011, primarily due to capital equipment.

DSO s is calculated as follows:

Revenue ÷ Days in Quarter = Revenue Per Day
 Ending Trade Receivables ÷ Revenue Per Day = DSO s

Long-Term Debt and Liquidity

The Company has a \$200 million ABL facility with a syndicate of financial institutions. The Company relies upon cash flows from operating activities and funds available under its ABL facility to meet working capital requirements, anticipated obligations under its other debt instruments and to partially finance capital expenditures for the foreseeable future. The amount of borrowings available to the Company under the ABL facility is determined by its applicable borrowing base from time to time. The borrowing base is determined by calculating a percentage of eligible trade receivables, inventories and manufacturing equipment.

As of December 31, 2012, the Company had a total draw of \$81.6 million against its ABL, which consisted of \$79.4 million of borrowings and \$2.2 million in letters of credit. As of December 31, 2011, the total draw was \$66.1 million, which consisted of \$63.7 million of borrowings and \$2.4 million in letters of credit. As of December 31, 2010, the total draw was \$97.5 million, which consisted of \$88.0 million of borrowings and \$9.5 million in letters of credit.

The Company had total cash and loan availability of \$54.7 million as of December 31, 2012, \$58.0 million as of December 31, 2011 and \$43.1 million as of December 31, 2010. The decrease of \$3.3 million in total cash and loan availability between December 31, 2011 and December 31, 2012 was primarily due to a \$15.7 million increase in ABL borrowings largely offset by a \$10.8 million increase in the borrowing base mainly due to a greater value placed on the manufacturing equipment as a result of the appraisal completed in connection with the amendment and extension of the ABL facility in February 2012. The increase in borrowings combined with free cash flows and increases in other debt instruments were used to fund the redemptions in the aggregate amount of \$80.0 million of Notes at par value. The increase of \$14.9 million in total cash and loan availability from December 31, 2010 to December 31, 2011 was primarily due to an increase in free cash flows that allowed for the reduction in debt and the release of the requirement to post a \$13.2 million bond pertaining to the ITI litigation, partially offset by amortization of machinery and equipment in the borrowing base. The Company had cash and loan availability under its ABL facility exceeding \$71 million as of March 6, 2013.

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The ABL facility, at its inception in March 2008, was initially scheduled to mature in March 2013. In February 2012, the Company amended the ABL facility to extend its maturity date to February 2017. The new ABL facility maturity date can be accelerated to 90 days prior to August 1, 2014 (the maturity date of the Company's existing Notes) if the Notes have not been retired or if other conditions have not been met. Under the amendment, the interest rate increased modestly while several other modifications in the terms provided the Company with greater flexibility.

The ABL facility is priced at 30-day LIBOR plus a loan margin determined from a pricing grid. The loan margin declines as loan availability increases. The pricing grid ranges from 1.75% to 2.25%. The ABL facility has one financial covenant, a fixed charge ratio of 1.0 to 1.0. The ratio compares EBITDA (as defined in the ABL facility agreement) less capital expenditures not financed under the Equipment Finance Agreement, pension plan contributions in excess of pension plan expense, dividends, and cash taxes to the sum of debt service and the amortization of the value of the manufacturing equipment included in the borrowing base. The financial covenant becomes effective only when loan availability drops below \$25.0 million. The Company was above the \$25.0 million threshold of loan availability during 2012 and had a fixed charge ratio greater than 1.0 to 1.0 as of December 31, 2012.

The Company retains the ability to secure up to \$35.0 million of financing on all or a portion of its owned real estate and have the negative pledge in favour of the ABL facility lenders terminated. As of December 31, 2012, the Company had secured real estate mortgage financing of \$18.0 million, including \$16.4 million borrowed under the Real Estate Loan described in further detail below, leaving the Company the ability to obtain an additional \$17.0 million of real estate mortgage financing.

The ABL facility also allows the Company to secure up to \$25.0 million of financing in connection with the purchase of fixed assets under a permitted purchase money debt facility. As of December 31, 2012, the Company had outstanding permitted purchase money debt of \$5.9 million incurred after March 28, 2008 (original closing date of the ABL facility), leaving the Company the ability to obtain an additional \$19.1 million of permitted purchase money debt financing.

On August 14, 2012, the Company entered into the Equipment Finance Agreement with a lifetime and maximum funding amount of \$24.0 million with the final funding to occur by December 31, 2013. The terms of the arrangement include multiple individual finance leases, each of which have and will have a term of 60 months and a fixed interest rate. As of December 31, 2012 the Company had borrowed \$5.3 million which was scheduled into finance leases with a term of 60 months at a fixed annual interest rate of 2.74%. In addition, as of December 31, 2012 the Company had borrowed \$9.9 million under the Equipment Finance Agreement in the form of advanced fundings at a rate of 2.25% which will be scheduled into finance leases with fixed terms of 60 months and an interest rate of 2.74%. The fixed rate on future finance leases is expected to remain less than 3%. The Company is required to finance an additional \$18.7 million by December 31, 2013. If the Company does not finance the additional required amount during the year ended December 31, 2013, then the Company will be required to pay a Reinvestment Premium as defined under the Equipment Finance Agreement on the difference between that amount and the amount actually funded in the year ended December 31, 2013. The Company expects to finance the required amount and does not expect to incur a charge for the Reinvestment Premium.

On November 1, 2012, the Company entered into a Real Estate Loan of \$16.6 million, amortized on a straight-line basis over the ten-year term of the loan. The maturity of the loan may be accelerated if the ABL facility is not extended and if Bank of America, N.A. ceases to be the agent by reason of an action of the Company. The notional value of the Real Estate loan as of December 31, 2012 was \$16.4 million. A portion of the loan may be required to be repaid early if any of the mortgaged properties are disposed of prior to October 31, 2022. The Real Estate Loan had an interest rate of 30-day LIBOR plus 250 basis points until December 31, 2012. Thereafter, the interest rate on the Real Estate Loan will be 30-day LIBOR plus a loan margin between 225 and 275 basis points determined from a pricing grid as defined in the Real Estate Loan Agreement. The Real Estate Loan contains two financial covenants. The Company was in compliance with both financial covenants as of December 31, 2012. The loan is secured by certain of the Company's real estate.

As of December 31, 2012, the Company had \$38.7 million of Notes outstanding bearing interest at 8.5%, payable semi-annually on February 1 and August 1, with the principal due on August 1, 2014. The Indenture governing the Notes provides that they are redeemable at par beginning August 2012. On August 1, 2012, the Company redeemed \$25.0 million aggregate principal amount of its outstanding Notes at par value. On December 13, 2012, the Company redeemed an additional \$55.0 million aggregate principal amount of its outstanding Notes at par value. The redemptions were funded through free cash flows combined with funds available under the ABL facility which were higher than they would have been as a result of the execution of the Real Estate Loan and Equipment Finance Agreement. As of December 31, 2011, the Company had \$118.7 million of Notes outstanding and did not redeem any Notes during 2011 and 2010.

Table of Contents**Pension and Other Post-Retirement Benefit Plans**

The Company's pension and other post-retirement benefit plans currently have an unfunded deficit of \$39.3 million as of December 31, 2012 as compared to \$36.8 million at the end of December 31, 2011 and \$22.3 million at the end of 2010. The increase is primarily due to a decrease in the discount rate from 4.19% and 4.50% for US and Canadian plans, respectively, as of December 31, 2011 to 3.64% and 4.00% for US and Canadian plans, respectively, as of December 31, 2012. These changes resulted in an increase in the net present value of the liability and are partially offset by return on plan assets and increased contribution paid by the Company. For 2012, the Company contributed \$5.6 million as compared to \$4.3 million in 2011 and \$4.0 million in 2010, to its funded pension plans and to beneficiaries for its unfunded other benefit plans. Adverse market conditions could require the Company to make additional cash payments to fund the plans which could reduce cash available for other business needs; however the Company expects to meet its minimum required pension benefit plan funding obligations in 2013. None of the benefit plan assets were invested in any of the Company's own equity or financial instruments or in any property or other assets used by the Company.

Cash Flows

Cash flows from operations before changes in working capital items increased in 2012 by \$24.5 million to \$78.7 million from \$54.2 million in 2011. The 2012 increase was primarily due to increased gross profit partially offset by an increase in SG&A.

Cash flows from operations before changes in working capital items increased in 2011 by \$15.2 million to \$54.2 million from \$38.9 million in 2010. The increase in 2011 compared to 2010 was primarily due to the increase in gross margin and the increase in revenue, partially offset by an increase in SG&A and other finance costs.

Cash flows from operations before changes in working capital items increased in the fourth quarter of 2012 by \$4.5 million to \$19.4 million from \$14.9 million in the fourth quarter of 2011. The increase in cash flows from operations before changes in working capital for the fourth quarter of 2012 compared to the fourth quarter of 2011 was primarily due to increased gross profit derived from higher revenue partially offset by an increase in cash costs associated with manufacturing facility closures, restructuring and other related charges.

Changes in working capital items increased in 2012 by \$11.2 million to \$5.8 million source of funds from \$5.4 million use of funds in 2011. The increase in source of funds from working capital items in 2012 was primarily due to an increase in accounts payable and accrued liabilities and a decrease in trade receivables. The increase in accounts payable and accrued liabilities was primarily related to higher accrued variable compensation related to higher profitability and increased receipts of capital equipment for which payment had not been made. Trade receivables decreased as previously discussed.

Changes in working capital items decreased in 2011 by \$7.0 million to \$5.4 million use of funds from \$12.4 million use of funds in 2010. The reduction in the use of funds from working capital items was primarily due to inventory, which decreased \$1.1 million in 2011, but which had increased by \$15.2 million in 2010. The impact of inventory was partially offset by the change in accounts payable and accrued liabilities which decreased by \$5.7 million in 2011, largely due to timing of payments to obtain early payment discounts and increased by \$16.9 million in 2010. Trade receivables decreased in 2011 largely due to the mix of customers and increased in 2010 due to the increased revenue.

Changes in working capital items decreased in the fourth quarter of 2012 by \$0.4 million to a \$12.4 million source of funds from a \$12.8 million source of funds in the fourth quarter of 2011. The decrease in the source of funds in 2012 was primarily due to an increase in inventory, partially offset by an increase in accounts payable and accrued liabilities.

Cash flows used for investing activities increased in 2012 by \$15.8 million to \$21.1 million from \$5.3 million in 2011. The increase in 2012 was primarily due to increased capital expenditures in 2012 and the nonrecurrence of a release of restricted cash related to the settlement of a lawsuit in 2011.

Cash flows used for investing activities decreased in 2011 by \$10.1 million to \$5.3 million from \$15.5 million in 2010. The decrease in funds used for investing activities in 2011 compared to 2010 was primarily due to the release in 2011 of cash restricted in 2010 for the bond posted in connection with the settlement of a lawsuit as well as proceeds from the disposal of assets, partially offset by increased capital expenditures and the purchase of intangible assets related to customer lists.

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Cash flows used for investing activities were \$9.2 million use of funds in the fourth quarter of 2012 compared to \$4.3 million use of funds in the fourth quarter of 2011. The increase in cash used for investing activities in the fourth quarter of 2012 as compared to the fourth quarter of 2011 was primarily due to increased capital expenditures in 2012 related to manufacturing rationalization initiatives.

Total expenditures in connection with property, plant and equipment were \$21.6 million, \$14.0 million, and \$8.6 million for the years ended December 31, 2012, 2011, and 2010, respectively. Total expenditures in connection with property, plant and equipment were \$9.2 million and \$4.4 million for the fourth quarter of 2012 and 2011, respectively. The increase in capital expenditures from 2011 to 2012 was related to investments in more efficient manufacturing equipment.

Based on current volume and anticipated market demand, the Company believes it has sufficient capacity available to accommodate increases in sales volumes in most products without additional capital expenditures. In addition, the Company believes that it is positioned to take advantage of opportunities that may arise to grow its market share in existing products, expand its product offerings and expand its markets. However, the Company believes improved manufacturing efficiencies can be achieved through an increase in capital expenditures related to the replacement of machinery and equipment.

Cash flows used for financing activities increased in 2012 by \$19.1 million to \$62.0 million from \$42.9 million in 2011. The 2012 increase in the use of funds was primarily due to an increase in debt reduction of \$15.8 million from \$27.0 million in 2011 to \$42.8 million in 2012 and a dividend payment of \$4.8 million.

Cash flows used for financing activities increased in 2011 by \$32.4 million to \$42.9 million from \$10.5 million in 2010. The increase in cash used for financing activities in 2011 was primarily due to the reduction of borrowings under the ABL. The Company decreased total indebtedness during the year ended December 31, 2011 by \$27.0 million. The Company increased total indebtedness during the year ended December 31, 2010 by \$4.0 million. No dividends were declared on the Company's stock in 2011 or 2010.

Cash flows used for financing activities decreased in the fourth quarter of 2012 by \$3.7 million to \$22.0 million from \$25.7 million in the fourth quarter of 2011. The decrease in cash used for financing activities in the fourth quarter of 2012 as compared to the fourth quarter of 2011 was primarily due to a lower reduction of debt partially offset by a dividend payment of \$4.8 million.

Free cash flows, a non-GAAP measurement that is defined by the Company as cash flows from operating activities less purchases of property, plant and equipment, increased in 2012 by \$28.2 million to \$62.9 million from \$34.7 million in 2011. The 2012 increase was primarily due to increased cash flows from operations partially offset by an increase in capital expenditures.

Free cash flows increased in 2011 by \$16.9 million to \$34.7 million from \$17.9 million in 2010. The 2011 increase was primarily due to increased cash flows from operations partially offset by an increase in capital expenditures.

Free cash flows in the fourth quarter of 2012 were \$22.6 million, a decrease of \$0.7 million from \$23.4 million in the fourth quarter of 2011. The decrease in free cash flows in the fourth quarter of 2012 compared to the fourth quarter of 2011 was primarily due to an increase in capital expenditures partially offset by an increase in cash flows from operating activities.

The Company is including free cash flows, a non-GAAP financial measure, because it is used by Management and investors in evaluating the Company's performance and liquidity. Free cash flows does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. A reconciliation of free cash flows to cash flows from operating activities, the most directly comparable GAAP measure, is set forth below.

Table of Contents**FREE CASH FLOWS RECONCILIATION**

(in millions of US dollars)

(Unaudited)

	Three months ended		Year ended		
	December 31,		December 31,		
	2012	2011	2012	2011	2010
	\$	\$	\$	\$	\$
Cash flows from operating activities	31.8	27.8	84.5	48.8	26.5
Less purchases of property, plant and equipment, and other assets	(9.2)	(4.4)	(21.6)	(14.0)	(8.6)
Free cash flows	22.6	23.4	62.9	34.7	17.9

Financial Risk Management, Objectives and Policies

The Company is exposed to various financial risks including: foreign exchange rate risk, interest rate risk, credit risk, liquidity risk and price risk resulting from its operations and business activities. The Company's Management is responsible for setting acceptable levels of risks and reviewing management activities as necessary.

The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

This Item includes the significant highlights, events and transactions which have taken place in the course of the years ended December 31, 2012, 2011 and 2010 with respect to the Company's financial risks and management thereof. For a complete discussion of the Company's financial risks, management policies and procedures and objectives, please refer to Note 21 to the Consolidated Financial Statements as of and for the year ended December 31, 2012.

In 2011, in accordance with the Company's foreign exchange rate risk policy, the Company executed a series of nine monthly forward foreign exchange rate contracts to purchase an aggregate CDN\$10.0 million beginning in July 2011 through March 2012, at fixed exchange rates ranging from CDN\$0.9692 to CDN\$0.9766 to the US dollar and a series of five monthly forward foreign exchange rate contracts to purchase an aggregate CDN\$10.0 million beginning in March 2012 through July 2012, at fixed exchange rates ranging from CDN\$1.0564 to CDN\$1.0568 to the US dollar. These forward foreign exchange rate contracts mitigated foreign exchange rate risk associated with a portion of anticipated monthly inventory purchases of the Company's US self-sustaining foreign operations that are to be settled in Canadian dollars. The Company designated these forward foreign exchange rate contracts as cash flow hedges, effectively mitigating the cash flow risk associated with the settlement of the inventory purchases.

In 2010, in accordance with the Company's foreign exchange rate risk policy, the Company executed a series of eight monthly forward foreign exchange rate contracts to purchase an aggregate CDN\$10.0 million beginning in January 2011, at fixed exchange rates ranging from CDN\$1.0260 to CDN\$1.0318 to the US dollar; a series of six monthly forward foreign exchange rate contracts to purchase an aggregate CDN\$13.5 million beginning in August 2011, at fixed exchange rates ranging from CDN\$1.0173 to CDN\$1.0223 to the US dollar; and a series of 13 monthly forward foreign exchange rate contracts to purchase an aggregate CDN\$20.0 million beginning in July 2010, at fixed exchange rates ranging from CDN\$1.0610 to CDN\$1.0636 to the US dollar. These forward foreign exchange rate contracts mitigated foreign exchange rate risk associated with a portion of anticipated monthly inventory purchases of the Company's US self-sustaining foreign operations that are to be settled in Canadian dollars. The Company designated these forward foreign exchange rate contracts as cash flow hedges, effectively mitigating the cash flow risk associated with the settlement of the inventory purchases.

Finally, in 2010, the Company executed a series of 12 monthly forward foreign exchange rate contracts to purchase an aggregate USD\$2.0 million beginning in August 2010, at fixed exchange rates ranging from USD\$1.1870 to USD\$1.1923 to the Euro. These forward foreign exchange rate contracts comply with Management's foreign exchange rate risk policy whereby these forward foreign exchange rate contracts will mitigate the foreign exchange rate risk associated with the Company's translation of foreign generated Euro denominated net earnings. However, these forward foreign exchange rate contracts did not comply with the requirements for hedge accounting and thus were not designated as such.

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The Company is exposed to a risk of change in cash flows due to the fluctuations in interest rates applicable on its variable rate ABL facility, Real Estate Loan and other smaller components of debt. To mitigate this risk, the Company entered into an interest rate swap agreement (the Swap Agreement), designated as a cash flow hedge which expired on September 22, 2011. The terms of this Swap Agreement were as follows:

	Notional amount \$	Settlement	Fixed interest rate paid %
Swap Agreement matured in September 2011	40,000,000	Monthly	3.35

Other than the expiration of the Swap Agreement in September 2011 which was not renewed, there have been no material changes with respect to the Company's financial risks and management thereof during 2012.

Contractual Obligations

The Company's principal contractual obligations and commercial commitments relate to its outstanding debt and its operating lease obligations. The following table summarizes these obligations as of December 31, 2012:

Contractual Obligations (in millions of US dollars)	Total \$	Payments Due by Period ⁽¹⁾ Less			
		than 1 year \$	1-3 years \$	4-5 years \$	After 5 years \$
Debt Principal Obligations	143.3	8.1	4.1	129.8	1.3
Finance Lease Obligations	11.0	1.5	3.2	3.0	3.3
Pension Obligations ⁽²⁾	4.9	4.9			
Operating Lease Obligations	2.9	1.9	1.0		
Other Liabilities	3.4	0.5	2.9		
Total	165.5	16.9	11.2	132.8	4.6

(1) Less than 1 year represents 2013, 1-3 years represents 2014 and 2015, 3-5 years represents 2016 and 2017, while After 5 years includes amounts for later periods.

(2) Pension and other post-retirement plan contributions beyond 2013 are not determinable since the amount of any contribution is heavily dependent on the future economic environment and investment returns on pension plan assets. Volatility in the global financial markets could have an unfavorable impact on the Company's future pension and post-retirement benefits funding obligations as well as net periodic benefit cost.

Stock Appreciation Rights

The Board of Directors of the Company adopted the 2012 Stock Appreciation Rights Plan (SAR Plan) on June 20, 2012 in lieu of granting stock options in 2012. The purpose of the 2012 SAR Plan is to (a) promote a proprietary interest in the Company among its executives and directors; (b) encourage the Company's executives and directors to further the Company's development; and (c) attract and retain key employees necessary for the Company's long-term success. The 2012 SAR Plan is administered by the Compensation Committee of the Board of Directors of the Company and authorizes the Company to award a Stock Appreciation Right (SAR) to eligible persons. A SAR, as defined by the Company's plan, is a right to receive a cash payment equal to the difference between the base price of the SAR and the market value of a common share of the Company on the date of exercise. A SAR can only be settled in cash and expires no later than ten years after the date of the grant. The award agreements provide that a SAR granted to employees and executives will vest and may be exercisable 25% per year over four years. A SAR 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.

Over the life of the awards, the total amount of expense recognized will equal the amount of the cash outflows, if any, as a result of exercises. At the end of each reporting period, the lifetime amount of expense recognized will equal the current period value

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of the SAR using the Black-Scholes pricing model, multiplied by the percentage vested. As a result, the amount of expense recognized can vary due to changes in the model variables from period to period until the SAR is exercised, expired, or is otherwise cancelled.

A SAR is granted at a price determined and approved by the Board of Directors, which is the closing price of the common shares on the Toronto Stock Exchange on the trading day immediately preceding the day on which a SAR is granted.

On June 28, 2012, 1,240,905 SARs were granted at an exercise price of CDN\$7.56 with contractual lives ranging from six to ten years.

The amount and timing of a potential cash payment to settle a SAR is not determinable since the decision to exercise is not within the Company's control after the award vests. At December 31, 2012, the aggregate intrinsic value of vested awards was less than \$0.1 million.

Capital Stock and Dividends

As of December 31, 2012 there were 59,625,039 common shares of the Company outstanding.

The Company's Board of Directors approved a semi-annual dividend policy on August 14, 2012, and concurrently declared a dividend of CDN\$0.08 per common share, paid on October 10, 2012 to shareholders of record on September 21, 2012. No dividends were declared on the Company's stock in 2011 or 2010.

On March 6, 2013, the Company declared a dividend, in the amount of US\$0.08, under the semi-annual dividend policy. The dividend will be paid on April 10, 2013 to shareholders of record at the close of business on March 25, 2013. The Company has determined it is appropriate to pay the dividend in US dollars because most of its cash flows are in US dollars. This dividend to be paid by the Company is an eligible dividend as per the *Income Tax Act* (Canada).

During the year ended December 31, 2012, no stock options were granted and 663,989 stock options were exercised. Proceeds from the options exercised totalled \$2.0 million.

During the year ended December 31, 2011, 875,000 stock options were granted at a weighted average exercise price of CDN\$1.66 and a weighted fair market value of CDN\$1.01. No stock options were exercised in 2011.

During the year ended December 31, 2010, 825,000 stock options were granted and 10,000 were exercised.

During the fourth quarter of 2012, 451,489 stock options were exercised. Proceeds for the options exercised totalled \$1.5 million in the fourth quarter of 2012. No stock options were granted or exercised in the fourth quarter of 2011.

The Company announced a normal course issuer bid effective May 20, 2010, which entitled the Company to repurchase for cancellation up to 2,947,552 of its 58,951,050 common shares issued and outstanding, representing 5% of the Company's common shares issued and outstanding as of that date. The normal course issuer bid expired May 2011 and the Company did not repurchase any shares. The Company believes that the purchase of its own common shares may, in appropriate circumstances, be a responsible investment of available funds on hand.

Litigation

In 2009, the Company filed a complaint in the US District Court for the Middle District of Florida against Inspired Technologies, Inc. (ITI) alleging that ITI had breached its obligations under a supply agreement with the Company and ITI filed a counterclaim against the Company alleging that the Company had breached its obligations under the agreements. On April 13, 2011, after two trials on the issues, the Court entered a Judgment against the Company in the amount of approximately \$1.0 million. On May 19, 2011, the Company entered into a settlement agreement with ITI with respect to all outstanding litigation between the parties. Pursuant to the terms of the settlement, the Company paid approximately \$1.0 million to ITI in full and complete settlement of all matters between them with respect to the litigation.

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On February 10, 2012, Multilayer Stretch Cling Film Holdings, Inc. (Multilayer) filed a complaint against the Company in the US District Court for the Western District of Tennessee, alleging that the Company has infringed a US patent issued to Multilayer that covers certain aspects of the manufacture of stretch film. Multilayer has filed substantially similar complaints against several other manufacturers of stretch film. In its complaint against the Company, Multilayer is seeking an injunction against the Company's alleged infringement, damages of not less than a reasonable royalty, trebling of the damage award and attorneys' fees. This matter is presently in the discovery phase of litigation. At this time, it is not possible to assess the likelihood of an adverse outcome or determine an estimate, or a range of estimates, of potential damages. The Company believes it has meritorious legal positions and intends to vigorously defend this litigation.

Critical Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these estimates on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about these significant judgments, assumptions and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are summarized below:

Impairments

At the end of each reporting period the Company performs a test of Impairment, if there are indicators of impairment. An impairment loss is recognized when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which in turn is the higher of its fair value less costs to sell and its value in use. The value in use is based on discounted estimated future cash flows. The cash flows are derived from the budget or forecasts for the estimated remaining useful lives of the cash generating units and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the asset or cash generating unit being tested. The value in use will vary depending on the discount rate applied to the discounted cash flows, the estimated future cash inflows, and the growth rate used for extrapolation purposes.

Pension and other post-retirement benefits

The cost of defined benefit pension plans and other post-retirement benefits and the present value of the related obligations are determined using actuarial valuations. The determination of benefits expense and related obligations requires assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, expected mortality, the expected future compensation and the expected healthcare cost trend. Actual results will differ from results which are estimated based on assumptions.

Uncertain tax positions

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, liabilities in excess of the Company's provisions could result from audits by, or litigation with, the relevant taxing authorities. Where the outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Deferred income taxes

Deferred tax assets are recognized for unused tax losses and tax credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies.

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Fair value measurement of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. In some cases, the assessment of a lease contract is not always conclusive and management uses its judgment in determining if an agreement is a finance lease that transfers substantially all risks and rewards incidental to ownership, or an operating lease.

Useful lives of depreciable assets

Management reviews the useful lives, depreciation methods and residual values of depreciable assets at each reporting date. As of the reporting date, management assesses the useful lives which represent the expected utility of the assets to the Company. Actual results, however, may vary due to technical or commercial obsolescence, particularly with respect to computers and manufacturing equipment.

Net realizable value of inventories and parts and supplies

Inventories and parts and supplies are measured at the lower of cost or net realizable value. In estimating net realizable values of inventories and parts and supplies, management takes into account the most reliable evidence available at the time the estimate is made.

Allowance for doubtful accounts and revenue adjustments

During each reporting period, the Company makes an assessment of whether trade accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other revenue adjustments, taking into consideration customer creditworthiness, current economic trends and past experience. The Company also records reductions to revenue for estimated returns, claims, customer rebates, and other incentives that are estimated based on historical experience and current economic trends. If future collections and trends differ from estimates, future earnings will be affected.

Provisions for restoration

Provisions for restoration represent the estimated value of the present obligation to restore one or more leased facilities at the end of the related lease. The estimated value reflects a combination of management's assessment of the cost of performing the work required, the timing of the cash flows and the discount rate, as applicable when the effect of the time value of money is material. A change in any or a combination of the three key assumptions used to determine the provisions could have an impact on earnings and on the carrying value of the provision.

Provisions for termination benefits

Termination benefits are recognized as a liability and an expense when, and only when, the Company is demonstrably committed to terminate the employment of an employee or group of employees before normal retirement date. The measurement of termination benefits is based on the expected costs and the number of employees expected to be terminated.

Provisions for litigation

The Company is currently defending certain litigation where the actual outcome may vary from the amount recognized in the financial statements.

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Stock-based payments

The Company has adopted an Executive Stock Option Plan (ESOP) and a Stock Appreciation Rights Plan (SAR Plan). The ESOP is an equity-settled plan under which certain members of management and directors receive options to acquire common shares of the Company. The SAR Plan is a cash-settled plan under which certain members of management and directors receive a cash amount equal to the difference between the base price of the Stock Appreciation Right (SAR) and the market value of a common share of the Company on the date of exercise.

With respect to the ESOP, the expense is based on the grant date fair value of the awards expected to vest over the vesting period. For the SAR Plan, the expense is determined based on the fair value of the liability at the end of the reporting period until the award is settled. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated earnings (loss) statement.

New Standards and Interpretations Issued but Not Yet Effective

Certain new standards, amendments and interpretations, and improvements to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the relevant pronouncements will be adopted for the first period beginning the date of the pronouncement. Information on new standards, amendments and interpretations, and improvements to existing standards, which could potentially impact the Company's consolidated financial statements, are detailed as follows:

Amended IAS 1 *Presentation of Financial Statements*: Amended IAS 1 includes a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially re-classifiable to profit or loss. The new requirement is effective for annual periods beginning on or after July 1, 2013. Management does not expect a significant impact from Amended IAS 1 on the financial statements of the Company.

IFRS 9 *Financial Instruments*: The IASB intends to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management has yet to assess the impact that these amendments are likely to have on the consolidated financial statements of the Company.

IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities*: IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new IFRS disclosure requirements, the IASB also issued amended and retitled IAS 27 *Separate Financial Statements*. IAS 28 *Investments in Associates and Joint Ventures* has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13. The new requirements are effective for annual periods beginning on or after January 1, 2013. These new standards will have no impact on the Company as it has interests only in fully owned subsidiaries.

IFRS 13 *Fair Value Measurement*: IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. IFRS 13 applies when other IFRS standards require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS standards or address how to present changes in fair value. The new requirements apply prospectively and are effective for annual periods beginning on or after January 1, 2013. The impact of this new standard will have no impact on the Company's current fair value measurement accounting practices or disclosures.

Amended IAS 19 *Employee Benefits*: Amended for annual periods beginning on or after January 1, 2013 with retrospective application. The new standard introduces a measure of net interest income (expense) computed on the net pension asset (obligation) that will replace separate measurement of the expected return on plan assets and interest expense on the benefit obligation. The new standard also requires immediate recognition of past service costs associated with benefit plan changes; eliminating the requirement to recognize over the vesting period.

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Upon retrospective application of the new standard, the Company's restated net earnings for 2012 will be lower than originally reported under the current accounting standard. The decrease will arise under the new standard primarily because net interest income (expense) will be calculated using the discount rate used to value the benefit obligation, which is lower than the expected rate of return on assets currently used to measure interest attributable to plan assets. The expected rate of return on assets will no longer be a critical accounting estimate because the Company will not use this to measure under the new accounting standard.

The expected impact of adoption is a decrease to earnings before income tax expense (benefit) of \$1.9 to \$2.9 million and \$1.2 to \$2.1 million for the years ended December 31, 2012 and 2011, respectively.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

Summary of Quarterly Results

A table of unaudited Consolidated Quarterly Statements of Earnings (Loss) for the twelve most recent quarters can be found at the beginning of the Company's Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In accordance with the Canadian Securities Administrators National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" (NI 52-109), the Company has filed interim certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design of disclosure controls and procedures and design of internal control over financial reporting. With regards to the annual certification requirements of NI 52-109, the Company relies on the statutory exemption contained in section 8.2 of NI 52-109, which allows it to file with the Canadian securities regulatory authorities the certificates required under the Sarbanes-Oxley Act of 2002 at the same time such certificates are required to be filed in the United States of America.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP (as derived in accordance with IFRS) in its consolidated financial statements. The Chief Executive Officer and Chief Financial Officer of the Company have evaluated whether there were changes to the Company's internal control over financial reporting during the Company's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Chief Executive Officer and the Chief Financial Officer have concluded that the Company's internal control over financial reporting as of December 31, 2012 was effective.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Additional Information

Additional information relating to the Company, including its Form 20-F filed in lieu of an Annual Information Form for 2012, is available on the Company's website (www.intertapepolymer.com) as well as on SEDAR (www.sedar.com), the system used for electronically filing most securities-related information with the Canadian securities regulatory authorities and on EDGAR at www.sec.gov.

