

INTERTAPE POLYMER GROUP INC  
Form 6-K  
August 10, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 6-K**

**Report of Foreign Private Issuer**  
**Pursuant to Rule 13a-16 or 15d-16 of**  
**the Securities Exchange Act of 1934**

For the month of August, 2011

Commission File Number 1-10928

**INTERTAPE POLYMER GROUP INC.**

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

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

Form 20-F  Form 40-F

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

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

SIGNATURES

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

INTERTAPE POLYMER GROUP INC.

Date: August 10, 2011

By: /s/ Bernard J. Pitz  
Bernard J. Pitz, Chief Financial Officer

August 10, 2011

**Intertape Polymer Group Inc.****Consolidated Quarterly Statements of Earnings (Loss)**

Three month periods ended

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

(Unaudited)

	<b>IFRS Unaudited June 30, 2011 \$</b>	<b>IFRS Unaudited March 31, 2011 \$</b>	<b>IFRS Unaudited December 31, 2010 \$</b>	<b>Canadian GAAP Unaudited September 30, 2010 \$</b>
Revenue	209,741	192,620	180,063	187,057
Cost of sales	177,012	168,813	158,855	167,492
Gross profit	32,729	23,807	21,207	19,565
Selling, general and administrative expenses	21,558	18,406	18,836	17,375
Research expenses	1,468	1,373	1,347	1,485
	23,026	19,779	20,182	18,860
Operating profit before manufacturing facility closures, restructuring, and other charges	9,703	4,028	1,025	705
Manufacturing facility closures, restructuring, and other charges	1,543	3	3,534	
Operating profit (loss)	8,160	4,025	(2,509)	705
Interest	4,010	3,791	3,957	4,062
Other (income) expense	121	2	(93)	461
Earnings (loss) before income taxes (recovery)	4,029	232	(6,373)	(3,818)
Income taxes (recovery)				
Current	308	82	(543)	447
Deferred	(89)	191	32,706	342
	219	273	32,163	789
Net earnings (loss)	3,810	(41)	(38,536)	(4,607)
Earnings (loss) per share				
Basic	0.06	(0.00)	(0.65)	(0.08)
Diluted	0.06	(0.00)	(0.65)	(0.08)
Weighted average number of common shares outstanding				
Basic	58,961,050	58,961,050	58,961,050	58,951,050
Diluted	58,989,394	58,961,050	58,961,050	58,951,050

**Intertape Polymer Group Inc.****Consolidated Quarterly Statements of Earnings (Loss)**

Three month periods ended

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

(Unaudited)

	<b>IFRS Unaudited June 30, 2010 \$</b>	<b>IFRS Unaudited March 31, 2010 \$</b>	<b>Canadian GAAP Unaudited December 31, 2009 \$</b>	<b>Canadian GAAP Unaudited September 30, 2009 \$</b>
Revenue	180,278	173,120	160,794	163,688
Cost of sales	158,120	152,566	140,617	137,295
Gross profit	22,158	20,554	20,177	26,393
Selling, general and administrative expenses	18,557	18,895	20,317	18,011
Research expenses	1,929	1,492	1,488	1,449
	20,486	20,387	21,805	19,460
Operating profit (loss) before manufacturing facility closures, restructuring, and other charges	1,672	167	(1,628)	6,933
Manufacturing facility closures, restructuring, and other charges			1,091	
Operating profit (loss)	1,672	167	(2,719)	6,933
Interest	3,912	3,889	3,783	4,050
Other (income) expense	392	122	(653)	(525)
Earnings (loss) before income taxes (recovery)	(2,632)	(3,844)	(5,849)	3,408
Income taxes (recovery)				
Current	(16)	102	182	155
Deferred	(78)	807	2,511	1,253
	(94)	909	2,693	1,408
Net earnings (loss)	(2,538)	(4,753)	(8,542)	2,000
Earnings (loss) per share				
Basic	(0.04)	(0.08)	(0.14)	0.03
Diluted	(0.04)	(0.08)	(0.14)	0.03
Weighted average number of common shares outstanding				
Basic	58,951,050	58,951,050	58,951,050	58,951,050
Diluted	58,951,050	58,951,050	58,951,050	58,981,050

This Management's Discussion and Analysis ( MD&A ) supplements the unaudited interim condensed consolidated financial statements and notes thereto as of and for the three and six months ended June 30, 2011 and 2010. Except where otherwise indicated, all financial information reflected herein is prepared in accordance with International Financial Reporting Standards ( IFRS ) and is expressed in U.S. dollars.

#### Overview

Intertape Polymer Group Inc. (the Company or IPG ) reported revenue for the second quarter of 2011 of \$209.7 million, an increase of 16.3% compared to \$180.3 million for the second quarter of 2010 and an increase of 8.9% sequentially compared to \$192.6 million for the first quarter of 2011. Gross profit totalled \$32.7 million for the second quarter of 2011 as compared to \$22.2 million and \$23.8 million, respectively, for the second quarter of 2010 and first quarter of 2011. Revenue for the six months ended June 30, 2011 totalled \$402.4 million, an increase of 13.9% compared to \$353.4 million for the six months ended June 30, 2010. Sales volume for the second quarter of 2011 was higher compared to the first quarter of 2011 and the second quarter of 2010. Sales volume for the six months ended June 30, 2011 was higher than for the six months ended June 30, 2010.

Net earnings for the second quarter of 2011 were \$3.8 million (\$0.06 per share, both basic and diluted) as compared to a net loss of \$2.5 million ((\$0.04) per share, both basic and diluted) for the second quarter of 2010 and a net loss of less than \$0.1 million (\$0.00 per share, both basic and diluted) for the first quarter of 2011. Net earnings for the six months ended June 30, 2011 totalled \$3.8 million (\$0.06 per share, both basic and diluted) as compared to a net loss of \$7.3 million ((\$0.12) per share, both basic and diluted) for the same period in 2010.

As required by the Canadian Accounting Standards Board, the Company adopted IFRS on January 1, 2011. As required by the applicable standards, financial information for 2010, with the exception of the 2010 third quarter earnings statement and as of the transition date of January 1, 2010, has been restated to comply with IFRS. Information prior to the transition date as well as the third quarter earnings statements of 2010 have not been restated and therefore, are presented and labeled in accordance with Canadian generally accepted accounting principles ( GAAP ). Note 13 to the unaudited interim consolidated financial statements provides a reconciliation of the Company's earnings statements for the three and six months ended June 30, 2010 and for the year ended December 31, 2010, as well as a detailed description of the Company's conversion to IFRS, and a reconciliation of its financial statements previously prepared in accordance with GAAP.

The most significant impacts of the conversion to IFRS on the Company's current and future key financial metrics are as follows:

Lower pension costs resulting from the recognition of actuarial losses at the transition favourably impacting:

Earnings

EBITDA

Adjusted EBITDA

Fixed charge ratio

Lower depreciation and amortization costs resulting from additional impairments taken at the transition favourably impacting:

Earnings

In all cases, the impact on current and future key financial metrics is immaterial.

#### Liquidity

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

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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 ranges from 1.50% to 2.25%. 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 and have the negative pledge in favour of the ABL lenders subordinated to real estate mortgage financing up to \$35.0 million. As of June 30, 2011, the Company had secured real estate mortgage financing of \$4.3 million, leaving the Company the ability to obtain an additional \$30.7 million of real estate mortgage financing.

The Company has no significant debt maturities until March 2013, when the ABL matures. The Company's remaining \$118.7 million Senior Subordinated Notes mature in August 2014.

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 agreement) less capital expenditures and pension plan contributions in excess of pension plan expense to the sum of debt service and the amortization of the value of the equipment included in the borrowing base. The financial covenant becomes effective only when unused availability drops below \$25.0 million. Although not in effect, the Company was in compliance with the fixed charge coverage ratio covenant as of June 30, 2011. The Company believes it will remain above the \$25.0 million threshold of unused availability during the remainder of 2011.

The Company relies upon the funds generated from operations and funds available under its ABL to meet working capital requirements, anticipated obligations under its ABL and Senior Subordinated Notes, and to finance capital expenditures for the foreseeable future. As of June 30, 2011, the Company had cash and unused availability under its ABL totalling \$54.1 million. As of August 8, 2011, the Company had cash and unused availability under its ABL exceeding \$43 million after the \$5.0 million semi-annual interest payment related to the Senior Subordinated Notes was made in the first week of August 2011.

In 2009, the Company filed a complaint in the U.S. 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. After two trials on the issues, on April 13, 2011 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. After carefully considering the costs of continued litigation and its inherent uncertainty, Management concluded that a settlement was in the best interest of the Company and its shareholders. The results for the second quarter of 2011 include the charge for the payment of this settlement amount.

#### Outlook

Due to economic uncertainty in several of our markets, the sales volume for the third quarter of 2011 is difficult to predict. At this time, the Company anticipates that third quarter revenue and Adjusted EBITDA will be lower than the second quarter of 2011.

On March 23, 2011, the Company announced its intention to close its Brantford, Ontario facility due to the economic consequences of the continuing strike of its unionized workers. The facility was shut down in the second quarter of 2011 as planned. The closure is anticipated to result in a positive contribution to EBITDA of approximately \$4 million and a decrease in revenues of approximately \$10 million on an annualized basis. Proceeds from disposals of Brantford property, plant, equipment and other assets are expected to be between \$0.7 million and \$2.9 million in the second half of 2011. During the six months ended June 30, 2011, \$1.7 million in closure costs were recorded and an additional amount of between \$0.5 to \$1.0 million is expected in the third quarter of 2011.

#### Results of Operations

##### Revenue

The Company's revenue for the second quarter of 2011 was \$209.7 million, a 16.3% increase compared to \$180.3 million for the second quarter of 2010 and sequentially an 8.9% increase compared to \$192.6 million for the first quarter of 2011.

