INTERTAPE POLYMER GROUP INC
Form 6-K
November 08, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

For the month of November, 2011

Commission File Number 1-10928

INTERTAPE POLYMER GROUP INC.

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

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

Form 20-F x Form 40-F ¨

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

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

SIGNATURES

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

	INTERTAPE POLYMER GROUP INC.	
Date: November 8, 2011	By:	/s/ Bernard J. Pitz Bernard J. Pitz, Chief Financial Officer

Intertape Polymer Group Inc.
Consolidated Quarterly Statements of Earnings (Loss)
Three month periods ended
(In thousands of US dollars, except per share amounts)
(Unaudited)

	IFRS Unaudited September 30, 2011	IFRS Unaudited June 30, 2011	IFRS Unaudited March 31, 2011	IFRS Unaudited December 31, 2010
	$	$	$	$
Revenue	201,360	209,741	192,620	180,063
Cost of sales	171,035	177,012	168,813	158,855
Gross profit	30,325	32,729	23,807	21,207
Selling, general and administrative expenses	18,589	21,558	18,406	18,836
Research expenses	1,737	1,468	1,373	1,347
	20,326	23,026	19,779	20,182
Operating profit before manufacturing facility closures, restructuring, and other charges	9,999	9,703	4,028	1,025
Manufacturing facility closures, restructuring, and other charges	967	1,543	3	3,534
Operating profit (loss)	9,032	8,160	4,025	(2,509)
Interest	3,901	4,010	3,791	3,957
Other (income) expense	1,610	121	2	(93)
Earnings (loss) before income taxes (recovery)	3,521	4,029	232	(6,373)
Income taxes (recovery)				
Current	176	308	82	(543)
Deferred	496	(89)	191	32,706
	672	219	273	32,163
Net earnings (loss)	2,849	3,810	(41)	(38,536)
Earnings (loss) per share				
Basic	0.05	0.06	(0.00)	(0.65)
Diluted	0.05	0.06	(0.00)	(0.65)
Weighted average number of common shares outstanding				
Basic	58,961,050	58,961,050	58,961,050	58,961,050
Diluted	59,267,987	58,989,394	58,961,050	58,961,050

Intertape Polymer Group Inc.
Consolidated Quarterly Statements of Earnings (Loss)
Three month periods ended
(In thousands of US dollars, except per share amounts)
(Unaudited)

	IFRS Unaudited September 30, 2010	IFRS Unaudited June 30, 2010	IFRS Unaudited March 31, 2010	Canadian GAAP Unaudited December 31, 2009
	$	$	$	$
Revenue	187,057	180,278	173,120	160,794
Cost of sales	166,655	158,120	152,566	140,617
Gross profit	20,402	22,158	20,554	20,177
Selling, general and administrative expenses	17,013	18,557	18,895	20,317
Research expenses	1,485	1,929	1,492	1,488
	18,498	20,486	20,387	21,805
Operating profit (loss) before manufacturing facility closures, restructuring, and other charges	1,904	1,672	167	(1,628)
Manufacturing facility closures, restructuring, and other charges	-	-	-	1,091
Operating profit (loss)	1,904	1,672	167	(2,719)
Interest	3,910	3,912	3,889	3,783
Other (income) expense	461	392	122	(653)
Loss before income taxes (recovery)	(2,467)	(2,632)	(3,844)	(5,849)
Income taxes (recovery)				
Current	447	(16)	102	182
Deferred	(192)	(78)	807	2,511
	255	(94)	909	2,693
Net loss	(2,722)	(2,538)	(4,753)	(8,542)
Loss per share				
Basic	(0.05)	(0.04)	(0.08)	(0.14)
Diluted	(0.05)	(0.04)	(0.08)	(0.14)
Weighted average number of common shares outstanding				
Basic	58,951,050	58,951,050	58,951,050	58,951,050
Diluted	58,951,050	58,951,050	58,951,050	58,951,050

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

Overview

Intertape Polymer Group Inc. (the "Company" or "IPG") reported revenue for the third quarter of 2011 of $201.4 million, an increase of 7.6% compared to $187.1 million for the third quarter of 2010 and a decrease of 4.0% sequentially compared to $209.7 million for the second quarter of 2011. Gross profit totalled $30.3 million for the third quarter of 2011 as compared to $20.4 million and $32.7 million for the third quarter of 2010 and second quarter of 2011, respectively. Revenue for the nine months ended September 30, 2011 totalled $603.7 million, an increase of 11.7% compared to $540.5 million for the nine months ended September 30, 2010. Sales volume for the third quarter of 2011 was lower compared to the second quarter of 2011 and the third quarter of 2010. Sales volume for the nine months ended September 30, 2011 was about equal to the nine months ended September 30, 2010.

