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### REVIEW OF OPERATIONS

#### SALES

Sales for the first quarter of 2003 were \$153.6 million, a 4.7% increase over first quarter of 2002 sales of \$146.7 million. The sales improvement was driven by an 8.2% increase in unit sales, offset by a 3.5% reduction in selling prices.

The first quarter 2003 sales of \$153.6 million were \$2.3 million higher than the \$151.3 million reported for the fourth quarter of 2002. The Company realized strong unit growth of 7% in non-retail channel products for the quarter. There was a decline in retail channel volume in the first quarter of 2003 compared to the fourth quarter of 2002, consistent with historic seasonality. Prices for the quarter held firm, with the Company experiencing a negligible 0.1% decline in pricing.

For the year, the Company expects revenue growth of approximately 5%.

#### GROSS PROFIT AND GROSS MARGINS

First quarter 2003 gross profits were \$33.8 million, a gross margin of 22.0%. Gross profits for the first quarter of 2002 were \$33.4 million, a gross margin of 22.8%. The Company's 22.0% gross margin for the first quarter of 2003 approached the first quarter 2002 level despite a 3.5% decline in selling prices between periods. The Company's cost reduction efforts, including the value-added improvements and FIBC consolidation discussed below have played a part in maintaining gross margins. More recently, the Company has been successful in reflecting raw material price increases in product selling prices.

Gross profits grew by \$4.3 million to \$33.8 million (22.0%) for the first quarter of 2003 from the fourth quarter 2002 level of \$29.5 million (19.5%). The Company improved its value-added percentage between quarters. Value added is the difference between materials costs and selling prices, expressed as a percentage of sales. Several factors contributed to the value-added improvement including:

- The implementation of waste reduction programs at the manufacturing facilities
- Conversion to lower cost blending formulae for select products
- Improved production efficiencies

Margins also benefited from the FIBC plant consolidation completed in the fourth quarter of 2002, improved sales mix and selective product price increases.

#### COST REDUCTIONS

The Company's previously announced cost reduction program of \$17.5 million pre-tax is proceeding on schedule and contributed to the earnings gains in the first quarter of 2003. The FIBC plant consolidation completed in the fourth quarter of 2002 will save \$3.0 million annually. Effects of the \$2.5 million annual savings in selling, general and administrative expenses identified in the fourth quarter of 2002 are also reflected in the first quarter of 2003. Of the remaining \$12.0 million in planned cost reductions, it is expected that \$6.0 million will benefit 2003 and the full benefit will be realized in 2004.

On April 14, 2003, the Company announced that it will be consolidating three

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existing regional distribution centers (RDCs) into a new facility in Danville, Virginia, adjacent to existing manufacturing operations. The expected benefits include improved product availability for customers, lower processing costs and enhanced working capital management through increased inventory turns.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses were \$22.0 million for the first quarter of 2003 (14.3% of sales) compared to \$20.3 million (13.8% of sales) for the first quarter of 2002. The increase in SG&A spending between the first quarter of 2002 and the first quarter of 2003 is due in part to the increased unit sales in the retail channel between quarters. The retail distribution channel carries a substantially higher selling cost structure than sales in non-retail channels.

SG&A expenses decreased to \$22.0 million for the first quarter of 2003 (14.3% of sales) as compared to \$23.5 million for the fourth quarter of 2002 (15.5% of sales). Of the \$1.5 million decrease, \$0.7 million was the result of the SG&A cost reductions previously discussed and the balance was attributable to the normal seasonal decline in the retail sector.

### OPERATING PROFIT

Operating profits (defined as gross profit less SG&A) were \$11.8 million for the first quarter of 2003 and represented 7.7% of sales. Operating profits for the first quarter of 2002 were \$13.1 million, representing 8.9% of sales. The higher SG&A costs in the first quarter of 2003 attributable to supporting the more expensive retail distribution channel resulted in lower operating profit dollars and operating profit percentage when compared to the corresponding period in 2002. A slightly lower gross margin in 2003 also contributed to the lower operating profit percentage when comparing first quarters between years.

Operating profits were \$11.8 million for the first quarter of 2003 as compared to \$6.0 million for the fourth quarter of 2002. As a percent of sales, this represents 7.7% and 4.0% respectively. Operating profits for the first quarter of 2003 were favorably impacted by higher gross margins and the decline in SG&A costs.

### FINANCIAL EXPENSES

Financial expenses were \$7.7 million for the quarter ended March 2003. Financial expenses for the first quarter of 2002 were \$9.0 million. The 14.3% decrease between the first quarter of 2002 and the first quarter of 2003 is due to \$70 million in debt repayments over the course of the last year coupled with improved interest rates. A portion of the debt repayments was funded with the proceeds of a 5.1 million share common stock issue on March 31, 2002. The issue raised \$47.4 million, net of issuance costs.