Revenue for the first six months of 2011 was \$402.4 million compared to \$353.4 million for the same period in 2010, an increase of 13.9%. This revenue increase reflects an increase in sales volume of approximately 1% as well as an increase in selling prices of approximately 13%.

As indicated above, the revenue loss related to the closure of the Brantford facility is estimated at \$10 million on an annualized basis. To better reflect the impact of this facility closure, the following numbers exclude revenue and sales volume related to the products manufactured at the Brantford facility that will no longer be sold. Revenue for the second quarter of 2011 would have been \$207.6 million, a 17.1% increase compared to \$177.3 million for the second quarter of 2010 and sequentially a 9.4% increase compared to the \$189.8 million for the first quarter of 2011. Sales volume for the second quarter of 2011 would have increased approximately 3% compared to the second quarter of 2010 and approximately 2% compared to the first quarter of 2011. The sales volume increase over the second quarter of 2010 and the first quarter of 2011 was due to higher demand for most tape and film product lines. Selling prices for the second quarter of 2011 would have increased approximately 13% compared to the second quarter of 2010 and approximately 7% compared to the first quarter of 2011 primarily due to the improved pricing environment. Revenue for the first six months of 2011 would have been \$397.3 million, a 14.3% increase compared to \$347.6 million for the first six months of 2010. Selling prices for the first six months of 2011 would have increased approximately 13% compared to the first six months of 2010 primarily due to the improved pricing environment. Sales volume for the first six months of 2011 would have increased approximately 2% compared to the first six months of 2010.

### Gross Profit and Gross Margin

Gross profit totalled \$32.7 million in the second quarter of 2011, an increase of 47.7% from the second quarter of 2010 and an increase of 37.5% from the first quarter of 2011. Gross margin was 15.6% in the second quarter of 2011, 12.3% in the second quarter of 2010, and 12.4% in the first quarter of 2011. As compared to the second quarter of 2010, gross profit and gross margin increased primarily due to higher selling prices and improved product mix. Selling prices increased more than conversion costs and slightly more than raw material costs. Sales volume increased approximately 2% which further contributed to the increase in gross profit and gross margin. The spread between selling prices and raw material costs is still compressed when compared to periods prior to 2010.

Gross profit and gross margin for the first six months of 2011 were \$56.5 million and 14.1%, respectively, compared to \$42.7 million and 12.1% for the first six months of 2010, respectively. The increase in gross margin for the first six months of 2011 compared to the first six months of 2010 was primarily due to increased selling prices and other items discussed above.

### Selling, General, and Administrative Expenses

Selling, general, and administrative expenses ( SG&A ) totalled \$21.6 million, \$18.6 million, and \$18.4 million, for the second quarter of 2011, second quarter of 2010, and first quarter of 2011, respectively. The increase from the second quarter of 2010 to the second quarter of 2011 and on a sequential basis was primarily the result of the settlement of the lawsuit with ITI, of approximately \$1.0 million, and higher selling expenses related to higher revenue. As a percentage of revenue, SG&A expenses were 10.3%, 10.3%, and 9.6% for the second quarter of 2011, second quarter of 2010, and first quarter of 2011, respectively.

Stock-based compensation expense is included in SG&A in accordance with IFRS. Stock-based compensation expense for the second quarter of 2011 was \$0.2 million compared to \$0.1 million in the second quarter of 2010 and \$0.1 million in the first quarter of 2011. For the first six months of 2011 these costs totalled \$0.4 million as compared to \$0.2 million for the first six months of 2010.

### Interest

Interest for the second quarter of 2011 totalled \$4.0 million, a \$0.1 million or 2.5% increase from the second quarter of 2010. When compared to interest in the first quarter of 2011 of \$3.8 million, interest for the second quarter of 2011 was higher by \$0.2 million due to higher average borrowings under the ABL. For the first six months of 2011, interest totalled \$7.8 million as compared to \$7.8 million for the first six months of 2010.

### Other (Income) Expense

Other income and expense for the second quarter of 2011 totalled \$0.1 million, a \$0.3 million or 69.1% decrease from the second quarter of 2010. The decrease from the second quarter of 2010 was due to foreign exchange gains in the second quarter of 2011. When compared to other income and expense in the first quarter of 2011, other income and expense for the second quarter of 2011 was higher by \$0.1 million.

### Non-GAAP Measures

Whenever the Company uses non-GAAP measures, it will provide a reconciliation of non-GAAP financial measures to the most closely applicable GAAP financial measure. 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 measure 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.

### 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, strategic alternatives and other charges; and (ii) other items as disclosed. The term adjusted net earnings (loss) does not have any standardized meaning prescribed by GAAP in Canada 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. Adjusted earnings (loss) per share 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 in Canada 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 US dollars)

(Unaudited)

	Three months ended			Six months ended	
	June 30, 2011 \$	June 30, 2010 \$	March 31, 2011 \$	June 30, 2011 \$	June 30, 2010 \$
Net earnings (loss)	3.8	(2.5)	(0.0)	3.8	(7.3)
Add back:					
Manufacturing facility closures, restructuring, and other charges; net of nil income taxes	1.5			1.5	
ITI litigation settlement; net of nil income taxes	1.0			1.0	
<b>Adjusted net earnings (loss)</b>	<b>6.3</b>	<b>(2.5)</b>	<b>(0.0)</b>	<b>6.3</b>	<b>(7.3)</b>
Earnings (loss) per share					
Basic	0.06	(0.04)	(0.00)	0.06	(0.12)
Diluted	0.06	(0.04)	(0.00)	0.06	(0.12)
Adjusted earnings (loss) per share					
Basic	0.11	(0.04)		0.11	(0.12)
Diluted	0.11	(0.04)		0.11	(0.12)
Weighted average number of common shares outstanding					
Basic	58,961,050	58,951,050	58,961,050	58,961,050	58,951,050
Diluted	58,989,394	58,951,050	58,961,050	58,987,817	58,951,050

Adjusted net earnings were \$6.3 million for the second quarter of 2011 as compared to an adjusted net loss of \$2.5 million for the second quarter of 2010. Adjusted net earnings in the second quarter of 2011 were \$6.3 million higher than the adjusted net loss of less than \$0.1 million in the first quarter of 2011. Adjusted net earnings were higher sequentially and year-over-year primarily as a result of higher revenue and gross margin as discussed above.

Adjusted earnings per share for the second quarter of 2011 was \$0.11 per share, a \$0.15 per share increase over the second quarter of 2010 and \$0.11 per share increase over the first quarter of 2011.

## 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) income taxes (recovery); (ii) finance costs, net of amortization (including foreign exchange gain (loss)); (iii) refinancing expense, net of amortization; (iv) amortization of debt issue expenses; (v) amortization of intangibles assets and deferred charges; and (vi) depreciation of property, plant and equipment. Adjusted EBITDA is defined as EBITDA before (i) manufacturing facility closures, restructuring, strategic alternatives and other charges; (ii) impairment of goodwill; (iii) impairment of long-lived assets and other assets; (iv) 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 in Canada 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.

## ADJUSTED EBITDA RECONCILIATION TO NET EARNINGS (LOSS)

(in millions of US dollars)

(Unaudited)

	Three months ended			Six months ended	
	June 30, 2011 \$	June 30, 2010 \$	March 31, 2011 \$	June 30, 2011 \$	June 30, 2010 \$
Net earnings (loss)	3.8	(2.5)	(0.0)	3.8	(7.3)
Add back:					
Interest and other (income) expense	4.1	4.3	3.8	7.9	8.3
Income taxes (recovery)	0.2	(0.1)	0.3	0.5	0.8
Depreciation and amortization	7.8	8.4	7.8	15.6	16.8
<b>EBITDA</b>	<b>16.0</b>	<b>10.1</b>	<b>11.8</b>	<b>27.8</b>	<b>18.7</b>
Manufacturing facility closures, restructuring and other charges	1.5			1.5	
ITI litigation settlement	1.0			1.0	
<b>Adjusted EBITDA</b>	<b>18.5</b>	<b>10.1</b>	<b>11.8</b>	<b>30.3</b>	<b>18.7</b>

Adjusted EBITDA was \$18.5 million for the second quarter of 2011, \$10.1 million for the second quarter of 2010, and \$11.8 million for the first quarter of 2011. The increase from the second quarter of 2010 to the second quarter of 2011 and on a sequential basis was primarily a result of higher revenue and gross margin as discussed above.

As compared to the first six months of 2010, Adjusted EBITDA increased by \$11.6 million from \$18.7 million to \$30.3 million in the first six months of 2011. The increase was primarily a result of higher revenue and gross margin as discussed above.

## 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 strategies that the Company implements. The Company estimates its annual effective income tax rate and utilizes that rate in its unaudited interim consolidated financial statements. The effective tax rate for the six months ended June 30, 2011 was approximately 11.5% compared to approximately a negative 9.8% for the six months ended June 30, 2010. The effective tax rate for the six months ended June 30, 2011 is based on pre-tax earnings of \$4.3 million and total income tax expense of \$0.5 million, \$0.2 million of which is related to a revision of the valuation of a tax asset within the Company's Portuguese tax entity.

While there were increases to deferred tax assets as a result of the accounting adjustments made to transition to IFRS, the most significant change to the Company's accounting for income taxes upon transitioning to IFRS was the reclassification of \$6.3 million of investment tax credits from Other Assets to Deferred Tax Assets on its opening balance sheet as of January 1, 2010.

#### Net Earnings (Loss)

Net earnings for the second quarter of 2011 were \$3.8 million compared to a net loss of \$2.5 million in the second quarter of 2010, and a net loss of less than \$0.1 million in the first quarter of 2011. Net earnings for the six months ended June 30, 2011 totalled \$3.8 million compared to a net loss of \$7.3 million for the same period in 2010.

#### Results of Operations by Division

As a result of the Company's structural, operational, management and reporting realignments during the third quarter of 2010, the Company no longer has operating divisions and now operates as a single segment. The Company is no longer required to present operating results at a divisional level; however, in the interest of historical reporting consistency, the results discussed below are as per the previously-defined divisions.