Net earnings for the third quarter of 2011 were $2.8 million ($0.05 per share, both basic and diluted) as compared to a net loss of $2.7 million (($0.05) per share, both basic and diluted) for the third quarter of 2010 and net earnings of $3.8 million ($0.06 per share, both basic and diluted) for the second quarter of 2011. Net earnings for the nine months ended September 30, 2011 totalled $6.6 million ($0.11 per share, both basic and diluted) as compared to a net loss of $10.0 million (($0.17) per share, both basic and diluted) for the same period in 2010.

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

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

- Lower pension costs resulting from the recognition of actuarial losses at transition favourably impacting:
  - Earnings
  - EBITDA
  - Adjusted EBITDA
  - Fixed charge ratio
- Lower depreciation and amortization costs resulting from additional impairments taken at transition favourably impacting:
  - Earnings

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

Liquidity

The Company has a $200.0 million Asset-based loan ("ABL"), entered into with a syndicate of financial institutions. The amount of borrowings available to the Company under the ABL is determined by its applicable borrowing base from time to time. The borrowing base is determined by calculating a percentage of eligible trade accounts receivable, inventories, and equipment. The ABL is priced at libor plus a loan margin determined from a pricing grid. The loan margin declines as unused availability increases. The pricing grid ranges from 1.50% to 2.25%. Unencumbered real estate is subject to a negative pledge in favour of the ABL lenders. However, the Company retains the ability to secure financing on all or a portion of its owned real estate and have the negative pledge in favour of the ABL lenders subordinated to real estate mortgage financing up to $35.0 million. As of September 30, 2011, the Company had secured real estate mortgage financing of $4.2 million, leaving the Company the ability to obtain an additional $30.8 million of real estate mortgage financing.

The Company has no significant debt maturities until March 2013, when the ABL matures. The Company expects it will be successful in replacing or extending the ABL in the first half of 2012. The Company's remaining $118.7 million Senior Subordinated Notes mature in August 2014.

The ABL has one financial covenant, a fixed charge ratio of 1.0 to 1.0. The ratio compares EBITDA (as defined in the ABL agreement) less capital expenditures and pension plan contributions in excess of pension plan expense to the sum of debt service and the amortization of the value of the equipment included in the borrowing base. The financial covenant becomes effective only when unused availability drops below $25.0 million. Although not in effect, the Company was in compliance with the fixed charge ratio covenant as of September 30, 2011. The Company believes it will remain above the $25.0 million threshold of unused availability during the remainder of 2011.

The Company relies upon the funds generated from operations and funds available under its ABL to meet working capital requirements, anticipated obligations under its ABL and Senior Subordinated Notes, and to finance capital expenditures for the foreseeable future. During the third quarter of 2011, the Company reduced total indebtedness by $18.1 million from the second quarter of 2011. As of September 30, 2011, the Company had cash and unused availability under its ABL totalling $56.1 million. As of November 7, 2011, the Company had cash and unused availability under its ABL exceeding $66 million.

Outlook

The Company anticipates sequentially lower revenue and lower adjusted EBITDA in the fourth quarter of 2011 compared to the third quarter of 2011 which is reflective of normal seasonality. Both revenue and adjusted EBITDA for the fourth quarter of 2011 are expected to be significantly higher than the fourth quarter of 2010. The Company anticipates that cash flows from operating activities during the fourth quarter of 2011 will allow it to further reduce its debt. Gross margins for the next two quarters are expected to be similar to the third quarter of 2011.

Results of Operations

Revenue

The Company's revenue for the third quarter of 2011 was $201.4 million, a 7.6% increase compared to $187.1 million for the third quarter of 2010 and a 4.0% sequential decrease compared to $209.7 million for the second quarter of 2011. Sales volume decreased approximately 11% compared to the third quarter of 2010 and approximately 10% compared to the second quarter of 2011. The Company closed its Brantford facility in the second quarter of 2011. The sales volume decrease, both year over year and sequentially, was approximately 8% after adjusting for the closure of the Brantford facility. The adjusted sales volume decline from the third quarter of 2010 was due to the Company's progress toward reducing sales of low-margin products and, without such actions, sales volume would have increased slightly. In addition, it appears as though sales volume may also have been adversely impacted to some extent by certain customers increasing their inventories in the second quarter of 2011 in anticipation of price increases. Also, the Company's progress toward reducing sales of low-margin products contributed to the sales volume decline. Selling prices including the impact of product mix increased approximately 19% in the third quarter of 2011 compared to the third quarter of 2010 after adjusting for the closure of the Brantford facility. An improved pricing environment was the primary reason for the increase. The additional favourable impact of product mix was driven by both the progress made on selling higher margin products and on reducing sales of low-margin products. Selling prices, including the impact of these product mix changes, increased approximately 6% sequentially after adjusting for the closure of the Brantford facility.

