

INTERTAPE POLYMER GROUP INC

Form 6-K

November 12, 2015

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**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, 2015**

**Commission File Number 1-10928**

**INTERTAPE POLYMER GROUP INC.**

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

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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 12, 2015

By: /s/ Jeffrey Crystal  
Jeffrey Crystal, Chief Financial Officer

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**Intertape Polymer Group Inc.**

**Interim Condensed Consolidated Financial Statements**

**September 30, 2015**

Unaudited Interim Condensed Consolidated Financial Statements

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**Table of Contents****Intertape Polymer Group Inc.****Consolidated Earnings**

Periods ended September 30

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

(Unaudited)

|  | Three months ended<br>September 30, |         | Nine months ended<br>September 30, |         |
|--|-------------------------------------|---------|------------------------------------|---------|
|  | 2015                                | 2014    | 2015                               | 2014    |
|  | \$                                  | \$      | \$                                 | \$      |
| Revenue  | <b>200,635</b>                      | 209,109 | <b>586,230</b>                     | 611,982 |
| Cost of sales  | <b>157,838</b>                      | 168,447 | <b>464,010</b>                     | 484,572 |
| Gross profit   | <b>42,797</b>                       | 40,662  | <b>122,220</b>                     | 127,410 |
| Selling, general and administrative expenses   | <b>17,927</b>                       | 23,153  | <b>58,307</b>                      | 62,694  |
| Research expenses  | <b>2,499</b>                        | 1,778   | <b>6,706</b>                       | 5,519   |
|  | <b>20,426</b>                       | 24,931  | <b>65,013</b>                      | 68,213  |
| Operating profit before manufacturing facility closures, restructuring and other related charges | <b>22,371</b>                       | 15,731  | <b>57,207</b>                      | 59,197  |
| Manufacturing facility closures, restructuring and other related charges (Note 4)                | <b>181</b>                          | 1,560   | <b>983</b>                         | 3,964   |
| Operating profit   | <b>22,190</b>                       | 14,171  | <b>56,224</b>                      | 55,233  |
| Finance costs (Note 3)   |                                     |         |                                    |         |
| Interest   | <b>919</b>                          | 867     | <b>2,517</b>                       | 2,562   |
| Other (income) expense, net  | <b>(651)</b>                        | 426     | <b>(897)</b>                       | 1,148   |
|  | <b>268</b>                          | 1,293   | <b>1,620</b>                       | 3,710   |
| Earnings before income tax expense   | <b>21,922</b>                       | 12,878  | <b>54,604</b>                      | 51,523  |
| Income tax expense (Note 8)  |                                     |         |                                    |         |
| Current  | <b>3,281</b>                        | 2,914   | <b>5,593</b>                       | 4,433   |
| Deferred   | <b>2,987</b>                        | 3,953   | <b>9,831</b>                       | 17,331  |
|  | <b>6,268</b>                        | 6,867   | <b>15,424</b>                      | 21,764  |

|                              |               |       |               |        |
|------------------------------|---------------|-------|---------------|--------|
| Net earnings                 | <b>15,654</b> | 6,011 | <b>39,180</b> | 29,759 |
| Earnings per share (Note 11) |               |       |               |        |
| Basic                        | <b>0.26</b>   | 0.10  | <b>0.65</b>   | 0.49   |
| Diluted                      | <b>0.26</b>   | 0.10  | <b>0.64</b>   | 0.48   |

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

**Table of Contents****Intertape Polymer Group Inc.****Consolidated Comprehensive Income**

Periods ended September 30

(In thousands of US dollars)

(Unaudited)

|  | Three months ended<br>September 30, |         | Nine months ended<br>September 30, |         |
|--|-------------------------------------|---------|------------------------------------|---------|
|  | <b>2015</b>                         | 2014    | <b>2015</b>                        | 2014    |
|  | \$                                  | \$      | \$                                 | \$      |
| Net earnings   | <b>15,654</b>                       | 6,011   | <b>39,180</b>                      | 29,759  |
| Other comprehensive income (loss)  |                                     |         |                                    |         |
| Change in fair value of interest rate swap agreement designated as a cash flow hedge (net of deferred income tax benefit of \$461 and \$563 for the three and nine months ended September 30, 2015, respectively, nil in 2014) | <b>(752)</b>                        |         | <b>(918)</b>                       |         |
| Change in cumulative translation adjustments   | <b>(5,058)</b>                      | (4,029) | <b>(10,461)</b>                    | (4,408) |
| Items that will be subsequently reclassified to net earnings   | <b>(5,810)</b>                      | (4,029) | <b>(11,379)</b>                    | (4,408) |
| Remeasurement of defined benefit liability (net of income tax expense of nil in 2015, \$416 in 2014) (Note 15) and Items that will not be reclassified subsequently to net earnings  |                                     | 1,045   |                                    | 1,045   |
| Other comprehensive loss   | <b>(5,810)</b>                      | (2,984) | <b>(11,379)</b>                    | (3,363) |
| Comprehensive income for the period  | <b>9,844</b>                        | 3,027   | <b>27,801</b>                      | 26,396  |