The financial expenses for the quarter ended March 2003 of \$7.7 million were comparable to the \$7.6 million in financial expenses for the three months ended December 2002.

### EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION COSTS (EBITDA)

EBITDA for the first quarter of 2003 was \$17.6 million and EBITDA

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interest coverage (that is, EBITDA divided by financial expenses) was 2.28 times. EBITDA for the first quarter of 2002 was \$18.8 million (EBITDA interest coverage of 2.09 times) and for the fourth quarter of 2002 (adjusted for the impact of the \$70 million goodwill impairment) was \$13.2 million (EBITDA interest coverage of 1.73 times).

EBITDA and adjusted EBITDA are non-GAAP financial measures that the Company believes enhance the understanding of its ongoing operating results and are used by management and the Company's lenders in evaluating the Company's performance. The Company believes that comparability is improved by excluding the goodwill impairment that occurred in the fourth quarter of 2002.

### NET EARNINGS

Net earnings of \$2.9 million for the first quarter of 2003 were slightly improved over first quarter 2002 net earnings of \$2.8 million. The earnings before income taxes for the first quarter of 2003 and the first quarter of 2002 were both \$3.2 million.

Net earnings (loss) for the three month periods ended March 2003 and December 2002 were \$2.9 million and \$(58.8) million respectively. Adjusted for the \$70 million goodwill impairment (and related tax effect of \$6.7 million), the fourth quarter of 2002 adjusted net earnings were \$4.5 million. The earnings before income taxes for the first quarter 2003 increased by \$5.3 million to \$3.2 million from an adjusted loss before income taxes of \$2.1 million for the fourth quarter 2002. The adjusted loss before income taxes for the fourth quarter 2002 was offset by an adjusted recovery of income taxes of \$6.6 million arising from the adjusted loss for the quarter and changes in the estimated effective income tax rate.

Adjusted earnings (loss) is a non-GAAP financial measure that the Company believes enhances the understanding of its ongoing operating results. The Company believes that comparability is improved by excluding the goodwill impairment that occurred in the fourth quarter of 2002.

### LIQUIDITY AND CAPITAL RESOURCES

#### FINANCIAL CONDITION

Working capital requirements increased during the first quarter of 2003 as compared to the fourth quarter of 2002. The increase was anticipated as the Company was building inventories in advance of the annual plant shutdowns and buying in advance of cost increases in key raw materials. Trade receivables increased by \$7.0 million as a result of March 2003 being the Company's most successful sales month on record.

Management continues to make reducing working capital a priority. Inventories at March 31, 2003 are \$4.0 million less than the levels reported at March 31, 2002. This is largely the result of the Company's investments in RDCs and central planning which allow the Company to fulfill customer orders with a lower level of finished goods investment. The Company continues to refine its RDC strategy. When finalized in late 2003, the RDC consolidation discussed above is expected to generate an additional \$4.4 million in working capital savings on comparable sales volume. While trade receivables have increased from \$89.0 million at March 31, 2002 to \$93.2 million at March 31, 2003, the Company has actually reduced its days sales outstanding over the same period from 53 days to 46 days.

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### CASH FLOWS

Total debt at March 31, 2003 was \$28.7 million less than March 31, 2002 levels. The decrease resulted primarily from repayments of approximately \$22.8 million on Facilities B and C of the bank credit agreement. Facility B has been repaid in its entirety. The Company also reduced its borrowings under Facility A of the bank credit agreement by \$5.9 million between March 31, 2002 and March 31, 2003.

The Company has scheduled long-term debt repayments of \$29.3 million for calendar 2003, including the \$5.3 million repaid in the first quarter. The Company expects to fund the required long-term debt repayments with cash flows from operations combined with working capital improvements. Additionally, the Company has sufficient availability under Facility A of its bank credit agreement to accommodate any short-term liquidity requirements.

### CREDIT FACILITIES

As a result of the working capital increases during the first quarter of 2003, the Company's overall debt level increased by \$3.6 million from December 31, 2002. Bank indebtedness, including Facility A of the Company's bank credit agreement, increased by approximately \$8.9 million while long-term debt was reduced by \$5.3 million. Over the balance of 2003, the Company expects borrowings under Facility A to return to December 2002 levels.

The Company remains in full compliance with all its financial and other covenants as determined by the Amended and restated Note Agreement and Bank Credit Agreement.