Table of Contents**Forward-Looking Statements**

Certain statements and information included in this Item constitute forward-looking information within the meaning of applicable Canadian securities legislation and forward-looking statements within the meaning of United States federal securities legislation (collectively, forward-looking statements). All statements other than statements of historical facts included in this Item, including statements regarding the Company's industry and the Company's prospects, plans, financial position and business strategy may constitute forward-looking statements. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which the Company operates as well as beliefs and assumptions made by the Company's management. Such statements include, in particular, statements about the Company's plans, prospects, financial position and business strategies. Words such as may, will, expect, continue, intend, estimate, anticipate, plan, foresee, believe or seek or the negatives of these terms or variations of them or similar terminology are intended to identify forward-looking statements. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, these statements, by their nature, involve risks and uncertainties and are not guarantees of future performance. Such statements are also subject to assumptions concerning, among other things: the Company's anticipated business strategies; anticipated trends in the Company's business; anticipated cash flows from the Company's operations; availability of funds under the Company's Asset-Based Loan facility; and the Company's ability to continue to control costs. The Company can give no assurance that these statements and expectations will prove to have been correct. Actual outcomes and results may, and often do, differ from what is expressed, implied or projected in such forward-looking statements, and such differences may be material. Readers are cautioned not to place undue reliance on any forward-looking statement. For additional information regarding some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements and other risks and uncertainties, and the assumptions underlying the forward-looking statements, you are encouraged to read Item 3. Key Information Risk Factors and the other factors contained in the Company's filings with the Canadian securities regulators and the US Securities and Exchange Commission. Each of these forward-looking statements speaks only as of the date of this Form 20-F. The Company will not update these statements unless applicable securities laws require it to do so.

Item 6. Directors, Senior Management and Employees**A. DIRECTORS AND SENIOR MANAGEMENT**

The following table sets forth the name, residence, position, and principal occupations for the last five (5) years of each Director of the Company as of the date hereof, as well as the date upon which each Director was first elected. Each Director is elected for a term of one year and may be nominated for re-election at the Company's following annual shareholders' meeting. The next annual shareholders' meeting is scheduled to be held on June 5, 2013, at which time the current term of each Director will expire.

Name and City of Residence	Position and Occupation	First Year as Director
Eric E. Baker	Director Chairman of the Board	1989-2000
Long Sault, Ontario, Canada	Managing Partner, Miralta Capital L.P.	2007
	President, Altacap Investors Inc. (private equity manager)	
Robert M. Beil	Director	2007
Phoenix, Arizona	September 2006 Retired	
	Sales, Marketing, Business and Executive Management, the Dow Chemical Company, 1975 to September 2006	
George J. Bunze, CMA	Director	2007
Ile Bizard, Quebec, Canada	Vice-Chairman and Director, Kruger Inc. (manufacturer of paper, tissue, wood products, energy (hydro/wind) and wine and	

	spirits products)	
Robert J. Foster	Director	2010
Toronto, Ontario, Canada	CEO and President, Capital Canada Limited (investment banking firm)	

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Name and City of Residence	Position and Occupation	First Year as Director
James Pantelidis	Director	2012
Toronto, Ontario, Canada	Director and Chairman of the Board of Parkland Fuel Corporation and Director and Chairman of the Board of EnerCare Inc.	
Jorge N. Quintas	Director	2009
Porto, Portugal	President, Nelson Quintas SGPS, SA (manufacturer of electrical and telecommunication cables)	
Gregory A. Yull	Director	2010
Sarasota, Florida	CEO and President of the Company since June 2010, President Tapes and Films Division of the Company, 2008 through 2010; prior to that served as Executive Vice President, Industrial Business Unit for Tapes and Films since November 2004	
Melbourne F. Yull	Director	1989-2006
Sarasota, Florida	Executive Director through June 8, 2010 June, 2006 June, 2007 Retired Prior thereto he was Chairman of the Board and CEO of the Company	2007

The following table sets forth the name, residence and position of each member of senior management of the Company as of the date hereof, as well as the date upon which each was first elected:

Name and City of Residence	Position and Occupation	First Elected To Office
Gregory A. Yull	CEO & President President, Tapes & Films	2010 2008
Sarasota, Florida	President, Distribution Products Tapes & Films	2005
Bernard J. Pitz	Chief Financial Officer	2009
Lakewood Ranch, Florida		
Burgess H. Hildreth	Senior Vice President Administration	2010 1998
Sarasota, Florida	Vice President Human Resources	
Jim Bob Carpenter ¹	Sr. Vice President Global Sourcing Sr. Vice President, ECP & Procurement	2012 2010
Sarasota, Florida	President, ECP Division Executive Vice President, Global Sourcing	2008 2004
Shawn Nelson ¹	Senior Vice President Sales	2010 2006
Bradenton, Florida	Vice President	
Douglas Nalette ¹	Senior Vice President, Operations	2006

Parrish, Florida

¹ Officer of Intertape Polymer Corp., a wholly owned subsidiary of the Company

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The principal occupations of each member of senior management for the last five (5) years is as follows:

Gregory A. Yull was appointed Chief Executive Officer and President on June 8, 2010. He was President, Tapes & Films, since 2008. Prior to that he was President, Distribution Products (Tapes & Films), since October 2005. Prior to that he served as Executive Vice President, Industrial Business Unit (for Tapes and Films) since November 2004, and prior to that was President, Film Products, since June 1999. Prior to that he was Products Manager – Films since 1995. Gregory A. Yull is a son of Melbourne F. Yull.

Bernard J. Pitz was appointed Chief Financial Officer on November 12, 2009. Prior to that he served as the Chief Financial Officer and Senior Vice President of SonoSite Inc. from May 2008 to October 2008. Prior to that he served as Vice President of Finance, Chief Financial Officer and Treasurer at Sybron Dental Specialties, Inc. since May 11, 2005.

Burgess H. Hildreth was appointed Senior Vice President Administration on August 15, 2010. He was Vice President, Human Resources, since October 1998. Prior to that he had been the Vice President Administration of Anchor Continental, Inc.

Jim Bob Carpenter was appointed Senior Vice President Global Sourcing in 2012. He was Senior Vice President ECP and Procurement since 2010. Prior to that he was President, ECP Division since 2008. Prior to that he was Executive Vice President, Global Sourcing since January 2005. Prior to that he served as the President, Woven Products, since 1998 and prior to that, he was the General Manager of Polypropylene Resin Division of Fina Oil & Chemical Co.

Shawn Nelson was appointed Senior Vice President Sales in 2010. Prior to that he served as Senior Vice President Industrial Channel since 2006. In 2005 he was Vice President Packaging. Prior to that he was Exlfilm® General Manager since 2000 and Exlfilm® Director of Sales since 1998. In 1997 he was Midwest Regional Sales Manager and a Sales Representative since 1995. Prior to that he had been the Regional Sales Manager of Polychem.

Douglas Nalette was appointed Senior Vice President Operations in 2006. He was Director of Carton Sealing Manufacturing since 2004. Prior to that he was the Director of Manufacturing – Pressure Sensitive Tape for Central Products Company.

B. COMPENSATION

The following table sets forth the compensation paid, and benefits in kind granted, to the Company’s Directors and senior management for the last fiscal year for services in all capacities to the Company, including contingent and deferred compensation.

2012	Annual Compensation				Long-Term Compensation
	Salary	Bonus	Other	Director/ Committee Fees	SAR s granted
Name and principal position	\$	\$	\$	\$	
Eric E. Baker Director, Chairman				108,000	10,000
Robert M. Beil Director				44,000	10,000
George J. Bunze Director				53,500	10,000
Robert J. Foster Director				52,000	10,000
James Pantelidis Director				26,000	30,000
Jorge N. Quintas Director				37,500	10,000
Torsten A. Schermer Director			90,000 ⁽¹⁾	23,500	

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2012 Name and principal position	Annual Compensation			Director/ Committee	Long-Term Compensation
	Salary	Bonus	Other	Fees	SAR s granted
	\$	\$	\$	\$	
Melbourne F. Yull Director			260,935 ⁽²⁾	45,500	10,000
Gregory A. Yull Director, CEO & President	489,519	600,000	23,444 ⁽³⁾		500,905
Bernard J. Pitz Chief Financial Officer	378,929	452,704	1,225 ⁽⁴⁾		165,000
Jim Bob Carpenter Sr. Vice-President, Global Sourcing	310,300	248,240			40,000
Shawn Nelson Sr. Vice-President Sales	311,687	314,150			80,000
Douglas Nalette Sr. Vice-President Operations	320,000	330,000			80,000
Burgess H. Hildreth Sr. Vice-President Administration	247,305	249,260			40,000

- (1) Discretionary payment to former Director
(2) Mr. Yull receives a pension from the Company (see Pension and Other Post-Retirement Benefit Plans subsection below)
(3) Primarily includes an amount of \$21,589 with respect to a Company leased vehicle and tax gross up paid by the Company to Mr. Yull pursuant to the terms of Mr. Yull's employment agreement
(4) Represents amounts paid with respect to relocation

2012 Senior Management Bonus Plan

Each of the members of senior management received a performance bonus for 2012. Bonuses paid depend on the level of achievement of financial objectives of the Company. The Company attributes to each executive, depending on his or her hierarchic level, a bonus target level set as a percentage of his or her salary, representing the amount which will be paid if all objectives are achieved according to the targets set. Actual bonuses may vary between zero and twice the target bonus, based on the level of achievement of the predetermined objectives set out at the beginning of the fiscal year. The objectives and weight attached thereto are re-evaluated on an annual basis by the Compensation Committee and communicated to the relevant individuals.

For the fiscal year ended December 31, 2012, the bonuses were based on the Company achieving certain target amounts for:

- (i) Adjusted EBITDA, which the Company defines as EBITDA before (i) manufacturing facility closures, restructuring and other related charges; (ii) stock-based compensation expense; (iii) impairment of goodwill; (iv) impairment of long-lived assets and other assets; (v) write-down on assets classified as held-for-sale; and (vi) other items as disclosed; and
- (ii) Cash flows from operations after changes in working capital.

The Board of Directors elected to use Adjusted EBITDA instead of EBITDA (which the Company defines as net earnings (loss) before (i) interest and other (income) expense; (ii) income tax expense (benefit); (iii) refinancing expense, net of amortization; (iv) amortization of debt issue expenses; (v) amortization of intangibles assets; and (vi) depreciation of property, plant and equipment) in determining bonuses for 2012 inasmuch as certain expenses and charges incurred by the Company during the year (*e.g.*, manufacturing facility closure costs) were in the long term interest of the Company and that such amounts should not impact the ability of senior management to achieve the performance bonus targets.

The target amount for Adjusted EBITDA for 2012 was set at \$70,064,000 (the Adjusted EBITDA Target) and the target amount for cash flows from operations after changes in working capital was \$53,100,000 (the Cash Flows Target). The Company's Adjusted EBITDA for 2012 was \$87,904,000 which was 125.5% of the Adjusted EBITDA Target. The utilization of Adjusted EBITDA had the effect of increasing the bonus

payable to the members of senior management other than Mr. Yull and Mr. Pitz.

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The following table presents the target incentive compensation as a percentage of salary, the indicators used in 2012 to measure the Company's performance for purposes of the short term incentive compensation program and their relative weight.

	Gregory A. Yull	Bernard J. Pitz	Jim Bob Carpenter	Burgess H. Hildreth	Shawn Nelson	Douglas Nalette
Incentive compensation as a percentage of salary	0%	0%	0%	0%	0%	0%
Minimum Target	100%	100%	40%	50%	50%	50%
Maximum	100%	100%	80%	100%	100%	100%
Relative weight of financial indicators						
<i>Adjusted EBITDA</i>	50%	50%	50%	50%	50%	50%
<i>Cash flows from operations after changes in working capital</i>	50%	50%	50%	50%	50%	50%
Total	100%	100%	100%	100%	100%	100%

The bonus is calculated using, for each objective, the following formula and is equal to the sum of all results:

$$\frac{\text{Annual salary} \times \text{number of applicable months}}{12 \text{ months}} \times \text{Target bonus percentage} \times \text{Weight of financial indicator}$$

Members of senior management were also eligible for prorated bonus amounts if between 90% and 100% of the target objectives were achieved by the Company.

The members of senior management other than Messrs. Yull and Pitz were also eligible for an additional bonus calculated using an Adjusted EBITDA target amount of \$80,478,000 (the Reach Adjusted EBITDA Target). This additional bonus is calculated using the following formula:

$$\frac{\text{Actual Adjusted EBITDA} - \text{Adjusted EBITDA Target}}{\text{Reach Adjusted EBITDA Target} - \text{Adjusted EBITDA Target}} \times \text{Maximum bonus amount} - \text{Target bonus amount}$$

The members of senior management other than Messrs. Yull and Pitz were also eligible for an additional bonus calculated using a Cash Flows target amount of \$60,900,000 (the Reach Cash Flows Target). This additional bonus is calculated using the following formula:

$$\frac{\text{Cash flows from operations after changes in working capital} - \text{Cash Flows Target}}{\text{Reach Cash Flows Target} - \text{Cash Flows Target}} \times \text{Maximum bonus amount} - \text{Target bonus amount}$$

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The following table presents the objectives for 2012 approved by the Board of Directors and the results achieved by the Company:

	Target	Result	Evaluation of Performance
EBITDA	\$ 68,964,000	\$ 67,815,000	98.3%
Adjusted EBITDA	\$ 70,064,000	\$ 87,904,000	125.5%
Cash flows from operations after changes in working capital	\$ 53,100,000	\$ 84,500,000	159.1%
Reach EBITDA	\$ 79,378,000	\$ 67,815,000	85.4%
Reach Adjusted EBITDA	\$ 80,478,000	\$ 87,904,000	109.2%
Reach Cash Flows	\$ 60,900,000	\$ 84,500,000	138.8%

The following table presents, for each target objective, the bonus amount earned by each member of senior management for 2012.

	Gregory A. Yull	Bernard J. Pitz	Jim Bob Carpenter	Burgess H. Hildreth	Shawn Nelson	Douglas Nalette
<i>Adjusted EBITDA</i>						
<i>Target</i>	\$ 250,000	\$ 190,962	\$ 62,060	\$ 62,315	\$ 78,538	\$ 82,500
<i>Cash Flows Target</i>	\$ 250,000	\$ 190,962	\$ 62,060	\$ 62,315	\$ 78,538	\$ 82,500
<i>Reach Targets</i>			\$ 124,120	\$ 124,630	\$ 157,074	\$ 165,000
<i>Discretionary Bonus</i>	\$ 100,000 ⁽¹⁾	\$ 70,780 ⁽¹⁾				
Total	\$ 600,000	\$ 452,704	\$ 248,240	\$ 249,260	\$ 314,150	\$ 330,000

(1) The Board of Directors approved a discretionary bonus to Messrs. Yull and Pitz.

Defined Contribution Pension Plans

The Company maintains defined contribution pension plans in the United States and Canada. Each member of senior management participates in the US Plan. The US Plan is a defined contribution pension plan and qualifies as a deferred salary arrangement under section 401(k) of the United States Internal Revenue Code. Under the US Plan, employees who have been employed for at least 90 days may defer a portion of their pre-tax earnings subject to statutory limitations. The Company may make discretionary contributions for the benefit of eligible employees. The US Plan permits eligible employees to choose how their account balances are invested on their behalf within a range of investment options provided by third-party fund managers. The following table sets out the Company's contributions to the pension plan payable for 2012 for each member of senior management.

Name	Company Contributions (\$)
Gregory A. Yull	\$ 16,500
Bernard J. Pitz	\$ 16,500
Jim Bob Carpenter	\$ 16,500
Shawn Nelson	\$ 16,500
Douglas Nalette	\$ 16,500
Burgess H. Hildreth	\$ 16,500

Total Cash Payments

Total cash payments for employee future benefits for 2012, 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 \$7.8 million (\$5.0 million in 2011).

Executive Employment Contracts and Change of Control Agreements

The following agreements between the Company and members of senior management were in effect at the end of the Company's most recently-completed financial year.

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The Company entered into change of control agreements as of January 2001 with each of Messrs. Jim Bob Carpenter (Sr. Vice-President, Global Sourcing), Burgess Hildreth (Sr. Vice-President, Administration), Shawn Nelson (Sr. Vice-President Sales), as of October 28, 2004 with Douglas Nalette (Sr. Vice-President Operations), and as of November 17, 2009 with Bernard J. Pitz (Chief Financial Officer). These agreements provide that if, within a period of six months after a change of control of the Company: (a) the executive voluntarily terminates his employment with the Company; or (b) the Company terminates the executive's employment without cause, such executive will be entitled to, subject to the restrictions of Section 409A of the Internal Revenue Code of 1986, in deferred compensation, a lump sum in the case of his resignation or an indemnity in lieu of notice in a lump sum in the case of his termination, equal to either 12 or 24 months of such executive's base remuneration at the effective date of such resignation or termination as follows: Jim Bob Carpenter, 24 months, Burgess Hildreth, 24 months, Shawn Nelson, 12 months, Douglas Nalette, 12 months, and Bernard Pitz, 24 months, and continued insurance coverage then in effect if permitted by its carrier during such period.

Furthermore, these agreements also provide that if during the term of the executive's employment a *bona fide* offer is made to all shareholders of the Company which, if accepted, would result in a change of control of the Company, then, subject to any applicable law, all of the executive's options which have not yet become vested and exercisable shall become vested and exercisable immediately. Upon expiry of such *bona fide* offer, if it does not result in a change of control of the Company, all of the executive's unexercised options which were not vested prior to such offer, shall immediately revert to their unvested status and to their former provisions with respect to the time of their vesting.

On August 2, 2010, the Company entered into an Executive Employment Agreement with Gregory A. Yull. Pursuant to the terms of the Agreement, Mr. Yull shall receive an annual base salary of \$450,000, increased to \$475,000 commencing June 1, 2011 and \$500,000 commencing on June 1, 2012. Mr. Yull shall also be entitled to a performance bonus for each fiscal year ranging from zero to 100% of his then current annual base salary based on the achievement of specific goals that are mutually agreed to between Mr. Yull and the Board. For 2012, Mr. Yull's bonus was based on the Company achieving certain target amounts for adjusted EBITDA after changes in working capital as set forth above in the Section entitled "2012 Senior Management Bonus Plan". In addition to the amount calculated under this plan, Mr. Yull was rewarded a discretionary bonus approved by the Board of Directors in 2012. During the first three years of Mr. Yull's employment, commencing June 8, 2010, Mr. Yull shall be granted 350,000 stock options annually in accordance with the Company's Executive Stock Option Plan (ESOP) and thereafter at the discretion of the Board. For 2012, instead of receiving an award of 350,000 stock options in accordance with his employment agreement, Mr. Yull agreed to receive 500,905 stock appreciation rights under the Company's 2012 Stock Appreciation Rights Plan described below. The options to be granted during each of the first three years shall become exercisable in annual increments of 25% on each of the first four anniversaries of the grant date. Such options shall expire on the tenth anniversary of the grant date, subject to the early expiry provisions of the ESOP. The exercise price of such options shall be equal to the closing market price on the last trading day prior to the date of such grant. Fifty percent (50%) of the shares acquired by Mr. Yull pursuant to the exercise of the options granted under the Executive Employment Agreement must be retained by Mr. Yull and not sold or disposed of for a period of three years following the date when the option was exercised.

Provided Mr. Yull has served under the Agreement a minimum of five years, unless earlier terminated by the Company without cause or by Mr. Yull for Good Reason as defined in the Agreement, he shall receive a defined benefit supplementary pension annually for life equal to the lesser of (i) \$600,000 if he separates from service at age 65 or older, \$570,000 at age 64, \$540,000 at age 63, \$510,000 at age 62, \$480,000 at age 61, or \$450,000 at age 60, and (ii) two percent of the average of his total cash compensation (base salary and performance bonus) for the highest five years of his employment during the prior ten years as of the time of separation, multiplied by his years of service with the Company. In the event of Mr. Yull's death, his surviving spouse would receive 50% of the annual supplement pension benefit within ninety days of his death and continuing annually during her lifetime.

In the event the Company terminates Mr. Yull's employment for any reason other than cause, or Mr. Yull terminates his employment for Good Reason as defined in the Agreement, Mr. Yull shall be entitled to severance pay in an amount equal to two times the sum of his base salary and the average performance bonus paid to Mr. Yull in the last two fiscal years ending on the date prior to his date of termination. Subject to the restrictions of Section 409A of the Internal Revenue Code of 1986, such amount shall be paid 65% in a lump sum and the balance in eight equal quarterly instalments. In addition, all unvested options that would otherwise vest during the 24 months following the date of termination shall be immediately vested and remain exercisable for a period of twelve months. Lastly, the retirement benefits set forth above shall vest.

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In the event that Mr. Yull's employment is terminated as a result of his Permanent Disability, as defined in the Agreement, or death, he shall be entitled to receive (i) accrued and unpaid base salary earned up to the date of termination, (ii) a pro-rated performance bonus that he would have received in respect of the fiscal year in which the termination occurred, (iii) vacation pay earned up to the date of termination, and (iv) provided the date of termination is on or after the fifth year anniversary of the Agreement, the retirement benefits set forth above shall vest. In addition, all unvested stock options held by Mr. Yull shall immediately vest and remain exercisable for a period of nine months following the date of termination for Permanent Disability or death.

In the event that Mr. Yull's employment is terminated by the Company without cause or for Good Reason within two years of a Change of Control, as defined in the Agreement, then he shall be entitled to receive (i) accrued and unpaid base salary earned up to the date of termination, (ii) a pro-rated performance bonus that he would have received in respect of the fiscal year in which the termination occurred, based upon the average performance bonus paid to Mr. Yull in the last two fiscal years, (iii) vacation pay earned up to the date of termination, and (iv) severance pay in an amount equal to three times the sum of his base salary and the average performance bonus paid in the last two fiscal years immediately preceding the date of termination. In addition, all unvested stock options held by Mr. Yull shall immediately vest and remain exercisable for a period of 36 months following the date of termination, and the retirement benefits set forth above shall vest. Mr. Yull shall also be entitled to participate, at his cost, in the benefits under the Company's medical and dental benefit program until such time as he reaches the age of eligibility for coverage under Medicare. Lastly, disability and life insurance benefits shall be provided for the benefit of Mr. Yull pursuant to any benefit plans and programs then provided by the Company generally to its executives and continue for a period of 36 months following the date of termination.

Mr. Yull has also agreed to a customary non-compete for two years from the date of termination.

On October 30, 2009, the Company entered into an employment letter agreement with Bernard J. Pitz. Pursuant to the terms of the letter agreement, Mr. Pitz receives an annual base salary of \$360,000. Further, Mr. Pitz was awarded 182,927 options with a grant price of CDN\$3.61. In addition, the Company agreed to cover Mr. Pitz' relocation costs. Mr. Pitz is also entitled to a bonus ranging from zero to 100% of his then current annual base salary based on the achievement of specific goals that are mutually agreed to between Mr. Pitz and the Board. For 2012, Mr. Pitz' bonus was based on the Company's achieving certain target amounts for adjusted EBITDA, and cash flows from operations after changes in working capital as set forth above in the Section entitled "2012 Senior Management Bonus Plan". In addition to the amount calculated under this plan, Mr. Pitz was rewarded a discretionary bonus approved by the Board of Directors in 2012.

On November 17, 2009, the Company entered into a second letter agreement with Mr. Pitz. Pursuant to the terms of the letter agreement, in the event the Company terminates Mr. Pitz' employment for any reason other than Cause as defined in the letter agreement, or Mr. Pitz terminates his employment for Good Reason as defined in the letter agreement, Mr. Pitz shall be entitled to severance pay in an amount equal to 12 times his highest total base monthly salary received in any one month during the twelve months prior to Mr. Pitz' last day of employment, provided that if Mr. Pitz' termination of employment occurs within twelve months of the appointment of a Chief Executive Officer of the Company other than Gregory A. Yull, then the severance payment due to Mr. Pitz shall be equal to 24 times Mr. Pitz' highest monthly salary. Subject to the restrictions of Section 409A of the Internal Revenue Code of 1986 ("Section 409A"), such amount shall be paid in either 12 or 24 equal monthly instalments as applicable ("Severance Period"). In the event there is a Section 409A Change in Control within 6 months prior to Mr. Pitz' termination of employment or during the Severance Period, the remainder of the unpaid severance payments shall be accelerated and paid in a single lump sum within 10 days after the 409A Change in Control occurs, subject to Section 409A. In the event there is an occurrence of Good Reason and Mr. Pitz does not terminate his employment within 60 days of the occurrence, he shall be deemed to have waived such Good Reason. If Mr. Pitz' employment is terminated for Cause, or he resigns without Good Reason, or retires, then Mr. Pitz will not be eligible for severance pay. Mr. Pitz shall also be entitled to participate in the benefits under the Company's medical, dental, vision, life insurance and accidental death and dismemberment coverage during the Severance Period, subject to the then current cost sharing features of the plans. In the event Mr. Pitz obtains other employment during the first twelve months of severance payments, the Company's obligation to pay such severance shall cease. In the event Mr. Pitz obtains employment after twelve months but during the remainder of the Severance Period, the severance payments shall be reduced by the amount of compensation paid to Mr. Pitz by his subsequent employer.

On November 17, 2009, the Company also entered into a "change of control" agreement with Mr. Pitz. The agreement provides that if, within a period of six months after a change of control of the Company: (a) Mr. Pitz voluntarily terminates his employment with the Company; or (b) the Company terminates his employment without cause, Mr. Pitz will be entitled to, subject to the restrictions of Section 409A of the Internal Revenue Code of 1986, in deferred compensation, a lump

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sum in the case of his resignation or an indemnity in lieu of notice in a lump sum in the case of his termination, equal to 24 months of Mr. Pitz's base remuneration at the effective date of such resignation or termination. Mr. Pitz is also entitled to continued insurance coverage then in effect if permitted by its carrier during such period.

On July 19, 2010, the Company entered into a letter agreement with Mr. Jim Bob Carpenter. Pursuant to the terms of the letter agreement, in the event the Company terminates Mr. Carpenter's employment for any reason other than Cause as defined in the letter agreement, or Mr. Carpenter terminates his employment for Good Reason as defined in the letter agreement, Mr. Carpenter shall be entitled to severance pay in an amount equal to 24 times his highest total base monthly salary received in any one month during the twelve months prior to Mr. Carpenter's last day of employment. Subject to the restrictions of Section 409A of the Internal Revenue Code of 1986 (Section 409A), such amount shall be paid in 24 equal monthly instalments (Severance Period). In the event there is a Section 409A Change in Control within 6 months prior to Mr. Carpenter's termination of employment or during the Severance Period, the remainder of the unpaid severance payments shall be accelerated and paid in a single lump sum within 10 days after the 409A Change in Control occurs, subject to Section 409A. In the event there is an occurrence of Good Reason and Mr. Carpenter does not terminate his employment within 60 days of the occurrence, he shall be deemed to have waived such Good Reason. If Mr. Carpenter's employment is terminated for Cause, or he resigns without Good Reason, or retires, then Mr. Carpenter will not be eligible for severance pay. Mr. Carpenter shall also be entitled to participate in the benefits under the Company's medical, dental, vision, life insurance and accidental death and dismemberment coverage for a period of 12 months, subject to the then current cost sharing features of the plans. In the event Mr. Carpenter obtains other employment during the Severance Period, the Company's obligation to pay such severance shall cease.

Executive Stock Option Plan

In 1992, the Company adopted the Executive Stock Option Plan (the ESOP) in respect of the common shares of the Company. Since its adoption, the ESOP has been amended on several occasions. The ESOP provides that the total number of common shares reserved for issuance thereunder is equal to 10% of the issued and outstanding common shares of the Company from time to time. The ESOP is considered to be an evergreen plan, since the number of common shares covered by options which have been exercised will be available for subsequent grants under the ESOP and the number of options available for grants increases as the number of issued and outstanding common shares of the Company increases. As such, under the rules of the Toronto Stock Exchange, a security-based arrangement such as the ESOP must, when initially put in place, receive shareholder approval at a duly-called meeting of shareholders and the unallocated options are subject to ratification by shareholders every three years thereafter. All unallocated options under the ESOP were ratified, confirmed and approved by shareholders at a special meeting of shareholders of the Company held on September 6, 2012.

The purpose of the ESOP is to promote a proprietary interest in the Company among the executives, key employees and directors of the Company and its subsidiaries, in order to both encourage such persons to further the development of the Company and assist the Company in attracting and retaining key personnel necessary for the Company's long-term success. The Board of Directors designates from time-to-time those persons to whom options are to be granted and determines the number of common shares subject to such options. Generally, participation in the ESOP is limited to persons holding positions that can have an impact on the Company's long-term results.

The number of common shares to which the options relate is determined by taking into account, *inter alia*, the market value of the common shares and each optionee's base salary.

The following is a description of certain features of the ESOP:

- (a) options expire not later than ten years after the date of grant and, unless otherwise determined by the Board of Directors, all vested options under a particular grant expire 24 months after the vesting date of the last tranche of such grant;
- (b) options vest at the rate of 25% per year, beginning, in the case of options granted to employees, on the first anniversary date of the grant and, in the case of options granted to non-management directors, on the date of the grant;
- (c) the aggregate number of options that may be granted to directors who are not part of management may not exceed 1% of the number of issued and outstanding common shares of the Company;

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- (d) the exercise price of the options is determined by the Board of Directors, but cannot be less than the Market Value of the common shares of the Company, defined in the ESOP as the closing price of the common shares on the Toronto Stock Exchange for the day immediately preceding the effective date of the grant;
- (e) the number of common shares reserved for issuance to any person cannot exceed 5% of the number of issued and outstanding common shares of the Company;
- (f) the number of common shares issuable to any one insider of the Company and such insider's associates within a one-year period cannot exceed 5% of the number of issued and outstanding common shares of the Company;
- (g) the number of common shares issuable at any time to insiders under the ESOP or any other compensation arrangement of the Company cannot exceed 10% of the number of issued and outstanding common shares of the Company;
- (h) the number of common shares issued to insiders within a one-year period under the ESOP or any other compensation arrangement of the Company cannot exceed 10% of the number of issued and outstanding common shares of the Company.
- (i) options granted under the ESOP may not at any time be repriced;
- (j) options granted under the ESOP may not be assigned;
- (k) in the event that a *bona fide* offer to purchase all or part of the outstanding common shares is made to all shareholders, notice thereof must be given by the Company to all optionees and all options will become immediately exercisable, but only to the extent necessary to enable an optionee to tender his or her shares should the optionee so desire;
- (l) the ESOP does not provide for financial assistance from the Company to optionees;
- (m) when a director of the Company ceases to be a director, all non-vested options are immediately cancelled and the former director is entitled to exercise, within a period of three months from such event, options that had vested at the time the director ceased to be a director;
- (n) in the case of retirement of an optionee, all non-vested options are immediately cancelled and the former employee is entitled to exercise, within a period of twelve months from retirement, options that had vested at the time of retirement;
- (o) in the case of an optionee's death, all non-vested options are immediately cancelled and the estate is entitled to exercise, within a period of twelve months from death, options that had vested at the time of death;
- (p) when an optionee ceases to be an employee of the Company or a subsidiary for any reason other than retirement or death, all non-vested options are immediately cancelled and the optionee is entitled to exercise, within a period of three months from the termination of employment, options that had vested at the time of termination of employment; and

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- (q) subject to the approval of the Toronto Stock Exchange, the Board of Directors of the Company may amend or terminate the ESOP at any time but, in such event, the rights of optionees related to any options granted but unexercised under the ESOP shall be preserved and maintained and no amendment can confer additional benefits upon optionees without prior approval by the shareholders of the Company.

As at December 31, 2012, there were options outstanding under the ESOP to purchase an aggregate of 2,657,037 common shares, representing 4.5% of the issued and outstanding common shares of the Company, and a total of 1,676,305 options exercisable. No options were granted in 2012. The Company instead adopted a Stock Appreciation Rights Plan as described below and issued Stock Appreciation Rights under the ESOP.

Table of Contents**Year-End Unexercised Options and Option Values**

The following table sets out for each of the Directors and members of senior management the total number of unexercised options held as of December 31, 2012 and the value of such unexercised options at that date.

