INTERTAPE POLYMER GROUP INC
Form 6-K
November 10, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

For the month of November, 2008

Commission File Number 1-10928

INTERTAPE POLYMER GROUP INC.

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

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

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

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

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ______ No _____X

If Yes is marked, indicate below the file number assigned to the registrant in connection with

Rule 12g3-2(b): 82-______

The Information contained in this Report is incorporated by reference into Registration Statement No. 333-109944

SIGNATURES

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

INTERTAPE POLYMER GROUP INC.

Date: November 10, 2008 By: /s/ Victor DiTommaso

Victor DiTommaso, CFO

Intertape Polymer Group Inc.

Consolidated Quarterly Statements of Earnings

Three month periods ended

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

(Unaudited)

	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
	$	$	$	$
Sales	201,978	197,534	184,501	191,453
Cost of sales (i)	172,772	171,184	156,324	163,010
Gross Profit	29,206	26,350	28,177	28,443
Selling, general and administrative				
Expenses	17,490	17,196	17,629	18,664
Stock-based compensation expense	348	329	421	289
Research and development expenses	1,334	1,528	1,441	947
Financial expenses				
Interest	4,230	4,339	5,984	5, 706
Other (i)	806	(681)	(648)	205
Refinancing expense			6,031	
Manufacturing facility closures, restructuring, strategic alternatives				
and other charges				
	24,208	22,711	30,858	25,811
Earnings (loss) before income taxes				
(recovery)	4,998	3,639	(2,681)	2,632
Income taxes (recovery)	779	(999)	(818)	3,349
Net earnings (loss)	4,219	4,638	(1,863)	(717)

Earnings (loss) per share				
Basic	0.07	0.08	(0.03)	(0.01)
Diluted	0.07	0.08	(0.03)	(0.01)
Weighted average number of common shares outstanding				
Basic	58,956,024	58,956,350	58,956,350	58,185,756
Diluted	58,956,024	58,956,350	58,956,350	58,185,756

	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006
	$	$	$	$
Sales	201,875	187,109	186,835	187,370
Cost of sales (i)	170,686	158,279	158,956	164,292
Gross profit	31,189	28,830	27,879	23,078
Selling, general and administrative				
expenses	17,508	16,676	18,321	18,729
Stock-based compensation expense	504	533	454	454
Research and development expenses	1,002	1,161	1,025	1,406
Financial expenses				
Interest	8,561	6,453	6,705	6,417
Other (i)	(316)	(98)	3	(234)
Refinancing expense				
Manufacturing facility closures, restructuring, strategic alternatives				
and other charges	1,330	4,415	2,369	10,095
	28,589	29,140	28,877	36,867
Earnings (loss) before income taxes				
(recovery)	2,600	(310)	(998)	(13,789)
Income taxes (recovery)	1,628	7,768	(428)	1,399
Net earnings (loss)	972	(8,078)	(570)	(15,188)
Earnings (loss) per share				
Basic	0.02	(0.20)	(0.01)	(0.37)
Diluted	0.02	(0.20)	(0.01)	(0.37)
Weighted average number of common shares outstanding				
Basic	40,986,940	40,986,940	40,986,940	40,986,057

Diluted	40,986,940	40,986,940	40,986,940	40,986,057

(i) As explained in the Changes in Accounting Policies section of this Management s Discussion and Analysis, prompt payments discounts to suppliers have been reclassified from a reduction in other financial expenses to a reduction in cost of sales. This reclassification does not change the reported net earnings (loss) of the Company.

November 10, 2008

This Management s Discussion and Analysis (MD&A) supplements the unaudited interim consolidated financial statements and related notes for the three months and nine months ended September 30, 2008. Except where otherwise indicated, all financial information reflected herein is prepared in accordance with Canadian generally accepted accounting principles (GAAP) and is expressed in US dollars.

OVERVIEW

Net earnings for the three months ended September 30, 2008 were $4.2 million or $0.07 per share, both basic and diluted, as compared to net earnings of $1.0 million or $0.02 per share, both basic and diluted for the same period in 2007. Net earnings for the nine months ended September 30, 2008 totaled $7.0 million or $0.12 per share, both basic and diluted compared to a net loss of $7.7 million or ($0.19) per share, both basic and diluted for the same period in 2007.

Net earnings for the third quarter of 2008 improved compared to the net earnings for the second quarter of 2008, after excluding the second and third quarter income tax asset valuation allowance reversals. Second quarter net earnings were $4.6 million, including $2.0 million related to the reversal of a previously recorded income tax asset valuation allowance. The third quarter net earnings of $4.2 million include a $1.2 million income tax asset valuation allowance reversal. Several aspects of the business improved in the third quarter compared to the second quarter of 2008. The Company was able to recover cost increases for resin-based raw materials through higher selling prices. During the third quarter of 2008, the Company also increased its investment in the Tapes and Films Division s finished goods inventories. The Engineered Coated Products (ECP) Division substantially increased its sales and gross profits in the third quarter of 2008 compared to the second quarter of 2008. Additionally, the Company continues to benefit from its cost reduction programs.