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

**Table of Contents****Intertape Polymer Group Inc.****Consolidated Changes in Shareholders' Equity**

Nine months ended September 30, 2014

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

(Unaudited)

|   | Capital stock |              | Contributed   | Accumulated<br>other<br>comprehensive<br>loss<br>Cumulative<br>translation<br>adjustment | Deficit   | Total<br>shareholders<br>equity |
|---|---------------|--------------|---------------|--|-----------|---------------------------------|
|   | Number        | Amount<br>\$ | surplus<br>\$ | account<br>\$  | \$        | \$                              |
| Balance as of December 31, 2013   | 60,776,649    | 359,201      | 20,497        | (770)  | (148,500) | 230,428                         |
| Transactions with owners  |               |              |               |  |           |                                 |
| Exercise of stock options (Note 11)   | 235,427       | 694          |               |  |           | 694                             |
| Excess tax benefit on exercised<br>stock options  |               | 680          | (680)         |  |           |                                 |
| Excess tax benefit on outstanding<br>stock awards   |               |              | 756           |  |           | 756                             |
| Stock-based compensation expense<br>(Note 11)   |               |              | 1,880         |  |           | 1,880                           |
| Stock-based compensation expense<br>credited to capital on options<br>exercised (Note 11)       |               | 240          | (240)         |  |           |                                 |
| Repurchases of common shares<br>(Note 11)   | (588,100)     | (3,176)      |               |  | (4,502)   | (7,678)                         |
| Dividends on common shares<br>(Note 11)   |               |              |               |  | (17,061)  | (17,061)                        |
|   | (352,673)     | (1,562)      | 1,716         |  | (21,563)  | (21,409)                        |
| Net earnings  |               |              |               |  | 29,759    | 29,759                          |
| Other comprehensive income (loss)   |               |              |               |  |           |                                 |
| Remeasurement of defined benefit<br>liability (net of income tax expense<br>of \$416) (Note 15) |               |              |               |  | 1,045     | 1,045                           |



|  |                   |                |               |                |                  |                |
|--|-------------------|----------------|---------------|----------------|------------------|----------------|
| Change in cumulative translation adjustments |                   |                |               | (4,408)        |                  | (4,408)        |
| Comprehensive income for the period          |                   |                |               | (4,408)        | 30,804           | 26,396         |
| <b>Balance as of September 30, 2014</b>      | <b>60,423,976</b> | <b>357,639</b> | <b>22,213</b> | <b>(5,178)</b> | <b>(139,259)</b> | <b>235,415</b> |

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

**Table of Contents****Intertape Polymer Group Inc.****Consolidated Changes in Shareholders' Equity**

Nine months ended September 30, 2015

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

(Unaudited)

|   | Capital stock |              | Accumulated other comprehensive loss<br>Reserve |  |                                    |             | Total<br>shareholders<br>equity<br>\$ |               |
|---|---------------|--------------|---|--|------------------------------------|-------------|---------------------------------------|---------------|
|   | Number        | Amount<br>\$ | Contributed<br>surplus<br>\$                    | Cumulative<br>translation<br>adjustment<br>account<br>\$ | for<br>cash<br>flow<br>hedge<br>\$ | Total<br>\$ |                                       | Deficit<br>\$ |
| Balance as of<br>December 31, 2014  | 60,435,826    | 357,840      | 24,493  | (8,113)  |                                    | (8,113)     | (146,720)                             | 227,500       |
| Transactions with<br>owners   |               |              |   |  |                                    |             |                                       |               |
| Exercise of stock<br>options (Note 11)  | 596,250       | 1,253        |   |  |                                    |             |                                       | 1,253         |
| Excess tax benefit on<br>exercised stock<br>options   |               | 1,852        | (1,852)   |  |                                    |             |                                       |               |
| Excess tax benefit on<br>outstanding stock<br>awards  |               |              | (2,722)   |  |                                    |             |                                       | (2,722)       |
| Stock-based<br>compensation expense<br>(Note 11)  |               |              | 2,685   |  |                                    |             |                                       | 2,685         |
| Stock-based<br>compensation expense<br>credited to capital on<br>options exercised<br>(Note 11)         |               | 615          | (615)   |  |                                    |             |                                       |               |
| Deferred Share Units<br>( DSUs ) settlement, net<br>of required minimum<br>tax withholding (Note<br>11) | 6,397         | 65           | (218)   |  |                                    |             |                                       | (153)         |
|   | (2,120,588)   | (16,028)     |   |  |                                    |             | (9,941)                               | (25,969)      |