#### Results of Operations - Tapes and Films Division

Revenue for the Tapes and Films (T&F) Division in the second quarter of 2011 was \$178.5 million, an increase of 19.1% compared to \$149.8 million for the second quarter of 2010 and an increase of 9.9% compared to \$162.4 million in the first quarter of 2011. Sales volume increased in the second quarter of 2011 by approximately 6% as compared to the second quarter of 2010 and increased approximately 3% sequentially over the first quarter of 2011. Revenue across most product lines contributed to both the year-over-year and sequential increases.

Selling prices increased approximately 13% in the second quarter of 2011 compared to the second quarter of 2010 and increased approximately 7% in comparison to the first quarter of 2011.

Revenue for the first six months of 2011 totalled \$340.8 million compared to \$295.2 million for the first six months of 2010. Sales volume for the first six months of 2011 increased approximately 3% compared to the first six months of 2010.

Gross profit for the second quarter of 2011 totalled \$28.9 million at a gross margin of 16.2% compared to \$19.0 million at a gross margin of 12.7% for the second quarter of 2010. On a sequential basis, gross profit increased by \$7.8 million from \$21.1 million reported for the first quarter of 2011 primarily due to increased selling prices and sales volume. Gross margin improved from 13.0% in the first quarter of 2011 to 16.2% for the second quarter of 2011. As compared to the second quarter of 2010, gross profit and gross margin increased primarily due to higher selling prices. Selling prices increased more than conversion costs and slightly more than raw material costs. Sales volume increased approximately 6% which further contributed to the increase in gross profit and gross margin. The spread between selling prices and raw material costs is still compressed when compared to periods prior to 2010.

Gross profit and gross margin for the first six months of 2011 and 2010 were \$50.0 million at 14.7% and \$38.3 million at 13.0%, respectively.

**T&F DIVISION RESULTS AND ADJUSTED EBITDA RECONCILIATION TO EARNINGS BEFORE INCOME TAXES**

(in millions of US dollars)

(Unaudited)

	Three months ended			Six months ended	
	June 30, 2011 \$	June 30, 2010 \$	March 31, 2011 \$	June 30, 2011 \$	June 30, 2010 \$
Revenue	178.5	149.8	162.4	340.8	295.2
Cost of sales	149.5	130.9	141.2	290.8	256.9
Gross profit	28.9	19.0	21.1	50.0	38.3
Divisional earnings before income taxes	10.7	1.8	4.9	15.6	4.6
Depreciation, amortization and foreign exchange gains (losses)	6.6	7.3	6.3	12.9	14.5
<b>EBITDA</b>	<b>17.3</b>	<b>9.0</b>	<b>11.3</b>	<b>28.6</b>	<b>19.1</b>
<b>Adjusted EBITDA</b>	<b>17.3</b>	<b>9.0</b>	<b>11.3</b>	<b>28.6</b>	<b>19.1</b>

Adjusted EBITDA for the second quarter of 2011, second quarter of 2010, and first quarter of 2011 was \$17.3 million, \$9.0 million and \$11.3 million, respectively. The increase in Adjusted EBITDA on a year-over-year basis and sequentially was primarily due to the increase in selling prices and sales volume. Adjusted EBITDA for the first six months of 2011 and 2010 was \$28.6 million and \$19.1 million, respectively.

## Results of Operations Engineered Coated Products Division

Revenue for the Engineered Coated Products Division ( ECP ) in the second quarter of 2011 was \$31.3 million, an increase of 2.8% compared to \$30.4 million for the second quarter of 2010 and an increase of 3.4% compared to revenue of \$30.3 million in the first quarter of 2011. Revenue for the first six months of 2011 was \$61.5 million, an increase of 5.7% over \$58.2 million for the first six months of 2010.

The Brantford, Ontario facility was shut down in the second quarter of 2011 as planned. The closure is anticipated to result in a positive contribution to EBITDA and a decrease in revenues on an annualized basis as discussed previously. During the six months ended June 30, 2011, \$1.7 million in closure costs were recorded and an additional amount of between \$0.5 to \$1.0 million is expected in the third quarter of 2011.

The revenue loss related to the closure of the Brantford facility is estimated at \$10 million on an annualized basis. To better reflect the impact of this facility closure, the following numbers exclude revenue and sales volume related to the products manufactured at the Brantford facility that will no longer be sold. Revenue for the second quarter of 2011 would have been \$29.1 million, an increase of 5.9% compared to \$27.5 million for the second quarter of 2010. Revenue for the second quarter of 2011 would have increased 6.3% compared to revenue for the first quarter of 2011 of \$27.4 million. Sales volume would have decreased in the second quarter of 2011 by approximately 10% compared to the second quarter of 2010 and decreased approximately 1% sequentially over the first quarter of 2011. The decrease in sales volume from the second quarter of 2010 is primarily due to the decision to selectively stop selling certain low-margin products produced at locations other than Brantford. Selling prices would have increased approximately 18% in the second quarter of 2011 compared to the second quarter of 2010 and approximately 7% as compared to the first quarter of 2011 due to the exclusion of Brantford products that will no longer be sold and a shift in the mix of products sold. Sales volume for the first six months of 2011 would have decreased approximately 7% and selling prices would have increased approximately 16% compared to the first six months of 2010. Revenue for the first six months of 2011 would have been \$56.5 million, a 7.7% increase when compared to the first six months of 2010. Sales volume would have declined approximately 10% and selling prices would have increased approximately 18% for the first six months of 2011 compared to the first six months of 2010.

Gross profit for the second quarter of 2011 totalled \$3.8 million, representing a gross margin of 12.1%, compared to \$3.2 million and a gross margin of 10.5% for the second quarter of 2010. Gross profit improved \$1.1 million from the first quarter of 2011 and gross margin improved from 8.9%. As compared to the second quarter of 2010, gross profit and gross margin increased primarily due to higher selling prices and product mix. Selling prices increased more than conversion costs and slightly more than raw material costs. Although sales volume decreased approximately 15%, most of the decrease was from low-margin products. The spread between selling prices and raw material costs is still compressed when compared to periods prior to 2010. Gross profit and gross margin for the first six months of 2011 and 2010 were \$6.5 million at 10.6% and \$4.4 million at 7.7%, respectively.

**ECP DIVISION RESULTS AND ADJUSTED EBITDA RECONCILIATION TO EARNINGS (LOSS) BEFORE INCOME TAXES**

(in millions of US dollars)

(Unaudited)

	Three months ended			Six months ended	
	June 30, 2011 \$	June 30, 2010 \$	March 31, 2011 \$	June 30, 2011 \$	June 30, 2010 \$
Revenue	31.3	30.4	30.3	61.5	58.2
Cost of sales	27.5	27.2	27.6	55.0	53.8
Gross profit	3.8	3.2	2.7	6.5	4.4
Divisional earnings (loss) before income taxes	(1.1)	0.9	(0.5)	(1.5)	(1.8)
Depreciation, amortization and foreign exchange gains (losses)	1.5	0.8	1.7	3.2	2.4
<b>EBITDA</b>	<b>0.4</b>	<b>1.7</b>	<b>1.2</b>	<b>1.7</b>	<b>0.6</b>
Manufacturing facility closures, restructuring and other charges	1.5			1.5	
<b>Adjusted EBITDA</b>	<b>2.0</b>	<b>1.7</b>	<b>1.2</b>	<b>3.2</b>	<b>0.6</b>

Adjusted EBITDA for the second quarter of 2011, second quarter of 2010, and first quarter of 2011 was \$2.0 million, \$1.7 million and \$1.2 million, respectively. The increase in Adjusted EBITDA in the second quarter of 2011 compared to the second quarter of 2010 was primarily due to a shift in mix of products sold as discussed above. Adjusted EBITDA for the first six months of 2011 and 2010 was \$3.2 million and \$0.6 million, respectively. The closure of the Brantford facility had a favourable impact of \$0.3 million in Adjusted EBITDA for the second quarter of 2011 compared to the same quarter last year.

**Results of Operations – Corporate**

The Company does not allocate the cost of manufacturing facility closures, restructuring, strategic alternatives or other charges to its two divisions. These expenses are retained at the corporate level as are stock-based compensation expense, interest, other income and expense and the costs of being a public company. The unallocated corporate expenses for the second quarter of 2011, the second quarter of 2010, and first quarter of 2011 totalled \$1.7 million, \$0.6 million, and \$0.7 million, respectively. For the first six months of 2011 and 2010, unallocated corporate costs totalled \$2.4 million and \$1.0 million, respectively. The large increase in the second quarter of 2011 is the settlement of the ITI litigation of \$1.0 million.

**Off-Balance Sheet Arrangements**

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

**Related Party Transactions**

There have been no material changes with respect to related party transactions since December 31, 2010. Reference is made to the Section entitled **Related Party Transactions** in the Company's Management Discussion and Analysis as of and for the year ended December 31, 2010 and to Note 7 to the unaudited interim consolidated financial statements as of and for the six months ended June 30, 2011.

## Balance Sheet

One of the metrics the Company uses to measure inventory performance is Days Inventory. Days Inventory increased 2 days from the first quarter of 2011 compared to the second quarter of 2011. Days Inventory increased by 4 days in the second quarter of 2011 compared to the second quarter of 2010. The increase in the second quarter of 2011 compared to the second quarter of 2010 and sequentially was primarily due to raw material costs in inventory at the end of the period increasing more rapidly than the amount recognized in cost of sales for the same period.

One of the metrics the Company uses to measure trade receivables is Days Sales Outstanding ( DSO s ). DSO s remained relatively flat from the second quarter of 2010 to the second quarter of 2011 and remained constant sequentially in the second quarter of 2011 as compared to the first quarter of 2011.

