FLOW INTERNATIONAL CORP
Form SC 13G/A
February 13, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934
(Amendment No. 5)

Flow International Corporation
(Name of Issuer)

Common Stock, par value $0.01
(Title of Class of Securities)

343468104
(CUSIP Number)

December 31, 2012
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X] Rule 13d-1(b)

[X] Rule 13d-1(c)

[_] Rule 13d-1(d)

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No 343468104

1.	NAME OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Freshford Capital Management, LLC
2.	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) [_] (b) [X]
3.	SEC USE ONLY
4.	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5.	SOLE VOTING POWER 671,607
6.	SHARED VOTING POWER 1,462,511
7.	SOLE DISPOSITIVE POWER 671,607
8.	SHARED DISPOSITIVE POWER 1,462,511
9.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 2,134,118
10.	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) [_]

11.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 4.41%
12.	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) OO

CUSIP No 343468104

1.	NAME OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Freshford GP, LLC
2.	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) [_] (b) [X]
3.	SEC USE ONLY
4.	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5.	SOLE VOTING POWER 0
6.	SHARED VOTING POWER 1,462,511
7.	SOLE DISPOSITIVE POWER 0
8.	SHARED DISPOSITIVE POWER 1,462,511
9.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,462,511
10.	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) [_]

11.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 3.02%
12.	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) OO

CUSIP No 343468104

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS
(ENTITIES ONLY)

Freshford Partners, LP

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a) [_]
(b) [X]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

1,462,511

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

1,462,511

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,462,511

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)
[_]

11.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 3.02%
12.	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) PN

CUSIP No 343468104

Item 1. (a). Name of Issuer:

Flow International Corporation

(b). Address of issuer's principal executive offices:

23500 64th Avenue South
Kent, Washington 98032

Item 2. (a)-(c). Name of person filing, principal business address and citizenship:

Freshford Capital Management, LLC
800 Westchester Avenue, Suite N-617
Rye Brook, New York 10573
Delaware Limited Liability Company

Freshford GP, LLC
800 Westchester Avenue, Suite N-617
Rye Brook, New York 10573
Delaware Limited Liability Company

Freshford Partners, LP
c/o Freshford Capital Management, LLC
800 Westchester Avenue, Suite N-617
Rye Brook, New York 10573
Delaware Limited Partnership

(d). Title of class of securities:

Common Stock, par value $0.01

(e). CUSIP No.:

343468104

Item 3. If This Statement is filed pursuant to §§.240.13d-1(b) or 240.13d-2(b), or (c), check whether the person filing is a

(a) [_] Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).

(b) [_] Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) [_] Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).

(d) [_]

Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

(e) [X] An investment adviser in accordance with § 240.13d-1(b)(1)(ii)(E);

(f) [_] An employee benefit plan or endowment fund in accordance with § 240.13d-1(b)(1)(ii)(F);

(g) [_] A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G);

(h) [_] A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C.1813);

(i) [_] A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);

(j) [_] A non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J);

(k) [_] Group, in accordance with §240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J), please specify the type of institution:

Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned:

Freshford Capital Management, LLC: 2,134,118
Freshford GP, LLC: 1,462,511
Freshford Partners, LP: 1,462,511

(b) Percent of class:

Freshford Capital Management, LLC: 4.41%
Freshford GP, LLC: 3.02%
Freshford Partners, LP: 3.02%

(c) Number of shares as to which the person has:

Freshford Capital Management, LLC

(i) Sole power to vote or to direct the vote 671,607,

(ii) Shared power to vote or to direct the vote 1,462,511,

(iii) Sole power to dispose or to direct the disposition of 671,607,

(iv) Shared power to dispose or to direct the disposition of 1,462,511.

58,961,050 58,961,050

Dividends Declared per Share

CDN$0.08

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

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D. RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Intertape Polymer Group faces risks related to its international operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Product liability could adversely affect the Company s business.

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

Acquisitions could expose the Company to significant business risks.

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

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

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

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

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

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

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

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

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

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

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

Item 4. Information on the Company

A. HISTORY AND DEVELOPMENT OF THE COMPANY

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

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

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

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

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

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

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

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

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

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

B. BUSINESS OVERVIEW

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

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

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

Overview of Periods

2010

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

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

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

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

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

2011

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

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

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

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

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

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

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

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

2012

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

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

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

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

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

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

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

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

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

(1) Products, Markets and Distribution

(a) Tapes

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

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

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

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

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

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

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

Carton Sealing Tapes

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

Hot Melt Tape

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

Acrylic Tape

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

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Natural Rubber Tape

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

Water Activated Tape

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

Industrial & Specialty Tapes

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

Paper Tape

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

Flatback Tape

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

Duct Tape

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

Double-Coated Tapes

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

Foil Tapes

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

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

Electrical and Electronic Tapes

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

Filament Tape

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

Stencil Products

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

(b) Films

Films

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

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

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

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

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

Shrink Film

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

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

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

Stretch Wrap

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

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

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

Protective Packaging

Air Pillows

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

(c) Engineered Coated Products

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

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

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

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Building and Construction Products

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

Membrane Structure Fabrics

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

Roof Underlayment

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

Agro-Environmental Products

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

Geomembrane Fabrics

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

Poultry Fabrics

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

Specialty Fabrics

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

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

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

Industrial Packaging Products

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

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

FIBC Products

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

(2) Sales and Marketing

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

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

(3) Equipment and Raw Materials

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

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

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

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

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

(4) Research and Development and New Products

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

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

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

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

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

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

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

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

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

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

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

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

(5) Trademarks and Patents

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

Intertape Polymer Group markets its tape products under the trademarks Intertape