Name	Number of unexercised options at fiscal year-end	Value of unexercised in-the-money options at fiscal year-end
	Exercisable / Unexercisable	Exercisable / Unexercisable (\$) ⁽¹⁾
Eric E. Baker	47,500 / 22,500	282,375 / 137,125
Robert M. Beil	0 / 12,500	0 / 79,025
George J. Bunze	57,500 / 12,500	314,275 / 79,025
Robert J. Foster	0 / 17,500	0 / 108,075
James Pantelidis	0 / 0	0 / 0
Jorge N. Quintas	47,500 / 12,500	291,375 / 79,025
Gregory A. Yull	679,573 / 437,500	1,631,875 / 2,760,625
Melbourne F. Yull	0 / 22,500	0 / 137,125
Bernard J. Pitz	162,195 / 120,732	757,287 / 665,762
Jim Bob Carpenter	66,453 / 36,250	315,466 / 217,926
Shawn Nelson	182,439 / 55,000	179,175 / 334,175
Douglas Nalette	152,352 / 55,000	179,175 / 334,175
Burgess H. Hildreth	0 / 36,250	0 / 217,925

(1) The value of unexercised in-the-money options is calculated using the closing price of the common shares of the Company on the Toronto Stock Exchange on December 31, 2012 (CDN\$8.00 less the respective exercise prices of the options.)

2012 Stock Appreciation Rights Plan

The Board of Directors of the Company adopted the 2012 Stock Appreciation Rights Plan on June 20, 2012 in lieu of granting stock options in 2012. The purpose of the 2012 Stock Appreciation Rights Plan is to (a) promote a proprietary interest in the Company among its executives and directors; (b) encourage the Company's executives and directors to further the Company's development; and (c) attract and retain the key employees necessary for the Company's long-term success. The 2012 Stock Appreciation Rights Plan is administered by the Compensation Committee of the Board of Directors of the Company and authorizes the Company to award stock appreciation rights (SARs) to eligible persons. A SAR, as defined by the Company's plan, is a right to receive a cash payment equal to the difference between the base price of the SAR and the market value of a common share of the Company on the date of exercise. These SARs can only be settled in cash and expire no later than 10 years after the date of the grant. The award agreements provide that these SARs granted to employees and executives will vest and may be exercisable 25% per year over four years. The SARs 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. The following table sets out the details of all grants of SARs to the Directors and members of senior management during the fiscal year ended December 31, 2012.

NAME	NUMBER OF SARs		BASE PRICE CDN\$	EXPIRATION DATE
	GRANTED			
Eric E. Baker	10,000		7.56	June 28, 2018
Robert M. Beil	10,000		7.56	June 28, 2018
George J. Bunze	10,000		7.56	June 28, 2018
Robert J. Foster	10,000		7.56	June 28, 2018

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NAME	NUMBER OF		BASE PRICE CDN\$	EXPIRATION DATE
	GRANTED	SARs		
James Pantelidis	30,000		7.56	June 28,2018
Jorge N. Quintas	10,000		7.56	June 28,2018
Gregory A. Yull	500,905		7.56	June 28,2022
Melbourne F. Yull	10,000		7.56	June 28,2018
Bernard J. Pitz	165,000		7.56	June 28,2018
Jim Bob Carpenter	40,000		7.56	June 28,2018
Shawn Nelson	80,000		7.56	June 28,2018
Douglas Nalette	80,000		7.56	June 28,2018
Burgess H. Hildreth	40,000		7.56	June 28,2018

Pension and Other Post Retirement Benefit Plans

Melbourne F. Yull was Chairman of the Board of Directors and Chief Executive Officer of the Company from January 11, 1995 to June 14, 2006. Prior thereto, Mr. Yull was the President and a director of the Company or a predecessor thereof, from 1981. The former employment agreement entered into between the Company and Mr. Yull provides that Mr. Yull receive from the Company a defined benefit supplementary pension annually for life in an amount equal to 2% of the average of Mr. Yull's annual gross salary for the final five years of his employment with the Company, multiplied by his years of service with the Company to retirement. Accordingly, Mr. Yull receives a pension from the Company in an amount of \$260,935 per year.

C. BOARD PRACTICES**Term**

The Company has eight Directors. Each Director is elected for a term of one year and may be nominated for re-election at the Company's following annual shareholders' meeting. The next annual shareholders' meeting is scheduled to be held on June 5, 2013, at which time the current term of each Director will expire.

Service Contracts

In 2010, the Company entered into agreements with companies controlled by two of the current members of the Board of Directors. These agreements required the provision of support services that included the duties of Executive Director and Chairman of the Board.

The Executive Director support services agreement was effective from January 1, 2010 through September 30, 2010 and provided for monthly compensation in the amount of \$50,000. This agreement expired on September 30, 2010 and was not replaced. The Chairman of the Board support services agreement was effective from January 1, 2010 through June 30, 2011 and provided for monthly compensation in the amount of CDN\$25,000. The agreement was not replaced. These amounts were in lieu of the fees otherwise paid to Directors for their services.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee is appointed by the Board and is currently composed of three directors, Robert M. Beil (Chairman), Robert J. Foster, and Jorge N. Quintas, none of whom is or has been at any previous time an employee of the Company or any of its subsidiaries. Each of the Human Resources and Compensation Committee members are independent as that term is defined by the Toronto Stock Exchange and Sarbanes-Oxley Act.

Mr. Beil joined the Dow Chemical Company in 1975 after graduating from Youngstown State University with a BA Degree in Industrial Marketing. During a thirty-two year career with Dow, Mr. Beil held numerous sales and marketing executive

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positions, where he had responsibility for the implementation of company compensation schemes for large organizations. In addition, he spent a portion of his career working in Dow's Human Resources function. Human Resources was responsible for compensation design for Dow, a Fortune 500 company.

Mr. Foster graduated from Queen's University with an MA in Economics, earning his CFA, managed the research department and worked in corporate finance at one of the major investment dealers in Canada. He founded and serves as President and Chief Executive Officer of Capital Canada Limited, a boutique investment banking firm. He serves on a number of not-for-profit boards and was on the board and audit committee of CHC Helicopters Corporation and Golf Town Income Trust.

Mr. Quintas graduated in Management at INP-Lisbon and initialized his professional career in ALCAN (England). Later he became a Board Member in several industrial companies from power and telecommunication cable production to Optic Fibers. He was a Board Member at Portgás, city gas distribution in Portugal. Presently Mr. Quintas is the Chairman of Nelson Quintas Group, in Portugal and Board Member of: ECODEAL - dangerous waste recycling plant, NQT - Telecommunication Network in Rio de Janeiro (Brasil) and Audit Committee of Serralves Foundation.

The mandate of the Human Resources and Compensation Committee consists of ensuring the direction and implementation of the Company's wage and compensation plans, policies, and programs, and in ensuring that a succession plan is put in place to deal with the Company's future needs regarding human resources, with respect to the Chief Executive Officer and other key executives.

The Human Resources and Compensation Committee Charter is attached hereto as **Exhibit 14.1**.

Audit Committee

The Audit Committee is appointed by the Board and is currently composed of three Directors, George J. Bunze, Robert J. Foster, and James Pantelidis. Each of the Audit Committee members are independent and financially literate as such terms are defined by Canadian Multilateral Instrument 52-110-*Audit Committees*.

Mr. Bunze graduated from the commerce certification CMA program at McGill University, Montreal, Quebec, and is a professional accountant and Certified Management Accountant. Mr. Bunze is the Vice-Chairman and Director and a member of the Executive Committee of Kruger Inc., one of the largest private pulp and paper companies in North America. He also served as the Chief Financial Officer of Kruger Inc. and its various subsidiaries from 1982 to 2003. Mr. Bunze is a Director of Stella-Jones Inc. and Chairman of its Audit Committee. He was previously a Director of B2B Trust Inc. and Chairman of its Audit Committee.

Mr. Foster graduated from Queen's University with an MA in Economics, earning his CFA, managed the research department and worked in corporate finance at one of the major investment dealers in Canada. He founded and serves as President and Chief Executive Officer of Capital Canada Limited, a boutique investment banking firm. He serves on a number of not-for-profit boards and was on the board and audit committee of CHC Helicopters Corporation and Golf Town Income Trust.

Mr. Pantelidis graduated from McGill University with a Bachelor of Science degree and a Master of Business Administration. Mr. Pantelidis has over 30 years of experience in the petroleum industry. Mr. Pantelidis is Chairman of the Board of Parkland Fuel Corporation and has served as a director of Parkland Fuel Corporation since 1999. Mr. Pantelidis is Chairman and Director of EnerCare Inc. since 2002 (member of the Audit, Governance and Compensation, and Investment Committees). He also serves on the Board of each of RONA Inc. (Chairman of the Human Resources and Compensation Committee and member of the Development Committee); Industrial Alliance Insurance and Financial Services Inc. (Chairman of the Investment Committee and member of Human Resources and Compensation Committee). From 2002 to 2006, Mr. Pantelidis was on the board of FisherCast Global Corporation and served as Chairman and Chief Executive Officer from 2004 to 2006. From 2002 to 2004, Mr. Pantelidis was President of J.P. & Associates, a strategic consulting group. Between 1999 and 2001, Mr. Pantelidis served as Chairman and Chief Executive Officer for the Bata International Organization.

The Audit Committee fulfills applicable public corporation obligations required of audit committees and assists the Board in fulfilling its oversight responsibilities. The Audit Committee examines the financial reporting processes, internal controls, financial risk management and the audit process and procedures applied by the Company and makes recommendations to the Board in connection with the nomination of the external auditor.

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The Audit Committee's Charter is attached hereto as **Exhibit 14.2**.

D. EMPLOYEES

As of December 31, 2012, the Company had 1,800 total employees, 387 in Canada, 1,346 in the US, 52 in Portugal, and 15 in Mexico and Europe. As of December 31, 2012, 360 held either sales-related, administrative, information technology or research and development positions and 1,440 of whom were employed in operations. The Company's Portuguese subsidiary had 54 employees, 2 in sales positions and the rest were employed in operations. Approximately 136 hourly employees at the Company's Marysville plant are unionized and subject to a collective bargaining agreement which expires on April 30, 2015. Approximately 160 hourly employees at the Company's Menasha plant are unionized and subject to a collective bargaining agreement which expires on July 31, 2015. Approximately 62 hourly employees at the Company's Carbondale plant are unionized and subject to a collective bargaining agreement which expires on March 4, 2015. Approximately 28 hourly employees at the Company's Langley, British Columbia plant are unionized and subject to a collective bargaining agreement which expires on March 31, 2014. Other than the strike at its Brantford, Ontario plant, which was closed in the second quarter of 2011, the Company has never experienced a work stoppage and it considers its employee relations to be satisfactory. The Company does not employ a significant number of temporary employees.

As of December 31, 2011, the Company had 1,861 total employees, 418 in Canada, 1,376 in the US, 52 in Portugal, and 15 in Mexico and Europe. As of December 31, 2011, 362 held either sales-related, administrative, information technology or research and development positions and 1,438 of whom were employed in operations. The Company's Portuguese subsidiary had 52 employees, 2 in sales positions and the rest were employed in operations.

As of December 31, 2010, the Company had 2,021 total employees, 563 in Canada, 1,389 in the US, 54 in Portugal, and 15 in Mexico and Europe. As of December 31, 2010, 360 held either sales-related, administrative, information technology or research and development positions and 1,664 of whom were employed in operations. The Company's Portuguese subsidiary had 54 employees, 4 in sales positions and the rest were employed in operations.

E. SHARE OWNERSHIP

The following table sets out for each of the Directors and members of senior management as of February 7, 2013, the number of shares of the Company owned or controlled by each.

NAME	NUMBER OF SHARES OWNED
Eric E. Baker	3,018,989
Robert M. Beil	57,696
George J. Bunze	45,250
Robert J. Foster	67,500
James Pantedilis	5,000
Jorge N. Quintas	97,300
Gregory A. Yull	215,629
Melbourne F. Yull	2,512,609
Bernard J. Pitz	16,454
Jim Bob Carpenter	24,105
Shawn Nelson	45,112
Douglas Nalette	30,795
Burgess H. Hildreth	34,075

As of February 7, 2013, the Directors and senior management own an aggregate of 6,169,014 common shares of the Company, being 10% of the issued and outstanding common shares of the Company. The common shares held by the Directors and senior management do not have different voting rights from those held by the other shareholders of the Company.

Please see the heading "Executive Stock Option" above in this section for a description of the Company's Amended Executive Stock Option Plan.

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The following table sets forth all vested and unvested outstanding options granted to the Company's Directors and senior management through December 31, 2012:

Name	Number of options	Exercise price of options \$CDN	Expiration date of options
Eric E. Baker	50,000	2.19	6/10/2016
	20,000	1.55	6/7/2017
Robert M. Beil	2,500	2.19	6/10/2016
	10,000	1.55	6/7/2017
George J. Bunze	30,000	3.61	9/17/2013
	10,000	0.55	4/1/2015
	10,000	2.19	6/10/2016
	20,000	1.55	6/7/2017
Robert J. Foster	7,500	2.19	6/10/2016
	10,000	1.55	6/7/2017
James Pantelidis	0	0	
Jorge N. Quintas	30,000	1.89	11/13/2015
	10,000	2.19	6/10/2016
	20,000	1.55	6/7/2017
Melbourne F. Yull	12,500	2.19	6/10/2016
	10,000	1.55	6/7/2017
Gregory A. Yull	417,073	3.61	9/17/2013
	350,000	1.90	8/5/2020
	350,000	1.55	6/7/2021
Bernard J. Pitz	182,927	3.61	11/12/2015
	100,000	1.80	6/27/2017
Jim Bob Carpenter	1,453	3.61	9/17/2013
	50,000	3.61	8/26/2014
	26,250	2.19	6/10/2016
	25,000	1.80	6/27/2017
Shawn Nelson	152,439	3.61	9/17/2013
	35,000	2.19	6/10/2016
	50,000	1.80	6/27/2017
Douglas Nalette	122,352	3.61	9/17/2013
	35,000	2.19	6/10/2016
	50,000	1.80	6/27/2017
Burgess H. Hildreth	17,500	2.19	6/10/2016
	18,750	1.80	6/27/2017

Table of Contents**Item 7: Major Shareholders and Related Party Transactions****A. MAJOR SHAREHOLDERS**

As at December 31, 2012, to the knowledge of the Company, the following are the only persons who beneficially own, or exercise control or direction over, more than 5% of the issued and outstanding common shares of the Company (Major Shareholders), along with a three-year history of their stock ownership:

<i>Name and place of residence</i>	<i># / % 12/31/2012</i>	<i># / % 12/31/2011</i>	<i># / % 12/31/2010</i>
Letko, Brosseau & Associates Inc. ⁽¹⁾ Montreal, Québec	10,084,641 / 16.91	12,798,950 / 21.71	13,411,823 / 22.75
KSA Capital Management, LLC ⁽²⁾ Bernardsville, New Jersey	3,676,590 / 6.16	3,676,590 / 6.24	3,676,590 / 6.24
Connor, Clark & Lunn Investment Mgt. Ltd. ⁽³⁾ Vancouver, British Columbia	5,900,000 / 9.90	0 / 0	0 / 0
O Shaughnessy Asset Management, LLC ⁽⁴⁾ Stamford, Connecticut	3,300,000 / 5.53	1,767,000 / 2.99	0 / 0
Eric Baker. ⁽⁴⁾ Long Sault, Ontario	3,018,989 / 5.06	2,878,689 / 4.88	2,874,689 / 4.87

- (1) Based on report dated February 13, 2013 filed by Letko, Brosseau & Associates Inc. with the United States Securities and Exchange Commission.
- (2) Based on report dated July 31, 2009 filed by KSA Capital Management, LLC with the United States Securities and Exchange Commission.
- (3) Based on report as of December 31, 2012 by the Company's shareholder analyst.
- (4) Based on SEDAR filings as of December 31, 2012.

The Major Shareholders of the Company do not have any voting rights that differ from the other shareholders of the Company.

As of February 15, 2013, of the 59,625,039 common shares issued and outstanding, approximately 40,857,420 are held in Canada and 18,767,619 in the United States, being 69% and 31%, respectively.

The Company is not directly or indirectly owned or controlled by another corporation, by any foreign government or by any natural or legal person. There are no arrangements known to the Company that could result at a subsequent date in a change of control of the Company.

B. RELATED PARTY TRANSACTIONS

The Company is unaware of any material interest of any of its directors or officers or of any person who beneficially owns or exercises control or direction over shares carrying more than ten percent of the voting rights attached to the Company's shares, or any associate or affiliate of any such person, in any transaction since the beginning of the last completed financial year or in any proposed transactions that has materially affected or will materially affect the Company or any of its affiliates.

Prior to July 31, 2002, the Company made certain interest-free loans payable on demand to certain of its directors and officers. Only one loan remained outstanding to Gregory A. Yull in 2013, with a balance of US\$52,372.00, which was paid in full on March 7, 2013.

In 2010, the Company entered into agreements with companies controlled by two of the current members of the Board of Directors. These agreements replaced the advisory services agreements noted below that expired on December 31, 2009. These agreements required the provision of support services that included the duties of Executive Director and Chairman of the Board.

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The Executive Director support services agreement was effective from January 1, 2010 through September 30, 2010 and provided for monthly compensation in the amount of \$50,000. This agreement expired on September 30, 2010 and was not

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replaced. The Chairman of the Board support services agreement was effective from January 1, 2010 through June 30, 2011 and provided for monthly compensation in the amount of CDN\$25,000. This agreement expired on June 30, 2011 and was not replaced. These amounts are in lieu of the fees otherwise paid to Directors for their services.

During the year ended December 31, 2007, the Company entered into three advisory services agreements, two with companies controlled by two current members of the Board of Directors and one with a company controlled by a former senior officer of the Company. The advisory services included business planning and corporate finance activities and qualified as related party transactions in the normal course of operations. Effective December 31, 2008, the Company terminated the advisory service agreement with the company controlled by one of its former senior officers.

The agreements with the companies controlled by the two current members of the Board of Directors were effective through December 31, 2009. The agreements provided for monthly compensation beginning January 2008 in the amounts of \$75,000 and CDN\$100,000 per month for a minimum of at least three months. Beginning April 1, 2008, the Company's financial commitment relating to the services of two of the three companies was \$50,000 and CDN\$100,000 per month and remained in effect through December 31, 2009. Effective November 2008, the companies controlled by the two current members of the Board of Directors each agreed to a 10% reduction in their monthly compensation. This reduction in compensation continued through November 2009.

The advisory services agreements also provided for an aggregate performance fee payable on July 1, 2010 based on the difference between the average price of the Company's common shares for the ten trading days prior to July 1, 2010 on the Toronto Stock Exchange (the Average Price) and the Canadian offering price included in the Company's 2007 rights offering of CDN\$3.61 multiplied by an aggregate of 2.2 million, provided that the Average Price exceeds CDN\$4.76. This provision survived the expiration of the term of the agreements until July 1, 2010. The average stock price for the ten trading days prior to July 1, 2010 did not exceed CDN\$4.76 therefore no performance fee was paid.

C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable.

Item 8: Financial Information

Intertape's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. Until December 31, 2010, the Company's consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

The Consolidated Financial Statements of Intertape for the years ended December 31, 2012, 2011 and 2010 include the following:

Management's Responsibility for Financial Statements

Management's Report on Internal Control over Financial Reporting

Independent Auditor's Report of Registered Public Accounting Firm

Independent Auditor's Report of Registered Public Accounting Firm on Internal Control over Financial Reporting

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Consolidated Financial Statements

Consolidated Earnings (Loss)

Consolidated Comprehensive Income (Loss)

Consolidated Changes in Shareholders' Equity

Consolidated Cash Flows

Consolidated Balance Sheets

Notes to Consolidated Financial Statements

Table of Contents**Dividend Distributions**

The Board of Directors of the Company adopted a Dividend Policy on August 14, 2012 providing for semi-annual dividend payments in the amount of CDN\$.08. So long as the payments do not result in a violation of the Company's covenants with its lenders and noteholders, there are no other restrictions that would prevent the Company from paying dividends. The Company paid a dividend on October 10, 2012 in the amount of CDN\$.08 per issued and outstanding common share. On March 6, 2013, the Company declared a dividend in the amount of US\$0.08, under the semi-annual dividend policy. The dividend will be paid on April 10, 2013 to shareholders of record at the close of business on March 25, 2013. The Company has determined it is appropriate to pay the dividend in US dollars because most of its cash flows are in US dollars. The Company has paid no other dividend in the past three years. For details regarding the Company's covenants with its lenders and noteholders please refer to the Registration Statement filed on www.sec.gov in the US on October 26, 2004 as Registration No. 333-119982, as amended, and the Indenture and the ABL Loan and Security Agreement filed on www.sedar.com in Canada.

B. SIGNIFICANT CHANGES

No significant changes have occurred since the date of the annual financial statements.

Item 9: The Offer and Listing**A. OFFER AND LISTING DETAILS**

The following table sets forth the reporting of the high and low closing prices for Intertape shares on the Toronto Stock Exchange for the periods indicated. Also set forth below are the high and low closing prices for Intertape shares on the New York Stock Exchange through December 2009 and the OTC Pink Sheets from 2010 through 2012. As previously discussed, the Company voluntarily delisted its shares of common stock from the New York Stock Exchange effective December 3, 2009.

Year	Period	Toronto Stock Exchange (\$CDN)		New York Stock Exchange (\$US)*	
		High	Low	High	Low
2008	Annual	3.53	0.80	3.59*	0.67*
2009	Annual	3.07	0.39	2.90*	0.26*
2010	Annual	3.60	0.92	3.43	0.93
2011	Annual	3.39	1.02	3.30	1.04
2012	Annual	9.07	3.12	9.17	3.08
	First Quarter	4.70	3.17	4.65	3.10
	Second Quarter	7.85	4.72	7.65	4.75
	Third Quarter	9.00	6.12	9.11	6.21
2011	Fourth Quarter	8.28	6.10	8.40	6.03
	First Quarter	1.29	1.02	1.30	1.04
	Second Quarter	1.89	1.20	1.88	1.24
	Third Quarter	2.59	1.73	2.64	1.81
2012	Fourth Quarter	3.39	1.78	3.30	1.71
	September	6.97	6.12	7.20	6.21
	October	6.94	6.42	7.00	6.48
	November	8.13	6.10	8.16	6.03
2013	December	8.28	7.99	8.40	8.02
	January	9.78	8.05	9.78	8.17
	February	9.69	9.05	9.68	8.84

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Intertape has authorized an unlimited number of voting common shares without par value. The Company also has authorized an unlimited number of non-voting Class A preferred shares issuable in a 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 of Class A preferred shares. As of December 31, 2012, there were 59,625,039 issued and outstanding common shares and no issued and outstanding preferred shares of the Company.

B. PLAN OF DISTRIBUTION

Not Applicable.

C. MARKETS

The Company's common shares are traded on the Toronto Stock Exchange under the symbol ITP. The Company's common shares were traded on the New York Stock Exchange under the symbol ITP until December 3, 2009, the effective date of the Company's voluntary delisting. The Company's common shares are traded in the US on the OTC Pink Sheets.

D. SELLING SHAREHOLDERS

Not Applicable.

E. DILUTION

Not Applicable.

F. EXPENSES OF THE ISSUE

Not Applicable.

Item 10: Additional Information

A. SHARE CAPITAL

Not Applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

1. The business of Intertape was established when Intertape Systems Inc., a predecessor of the Company, established a pressure-sensitive tape manufacturing facility in Montreal. Intertape Polymer Group was incorporated under the *Canada Business Corporations Act* (the Act) on December 22, 1989 under the name 171695 Canada Inc. On October 8, 1991, the Company filed a Certificate of Amendment changing its name to Intertape Polymer Group Inc. A Certificate of Amalgamation was filed by the Company on August 31, 1993, at which time the Company was amalgamated with EBAC Holdings Inc. The Shareholders, at the Company's June 11, 2003 annual and special meeting, voted on the replacement of the Company's By-Law No. 1 with a new General By-Law 2003-1. The intent of the replacement by-law was to conform the Company's general by-laws with amendments that were made to the Act since the adoption of the general by-laws and to simplify certain aspects of the governance of the Company. On August 6, 2006, the Company filed a Certificate of Amendment to permit the Board of Directors of the Company to appoint one or more additional Directors to hold office for a term expiring not later than the close of the next annual meeting of the

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Company's Shareholders, so long as the total number of Directors so appointed does not exceed one-third of the number of Directors elected at the previous annual meeting of the Shareholders of the Company

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2. The directors of the Company may, when deemed expedient:

(a) borrow money upon the credit of the Company;

(b) issue debentures or other securities of the Company, and pledge or sell the same for such sums and at such prices as may be deemed expedient;

(c) notwithstanding the provisions of the Civil Code, hypothecate, mortgage or pledge the moveable or immoveable property, present or future, of the Company, to secure any such debentures, or other securities, or give part only of such guarantee for such purposes; and constitute the hypothec, mortgage or pledge above mentioned, by trust deed, or on any other manner; and

(d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any moveable or personal, immoveable or real or other property of the Company, owned or subsequently acquired, to secure any obligation of the Company.

Each Director is required to own a minimum of 50,000 shares of the Company's common stock by August 2014 in order to remain eligible for future option grants.

Description of Share Capital:

The authorized capital of the Company consists of an unlimited number of common shares and non-voting Class A preferred shares, issuable in series. The following is a summary of the material provisions which attach to the common shares and Class A preferred shares, and is qualified by reference to the full text of the rights, privileges, restrictions and conditions of such shares.

Common Shares

Voting Rights Each common share entitles the holder thereof to one vote at all meetings of the shareholders of the Company.

Payment of Dividends The holders of the Company's common shares are entitled to receive during each year, as and when declared by the Board of Directors, dividends payable in money, property or by issue of fully-paid shares of the capital of the Company.

Distribution of Assets Upon Winding-Up In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or other distribution of assets of the Company among shareholders for the purpose of winding-up its affairs, the holders of the Company's common shares are entitled to receive the remaining property of the Company.

Class A Preferred Shares

The Board of Directors may at any time and from time to time issue non-voting Class A preferred shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors. The Class A preferred shares are entitled to preference over the common shares with respect to the payment of dividends. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among shareholders for the purpose of winding-up its affairs, the holders of the Class A preferred shares will, before any amount is paid to, or any property or assets of the Company distributed among, the holders of the common shares, be entitled to receive: (i) an amount equal to the amount paid-up on such shares together with, in the case of cumulative Class A preferred shares, all unpaid cumulative dividends and, in the case of non-cumulative Class A preferred shares, all declared and unpaid non-cumulative dividends; and (ii) if such liquidation, dissolution, winding-up or distribution is voluntary, an additional amount equal to the premium, if any, which would have been payable on the redemption of the Class A preferred shares if they had been called for redemption by the Company on the date of distribution.

4. The rights of the holders of the Class A preferred shares may be amended only with the prior approval of two-thirds of the holders of the Class A preferred shares in addition to any other approvals required by the Act.

There are no preferred shares currently issued and outstanding.

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5. Subject to compliance with the Act, the annual shareholders meeting shall be convened on such day each year and at such time as the Board of Directors may by resolution determine. Special meetings of the shareholders may be convened by order of the Chairman of the Board, the President or a Vice President who is a director or by the Board of Directors to be held at such time and place as may be specified in such order. Special meetings of the shareholders may also be called by written request to the Board of Directors signed by shareholders holding between them not less than five percent (5%) of the outstanding shares of the Company entitled to vote at such meeting. Such request shall state the business to be transacted at the meeting and sent to the registered office of the Company. In the event the Board of Directors does not call the meeting within twenty-one (21) days after receiving the request, then any shareholder who signed the request may call the meeting.

6. The Articles of Amalgamation of Intertape do not contain limitations on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the Company's shares.

7. The Articles of Amalgamation and the Bylaws contain no provision that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or any of its subsidiaries.

C. MATERIAL CONTRACTS

The following is a description of the material contracts the Company was a party to during the last two fiscal years ended December 31, 2012, regardless of when they were initially entered into by Intertape Polymer Group, either directly or through one of its subsidiaries, and that are not in the ordinary course of the Company's business:

a **Purchase Agreement, Registration Rights Agreement and Indenture** each dated as of July 28, 2004, in connection with the issuance by Intertape Polymer US Inc., a finance subsidiary of Intertape Polymer Group, of the aggregate principal amount of US\$125.0 million of 8.5% Senior Subordinated Notes due 2014. The Notes were offered to institutional investors and are guaranteed on a senior subordinated basis by the Company and substantially all of its subsidiaries. Interest will accrue and be payable on the Notes semi-annually in arrears on February 1 and August 1. For a copy of the Purchase Agreement, Registration Rights Agreement, and Indenture, as well as details of the terms of the Senior Subordinated Notes, see the Registration Statement filed on October 26, 2004 as Registration No. 333-119982 as amended on www.sec.gov in the United States.

a **Loan and Security Agreement** dated March 28, 2008, among certain subsidiaries of the Company, the Lenders referred to therein, Bank of America, N.A., as Agent, and Banc of America Securities LLC, as Sole Lead Arranger and Book Manager for a \$200.0 million asset based loan (ABL). The amount of borrowings available to the Company under the ABL is determined by its applicable borrowing base from time to time. The borrowing base is determined by calculating a percentage of eligible trade accounts receivable, inventories and property, plant, and equipment. The ABL is priced at Libor plus a loan margin determined from a pricing grid. The loan margin declines as unused availability increases. The loan grid ranges from 1.50% to 2.25% (1.75% to 2.25% as amended see below). Unencumbered real estate is subject to a negative pledge in favor of the ABL lenders. However, the Company retains the ability to secure financing on all or a portion of its owned real estate up to \$35 million of real estate mortgage financing and have the negative pledge in favor of the ABL lenders terminated. The ABL has one financial covenant, a fixed charge ratio of 1.0 to 1.0. The ratio compares EBITDA (as defined in the ABL) less capital expenditures and pension plan payments in excess of pension plan expense to the sum of debt service and the amortization of the value of equipment in the borrowing base. The financial covenant becomes effective only when unused availability drops below \$25.0 million. The ABL matures in March 2013 (February 2017 as amended see below). For a copy of the Loan and Security Agreement see the 6-K filed on May 8, 2008, Film No. 088 13597. For a copy of the First and Second Amendments see the 6-K filed on April 29, 2011, Film No. 11793224.

a **Third Amendment to Loan and Security Agreement** dated February 1, 2012, among certain subsidiaries of the Company, the Lenders referred to therein, Bank of America, N.A., as agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Lead Arranger and Wells Fargo Capital Finance, LLC, as right side joint lead arranger. The Third Amendment extended the maturity date of the ABL (as defined above) to February 2017 from March 2013, however the new maturity date can be accelerated to 90 days prior to August 1, 2014 (the maturity date of the Company's existing Senior Subordinated Notes) if such Notes have not been retired or if certain other conditions have not been met. The Third Amendment also modified the loan grid range to 1.75% to 2.25%. In addition, certain other modifications in the terms were made to provide the Company greater flexibility. For a copy of the Third Amendment to Loan and Security Agreement see the

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6-K filed on February 2, 2012, Film No. 12566721.

an **Equipment Finance Agreement** dated August 14, 2012 in the amount of up to \$24.0 million for qualifying US capital expenditures during the period May 2012 through December 31, 2013. The Equipment Finance Agreement will have quarterly scheduling of amounts with each schedule having a term of sixty months and a fixed interest rate. The Company entered into the first schedule on September 27, 2012 for \$2.7 million at an interest rate of 2.74% with 60 monthly payments of \$48,577 and the last payment due on October 2, 2017. The Company entered into the second schedule on December 28, 2012 for \$2.6 million at an interest rate of 2.74% with 60 monthly payments of \$46,258 and the last payment due on December 31, 2017. For a copy of the Equipment Finance Agreement see the 6-K filed on September 5, 2012, Film No. 121073380.

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A copy of all of the foregoing contracts, except as otherwise noted, are available on *www.sedar.com* and on *www.sec.gov*.

D. EXCHANGE CONTROLS

As of the date hereof, there are no governmental laws, decrees or regulations in Canada on the export or import of capital, or which impose foreign exchange controls or affect the remittance of interest, dividends or other payments to non-resident holders of Intertape's common stock, except as described under Item 10E "Taxation" below.