The calculations are shown in the following tables:

	Three months ended			
	June 30, 2011 \$	December 31, 2010 \$	June 30, 2010 \$	March 31, 2011 \$
<b>Cost of Goods Sold</b>	\$ 177.0	\$ 158.9	\$ 158.1	\$ 168.8
<b>Days in Quarter</b>	91	92	91	90
<b>Cost of Goods Sold Per Day</b>	\$ 1.95	\$ 1.73	\$ 1.74	\$ 1.88
<b>Average Inventories</b>	\$ 107.0	\$ 91.9	\$ 88.9	\$ 99.5
<b>Days Inventory</b>	<b>55</b>	<b>53</b>	<b>51</b>	<b>53</b>

  

	Three months ended			
	June 30, 2011 \$	December 31, 2010 \$	June 30, 2010 \$	March 31, 2011 \$
<b>Revenue</b>	\$ 209.7	\$ 180.1	\$ 180.3	\$ 192.6
<b>Days in Quarter</b>	91	92	91	90
<b>Revenue Per Day</b>	\$ 2.30	\$ 1.96	\$ 1.98	\$ 2.14
<b>Trade Receivables</b>	\$ 103.9	\$ 86.5	\$ 91.4	\$ 96.6
<b>DSO s</b>	<b>45</b>	<b>44</b>	<b>46</b>	<b>45</b>

Days Inventory is calculated as follows:

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

DSO s is calculated as follows:

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

Accounts payable and accrued liabilities increased \$0.2 million in the second quarter of 2011 to \$82.7 million from \$82.5 million as of March 31, 2011. Inventories increased in the second quarter of 2011 to \$107.8 million from \$106.3 million as of March 31, 2011. Accounts payable and accrued liabilities in the second quarter of 2011 increased modestly compared to the increase in inventories from the second quarter of 2011 to the first quarter of 2011 primarily due to acceleration of early pay discounts. Trade receivables increased in the second quarter of 2011 to \$103.9 million from \$96.6 million as of March 31, 2011 as noted in the table above.

## Cash Flow

Cash flows from operations before changes in working capital items increased in the second quarter of 2011 by \$5.1 million to \$14.1 million from \$9.0 million in the second quarter of 2010. The increase was primarily due to the increase in net earnings.

Cash flows from operating activities increased in the second quarter of 2011 by \$5.0 million to positive \$3.8 million from negative \$1.3 million in the second quarter of 2010. In the second quarter of 2011, changes in working capital items resulted in a net use of funds of \$10.3 million. In the second quarter of 2010, changes in working capital items resulted in a net use of funds of \$10.2 million. In the second quarter of 2011, more cash was used to pay suppliers early and take early pay discounts. This use of cash was offset by slight improvement in accounts receivable collections as compared to the second quarter of 2010.

Cash flows from investing activities were less than negative \$0.1 million in the second quarter of 2011 and negative \$3.0 million in the second quarter of 2010. The increased cash from investing activities in the second quarter of 2011 as compared to the second quarter of 2010 is primarily due to proceeds from the sales of Brantford assets totalling \$1.3 million.

The Company increased total indebtedness during the six months ended June 30, 2011 by \$13.0 million. The Company increased total indebtedness during the six months ended June 30, 2010 by \$13.0 million. The increase in the second quarter of 2011 and 2010 were due to the use of funds for changes in working capital as described above.

#### Long-Term Debt

As discussed under the section *Liquidity*, the Company has a \$200 million 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 receivables, inventories, and manufacturing equipment. As of June 30, 2011, the Company had borrowed \$104.2 million under its ABL, including \$1.7 million in letters of credit. As of June 30, 2010, \$100.8 million had been borrowed, including \$2.0 million in letters of credit. When combined with cash on-hand and cash equivalents, the Company had total cash and credit availability of \$54.1 million as of June 30, 2011 and \$52.1 million as of June 30, 2010. The increase in total cash and credit availability of \$2.0 million between June 30, 2010 and June 30, 2011 was primarily due to the increase in cash flows from operations after changes in working capital as discussed above.

#### Contractual Obligations

As of June 30, 2011, there were no material changes in the contractual obligations set forth in the Company's 2010 annual consolidated financial statements that were outside the ordinary course of the Company's business.

#### Capital Stock

As of June 30, 2011 there were 58,961,050 common shares of the Company outstanding.

During the second quarter of 2011, 875,000 stock options were granted, no stock options were exercised and no stock was repurchased by the Company.

#### Financial Risk Management

There have been no material changes with respect to the Company's financial risks and management thereof during the six months ended June 30, 2011. Please refer to Note 20 of the Company's consolidated financial statements as of December 31, 2010, and the year then ended for a complete discussion of the Company's risk factors, risk management, objectives, and policies.

#### Critical Accounting Judgments, Estimates and Assumptions

The preparation of the interim 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 expense. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, they are reviewed 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 the significant judgments, assumptions and estimates that have a significant risk of resulting in a material adjustment within the next financial year are summarized below:

##### *Impairments*

An impairment 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 fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use is based on discounted estimated future cash flows. The cash flows are derived from the budget or forecasts for the next five years 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 recoverable amount 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. The key assumptions used to determine the recoverable amount for the different cash generating units are further explained in Note 13 to the unaudited interim consolidated financial statements.

#### *Pension and post-retirement benefits*

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These assumptions include the discount rate, the rate of future salary increases, mortality rates and the rate of future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least an AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details about the assumptions used are given in Note 13 of the unaudited interim consolidated financial statements.

#### *Stock-based compensation*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

#### *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 credits to the extent that it is probable that taxable profit 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 profits and future tax planning strategies. Further details on taxes are disclosed in Note 13 of the unaudited interim consolidated financial statements.

#### *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. Further details regarding the assumptions and models used for estimating fair value are disclosed in Note 12 of the unaudited interim consolidated financial statements.

#### *Leases*

Management considers its leases of building and equipment to include both operating leases and finance leases. 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.

#### *Useful lives of depreciable assets*



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Management reviews the useful lives, depreciation methods and residual values of depreciable assets at each reporting date. As of the reporting date, management has assessed that the useful lives 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.

*Allowance for obsolete and slow moving inventories and declines in net realizable value*

Inventories are measured at the lower of cost or net realizable value. In estimating net realizable values, the amount of any write-downs of inventories and the reversal of any write-downs, management takes into account the most reliable evidence available at the time the estimate is made.

*Allowance for doubtful accounts and revenue adjustments*

Each reporting period, the Company makes an assessment of whether 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 experiences. If future collections differ from estimates, future earnings will be affected.

*Provisions for restoration*

Provisions for restoration represent the discounted value of the present obligation to restore one or more leased facilities at the end of the lease. The discounted 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. A change in any or a combination of the three key assumptions used to determine the provisions could have a material impact to the carrying value of the provision. In the case of provisions for assets which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Where the provisions are for assets no longer in use or for obligations arising from the production process, any adjustment is reflected directly in the Statement of Earnings.

*Provisions for restructuring*

Termination benefits are recognized as a liability and an expense when, and only when, the Company has a detailed formal plan for the termination and is without realistic possibility of withdrawal, or in other words, is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary terminations. Where termination benefits fall due more than 12 months after the reporting period, and the time value of money is material, they are discounted. The measurement of termination benefits is based on 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.

*Future Accounting Policies*

Certain new standards, interpretations, amendments and improvements to existing standards have been issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual periods beginning after January 1, 2013. The Company has not elected to early adopt any of these standards. The new standards which could potentially impact the Company's consolidated financial statements are detailed as follows:

**IFRS 9 *Financial Instruments*:** The IASB aims 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, 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management has yet to assess the impact that this amendment is likely to have on the 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 IFRSs, the IASB also issued amended and retitled IAS 27 *Separate Financial Statements*. The new requirements are effective for annual periods beginning on or after January 1, 2013. The impact of this new standard on the Company is expected to be minimal, given that it has interests only in fully owned subsidiaries.

**IFRS 13 *Fair Value Measurement*:** IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires 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 are effective for annual periods beginning on or after January 1, 2013. This new standard is unlikely to have a significant impact as the Company has very few assets that are measured at fair value.

**Amended IAS 19 *Employee Benefits*:** Amended IAS 19 key provisions include eliminating an option to defer the recognition of gains and losses, improving comparability and faithfulness of presentation, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income (OCI), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations and enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The new requirements are effective for annual periods beginning on or after January 1, 2013. Management has yet to assess the impact that these amendments are likely to have on the financial statements of the Company.

Management does not expect to implement these amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes. 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.

#### Impact of Adoption of IFRS on the Company

With respect to the calculation of financial covenants for the Company's \$200.0 million ABL revolver facility, the Company has obtained an amendment from its lender related to the adoption of IFRS. The adoption of IFRS has had an immaterial impact on the fixed charge ratio which is the only financial covenant in the ABL.

#### Summary of Quarterly Results

A table of Consolidated Quarterly Statements of Earnings for the eight most recent quarters can be found at the beginning of this MD&A. Financial information for 2010, with the exception of the 2010 third quarter earnings statements and as of the transition date of January 1, 2010, has been restated to comply with IFRS. Information prior to the transition date as well as the third quarter earnings statement of 2010 have not been restated and therefore, are presented and labeled in accordance with GAAP.

#### 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 June 30, 2011 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 2010, is filed on SEDAR at [www.sedar.com](http://www.sedar.com) in Canada and on EDGAR at [www.sec.gov](http://www.sec.gov) in the US.

#### Forward-Looking Statements

Certain statements and information included in this MD&A constitute forward-looking information within the meaning of applicable Canadian securities legislation and the United States Federal Private Securities Litigation Reform Act of 1995.