### CAPITAL EXPENDITURES

Capital expenditures for the first quarter of 2003 were \$2.5 million, compared to \$2.1 million in the fourth quarter of 2002 and \$2.8 million in the first quarter of 2002. The Company expects capital expenditures for calendar 2003 to be in the range of \$13.0 million to \$15.0 million.

Consolidated Earnings  
Three month periods ended  
(In thousands of US dollars,  
except per share amounts)

	March 31,		December 31,
	2003	2002	2002
	\$	\$	\$
Sales	153,592	146,737	151,261
Cost of sales	119,793	113,321	121,764
Gross profit	33,799	33,416	29,497

Selling, general and

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administrative expenses	21,982	20,299	23,462
Impairment of goodwill			70,000
Research and development	894	967	480
Financial expenses	7,700	8,983	7,621
	<u>30,576</u>	<u>30,249</u>	<u>101,563</u>
Earnings (loss) before income taxes	3,223	3,167	(72,066)
Income taxes (recovery)	322	348	(13,292)
Net earnings (loss)	<u>2,901</u>	<u>2,819</u>	<u>(58,774)</u>
Earnings (loss) per share			
Basic	0.09	0.09	(1.74)
Diluted	0.09	0.09	(1.74)

Consolidated Retained Earnings  
Three month periods ended  
(In thousands of US dollars)

	March 31,	March 31,	December 31,
	2003	2002	2002
	\$	\$	\$
Balance, beginning of period	50,113	104,567	108,887
Net earnings (loss)	2,901	2,819	(58,774)
Balance, end of period	<u>53,014</u>	<u>107,386</u>	<u>50,113</u>

Consolidated Balance Sheets  
(In thousands of US dollars)

	March 31,	December 31,
	2003	2002
	\$	\$
ASSETS		
Current assets		
Trade receivables, net of allowance for doubtful accounts of \$3,475 (\$6,069 in March 2002, \$3,844 in December 2002)	93,221	89,033
Other receivables	10,554	10,549
Inventories	65,732	69,705
Parts and supplies	12,422	11,902
Prepaid expenses	6,784	8,399
Future income tax assets	2,397	3,995
		86,169
		10,201
		60,969
		12,377
		7,884
		2,397

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	191,110	193,583	179,997
Property, plant and equipment	350,955	363,039	351,530
Other assets	14,518	13,680	13,178
Goodwill	160,248	227,859	158,639
	<u>716,831</u>	<u>798,161</u>	<u>703,344</u>
LIABILITIES			
Current liabilities			
Bank indebtedness	17,405	23,313	8,573
Accounts payable and accrued liabilities	81,271	75,058	80,916
Installments on long-term debt	28,600	7,560	29,268
	<u>127,276</u>	<u>105,931</u>	<u>118,757</u>
Long-term debt	278,902	322,687	283,498
Other liabilities	3,530	3,785	3,550
Future income taxes	3,654	21,878	4,446
	<u>413,362</u>	<u>454,281</u>	<u>410,251</u>
SHAREHOLDERS' EQUITY			
Capital stock and share purchase warrants			
	239,185	236,872	239,185
Retained earnings	53,014	107,386	50,113
Accumulated currency translation adjustments			
	11,270	(378)	3,795
	<u>303,469</u>	<u>343,880</u>	<u>293,093</u>
	<u>716,831</u>	<u>798,161</u>	<u>703,344</u>

Consolidated Cash Flows  
Three month periods ended  
(In thousands of US dollars)

	March 31,		December 31,
	2003	2002	2002
	\$	\$	\$
OPERATING ACTIVITIES			
Net earnings (loss)	2,901	2,819	(58,774)
Non-cash items			
Depreciation and amortization	6,639	6,618	7,647
Loss on disposal of property, plant and equipment			30
Impairment of goodwill			70,000
Future income taxes (recovery)	322	348	(15,723)
Cash flows from operations before changes in non-cash	<u>          </u>	<u>          </u>	<u>          </u>

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working capital items	9,862	9,785	3,180
Changes in non-cash working capital items			
Trade receivables	(6,371)	(2,527)	8,825
Other receivables	(218)	3,087	2,531
Inventories	(3,847)	953	10,666
Parts and supplies	100	(315)	(112)
Prepaid expenses	1,147	1,051	(3,177)
Accounts payable and accrued liabilities	(522)	(16,425)	6,922
	(9,711)	(14,176)	25,655
Cash flows from operating activities	151	(4,391)	28,835
INVESTING ACTIVITIES			
Property, plant and equipment	(2,451)	(2,842)	(2,130)
Other assets	(1,953)	(2,514)	(1,619)
Cash flows from investing activities	(4,404)	(5,356)	(3,749)
FINANCING ACTIVITIES			
Net change in bank indebtedness	8,832	(4,717)	(17,419)
Repayment of long-term debt	(5,265)	(32,727)	(8,885)
Issue of common shares		47,376	647
Cash flows from financing activities	3,567	9,932	(25,657)
Net increase (decrease) in cash position	(686)	185	(571)
Effect of currency translation adjustments	686	(185)	571
Cash position, beginning and end of year	-	-	-

NOTE 1.