|  |                   |                |               |                 |              |                 |                  |                |
|--|-------------------|----------------|---------------|-----------------|--------------|-----------------|------------------|----------------|
| Repurchases of common shares (Note 11)   |                   |                |               |                 |              |                 |                  |                |
| Dividends on common shares (Note 11)   |                   |                |               |                 |              |                 | (22,117)         | (22,117)       |
|  | (1,517,941)       | (12,243)       | (2,722)       |                 |              |                 | (32,058)         | (47,023)       |
| Net earnings   |                   |                |               |                 |              |                 | 39,180           | 39,180         |
| Other comprehensive loss   |                   |                |               |                 |              |                 |                  |                |
| Change in fair value of interest rate swap agreement designated as a cash flow hedge (net of deferred income tax benefit of \$563) (Note 12) |                   |                |               |                 | (918)        | (918)           |                  | (918)          |
| Change in cumulative translation adjustments   |                   |                |               | (10,461)        |              | (10,461)        |                  | (10,461)       |
|  |                   |                |               | (10,461)        | (918)        | (11,379)        |                  | (11,379)       |
| Comprehensive income for the period  |                   |                |               | (10,461)        | (918)        | (11,379)        | 39,180           | 27,801         |
| <b>Balance as of September 30, 2015</b>  | <b>58,917,885</b> | <b>345,597</b> | <b>21,771</b> | <b>(18,574)</b> | <b>(918)</b> | <b>(19,492)</b> | <b>(139,598)</b> | <b>208,278</b> |

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

**Table of Contents****Intertape Polymer Group Inc.****Consolidated Cash Flows**

Periods ended September 30

(In thousands of US dollars)

(Unaudited)

|  | Three months<br>ended<br>September 30, |         | Nine months ended<br>September 30, |          |
|--|--|---------|------------------------------------|----------|
|  | 2015                                   | 2014    | 2015                               | 2014     |
|  | \$                                     | \$      | \$                                 | \$       |
| <b>OPERATING ACTIVITIES</b>  |  |         |                                    |          |
| Net earnings   | <b>15,654</b>                          | 6,011   | <b>39,180</b>                      | 29,759   |
| Adjustments to net earnings  |  |         |                                    |          |
| Depreciation and amortization  | <b>6,613</b>                           | 6,800   | <b>20,286</b>                      | 19,492   |
| Income tax expense   | <b>6,268</b>                           | 6,867   | <b>15,424</b>                      | 21,764   |
| Interest expense   | <b>919</b>                             | 867     | <b>2,517</b>                       | 2,562    |
| Non-cash charges (recoveries) in connection with manufacturing facility closures restructuring and other related charges | <b>(115)</b>                           | 73      | <b>(215)</b>                       | 182      |
| Stock-based compensation expense (benefit)   | <b>(1,226)</b>                         | 3,225   | <b>901</b>                         | 3,194    |
| Pension and other post-retirement benefits expense   | <b>862</b>                             | 2,078   | <b>2,025</b>                       | 3,501    |
| (Gain) loss on foreign exchange  | <b>(927)</b>                           | 317     | <b>(1,594)</b>                     | 342      |
| Other adjustments for non cash items   | <b>(909)</b>                           | (27)    | <b>(680)</b>                       | (48)     |
| Income taxes paid, net   | <b>(1,953)</b>                         | (2,319) | <b>(5,018)</b>                     | (2,926)  |
| Contributions to defined benefit plans   | <b>(271)</b>                           | (506)   | <b>(1,472)</b>                     | (1,836)  |
| Cash flows from operating activities before changes in working capital items   | <b>24,915</b>                          | 23,386  | <b>71,354</b>                      | 75,986   |
| <b>Changes in working capital items</b>  |  |         |                                    |          |
| Trade receivables  | <b>(4,052)</b>                         | (3,249) | <b>(7,559)</b>                     | (15,785) |
| Inventories  | <b>9,347</b>                           | (644)   | <b>(2,132)</b>                     | (15,809) |
| Parts and supplies   | <b>(397)</b>                           | 240     | <b>(1,202)</b>                     | (142)    |
| Other current assets   | <b>4,087</b>                           | (740)   | <b>6,221</b>                       | (278)    |
| Accounts payable and accrued liabilities   | <b>31</b>                              | 10,811  | <b>(5,383)</b>                     | 8,587    |
| Provisions   | <b>(134)</b>                           | 283     | <b>(886)</b>                       | 560      |
|  | <b>8,882</b>                           | 6,701   | <b>(10,941)</b>                    | (22,867) |
| Cash flows from operating activities   | <b>33,797</b>                          | 30,087  | <b>60,413</b>                      | 53,119   |