Forward-looking statements may relate to the Company's future outlook and anticipated events, the Company's business, its operations, financial condition or results. Particularly, statements about the Company's objectives and strategies to achieve those objectives are forward looking statements. While these statements are based on certain factors and assumptions which management considers to be reasonable based on information currently available to it, they may prove to be incorrect. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied in such forward-looking statements. The risks include, but are not limited to, the factors contained in the Company's filings with the Canadian securities regulators and the US Securities and Exchange Commission. While the Company may elect to, it is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time. This MD&A contains certain non-GAAP financial measures as defined under SEC rules, including EBITDA, Adjusted EBITDA, Adjusted Net Earnings and Adjusted Earnings Per Share. The Company believes such non-GAAP financial measures improve the transparency of the Company's disclosures, provide a meaningful presentation of the Company's results from its core business operations, by excluding the impact of items not related to the Company's ongoing core business operations, and improve the period-to-period comparability of the Company's results from its core business operations. As required by SEC rules, the Company has provided reconciliations of those measures to the most directly comparable GAAP measures.

**Intertape Polymer Group Inc.**

**Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

Unaudited Interim Condensed Consolidated Financial Statements	
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**Intertape Polymer Group Inc.****Condensed Consolidated Earnings (Loss)**

Periods ended June 30,

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

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2011 \$	2010 \$	2011 \$	2010 \$
Revenue	<b>209,741</b>	180,278	<b>402,361</b>	353,398
Cost of sales	<b>177,012</b>	158,120	<b>345,825</b>	310,686
Gross profit	<b>32,729</b>	22,158	<b>56,536</b>	42,712
Selling, general and administrative expenses	<b>21,558</b>	18,557	<b>39,964</b>	37,452
Research expenses	<b>1,468</b>	1,929	<b>2,841</b>	3,421
	<b>23,026</b>	20,486	<b>42,805</b>	40,873
Operating profit before manufacturing facility closures, restructuring and other charges	<b>9,703</b>	1,672	<b>13,731</b>	1,839
Manufacturing facility closures, restructuring and other charges	<b>1,543</b>		<b>1,546</b>	
Operating profit	<b>8,160</b>	1,672	<b>12,185</b>	1,839
Interest	<b>4,010</b>	3,912	<b>7,801</b>	7,801
Other expense	<b>121</b>	392	<b>123</b>	514
Earnings (loss) before income taxes (recovery)	<b>4,029</b>	(2,632)	<b>4,261</b>	(6,476)
Income taxes (recovery) (Note 8)				
Current	<b>308</b>	(16)	<b>390</b>	86
Deferred	<b>(89)</b>	(78)	<b>102</b>	729
	<b>219</b>	(94)	<b>492</b>	815
Net earnings (loss)	<b>3,810</b>	(2,538)	<b>3,769</b>	(7,291)
Earnings (loss) per share				
Basic	<b>0.06</b>	(0.04)	<b>0.06</b>	(0.12)
Diluted	<b>0.06</b>	(0.04)	<b>0.06</b>	(0.12)

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



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

Periods ended June 30,

(In thousands of US dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Net earnings (loss)	<b>3,810</b>	(2,538)	<b>3,769</b>	(7,291)
Other comprehensive income (loss)				
Changes in fair value of interest rate swap agreements, designated as cash flow hedges (net of deferred income taxes of nil, nil in 2010)	<b>(15)</b>	(130)	<b>(30)</b>	(446)
Settlements of interest rate swap agreements, transferred to earnings (net of income taxes of nil, nil in 2010)	<b>320</b>	313	<b>629</b>	625
Changes in fair value of forward foreign exchange rate contracts, designated as cash flow hedges (net of deferred income taxes of nil, nil in 2010)	<b>90</b>	(540)	<b>982</b>	(25)
Settlements of forward foreign exchange rate contracts, transferred to earnings (net of income taxes of nil, nil in 2010)	<b>(464)</b>	(463)	<b>(742)</b>	(553)
Gain on forward foreign exchange rate contracts recorded in consolidated earnings pursuant to recognition of the hedged item in cost of sales upon discontinuance of the related hedging relationships (net of income taxes of nil)	<b>(194)</b>		<b>(383)</b>	
Change in cumulative translation difference	<b>801</b>	(4,889)	<b>4,008</b>	(3,171)
Other comprehensive income (loss)	<b>538</b>	(5,709)	<b>4,464</b>	(3,570)
Comprehensive income (loss) for the period	<b>4,348</b>	(8,247)	<b>8,233</b>	(10,861)

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



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

Six months ended June 30, 2011

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

(Unaudited)

	Capital Stock		Contributed surplus	Accumulated other comprehensive income		Total	Deficit	Total Shareholders' Equity
	Number	Amount		Cumulative translation adjustment	Reserve for cash flow hedges			
		\$	\$	\$	\$	\$	\$	\$
Balance as at January 1, 2011	58,961,050	348,148	15,793	2,935	236	3,171	(223,027)	144,085
Stock-based compensation expense			362					362
Net earnings							3,769	3,769
Changes in fair value of interest rate swap agreements, designated as cash flow hedges					(30)	(30)		(30)
Settlement of interest rate swap agreements transferred to earnings					629	629		629
Changes in fair value of forward foreign exchange rate contracts, designated as cash flow hedges					982	982		982
Settlement of forward foreign exchange rate contracts transferred to earnings					(742)	(742)		(742)
Gain on forward foreign exchange rate contracts recorded in consolidated earnings pursuant to recognition of the hedged item in cost of sales upon discontinuance of the related hedging relationships					(383)	(383)		(383)
Changes to cumulative translation differences				4,008		4,008		4,008
<b>Balance as at June 30, 2011</b>	<b>58,961,050</b>	<b>348,148</b>	<b>16,155</b>	<b>6,943</b>	<b>692</b>	<b>7,635</b>	<b>(219,258)</b>	<b>152,680</b>

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

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

Six months ended June 30, 2010

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

(Unaudited)

	Capital Stock		Contributed surplus \$	Accumulated other comprehensive income			Total Shareholders' Equity \$	
	Number \$	Amount \$		Cumulative translation adjustment \$	Reserve for cash flow hedges \$	Total \$		Deficit \$
Balance as at January 1, 2010	58,951,050	348,143	15,024		(757)	(757)	(172,387)	190,023
Stock-based compensation expense			240					240
Net loss							(7,291)	(7,291)
Changes in fair value of interest rate swap agreements, designated as cash flow hedges					(446)	(446)		(446)
Settlement of interest rate swap agreements transferred to earnings					625	625		625
Changes in fair value of forward foreign exchange rate contracts, designated as cash flow hedges					(25)	(25)		(25)
Settlement of forward foreign exchange rate contracts transferred to earnings					(553)	(553)		(553)
Changes to cumulative translation differences				(3,171)		(3,171)		(3,171)
Balance as at June 30, 2010	58,951,050	348,143	15,264	(3,171)	(1,156)	(4,327)	(179,678)	179,402

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

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

Periods ended June 30,

(In thousands of US dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net earnings (loss)	3,810	(2,538)	3,769	(7,291)
Adjustments for non-cash items				
Depreciation and amortization	7,526	8,684	15,624	17,398
Income tax expense	219	(94)	492	815
Interest expense	3,716	3,514	7,220	7,251
Charges in connection with manufacturing facility closures, restructuring and other charges	(46)		(43)	
Write-down of inventories, net	42	537	124	892
Stock-based compensation expense	218	119	362	239
Pension and post-retirement benefits expense	199	203	414	501
Gain (loss) on foreign exchange	(465)	(365)	(661)	(682)
Other adjustments for non cash items	87	35	95	197
Income taxes paid	(134)		(177)	(594)
Contributions to defined benefit plans	(1,084)	(1,131)	(1,913)	(1,840)
<b>Cash flows from operating activities before changes in working capital items</b>	<b>14,088</b>	<b>8,964</b>	<b>25,306</b>	<b>16,886</b>
Changes in working capital items				
Trade receivables	(6,935)	(9,345)	(16,807)	(17,995)
Inventories	190	(3,195)	(14,191)	(12,275)
Parts and supplies	(304)	(84)	(645)	6
Other current assets	(1,226)	654	(1,848)	(785)
Accounts payable and accrued liabilities	(2,650)	1,608	1,253	16,421
Provisions	610	140	610	849
	(10,315)	(10,222)	(31,628)	(13,779)
<b>Cash flows from operating activities</b>	<b>3,773</b>	<b>(1,258)</b>	<b>(6,322)</b>	<b>3,107</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds on the settlements of forward foreign exchange rate contracts subsequent to the discontinuance of the related hedging relationships	786		1,049	647
Purchase of property, plant and equipment	(3,374)	(2,988)	(6,160)	(5,526)
Proceeds from disposals of property, plant and equipment and other assets	2,062	73	2,062	195
Restricted cash and other assets	(218)	(99)	5,098	(43)
Purchase of intangible assets	(2)		(82)	

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<b>Cash flows from investing activities</b>	<b>(746)</b>	<b>(3,014)</b>	<b>1,967</b>	<b>(4,727)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from long-term debt	<b>14,053</b>	11,063	<b>31,091</b>	22,147
Repayment of long-term debt	<b>(13,896)</b>	(6,815)	<b>(18,133)</b>	(9,188)
Interest paid	<b>(1,385)</b>	(1,171)	<b>(7,392)</b>	(7,173)
<b>Cash flows from financing activities</b>	<b>(1,228)</b>	3,077	<b>5,566</b>	5,786
<b>Net increase (decrease) in cash</b>	<b>1,799</b>	(1,195)	<b>1,211</b>	4,166
Effect of exchange differences on cash	<b>298</b>	(540)	<b>257</b>	(743)
Cash and cash equivalents, beginning of period	<b>3,339</b>	8,829	<b>3,968</b>	3,671
Cash and cash equivalents, end of period	<b>5,436</b>	7,094	<b>5,436</b>	7,094

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

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

As at

(In thousands of US dollars)

(Unaudited)