In September 2008, the Company acquired the exclusive North American rights to a patent pending 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 $5.5 million. The assets acquired complement the Company s product offerings and customer base as part of its ECP Division.

The Company expects the cost of resin-based raw materials to experience significant declines through the end of 2008. Historically, declining costs for resin-based raw materials have dampened short-term demand for products made from these inputs, particularly stretch film, as distributors reduce their inventories in order to avoid holding high price product in a declining price environment. Export sales activity has also been adversely impacted by the recent strengthening of the US dollar against most other world currencies. Additionally, the fourth quarter of the year is traditionally a slower sales quarter for the Company. Accordingly, sales volumes (units) for the fourth quarter of 2008 are expected to decline from third quarter levels.

Management believes that the Company is well positioned to weather the current global financial crisis. On March 27, 2008, the Company successfully refinanced its existing Senior Secured Credit Facility (the Facility) with a five-year

$200.0 million asset-based loan (the ABL) entered into with a syndicate of financial institutions. At September 30, 2008, the Company had unused availability under the ABL of approximately $44.8 million. The Company believes that it has the ability to generate sufficient cash flows, both in the long and short term, that, when coupled with its credit availability under the ABL, enables it to meet the requirements of its day-to-day operations, given its operating margins and projected budgets.

In accordance with the Company s interest rate risk policy and in order to reduce its exposure to volatile interest rate fluctuations, the Company has entered into two interest rate swap agreements. In September 2008, the Company entered into an interest rate swap agreement for a notional principal amount of $40.0 million maturing in September 2011. In October 2008, the Company entered into a second interest rate swap agreement for a notional principal amount of $30.0 million maturing in October 2009. Under the terms of these interest rate swap agreements, the Company receives, on a monthly basis, a variable interest rate and pays a fixed interest rate of 3.35% and 2.89%, respectively, plus the applicable premium on its ABL.

RESULTS OF OPERATIONS

As explained in Changes in Accounting Policies , prompt payments discounts to suppliers have been reclassified from a reduction in financial expenses to a reduction of cost of sales. The reclassification does not change the reported net earnings (loss) of the Company.

SALES

Sales for the third quarter of 2008 were $202.0 million, a 2.3% improvement over sales for the second quarter of 2008 of $197.5 million. The sales dollar increase includes a 2.2% decrease in sales volumes (units). Sales for the third quarter of 2008 were $202.0 million compared to $201.9 million for the third quarter of 2007. This sales dollar increase includes a 7.6% decrease in sales volumes (units). The decrease in sales volumes (units) in the third quarter of 2008 compared to the third quarter of 2007 is comprised of a 4.9% sales volume (units) decrease within the Tapes and Films Division and a 17.3% sales volume (units) decrease within the ECP Division. The decrease within the ECP Division is primarily attributable to a decline in sales volumes (units) of lumber wrap sold to the construction industry.

Sales for the first nine months of 2008 were $584.0 million compared to $575.8 million for the same period in 2007, an increase of 1.4%. This sales dollar increase includes a 5.6% decline in sales volume (units). The sales increase for the first nine months of 2008 compared to the first nine months of 2007 is due to increased selling prices in response to rising resin-based raw material costs, offset in part by declines in demand within key markets of the ECP Division and overall slower economic growth in the first three quarters of 2008.

GROSS PROFIT AND GROSS MARGIN

Gross profit for the third quarter of 2008 totaled $29.2 million at a gross margin of 14.5%, compared to gross profit of $31.2 million for the third quarter of 2007 at a gross margin of 15.5%. The margin decline in the third quarter of 2008 compared to the third quarter of 2007 is due to rising resin-based raw material costs in 2008. The Company has recovered most of these higher raw material costs in its selling prices but has not been able to also obtain a margin on many of the cost increases. The decline in gross profit is attributable to the lower sales volumes (units) in the third quarter of 2008 compared to the third quarter of 2007.

The third quarter gross profit of $29.2 million at a gross margin of 14.5% represents a 10.8% improvement in gross profit and a 1.2% improvement in gross margin compared to the second quarter gross profit of $26.4 million at a gross margin of 13.3%. The third quarter improvement is attributable to the higher gross margins achieved for Tapes and Film Division products, as well as ECP Division products and a reduction in unabsorbed manufacturing overheads. The higher gross margins on products is attributable to selling price increases that allowed the Company to restore profit margins on products that had experienced margin compression during the second quarter of 2008, along with

improved product mix.