Except as provided in the Investment Canada Act (Canada), the Competition Act (Canada), and/or the Canada Transportation Act (Canada) which have provisions that may potentially restrict the holding of voting shares by non-Canadians, there are no limitations specific to the rights of non-Canadians to hold or vote the Company's common shares under the laws of Canada or in its charter documents. The following summarizes the principal features of the Investment Canada Act, the Competition Act and the Canada Transportation Act for non-Canadian residents proposing to acquire the Company's common shares.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal advice to any holder or prospective holder of the Company's common shares, and no opinion or representation to any holder or prospective holder of the Company's common shares is hereby made. Accordingly, holders and prospective holders of the Company's common shares should consult with their own legal advisors with respect to the consequences of purchasing and owning the Company's common shares.

1. Investment Canada Act

The Investment Canada Act governs acquisitions of control of Canadian businesses by non-Canadians. Under the Investment Canada Act, non-Canadian individuals or entities acquiring control (as defined in the Investment Canada Act) of a corporation carrying on business in Canada are required to either notify, or file an application for review with, Industry Canada (or in the case of cultural businesses, Heritage Canada), subject to certain statutory exemptions. The relevant Minister may review any transaction which constitutes an acquisition of control of a Canadian business, where the book value of the assets acquired exceeds certain thresholds (which are higher for investors from members of the World Trade Organization, including United States residents, or World Trade Organization member-controlled companies) or where the activity of the business is a cultural business (as defined in the legislation and its regulations), or where the investment could be injurious to Canada's national security. For acquisitions of control of businesses which do not involve a cultural business or present national security issues, no change of voting control will be deemed to have occurred, for purposes of the Investment Canada Act, if less than one-third of the voting control of a Canadian corporation is acquired by an investor. Different rules apply to acquisitions of control of businesses related to Canada's cultural heritage or national identity, or present national security concerns.

If an investment is reviewable under the Investment Canada Act, an application for review in the form prescribed is normally required to be filed with Industry Canada or Heritage Canada prior to implementation of the investment. An investment subject to review may not be implemented until the review has been completed and the Minister responsible is satisfied that the investment is likely to be of net benefit to Canada. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian cannot implement the investment, or if the investment has been implemented, may be required to divest itself of control of the Canadian business that is the subject of the investment. Different rules apply if the Minister determines that the investment may be injurious to Canada's national security.

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Certain transactions relating to Intertape's common stock would be exempt from the Investment Canada Act, unless they are found to be potentially injurious to Canada's national security by the Minister responsible, including:

- (a) the acquisition of the Company's common stock by a person in the ordinary course of that person's business as a trader or dealer in securities;
- (b) the acquisition of control of the Company in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the Investment Canada Act; and
- (c) the acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of the Company, through ownership of our common stock, remains unchanged.

These exemptions do not apply to an acquisition of control of a Canadian business that is deemed to be potentially injurious to Canada's national security.

2. Competition Act

The Competition Act requires notification to the Commissioner of Competition of specified merger transactions that exceed certain monetary and share thresholds prior to their completion.

If a proposed merger is subject to pre-merger notification, each party to the proposed merger must file a notification with the Commissioner of Competition.

Proposed mergers that are subject to pre-merger notification under the Competition Act are prohibited from being completed before the end of 30 days following the receipt of a complete notification by the Commissioner of Competition, unless a waiver of the waiting period is obtained from the Commissioner of Competition. The waiting period may be extended by the issuance of a supplementary information request by the Commissioner of Competition within the initial 30 day waiting period. In the event that a supplementary information request is issued by the Commissioner of Competition, the parties may not complete the proposed merger until the end of a further 30 day waiting period that commences on the date on which the information requested pursuant to the supplementary information request has been provided to the Commissioner of Competition.

Whether or not a merger is subject to pre-merger notification to the Commissioner of Competition, the Commissioner of Competition may commence an application for relief in the Competition Tribunal on the basis that the merger prevents or lessens, or is likely to prevent or lessen competition substantially in a relevant market. Such applications for relief are subject to a one-year limitation period from the merger's substantial completion.

3. Canada Transportation Act

If a proposed transaction involves a transportation undertaking, and is subject to pre-merger notification to the Commissioner of Competition pursuant to the Competition Act, the parties to the proposed transaction must also provide pre-closing notification to the Minister of Transportation under the Canada Transportation Act. Such transactions require a 42 day waiting period which may be extended.

The parties to a proposed transaction subject to pre-merger notification to the Minister of Transportation may not complete the proposed transaction unless the Minister of Transportation issues a notice of his opinion that the proposed transaction does not raise issues with respect to the public interest as it relates to national transportation, or unless the transaction is approved by the Governor in Council.

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The following general summary describes the principal Canadian federal income tax consequences applicable to a holder of the Company's common stock who is a resident of the United States, who is not, will not be and will not be deemed to be a resident of Canada for purposes of the Income Tax Act (Canada) (the "Income Tax Act") and any applicable tax treaty and who does not use or hold, and is not deemed to use or hold, his common stock in the capital of the Company in connection with carrying on a business in Canada (a "non-resident holder"). This summary applies only to non-resident holders who hold their Intertape common stock as capital property. This summary does not apply to non-resident holders who are financial institutions (within the meaning of the Income Tax Act) or insurers.

This summary is based upon the current provisions of the Income Tax Act, the regulations thereunder (the "Regulations"), the current publicly announced administrative and assessing policies of the Canada Revenue Agency and the Canada-United States Tax Convention (1980), as amended (the "Treaty"). This summary also takes into account the amendments to the Income Tax Act and the Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals") and assumes that all such Tax Proposals will be enacted in their present form. However, no assurances can be given that the Tax Proposals will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax consequences applicable to a non-resident holder of the Company's common stock and, except for the foregoing, this summary does not take into account or anticipate any changes in law, whether by legislative, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax consequences described herein.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular holder or prospective holder of Intertape's common stock, and no opinion or representation with respect to the tax consequences to any holder or prospective holder of the Company's common stock is made. Accordingly, holders and prospective holders of the Company's common stock should consult their own tax advisors with respect to the income tax consequences of purchasing, owning and disposing of Intertape's common stock in their particular circumstances.

Dividends

Dividends paid on the Company's common stock to a non-resident holder will be subject under the Income Tax Act to withholding tax which tax is deducted at source by the Company. The withholding tax rate for dividends prescribed by the Income Tax Act is 25% but this rate may be reduced under the provisions of an applicable tax treaty. Under the Treaty, the withholding tax rate is reduced to 15% on dividends paid by the Company to a resident of the United States who is the beneficial owner of such dividend and is eligible to benefits under the Treaty. The rate is further reduced to 5% where the beneficial owner of the dividend is a corporation resident in the United States that is eligible for benefits under the Treaty and that owns at least 10% of the voting stock of the Company.

Capital Gains

A non-resident holder is not subject to tax under the Income Tax Act in respect of a capital gain realized upon the disposition of a common share of the Company unless such share is (or is deemed to be) taxable Canadian property (as defined in the Income Tax Act) of the non-resident holder. As long as they are listed on a designated stock exchange (which includes the TSX) at the time they are disposed of, Intertape's common stock generally will not be considered taxable Canadian property of a non-resident holder unless at any time during the 60 month period immediately preceding the disposition of the stock: (i) the non-resident holder, persons with whom the non-resident holder does not deal at arm's length or the non-resident holder together with such non-arm's length persons owned, or had an interest in an option in respect of, 25% or more of the issued stock of any class or series of the Company's capital stock, and (ii) more than 50% of the fair market value of the shares of Intertape Polymer Group was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Income Tax Act), timber resource properties (as defined in the Income Tax Act), or an option, an interest or right in such property.

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United States Federal Income Tax Consequences

The following is a general discussion of the material United States federal income tax consequences, under current law, generally applicable to a US Holder (as hereinafter defined) of common shares of the Company. This discussion does not address individual consequences to persons subject to special provisions of federal income tax law, such as those described below as excluded from the definition of a US Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. (See Canadian Federal Tax Consequences).

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations, published Internal Revenue Service (IRS) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. This discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. This discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of common shares of the Company and no opinion or representation with respect to the United States federal income tax consequences to any such holder or prospective holder is made. Accordingly, holders and prospective holders of common shares of the Company are urged to consult their own tax advisors about the federal, state, local, and foreign tax consequences of purchasing, owning and disposing of common shares of the Company.

US Holders

As used herein, a US Holder means a holder of common shares of the Company who is a citizen or individual resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision thereof or a trust whose income is taxable in the United States irrespective of source.

This summary does not address the tax consequences to, and US Holder does not include, persons subject to specific provisions of federal income tax law, such as tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a functional currency other than the US dollar, shareholders who hold common shares as part of a straddle, hedging or a conversion transaction, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services. This summary is limited to US Holders who own common shares as capital assets. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares.

Distribution on Common Shares of the Company

US Holders receiving dividend distributions (including constructive dividends) with respect to common shares of the Company are required to include in gross income for United States federal income tax purposes the gross amount of such distributions equal to the US dollar value of such dividends on the date of receipt (based on the exchange rate on such date) to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the US Holder's federal income tax liability or, alternatively, may be deducted in computing the US Holder's federal taxable income by those who itemize deductions. (See more detailed discussion at Foreign Tax Credit below). To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a return of capital up to the US Holder's adjusted basis in the common shares and thereafter as gain from the sale or exchange of the common shares. Preferential tax rates for long-term capital gains are applicable to a US Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a US Holder which is a corporation. The Health Care and Education Reconciliation Act of 2010 added Section 1411 to the Internal Revenue Code to impose a 3.8% Medicare surtax on net investment income of certain individuals, estates and trusts beginning in 2013. In general, income with respect to Company distributions will be considered investment income for purposes of the surtax.

Foreign Tax Credit

A US Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of the Company may be entitled, at the option of the US Holder, to either receive a deduction or a tax credit for such foreign tax

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paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by (or withheld from) the US Holder during that year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the US Holder's United States income tax liability that the US Holder's foreign sources income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as passive income, high withholding tax interest, financial services income, shipping income, and certain other classifications of income. Dividends distributed by the Company will generally constitute passive income or, in the case of certain US Holders, financial services income for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific, and US Holders of common shares of the Company should consult their own tax advisors regarding their individual circumstances.

Disposition of Common Shares of the Company

A US Holder will recognize gain or loss upon the sale of common shares of the Company equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the common shares of the Company. Preferential tax rates apply to long-term capital gains of US Holders who are individuals, estates or trusts. This gain or loss will be capital gain or loss if the common shares are a capital asset in the hands of the US Holder, which will be long-term capital gain or loss if the common shares of the Company are held for more than one year. The Health Care and Education Reconciliation Act of 2010 added Section 1411 to the Internal Revenue Code to impose a 3.8% Medicare surtax on net investment income of certain individuals, estates and trusts beginning in 2013. In general, capital gain or loss recognized upon the sale of common shares of the Company will be considered investment income for purposes of the surtax.

Other Considerations

In the following circumstances, the above sections of this discussion may not describe the United States federal income tax consequences resulting from the holding and disposition of common shares:

Passive Foreign Investment Company

Certain United States income tax legislation contains rules governing passive foreign investment companies (PFIC) which can have significant tax effects on US Holders of foreign corporations. These rules do not apply to non-US Holders.

Section 1297 of the Code defines a PFIC as a corporation that is not formed in the United States and, for any taxable year, either (i) 75% or more of its gross income is passive income, which includes interest, dividends and certain rents and royalties or (ii) the average percentage, by fair market value (or, if the Company is a controlled foreign corporation or makes an election, adjusted tax basis) of its assets that produce or are held for the production of passive income is 50% or more. The Company does not believe that it is a PFIC. Each US Holder of the Company is urged to consult a tax advisor with respect to how the PFIC rules affect their tax situation.

A US Holder who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to United States federal income taxation under one of two alternative tax regimes at the election of each such US Holder. The following is a discussion of such two alternative tax regimes applied to such US Holders of the Company. In addition, special rules apply if a foreign corporation qualifies as both a PFIC and a controlled foreign corporation (as defined below) and a US Holder owns, directly or indirectly, ten percent (10%) or more of the total combined voting power of classes of shares of such foreign corporation (See more detailed discussion at Controlled Foreign Company below).

A US Holder who makes an election (an Electing US Holder) in a timely manner to treat the Company as a Qualified Electing Fund (QEF) will be subject, under Section 1293 of the Code, to current federal income tax for any taxable year in which the Company qualifies as a PFIC on his pro rata share of the Company's (i) net capital gain (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain to the Electing US Holder and (ii) ordinary earnings (the excess of earnings and profits over net capital gain), which will be taxed as ordinary income to the Electing US Holder, in each case, for the shareholder's taxable year in which (or with which) the Company's taxable year ends, regardless of whether such amounts are actually distributed.

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The effective QEF election also allows the Electing US Holder to (i) generally treat any gain realized on the disposition of their common shares of the Company (or deemed to be realized on the pledge of their shares) as capital gain; (ii) treat his share of the Company's net capital gain, if any, as long-term capital gain instead of ordinary income; and (iii) either avoid interest charges resulting from PFIC status altogether, or make an annual election, subject to certain limitations, to defer payment of current taxes on his share of the Company's annual realized net capital gain and ordinary earnings subject, however, to an interest charge. If the Electing US Holder is not a corporation, such an interest charge would be treated as "personal interest" that is not deductible.

If a US Holder does not make a timely QEF election during a year in which it holds (or is deemed to have held) the shares in question and the Company is a PFIC (a "Non-electing US Holder"), then special taxation rules under Section 1291 of the Code will apply to (i) gains realized on the disposition (or deemed to be realized by reasons of a pledge) of his common shares of the Company and (ii) certain "excess distributions", as specifically defined, by the Company.

A Non-electing US Holder generally would be required to pro rate all gains realized on the disposition of his common shares of the Company and all excess distribution of his common shares and all excess distributions over the entire holding period for the Company.

All gains or excess distributions allocated to prior years of the US Holder (other than years prior to the first taxable year of the Company during such US Holder's holding period and beginning after January 1, 1987 for which it was a PFIC) would be taxed at the highest tax rate for each such prior year applicable to ordinary income. The Non-electing US Holder also would be liable for interest on the foregoing tax liability for each such prior year calculated as if such liability had been due with respect to each such prior year. A Non-electing US Holder that is not a corporation must treat this interest charge as "personal interest" which, as discussed above, is wholly non-deductible. The balance of the gain of the excess distribution will be treated as ordinary income in the year of the disposition or distribution, and no interest charge will be incurred with respect to such balance.

If the Company is a PFIC for any taxable year during which a Non-electing US Holder holds common shares of the Company, then the Company will continue to be treated as a PFIC with respect to such common shares, even if it is no longer definitionally a PFIC. A Non-electing US Holder may terminate this deemed PFIC status by electing to recognize a gain (which will be taxed under the rules discussed above for Non-electing US Holders) as if such common shares had been sold on the last day of the last taxable year for which it was a PFIC.

Under Section 1291(f) of the Code, the IRS has issued proposed regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by Non-Electing US Holders that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. Generally, in such cases the basis of the Company common shares in the hands of the transferee and the basis of any property received in the exchange for those common shares would be increased by the amount of gain recognized. An Electing US Holder would not be taxed on certain transfers of PFIC stock, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. The transferee's basis in this case will depend on the manner of the transfer. In a transfer at death, for example, the transferee's basis is equal to (i) the fair market value of the Electing US Holder's common shares, less (ii) the excess of the fair market value of the Electing US Holder's common shares reduced by the US Holder's adjusted basis in these common shares at death. The specific tax effect to the US Holder and the transferee may vary based on the manner in which the common shares are transferred. Each US Holder of the Company is urged to consult a tax advisor with respect to how the PFIC rules affect their tax situation.

Certain special, generally adverse, rules will apply with respect to common shares of the Company while the Company is a PFIC whether or not it is treated as a QEF. For example under Section 1297(b)(6) of the Code, a US Holder who uses PFIC stock as security for a loan (including a margin loan) will, except as may be provided in regulations, be treated as having made a taxable disposition of such shares.

Controlled Foreign Company

If more than 50% of the voting power of all classes of shares or the total value of the shares of the Company is owned, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships and corporations or estates or trusts other than foreign estates or trusts, each of whom own 10% or more of the total combined voting power of all classes of shares of the Company ("United States shareholder"), the Company could be treated as a "controlled foreign corporation" under Subpart F of the Code. This classification would effect many complex results one of which is the inclusion of certain income of a CFC which is subject to current US tax. The United States generally taxes a United States shareholder of a CFC currently on their pro rata shares of the Subpart F income of the CFC. Such US shareholders are generally treated as having received a current

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distribution out of the CFC's Subpart F income and are also subject to current US tax on their pro rata shares of the CFC's earnings invested in US property. The foreign tax credit described above may reduce the US tax on these amounts. In addition, under Section 1248 of the Code, gain from the sale or exchange of shares by a US Holder of common shares of the Company who is or was a United States shareholder at any time during the five-year period ending with the sale or exchange is treated as ordinary income to the extent of earnings and profits of the Company attributable to the shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to United States shareholders of the CFC. This rule generally will be effective for taxable years of United States shareholders beginning after 1997 and for taxable years of foreign corporations ending with or within such taxable years of United States shareholders. Special rules apply to United States shareholders who are subject to the special taxation rules under Section 1291 discussed above with respect to a PFIC. Because of the complexity of Subpart F, and because it is not clear that Subpart F would apply to US Holders of common shares of the Company, a more detailed review of these rules is outside of the scope of this discussion.

F. DIVIDENDS AND PAYING AGENTS

Not Applicable.

G. STATEMENT BY EXPERTS

Not Applicable.

H. DOCUMENTS ON DISPLAY

The documents referred to in this Form 20-F may be viewed at the Company's office located at 3647 Cortez Road West, Bradenton, Florida 34210.

I. SUBSIDIARY INFORMATION

Not Applicable.

Item 11: Quantitative and Qualitative Disclosures About Market Risk

Information for this Item is set forth in Note 21 to the 2012 audited Consolidated Financial Statements under Item 18 hereof.

Item 12: Description of Securities Other than Equity Securities

Not Applicable.

PART II

Item 13: Defaults, Dividend Arrearages and Delinquencies

Not Applicable.

Item 14: Material Modifications to the Rights of Security Holders and Use of Proceeds

Not Applicable.

Item 15. Controls and Procedures

Disclosure Controls and Procedures. Intertape Polymer Group Inc. (Intertape Polymer Group or the Company) maintains disclosure controls and procedures designed to ensure not only that information required to be disclosed in its reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, but also that information required to be disclosed by Intertape Polymer Group is accumulated and communicated to management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. The Chief Executive Officer and Chief Financial Officer of Intertape Polymer

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Group conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting as of December 31, 2012. They concluded based on such evaluation that the Company's disclosure controls and procedures were effective.

Management's Annual 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 International Financial Reporting Standards.

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 International Financial Reporting Standards, 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 compliance with policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as at December 31, 2012 based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management has concluded that the Company's internal control over financial reporting was effective as at December 31, 2012 based on those criteria.

The Company's independent auditors, Raymond Chabot Grant Thornton LLP, audited the financial statements included in this annual report and audited the Company's internal control over financial reporting as of December 31, 2012 and included in the Consolidated Financial Statements referenced in Item 18 of this Form 20-F its report on the Company's internal control over financial reporting.

Changes in Internal Control Over Financial Reporting. There have been no changes in Intertape Polymer Group's internal control over financial reporting that occurred during 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 16: [RESERVED]

Item 16A: Audit Committee Financial Expert

The Board of Directors of Intertape has determined that it has at least one audit committee financial expert serving on its audit committee. Mr. George J. Bunze, having been the Chief Financial Officer of Kruger Inc., and having the attributes set forth in Paragraph 16A(b) of the General Instructions to Form 20-F, has been determined to be an audit committee financial expert. Further, Mr. Bunze is independent as that term is defined by the Toronto Stock Exchange and Sarbanes-Oxley Act.

The Securities and Exchange Commission has stated that the designation of Mr. Bunze as an audit committee financial expert does not make him an expert for any purpose, including, without limitation, for purposes of Section 11 of the Securities Act of 1933. Further, such designation does not impose any duties, obligations or liability on Mr. Bunze greater than those imposed on members of the audit committee and Board of Directors not designated as an audit committee financial expert, nor does it affect the duties, obligations or liability of any other member of the audit committee or Board of Directors.

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Intertape has adopted a code of ethics entitled Intertape Polymer Group Inc. Code of Business Conduct and Ethics, which is applicable to all of its employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, and all persons performing similar functions. During the 2012 fiscal year, Intertape did not grant a waiver from any provision of its Code of Business Conduct and Ethics. Intertape will provide, without charge, to any person upon written or oral request, a copy of its Code of Business Conduct and Ethics. Requests should be directed to Burgess H. Hildreth, Intertape Polymer Group Inc., 3647 Cortez Road West, Bradenton, Florida 34210. Mr. Hildreth may be reached by telephone at (941) 739-7500.

Item 16C: Principal Accountant Fees and Services

The following table sets forth the fees billed for professional services rendered by Raymond Chabot Grant Thornton LLP, Chartered Accountants, Intertape's independent auditors, for the fiscal years ended December 31, 2012 and December 31, 2011:

	Year ended December 31,	
	2012	2011
Audit Fees	860,430	1,052,114
Audit-Related Fees	10,005	119,253
Tax Fees	75,038	268,614
All Other Fees		
Total Fees	945,473	1,439,981

Audit Fees. Audit fees were for professional services rendered for the integrated audit of Intertape's consolidated financial statements and internal control over financial reporting, assisting its Audit Committee in discharging its responsibilities for the review of the Company's interim unaudited consolidated financial statements and services that generally only the independent auditor can reasonably provide, such as consent letters and assistance and review of documents filed with the Securities and Exchange Commission and Canadian securities regulatory authorities.

Audit-Related Fees. Audit-related fees were for assurance and related services that are reasonably related to the performance of the audit or review of Intertape's consolidated interim unaudited financial statements and are not reported under the caption "Audit Fees" above. These services included consultations concerning financial accounting and reporting standards, as well as the Company's transition to International Financial Reporting Standards.

Tax Fees. Tax fees were for tax compliance, tax advice and tax planning. These services included the preparation of the Canadian subsidiaries income tax returns, assistance with questions regarding tax audits from the various taxation authorities in Canada and tax planning relating to common forms of domestic and international taxation.

All Other Fees. All other fees were for services provided other than the audit fees, audit-related fees and tax fees described above. No such fees have been billed in the last two years.

Intertape's Audit Committee pre-approves all audit engagement fees and the terms of all significant permissible non-audit services provided by independent auditors.

Item 16D: Exemptions From the Listing Standards for Audit Committee

Not Applicable.

Item 16E: Purchase of Equity Securities by the Issuer and Affiliated Purchasers

Not Applicable.

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Item 16F: Change In Registrant's Certifying Accountant.

Not Applicable.

Item 16G: Corporate Governance

Not Applicable.

Item 16H: Mine Safety Disclosure

Not Applicable.

PART III

Item 17. Financial Statements

Not Applicable.

Item 18. Financial Statements

The Consolidated Financial Statements required under Item 18 of this Form 20-F are attached hereto as Exhibit A .

Item 19. Exhibits

The Consolidated Financial Statements and the following exhibits are filed as part of this Annual Report on Form 20-F and are incorporated herein by reference.

A. Consolidated Financial Statements

Management's Responsibility for Financial Statements

Management's Report on Internal Control over Financial Reporting

Independent Auditor's Report of Registered Public Accounting Firm

Independent Auditor's Report of Registered Public Accounting Firm on Internal Control over Financial Reporting

Consolidated Financial Statements

Consolidated Earnings (Loss)

Consolidated Comprehensive Income (Loss)

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Consolidated Changes In Shareholders' Equity

Consolidated Cash Flows

Consolidated Balance Sheets

Notes to Consolidated Financial Statements

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B. Exhibits:

- 1.1 Articles of Amalgamation as amended incorporated herein by reference to Exhibit 3.3 to S-4 filed October 26, 2004, File No. 333-119982-26
- 1.2 General By-law 2003-1 incorporated herein by reference to Exhibit 3.4 to S-4 filed October 26, 2004, File No. 333-119982-26
- 4.1 Amended Executive Stock Option Plan incorporated herein by reference to S-8 filed November 7, 2012, File No. 333-184797
- 4.2 Purchase Agreement, Registration Rights Agreement and Indenture incorporated herein by reference to the Registration Statement filed on October 26, 2004 as Registration No. 333-119982 as amended on *www.sec.gov* in the United States
- 4.3 Loan and Security Agreement filed under 6-K on May 8, 2008, Film No. 08813597
- 4.4 Third Amendment to Loan and Security Agreement filed under 6-K on February 2, 2012, Film No. 12566721.
- 8.1 A list of all of Intertape's significant subsidiaries is set forth in Item 4C of this Form 20-F.
- 10.1 During 2012, Intertape was not required to send its directors and executive officers notices pursuant to Rule 104 of Regulation BTR concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR. Intertape's blackout periods are regularly scheduled and a description of such periods, including their frequency and duration and plan transactions to be suspended or affected are included in the documents under which Intertape's plans operate and is disclosed to employees before enrollment or within thirty (30) days thereafter.
- 12.1 Certification of the Chief Executive Officer required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a))
- 12.2 Certification of the Chief Financial Officer required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a))
- 13.1 Certification of the Chief Executive Officer required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
- 13.2 Certification of the Chief Financial Officer required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
- 14.1 Human Resources and Compensation Committee Charter incorporate herein by reference
- 14.2 Audit Committee Charter incorporated herein by reference
- 15.1 Consent of Independent Registered Public Accounting Firm

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SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Intertape Polymer Group Inc.

By: /s/ Gregory A. Yull
Gregory A. Yull, Chief Executive Officer

Dated March 26, 2013

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EXHIBIT 14.1 to Form 20-F

INTERTAPE POLYMER GROUP INC.

HUMAN RESOURCES AND COMPENSATION COMMITTEE CHARTER

PURPOSE

The Human Resources and Compensation Committee (the **Committee**) is a standing committee appointed by the Board of Directors (the **Board**) of Intertape Polymer Group Inc. (the **Corporation**). The mandate of the Committee consists of ensuring the direction and implementation of the Corporation's wage and compensation plans, policies and in ensuring that a succession plan is put in place to deal with the Corporation's future needs regarding human resources, with respect to the Chief Executive Officer and other key executives.

COMPOSITION, PROCEDURES AND POWERS

Composition

The Committee will be comprised of at least three members and a majority of the members of the Committee will be an independent director (as such term is defined from time to time under the requirements or guidelines for board service under applicable securities laws and the rules of any stock exchange on which the Corporation's securities are listed for trading).

The members of the Committee will be appointed or changed by resolution of the Board to hold office from the time of their appointment until the next annual meeting of shareholders or until their successors are so appointed. The Board may remove or replace a member of the Committee at any time. A member will cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on a Committee by appointing another director to the Committee.

Procedures

The Committee will meet regularly at times necessary to perform the duties described herein in a timely manner, but at least annually. Meetings may be held at any time deemed appropriate by the Committee.

A majority of the members of the Committee in office from time to time or, in the event that there are less than four members, two members will constitute a quorum for the transaction of business at any meeting of the Committee.

The Committee will fix its own procedure at meetings and for the calling of meetings. Unless waived by the members of the Committee, the Committee will meet *in camera* at each Committee meeting at which members of management are not in attendance, to allow its members to discuss matters openly and candidly.

The Committee will report to the Board following meetings of the Committee.

Powers

The Committee is entitled to full access to all books, records, facilities, and personnel of the Corporation and its subsidiaries. The Committee may require such officers, directors and employees of the Corporation and its subsidiaries and others as it may see fit from time to time to provide any information about the Corporation and its subsidiaries it may deem appropriate and to attend and assist at meetings of the Committee. The Committee may obtain, where necessary, legal or other advice from outside professionals; and determine and pay the fees of such professionals.

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The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

The Committee may adopt policies and procedures for carrying out its responsibilities.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee are established by the Board and include, amongst others, the following:

General Responsibilities

- i) Examine the Corporation's wage and compensation policies, with respect to the Chief Executive Officer and other key executives, and make recommendations to the Board regarding the adoption of such policies, as well as any amendments required as a result of any new laws or regulations;

- ii) Review and assess the competitiveness and appropriateness of and approve the compensation package of the Chief Executive Officer and of other key executives. In conducting such review, the Committee will consider:
 - the compensation packages of the Chief Executive Officer and of other key executives for the prior year;

 - the Committee's evaluation of the performance of the Chief Executive Officer and the Chief Executive Officer's evaluation of the performance of the other respective key executives;

 - the Corporation's performance and relative shareholder return;

 - whether the compensation package reflects an appropriate balance between short and longer-term incentives to improve performance of the Corporation;

 - whether the compensation package of the Chief Executive Officer or other key executives encourages excessive risk-taking;

 - the competitiveness of the compensation package, including the value of similar incentive awards paid to equivalent officers and positions at comparable companies; and

 - the awards granted to the Chief Executive Officer and other key executives in previous years;

- iii) Report the results or findings of its assessments of the competitiveness of the Corporation's compensation policies and practices to the Board;

- iv) Examine and, if applicable, review the Executive Stock Option Plan and such other incentive plans approved by the Board, evaluate these plans and make recommendations to the Board regarding any amendments deemed necessary as a result of the enactment of

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any new applicable laws or regulations or resulting from new market trends;

- v) Monitor the administration of the Executive Stock Option Plan and such other incentive plans approved by the Board, and recommend to the Board grants of stock options other types of stock-based compensation other than grants to Directors who are not also employees of the Corporation;
- vi) Examine the Corporation's director compensation policies and make recommendations to the Board regarding the adoption of such policies;
- vii) From time to time, as determined appropriate by the Committee, administer all policies and practices of the Corporation with respect to the indemnification of directors by the Corporation, approve all payments made pursuant to such policies and practices, and recommend to the Board the terms of the indemnification agreement to be entered into between the Corporation and each director;

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- viii) Review and approve any employment contracts or arrangements with the Chief Executive Officer and other key executives, including any retirement allowance arrangements, severance payments or any similar arrangements to take effect in the event of a termination of employment and any change of control agreements;
- ix) Review and recommend to the Board compensation policies and processes and any new incentive compensation and equity compensation plans of the Corporation or changes to such plans and in particular, the compensation policies, processes and plans respecting the Chief Executive Officer and other key executives;
- x) Review on an annual basis the organizational structure and the succession planning program with respect to the Chief Executive Officer and other key executives;
- xi) Pre-approving any services (other than or in addition to compensation services) to be provided by the Corporation's compensation consultant or advisor, or any of its affiliates, to the Corporation, or to its affiliated or subsidiary entities, or to any of its directors or other key executives;
- xii) Review the Committee's mandate on an annual basis and make recommendations to the Board regarding the adoption thereof;
- xiii) Review the executive compensation information before it is publicly disclosed in the Corporation's management proxy circular; and
- xiv) Carry out any other mandates that the Board may give from time to time.

Responsibilities Concerning the President and Chief Executive Officer

- i) Define the role and responsibilities of the President and Chief Executive Officer and make recommendations to the Board for their approval;
- ii) When hiring a new President and Chief Executive Officer, determine the Corporation's objectives regarding this position, review the role and responsibilities in light of such objectives and approve the profile of the desired candidate with the help and support of the Chairman of the Board and the Human Resources management. If a mandate is given to outside advisors, review the list of potential candidates and approve the shortlist of candidates, participate in the final decision and make recommendations to the Board for approval;
- iii) Review and approve annually, in collaboration with the Chairman of the Board or, if applicable, the Lead Director, the objectives of the Corporation as they pertain to the compensation of the President and Chief Executive Officer, evaluate his performance in light of these objectives, establish the acceptable level of compensation based on this evaluation and make recommendations to the Board with respect thereto; and
- iv) Review and approve any decision with respect to the cessation of employment of the President and Chief Executive Officer and his severance package, if any, and make recommendations to the Board for approval.

Responsibilities Concerning Other Key Executives

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- i) Determine annually the positions comprised by other key executives;
- ii) Recommend to the Board new candidates to the positions identified by the Board as comprising other key executives;
- iii) Review and approve the hiring, the compensation and the employment conditions of other key executives;
- iv) Review, if applicable, the severance packages negotiated in employment contracts or upon termination of employment of other key executives; and
- v) Review annually the development programs for other key executives.