	<b>June 30, 2011 (Unaudited)</b>	December 31, 2010 (Unaudited)	January 1, 2010 (Unaudited)
	\$	\$	\$
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	5,436	3,968	3,671
Restricted cash		5,183	
Trade receivables	103,872	86,516	74,161
Other receivables	4,020	4,270	3,052
Inventories	107,782	92,629	79,001
Parts and supplies	14,638	13,933	13,967
Prepaid expenses	6,771	4,586	3,693
Derivative financial instruments (Note 12)	1,151	1,270	1,438
	<b>243,670</b>	212,355	178,983
Property, plant and equipment (Note 6)	214,219	224,335	251,378
Assets held-for-sale	985	671	149
Other assets	2,893	2,983	3,443
Intangible assets	2,330	2,344	2,216
Deferred tax assets	34,778	33,926	64,806
	<b>498,875</b>	476,614	500,975
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	82,702	82,252	66,034
Provisions (Note 10)	3,590	2,893	2,194
Installments on long-term debt (Note 9)	2,708	2,837	1,721
	<b>89,000</b>	87,982	69,949
Long-term debt (Note 9)	231,491	216,856	213,450
Pension and post-retirement benefits	23,303	24,680	24,675
Derivative financial instruments (Note 12)	298	898	1,548
Other liabilities	176	230	
Provisions (Note 10)	1,927	1,883	1,330
	<b>346,195</b>	332,529	310,952
<b>SHAREHOLDERS EQUITY</b>			
Capital stock (Note 11)	348,148	348,148	348,143

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Contributed surplus	<b>16,155</b>	15,793	15,024
Deficit	<b>(219,258)</b>	(223,027)	(172,387)
Accumulated other comprehensive income (loss)	<b>7,635</b>	3,171	(757)
	<b>152,680</b>	144,085	190,023
Total Liabilities and Shareholders' Equity	<b>498,875</b>	476,614	500,975

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

**Intertape Polymer Group Inc.**

**Notes to Interim Condensed Consolidated Financial Statements**

June 30, 2011

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

(Unaudited)

**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 Sarasota-Bradenton, Florida. The address of the Company's registered office is 1250 René-Lévesque Blvd. West, Suite 2500, Montreal, Quebec, Canada H3B 4Y1, c/o Heenan Blaikie LLP. The 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 through wholesalers, a variety of specialized polyolefin films, paper and film pressure sensitive tapes and complimentary packaging systems for industrial use and retail applications.

These unaudited interim condensed consolidated financial statements and notes thereto should be read in conjunction with the Company's 2011 first quarterly unaudited interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements and notes thereto follow the same accounting policies as those described in the Company's 2011 first quarterly unaudited interim condensed consolidated financial statements.

Certain prior period amounts have been reclassified to conform to current period presentation.

**2 - ACCOUNTING POLICIES**

**Basis of Presentation and Statement of Compliance**

The unaudited interim condensed consolidated financial statements present the Company's consolidated balance sheets as at June 30, 2011, December 31, 2010 and January 1, 2010, as well as its consolidated earnings (loss) and comprehensive income and cash flows for the three and six months ended June 30, 2011 and June 30, 2010, and the changes in shareholders' equity for the six months ended June 30, 2011 and June 30, 2010. These financial statements have been prepared in accordance with International Accounting Standard (*IAS*) 34, *Interim Financial Reporting* and are expressed in US dollars.

These financial statements have been prepared in accordance with the accounting policies the Company expects to use in its annual financial statements for the year ending December 31, 2011. These policies set out below have been consistently applied to all periods presented unless otherwise noted below.

These unaudited interim financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. These adjustments are of a normal recurring nature.

Until December 31, 2010, the Company's consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (*GAAP*) that applied prior to the convergence to International Financial Reporting Standards (*IFRS*). In preparing these interim consolidated financial statements, management applied IFRS 1, First-time Adoption of International Financial Reporting Standards and amended certain recognition and measurement methods to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Certain reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on shareholders' equity, earnings, comprehensive income and cash flows have been provided in Note 13.





**Intertape Polymer Group Inc.**

**Notes to Interim Condensed Consolidated Financial Statements**

June 30, 2011

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

(Unaudited)

**2 - ACCOUNTING POLICIES (Continued)**

The unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on August 9, 2011.

**New Standards and Interpretations Issued But Not Yet Effective**

Certain new standards, interpretations, amendments and improvements to existing standards have been issued by the international Accounting Standards Board ( IASB ) or International Financial Reporting Interpretations Committee ( IFRIC ) that are mandatory for annual periods beginning after January 1, 2013. The Company has not elected to early adopt any of these standards. The new standards which could potentially impact the Company's consolidated financial statements are detailed as follows:

**IFRS 9 *Financial Instruments*:** The IASB aims 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, 2013. 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 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 IFRSs, the IASB also issued amended and retitled IAS 27 *Separate Financial Statements*. The new requirements are effective for annual periods beginning on or after January 1, 2013. The impact of these new standards on the Company is expected to be minimal, given that it has interests only in fully owned subsidiaries.

**IFRS 13 *Fair Value Measurement*:** IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and required 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 are effective for annual periods beginning on or after January 1, 2013. Management has yet to assess the impact that these amendments are likely to have on the financial statements of the Company.

**Intertape Polymer Group Inc.****Notes to Interim Condensed Consolidated Financial Statements**

June 30, 2011

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

(Unaudited)

**2 - ACCOUNTING POLICIES (Continued)**

Amended IAS 19 *Employee Benefits*: Amended IAS 19 key provisions include eliminating an option to defer the recognition of gains and losses, improving comparability and faithfulness of presentation, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income (OCI), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations and enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The new requirements are effective for annual periods beginning on or after January 1, 2013. Management has yet to assess the impact that these amendments are likely to have on the financial statements of the Company.

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.

**3 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS**

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Employee Benefit Expense</b>				
Wages, salaries and other short-term benefits	33,053	31,898	62,156	59,566
Stock-based payments	218	120	362	240
Pensions - defined benefit plans	237	1,199	485	1,497
Pensions - defined contribution plans	1,091	639	1,281	1,042
Employee benefit expense	34,599	33,856	64,284	62,345
<b>Interest</b>				
Interest on long-term debt	3,755	3,640	7,392	7,198
Amortization of debt issue expenses on long-term debt and ABL	294	276	583	550
Other interest and financial expense			(116)	58
Interest capitalized to property, plant and equipment	(39)	(4)	(58)	(5)
	4,010	3,912	7,801	7,801

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<b>Other (income) expense</b>				
Foreign exchange loss on long-term debt	(560)	150	(775)	(131)
Interest income and other finance costs	512	174	729	577
Change in fair value of forward foreign exchange rate contracts	169	68	169	68
	121	392	123	514

**Intertape Polymer Group Inc.****Notes to Interim Condensed Consolidated Financial Statements**

June 30, 2011

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

(Unaudited)

**3 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS (Continued)**

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Other Elements of Expenses</b>				
Depreciation of property, plant and equipment	7,638	8,137	15,312	16,448
Amortization of intangible assets	183	120	312	239
Amortization of other charges	37	16	43	29
Loss on disposal of property, plant and equipment	131	(54)	139	129
Write-down of inventories to net realizable value	228	537	311	902
Reversal of write-down of inventories to net realizable value, recognized as a reduction of cost of sales	(186)		(187)	10
Advisory and support services fees	77	227	153	477

**4 - SIGNIFICANT EVENTS AND TRANSACTIONS**

During the period, the Company incurred \$1.5 million in plant closure costs, which is primarily related to severance and other labor related costs. Included in the costs were the sale and derecognition of the Hawkesbury facility assets and liabilities and the incremental costs incurred with the ongoing Brantford facility closure. The Company expects to record additional charges in connection with the Brantford facility closure ranging from \$0.5 million to \$1.0 million, in the third quarter of 2011.

In 2009, the Company filed a complaint in the U.S. 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).

**5 - INVENTORIES**

June 30, 2011	December 31, 2010	January 1, 2010
\$	\$	\$

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Raw materials	<b>31,622</b>	25,467	23,713
Work in process	<b>21,797</b>	18,336	15,006
Finished goods	<b>54,363</b>	48,826	40,282
	<b>107,782</b>	92,629	79,001

The amount of inventories recognized as an expense during the period corresponds to cost of sales.

**Intertape Polymer Group Inc.**

**Notes to Interim Condensed Consolidated Financial Statements**

June 30, 2011

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

(Unaudited)

**6 - PROPERTY, PLANT AND EQUIPMENT**

During the three and six months ended June 30, 2011, acquisitions of property, plant and equipment amounted to approximately \$3.4 million and \$6.2 million, respectively (\$2.9 million and \$5.5 million for the three and six months ended June 30, 2010). During the three and six months ended June 30, 2011, the net book value of property, plant and equipment disposals amounted to approximately \$2.3 million and \$2.3 million, respectively (\$19,000 and \$122,000 for the three and six months ended June 30, 2010) and the loss on those disposals amounted to approximately \$131,000 and \$139,000, respectively (\$54,000 gain and \$129,000 loss for the three and six months ended June 30, 2010), respectively.

As at June 30, 2011 and 2010, the Company had no significant commitments to purchase any property, plant or equipment.

There were no impairment losses or reversals of impairment losses during the current and comparative reporting period.

**7 - RELATED PARTY TRANSACTIONS**

In prior reporting periods, the Company entered into an agreement with a company controlled by two of the current members of its Board of Directors. These agreements require the provision of support services that include 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 the earlier of June 30, 2011 or the termination of the latter's duties as the Chairman of the Board of Directors and provides monthly compensation in the amount of CAD\$25,000. During the three and six months ended June 30, 2011, an amount of CAD\$75,000 and CAD\$150,000, respectively, (\$150,000 and CAD\$75,000 for the three months ended and \$300,000 and CAD\$150,000 for the six months ended in 2010) was recorded with respect to the support services agreement.

**8 - INCOME TAXES**

Income tax expense is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes. There was no significant change in the estimated tax rates during the period.