Gross profit and gross margin for the first nine months of 2008 were $83.7 million and 14.3%, respectively, compared to $87.9 million and 15.3%, respectively, for the first nine months of 2007.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses (SG&A) were $17.5 million for the third quarter of 2008 (8.7% of sales), compared to $17.5 million for the third quarter of 2007 (8.7% of sales). SG&A expenses for the nine months ended September 30, 2008 were $52.3 million (9.0% of sales) compared to $52.5 million (9.1% of sales) for the same period in 2007.

Included in SG&A expenses are the costs that the Company incurs as a result of being a public company. These costs totaled $0.4 million and $1.1 million for the three months and nine months ended September 30, 2008, respectively, compared to $0.5 million and $1.7 million for the three months and nine months ended September 30, 2007, respectively.

STOCK-BASED COMPENSATION EXPENSE

Stock-based compensation expense (SBC) for the third quarter of 2008 was $0.3 million compared to $0.5 million in the third quarter of 2007. For the first nine months of 2008, SBC was $1.1 million compared to $1.5 million for the comparable period in 2007.

OPERATING PROFIT

Operating profit is defined by the Company as gross profit less SG&A and SBC expenses. Operating profit is a non-GAAP financial measure that the Company is including as its management uses operating profit to measure and evaluate the profit contributions of the Company s product offerings as well as the contribution by channel of distribution.

Operating profit does not have any standardized meaning prescribed by GAAP in Canada or the United States and is therefore unlikely to be comparable to similar measures presented by other issuers. The table below reconciles this non-GAAP financial measure with the most comparable GAAP measurement. The reader is encouraged to review this reconciliation.

Operating Profit Reconciliation

(in millions of US dollars)

	Three months		**Nine months**	
For the periods ended September 30,	**2008**	**2007**	**2008**	**2007**
	$	$	$	$
Gross Profit	29.2	31.2	83.7	87.9
Less: SG&A Expenses	17.5	17.5	52.3	52.5
Less: SBC Expense	0.3	0.5	1.1	1.5
Operating Profit	11.4	13.2	30.3	33.9

Operating profit was $11.4 million for the third quarter of 2008 compared to $13.2 million for the third quarter of 2007. Operating profit for the nine months ended September 30, 2008 totaled $30.3 million compared to $33.9 million for the nine months ended September 30, 2007. The decrease in operating profits for the three and nine months ended September 30, 2008 compared to the three and nine months ended September 30, 2007 is due to the lower gross profits in 2008.

FINANCIAL EXPENSES

Financial expenses for the third quarter of 2008 were $5.0 million compared to $8.2 million for the third quarter of 2007, a 39.0% decrease. Financial expenses for the first nine months of 2008 were $14.0 million compared to $21.3 million for the same period in 2007, a decrease of 34.3%. The decrease in financial

expenses is due to (i) lower interest expense in the first three quarters of 2008 as part of the reduced debt levels of the Company, including a $60.9 million reduction in September and October 2007 from the Company s rights offering proceeds, (ii) lower interest expense in the first three quarters of 2008 resulting from lower interest rates from the refinancing discussed below,, (iii) a foreign exchange gain of approximately $0.9 million including approximately $1.1 million reclassified from other comprehensive income (loss) during the second quarter of 2008, resulting from a partial repayment of long-term notes made to the Company s Portuguese subsidiary and the related reduction of net investment in this subsidiary, and iv) reduction in amortization charge of debt issue expenses, which were written-off as a result of the Company s debt refinancing discussed below.

REFINANCING EXPENSE

Included in the first quarter of 2008 is a $6.0 million refinancing expense related to the refinancing of the Facility. The refinancing expense includes a $2.9 million loss on the settlement of two interest rate swap agreements. This loss was reclassified from other comprehensive income (loss) as a result of the discontinuance of the cash flow hedge since the debt being hedged was refinanced and the hedging relationship was thereby terminated. Also included in refinancing expense is $3.1 million of accelerated amortization of debt issue expense incurred in connection with securing the Facility in 2004.

EBITDA

A reconciliation of the Company s EBITDA and adjusted EBITDA, both non-GAAP financial measures, to GAAP net earnings (loss) is set out in the EBITDA reconciliation table below. EBITDA should not be construed as earnings (loss) before income taxes, net earnings (loss) or cash flows from operating activities as determined by GAAP. The Company defines EBITDA as net earnings (loss) before (i) income taxes (recovery); (ii) financial expenses, net of amortization; (iii) refinancing expense, net of amortization; (iv) amortization of other intangibles and capitalized software costs; and (v) depreciation. The Company defines adjusted EBITDA as EBITDA before manufacturing facility closures, restructuring, strategic alternatives and other charges. Other companies in the Company s industry may calculate EBITDA and adjusted EBITDA differently than the Company does.