Basis of Presentation

In the opinion of Management the accompanying unaudited interim consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles, contain all adjustments necessary to present fairly Intertape Polymer Group Inc.'s (IPG) financial position as at March 31, 2003 and 2002 and December 31, 2002 as well as its results of operations and its cash flows for the three months ended March 31, 2003 and 2002 and December 31, 2002.

While Management believes that the disclosures presented are adequate, these



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unaudited interim consolidated financial statements and notes should be read in conjunction with IPG's annual consolidated financial statements.

These unaudited interim consolidated financial statements and notes follow the same accounting policies as the most recent annual consolidated financial statements.

### NOTE 2.

#### Earnings per Share

The following table provides a reconciliation between basic and diluted earnings per share:

In thousands of US dollars  
(Except per share amounts)

For the three months ended	March 31,		December 31,
	2003	2002	2002
	\$	\$	\$
Net earnings (loss) applicable to common shares	2,901	2,819	(58,774)
Weighted average number of common shares outstanding	33,821	30,155	33,821
Effect of dilutive stock options and warrants(a)		351	
Weighted average number of diluted common shares outstanding	33,821	30,506	33,821
Basic earnings (loss) per share	0.09	0.09	(1.74)
Diluted earnings (loss) per share	0.09	0.09	(1.74)

(a) Diluted earnings per share is calculated by adjusting outstanding shares, assuming any dilutive effects of stock options and warrants.

### NOTE 3.

#### Accounting for Compensation Programs

As at March 31, 2003 the Company had a stock-based compensation plan, which is described in the 2002 Annual Report. The Company does not record any compensation expense with respect to this plan.

Had compensation cost for the Company's stock-based compensation plan been determined using the fair value based method for awards at the grant date under the plan, the Company's net earnings (loss) and earnings (loss) per share (both basic and diluted) for the three months ended March 31, 2003, March 31, 2002 and December 31, 2002 would have been reduced (increased) to the pro forma amounts of \$2.7 million, \$2.8 million, (\$59.0) million, \$0.08, \$0.09 and (\$1.74) respectively.

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NOTE 4.

Differences in Accounting Between The United States of America and Canada

Re-pricing of Stock Options

The re-pricing of stock options that occurred in 2001 has resulted, under US GAAP, in variable plan accounting for the re-priced options. Under US GAAP, the Company would not have recorded a non-cash charge for the three months ended March 31, 2003 and December 31, 2002, but would have recorded a non-cash charge of \$1.8 million for the three months ended March 31, 2002. The charge would have no income tax consequences for the Company and would reflect the changes in the market price of the common shares.

Accordingly, the Company's net earnings (loss), basic earnings (loss) per share and diluted earnings (loss) per share would have been unchanged for the three months ended March 31, 2003 and December 31, 2002 and reduced by \$1.8 million, \$0.06 and \$0.06 respectively for the three months ended March 31, 2002.

NOTE 5.

Capital Stock

In March 2002, the Company issued 5,100,000 common shares for cash consideration of CAN \$75,700,000 (US \$47,441,000).

Average number of common shares outstanding

Three months ended	March 31, 2003	2002	December 31, 2002
CDN GAAP - Basic	33,821,074	30,155,360	33,821,074
CDN GAAP - Diluted	33,821,497	30,505,692	33,821,074
U.S. GAAP - Basic	33,821,074	30,155,360	33,821,074
U.S. GAAP - Diluted	33,821,497	30,505,692	33,821,074

Safe Harbor Statement

Certain statements and information set forth in this Quarterly Report, including statements regarding the business and anticipated financial performance of the Company, constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve 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. Some of the factors that could cause such differences include, but are not limited to, inflation and general economic conditions, changes in the level of demand for the Company's products, competitive pricing pressures, and general market trends. Additional discussion of factors that could cause actual results to differ materially from management's projections, estimates and expectations is contained in the Company's SEC filings. These and other factors should be considered carefully and undue reliance should not be placed on forward-looking statements. The Company undertakes no duty to update its forward-looking statements, including its earnings outlook.

INFORMATION REQUEST FORM

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