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REVIEW AND DISCLOSURE

The Committee will review and reassess the adequacy of this Charter periodically and otherwise, as it deems appropriate, recommend changes to the Board. The performance of the Committee will be evaluated with reference to this Charter annually.

The Committee will ensure that this Charter is disclosed on the Corporation's website and that this Charter or a summary of it which has been approved by the Committee is disclosed in accordance with all applicable securities laws or regulatory requirements.

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EXHIBIT 14.2 to Form 20-F

INTERTAPE POLYMER GROUP INC.

AUDIT COMMITTEE CHARTER

PURPOSE

The Audit Committee (the **Committee**) is a standing committee appointed by the Board of Directors (the **Board**) of Intertape Polymer Group Inc. (the **Corporation**). The Committee is established to fulfill applicable public corporation obligations respecting audit committees and to assist the Board in fulfilling its oversight responsibilities. The Committee examines the financial reporting processes, internal controls, financial risk management and the audit process and procedures applied by the Corporation and makes recommendations to the Board in connection with the nomination of the external auditor.

In addition, the Committee will prepare, if required, an audit committee report for inclusion in the Corporation's annual management proxy circular, in accordance with applicable rules and regulations.

Nothing contained in this charter is intended to expand applicable standards of liability under statutory or regulatory requirements for the directors of the Corporation or the members of this Committee.

DIVISION OF RESPONSIBILITIES

The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members to (i) prepare the interim financial reports or annual financial statements of the Corporation; (ii) plan or conduct audits, (iii) make sure that the Corporation's interim financial reports or annual financial statements are complete and accurate and prepared in accordance with generally accepted accounting principles (**GAAP**) in Canada (International Financial Reporting Standards), (iv) make other types of auditing or accounting reviews or similar procedures or investigations, or (v) make sure applicable laws, regulations, rules and policies are complied with, including the Corporation's internal policies. The Committee members and its Chairman are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities.

Management is responsible for the preparation, presentation and completeness of the Corporation's interim financial reports and annual financial statements. Management, with the help of the internal audit service, is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. Management is also responsible for monitoring and reporting on the adequacy and effectiveness of the system of internal controls.

The external auditors are responsible for planning and carrying out an audit of the Corporation's annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with generally accepted accounting principles.

Unless a member of the Committee has knowledge of information to the contrary (of which the Board must be informed forthwith), he or she may rely on (i) the integrity of persons or organizations, whether or not part of the Corporation, who provide information to him or her, (ii) the accuracy of financial information and any other information these persons or organizations provide to the Committee and (iii) statements made by management.

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COMPOSITION, PROCEDURES AND POWERS

Composition

The Committee will be comprised of at least three members and each member of the Committee will be an independent director (as such term is defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Corporation's securities are listed for trading).

All members of the Committee must be financially literate (as that term is defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Corporation's securities are listed for trading or if it is not so defined, as that term is interpreted by the Board in its business judgment).

The members of the Committee will be appointed or changed by resolution of the Board to hold office from the time of their appointment until the next annual meeting of shareholders or until their successors are so appointed. The Board may remove or replace a member of the Committee at any time. A member will cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee by appointing another director to the Committee.

Procedures

The Committee will meet regularly at times necessary to perform the duties described herein in a timely manner, but not less than four times a year and any time the Corporation proposes to issue a press release with respect to its quarterly or annual earnings information. Meetings may be held at any time deemed appropriate by the Committee.

A majority of the members of the Committee in office from time to time or, in the event that there are less than four members, two members will constitute a quorum for the transaction of business at any meeting of the Committee.

The Committee will fix its own procedure at meetings and for the calling of meetings. Unless waived by the members of the Committee, the Committee will meet *in camera* at each Committee meeting without members of management in attendance, to allow its members to discuss matters openly and candidly.

The Committee will report through the Committee Chairman to the Board following meetings of the Committee.

Powers

The Committee is entitled to full access to all books, records, facilities, and personnel of the Corporation and its subsidiaries. The Committee may require such officers, directors and employees of the Corporation and its subsidiaries and others as it may see fit from time to time to provide any information about the Corporation and its subsidiaries it may deem appropriate and to attend and assist at meetings of the Committee. The Committee may obtain, where necessary, legal or other advice from outside professionals; and determine and cause the Corporation to pay the fees of such professionals.

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

The Committee may adopt policies and procedures for carrying out its responsibilities.

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DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee are established by the Board and include the functions customarily performed by audit committees, such as the following:

- i) Helping members of the Board meet their responsibilities for overseeing the financial information production and reporting process of the Corporation;
- ii) Providing sound communication between directors and the external auditor;
- iii) Ensuring itself of the independence of the external auditor;
- iv) Satisfying itself of the credibility and objectivity of financial reports;
- v) Strengthening the role of the directors by facilitating in-depth discussions among directors, management and the external auditor;
- vi) Assuming the responsibility, on behalf of the shareholders, for the relationship between the Corporation and the external auditor;
- vii) Examining and approving the mandate of the external auditor as well as the nature and scope of the audit to be conducted by the external auditor and receiving its official written statement attesting to its independence;
- viii) Recommending to the Board the nomination of the external auditor and its compensation;
- ix) Reviewing and evaluating the experience, qualifications and performance of the senior members of the external auditor's team (particularly the lead partner);
- x) Examining and approving the mandate, the organization and the independence of the internal auditor of the Corporation, including the scope of its responsibilities, its objectives, its work programs, and significant reports to management and management's responses;
- xi) Overseeing the work of the external auditor engaged for the purpose of preparing or issuing the audit report or performing other audit, exam or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial information;
- xii) Discussing with the external auditor any matters dealt with at the national office level of the external auditor;
- xiii) Discussing with the external auditor any restrictions imposed on the scope of its work and any problems arising in connection with its audit of the Corporation and its subsidiaries;

- xiv) Informing the Board of any conflict between the external auditor and management of the Corporation which the Committee has not settled within a reasonable timeframe;

- xv) Approving policies and procedures for the pre-approval of services to be rendered by the external auditors, which will include reasonable detail with respect to the services covered. All non-audit services to be provided to the Corporation or any of its affiliates by the external auditors or any of their affiliates which are not covered by pre-approval policies and procedures approved by the Committee will be subject to pre-approval by the Committee;

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- xvi) If required, pre-approving a budget for all non-auditing services that the external auditor of the Corporation must carry out for the Corporation or its subsidiaries in order to allow the Committee to consider the effect of the services on the independence of the external auditor and examining and authorizing all fees paid to the external auditor for any service. This responsibility of the Committee cannot be delegated to management of the Corporation in any way whatsoever;
- xvii) Reviewing and recommending to the Board for approval, before their release, all interim financial reports or annual financial statements and the related management's discussion and analysis, including, without limitation, the interim financial reports and annual financial statements of the Corporation, including the notes thereto, management's discussion and analysis relating thereto, the press releases regarding the interim and annual results, and the use of pro forma or adjusted non-GAAP information as well as financial information and earnings guidance provided to analysts and rating agencies, statements for use in prospectuses, or other offering documents and statements or reports required by regulatory authorities;
- xviii) Reviewing and recommending to the Board for approval, before their release, all public disclosure documents of the Company containing audited or unaudited financial information, including, without limitation, any prospectus, annual report (whether on Form 20-F or 40-F), annual information form, or any other documents extracted or derived from the Corporation's financial reports filed with regulatory agencies and satisfy itself that all information is consistent with the financial reports and that such document or statement does not contain any untrue statement of any material facts or omit to state a material fact that is required or necessary to make the document or statement not misleading, in light of the circumstances under which it was made;
- xix) Reviewing the accounting policies followed by the Corporation, including any material changes made thereto during a fiscal year and ensuring that they are adequate under the circumstances and in compliance with applicable laws and regulations;
- xx) Reviewing the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or GAAP methods on the Corporation's interim financial reports or annual financial statements;
- xxi) Reviewing, in conjunction with management and the external auditor, any new financial or regulatory requirements;
- xxii) Assessing the efficiency and integrity of the Corporation's internal controls and management information systems taking into account comments from the external auditor, the internal auditor of the Corporation and the Chief Financial Officer of the Corporation;
- xxiii) Reviewing the recommendations that the internal auditor and the external auditor bring to the attention of management of the Corporation and which they consider material with a view to improving accounting practices, internal controls and management information systems;
- xxiv) Ensuring that an adequate corporate disclosure policy is in place for the review of the Corporation's public disclosure of financial information extracted or derived from the interim financial reports or annual financial statements;
- xxv) Ensuring that procedures established for the receipt, retention and the treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and regarding the confidential and anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

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- xxvi) Reviewing and approving the Corporation's hiring policies regarding current and former partners and employees of the present and former external auditor of the Corporation;
- xxvii) Ensuring that a process allowing management to identify the major risks the Corporation is facing is implemented and taking all necessary measures or ensuring that such measures are taken to manage such risks; in this regard, making inquiries with respect to the insurance portfolio, the currency position, any pending or threatened litigation as well as any contingent liabilities of the Corporation and its subsidiaries; reviewing the level of provisions with respect to the Corporation's accounts and evaluating their adequacy;
- xxviii) Meeting privately on a regular basis with the internal auditor and the external auditor, without management being present, to discuss management of the Corporation's financial affairs and internal controls.
- xxix) Obtaining reports from management, the Company's senior internal auditing executive, if one is appointed, and the external auditor that the Corporation and its subsidiary or foreign affiliated entities are in conformity with applicable legal requirements and the Corporation's Code of Business Conduct and Ethics;
- xxx) Reviewing reports and disclosures of insider and affiliated party transactions. Advising the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations and with the Corporation's Code of Business Conduct and Ethics;
- xxxi) Discussing with management and the external auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Corporation's financial statements or accounting policies; and
- xxxii) Discussing with the Corporation's legal counsel matters that may have a material impact on the interim financial reports or annual financial statements or the Corporation's compliance policies.

Additional Responsibilities

The Committee will review and make recommendations to the Board concerning the financial structure, condition and strategy of the Corporation and its subsidiaries, including with respect to annual budgets, long-term financial plans, corporate borrowings, investments, capital expenditures, long term commitments and the issuance or repurchase of stock.

The Committee will review or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and financial obligations of the Corporation.

REVIEW AND DISCLOSURE

The Committee will review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate and recommend changes to the Board. The performance of the Committee will be evaluated with reference to this Charter annually.

The Committee will ensure that this Charter is disclosed on the Corporation's website and that this Charter or a summary of it which has been approved by the Committee is disclosed in accordance with all applicable securities laws or regulatory requirements.

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Intertape Polymer Group Inc.
Consolidated Financial Statements
December 31, 2012, 2011 and 2010

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Management's Responsibility for Financial Statements

The consolidated financial statements of Intertape Polymer Group Inc. (the Company) 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 International Financial Reporting Standards 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 control and procedures over financial reporting, to ensure that financial statements for external purposes are fairly presented in conformity with International Financial Reporting Standards. Pursuant to these internal control 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 International Financial Reporting Standards.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws 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 independent directors.

The Audit Committee's role is to examine the consolidated financial statements and annual report and once approved, 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 examinations. The Audit Committee is also responsible for recommending the nomination of the external auditors.

The Company's external independent registered public accounting firm, Raymond Chabot Grant Thornton LLP was appointed by the Shareholders at the Annual Meeting of Shareholders on May 16, 2012, 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 opinions on the consolidated financial statements and the Company's internal control over financial reporting follow.

/s/ Gregory A.C. Yull

Gregory A.C. Yull

President and Chief Executive Officer

/s/ Bernard J. Pitz

Bernard J. Pitz

Chief Financial Officer

Bradenton, Florida and Montreal, Quebec

March 6, 2013

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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 International Financial Reporting Standards.

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 the preparation of financial statements in accordance with International Financial Reporting Standards, 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 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 compliance 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, 2012 based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2012 based on those criteria.

The Company's internal control over financial reporting as of December 31, 2012 has been audited by Raymond Chabot Grant Thornton LLP, the Company's external independent registered public accounting firm, as stated in their report which follows.

/s/ Gregory A.C. Yull

Gregory A.C. Yull

President and Chief Executive Officer

/s/ Bernard J. Pitz

Bernard J. Pitz

Chief Financial Officer

Bradenton, Florida and Montreal, Quebec

March 6, 2013

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**Independent Auditor's Report of
Registered Public Accounting Firm**

To the Shareholders of

Intertape Polymer Group Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Intertape Polymer Group Inc. which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of earnings (loss), comprehensive income (loss), changes in shareholders' equity and cash flows for each of the years in the three year-period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Intertape Polymer Group Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2012.

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in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also 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 at December 31, 2012, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 6, 2013, expressed an unqualified opinion on Intertape Polymer Group Inc.'s internal control over financial reporting.

Montreal, Canada

March 6, 2013

¹ CPA auditor, CA, public accountancy permit No. A120795

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**Independent Auditor's Report of
Registered Public Accounting Firm
on Internal Control over Financial Reporting**

To the Shareholders of

Intertape Polymer Group Inc.

We have audited Intertape Polymer Group Inc.'s internal control over financial reporting as at December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility

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 Management's Report on Internal Control over Financial Reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting 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 of internal control over financial reporting 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 the assessed risk, and performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal control over financial reporting.

Definition of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. 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 consolidated financial statements in accordance with International Financial Reporting Standards, 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 consolidated financial statements.

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Inherent limitations

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.

Opinion

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2012 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with Canadian generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Intertape Polymer Group Inc. as at December 31, 2012, 2011 and for each of the years in the three-year period ended December 31, 2012 and our report dated March 6, 2013 expressed an unqualified opinion thereon.

Montreal, Canada

March 6, 2013

¹ CPA auditor, CA, public accountancy permit No. A120795

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Intertape Polymer Group Inc.**Consolidated Earnings (Loss)**

Years ended December 31, 2012, 2011 and 2010

(In thousands of US dollars, except per share amounts)

	2012	2011	2010
	\$	\$	\$
Revenue	784,430	786,737	720,516
Cost of sales	643,393	672,262	636,194
Gross profit	141,037	114,475	84,322
Selling, general and administrative expenses	79,135	76,969	73,302
Research expenses	6,227	6,200	6,252
	85,362	83,169	79,554
Operating profit before manufacturing facility closures, restructuring and other related charges	55,675	31,306	4,768
Manufacturing facility closures, restructuring and other related charges (Note 4)	18,257	2,891	3,534
Operating profit	37,418	28,415	1,234
Finance costs			
Interest	13,233	15,361	15,670
Other expense	1,303	2,180	880
	14,536	17,541	16,550
Earnings (loss) before income tax expense (benefit)	22,882	10,874	(15,316)
Income tax expense (benefit) (Note 5)			
Current	927	688	(10)
Deferred	(552)	1,232	33,243
	375	1,920	33,233

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Net earnings (loss)	22,507	8,954	(48,549)
Earnings (loss) per share (Note 6)			
Basic	0.38	0.15	(0.82)
Diluted	0.37	0.15	(0.82)

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

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Intertape Polymer Group Inc.**Consolidated Comprehensive Income (Loss)**

Years ended December 31, 2012, 2011 and 2010

(In thousands of US dollars)

	2012	2011	2010
	\$	\$	\$
Net earnings (loss)	22,507	8,954	(48,549)
Other comprehensive income (loss)			
Changes in fair value of interest rate swap agreements designated as cash flow hedges (net of deferred income tax expense of nil, nil in 2011 and nil in 2010)	-	(30)	(599)
Settlements of interest rate swap agreements, transferred to earnings (net of income tax expense of nil, nil in 2011 and nil in 2010)	-	927	1,249
Changes in fair value of forward foreign exchange rate contracts, designated as cash flow hedges (net of deferred income tax expense of nil, nil in 2011 and nil in 2010)	227	867	1,828
Settlements of forward foreign exchange rate contracts, transferred to earnings (net of income tax expense of nil, nil in 2011 and nil in 2010)	(214)	(1,015)	(869)
Gain on forward foreign exchange rate contracts recorded in earnings pursuant to recognition of the hedged item in cost of sales upon discontinuance of the related hedging relationships (net of income tax expense of nil, nil in 2011 and nil in 2010)	-	(998)	(616)
Change in cumulative translation adjustments	2,002	(1,729)	2,935
Actuarial gains or losses and change in asset ceiling and minimum funding requirements on defined benefit plans (net of income tax benefit of \$1,209, \$1,427 in 2011 and \$768 in 2010) (Note 17)	(6,436)	(14,701)	(2,091)
Other comprehensive income (loss)	(4,421)	(16,679)	1,837
Comprehensive income (loss) for the period	18,086	(7,725)	(46,712)

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

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Intertape Polymer Group Inc.**Consolidated Changes in Shareholders' Equity**

Year ended December 31, 2010

(In thousands of US dollars, except for number of common shares)

	Capital stock		Contributed surplus \$	Accumulated other comprehensive income			Total \$	Deficit \$	Total shareholders equity \$
	Number	Amount \$		Cumulative translation adjustment account \$	Reserve for cash flow hedges \$	Total \$			
Balance as of January 1, 2010	58,951,050	348,143	15,024	-	(757)	(757)	(172,387)	190,023	
Transactions with owners									
Exercise of stock options (Note 15)	10,000	5						5	
Stock-based compensation expense (Note 15)			769					769	
	10,000	5	769					774	
Net earnings (loss)							(48,549)	(48,549)	
Other comprehensive income									
Changes in fair value of interest rate swap agreements, designated as cash flow hedges (net of deferred income tax expense of nil)					(599)	(599)		(599)	
Settlement of interest rate swap agreements, transferred to earnings (net of income tax expense of nil)					1,249	1,249		1,249	
Changes in fair value of forward foreign					1,828	1,828		1,828	

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exchange rate contracts, designated as cash flow hedges (net of deferred income tax expense of nil)								
Settlement of forward foreign exchange rate contracts, transferred to earnings (net of income tax expense of nil)					(869)	(869)		(869)
Gain on forward foreign exchange rate contracts recorded in earnings pursuant to recognition of the hedged item in cost of sales upon discontinuance of the related hedging relationships (net of income tax expense of nil)					(616)	(616)		(616)
Actuarial gains or losses and change in minimum funding requirements on defined benefit plans (net of income tax benefit of \$768) (Note 17)							(2,091)	(2,091)
Changes to cumulative translation adjustments				2,935		2,935		2,935
				2,935	993	3,928		1,837
Balance as of December 31, 2010	58,961,050	348,148	15,793	2,935	236	3,171	(223,027)	144,085

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

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Intertape Polymer Group Inc.**Consolidated Changes in Shareholders Equity**

Year ended December 31, 2011

(In thousands of US dollars, except for number of common shares)

	Capital stock		Contributed surplus \$	Accumulated other comprehensive income			Total \$	Deficit \$	Total shareholders equity \$
	Number	Amount \$		Cumulative translation adjustment account \$	Reserve for cash flow hedges \$				
Balance as of December 31, 2010 (balance carried forward)	58,961,050	348,148	15,793	2,935	236	3,171	(223,027)	144,085	
Transactions with owners									
Stock-based compensation expense (Note 15)			818					818	
Net earnings							8,954	8,954	
Other comprehensive loss									
Changes in fair value of interest rate swap agreements, designated as cash flow hedges (net of deferred income tax expense of nil)					(30)	(30)		(30)	
Settlement of interest rate swap agreements, transferred to earnings (net of income tax expense of nil)					927	927		927	
Changes in fair value of forward foreign exchange rate					867	867		867	

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contracts, designated as cash flow hedges (net of deferred income tax expense of nil)								
Settlement of forward foreign exchange rate contracts, transferred to earnings (net of income tax expense of nil)					(1,015)	(1,015)		(1,015)
Gain on forward foreign exchange rate contracts recorded in earnings pursuant to recognition of the hedged item in cost of sales upon discontinuance of the related hedging relationships (net of income tax expense of nil)					(998)	(998)		(998)
Actuarial gains or losses and change in minimum funding requirements on defined benefit plans (net of income tax benefit of \$1,427) (Note 17)							(14,701)	(14,701)
Changes to cumulative translation adjustments				(1,729)		(1,729)		(1,729)
				(1,729)	(249)	(1,978)		(16,679)
Balance as of December 31, 2011	58,961,050	348,148	16,611	1,206	(13)	1,193	(228,774)	137,178

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

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Intertape Polymer Group Inc.**Consolidated Changes in Shareholders Equity**

Year ended December 31, 2012

(In thousands of US dollars, except for number of common shares)

	Capital stock		Contributed surplus	Accumulated other comprehensive income			Total	Deficit	Total shareholders equity
	Number	Amount \$		Cumulative translation adjustment account	Reserve for cash flow hedges	Total			
		\$	\$	\$	\$	\$	\$	\$	
Balance as of December 31, 2011 (balance carried forward)	58,961,050	348,148	16,611	1,206	(13)	1,193	(228,774)	137,178	
Transactions with owners									
Exercise of stock options (Note 15)	663,989	2,017						2,017	
Excess tax benefit on stock options (Note 5)		773						773	
Stock-based compensation expense (Note 15)			539					539	
Stock-based compensation expense credited to capital on options exercised (Note 15)		764	(764)						
Dividends on common stock							(4,759)	(4,759)	
	663,989	3,554	(225)				(4,759)	(1,430)	
Net earnings							22,507	22,507	
Other comprehensive loss									
Changes in fair value of forward foreign					227	227		227	

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exchange rate contracts, designated as cash flow hedges (net of deferred income tax expense of nil)								
Settlement of forward foreign exchange rate contracts, transferred to earnings (net of income tax expense of nil)					(214)	(214)		(214)
Actuarial gains or losses and change in minimum funding requirements on defined benefit plans (net of income tax benefit of \$1,209) (Note 17)							(6,436)	(6,436)
Changes to cumulative translation adjustments				2,002		2,002		2,002
				2,002	13	2,015		(4,421)
Balance as of December 31, 2012	59,625,039	351,702	16,386	3,208	-	3,208	(217,462)	153,834

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

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Intertape Polymer Group Inc.**Consolidated Cash Flows**

Years ended December 31, 2012, 2011 and 2010

(In thousands of US dollars)

	2012	2011	2010
	\$	\$	\$
<i>OPERATING ACTIVITIES</i>			
Net earnings (loss)	22,507	8,954	(48,549)
Adjustments to net earnings (loss)			
Depreciation and amortization	30,397	30,882	33,482
Income tax expense	375	1,920	33,233
Interest expense	13,233	15,361	15,670
Charges in connection with manufacturing facility closures, restructuring and other related charges	14,958	191	1,540
Write-down (reversal) of inventories, net	(31)	30	1,641
Stock-based compensation expense	1,832	818	769
Pension and other post-retirement benefits expense	1,414	953	1,515
Gain on foreign exchange	(56)	(276)	(180)
Impairment of long-term assets	-	-	4,037
Other adjustments for non cash items	(77)	298	198
Income taxes paid, net	(291)	(639)	(394)
Contributions to defined benefit plans	(5,562)	(4,318)	(4,020)
Cash flows from operating activities before changes in working capital items	78,699	54,174	38,942
<i>Changes in working capital items</i>			
Trade receivables	6,269	3,356	(12,201)
Inventories	(1,500)	1,140	(15,210)
Parts and supplies	(967)	(747)	(1,016)
Other current assets	(104)	(2,750)	(1,892)
Accounts payable and accrued liabilities	2,646	(5,664)	16,899
Provisions	(570)	(757)	985
	5,774	(5,422)	(12,435)
Cash flows from operating activities	84,473	48,752	26,507
<i>INVESTING ACTIVITIES</i>			
Proceeds on the settlements of forward foreign exchange rate contracts	198	1,520	647
Purchases of property, plant and equipment	(21,552)	(14,006)	(8,627)
Proceeds from disposals of property, plant and equipment and other assets	35	2,962	1,430
Restricted cash and other assets	305	5,520	(8,057)
Purchase of intangible assets	(64)	(1,318)	(849)

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Cash flows from investing activities	(21,078)	(5,322)	(15,456)
FINANCING ACTIVITIES			
Proceeds from long-term debt	135,333	105,415	42,242
Repayment of long-term debt	(178,168)	(132,404)	(38,239)
Payments of debt issue costs	(2,281)	-	-
Interest paid	(14,190)	(15,953)	(14,481)
Proceeds from exercise of stock options	2,046	-	5
Dividends Paid	(4,759)	-	-
Cash flows from financing activities	(62,019)	(42,942)	(10,473)
Net increase in cash	1,376	488	578
Effect of foreign exchange differences on cash	170	(111)	(281)
Cash, beginning of year	4,345	3,968	3,671
Cash, end of year	5,891	4,345	3,968

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

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Intertape Polymer Group Inc.**Consolidated Balance Sheets**

As of

(In thousands of US dollars)

	December 31, 2012 \$	December 31, 2011 \$
ASSETS		
Current assets		
Cash	5,891	4,345
Trade receivables	75,860	82,622
Other receivables (Note 7)	5,163	4,870
Inventories (Note 8)	91,910	90,709
Parts and supplies	14,442	14,596
Prepaid expenses	5,701	6,581
	198,967	203,723
Property, plant and equipment (Note 9)	185,592	203,648
Other assets (Note 10)	3,597	2,726
Intangible assets (Note 11)	1,980	3,137
Deferred tax assets (Note 5)	36,016	33,489
Total assets	426,152	446,723
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	76,005	73,998
Provisions (Note 14)	1,526	1,913
Derivative financial instruments (Note 21)	-	13
Installments on long-term debt (Note 13)	9,688	3,147
	87,219	79,071
Long-term debt (Note 13)	141,611	191,142
Pension and other post-retirement benefits (Note 17)	40,972	37,320
Other liabilities (Note 15)	625	-
Provisions (Note 14)	1,891	2,012
	272,318	309,545

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<i>SHAREHOLDERS EQUITY</i>		
Capital stock (Note 15)	351,702	348,148
Contributed surplus	16,386	16,611
Deficit	(217,462)	(228,774)
Accumulated other comprehensive income (Note 16)	3,208	1,193
	153,834	137,178
Total liabilities and shareholders equity	426,152	446,723

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

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Intertape Polymer Group Inc.

Notes to Consolidated Financial Statements

December 31, 2012

(In US dollars, tabular amounts in thousands, except as otherwise noted)

1- GENERAL BUSINESS DESCRIPTION

Intertape Polymer Group Inc. (the Parent Company), incorporated under the Canada Business Corporations Act, has its principal administrative offices in Montreal, Quebec, Canada and in Bradenton, Florida, U.S.A. The address of the Parent Company's registered office is 1250 René-Lévesque Blvd. West, Suite 2500, Montreal, Quebec, Canada H3B 4Y1, c/o Heenan Blaikie LLP. The Parent Company's common shares are listed on the Toronto Stock Exchange (TSX) in Canada.

The Parent Company and its subsidiaries (together referred to as the Company), develops, manufactures and sells a variety of paper and film based pressure sensitive and water activated tapes, specialized polyolefin films, woven fabrics and complementary packaging systems for industrial and retail use.

Intertape Polymer Group Inc. is the Company's ultimate parent.

2- ACCOUNTING POLICIES

Basis of Presentation and Statement of Compliance

The consolidated financial statements present the Company's consolidated balance sheets as of December 31, 2012 and December 31, 2011, as well as its consolidated earnings (loss), consolidated comprehensive income (loss), consolidated cash flows, and consolidated changes in shareholders' equity for each of the years in the three-year period ended December 31, 2012. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and are expressed in US dollars.

The consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 6, 2013.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets for which the measurement basis is detailed in their respective accounting policies:

Derivative financial instruments; and

The defined benefit liability of the Company's pension plans and other post-retirement benefit plans.

Critical Accounting Judgments, Estimates and Assumptions

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The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these estimates on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about these significant judgments, assumptions and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are summarized below:

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Impairments

At the end of each reporting period the Company performs a test of Impairment, if there are indicators of impairment. An impairment loss is recognized when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which in turn is the higher of its fair value less costs to sell and its value in use. The value in use is based on discounted estimated future cash flows. The cash flows are derived from the budget or forecasts for the estimated remaining useful lives of the CGUs and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the asset or CGU being tested. The value in use will vary depending on the discount rate applied to the discounted cash flows, the estimated future cash inflows, and the growth rate used for extrapolation purposes. Refer to Note 12 for more information regarding impairment testing of long-term assets.

Pension and other post-retirement benefits

The cost of defined benefit pension plans and other post-retirement benefit plans and the present value of the related obligations are determined using actuarial valuations. The determination of benefits expense and related obligations requires assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, expected mortality and the expected healthcare cost trend. Actual results will differ from results which are estimated based on assumptions. Refer to Note 17 for more information regarding the assumptions related to the pension and other post-retirement benefit plans.

Uncertain tax positions

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, liabilities in excess of the Company's provisions could result from audits by, or litigation with, the relevant taxing authorities. Where the outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Refer to Note 5 for more information regarding income taxes.

Deferred income taxes

Deferred tax assets are recognized for unused tax losses and tax credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies. Refer to Note 5 for more information regarding income taxes.

Fair value measurement of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 21 for more information regarding the fair value measurement of financial instruments.

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Leases

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. In some cases, the assessment of a lease contract is not always conclusive and management uses its judgment in determining if an agreement is a finance lease that transfers substantially all risks and rewards incidental to ownership, or an operating lease.

Useful lives of depreciable assets

Management reviews the useful lives, depreciation methods and residual values of depreciable assets at each reporting date. As of the reporting date, management assesses the useful lives which represent the expected utility of the assets to the Company. Actual results, however, may vary due to technical or commercial obsolescence, particularly with respect to computers and manufacturing equipment.

Net realizable value of inventories and parts and supplies

Inventories and parts and supplies are measured at the lower of cost or net realizable value. In estimating net realizable values of inventories and parts and supplies, management takes into account the most reliable evidence available at the time the estimate is made.

Allowance for doubtful accounts and revenue adjustments

During each reporting period, the Company makes an assessment of whether trade accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other revenue adjustments, taking into consideration customer creditworthiness, current economic trends and past experience. The Company also records reductions to revenue for estimated returns, claims, customer rebates, and other incentives that are estimated based on historical experience and current economic trends. If future collections and trends differ from estimates, future earnings will be affected. Refer to Note 21 for more information regarding the allowance for doubtful accounts and the related credit risks.

Provisions for restoration

Provisions for restoration represent the estimated value of the present obligation to restore one or more leased facilities at the end of the related lease. The estimated value reflects a combination of management's assessment of the cost of performing the work required, the timing of the cash flows and the discount rate, as applicable when the effect of the time value of money is material. A change in any or a combination of the three key assumptions used to determine the provisions could have an impact on earnings and on the carrying value of the provision. Please refer to Note 14 for more information regarding provisions.

Provisions for termination benefits

Termination benefits are recognized as a liability and an expense when, and only when, the Company is demonstrably committed to terminate the employment of an employee or group of employees before normal retirement date. The measurement of termination benefits is based on the expected costs and the number of employees expected to be terminated. Please refer to Note 4 for more information regarding termination benefits. Please refer to Note 14 for more information regarding provisions.

Provisions for litigation

The Company is currently defending certain litigation where the actual outcome may vary from the amount recognized in the financial statements. Refer to Note 14 for more information relating to the provisions for litigation. Please refer to Note 14 for more information regarding provisions.

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Stock-based payments

The Company has adopted an Executive Stock Option Plan (ESOP) and a Stock Appreciation Rights Plan (SAR Plan). The ESOP is an equity-settled plan under which certain members of management and directors receive options to acquire common shares of the Company. The SAR Plan is a cash-settled plan under which certain members of management and directors receive a cash amount equal to the difference between the base price of the Stock Appreciation Right (SAR) and the market value of a common share of the Company on the date of exercise.

With respect to the ESOP, the expense is based on the grant date fair value of the awards expected to vest over the vesting period. For the SAR Plan, the expense is determined based on the fair value of the liability at the end of the reporting period until the award is settled. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated earnings (loss) statement. Please refer to Note 15 for more information regarding stock-based payments.

Principles of Consolidation

The consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries. Subsidiaries are entities over which the Parent Company has the power to control the financial and operating policies. At the reporting date, the subsidiaries are all, directly or indirectly, 100% owned by the Parent Company.