EBITDA and adjusted EBITDA are not measurements of financial performance under GAAP and should not be considered as alternatives to cash flows from operating activities or as alternatives to net earnings (loss) as indicators of the Company s operating performance or any other measures of performance derived in accordance with GAAP. The Company has included these non-GAAP financial measures because they permit investors to make a more meaningful comparison of the Company s performance between the periods presented. In addition, EBITDA and adjusted EBITDA are used by management in evaluating the Company s performance.

EBITDA Reconciliation to Net Earnings (Loss)

(in millions of US dollars)

	Three months		**Nine months**	
For the periods ended September 30,	**2008**	**2007**	**2008**	**2007**
	$	$	$	$
Net earnings (loss) as reported	4.2	1.0	7.0	(7.7)
Add back (deduct):				
Financial expenses, net of amortization	4.7	6.3	13.1	18.8
Refinancing expense, net of amortization			2.9	
Income taxes (recovery)	0.8	1.6	(1.0)	8.9
Depreciation and amortization	9.1	10.8	30.4	28.6
EBITDA	18.8	19.7	52.4	48.6
Manufacturing facility closures, restructuring, strategic alternatives and other charges		1.3		8.1
Adjusted EBITDA	18.8	21.0	52.4	56.7

The decrease in adjusted EBITDA for the three months and nine months ended September 30, 2008 compared to the corresponding periods in 2007 is due to the reduced gross profits of the Company in 2008.

INCOME TAXES

The Company is subject to income taxation in multiple tax jurisdictions around the world. As a result, the Company s effective income tax rate fluctuates depending upon the geographic source of its earnings. The Company s effective income tax rate is also impacted by tax planning strategies that the Company previously implemented. The Company estimates its annual effective income tax rate and utilizes that rate in its interim consolidated financial statements. For the nine months ended September 30, 2008 the Company has an estimated effective income tax rate of approximately 37.0% excluding reductions in the income tax asset valuation allowance. Due to improvement in the financial performance of the Company s ECP business based in Truro, Nova Scotia, the Company expects to be able to take advantage of certain income tax planning strategies. These strategies will allow the Company to retain a portion of

the value of the expiring losses. Accordingly, an initial $2.0 million reduction in the Company s income tax asset valuation allowance was included in earnings for the second quarter of 2008 and an additional $1.2 million reduction in the Company s income tax asset valuation allowance is included in earnings for the third quarter of 2008. The tax planning will be finalized during the fourth quarter of 2008. Both the current financial performance and future expectations regarding the financial performance of the ECP business based in Truro, Nova Scotia will be the most significant factor in assessing the effectiveness of the tax planning in retaining expiring net operating loss carry forwards.

For the nine months ended September 30, 2007 the Company recorded a $6.3 million increase to its income tax asset valuation allowance. The Company also incurred substantial non-deductible expenses associated with the strategic alternatives process during the first nine months of 2007. The combined impact of these

two tax consequences was that the Company recorded income tax expense of approximately $9.0 million.

NET EARNINGS

Net earnings for the third quarter of 2008 were $4.2 million or $0.07 per share, both basic and diluted, compared to net earnings of $1.0 million or $0.02 per share, both basic and diluted, for the third quarter of 2007. Net earnings for the nine months ended September 30, 2008 totaled $7.0 million or $0.12 per share, both basic and diluted, compared to a net loss of $7.7 million or $0.19 per share, both basic and diluted, for the same period in 2007.

RESULTS OF OPERATIONS-TAPES AND FILMS DIVISION

Sales for the Tapes and Films (T&F) Division for the third quarter of 2008 totalled $161.4 million, a 3.1% increase compared to $156.6 million for the third quarter of 2007. Sales volumes (units) decreased 4.9% for the third quarter of 2008 compared to the third quarter of 2007. Sales for the third quarter of 2008 increased 1.2% compared to the second quarter of 2008, despite a sales volume (units) decrease of 3.1%. The T&F Division was successful in achieving meaningful selling price increases after competitive pressures had limited the T&F Division s ability to achieve selling price increases in the second quarter of 2008.

Sales for the T&F Division for the first nine months of 2008 totalled $469.6 million compared to $454.7 million for the first nine months of 2007, a 3.3% increase. Sales volumes (units) for the first nine months of 2008 declined 3.8% compared to the first nine months of 2007. The decline in sales volumes (units) is due, at least in part, to economic weakness in the United States.