**Intertape Polymer Group Inc.****Notes to Interim Condensed Consolidated Financial Statements**

June 30, 2011

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

(Unaudited)

**9 - LONG-TERM DEBT**

Long-term debt consists of the following:

	<b>June 30, 2011</b>	December 31, 2010	January 1, 2010
	\$	\$	\$
Senior Subordinated Notes <sup>(1)</sup>	<b>116,475</b>	116,169	115,600
Asset-based loan <sup>(1)</sup>	<b>101,511</b>	86,774	83,635
Obligations under capital leases	<b>6,228</b>	6,089	6,496
Term debt	<b>5,746</b>	6,205	7,796
Mortgage loans <sup>(1)</sup>	<b>4,239</b>	4,456	1,644
	<b>234,199</b>	219,693	215,171
Less: Installments on long-term debt	<b>2,708</b>	2,837	1,721
	<b>231,491</b>	216,856	213,450

(1) The Senior Subordinated Notes, Asset-based loans and Mortgage loans are presented net of unamortized related debt issue expenses, amounting to \$3.3 million (\$3.9 million in 2010).

Throughout the period, the Company remained in compliance with all the restrictions and reporting requirements associated with the different lending agreements.

**10 - PROVISIONS AND CONTINGENT LIABILITIES**

The Company's provisions consist of restoration obligations, restructuring provisions primarily related to employee termination costs resulting from the closure of manufacturing facilities and a provision for litigation.

The rollforward of the Company's provisions is as follows as at December 31, 2010:

Restoration provisions	Restructuring provisions	Litigation	Total
\$	\$	\$	\$

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Balance, January 1, 2010	1,330	1,335	859	3,524
Additional provisions	484	2,638		3,122
Amounts used		(1,260)		(1,260)
Unused amounts reversed			(663)	(663)
Foreign exchange	69	47	(63)	53
Balance, end of period	1,883	2,760	133	4,776
Amount presented as current		2,760	133	2,893
Amount presented as non-current	1,883			1,883
Balance, December 31, 2010	1,883	2,760	133	4,776



**Intertape Polymer Group Inc.****Notes to Interim Condensed Consolidated Financial Statements**

June 30, 2011

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

(Unaudited)

**10 - PROVISIONS AND CONTINGENT LIABILITIES (Continued)**

The rollforward of the Company's provisions is as follows as at June 30, 2011:

	Restoration provisions \$	Restructuring provisions \$	Litigation \$	Total \$
Balance, January 1, 2011	1,883	2,760	133	4,776
Additional provisions		1,083	141	1,224
Amounts used		(623)		(623)
Foreign exchange	44	81	15	140
Balance, end of period	1,927	3,301	289	5,517
Amount presented as current		3,301	289	3,590
Amount presented as non-current	1,927			1,927
Balance, June 30, 2011	1,927	3,301	289	5,517

During the reporting period, there were no reversals of restructuring provisions, and no changes in contingent liabilities or contingent assets.

See note 4 and the notes to the annual consolidated financial statements prepared under Canadian GAAP as at and for the year ended December 31, 2010 for a full description of contingent liabilities.

**11 - CAPITAL STOCK****Common Shares**

The Company's common shares outstanding as at June 30, 2011 and December 31, 2010 were 58,961,050 and 58,951,050 as at January 1, 2010.

Weighted average number of common shares outstanding for the periods ended June 30, are as follows:

Three months ended June 30,		Six months ended June 30,	
2011	2010	2011	2010

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Basic	<b>58,961,050</b>	58,951,050	<b>58,961,050</b>	58,951,050
Diluted	<b>58,989,394</b>	58,951,050	<b>58,987,817</b>	58,951,050

For the three and six months ended June 30, 2011, the number of stock options that were anti-dilutive and not included in diluted earnings per share calculations were 3,861,827 and 3,371,827, respectively. For the three and six months ended June 30, 2010, the number of stock options that were anti-dilutive and not included in diluted earnings per share calculations were nil.

The Company announced a normal course issuer bid effective May 20, 2010. In connection with this normal course issuer bid, the Company was entitled 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 at that date. The Company did not repurchase any common shares under this normal course issuer bid which expired in May 2011.

The Company did not declare or pay dividends during the three and six months ended June 30, 2011 and 2010.

**Intertape Polymer Group Inc.****Notes to Interim Condensed Consolidated Financial Statements**

June 30, 2011

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

(Unaudited)

**11 - CAPITAL STOCK (Continued)****Stock Options**

During the three months ended June 30, 2011, 490,000 stock options were granted at a weighted average exercise price of \$1.55 and a fair value of \$0.95, and 385,000 stock options were granted at a weighted average exercise price of \$1.80 and a fair value of \$1.10.

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

Expected life	6.0 years
Expected volatility	66%
Risk-free interest rate	2.45% - 2.48%
Expected dividends	\$0.00

During the three months ended June 30, 2010, 475,000 stock options were granted at a weighted average exercise price of \$2.19 and a fair value of \$0.44.

**Contributed Surplus**

During the three and six months ended June 30, 2011, the contributed surplus account increased by approximately \$0.2 million and \$0.3 million, respectively (\$0.1 million and \$0.2 million for the three and six months ended June 30, 2010, respectively), representing the stock-based compensation expense recorded for the period.

**12 - FINANCIAL INSTRUMENTS****Fair value and classification of financial instruments**

The fair value of the Company's senior subordinated notes was \$112 million as at June 30, 2011 (\$98.5 million as at December 31, 2010).

The Company's interest rate swap agreements and forward foreign exchange rate contracts carrying amounts and fair values were a liability and an asset amounting to \$0.3 million and \$1.2 million for the reporting period ended June 30, 2011, (\$0.9 million and \$1.3 million as at December 31, 2010, respectively).

The methods and assumptions used to determine the estimated fair value of each class of financial instruments have not changed during the reporting period.

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The terms and conditions of foreign exchange contracts designated as cash flow hedges and the Company's foreign exchange risk policy and related management strategies are presented in Note 20 to the annual consolidated financial statements as at and for the year ended December 31, 2010.

During the interim reporting period, there were no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments, nor were there any changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

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**12 - FINANCIAL INSTRUMENTS (Continued)**

During the three months ended June 30, 2011, and 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 of CAD\$10 million beginning July 2011 through March 2012, at fixed exchange rates ranging from CAD\$0.9692 to CAD\$0.9766 to the US dollar. The forward foreign exchange rate contracts will mitigate 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.

During the three months ended June 30, 2011 and 2010, 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 two forward foreign exchange rate contracts in the three months ended June 30, 2011 and 2010 (the "Terminated Contracts"), which were scheduled to settle on July 5, 2011 and July 2, 2010, respectively, representing the Company's hedging of inventory purchases during the month of June 2011 and 2010. As at June 30, 2011 and 2010, all inventory purchases covered under these Terminated Contracts were sold and consequently were included in the determination of net earnings for the three and six months ended June 30, 2011 and 2010.

Accordingly, included in the Company's consolidated earnings for the three months ended June 30, 2011 are \$0.2 million (\$0.2 million in the three months ended 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 trivial amount (trivial amount in the three months ended June 30, 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 its designation of these specific hedging relationships.

**13 - FIRST TIME ADOPTION OF IFRS**

The Company's date of transition to IFRS was January 1, 2010 (the "Transition Date"). The Company's IFRS accounting policies presented in Note 2 have been applied in preparing the condensed consolidated financial statements for the three and six month periods ended June 30, 2011, the comparative information and the opening consolidated balance sheet as at the Transition Date.

The Company has applied IFRS 1, First-time Adoption of International Financial Reporting Standards, in preparing these first IFRS unaudited interim condensed consolidated financial statements. The effects of the transition to IFRS on Shareholder's equity, comprehensive loss and reported cash flows already established are presented in tables in this section and are further explained in the notes that accompany the tables.

**Intertape Polymer Group Inc.**

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

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**13 - FIRST TIME ADOPTION OF IFRS (Continued)**

**13.1 Exceptions and Elections upon Initial Adoption**

Set forth below are the IFRS 1 applicable optional exemptions and mandatory exceptions from full retrospective application that were applied by the Company in the conversion from pre-change Canadian GAAP ( Previous GAAP ) to IFRS. Those adopted by the Company are set out below:

**IFRS Optional Exemptions**

*Business Combinations*

IFRS 1 permits a first-time adopter to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transition Date, or an earlier date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company has elected not to apply IFRS 3 retrospectively to business combinations that occurred prior to its Transition Date and, accordingly, such business combinations have not been restated.

*Employee Benefits*

IFRS 1 permits a first-time adopter to recognize all cumulative actuarial gains and losses deferred under Previous GAAP in opening deficit at the Transition Date. The Company elected to recognize all cumulative actuarial gains and losses that existed at its Transition Date in opening deficit for all of its employee benefit plans.

*Share-Based Payments*

IFRS 1, encourages, but does not require application of IFRS 2, Share-based Payments to equity instruments granted on or before November 7, 2002, and to any equity instruments granted after November 7, 2002 that had vested by the Transition Date. The Company elected to avail itself of the exemption and applied IFRS 2 only to those equity instruments granted after November 7, 2002 that had not vested by the Transition Date.

*Currency Translation Differences*

Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date a foreign operation was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. The Company elected to reset all cumulative translation gains and losses to zero in opening deficit at the Transition Date.

*Borrowing Costs*

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IAS 23, *Borrowing Costs*, requires an entity to capitalize the borrowing costs related to all qualifying assets. The related IFRS 1 exemption allows the application of IAS 23 on qualifying assets to which the commencement date for capitalization is on or after the Transition Date, or at an earlier date selected by the Company. The Company elected to prospectively apply the provisions of IAS 23 for qualifying assets whose commencement date for capitalization is on or subsequent to the Transition Date. Borrowing costs incurred prior to January 1, 2010 were written off in opening deficit at the Transition Date.