All subsidiaries have a reporting date identical to that of the Parent Company. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Parent Company.

All intercompany balances and transactions have been eliminated on consolidation, including unrealized gains and losses on transactions between the consolidated entities. When unrealized losses on intra-company asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Company perspective.

Details of the Parent Company's operating subsidiaries, as of December 31, 2011 are as follows:

Name of Subsidiaries	Principal Activity	Country of Incorporation and Residence	Proportion of Ownership Interest and Voting Power
			Held
Intertape Polymer Corp.	Manufacturing	United States	100%
Intertape Polymer Inc.	Manufacturing	Canada	100%
ECP GP II Inc.	Manufacturing	Canada	100%
ECP L.P.	Manufacturing	Canada	100%
FIBOPE Portuguesa-Filmes Biorientados, S.A.	Manufacturing	Portugal	100%

As of the result of an internal restructuring, effective December 31, 2012, the Company liquidated and dissolved ECP GP II Inc. and ECP L.P., its Canadian operating companies, and all business, assets and liabilities were transferred to Intertape Polymer Inc.

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Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

On initial recognition, financial instruments are measured at fair value, plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

In subsequent periods, the measurement of financial instruments depends on their classification. The classification of the Company's financial instruments is presented in the following table:

Category	Financial instruments
Loans and receivables	Cash Trade receivables Other receivables ⁽¹⁾ Loan to an officer
Other financial liabilities	Accounts payable and accrued liabilities Long-term debt

(1) Excluding income, sales and other taxes

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Discounting is omitted where the effect of discounting is immaterial. Subsequent to acquisition, trade receivables are measured at amortized cost using the effective interest rate method, which usually corresponds to the amount initially recorded as due from customers based on agreed upon payment terms less any allowance for doubtful accounts. Other receivables are subsequently measured at amortized cost using the effective interest method, including any impairment thereof. The expense relating to the allowance for doubtful accounts is recognized in Selling, general and administrative expenses.

Other financial liabilities are measured at amortized cost using the effective interest method. All interest related charges are reported in earnings within Finance costs.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at fair value on the consolidated balance sheet, and the related gains and losses are recognized in earnings. The Company does not have any financial assets in this category.

All financial assets except those at fair value through profit or loss are subject to review for impairment at least at each reporting date. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that a financial asset or a group of financial assets are impaired could include:

significant financial difficulty of the issuer or counterparty; or
default or delinquency in interest or principal payments; or
it becomes probable that the borrower will enter bankruptcy or financial reorganization.

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Evidence of impairment of Trade receivables and Other receivables is considered at both specific asset and collective levels. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment by grouping together receivables with similar risk categories.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of the loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

Derivative Financial Instruments and Hedging

The Company may use derivative financial instruments to mitigate or eliminate the interest rate risk on its long-term debt and the foreign exchange risk on certain inventory purchases.

The interest rate swap agreements were used as part of the Company's program to manage the floating interest rate mix of the Company's total debt portfolio and the related cost of borrowing. The interest rate swap agreements involve the exchange of periodic payments excluding the notional principal amount upon which the payments are based.

These payments were 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.

The forward foreign exchange rate contracts were used to manage the exchange risk associated with certain highly probable forecast monthly inventory purchases of the Company's United States (US) operations that are settled in Canadian dollars.

When the requirements for hedge accounting are met at inception, the Company's policy is to designate each derivative financial instrument as a hedging instrument in a cash flow hedge relationship. Upon designation, the Company documents the relationships between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, and the methods that will be used to assess the effectiveness of the hedging relationship. At inception of the hedge relationship and at each subsequent reporting date, the Company uses the critical terms method to determine prospectively whether or not the hedging instruments are expected to be highly effective in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge are designated. At each subsequent financial reporting date, the Company uses the dollar offset method to determine retrospectively whether or not the hedging relationship has continued to be effective, and what part may be ineffective. A relationship is generally considered to be highly effective if the offsetting changes are within a range of 80 to 125 percent, and the transactions continue to be highly probable.

The effective portion of changes in the fair value of a derivative financial instrument designated as a hedging item is recognized in other comprehensive income (loss) and gains and losses related to the ineffective portion, if any, are immediately recognized in earnings. Amounts previously included as part of other comprehensive income (loss) are transferred to earnings in the period during which the changes in cash flow of the hedged item impact net income.

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 the 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 earnings.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, if a separate instrument with the same terms as the embedded derivative would meet the definition of a

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derivative, and if the combined instrument is not measured at fair value through profit or loss. As of December 31, 2012 and 2011, the Company did not have any embedded derivatives that needed to be separated from a host contract.

Comprehensive income (loss)

Total comprehensive income (loss) is the change in equity during the period resulting from transactions and other events. Other comprehensive income (loss) comprises items of income and expenses (including reclassification adjustments) that are not recognized in net earnings as required or permitted by IFRS. These items include gains and losses arising from the translation of consolidated subsidiaries having a functional currency different from the reporting currency, changes in the fair value of financial instruments designated as cash flow hedges and actuarial gains or losses and changes in asset ceiling and minimum funding requirements on defined benefit plans.

Foreign Currency Translation*Functional and presentation currency*

The consolidated financial statements are presented in US dollars, which is the Company's presentation currency. Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which each entity operates (the functional currency). The significant functional currencies of the different consolidated entities include the US dollar, the Canadian dollar and the Euro.

Transactions and balances

Transactions denominated in currencies other than the functional currency of a consolidated entity are translated into the functional currency of that entity using the exchange rates prevailing at the date of each transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies using the current rate at each period-end. Foreign exchange gains or losses arising on the settlement of monetary items or on the translation of monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in earnings in the period in which they arise, except when deferred in Other comprehensive income (loss) as a qualifying cash flow hedge.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Group companies

Assets and liabilities of entities with a functional currency other than the US dollar are translated to the presentation currency using the closing exchange rate in effect at the balance sheet date, and revenues and expenses are translated at the average exchange rate for the reporting period. The resulting translation adjustments are included in the Cumulative translation adjustment account within Accumulated other comprehensive income (loss) in Shareholders' equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken in to other comprehensive income (loss). When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of consolidated earnings (loss) as part of the gain or loss on sale.

Foreign exchange gains or losses recognized in earnings are presented in Cost of sales and Finance costs.

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Revenue Recognition

Revenues are generated almost exclusively from the sale of goods.

Revenue is recognized when the significant risks and rewards of ownership, legal title and effective control and management over the goods have transferred to the customer, collection of the relevant receivable is probable, the sales price is fixed and the revenues and the associated incurred costs can be measured reliably. Revenue is recognized in accordance with the terms of sale, generally when goods are shipped to external customers.

Revenue is measured by reference to the fair value of the consideration received or receivable, net of estimated returns, rebates and discounts.

Research

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

Stock-Based Payments

The Company has adopted an ESOP and a SAR Plan.

With respect to the ESOP, the expense is based on the grant date fair value of the awards expected to vest over the vesting period. Forfeitures are estimated at the time of the grant and are included in the measurement of the expense and are subsequently adjusted to reflect actual events. For the SAR Plan, the expense is determined based on the fair value of the liability at the end of the reporting period until the award is settled. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated earnings (loss) statement. Please refer to Note 15 for more information regarding stock-based payments.

Any consideration paid by management 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. If the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense for stock options, this indicates that the tax deduction relates not only to remuneration expense but also to an equity item. In this situation, the Company recognizes the excess of the associated current or deferred tax to Contributed surplus prior to an award being exercised, and any such amounts are transferred to Capital stock upon exercise of the award.

Earnings (Loss) Per Share

Basic earnings per share are calculated by dividing the net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share was calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options. The denominator is: (1) increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all stock options with exercise prices below the average market price for the year; and (2) decreased by the number of shares that the Company could have repurchased if it had used the assumed proceeds from the exercise of stock options to repurchase them on the open market at the average share price for the period.

Inventories and Parts and Supplies

Raw materials, work in process and finished goods are measured at the lower of cost or net realizable value. Cost is assigned by using the first in, first out cost formula, and includes all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and

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condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The cost of work in process and finished goods includes the cost of raw materials, direct labour and a systematic allocation of fixed and variable production overhead incurred in converting materials into finished goods. The allocation of fixed production overheads to the cost of conversion is based on the normal capacity of the manufacturing facilities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling expenses.

Parts and supplies are valued at the lower of cost or net realizable value, the latter being determined based on replacement cost.

Assets Held-for-sale

Assets held for sale are non-current assets or disposal groups for which the carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are classified as held for sale when they are available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of such assets (or disposal groups), and the sale within one year is highly probable.

Assets held-for-sale are measured at the lower of their carrying amount or fair value less cost to sell and are not depreciated or amortized.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation, accumulated impairment losses and the applicable investment tax credits earned. The cost of an item of property, plant and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, where applicable, borrowing costs and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized using the straight-line method, over the estimated useful lives of like assets as outlined below or, if lower, over the terms of the related leases:

	Years
Land	Indefinite
Buildings and related major components	5 to 40
Manufacturing equipment and related major components	5 to 30
Computer equipment and software	3 to 20
Furniture, office equipment and other	3 to 7
Asset related to restoration provision	Remaining life of the lease

The depreciation methods, useful lives and residual values related to property, plant and equipment are reviewed and adjusted if necessary at each financial year-end.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment, and are depreciated over their respective useful lives. Depreciation of an asset begins when it is available for use in the location and condition necessary for it to be capable of operating in the manner intended by management. Manufacturing equipment under construction is not depreciated. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale, or is included in a disposal group that is classified as held for sale and the date that the asset is derecognized.

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The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the asset if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. At the same time, the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment, and repairs and maintenance are recognized in earnings as incurred.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in the Finance costs under the Other expense caption on the accompanying statement of consolidated earnings (loss).

Depreciation expense has been recognized in the expense category consistent with the function of the property, plant and equipment.

Intangible Assets

The Company has no identifiable intangible assets for which the expected useful life is indefinite.

When intangible assets are purchased with a group of assets, as was the case of distribution rights and customer contracts, the cost of the group of assets is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. When intangible assets are purchased separately, as was the case of the license agreement and software, the cost comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Intangible assets are carried at cost less accumulated amortization and are amortized using the straight-line method, over their estimated useful lives as follows:

	Years
Distribution rights and customer contracts	6
Customer lists, license agreement and software	5

The amortization methods, useful lives and residual values related to intangible assets are reviewed and adjusted if necessary at each financial year-end. Amortization begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortization expense is recognized in earnings in the expense category consistent with the function of the intangible asset.

Borrowing Costs

Borrowing costs, directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use, are capitalized as part of the cost of the asset. All other borrowing costs are recognized in earnings within Interest in the period they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

Impairment Testing of Intangible Assets and Property, Plant and Equipment

The Company assesses, at least at each reporting date, whether or not there is an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing is required for intangible assets such as applications software not yet available for use, the Company estimates the recoverable amount of the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of other assets or groups of assets. In the latter case, the recoverable amount is determined for a CGU which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

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The recoverable amount is the higher of its value in use and its fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. The Company determines the recoverable amount and compares it with the carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized for the difference. Impairment losses are recognized in earnings in the expense category consistent with the function of the corresponding property, plant and equipment or intangible asset. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amounts of the assets of the unit or group of units on a pro rata basis of the carrying amount of each asset in the unit or group of units.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company will estimate the recoverable amount of that asset, and if appropriate, record a partial or an entire reversal of the impairment. The increased carrying amount of an asset attributable to a reversal of an impairment loss would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

Provisions, Contingent Liabilities and Contingent Assets

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are measured at the present value of the expected expenditures to settle the obligation which, when the effect of the time value of money is material, is determined using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision during the period to reflect the passage of time is recognized as Interest.

A provision is recorded in connection with the estimated future costs to restore a leased property to its original condition at the inception of the lease agreement. The liability and a corresponding asset are recorded on the Company's consolidated balance sheet respectively under the captions Provisions, and Property, plant and equipment (machinery and equipment). The provision is reviewed at the end of each reporting period to reflect the passage of time, changes in the discount rate and changes in the estimated future restoration costs. The Company amortizes the amount capitalized to Property, plant and equipment on a straight-line basis over the lease term and recognizes a financial cost in connection with the discounted liability over the same period. Changes in the liability are added to, or deducted from, the cost of the related asset in the current period. These changes to the capitalized cost result in an adjustment to depreciation and interest.

Contingent liabilities represent a possible obligation to the Company that arises from past events the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Pension and Other Post-Retirement Benefits

The Company has defined contribution and defined benefit pension plans and other post-retirement benefit plans for certain of its employees in Canada and the US.

A defined contribution plan is a post-retirement benefit plan under which the Company pays fixed contributions into a separate entity and to which it will have no legal or constructive obligation to pay future amounts. The Company contributes to several state plans, multi-employer plans and insurance funds for individual employees that are considered defined contribution plans. Contributions to defined contribution pension plans are recognized as an employee benefit expense in earnings in the periods during which services are rendered by employees.

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A defined benefit plan is a post-retirement benefit plan other than a defined contribution plan. For defined benefit pension plans and other post-retirement benefit plans, the benefits expense and the related obligations are actuarially determined on an annual basis by independent qualified actuaries using the projected unit credit method. As deemed necessary, the Company may amend defined benefit plans offered to employees, requiring the remeasurement of the benefits expense and the related obligations.

The asset or liability related to a defined benefit plan recognized in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets, together with adjustments for unrecognized past service costs, the asset ceiling and minimum funding liabilities. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Past service costs are recognized as an expense on a straight-line basis over the average vesting period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately in earnings. The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in Other comprehensive income, net of income taxes, and in deficit.

For funded plans, surpluses are only recognized to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan. Any reduction in the recognized asset is recognized in Other comprehensive income, net of income taxes, and in deficit.

An additional liability is recognized based on the minimum funding requirement of a plan when the Company does not have an unconditional right to the plan surplus. The liability and any subsequent remeasurement of that liability is recognized in Other comprehensive income, net of income taxes, and in deficit.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed other than by renewing the lease.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are recognized in the statement of consolidated earnings (loss) on a straight-line basis over the period of the lease.

Leases in which substantially all the risks and rewards of ownership are transferred to the Company are classified as finance leases. Assets meeting finance lease criteria are capitalized at the lower of the present value of the related lease payments or the fair value of the leased asset at the inception of the lease. Minimum lease payments are apportioned between the finance cost and the liability. The finance charge is recognized in earnings within Finance costs and is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Income Taxes

Income tax expense comprises both current and deferred tax. Current and deferred tax is recognized in earnings except to the extent it relates to items recognized in Other comprehensive income (loss) or directly in Shareholders' equity. When it relates to the latter items, the income tax is recognized in Other comprehensive income or directly in Shareholders' equity, respectively.

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Current tax expense is based on the results for the period as adjusted for items that are not taxable or deductible. Current tax is calculated using tax rates and laws enacted or substantially enacted at the reporting date in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the taxing authorities.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax is calculated using tax rates and laws enacted or substantially enacted at the reporting date in the countries where the Company operates, and which are expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled.

The carrying amount of deferred tax assets are reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off the recognized amounts and the deferred taxes relate to the same taxable entity and the same taxation authority.

Shareholders Equity

Capital stock represents the amount received on issuance of shares, less any issuance costs, net of taxes. Contributed surplus includes amounts related to stock options until such equity instruments are exercised, in which case the amounts are transferred to Capital stock. Foreign currency translation differences arising on the translation of the consolidated entities that use a functional currency different from the presentation currency are included in the Cumulative translation adjustment account. Gains and losses on certain derivative financial instruments designated as hedging instruments are included in reserves for cash flow hedges until such time as the hedged forecasted cash flows affect earnings. Deficit includes all current and prior period retained earnings or losses.

Dividends

Dividend distributions to the Company's shareholders are recognized as a liability in the consolidated balance sheets in the period in which dividends are approved by the Company's Board of Directors.

Segment Reporting

The Company operates as a single segment.

New Standards and Interpretations Issued But Not Yet Effective

Certain new standards, amendments and interpretations, and improvements to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the relevant pronouncements will be adopted for the first period beginning the date of the pronouncement. Information on new standards, amendments and interpretations, and improvements to existing standards, which could potentially impact the Company's consolidated financial statements, are detailed as follows:

Amended IAS 1 *Presentation of Financial Statements*: Amended IAS 1 includes a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are

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potentially re-classifiable to profit or loss. The new requirement is effective for annual periods beginning on or after July 1, 2012. Management does not expect a significant impact from Amended IAS 1 on the financial statements of the Company.

IFRS 9 *Financial Instruments*: The IASB intends to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management has yet to assess the impact that these amendments are likely to have on the consolidated financial statements of the Company.

IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities*: IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new IFRS disclosure requirements, the IASB also issued amended and retitled IAS 27 *Separate Financial Statements*. IAS 28 *Investments in Associates and Joint Ventures* has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13. The new requirements are effective for annual periods beginning on or after January 1, 2013. These new standards will have no impact on the Company as it has interests only in fully owned subsidiaries.

IFRS 13 *Fair Value Measurement*: IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. IFRS 13 applies when other IFRS standards require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS standards or address how to present changes in fair value. The new requirements apply prospectively and are effective for annual periods beginning on or after January 1, 2013. The impact of this new standard will have no impact on the Company's current fair value measurement accounting practices or disclosures.

Amended IAS 19 *Employee Benefits*: Amended for annual periods beginning on or after January 1, 2013 with retrospective application. The new standard introduces a measure of net interest income (expense) computed on the net pension asset (obligation) that will replace separate measurement of the expected return on plan assets and interest expense on the benefit obligation. The new standard also requires immediate recognition of past service costs associated with benefit plan changes; eliminating the requirement to recognize over the vesting period.

Upon retrospective application of the new standard, the Company's restated net earnings for 2012 will be lower than originally reported under the current accounting standard. The decrease will arise under the new standard primarily because net interest income (expense) will be calculated using the discount rate used to value the benefit obligation, which is lower than the expected rate of return on assets currently used to measure interest attributable to plan assets. The expected rate of return on assets will no longer be a critical accounting estimate because the Company will not use this to measure under the new accounting standard.

The expected impact of adoption is a decrease to earnings before income tax expense (benefit) of \$1.9 to \$2.9 million and \$1.2 to \$2.1 million for the years ended December 31, 2012 and 2011, respectively.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

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3 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS (LOSS)

	2012	2011	2010
	\$	\$	\$
Employee benefit expense			
Wages, salaries and other short-term benefits	137,847	134,121	129,095
Stock-based compensation expense	1,832	818	769
Pensions defined benefit plans (Note 17)	1,480	953	1,515
Pensions defined contribution plans (Note 17)	3,682	2,218	536
	144,841	138,110	131,915
Finance costs - Interest			
Interest on long-term debt	11,556	14,453	14,503
Amortization of debt issue costs on long-term debt and asset based loan	1,954	1,182	1,116
Other interest and financial (income) expense	-	(116)	58
Interest capitalized to property, plant and equipment	(277)	(158)	(7)
	13,233	15,361	15,670
Finance costs - Other expense			
Foreign exchange (gain) loss	152	453	(802)
Interest (income) and other finance costs, net	1,151	1,409	1,432
Change in fair value of forward foreign exchange rate contracts	-	318	250
	1,303	2,180	880
Additional information			
Depreciation of property, plant and equipment	29,646	30,163	32,580
Amortization of intangible assets	751	719	902
Amortization of other charges	35	86	58
Impairment of long-term assets	12,180	107	4,037
Loss on disposal of property, plant and equipment	436	550	308
Write-down of inventories to net realizable value	57	517	1,651
Reversal of write-down of inventories to net realizable value, recognized as a reduction of cost of sales	(88)	(487)	(10)
Related party advisory and support services fees	-	153	796

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4 - MANUFACTURING FACILITY CLOSURES, RESTRUCTURING, AND OTHER RELATED CHARGES

The following table describes the charges incurred by the Company in connection with its restructuring efforts, included in the Company's consolidated earnings for each of the years in the three-year period ended December 31, 2012 under the caption Manufacturing facility closures, restructuring and other related charges.

	2012	2011	2010
	\$	\$	\$
Impairment of property, plant and equipment (Note 12)	11,677	107	665
Impairment of parts and supplies	1,168	-	-
Equipment relocation	1,339	-	-
Write-down of inventories to net realizable value	855	-	875
Severance and other labor related costs	1,585	1,411	1,994
Impairment of intangible assets (Note 12)	503	-	-
Idle facility costs	1,087	1,373	-
Other costs	43	-	-
	18,257	2,891	3,534

On June 26, 2012, the Company announced its intention to close its Richmond, Kentucky manufacturing facility, to consolidate shrink film production from Truro, Nova Scotia to Tremonton, Utah, and other small restructuring initiatives. The majority of products produced in the Richmond, Kentucky facility have been transferred to the Company's Carbondale, Illinois facility. Woven fabric products will continue to be produced at the Truro, Nova Scotia facility.

In 2012, in connection with the closure of the Richmond, Kentucky manufacturing facility, consolidation of the shrink film production from Truro, Nova Scotia to Tremonton, Utah, and other small restructuring initiatives, a charge of \$17.2 million was incurred.

In 2012, in connection with the closure of the Brantford, Ontario facility, the Company recorded additional charges of \$1.1 million, on severance and other labor related costs and other closing expenses. As of December 31, 2012, the total charge recorded in connection with this facility closure was \$7.0 million.

Due to the economic consequences of significant and unsustainable losses associated with the strike of its unionized workers, and the Company's management assessment and conclusion that turnaround was unlikely, the Company decided and accordingly committed, in the latter part of 2010, to a plan to close its manufacturing facility in Brantford, Ontario, Canada. In 2010, the total charge associated with this facility closure was \$2.9 million. This charge included \$0.9 million associated with the write-down of inventories, including parts and supplies, to net realizable value, and \$2.0 million in severance and other labor related costs. Severance and other labor related costs will be paid over a period not exceeding March 2013, depending on the arrangements, rights and obligations of the related employees.

In 2011, in connection with the closure of the Brantford, Ontario facility, the Company recorded additional charges of \$3.0 million, on impairment, severance and other labor related costs and other closing expenses.

In 2011, in connection with the closure of the Hawkesbury, Ontario facility, the Company recovered \$0.2 million on the sale of remaining assets.

In 2010, in connection with the closure of the Hawkesbury, Ontario facility, the Company recorded an additional impairment charge of \$0.7 million, on the remaining assets.

As of December 31, 2012, \$1.1 million is included in provisions (\$1.4 million in 2011) and nil (nil in 2011) in accounts payable and accrued liabilities for restructuring provisions.

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5 - INCOME TAXES

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

	2012	2011	2010
	%	%	%
Combined Canadian federal and provincial income tax rate	28.9	30.4	32.8
Foreign earnings/losses taxed at higher income tax rates	9.8	10.8	(4.3)
Foreign earnings/losses taxed at lower income tax rates	0.4	3.2	1.4
Stock-based compensation	(4.9)	-	-
Expiration of operating losses	-	-	(5.9)
Non-deductible expenses	0.1	5.5	(0.8)
Impact of other differences	1.4	3.5	(0.6)
Derecognition of deferred tax assets	(34.1)	(35.7)	(239.5)
Effective income tax rate	1.6	17.7	(216.9)

Major components of income tax expense

	2012	2011	2010
	\$	\$	\$
Current income tax expense (benefit)			
Income tax expense (benefit) for the year	927	688	(10)
Total current income tax expense (benefit)	927	688	(10)
Deferred tax expense (benefit)			
Amount related to temporary differences, write-downs of deferred tax assets and other	(552)	1,232	33,243
Total deferred income tax expense (benefit)	(552)	1,232	33,243
Total tax expense (benefit) for the year	375	1,920	33,233

For the year ended December 31, 2012, the Company estimated a recovery of \$8.3 million of derecognized deferred tax assets in the US jurisdiction due to increased earnings.

Income Taxes Related to Components of Other Comprehensive Income

The amount of income taxes relating to components of other comprehensive income are outlined below:

Components of Other comprehensive income	Amount before income tax \$	Deferred income taxes \$	Amount net of income taxes \$
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For the year ended December 31, 2012

Deferred tax benefit on actuarial losses on defined benefit plans	(6,451)	862	(5,589)
Deferred tax benefit on funding requirement changes of defined benefit plans	(1,194)	347	(847)
	(7,645)	1,209	(6,436)

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Components of Other comprehensive income	Amount before income tax \$	Deferred income taxes \$	Amount net of income taxes \$
For the year ended December 31, 2011			
Deferred tax benefit on actuarial losses on defined benefit plans	(18,066)	2,005	(16,061)
Deferred tax expense on funding requirement changes of defined benefit plans	1,938	(578)	1,360
	(16,128)	1,427	(14,701)
For the year ended December 31, 2010			
Deferred tax benefit on actuarial losses on defined benefit plans	(3,930)	1,090	(2,840)
Deferred tax expense on funding requirement changes of defined benefit plans	1,071	(322)	749
	(2,859)	768	(2,091)

Recognized Deferred Tax Assets and Liabilities

Timing differences, unused tax losses and unused tax credits	Deferred tax assets \$	Deferred tax liabilities \$	Net \$
As of December 31, 2012			
Property, plant and equipment	19,469	(27,088)	(7,619)
Loss carry-forwards and other tax deductions	36,233	-	36,233
Pension and other post-retirement benefits	2,886	-	2,886
Goodwill and other intangibles	4,458	-	4,458
Other	58	-	58
Deferred tax assets and liabilities	63,104	(27,088)	36,016
As of December 31, 2011			
Property, plant and equipment	15,093	(34,749)	(19,656)
Tax credits, losses, carry-forwards and other tax deductions	46,655	-	46,655
Pension and other post-retirement benefits	2,165	-	2,165
Goodwill and other intangibles	4,272	-	4,272
Other	53	-	53
Deferred tax assets and liabilities	68,238	(34,749)	33,489

During 2012, the Company applied for and was granted the ability to retroactively elect a three-year carryback with respect to its 2008 net operating loss (NOL) and to utilize the 2008 NOL carryover without being subject to the 90% limitation under the alternative minimum tax (AMT) provisions. As a result, the Company amended its 2005, 2007, and 2009 US income tax returns to obtain a refund of \$0.4 million of

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AMT paid for those years. During 2012, the Company also utilized a portion of the remaining 2008 NOL carryforward on its 2011 US tax return filed to request a refund of \$0.5 million AMT. In January 2013, the Company applied for a refund for the \$0.3 million AMT remitted for 2012. The Company has recorded a total income tax benefit of \$1.2 million for the expected AMT refunds in 2012.

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Variations During the Period

Timing differences, unused tax losses and unused tax credits

	Balance January 1, 2011	Recognized in earnings (with translation adjustments)	Recognized in other comprehensive income	Balance December 31, 2011
	\$	\$	\$	\$
Property, Plant and equipment	16,052	(959)	-	15,093
Tax credits, losses, carry-forwards and other tax deductions	49,042	(2,387)	-	46,655
Pension and other post-retirement benefits	1,069	(381)	1,477	2,165
Goodwill and other intangibles	4,403	(131)	-	4,272
Other	191	(138)	-	53
Deferred tax liabilities: PP&E	(36,831)	2,082	-	(34,749)
Deferred tax assets and liabilities	33,926	(1,914)	1,477	33,489
Impact due to foreign exchange rates		562	(50)	
Decrease due to reclassification		120	-	
Total recognized in earnings		(1,232)	1,427	

Timing differences, unused tax losses and unused tax credits

	Balance January 1, 2012	Recognized in earnings (with translation adjustments)	Recognized in other comprehensive income	Balance December 31, 2012
	\$	\$	\$	\$
Property, Plant and equipment	15,093	4,376	-	19,469
Tax credits, losses, carry-forwards and other tax deductions	46,655	(10,422)	-	36,233
Pension and other post-retirement benefits	2,165	(534)	1,255	2,886
Goodwill and other intangibles	4,272	186	-	4,458
Other	53	5	-	58
Deferred tax liabilities: PP&E	(34,749)	7,661	-	(27,088)
Deferred tax assets and liabilities	33,489	1,272	1,255	36,016
Impact due to foreign exchange rates		(720)	(46)	
Total recognized in earnings		552	1,209	

As of December 31, 2012, the Company implemented a tax-free reorganization within the Canadian entity group. As the Canadian reorganization did not have any significant business impact to the entities, no additional deferred tax assets were recorded. However, the Company replaced the previously recognized deferred tax assets related to the Canadian investment tax credits with an equal amount of previously derecognized longer-lived deferred tax assets related to fixed assets and net operating losses.

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Deductible temporary differences and unused tax losses for which no deferred tax asset is recognized on the consolidated balance sheets are as follows:

	December 31, 2012	December 31, 2011
	\$	\$
Trade and other receivables	2,374	1,583
Inventories	2,722	2,366
Property, plant and equipment	-	10,572
Accounts payable and accrued liabilities	10,820	10,479
Tax credits, loss carry forwards and other tax deductions	123,812	147,742
Pension and other post-retirement benefits	33,521	30,847
Goodwill and other intangibles	9,731	13,582
Stock-based compensation	15,596	-
Other	4,020	2,865
	202,596	220,036

Nature of Evidence Supporting Recognition of Deferred Tax Assets

In assessing the recoverability of deferred tax assets, the Company's management determines, at each balance sheet date, whether it is probable that the amount recognized will be realized. This determination is based on the Company's management's quantitative and qualitative assessments and the weighing of all available evidence, both positive and negative. Such evidence included, notably, the scheduled reversal of deferred tax liabilities, projected future taxable income, and the implementation of tax planning strategies. A significant weight was nevertheless placed on the Company's historical performance when making the determination.

In particular, the expectation of generating taxable income in future periods was not sufficient to overcome the negative presumption associated with historical cumulative operational losses.

Accordingly, as of December 31, 2012 and 2011, notwithstanding the fact that the Company's management projected a positive outlook from increased sales, cost reduction measures, and continued increases in the sale of new products with higher gross margins, the Company derecognized various deferred tax assets. These underlying unused tax losses, tax credits and timing differences remain available, and the Company expects to use them to reduce taxable income in future periods. When these unrecognized deferred tax assets are used, or when all or a portion of the unrecognized deferred tax assets are recognized, if sooner, the Company will realize the related benefit in its earnings.

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The following table presents the amounts and expiration dates relating to unused tax credits for which no deferred tax asset is recognized on the consolidated balance sheets as of December 31,:

	2012		2011	
	United States \$	Canada \$	United States \$	Canada \$
No expiration	3,310	-	4,068	-
2012	-	-	379	-
2018	402	854	402	836
2019	320	1,607	320	400
2020	-	709	-	-
2021	-	268	-	-
2022	-	611	-	-
2023	-	302	-	-
2024	-	285	-	-
2025	-	482	-	-
2026	-	369	-	27
2027	-	336	-	39
2028	-	391	-	88
2029	-	311	-	20
2030	-	284	-	-
2031	-	415	-	-
Total derecognition of tax credits	4,032	7,224	5,169	1,410

The following table presents the year of expiration of the Company's operating losses carried forward as of December 31, 2012:

	DTA is recognized			DTA is not recognized		
	Federal \$	Canada Provincial \$	United States \$	Federal \$	Canada Provincial \$	United States \$
2014	497	497	-	-	-	-
2015	1,254	1,254	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	17,183
2022	-	-	-	-	-	33,876
2023	-	-	21,271	-	-	13,523
2024	-	-	8,873	-	-	203
2026	1,783	1,783	25,456	-	-	1,959
2027	5,333	5,333	-	-	-	4
2028	2,600	2,600	17,385	-	-	-
2029	3,279	3,279	-	8,133	8,133	-
2030	3,268	3,268	186	10,363	10,363	-
2031	2,060	2,060	40	6,771	6,771	-
2032	3,605	3,605	-	614	614	-

23,679	23,679	73,211	25,881	25,881	66,748
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6 - EARNINGS (LOSS) PER SHARE

	2012	2011	2010
	\$	\$	\$
Net earnings (loss)	22,507	8,954	(48,549)
Weighted average number of common shares outstanding			
Basic	59,072,407	58,961,050	58,961,050
Effect of stock options	1,556,729	138,148	-
Diluted	60,629,136	59,099,198	58,961,050
Earnings (loss) per share			
Basic	0.38	0.15	(0.82)
Diluted	0.37	0.15	(0.82)

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:

	2012	2011	2010
	-	1,628,600	2,003,974

7 - OTHER RECEIVABLES

	December 31, 2012	December 31, 2011
	\$	\$
Income and other taxes	810	911
Supplier rebates receivable	1,749	1,367
Sales taxes	819	1,462
Other	1,785	1,130
	5,163	4,870

8 - INVENTORIES

	December 31, 2012	December 31, 2011
	\$	\$
Raw materials	27,856	26,754
Work in process	19,904	18,234
Finished goods	44,150	45,721

During the year ended December 31, 2012 the Company recorded, in Cost of sales, a write-down of inventories to net realizable value of \$57,000 (\$0.5 million in 2011). The Company recorded, in Manufacturing facility closures, restructuring and other related charges, a write-down of inventories to net realizable value of \$0.9 million (nil in 2011).