T&F Division gross profits for the third quarter of 2008 totalled $23.6 million at a gross margin of 14.6% compared to $25.1 million at a gross margin of 16.0% for the third quarter of 2007. The gross profit and gross margin declines in the third quarter of 2008 compared to the third quarter of 2007 were due in part to rising resin-based raw material costs, higher transportation costs to customers and increased energy costs to operate the T&F Division s manufacturing facilities. While many of these cost increases were recovered through selling price increases, the T&F Division was not always able to earn additional margin on these higher costs. As discussed, the T&F Division increased its investment in finished goods inventories during the third quarter. .

The T&F Division s gross profits and gross margins for the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007 were $70.2 million (15.0%) and $74.6 million (16.4%), respectively. The decrease in gross profits and gross margins for the first nine months of 2008 is primarily due to the decline in sales volume. Contributing to the decrease in gross profits and gross margin was the inability at various points in the first nine months of the year to raise selling prices to a level that recovers the cost increases described above. In addition, the T&F Division has not always been able to earn additional margin on the higher costs.

The T&F Division s EBITDA for the third quarter of 2008 was $15.8 million compared to $17.9 million for the third quarter of 2007. The T&F Division s EBITDA for the nine months ended September 30, 2008 and 2007 was $47.0 million and $52.4 million, respectively. The decline in reported EBITDA for the third quarter of 2008 and the nine months ended September 30, 2008 is attributable to the decreases in gross profits.

RESULTS OF OPERATIONS-ECP DIVISION

Sales for the ECP Division for the third quarter of 2008 totalled $40.6 million, compared to $45.3 million for the third quarter of 2007. Sales volumes decreased 17.3% for the third quarter of 2008 compared to the third quarter of 2007. The unit decline was mitigated by selling price increases and product mix changes. Sales volumes increased 1.4% compared to the second quarter of 2008. The sequential quarterly sales

volume increase was primarily due to seasonal improvement in the sale of products to the residential construction and agriculture markets.

Sales for the ECP Division for the first nine months of 2008 totalled $114.4 million compared to $121.1 million for the first nine months of 2007, a 5.5% sales decrease. Sales volumes for the first nine months of 2008 declined 12.9% compared to the first nine months of 2007. The decline in sales volumes is due to the decline in sales of products to the construction market.

ECP Division gross profits for the third quarter of 2008 totalled $5.6 million at a gross margin of 13.8% compared to $6.1 million at a gross margin of 13.5% for the third quarter of 2007. The gross profit and gross margin improvement in the third quarter of 2008 compared to gross profit and gross margin of $3.5 million (9.2%) in the second quarter of 2008 resulted partially from the increase in sales volumes but most significantly from improved product mix. The ECP Division has introduced several new high-value products in recent quarters.

ECP Division gross profits and gross margins for the nine months ended September 30, 2008 and 2007 were $13.5 million (11.8%) and $13.3 million (11.0%), respectively. The gross profit and gross margin improvement for 2008 resulted from increased selling prices and improved product mix. Results for all periods reported reflect the continued softness in the residential construction market.

The ECP Division s EBITDA for the third quarter of 2008 was $3.8 million compared to $4.2 million for the third quarter of 2007 and $1.5 million for the second quarter of 2008. The EBITDA improvement in the third quarter of 2008 compared to the EBITDA for the second quarter of 2008 was due to the higher gross profits discussed above.

The ECP Division s EBITDA for the nine months ended September 30, 2008 and 2007 was $7.5 million for both periods. The Division was able to sustain the EBITDA in 2008 compared to 2007 despite a 12.9% sales volume decrease due to increased selling prices and improved product mix.

The distribution rights agreement for the automatic wrapping system will be an addition to the ECP Division.

RESULTS OF OPERATIONS-CORPORATE

The Company does not allocate manufacturing facility closures, restructuring, strategic alternatives and other charges to the two Divisions. These expenses are retained at the corporate level as are stock-based compensation expense and the cost of being a public company. The unallocated corporate expenses for the nine months ended September 30, 2008 and 2007 totalled $2.2 million and $3.1 million, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

The Company maintains no off-balance sheet arrangements except for letters of credit issued and outstanding, which are discussed in the section entitled Long-Term Debt and Derivative Financial Instruments .

RELATED PARTY TRANSACTIONS

There have been no material changes with respect to related party transactions since Management s Discussion and Analysis for the three and six months periods ended June 30, 2008. Reference is made to the section entitled Related

Party Transactions in the Company s Management Discussion and Analysis for the three months and six months ended June 30, 2008.

FINANCIAL POSITION

Trade receivables increased $17.2 million between December 31, 2007 and September 30, 2008. The increase was due to higher sales in September 2008 compared to December 2007 and stronger year-end cash collections as compared to late September 2008. Inventories increased by $13.5 million between

December 31, 2007 and September 30, 2008. The increase includes $13.7 million of additional work-in-process and finished goods inventories and a $0.1 million decrease in raw materials inventories. The higher work-in-process and finished goods inventories reflect the higher cost of materials. Raw materials were virtually unchanged from year-end despite the higher cost of materials in 2008 because the Company pre-bought raw materials at December 31, 2007 and did not do so at September 30, 2008. Accounts payable and accrued liabilities increased by $7.9 million between December 31, 2007 and September 30, 2008, including $1.5 million representing the balance on the purchase price paid in connection with the Company s acquisition of the distribution rights for the automatic wrapping system.