**Intertape Polymer Group Inc.**

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

(Unaudited)

**13 - FIRST TIME ADOPTION OF IFRS (Continued)**

*Changes in Existing Decommissioning, Restoration and Similar Liabilities Included in the Cost of Property, Plant and Equipment*

For changes in existing decommissioning, restoration and similar liabilities that occurred before the Transition Date, IFRS 1 provides the option to not comply with the requirements of IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities. The Company elected to not retrospectively recognize year by year changes to liabilities under IFRIC 1 that occurred before the Transition Date.

Therefore, the Company measured the obligation as of the Transition Date in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and estimated the amount that would have been included in the cost of the related asset when the liability first arose and calculated the accumulated depreciation on that amount, as at the Transition Date to IFRS, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the Company in accordance with IFRSs.

**IFRS Mandatory Exceptions**

Set forth below are the applicable IFRS 1 exceptions applied in the conversion from Previous GAAP to IFRS.

*Hedge Accounting*

Hedge accounting can only be applied prospectively from the Transition Date to transactions that satisfy the hedge accounting criteria in IAS 39, Financial Instruments: Recognition and Measurement, at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of its Transition Date are reflected as hedges in the Company's results under IFRS. Any derivatives not meeting the IAS 39 criteria for hedge accounting were fair valued and recorded in the balance sheet as non-hedging derivative financial instruments.

*Estimates*

The estimates established by the Company in accordance with IFRS at the date of transition to IFRS standards are consistent with estimates made for the same date in accordance with Previous GAAP, after adjustments to reflect any difference in applicable accounting principles.

*Financial Instruments*

The Company early adopted the modified exception, published in October 2010, whereby the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement, are applied prospectively for transactions occurring on or after the Transition Date. No adjustments resulted from this application.





**Intertape Polymer Group Inc.****Notes to Interim Condensed Consolidated Financial Statements**

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**13 - FIRST TIME ADOPTION OF IFRS (Continued)****13.2 Reconciliations of Previous GAAP to IFRS**

Shareholders' equity as at the Transition Date, as at June 30, 2010 and as at December 31, 2010 can be reconciled to the amounts reported under Previous GAAP as follows:

**Reconciliation of Shareholders' Equity**

As at

	December 31, 2010 (Unaudited) \$	June 30, 2010 (Unaudited) \$	January 1, 2010 (Unaudited) \$
Shareholders' equity under Previous GAAP	186,834	226,264	237,803
Increases (decreases) in Shareholders' Equity reported in accordance with Previous GAAP, as a result of the following differences between Previous GAAP and IFRS:			
Property, plant and equipment - impact of componentization, additional depreciation and derecognition of borrowing costs not consistent with IFRS (note 13.3.1)	(9,854)	(10,559)	(10,231)
Property, plant and equipment - additional impairment taken on transition as a result of using discounted cash flows when calculating value in use (note 13.3.4)	(8,849)	(13,179)	(14,254)
Intangible assets - additional impairment taken on transition as a result of using discounted cash flows when calculating value in use (note 13.3.4)		(1,193)	(1,334)
Decommissioning provision - impact of eliminating discounting on the provision, as the effect of the time value of money is not material, net of the impact on the related Property, plant and equipment (note 13.3.7)	(224)	(46)	(101)
Defined benefit plans - impact of recognizing cumulative actuarial gains and losses and vested past service costs and other adjustments at transition, and of thereafter recognizing actuarial gains and losses in other comprehensive income rather than in earnings (note 13.3.2)	(26,281)	(24,741)	(24,779)
Income taxes - Income tax impact of above adjustments and income tax specific adjustments as a result of the transition to IFRS (note 13.4)	2,459	2,856	2,919

<b>Shareholders equity under IFRS</b>	144,085	179,402	190,023
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**Intertape Polymer Group Inc.****Notes to Interim Condensed Consolidated Financial Statements**

June 30, 2011

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

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**13 - FIRST TIME ADOPTION OF IFRS (Continued)**

Consolidated net loss for the year ended December 31, 2010, and for the three and six months ended June 30, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

**Reconciliation of Net Loss**

For the year to date periods ended

	December 31, 2010 (Unaudited) 12 months \$	June 30, 2010 (Unaudited) 6 months \$	June 30, 2010 (Unaudited) 3 months \$
Net loss under Previous GAAP	(56,445)	(8,461)	(2,666)
Increases (decreases) in net loss reported in accordance with Previous GAAP, as a result of the following differences between Previous GAAP and IFRS:			
Property, plant and equipment impact of componentization, additional depreciation and derecognition of borrowing costs not consistent with IFRS (note 13.3.1)	376	(328)	(204)
Property, plant and equipment impact of additional impairment taken on transition as a result of using discounted cash flows when calculating value in use and related impact on depreciation (note 13.3.4)	5,398	1,076	904
Intangible assets impairment impact of additional impairment taken on transition as a result of using discounted cash flows when calculating value in use and related impact on depreciation (note 13.3.4)	1,334	140	70
Decommissioning provision impact on financing costs and depreciation of eliminating discounting on the provision, as the effect of the time value of money is not material (note 13.3.7)	(123)	53	30
Defined Benefit Plans impact of recognizing cumulative actuarial gains and losses and vested past service costs and other adjustments at transition, and of thereafter recognizing actuarial gains and losses in other comprehensive income rather than in earnings (note 13.3.2)	1,667	63	(184)
Stock based compensation	195	227	85
Income Taxes impact of adjustments	(1,378)	62	46
Foreign exchange impacts included in adjustments above	427	(123)	(619)
<b>Net loss under IFRS</b>	<b>(48,549)</b>	<b>(7,291)</b>	<b>(2,538)</b>



**Intertape Polymer Group Inc.****Notes to Interim Condensed Consolidated Financial Statements**

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

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**13 - FIRST TIME ADOPTION OF IFRS (Continued)**

Consolidated comprehensive loss for the year ended December 31, 2010, and the three and six months ended June 30, 2010 can be reconciled to the amounts reported under Previous GAAP as follows:

**Reconciliation of Consolidated Comprehensive Income (Loss)**

For the year and year to date periods ended

	December 31, 2010 (Unaudited) 12 months \$	June 30, 2010 (Unaudited) 6 months \$	June 30, 2010 (Unaudited) 3 months \$
Consolidated comprehensive income (loss) under Previous GAAP	(51,938)	(12,023)	(8,798)
Adjustment to net loss due to IFRS	7,896	1,170	128
Defined Benefit Plans net impact of recognizing actuarial gains and losses, and changes in the minimum funding liability in other comprehensive income rather than in earnings (net of income taxes of \$768, nil and nil) (note 13.3.2)	(2,091)		
Cumulative translation adjustment	(579)	(8)	423
<b>Consolidated comprehensive income (loss) under IFRS</b>	<b>(46,712)</b>	<b>(10,861)</b>	<b>(8,247)</b>

**13.3 Changes in Accounting Policies**

In addition to the exemptions and exceptions discussed in the preceding text, the following narratives explain the significant differences between the Previous GAAP, and the current IFRS policies applied by the Company.

**13.3.1 Property, Plant and Equipment**

At the Transition Date, a number of adjustments were made to Property, plant and equipment.

*Componentization*

Previous GAAP Component accounting was generally required but had not always been implemented to the extent expected under IFRS. Most significant parts were depreciated separately, but some were depreciated with their main components using the weighted-average useful life of

the asset as a whole.

**IFRS** Each part of Property, plant and equipment that has a cost which is significant in relation to the asset, and whose useful life is different than that of the asset, must be depreciated separately from the asset. At the Transition Date, the Company reassessed the entries in its property, plant and equipment sub-ledger and identified a number of significant parts of assets that had different useful lives than the main component and which had previously been depreciated using the weighted-average useful life of the asset as a whole. These components were separated and accumulated depreciation was then recalculated retrospectively.

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**13 - FIRST TIME ADOPTION OF IFRS (Continued)***Depreciation on idle assets*

Previous GAAP Depreciation ceased when assets were no longer in service.

IFRS Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. Under IFRS, depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale), and the date that the asset is derecognized.

*Borrowing costs*

Previous GAAP Borrowing costs on major projects were capitalized.

IFRS Capitalization of borrowing costs is required on all qualified assets that require an extended period of preparation before they are usable or saleable. Although the Company has capitalized borrowing costs for several years under Previous GAAP, this was not always done consistently in a manner compliant with IAS 23, Borrowing Costs. Upon transition, the Company used the exemption available under IFRS 1 and decided to derecognize previously capitalized borrowing costs.

The impact of these above-mentioned changes is summarized as follows:

	December 31, 2010 12 months \$	June 30, 2010 6 months \$	June 30, 2010 3 months \$
<b>Consolidated earnings (loss)</b>			
Increase (decrease) in depreciation			
Impact on depreciation of subdividing certain assets into components and recalculating accumulated depreciation based on specific useful lives and calculating depreciation on buildings no longer in service and no longer subject to depreciation under Previous GAAP	188	(205)	(143)
Impact of capitalizing borrowing costs on projects that started subsequent to the date of transition to IFRS rather than on all ongoing projects for Previous GAAP	188	(123)	(61)
<b>Adjustment to consolidated earnings (loss) before income taxes</b>	<b>376</b>	<b>(328)</b>	<b>(204)</b>





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**13 - FIRST TIME ADOPTION OF IFRS (Continued)**

	December 31, 2010 \$	June 30, 2010 \$	January 1, 2010 \$
<b>Consolidated balance sheets</b>			
Increase (decrease) in Property, plant and equipment			
Impact of subdividing certain assets into components and recalculating accumulated depreciation based on specific useful lives and of calculating depreciation on buildings no longer in service and no longer subject to depreciation under Previous GAAP	(4,194)	(4,588)	(4,383)
Impact of capitalizing borrowing costs on projects that started subsequent to the Date of transition to IFRS rather than on all ongoing projects for Previous GAAP	(5,660)	(5,971)	(5,848)
<b>Decrease in shareholders' equity</b>	<b>(9,854)</b>		