Revenue for the first nine months of 2011 was $603.7 million, an 11.7% increase compared to $540.5 million for the first nine months of 2010, but was substantially unchanged after adjusting for the closure of the Brantford facility. Selling prices, including the impact of product mix changes, increased approximately 12% in the first nine months of 2011 compared to the first nine months of 2010 after adjusting for the closure of the Brantford facility. The increase was primarily due to an improved pricing environment, the progress made on selling higher margin products, and the progress made toward reducing sales of low-margin products.

Gross Profit and Gross Margin

Gross profit totalled $30.3 million in the third quarter of 2011, an increase of 48.6% from the third quarter of 2010 and a decrease of 7.3% from the second quarter of 2011. Gross margin was 15.1% in the third quarter of 2011, 10.9% in the third quarter of 2010, and 15.6% in the second quarter of 2011. As compared to the third quarter of 2010, gross profit and gross margin increased primarily due to higher selling prices and improved product mix. Selling prices increased more than both conversion costs and raw material costs, however the spread between selling prices and raw material costs is still compressed when compared to periods prior to 2010.

Gross profit and gross margin for the first nine months of 2011 were $86.9 million and 14.4%, respectively, compared to $63.1 million and 11.7% for the first nine months of 2010, respectively. The increase in gross profit and gross margin for the first nine months of 2011 compared to the first nine months of 2010 was primarily due to increased selling prices, improved product mix and manufacturing cost reductions, partially offset by lower volume.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses ("SG&A") totalled \$18.6 million, \$17.0 million, and \$21.6 million, for the third quarter of 2011, third quarter of 2010, and second quarter of 2011, respectively. The increase from the third quarter of 2010 to the third quarter of 2011 was primarily the result of higher selling expenses and other compensation costs related to higher revenue and profitability. The decrease on a sequential basis was primarily related to the non-recurrence of the \$1.0 million payment in the second quarter of 2011 to Inspired Technologies, Inc. ("ITI") in full and complete settlement of the litigation matters between the Company and ITI. In addition, selling expenses in the third quarter were lower due to lower revenue. As a percentage of revenue, SG&A expenses were 9.2%, 9.1%, and 10.3% for the third quarter of 2011, third quarter of 2010, and second quarter of 2011, respectively.

Stock-based compensation expense is included in SG&A in accordance with IFRS. Stock-based compensation expense for the third quarter of 2011 was \$0.2 million compared to \$0.3 million in the third quarter of 2010 and \$0.2 million in the second quarter of 2011. For the first nine months of 2011 as well as for the first nine months of 2010, these costs totalled \$0.6 million.

Interest

Interest for both the third quarter of 2011 and the third quarter of 2010 totalled \$3.9 million. When compared to interest in the second quarter of 2011 of \$4.0 million, interest for the third quarter of 2011 was slightly lower due to lower average borrowings under the ABL. For each of the first nine months of 2011 and 2010, interest totalled \$11.7 million.

Other (Income) Expense

Other expense for the third quarter of 2011 totalled \$1.6 million, a \$1.1 million increase from the third quarter of 2010. The increase from the third quarter of 2010 was primarily due to foreign exchange losses in the third quarter of 2011. Other expense for the third quarter of 2011 was higher by \$1.5 million when compared to the second quarter of 2011. The increase from the second quarter of 2011 was primarily due to foreign exchange losses in the third quarter of 2011. Other expense for the first nine months of 2011 totalled \$1.7 million as compared to \$1.0 million for the first nine months of 2010. The increase of \$0.7 million was primarily due to foreign exchange losses in the third quarter of 2011.

Non-GAAP Measures

This MD&A contains certain non-GAAP financial measures as defined under applicable securities legislation, including EBITDA, Adjusted EBITDA, Adjusted Net Earnings (Loss) and Adjusted Earnings (Loss) Per Share. The Company believes such non-GAAP financial measures improve the 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 applicable securities legislation, the Company has provided reconciliations of those measures to the most directly comparable GAAP measures. Investors and other readers are encouraged to review the related GAAP financial measures and the reconciliation of non-GAAP measures to their most closely applicable GAAP measure set forth below and should consider non-GAAP measures only as a supplement to, not as a substitute for or as a superior measure to, measures of financial performance prepared in accordance with GAAP.