LIQUIDITY AND CAPITAL RESOURCES

Cash from operations before changes in non-cash working capital items was $14.8 million for the third quarter of 2008 compared to $14.4 million for the third quarter of 2007. Changes in non-cash working capital items used $5.6 million in cash flows for the three months ended September 30, 2008 compared to using $6.8 million in cash flows during the same three month period in 2007.

The increase in cash flows from operating activities before changes in non-cash working capital items in the third quarter of 2008 compared to the third quarter of 2007 is the result of improved profitability. The increased use of cash flows reflected in changes in non-cash working capital items in the third quarter of 2008 compared to the third quarter of 2007 was the result of increased trade receivables and inventories mitigated by increased accounts payable and accrued liabilities in the third quarter of 2008.

Cash flows from operations before changes in non-cash working capital items was $36.5 million for the nine months ended September 30, 2008 compared to $30.0 million for the nine months ended September 30, 2007. Changes in non-cash working capital items used $27.9 million in cash flows for the nine months ended September 30, 2008 compared to using $8.3 million in cash during the same nine month period in 2007.

Cash flows used in investing activities were $11.9 million in the three months ended September 30, 2008 and $18.2 million for the nine months ended September 30, 2008. This compares to $3.6 million and $13.6 million in cash flows used in investing activities in the three months and nine months ended September 30, 2007, respectively. The increase in cash flows used in investing activities for the nine months ended September 30, 2008 compared to the corresponding period in 2007 is due to increased capital expenditures and payments made in connection with the Company s acquisition of the distribution rights and related assets for the patented automatic wrapping system. Capital expenditures for property, plant and equipment for the first nine months of 2008 and 2007 were $18.0 million and $12.5 million, respectively.

The Company increased total indebtedness during the three months ended September 30, 2008 by $3.4 million compared to decreasing total indebtedness by $51.2 million during the three months ended September 30, 2007. Total indebtedness increased during the nine months ended September 30, 2008 by $8.2 million and compared to a decrease of $63.6 million during the nine months ended June 30, 2007. The increase in indebtedness in 2008 results primarily from $7.8 million in borrowings by the Company s Portuguese subsidiary, a portion of which was used to repay long-term notes that the Company had made to the subsidiary.

The rapid escalation in the cost of resin-based raw materials significantly increased the Company s working capital requirements. This manifested itself through higher inventory values at all stages of completion, increased quantities of raw materials on hand and increased levels of trade receivables as the Company raises selling prices to recover the

higher material costs. Prices for resin-based raw materials peaked in August 2008 and began to decline in September 2008. The Company expects the prices for these resin-based raw materials to continue to decline significantly throughout the remainder of 2008. During the fourth

quarter of 2008, the Company is working to reduce its inventories on hand in response to these declining raw material prices as well as the softening of demand for the Company s products.

LONG-TERM DEBT AND FINANCIAL DERIVATIVES

On March 27, 2008, the Company successfully refinanced its existing Facility with a $200.0 million ABL entered into with a syndicate of financial institutions. The Facility included a US$52.0 million five-year revolving credit facility available in US dollars and a US$8.0 million five-year revolving credit facility available in Canadian dollars. The amount of borrowings available to the Company under the ABL is determined by its applicable borrowing base from time to time. The borrowing base is determined by calculating a percentage of eligible trade receivables, inventories and machinery and equipment.

Unlike the Facility, the ABL contains only one financial covenant, a fixed charge coverage ratio, which becomes effective only when unused availability drops below $25.0 million. Under the refinancing agreement, the Company s unencumbered real estate is subject to a negative pledge in favour of the ABL lenders. However, the Company retains the ability to secure financing on all or a portion of its owned real estate and have the negative pledge to the ABL lenders subordinated to a maximum of $35.0 million of real estate mortgage financing. During the third quarter of 2008 the Company secured approximately $1.8 million of real estate mortgage financing.

In September 2008, the Company entered into an interest rate swap agreement for a notional principal amount of $40.0 million maturing in September 2011. In October 2008, the Company entered into a second interest rate swap agreement for a notional principal amount of $30.0 million maturing in October 2009. Under the terms of these interest rate swap agreements, the Company receives, on a monthly basis, a variable interest rate and pays a fixed interest rate of 3.35% and 2.89%, respectively, plus the applicable premium on its ABL.