In addition, during the year ended December 31, 2012, \$88,000 (\$0.5 million in 2011) of previously recorded write-downs of inventories to net realizable value, were reversed and recognized as a reduction of costs of sales. The Company's management determined that circumstances prevailing at the time of the write-down ceased to exist as a result of increased profitability primarily due to an improved relationship between selling prices and raw material costs.

The amount of inventories recognized as an expense during the period corresponds to Cost of sales.

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9 - PROPERTY, PLANT AND EQUIPMENT

	Land \$	Buildings \$	Manufacturing equipment \$	Computer equipment and software \$	Furniture, office equipment and other \$	Manufacturing equipment under construction \$	Total \$
Gross carrying amount							
Balance as of December 31, 2010	3,807	78,513	526,563	69,328	2,750	4,805	685,766
Additions	-	873	8,099	1,617	62	3,641	14,292
Disposals	-	(6)	(12,652)	(466)	(265)	-	(13,389)
Net foreign exchange differences	194	(565)	(3,260)	(157)	(21)	(39)	(3,848)
Balance as of December 31, 2011	4,001	78,815	518,750	70,322	2,526	8,407	682,821
Accumulated depreciation and impairments							
Balance as of December 31, 2010	310	46,803	346,217	65,456	2,645	-	461,431
Depreciation	-	2,913	24,218	2,928	104	-	30,163
Impairments	-	107	-	-	-	-	107
Disposals	-	(3)	(8,707)	(371)	(218)	-	(9,299)
Net foreign exchange differences	(1)	220	(3,052)	(308)	(88)	-	(3,229)
Balance as of December 31, 2011	309	50,040	358,676	67,705	2,443	-	479,173
Net carrying amount as of December 31, 2011	3,692	28,775	160,074	2,617	83	8,407	203,648
Gross carrying amount							
Balance as of December 31, 2011	4,001	78,815	518,750	70,322	2,526	8,407	682,821
Additions	-	1,778	11,977	2,277	200	7,107	23,339
Disposals	-	(9)	(19,055)	(68)	(99)	-	(19,231)
Net foreign exchange differences	92	(1,938)	5,605	186	36	33	4,014
Balance as of December 31, 2012	4,093	78,646	517,277	72,717	2,663	15,547	690,943
Accumulated depreciation and impairments							
Balance as of December 31, 2011	309	50,040	358,676	67,705	2,443	-	479,173
Depreciation	-	3,135	24,042	2,355	115	-	29,647
Impairments	-	1,386	10,191	5	-	95	11,677

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Disposals	-	(7)	(17,261)	(21)	(99)	-	(17,388)
Net foreign exchange differences	-	1,112	1,041	145	(56)	-	2,242
Balance as of December 31, 2012	309	55,666	376,689	70,189	2,403	95	505,351
Net carrying amount as of December 31, 2012	3,784	22,980	140,588	2,528	260	15,452	185,592

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Included in property, plant and equipment are assets under finance leases as of December 31, which was as follows:

	December 31, 2012	December 31, 2011
	\$	\$
Buildings	4,487	4,816
Manufacturing equipment	3,831	107
Computer equipment and software	142	197
Furniture, office equipment and other	72	3
	8,532	5,123

During the years ended December 31, 2012 and 2011 the loss on disposals amounted to \$0.4 million and \$0.5 million, respectively.

As of December 31, 2012 the Company had commitments to purchase machines and equipment totaling approximately \$5.5 million. As of December 31, 2011, the Company had no significant commitments to purchase any property, plant or equipment.

The amount of borrowing costs capitalized in property, plant and equipment was \$0.3 million in the year ended December 31, 2012 (\$0.2 million in the year ended December 31, 2011). The weighted average capitalization rates used to determine the amount of the borrowing costs eligible for capitalization for the same periods were 2.70% and 3.94%, respectively.

10 - OTHER ASSETS

	December 31, 2012	December 31, 2011
	\$	\$
Loan to an officer	55	91
Funds held in grantor trust to satisfy future pension obligation	853	1,158
Cash surrender value of officers life insurance	1,566	1,338
Deposits	845	-
Other	278	139
	3,597	2,726

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11 - INTANGIBLE ASSETS

	Distribution rights \$	Customer contracts \$	License agreements \$	Customer List \$	Software \$	Total \$
Gross carrying amount						
Balance as of December 31, 2010	3,404	1,266	849	-	431	5,950
Additions separately acquired	197	-	-	811	341	1,349
Net foreign exchange differences	(26)	103	-	-	-	77
Balance as of December 31, 2011	3,575	1,369	849	811	772	7,376
Accumulated amortization and impairments						
Balance as of December 31, 2010	2,517	993	86	-	10	3,606
Amortization	244	94	173	68	83	662
Net foreign exchange differences	(13)	(16)	-	-	-	(29)
Balance as of December 31, 2011	2,748	1,071	259	68	93	4,239
Net Carrying amount as of December 31, 2011	827	298	590	743	679	3,137
Gross carrying amount						
Balance as of December 31, 2011	3,575	1,369	849	811	772	7,376
Additions separately acquired	-	-	-	-	60	60
Net foreign exchange differences	42	30	-	-	-	72
Balance as of December 31, 2012	3,617	1,399	849	811	832	7,508
Accumulated amortization and impairments						
Balance as of December 31, 2011	2,748	1,071	259	68	93	4,239
Amortization	271	98	87	162	121	739
Impairments	-	-	503	-	-	503
Net foreign exchange differences	24	23	-	-	-	47
Balance as of December 31, 2012	3,043	1,192	849	230	214	5,528
Net Carrying amount as of December 31, 2012	574	207	-	581	618	1,980

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12 - IMPAIRMENT OF LONG-TERM ASSETS**Impairment Testing on Property, Plant and Equipment and Intangible Assets**

In updating its determination of CGUs, and applying the related indicators of impairment, if any, the Company took into consideration the manufacturing facility closure and other related activities that have taken place in the course of the year. In making such an evaluation, the Company attributed these activities to specific CGUs as applicable. The Company concluded that these activities (for the year ended December 31, 2012) do not give rise to an impairment test to be performed for the applicable CGU. However, these activities and the related impairment charges recorded, which are primarily with respect to idled assets, are presented in Note 4 and in the table below, respectively.

As of December 31, 2011, impairment tests were performed on a number of CGUs based on the detection of possible indicators of impairment. For these situations, the recoverable amounts of the cash-generating units were determined based on their value-in-use, which in turn was based on a detailed three-year forecast, followed by an extrapolation of expected cash flows for the related property, plant and equipment remaining useful lives using the growth rates stated below:

	December 31, 2011
Revenue growth rate used in projections	2% - 3.1%
Discount rate used to compute the value in use	12.5%
Impairment tests performed as of December 31, 2011 resulted in no impairments recognized. No reversal of impairment charges occurred during 2012 and 2011.	

Impairment on Idled Assets

Impairments recognized during the years ended December 31, 2012 and 2011 were as a result of manufacturing facility closures, restructuring and other related charges and are as follows:

	For the year ended December 31, 2012		For the year ended December 31, 2011	
	Impairment recognized \$	Impairment reversed \$	Impairment recognized \$	Impairment reversed \$
Classes of assets impaired				
Property, plant and equipment				
Land	-	-	-	-
Buildings	1,385	-	107	-
Manufacturing equipment	10,287	-	-	-
Furniture, office equipment and other	-	-	-	-
Computer equipment and software	5	-	-	-
	11,677	-	107	-
Intangible assets				
Distribution rights	503	-	-	-
Total	12,180	-	107	-

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The recoverable amount for the above situation was namely determined in connection with the Company's plans and intent to transfer, use, sell or any other value that can be attributed to these idled assets. In light of the specific and unique nature of the assets, market valuation is not readily available. Accordingly, the Company used its best estimate in assessing the likely outcome for each of the assets.

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13 - LONG-TERM DEBT

	December 31, 2012	December 31, 2011
	\$	\$
Senior subordinated notes ^{(a) (1)}	38,282	116,794
Asset-based loan ^{(b) (1)}	77,709	63,013
Real estate secured term loan (Real Estate Loan ^{(c) (1)})	15,632	-
Finance lease liabilities ^(d)	10,979	6,058
Term debt ^(e)	2,576	4,501
Mortgage loans ^{(f) (1)}	1,504	3,923
Equipment finance agreement advance fundings ^(g)	4,617	-
	151,299	194,289
Less: Installments on long-term debt	9,688	3,147
	141,611	191,142

(1) The Senior subordinated notes, Asset-based loan, Real Estate Loan and Mortgage loans are presented net of unamortized related debt issue costs, amounting to \$3.0 million (\$2.7 million in 2011).

Long-term debt repayments are due as follows:

	Finance lease liabilities \$	Other long-term loans \$
2013	1,893	8,142
2014	1,926	2,342
2015	1,839	1,768
2016	1,769	1,772
2017	1,581	128,043
Thereafter	3,891	1,250
Total payments	12,899	143,317
Interest expense included in minimum lease payments	1,920	-
Total	10,979	143,317

(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% as of December 31, 2012.

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The Parent Company and all of its subsidiaries, which are all wholly-owned directly or indirectly by the Parent 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 Parent Company or any guarantor to obtain funds from its subsidiaries by dividend or loan.

The Parent 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.

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The Company redeemed \$25.0 million of the Senior subordinated notes in August 2012 and \$55.0 million in December 2012. There was a corresponding write-off of debt issue costs of \$0.3 million and \$0.6 million, respectively, which was recorded as Interest expense under the caption Finance costs in the statement of consolidated earnings (loss).

(b) Asset-based loan

In 2008, the Company secured a five-year, \$200.0 million asset-based loan (ABL) entered into with a syndicate of financial institutions. In securing the ABL the Company incurred debt issue costs amounting to approximately \$2.8 million.

On February 1, 2012 the Company entered into an amendment to its Asset Based Loan (ABL) facility extending its maturity date to February 1, 2017 from March 2013. The new ABL maturity date can be accelerated to 90 days prior to August 1, 2014 (the maturity date of the Company s existing senior subordinated notes) if the senior subordinated notes have not been retired or if other conditions have not been met. Under the amendment to the ABL, the pricing grid of the extended ABL ranges from 1.75% to 2.25%.

The Company capitalized \$1.5 million in debt issue costs under the caption Long-term debt on the Balance Sheet as of December 31, 2012, as a result of the ABL amendment. The remaining \$1.2 million of debt issue costs and the previously capitalized debt issue costs remaining of \$0.5 million are being amortized using the straight-line method over the remaining term of five years. The remaining debt issue costs are being amortized over the extended term as the modification did not result in an extinguishment of debt, thus resulting in only an adjustment to the carrying amount of the liability and amortization over the remaining term of the modified liability.

The ABL bears interest at 30-day LIBOR plus a premium varying between 175 and 225 basis points depending on the loan s remaining availability (200 basis points as of December 31, 2012 and 200 basis points as of December 31, 2011). As of December 31, 2012, the effective interest rate on the ABL was 2.36% (2.56% in 2011).

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, up to an amount of \$35.0 million, thereby terminating the negative pledge to the ABL lenders. As of December 31, 2012, the Company had \$18.0 million of secured real estate mortgage financing, including \$16.4 million outstanding under the Real Estate Loan discussed below. As of December 31, 2012, \$17.0 million of real estate mortgage financing remains available to the Company (\$31.0 million in 2011).

As of December 31, 2012, the ABL s borrowing base amounted to \$130.5 million (\$119.7 million in 2011) of which \$81.6 million (\$66.1 million in 2011) was drawn, including \$2.2 million in letters of credit (\$2.4 million in 2011). Accordingly, the Company s unused availability as of December 31, 2012 amounted to \$48.8 million (\$53.7 million in 2011).

The ABL is secured by a first priority lien on the Company s, and substantially all of its subsidiaries , trade receivables, inventories and personal property and equipment, included in the determination of the ABL s borrowing base, with a carrying amount of \$75.9 million, \$91.1 million and \$185.6 million, respectively, as of December 31, 2012 (\$77.5 million, \$87.9 million and \$190.1 million, respectively in 2011).

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The ABL has one financial covenant, a fixed charge ratio of greater than or equal to 1.0 to 1.0. The financial covenant becomes effective only when unused availability drops below \$25.0 million. Although not in effect, the Company was above the \$25.0 million threshold of unused availability and, thus, was in compliance with this fixed charge ratio covenant as of December 31, 2012 and 2011.

In line with the Company's interest rate risk policy to mitigate the risk associated with its variable interest rate debt instruments, including its ABL, the Company contracted interest rate swap agreements designated as cash flow hedges until it expired on September 22, 2011. These interest rate swap agreements as well as the Company's interest rate risk policy are described in Note 21.

(c) Real estate loan

On November 1, 2012, the Company entered into a Real Estate Loan of \$16.6 million, amortized on a straight-line basis over the ten-year term, having a net book value of \$16.4 million as of December 31, 2012. The maturity of the loan may be accelerated if the ABL facility is not extended and if Bank of America, N.A. ceases to be the revolver agent by reason of an action of the Company. A portion of the loan may be required to be repaid early if any mortgage properties are disposed of prior to October 31, 2022. The Real Estate Loan bore interest at a rate of 30-day LIBOR plus 250 basis points until December 31, 2012. Thereafter, the Real Estate Loan will bear interest at a rate of 30-day LIBOR plus a loan margin between 225 and 275 basis points based on a pricing grid, as defined in the loan agreement. The Real Estate Loan requires monthly payments of principal of \$138,125 plus accrued interest, with the first payment due on December 1, 2012. A final payment of \$9.7 million will be due on February 1, 2017. The Real Estate Loan contains two financial covenants, both of which are determined at the end of each fiscal month. The Company has been in compliance with these covenants since entering into the Real Estate Loan. The loan is secured by certain of the Company's real estate and improvements thereon with a net book value of \$12.0 million as of December 31, 2012.

(d) Finance lease liabilities

The Company has obligations under finance lease liabilities for the rental of a building, computer hardware, shop equipment and office equipment, bearing interest at rates varying between 4.4% and 8.7% as of December 31, 2012 (4.4% to 8.7% as of December 31, 2011), payable in monthly instalments ranging from \$90 to \$46,320 (\$90 to \$46,320 in 2011), including interest and maturing on various dates until 2024. The finance lease liabilities are secured by assets under the lease liabilities.

On August 13, 2012, the Company entered into a secured debt equipment finance agreement (the "Equipment Finance Agreement") in the amount of up to \$24.0 million for qualifying US capital expenditures during the period May 2012 through December 31, 2013. The Equipment Finance Agreement will have quarterly scheduling of amounts with each schedule having a term of sixty months and a fixed interest rate. The average of the fixed interest rates is expected to be less than 3.0%. The Company entered into the first schedule on September 27, 2012 for \$2.7 million at an interest rate of 2.74% with 60 monthly payments of \$48,577 and the last payment due on October 1, 2017. The Company entered into the second schedule on December 28, 2012 for \$2.6 million at an interest rate of 2.74% with 60 monthly payments of \$46,258 and the last payment due on December 31, 2017.

(e) Term debt

One of the Company's wholly-owned subsidiaries has a long-term loan agreement, containing two debt instruments, totalling approximately \$2.4 million at December 31, 2012 (\$1.8 million) (\$4.2 million at December 31, 2011 (\$3.2 million)), with each instrument bearing interest at a rate of Euribor (ranging between 0.41% and 0.70% in 2012, 1.78% and 1.82% in 2011) plus a premium, 375 basis points as of December 31, 2012 (175 basis points as of December 31, 2011), which could, at the discretion of the lender, be increased semi-annually by 75 basis points. Under the terms of the agreement, only monthly interest payments were required for the first two years followed by interest plus eight equal semi-annual principal payments amounting to \$0.3 million and \$0.6 million, respectively, for each of the instruments

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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. Term debt also includes other long-term debt of \$0.2 million.

(f) Mortgage loans

The Company had a \$3.0 million mortgage loan on its owned real estate in Danville, Virginia. On October 16, 2012, the Company prepaid in full the remaining \$1.9 million on the note which was originally due July 1, 2013. The mortgage loan had a net book value of \$1.9 million as of December 31, 2011.

The Company has a \$1.8 million mortgage loan on its owned real estate located in Bradenton, Florida having a net book value of \$0.5 million as of December 31, 2012 (\$0.5 million in 2011). The mortgage is for a period of 20 years. Until October 1, 2011, the loan bore interest at 7.96%. The applicable interest rate adjusts every three years to a 355 basis point spread over the 10-year Interest Rate Swap published in the daily release of the Federal Reserve. Effective on October 1, 2011, the applicable interest rate decreased to 5.63%. As a result, the required monthly payments of principal and interest decreased from \$14,723 to \$12,535 beginning on November 1, 2011.

(g) Equipment finance agreement advance fundings

Advance fundings, which are amounts funded and borrowed but not yet scheduled, were \$4.6 million as of December 31, 2012. Advance fundings accrue interest at the 30-day LIBOR rate plus 200 basis points resulting in an interest rate of 2.25% as of December 31, 2012.

If the Company does not finance the full amount of \$4.0 million and \$20.0 million by December 31, 2012 and December 31, 2013, respectively, then the Company will be required to pay a Reinvestment Premium as defined under the Equipment Finance Agreement on the difference between those amounts and the amounts actually funded in each of those years. The Company financed two schedules, \$2.7 million and \$2.6 million in 2012 and expects to finance the required amounts in 2013 and does not expect to be subject to the Reinvestment Premium. The schedules are secured by the equipment with a net book value of \$5.1 million as of December 31, 2012.

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14 - PROVISIONS AND CONTINGENT LIABILITIES

The Company's provisions consist of restoration obligations, severance and other provisions primarily related to employee termination costs resulting from the closure of manufacturing facilities and provisions for litigation.

The reconciliation of the Company's provisions as of December 31, 2011 is as follows:

	Restoration provisions \$	Severance and other provisions \$	Litigation \$	Total \$
Balance, December 31, 2010	1,883	2,760	133	4,776
Additional provisions	-	1,873	141	2,014
Amounts paid	-	(2,804)	-	(2,804)
Net foreign exchange differences	(22)	(24)	(15)	(61)
Balance, December 31, 2011	1,861	1,805	259	3,925
Amount presented as current	-	1,654	259	1,913
Amount presented as non-current	1,861	151	-	2,012
Balance, December 31, 2011	1,861	1,805	259	3,925

The reconciliation of the Company's provisions as of December 31, 2012 is as follows:

	Restoration provisions \$	Severance and other provisions \$	Litigation \$	Total \$
Balance, December 31, 2011	1,861	1,805	259	3,925
Additional provisions	-	2,446	-	2,446
Amounts paid	-	(2,759)	(257)	(3,016)
Net foreign exchange differences	30	34	(2)	62
Balance, December 31, 2012	1,891	1,526	-	3,417
Amount presented as current	-	1,526	-	1,526
Amount presented as non-current	1,891	-	-	1,891
Balance, December 31, 2012	1,891	1,526	-	3,417

The restoration provision pertains to two leases at operating facilities where the Company is obligated to restore the leased properties to the same condition that existed at the time of the lease commencement date. The carrying amount of this obligation is based on management's best estimate of the costs of the permanent removal of the Company's manufacturing equipment used in these facilities.

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The severance and other provisions relates primarily to the closure of the Hawkesbury, Ontario, Brantford, Ontario and Richmond, Kentucky manufacturing facilities. The estimated costs pertain primarily to severance and other labor related costs. See Note 4 for more information.

The litigation provisions are related to various lawsuits against, and disputes with the Company. As the Company cannot predict if and when amounts will be paid, they are classified as current. The litigation provision as of December 31, 2011 was settled during 2012. See Note 20 for more information.

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As of December 31, 2012 and 2011:

No reimbursements are expected to be received by the Company for any of the provided amounts; and
There were no contingent assets at any of the financial statement reporting dates covered by these financial statements.
During the reporting period, there were no reversals of restructuring provisions and no changes in contingent liabilities.

15 - CAPITAL STOCK

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

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. No Class A preferred shares have been issued.

Common Shares

The Company's common shares outstanding as of December 31, 2012 and December 31, 2011, were 59,625,039 and 58,961,050, respectively.

On August 14, 2012, the Company's Board of Directors approved a semi-annual dividend policy. Accordingly, the Company declared a cash dividend of CDN\$0.08 per common share paid on October 10, 2012 to shareholders of record at the close of business on September 21, 2012. The aggregate amount of this dividend payment was \$4.8 million based on 59,101,050 shares of the Company's common shares issued and outstanding as of September 21, 2012.

The Company did not declare or pay dividends during the year ended December 31, 2011.

Share repurchase

The Company did not repurchase any common shares under the normal course issuer bid which was effective from May 2010 to May 2011. The Company did not initiate a normal course issuer bid in 2012.

Stock Appreciation Rights

On June 20, 2012, the Board of Directors of the Company adopted the 2012 SAR Plan in lieu of granting stock options in 2012. The 2012 SAR Plan is administered by the Compensation Committee of the Board of Directors of the Company and authorizes the Company to award SARs to eligible persons. A SAR, as defined by the Company's plan, is a right to receive a cash payment equal to the difference between the base price of the SAR and the market value of a common share of the Company on the date of exercise. These SARs can only be settled in cash and expire no later than 10 years after the date of the grant. The award agreements provide that these SARs granted to employees and executives will vest and may be exercisable 25% per year over four years. The SARs 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.

Over the life of the awards, the total amount of expense recognized will equal the amount of the cash outflow, if any, as a result of exercises. At the end of each reporting period, the lifetime amount of expense recognized will equal the current period value of the SARs using the Black-Scholes pricing model, multiplied by the percentage vested. As a result, the amount of expense recognized can vary due

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to changes in the model variables from period to period until the SARs are exercised, expire, or are otherwise cancelled.

All SARs are granted at a price determined and approved by the Board of Directors, which is the closing price of the common shares on the Toronto Stock Exchange (TSX) on the trading day immediately preceding the day on which a SAR is granted.

On June 28, 2012, 1,240,905 SARs were granted at an exercise price of CDN\$7.56.

As of December 31, 2012, the fair value of SARs granted was estimated using the Black-Scholes option pricing model, taking into account the following weighted average assumptions:

Expected life	5.8 years
Expected volatility	62%
Risk-free interest rate	1.36%
Expected dividends	2.00%
Weighted average stock price at grant date	CDN\$7.56
Weighted average exercise price of awards	CDN\$7.56

Expected volatility was calculated using the average closing price change on the TSX for six years prior to the grant date.

The weighted average fair value per SAR granted is CDN\$3.78.

During the year ended December 31, 2012, \$1.3 million of expense (nil in 2011) is included under the caption Selling, general and administrative expenses. The corresponding liability is recorded on the Company's consolidated balance sheet under the caption Accounts payable and accrued liabilities for amounts vested and expected to vest in the next twelve months, and Other liabilities for amounts expected to vest greater than twelve months.

Stock options

Under the Company's ESOP, options to acquire the Company's common shares may be granted to the Company's executives, directors and key employees. The total number of common shares reserved for issuance under the ESOP shall be equal to 10% of the Company's issued and outstanding common shares from time to time. Options are equity-settled and expire no later than 10 years after the date of the grant and can only be used to purchase stock and may not be redeemed for cash. The plan provides that such options granted to key 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 for the day immediately preceding the effective date of the grant.

No options were granted in 2012.

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The changes in number of options outstanding were as follows:

	Weighted average exercise price CDN\$	2012 Number of options	Weighted average exercise price CDN\$	2011 Number of options	Weighted average exercise price CDN\$	2010 Number of options
Balance, beginning of year	3.28	3,774,026	4.44	3,355,769	6.45	3,318,053
Granted	-	-	1.66	875,000	2.07	825,000
Exercised	3.10	(663,989)	-	-	0.55	(10,000)
Forfeited	1.88	(52,500)	3.16	(149,401)	6.02	(210,284)
Expired	9.27	(400,500)	10.13	(307,342)	12.14	(567,000)
Balance, end of year	2.60	2,657,037	3.28	3,774,026	4.44	3,355,769
Options exercisable at the end of the year	3.03	1,676,305	4.20	2,247,563	5.67	2,003,974

The weighted average stock price at the date of exercise was \$7.39, nil and \$1.55 in 2012, 2011 and 2010, respectively, resulting in cash proceeds to the Company of \$2.0 million, nil and \$5,500, respectively.

The following tables summarize information about options outstanding and exercisable as of:

December 31, 2012	Number	Options outstanding		Options exercisable	
		Weighted average contractual life (years)	Weighted average exercise price CDN\$	Number	Weighted average exercise price CDN\$
Range of exercise prices					
\$0.55 to \$0.83	12,500	3.25	0.55	10,000	0.55
\$1.55 to \$2.33	1,482,500	5.15	1.83	550,000	1.88
\$3.61 to \$5.42	1,162,037	2.06	3.61	1,116,305	3.61
	2,657,037	4.45	2.60	1,676,305	3.03

December 31, 2011	Number	Options outstanding		Options exercisable	
		Weighted average contractual life (years)	Weighted average exercise price CDN\$	Number	Weighted average exercise price CDN\$

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Range of exercise prices		life (years)	CDN\$		exercise price CDN\$
\$0.55 to \$0.83	40,000	3.25	0.55	27,500	0.55
\$1.55 to \$2.33	1,695,000	4.92	1.85	297,500	2.00
\$3.37 to \$5.06	1,638,526	1.93	3.36	1,522,063	3.36
\$7.50 to \$11.25	400,500	0.30	9.27	400,500	9.27
	3,774,026	3.10	3.28	2,247,563	4.20

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December 31, 2010	Options outstanding			Options exercisable	
	Number	Weighted average remaining contractual life (years)	Weighted average exercise price CDN\$	Number	Weighted average exercise price CDN\$
Range of exercise prices					
\$0.55 to \$0.83	40,000	4.25	0.55	17,500	0.55
\$1.84 to \$2.76	855,000	5.69	2.06	57,500	2.10
\$3.44 to \$5.16	1,751,327	2.91	3.58	1,219,532	3.60
\$7.50 to \$11.25	596,950	0.68	9.30	596,950	9.30
\$11.42	112,492	0.44	11.42	112,492	11.42
	3,355,769	2.59	4.44	2,003,974	5.67

The Company uses the fair value based method of accounting for stock-based compensation expense and other stock-based payments. During the years ended December 31, 2012, 2011 and 2010, the contributed surplus account increased by approximately \$0.5 million, \$0.8 million and \$0.8 million, respectively, representing the stock-based compensation expense recorded for the period.

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

	2011	2010
Expected life	6.0 years	6.0 years
Expected volatility	66%	61%
Risk-free interest rate	2.46%	2.68%
Expected dividends	0%	0%
Weighted average stock price	CDN\$1.66	CDN\$2.07
Weighted average exercise price	CDN\$1.66	CDN\$2.07

Expected volatility was calculated using the average closing price change on the TSX for six years prior to the grant date.

The fair value per option granted is:

	2011	2010
	CDN\$	CDN\$
Fair value	1.01	1.16

16 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	December 31, 2012	December 31, 2011	December 31, 2010
	\$	\$	\$
Accumulated currency translation adjustments	3,208	1,206	2,935
Cumulative changes in fair value of interest rate swap agreements (net of future income taxes of nil, nil in 2011 and nil in 2010)	-	-	(898)

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Cumulative changes in fair value of forward foreign exchange rate contracts (net of future income tax expense of nil, nil in 2011 and nil in 2010)	-	(13)	1,134
	3,208	1,193	3,171

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17 - PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

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

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 also contributes to 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 amount expensed with respect to the defined contribution plans for the years ended December 31, 2012, 2011 and 2010 was \$3.7, \$2.2 and \$0.5 million, respectively.

Defined Benefit Plans

The Company has, in the United States, three defined benefit pension 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 CDN\$20.00 in 2012, 2011 and 2010 (USD\$20.00 in 2012, USD\$20.22 in 2011 and USD\$19.40 in 2010) per month for each year of service. The only other defined benefit plan sponsored by the Company in Canada was wound-up effective September 30, 2011. Pursuant to applicable legislation, benefits for this plan will be settled within the five-year period following the wind-up effective date.

In the United States, certain non-union hourly employees of the Company are covered by plans which provide a fixed benefit per month for each year of service. The Company amended one of the plans during the year ended December 31, 2012, which immediately increased the fixed benefit as well as incrementally over the next three years. The Company also closed the plan to new entrance whereby employees hired on or after the amendment date will not be permitted to participate in the plan.

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 \$0.6 million, annually.

Non-Routine Events

Certain former employees located at the Company's manufacturing facility in Brantford, Ontario, Canada, participate in one of the Company's defined benefit plans and a multi-employer plan. In connection with the Company's plan to close this facility, as of December 31, 2010, these plans were effectively curtailed. The curtailment resulted in a gain of \$0.6 million which was recorded during 2010.

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Investment Policy and Basis to Determine Overall Expected Rate of Return

The Company's Investment Committee, comprised of the Company's Chief Financial Officer, Senior Vice President of Administration and other members of management, makes investment decisions for the Company's pension plans. The committee established a target mix of equities and bonds.

The overall expected rate of return is determined based on projected returns and the targeted mix of the portfolios of fund assets.

Information relating to the various plans is as follows:

	Pension Plans		Other plans	
	2012	2011	2012	2011
	\$	\$	\$	\$
Defined benefit obligations				
Balance, beginning of year	82,451	68,616	4,227	3,817
Current service cost	1,230	992	16	46
Past service costs	682	-	-	-
Interest cost	3,469	3,662	181	199
Benefits paid	(3,223)	(3,070)	(77)	(108)
Actuarial losses	7,195	12,568	259	321
Foreign exchange rate adjustment	552	(317)	71	(48)
Balance, end of year	92,356	82,451	4,677	4,227
Fair Value of plan assets				
Balance, beginning of year	49,848	50,181	-	-
Expected return on plan assets	3,827	3,946	-	-
Actuarial gains (losses)	1,274	(5,091)	-	-
Contributions by the employer	5,565	4,210	-	-
Benefits paid	(3,223)	(3,070)	-	-
Foreign exchange rate adjustment	454	(328)	-	-
Balance, end of year	57,745	49,848	-	-
Funded status - deficit	34,611	32,603	4,677	4,227

The above defined benefit obligation as of December 31, 2012 and 2011 can be analyzed by funding status as follows:

	December 31, 2012	Pension Plans December 31, 2011
	\$	\$
Wholly unfunded	10,732	8,928
Wholly funded or partially funded	81,624	73,523

Total obligations	92,356	82,451
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	December 31, 2012	Other plans December 31, 2011
	\$	\$
Wholly funded	4,677	4,227
Total obligations	4,677	4,227

Reconciliation of liabilities recognized in the balance sheet

	December 31, 2012	Pension Plans December 31, 2011
	\$	\$
Present value of the defined benefit obligation	92,356	82,451
Fair value of the plan assets	57,745	49,848
Deficit in plans	34,611	32,603
Amount recognized as a liability in respect of minimum funding requirements	1,684	490
Liabilities recognized in the balance sheets	36,295	33,093

	December 31, 2012	Other plans December 31, 2011
	\$	\$
Present value of the defined benefit obligation and deficit in the plans	4,677	4,227
Liabilities recognized in the balance sheets	4,677	4,227

The composition of plan assets based on the fair value as of December 31, was as follows:

	December 31, 2012	December 31, 2011
	\$	\$
Asset category		
Cash	1,696	2,683
Equity instruments	21,943	19,663
Mutual funds	23,529	20,058
Debt instruments	8,699	6,897
Other assets	1,878	547
Total	57,745	49,848

The actual gain on plan assets during the year ended December 31, 2012 was \$5.1 million. The actual loss on plan assets during the year ended December 31, 2011 was \$1.1 million. None of the benefit plan assets were invested in any of the Company's own equity or financial instruments or in any property or other asset that was used by the Company.