Adjusted Net Earnings (Loss)

A reconciliation of the Company's adjusted net earnings (loss), a non-GAAP financial measure, to GAAP net earnings (loss) is set out in the adjusted net earnings (loss) reconciliation table below. Adjusted net earnings (loss) should not be construed as net earnings (loss) as determined by GAAP. The Company defines adjusted net earnings (loss) as net earnings (loss) before (i) manufacturing facility closures, restructuring and other charges; and (ii) other items as disclosed. The term "adjusted net earnings (loss)" does not have any standardized meaning prescribed by GAAP in Canada and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted net earnings (loss) is not a measurement of financial performance under GAAP and should not be considered as an alternative to net earnings (loss) as an indicator of the Company's operating performance or any other measures of performance derived in accordance with GAAP. The Company has included this non-GAAP financial measure because it believes that it permits investors to make a more meaningful comparison of the Company's performance between periods presented. In addition, adjusted net earnings (loss) is used by management in evaluating the Company's performance because it believes it provides a more accurate indicator of the Company's performance.

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

ADJUSTED NET EARNINGS (LOSS) RECONCILIATION TO NET EARNINGS (LOSS)
(in US dollars)
(Unaudited)

	Three months ended			Nine months ended	
	Sept 30, 2011	Sept 30, 2010	June 30, 2011	Sept 30, 2011	Sept 30, 2010
	$	$	$	$	$
Net earnings (loss)	2.8	(2.7)	3.8	6.6	(10.0)
Add back:					
Manufacturing facility closures, restructuring, and other charges; net of nil income taxes	1.0	0.7	1.5	2.5	0.7
ITI litigation settlement; net of nil income taxes	-	-	1.0	1.0	-
Adjusted net earnings (loss)	3.8	(2.0)	6.3	10.1	(9.3)
Earnings (loss) per share					
Basic	0.05	(0.05)	0.06	0.11	(0.17)
Diluted	0.05	(0.05)	0.06	0.11	(0.17)
Adjusted earnings (loss) per share					
Basic	0.06	(0.03)	0.11	0.17	(0.16)
Diluted	0.06	(0.03)	0.11	0.17	(0.16)
Weighted average number of common shares outstanding					
Basic	58,961,050	58,951,050	58,961,050	58,961,050	58,951,050
Diluted	59,267,987	58,951,050	58,989,394	59,011,602	58,951,050

Adjusted net earnings were $3.8 million for the third quarter of 2011 as compared to an adjusted net loss of $2.0 million for the third quarter of 2010. The increase is primarily due to higher revenue and gross margin as discussed above. Adjusted net earnings in the third quarter of 2011 were $2.5 million lower than the adjusted net earnings of $6.3 million in the second quarter of 2011. Adjusted net earnings were lower sequentially primarily as a result of lower revenue, gross margin and other expenses.

Adjusted net earnings were $10.1 million for the first nine months of 2011 compared to an adjusted net loss of $9.3 million for the first nine months of 2010. Adjusted net earnings were $19.4 million higher in the first nine months of 2011 compared to the first nine months of 2010 primarily due to higher revenue and gross margin.

Adjusted earnings per share for the third quarter of 2011 was $0.06 per share, a $0.09 per share increase over the third quarter of 2010 and a $0.05 per share decrease over the second quarter of 2011.

EBITDA

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

ADJUSTED EBITDA RECONCILIATION TO NET EARNINGS (LOSS)
(in millions of US dollars)
(Unaudited)

	Three months ended			Nine months ended	
	Sept 30, 2011	Sept 30, 2010	June 30, 2011	Sept 30, 2011	Sept 30, 2010
	$	$	$	$	$
Net earnings (loss)	2.8	(2.7)	3.8	6.6	(10.0)
Add back:					
Interest and other (income) expense	5.5	4.4	4.1	13.4	12.7
Income taxes (recovery)	0.7	0.3	0.2	1.2	1.1
Depreciation and amortization	7.5	8.4	7.8	23.2	25.2
EBITDA	16.6	10.3	16.0	44.4	29.0
Manufacturing facility closures, restructuring and other charges	1.0	0.7	1.5	2.5	0.7
ITI litigation settlement	-	-	1.0	1.0	-
Adjusted EBITDA	17.5	11.0	18.5	47.9	29.7

Adjusted EBITDA was $17.5 million for the third quarter of 2011, $11.0 million for the third quarter of 2010, and $18.5 million for the second quarter of 2011. The increase from the third quarter of 2010 to the third quarter of 2011 was primarily a result of higher revenue and gross margin as discussed above. The decrease on a sequential basis from the second quarter of 2011 was primarily due to lower revenue and gross margin partially offset by lower selling, general and administrative expenses in the third quarter of 2011.