At September 30, 2008, the Company had borrowed $119.1 million under its ABL, including $2.7 million in letters of credit. As at December 31, 2007, $2.1 million had been borrowed under the revolving line of credit portion of the Facility, all of which consisted of letters of credit. When combined with cash, the Company s cash and credit availability totalled $55.7 million as at September 30, 2008. The decline in cash and credit availability at September 30, 2008 compared to December 31, 2007 is as a result of replacing the Facility, including its $60.0 million line of credit, with the ABL, which sets the maximum borrowings available to the Company using a borrowing base calculation. Cash and credit availability improved $4.2 million between June 30, 2008 and September 30, 2008.

DISTRIBUTION RIGHTS PURCHASE AGREEMENT

In September 2008, the Company acquired the exclusive North American rights to a patent pending 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 $5.5 million.

As part of acquiring the distribution rights, the Company also made future performance commitments. Additional considerations or penalties are to be paid based on these commitments. However, within the first two years of the purchase agreement, the automatic wrapping system must achieve certain market acceptance parameters or the Company has the right to renegotiate the future performance commitments with the vendor and if such renegotiation is

not concluded on terms satisfactory to the Company, then the future performance commitments will not be binding on the Company. As at September 30, 2008, the Company i) was not in a position to determine, beyond a reasonable doubt, the outcome of its commitment and ii)

concluded that the vendor retains future performance obligations under the provisions of the agreement. Accordingly, the Company will account for these contingencies upon their resolution.

CONTRACTUAL OBLIGATIONS

At September 30, 2008, except for the refinancing of the Facility, the settlement of the Company s previous interest rate swap agreements, which occurred in the first quarter of 2008, new borrowings of approximately $7.8 million in the second quarter of 2008 by the Company s Portuguese subsidiary, the $1.8 million mortgage financing obtained in September 2008 and the execution in September 2008 of the new interest rate swap agreement, all of which are discussed elsewhere in this MD&A and interim consolidated financial statements for the three months and nine months ended September 30, 2008, there were no material changes in the contractual obligations set forth in the Company s 2007 Annual Report that were outside the ordinary course of the Company s business.

CAPITAL STOCK

As at September 30, 2008 there were 58,951,350 common shares of the Company outstanding. During the first nine months of 2008, 200,000 stock options were granted, and no stock options were exercised.

CURRENCY RISK

As disclosed in Note 12 to the accompanying interim consolidated financial statements, the Company employs significant net assets in its foreign Canadian self-sustaining operations and to a lesser degree in its foreign European self-sustaining operations. Accordingly, changes in the exchange rates between the respective functional currencies of the these operations and the Company US dollar reporting currency will result in significant fluctuations in the net assets of these operations in US dollar terms. The effect of these fluctuations is reported in the Company s consolidated other comprehensive income (loss).

Additionally, the Company is subject to foreign exchange rates risks through transactions conducted by its Canadian, US and European operations, which are conducted in currencies other than the functional currencies of the entities earnings the revenues or incurring the expenses. Changes in the exchange rates may result in decreases or increases in foreign exchange gains or losses recorded in the Company s consolidated earnings (loss) for the period. Until recently, the Company has not used derivative financial instruments to reduce its exposure to foreign currency risk, as historically these risks have not been significant. In November 2008, and in accordance with the Company s foreign exchange rates risk policy, the Company executed a series of twelve monthly forward foreign exchange rates contracts (the Contracts) to purchase an aggregate CDN$20.0 million beginning in February 2009, at fixed exchange rates ranging from CDN$1.1859 to CDN$1.1826 to the US dollar. The Contracts will mitigate foreign exchange rates risk associated with a portion of anticipated monthly inventory purchases of the Company s US self-sustaining foreign operations that are to be settled in Canadian dollars (the Purchases). The Company designated these Contracts as a cash flow hedge, effectively mitigating the cash flow risk associated with the settlement of the Purchases.

Finally, and in accordance with the Company s foreign exchange rates risk management policy, the Company is currently reviewing the extent of using similar forward foreign exchange rate contracts to cover additional inventory purchases, undertaken by the Company s U.S. operations, for a maximum amount $CAD45.0 million. As part of this ongoing review process, the Company obtains quotes from its primary lender and performs sensitivity analysis and risk modeling for possible fluctuations to the underlying foreign exchange rates.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets

and liabilities at the date of the consolidated financial statements and the recorded amount of revenues and expenses during the reporting period. On an on-going basis, management reviews its estimates, including those relating to the allowance for doubtful accounts, reserves for slow moving and unmarketable inventories, income taxes, impairment of long-lived assets and goodwill based on currently available information. Actual results may differ from those estimates.

The discussion on the methodology and assumptions underlying these critical accounting estimates and their effect on the Company s results of operations and financial position for the year ended December 31, 2007 can be found in the Company s 2007 Annual Report and have not materially changed since that date.