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The defined benefit liabilities are included in the Company's consolidated balance sheets as of December 31, 2012 and December 31, 2011 as follows:

	Pension Plans	Other Plans	December 31, 2012 Total Plans
	\$	\$	\$
Pension and other post-retirement benefits	36,295	4,677	40,972

	Pension Plans	Other Plans	December 31, 2011 Total Plans
	\$	\$	\$
Pension and other post-retirement benefits	33,093	4,227	37,320

Defined benefit expenses recognized in Consolidated Earnings

	2012	Pension Plans		2012	Other plans	
	\$	2011	2010	\$	2011	2010
		\$	\$		\$	\$
Current service cost	1,230	992	831	16	46	34
Past service cost	411	-	935	-	-	-
Interest cost	3,469	3,662	3,570	181	199	221
Expected return on plan assets	(3,827)	(3,946)	(3,516)	-	-	-
Curtailement gain	-	-	(60)	-	-	(500)
Total costs (benefits) recognized in the statement of Consolidated Earnings	1,283	708	1,760	197	245	(245)

Total amount recognized in Other comprehensive income (loss)

	2012	Pension Plans		2012	Other plans	
	\$	2011	2010	\$	2011	2010
		\$	\$		\$	\$
Actuarial losses	(6,192)	(17,659)	(3,339)	(259)	(321)	(625)
Asset ceiling	-	1,461	-	-	-	-
Change in the amount recognized as a liability in respect of minimum funding requirements	(1,194)	477	1,071	-	-	-
Total amounts recognized in other comprehensive income (loss)	(7,386)	(15,721)	(2,268)	(259)	(321)	(625)

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Total cumulative amount recognized in Other comprehensive income (loss)

	Pension Plans			Other plans		
	2012	2011	2010	2012	2011	2010
	\$	\$	\$	\$	\$	\$
Actuarial losses	(27,190)	(20,998)	(3,339)	(1,205)	(946)	(625)
Asset ceiling	1,461	1,461	-	-	-	-
Change in the amount recognized as a liability in respect of minimum funding requirements	354	1,548	1,071	-	-	-
Total cumulative amounts recognized in other comprehensive income (loss)	(25,375)	(17,989)	(2,268)	(1,205)	(946)	(625)

The significant assumptions, which management considers the most likely, and which were used to measure its defined benefit obligations and defined benefit expenses are as follows:

Weighted-average assumptions used to determine the defined benefit obligations as of December 31, were as follows:

	Pension Plans		Other plans	
	2012	2011	2012	2011
Discount rate				
US plans	3.64%	4.19%	2.83%	3.64%
Canadian plans	4.00%	4.50%	4.00%	4.50%

Weighted-average assumptions used to determine defined benefit expenses for the periods ending December 31, was as follows:

	Pension Plans			Other plans	
	2012	2011	2010	2011	2010
Discount rate					
US plans	4.19%	5.34%	5.72%	4.68%	5.29%
Canadian plans	4.50%	5.40%	6.50%	5.40%	6.50%
Expected rate of return on plan assets					
US plans	8.00%	8.00%	8.50%		
Canadian plans	6.90%	7.25%	7.25%		
Expected rates of salary increases	-	-	3.25%		

For measurement purposes, a 5.7% annual rate increase in the per capita cost of covered health care benefits for the US plans was assumed for 2012 (6.2% in 2011 and 7.0% in 2010). The assumed rate is expected to decrease to 3.9% by 2100. For the Canadian plans, an 8% annual trend rate was assumed for 2012 (9% in 2011 and 10% in 2010). The assumed rate is expected to decrease to 5% by 2015. An increase or decrease of 1% in these rates would have the following impacts:

	Increase of 1%			Decrease of 1%		
	2012	2011	2010	2012	2011	2010
	\$	\$	\$	\$	\$	\$
Impact on aggregate of current service and interest cost	21	20	29	(17)	(16)	(23)
Impact on defined benefit obligation	459	381	422	(370)	(310)	(336)

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The following table summarizes the history of plan obligations, plan assets and experience adjustments. Experience adjustments represent the difference between actual changes in pension asset and liability balances during the year compared to expectations based on previous actuarial assumptions:

	December 31, 2012	December 31, 2011	December 31, 2010	Pension Plans January 1, 2010
	\$	\$	\$	\$
Present value of the defined benefit obligation	92,356	82,451	68,616	60,576
Fair value of the plan assets	57,745	49,848	50,181	43,247
Deficit in the plans	34,611	32,603	18,435	17,329

	December 31, 2012	December 31, 2011	December 31, 2010	Other plans January 1, 2010
	\$	\$	\$	\$
Present value of the defined benefit obligation and deficit in the plans	4,677	4,227	3,817	3,505

	2012	2011	Pension Plans 2010
	\$	\$	\$
Experience gains (losses) on defined benefit obligation	(1,947)	(2,345)	(413)
Experience gains (losses) on plan assets	1,274	(5,091)	1,309

	2012	2011	Other Plans 2010
	\$	\$	\$
Experience gains (losses) on defined benefit obligation	(8)	(24)	215

The information in the above table will be disclosed for up to five years as the amounts are determined for each accounting period prospectively from the date of transition to IFRS.

The Company expects to contribute \$4.6 million to its defined benefit pension plans and \$0.3 million to its health and welfare plans in 2013.

18 - SEGMENT DISCLOSURES

The Company operates in various geographic locations and develops, manufactures and sells a variety of products to a diverse customer base. Most of the Company's products are made from similar processes. A vast majority of the Company's products, while brought to market through various distribution channels, generally have similar economic characteristics. As a result of the Company's structural, operational, management and reporting realignments, decisions about resources to be allocated are determined for the Company as a whole. The chief operating decision maker assesses the Company's performance as a single operating segment.

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Geographic Information

The following tables present geographic information about sales attributed to countries based on the location of external customers and about property, plant and equipment by country based on the location of the assets:

	2012	2011	2010
	\$	\$	\$
Sales			
Canada	69,085	74,272	73,293
United States	635,727	626,551	572,673
Other	79,618	85,914	74,550
Total sales	784,430	786,737	720,516

	December 31, 2012	December 31, 2011
	\$	\$
Property, plant and equipment		
Canada	24,104	31,772
United States	150,735	160,076
Other	10,753	11,800
Total property, plant and equipment	185,592	203,648

Intangible assets		
Canada	779	1,124
United States	1,197	2,013
Other	4	-
Total intangible assets	1,980	3,137

Other assets		
Canada	13	-
United States	3,581	2,726
Other	3	-
Total other assets	3,597	2,726

The following table presents sales information based on revenues for the following product categories:

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	2012	2011	2010
	\$	\$	\$
Sales			
Tape	519,399	516,582	462,045
Film	145,780	150,138	135,431
Woven	112,280	117,049	106,127
Other	6,971	2,968	16,913
	784,430	786,737	720,516

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19 - RELATED PARTY TRANSACTIONS

In prior reporting periods, the Company entered into two agreements, each with a company controlled by two members of its Board of Directors. These agreements required the provision of support services that included the duties of the Executive Director and the Chairman of the Board of Directors. The Executive Director support services agreement was effective through September 30, 2010 and provided for monthly compensation beginning January 2010 in the amount of \$50,000. The Chairman of the Board of Directors support services agreement was effective through June 30, 2011 and provided monthly compensation in the amount of CDN\$25,000. These amounts were in lieu of the fees otherwise paid to Directors for their services. In connection with these agreements, the Company recorded a charge amounting to nil (\$0.2 million in 2011 and \$0.7 million in 2010) with respect to the support services agreement and a charge amounting to nil (nil in 2011 and \$0.1 million in 2010) with respect to the support service related expenses in its consolidated earnings for the year ended December 31, 2012 included under the caption selling, general and administrative expenses.

The Company's key personnel are members of the Board of Directors and six members of senior management. Key personnel remuneration includes the following expenses:

	2012	2011	2010
	\$	\$	\$
Short-term employee benefits:			
Salaries including bonuses and post-employment benefits	4,402	3,553	3,021
Short-term director benefits:			
Director and committee fees and post-employment benefits	741	575	622
Stock-based payments for employees and directors	1,607	679	706
Total remuneration	6,750	4,807	4,349

20 - COMMITMENTS AND CONTINGENCIES**Commitments Under Operating Leases**

For the year ended December 31, 2012, the expense in respect of operating leases was \$4.1 million (\$3.8 million in 2011 and \$3.6 million in 2010). As of December 31, 2012, the Company had commitments aggregating to approximately \$2.9 million through the year 2016 for the rental of offices, warehouse space, manufacturing equipment, automobiles, computer hardware and other assets. Minimum lease payments for the next five years are \$1.9 million in 2013, \$0.6 million in 2014, \$0.3 million in 2015, less than \$0.1 million in 2016 and nil in 2017 and thereafter. The 2013 minimum lease payment is offset by a sublease of the Langley, British Columbia facility of \$37,000.

Contingent Loss

In 2009, the Company filed a complaint in the US District Court for the Middle District of Florida against Inspired Technologies, Inc. (ITI) alleging that ITI had breached its obligations under a supply agreement with the Company and ITI filed a counterclaim against the Company alleging that the Company had breached its obligations under the agreements. On April 13, 2011, after two trials on the issues, the Court entered a Judgment against the Company in the amount of approximately \$1.0 million. On May 19, 2011 the Company entered into a settlement agreement with ITI with respect to all outstanding litigation between the parties. Pursuant to the terms of the settlement, the Company paid approximately \$1.0 million to ITI in full and complete settlement of all matters between them with respect to the litigation.

The amount is included in the Selling, general and administrative expenses caption on the accompanying statement of consolidated earnings (loss).

On February 10, 2012, Multilayer Stretch Cling Film Holdings, Inc. (Multilayer) filed a complaint against the company in the US District Court for Western Tennessee, alleging that the Company has infringed a

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US patent issued to Multilayer that covers certain aspects of the manufacture of stretch film. Multilayer has filed substantially similar complaints against several other manufacturers of stretch film. In its complaint against the Company, Multilayer is seeking an injunction against the Company's alleged infringement, damages of not less than a reasonable royalty, trebling of the damage award and attorneys' fees. This matter is presently in the discovery phase of litigation.

Inasmuch as the Company does not believe that a loss from this lawsuit is probable or estimable as required under the applicable IFRS standard, it has not established an accrual for this matter. The Company assessed the probability of a potential loss and whether it could be reasonably estimated by analyzing the litigation using available information. In the event developments cause a change in the Company's determination as to an unfavorable outcome resulting in the need to recognize a material accrual, or result in an adverse judgment, there could be a material adverse effect on the Company's consolidated balance sheets, cash flows, and earnings in the period or periods in which such change in determination or judgment occurs.

The Company's management concluded that the amount of the contingent loss if any cannot be reasonably estimated. In making its assessment, the Company's management considered, among others, (i) the nature and merits of the Claim and the appeal, (ii) the current procedural status of the Claim, and (iii) the Company's past experience in similar situations. Accordingly, the Company's consolidated financial statements as at and for the year ended December 31, 2012, no amount has been recorded in connection with this contingent loss.

In addition to the matters described above, the Company is engaged in various legal proceedings and claims that have arisen in the ordinary course of business. The outcome of all of the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Company and after consultation with outside legal counsel, management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company, taken as a whole, and accordingly, no amounts have been recorded as of December 31, 2012.

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21 - FINANCIAL INSTRUMENTS**Fair value and classification of financial instruments**

As of December 31, 2012 and December 31, 2011, the classification of financial instruments, excluding derivative financial instruments designated as part of an effective hedging relationship, as well as their carrying amounts and respective fair values are as follows:

	Loans and receivables \$	December 31, 2012	
		Carrying amount Other liabilities \$	Fair value \$
Financial assets			
Cash	5,891	-	5,891
Trade receivables	75,860	-	75,860
Other receivables ⁽¹⁾	3,249	-	3,249
Loan to an officer ⁽²⁾	55	-	55
Total	85,055	-	85,055
Financial liabilities			
Accounts payable and accrued liabilities	-	76,005	76,005
Senior Subordinated Notes	-	38,282	38,700
Other long-term debt	-	113,017	113,017
Total	-	227,304	227,722

	Loans and receivables \$	December 31, 2011	
		Carrying amount Other liabilities \$	Fair value \$
Financial assets			
Cash and cash equivalents	4,345	-	4,345
Trade receivables	82,622	-	82,622
Other receivables ⁽¹⁾	2,283	-	2,283
Loan to an officer ⁽²⁾	91	-	91
Total	89,341	-	89,341
Financial liabilities			
Accounts payable and accrued liabilities	-	73,998	73,998
Senior Subordinated Notes	-	116,794	113,441
Other long-term debt	-	77,495	77,495

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Total	-	268,287	264,934
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(1) Consists primarily of supplier rebates receivable

(2) Included in Other assets on the Consolidated Balance Sheets

The Company's interest rate swap agreement expired on September 22, 2011 (carrying amount and fair value was a liability amounting to \$0.9 million as of December 31, 2010). The Company's final forward foreign exchange rate contract expired on July 31, 2012 (a liability amounting to \$13,000 as of December 31, 2011).

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The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments:

The fair value of trade receivables, other receivables, excluding income, sales and other taxes, and accounts payable and accrued liabilities is comparable to their carrying amount, given their short maturity periods;

The fair value of the Senior Subordinated Notes has been determined based on available quoted market prices;

The fair value of other long-term debt, mainly bearing interest at variable rates, including primarily the Company's ABL, is closely approximated by their carrying amounts; and

The fair value of the interest rate swap agreements and the forward foreign exchange rate contracts are estimated using a valuation technique that maximizes the use of observable market inputs, including exchange rates and interest rates as a listed market price is not available.

The Company ensures, to the extent possible, that its valuation techniques and assumptions incorporate all factors that market participants would consider in setting a price and that it is consistent with accepted economic methods for pricing financial instruments.

Income and expenses relating to financial assets and liabilities are as follows:

	2012	Interest income	
	\$	2011	2010
	\$	\$	\$
Cash	132	269	54

	2012	Bad debt expense (recovery)	
	\$	2011	2010
	\$	\$	\$
Trade receivables	185	677	318

	2012	Interest expense calculated using the effective interest rate method	
	\$	2011	2010
	\$	\$	\$
Long-term debt	13,433	15,635	15,619

As of December 31, 2011 the financial instruments presented at fair value on the Company's consolidated balance sheet by level of the fair value hierarchy are as follows:

	December 31, 2011		
	Level 1	Level 2	Total
	\$	\$	\$
Financial liabilities			
Forward foreign exchange rate contracts	-	13	13

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Hierarchy of financial instruments

The Company categorizes its financial instruments, measured at fair value in the consolidated balance sheet, including its financial assets, financial liabilities and derivative financial instruments, into a three-level fair value measurement hierarchy as follows:

Level 1: The fair value is determined directly by reference to unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: The fair value is estimated using a valuation technique based on observable market data, either directly or indirectly.

Level 3: The fair value is estimated using a valuation technique based on unobservable data.

Exchange Risk

The Company is exposed to exchange risk due to cash, trade receivables, accounts payable and accrued liabilities, and long-term debt dominated in a currency other than the functional currency of the operating unit incurring the cost or earning the revenues, primarily the Canadian dollar and the Euro. As of December 31, 2012 and 2011 financial assets and liabilities in foreign currency, translated into US dollars at the closing rate, are as follows:

	2012		2011	
	Canadian dollar USD\$	Euro Euro USD\$	Canadian dollar USD\$	Euro Euro USD\$
Cash	1,168	1,903	663	1,669
Trade receivables	7,596	4,671	8,322	5,113
	8,764	6,574	8,985	6,782
Accounts payable and accrued liabilities	8,254	1,763	8,244	2,060
Total debt	26	2,411	33	4,563
	8,280	4,174	8,277	6,623
Net Exposure	484	2,400	708	159

The following table details the Company's sensitivity to a 10% strengthening of the Canadian dollar and the Euro, against the US dollar, and the related impact on other comprehensive income (loss). For a 10% weakening of the Canadian dollar and the Euro, against the US dollar, there would be an equal and opposite impact on other comprehensive income (loss). As of December 31, 2012 and 2011 everything else being equal, a 10% strengthening of the Canadian dollar and Euro, against the US dollar, would result as follows:

	2012		2011	
	Canadian dollar USD\$	Euro Euro USD\$	Canadian dollar USD\$	Euro Euro USD\$
Increase in other comprehensive income (loss)	4,987	1,478	5,858	1,379

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In 2011, in accordance with the Company's foreign exchange rate risk policy, the Company executed a series of 9 monthly forward foreign exchange rate contracts to purchase an aggregate CDN\$10.0 million beginning in July 2011 through March 2012, at fixed exchange rates ranging from CDN\$0.9692 to CDN\$0.9766 to the US dollar and a series of five monthly forward foreign exchange rate contracts to purchase an aggregate CDN\$10.0 million beginning in March 2012 through July 2012, at fixed

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exchange rates ranging from CDN\$1.0564 to CDN\$1.0568 to the US dollar. These forward foreign exchange rate contracts mitigated foreign exchange rate risk associated with a portion of anticipated monthly inventory purchases of the Company's US self-sustaining foreign operations that were settled in Canadian dollars. The Company designated these forward foreign exchange rate contracts as cash flow hedges, effectively mitigating the cash flow risk associated with the settlement of the inventory purchases.

In 2010, in accordance with the Company's foreign exchange rate risk policy, the Company executed a series of 8 monthly forward foreign exchange rate contracts to purchase an aggregate CDN\$10.0 million beginning in January 2011, at fixed exchange rates ranging from CDN\$1.0260 to CDN\$1.0318 to the US dollar; a series of 6 monthly forward foreign exchange rate contracts to purchase an aggregate CDN\$13.5 million beginning in August 2011, at fixed exchange rates ranging from CDN\$1.0173 to CDN\$1.0223 to the US dollar; and a series of 13 monthly forward foreign exchange rate contracts to purchase an aggregate CDN\$20.0 million beginning in June 2010, at fixed exchange rates ranging from CDN\$1.0610 to CDN\$1.0636 to the US dollar. These forward foreign exchange rate contracts mitigated foreign exchange rate risk associated with a portion of anticipated monthly inventory purchases of the Company's US self-sustaining foreign operations that were settled in Canadian dollars. The Company designated these forward foreign exchange rate contracts as cash flow hedges, effectively mitigating the cash flow risk associated with the settlement of the inventory purchases.

Finally, in 2010, the Company executed a series of 12 monthly forward foreign exchange rate contracts to purchase an aggregate USD\$2.0 million beginning in July 2010, at fixed exchange rates ranging from USD\$1.1870 to USD\$1.1923 to the Euro. These forward foreign exchange rate contracts complied with management's foreign exchange risk policy whereby these forward foreign exchange rate contracts mitigated the foreign exchange rate risk associated with the Company's translation of foreign generated Euro denominated net earnings. However, these forward foreign exchange rate contracts did not comply with the requirements for hedge accounting and thus were not been designated as such.

Execution and Settlement

During the year ended December 31, 2012, one of the Company's US foreign operations (the *Subsidiary*) purchased an aggregate of CDN\$50.5 million (USD\$50.8 million) (CDN\$76.9 million (USD\$77.8 million) in 2011) of inventories. Included in this amount is approximately CDN\$22.3 million (USD\$22.4 million) (CDN\$26.5 million (USD\$26.8 million) in 2011) of inventory purchases previously designated as part of a hedging relationship using forward foreign exchange rate contracts (the *Contracts*). These Contracts, used to reduce the exposure related to the Subsidiary's anticipated inventory purchases during the period of January through July 2012. All inventories purchased and subject to the hedging relationship pursuant to these Contracts were sold as of December 31, 2012.

For the year ended December 31, 2012, the cumulative change in these settled Contracts' fair value was recognized in the consolidated earnings under the caption *Cost of sales* in the amount of \$0.2 million, (\$1.7 million in 2011 and \$1.5 million in 2010). The cumulative change in the Contracts' fair value was recognized in consolidated earnings as a result of the following:

The Contracts have been settled; and

The hedging item (the Contracts) is recognized in consolidated earnings at the same period the hedged item (the inventories) is recognized in consolidated earnings.

Discontinuance of Hedging Relationships

During the year ended December 31, 2011, the Company's management decided to discontinue hedge accounting for specific hedging relationships by terminating the designation of these relationships. The discontinued hedging relationships consisted of seven forward foreign exchange rate contracts (four forward foreign exchange rate contracts in 2010) (collectively the *Terminated Contracts*). These

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Terminated Contracts represent the Company's hedged inventory purchases and related accounts payable during the months of March, June, July, August and September 2011 (June and September 2010). All inventory purchases covered under these contracts were sold and consequently were included in the determination of net earnings for the years ended December 31, 2011 and 2010. Accordingly, included in the Company's consolidated earnings for the year ended December 31, 2011 are \$1.0 million (\$0.6 million in 2010) under the caption Cost of sales, representing the gain on these Terminated Contracts, which had been previously recognized in accumulated other comprehensive income as a result of applying hedge accounting and a loss of \$0.3 million in 2011 (nil in 2010) under the caption other (income) expense, representing the change in fair value of these Terminated Contracts arising subsequent to the Company's management decision to terminate the designation of these specific hedging relationships.

Interest Rate Risk

The Company's ABL, Real Estate Loan, term debt and equipment finance agreement advance fundings are exposed to a risk of change in cash flows due to changes in the underlying interest rates. The Company does not currently hold any derivative financial instruments to mitigate this risk.

In 2011, the Company's ABL and term debt were exposed to a risk of change in cash flows due to changes in the underlying interest rates. To mitigate the risk of the ABL, the Company entered into an interest rate swap agreement (the Agreement), designated as a cash flow hedge which expired on September 22, 2011.

The terms of this Agreement were as follows:

	Notional amount \$	Settlement	Fixed interest rate paid %
Agreement matured in September 2011	40,000,000	Monthly	3.35

As of December 31, 2012, the impact on the Company's consolidated earnings of a 1.0% increase in interest rates, assuming all other variables remained equal, would be a decrease of approximately \$1.0 million (a decrease of \$0.7 million in 2011). Other comprehensive income (loss) would not materially change as a result of a similar shift in interest rates and consequently, no sensitivity analysis is provided.

Credit Risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Generally, the carrying amount reported on the Company's consolidated balance sheet for its financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

Financial assets that potentially subject the Company to credit risk consist primarily of cash, trade receivables, other receivables, namely supplier rebates receivable, and derivative financial instruments.

Cash

Credit risk associated with cash is substantially mitigated by ensuring that these financial assets are placed with major financial institutions that have been accorded investment grade ratings by a primary rating agency and qualify as credit worthy counterparties. The Company performs an ongoing review and evaluation of the possible changes in the status and credit worthiness of its counterparties.

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Derivative Financial Instruments

Credit risk related to derivative financial instruments is adequately controlled, as the Company enters into such agreements solely with large American financial institutions having suitable credit ratings and who demonstrate sufficient liquidity. The credit risk, which the Company is exposed to in respect of derivative financial instruments, is limited to the replacement costs of contracts at market prices and when these agreements result in a receivable from the financial institution in the event of a counterparty default.

Trade Receivables

Credit risk with respect to trade receivables is limited due to the Company's credit evaluation process, reasonably short collection terms and the credit worthiness of its customers. The Company regularly monitors its credit risk exposures and takes steps to mitigate the likelihood of these exposures from resulting in actual losses. Allowance for doubtful accounts is maintained, consistent with credit risk, historical trends, general economic conditions and other information and is taken into account in the consolidated financial statements.

The following table presents an analysis of the age of trade receivables and related balance as of:

	December 31, 2012	December 31, 2011
	\$	\$
Current	70,503	74,558
1-30 days past due	5,688	6,100
31-60 days past due	46	1,244
61-90 days past due	22	99
Over 91 days past due	1,993	2,840
	78,252	84,841
Allowance for doubtful accounts	(2,392)	(2,219)
Balance	75,860	82,622

The Company makes estimates and assumptions in the process of determining an adequate allowance for doubtful accounts. Trade receivables outstanding longer than the agreed upon payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade receivables are past due, the customer's current ability to pay its obligation to the Company, historical results and the condition of the general economy and the industry as a whole. The Company writes-off trade receivables when they are determined to be uncollectible and any payments subsequently received on such trade receivables are credited to the allowance for doubtful accounts. The allowance for doubtful accounts is primarily calculated on a specific-identification of trade receivable accounts.

The following table presents a continuity summary of the Company's allowance for doubtful accounts as of and for the year ended December 31:

	2012	2011
	\$	\$
Balance, beginning of year	2,219	1,653
Additions	163	676
Write-offs	(4)	(97)
Foreign exchange	14	(13)

Balance, end of year	2,392	2,219
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Other Receivables

Credit risk associated with other receivables primarily relates to supplier rebates receivable. This risk is limited considering the Company's diversified counterparties and geography.

As of December 31, 2012 and 2011, no single vendor accounted for over 5% of the Company's total current assets. The Company does not believe it is subject to any significant concentration of credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial liabilities and obligations as they become due. The Company is exposed to this risk mainly through its long-term debt, accounts payable and accrued liabilities, and derivative financial instruments (liabilities). The Company finances its operations through a combination of cash flows from operations and borrowings under its ABL.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources for a sufficient authorized amount. The Company establishes budgets, cash estimates and cash management policies to ensure it has the necessary funds to fulfill its obligations for the foreseeable future.

The following maturity analysis for derivatives and non-derivative financial liabilities is based on the remaining contractual maturities as of the balance sheet date. The amounts disclosed reflect the contractual undiscounted cash flows categorized by their earliest contractual maturity date on which the Company can be required to pay its obligation.

The maturity analysis for non-derivative financial liabilities is as follows as of December 31:

				2012
	Other long- term loans \$	Finance lease liabilities \$	Accounts payable and accrued liabilities \$	Total \$
Current maturity	8,142	1,893	76,005	86,040
2014	2,342	1,926	-	4,268
2015	1,768	1,839	-	3,607
2016	1,772	1,769	-	3,541
2017	128,043	1,581	-	129,624
2018 and thereafter	1,250	3,891	-	5,141
	143,317	12,899	76,005	232,221

				2011
	Other long- term loans \$	Finance lease liabilities \$	Accounts payable and accrued liabilities \$	Total \$
Current maturity	2,640	784	73,998	77,422
2013	67,382	798	-	68,180
2014	119,441	692	-	120,133
2015	71	645	-	716

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2016	75	577	-	652
2017 and thereafter	1,291	4,358	-	5,649
	190,900	7,854	73,998	272,752

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The maturity analysis for derivatives financial liabilities includes only the maturities essential for an understanding of the timing of the cash flows. In connection with the Company's derivative financial liabilities requiring settlement on a net basis, undiscounted net cash flows are presented.

The maturity analysis for derivative financial liabilities is as follows as of December 31, 2011:

	Less than 6 months \$	6 months to 1 year \$	Greater than 1 year \$	Total \$
Forward foreign exchange rate contracts	(30)	17	-	(13)
Interest rate swap agreements	-	-	-	-
	(30)	17	-	(13)

As of December 31, 2012, the Company's unused availability under the ABL and available cash on hand amounted to \$54.7 million (\$58.9 million in 2011).

Price Risk

The Company's price risk arises from changes in its oil-derived raw material prices, which are significantly influenced by the fluctuating underlying crude oil markets. The Company's objectives in managing its price risk are threefold: i) to protect its financial result for the period from significant fluctuations in raw material costs, ii) to anticipate, to the extent possible, and plan for significant changes in the raw material markets and iii) to ensure sufficient availability of raw material required to meet the Company's manufacturing requirements. In order to manage its exposure to price risks, the Company closely monitors current and anticipated changes in market prices and develops pre-buying strategies and patterns, and seeks to adjust its selling prices when market conditions permit. Historical results indicate management's ability to rapidly identify fluctuations in raw material prices and, to the extent possible, incorporate such fluctuations in the Company's selling prices.

As of December 31, 2012, all other parameters being equal, a hypothetical increase of 10% in the cost of raw materials, with no corresponding sales price adjustments, would result in a decrease in earnings of \$43.7 million (a decrease in earnings of \$46.8 million in 2011). A similar decrease of 10% will have the opposite impact. No material impact is expected on other comprehensive income (loss) and accordingly, no sensitivity analysis is provided.

Capital Management

The Company's primary objectives when managing capital are i) to provide adequate return to its shareholders, ii) minimize, to the extent possible, the risks associated with its shareholders' investment in the Company, iii) safeguard the Company's ability to continue as a going concern and iv) provide financial capacity and flexibility to meet strategic objectives and growth.

The capital structure of the Company consists of cash, debt and shareholders' equity. A summary of the Company's capital structure is as follows as of December 31:

	2012 \$	2011 \$
Cash	5,891	4,345
Debt	151,299	194,289

Shareholders' equity	153,834	137,178
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The Company manages its capital structure in accordance with its expected business growth, operational objectives and underlying industry, market and economic conditions. Consequently, the Company will determine, from time to time, its capital requirements and will accordingly develop a plan to be presented and approved by its Board of Directors. The plan may include the repurchase of common shares, the issuance of shares, the payment of dividends and the issuance of new debt or the refinancing of existing debt.

In meeting its principal objective to provide adequate return to its shareholders, the Company undertakes measures to maintain and grow its adjusted EBITDA over the years. Such measures include the introduction of new products, penetration into new markets and market niches, the manufacturing rationalization plan and increasing operating efficiencies.

The Company monitors its capital by reviewing its credit ratings as determined by independent agencies and evaluating various financial metrics. These metrics, which are provided to and used by the Company's key management personnel in their decision making process, consisted of the following for the trailing twelve months ended December 31:

	2012	2011
	\$	\$
Net earnings (loss)	22,507	8,954
Add back:		
Interest and other expense	14,536	17,541
Income tax expense (benefit)	375	1,920
Depreciation and amortization	30,397	30,882
EBITDA	67,815	59,297
Manufacturing facility closures, restructuring and other related charges	18,257	2,891
Stock-based compensation expense	1,832	818
ITI litigation settlement	-	956
Adjusted EBITDA	87,904	63,962
Interest expense	13,233	15,361
Debt	151,299	194,289
Internal financial ratios		
Debt to Adjusted EBITDA	1.72	3.04
Adjusted EBITDA to interest expense	6.64	4.16

Debt represents the Company's long-term and related current portion borrowings. The Company defines EBITDA as net earnings (loss) before (i) interest and other (income) expense; (ii) income tax expense (benefit); (iii) refinancing expense, net of amortization; (iv) amortization of debt issue expenses; (v) amortization of intangible assets; and (vi) depreciation of property, plant and equipment. Adjusted EBITDA is defined as EBITDA before (i) manufacturing facility closures, restructuring and other related charges; (ii) stock-based compensation expense; (iii) impairment of goodwill; (iv) impairment of long-lived assets and other assets; (v) write-down on assets classified as held-for-sale; and (vi) other items as disclosed. Interest expense is defined as the total interest expense incurred net of any interest income earned during the year.

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22 - POST REPORTING EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date of these financial statements and the date of authorization with the exception of the items discussed below.

In January 2013, the Company sold the Brantford, Ontario manufacturing facility and received net proceeds of \$1.6 million. The Company recovered \$0.2 million of the asset impairment charge previously recorded in 2011 and 2010.

The Company declared a cash dividend of \$0.08 per common share payable April 10, 2013 to shareholders of record at the close of business on March 25, 2013. The estimated amount of this dividend payment is \$4.8 million based on 59,625,039 shares of the Company's common shares issued and outstanding as of March 6, 2013.

On February 26, 2013, the Company announced its intention to relocate its Columbia, South Carolina manufacturing facility within the region in order to modernize facility operations and acquire state-of-the-art manufacturing equipment.