As compared to the first nine months of 2010, Adjusted EBITDA increased by $18.2 million from $29.7 million to $47.9 million in the first nine months of 2011. The increase was primarily due to higher revenue and gross margin as discussed above.

Income Taxes

The Company is subject to income taxation in multiple tax jurisdictions around the world. Accordingly, the Company's effective income tax rate fluctuates depending upon the geographic source of its earnings. The Company's effective income tax rate is also impacted by tax planning strategies that the Company implements. The Company estimates its annual effective income tax rate and utilizes that rate in its unaudited interim consolidated financial statements. The effective tax rate for the first nine months ended September 30, 2011 was approximately 15% compared to approximately a negative 12% for the first nine months ended September 30, 2010. The increase in the effective tax rate was due to the portion of tax expense not directly based on pre-tax earnings remaining relatively stable combined with a significant change in pre-tax income in jurisdictions for which the Company does not record deferred tax assets.

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

Net Earnings (Loss)

Net earnings for the third quarter of 2011 were $2.8 million compared to a net loss of $2.7 million in the third quarter of 2010, and net earnings of $3.8 million in the second quarter of 2011. Net earnings for the nine months ended September 30, 2011 totalled $6.6 million compared to a net loss of $10.0 million for the same period in 2010.

Results of Operations by Business

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

Results of Operations – Tapes and Films Business

Revenue for the Tapes and Films ("T&F") Business in the third quarter of 2011 was $169.5 million, a 10.8% increase compared to $152.9 million for the third quarter of 2010 and a 5.0% sequential decrease compared to $178.5 million for the second quarter of 2011. Sales volume decreased approximately 8% compared to the third quarter of 2010 and approximately 11% compared to the second quarter of 2011. The sales volume decline from the third quarter of 2010 is primarily due to the Company's progress toward reducing sales of low-margin products. In addition, part of the decrease appears to have been caused, to some extent, by certain customers increasing their inventories in the second quarter of 2011 in anticipation of price increases. Also, the Company's progress toward reducing sales of low-margin products contributed to the sales volume decline. Selling prices including the impact of product mix increased approximately 21% in the third quarter of 2011 compared to the third quarter of 2010. An improved pricing environment was the primary reason for the increase. The additional favourable impact of product mix was driven by both the progress made on selling higher margin products and on reducing sales of low-margin products. Selling prices, including the impact of product mix changes, increased approximately 6% sequentially.

Revenue for the first nine months of 2011 was $510.3 million, a 13.9% increase compared to $448.1 million for the first nine months of 2010. Sales volume increased approximately 1% in the first nine months of 2011 compared to the first nine months of 2010. Selling prices, including the impact of product mix, increased approximately 12%. The increase was primarily due to an improved pricing environment, the progress made on selling higher margin products, and the progress made toward reducing sales of low-margin products.

Gross profit for the third quarter of 2011 totalled $25.3 million at a gross margin of 14.9% compared to $17.9 million at a gross margin of 11.7% for the third quarter of 2010. On a sequential basis, gross profit decreased by $3.6 million from $28.9 million reported for the second quarter of 2011 primarily due to decreased sales volume, partially offset by manufacturing cost reductions and the decision to actively reduce sales of low-margin products. Gross margin decreased from 16.2% in the second quarter of 2011 to 14.9% for the third quarter of 2011. As compared to the third quarter of 2010, gross profit and gross margin for the third quarter of 2011 increased primarily due to higher selling prices, improved product mix and manufacturing cost reductions as well as the decision to actively reduce sales of low-margin products. Selling prices increased more than both conversion costs and raw material costs. The spread between selling prices and raw material costs is still compressed when compared to periods prior to 2010.

Gross profit and gross margin for the first nine months of 2011 and 2010 were $75.3 million at 14.8% and $56.2 million at 12.5%, respectively.

T&F BUSINESS RESULTS AND ADJUSTED EBITDA RECONCILIATION TO EARNINGS BEFORE INCOME TAXES
(in millions of US dollars)
(Unaudited)

	Three months ended			Nine months ended	
	Sept 30, 2011	Sept 30, 2010	June 30, 2011	Sept 30, 2011	Sept 30, 2010
	$	$	$	$	$
Revenue	169.5	152.9	178.5	510.3	448.1
Gross profit	25.3	17.9	28.9	75.3	56.2
Earnings before income taxes	8.0				