CHANGES IN ACCOUNTING POLICIES

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

Effective April 1, 2008, the Company adopted the CICA Emerging Issues Committee (EIC) No. 144 *Accounting by a customer (including reseller) for certain considerations received from a vendor* with respect to prompt payment discounts received from its vendors.

Section 3031 provides more extensive guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. Certain costs, such as storage costs and general and administrative expenses that do not contribute to bringing the inventories to their present location and condition, are excluded from the cost of inventories and expensed during the year in which they are incurred. In addition, the new section requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory costing methodology; and requires that, when circumstances which previously caused inventories to be written down below cost no longer exists, the amount of the write down is to be reversed.

Section 1535 establishes standards for disclosing information about an entity s capital and how it is managed. This additional disclosure includes quantitative and qualitative information regarding objectives, policies and processes for managing capital.

Sections 3862 and 3863 revise and enhance disclosure and presentation of financial instruments and place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how those risks are managed.

EIC-144 provides that cash consideration received from a vendor is presumed to be a reduction of the price of the vendor s products and services and should therefore be characterized as a reduction in cost of sales and related inventory when recognized in the customer s income statement and balance sheet. EIC-144 requires that consideration given to a customer by a vendor in the form of prompt payment discounts, be classified as a reduction of cost of sales

in the customer s consolidated earnings. Accordingly, the Company retroactively reclassified approximately $0.5 million for the three months ended March 31, 2008, and $0.4 million and $1.3 million for the three and nine months ended September 30, 2007, respectively, of prompt payment discounts historically included in financial expenses as a reduction of cost of sales. These reclassifications do not change the Company s reported earnings.

All other forms of considerations received from vendors, including, but not limited to, sales incentives, discounts, coupons, rebates and price reductions, were previously recorded by the Company as a reduction of

cost of sales in accordance with EIC-144. Historically, the Company did not apply EIC-144 with respect to prompt payment discounts since the related amounts were determined to be not significant to the consolidated financial statements. However, in light of the rapidly increasing raw material prices during the first eight months of 2008, the balances eligible for prompt pay discounts have increased substantially.

Readers should refer to Note 2 to the interim consolidated financial statements for the three months and nine months ended September 30, 2008 for more information regarding the adoption of these standards.

SUMMARY OF QUARTERLY RESULTS

A table of Consolidated Quarterly Statements of Earnings for the eight most recent quarters can be found at the beginning of this MD&A.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with the Canadian Securities Administrators Multilateral Instrument 52-109, *Certification of Disclosure in Issuers Annual and Interim Filings* the Company has filed certificates signed by the Executive Director and Chief Financial Officer that, among other things, report on the design of disclosure controls and procedures and design of internal control over financial reporting.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its financial statements. The Executive Director and Chief Financial Officer of the Company have evaluated whether there were changes to the Company's internal control over financial reporting during the Company's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. No such changes were identified through their evaluation.

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

ADDITIONAL INFORMATION

Additional information relating to the Company, including its Annual Information Form, is filed on SEDAR at www.sedar.com in Canada and on EDGAR at www.sec.gov in the United States.

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements may relate to the Company s future outlook and anticipated events, the Company s business, its operations, financial condition or results. Particularly, statements about the Company s objectives and strategies to achieve those objectives are forward-looking statements. While these statements are based on certain factors and assumptions which management considers to be reasonable based on information currently available to it, they may prove to be incorrect. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance

or achievements expressed or implied in such forward-looking statements. The risks include, but are not limited to, the factors contained in the Company s filings with the Canadian securities regulators and the U.S. Securities and Exchange Commission. While the Company may elect to, it is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time. This quarterly report contains certain non-GAAP financial measures as defined under SEC rules, including adjusted net earnings, EBITDA, adjusted EBITDA, and operating profit. The Company believes such non-GAAP financial measures improve the transparency of the Company s disclosures, provide a meaningful presentation of the Company s results from its core business operations, by excluding the impact of items not related to the Company s ongoing core business operations, and improve the period-to-period comparability of the Company s results from its core business operations. As required by SEC rules, the Company has provided reconciliations of those measures to the most directly comparable GAAP measures.

Information Request Form

I would like to q receive or q continue receiving financial information on Intertape Polymer Group Inc.

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Please send me now on a regular basis. (Please indicate number of copies requested)

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q Investment Banker q Other Fax: 941-727-3798 Investor Relations

Toll Free: 866-202-4713

www.intertapepolymer.com

Consolidated Earnings

Periods ended September 30, 2008

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

(Unaudited)

	Three months		Nine months	
	2008	2007	**2008**	2007
		$	**$**	$
Sales	**201,978**	201,875	**584,013**	