*INVESTING ACTIVITIES*

|  |                 |         |                 |          |
|--|-----------------|---------|-----------------|----------|
| Acquisition of a subsidiary, net of cash acquired        | <b>99</b>       |         | <b>(15,234)</b> |          |
| Purchases of property, plant and equipment               | <b>(10,639)</b> | (9,102) | <b>(25,787)</b> | (33,648) |
| Proceeds from disposals of property, plant and equipment | <b>1,322</b>    | 1,785   | <b>1,371</b>    | 1,876    |
| Other assets   |                 | 1       | <b>257</b>      | 296      |
| Purchases of intangible assets                           | <b>(25)</b>     | (264)   | <b>(133)</b>    | (599)    |
| Cash flows from investing activities                     | <b>(9,243)</b>  | (7,580) | <b>(39,526)</b> | (32,075) |

*FINANCING ACTIVITIES*

|  |                 |          |                  |           |
|--|-----------------|----------|------------------|-----------|
| Proceeds from long-term debt                   | <b>28,848</b>   | 41,918   | <b>161,446</b>   | 121,075   |
| Repayment of long-term debt                    | <b>(34,024)</b> | (45,616) | <b>(125,688)</b> | (110,377) |
| Other financing activities                     | <b>(123)</b>    |          | <b>(151)</b>     |           |
| Interest paid                                  | <b>(962)</b>    | (995)    | <b>(2,582)</b>   | (2,871)   |
| Proceeds from exercise of stock options        | <b>849</b>      | 4        | <b>1,253</b>     | 694       |
| Repurchases of common shares                   | <b>(11,149)</b> | (7,683)  | <b>(24,681)</b>  | (7,683)   |
| Dividends paid                                 | <b>(7,736)</b>  | (7,196)  | <b>(22,193)</b>  | (16,998)  |
| Cash flows from financing activities           | <b>(24,297)</b> | (19,568) | <b>(12,596)</b>  | (16,160)  |
| Net increase in cash                           | <b>257</b>      | 2,939    | <b>8,291</b>     | 4,884     |
| Effect of foreign exchange differences on cash | <b>(1,437)</b>  | (306)    | <b>(2,550)</b>   | (305)     |
| Cash, beginning of period                      | <b>15,263</b>   | 4,446    | <b>8,342</b>     | 2,500     |
| Cash, end of period                            | <b>14,083</b>   | 7,079    | <b>14,083</b>    | 7,079     |

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

**Table of Contents****Intertape Polymer Group Inc.****Consolidated Balance Sheets**

As of

(In thousands of US dollars)

|  | <b>September 30,<br/>2015<br/>(Unaudited)<br/>\$</b> | December 31,<br>2014<br>(Audited)<br>\$ |
|--|--|---|
| <b>ASSETS</b>  |  |   |
| Current assets                                       |  |   |
| Cash   | 14,083   | 8,342                                   |
| Trade receivables                                    | 89,200   | 81,239                                  |
| Inventories (Note 5)                                 | 98,342   | 96,782                                  |
| Parts and supplies                                   | 14,823   | 13,788                                  |
| Other current assets                                 | 10,175   | 13,562                                  |
|  | <b>226,623</b>                                       | 213,713                                 |
| Property, plant and equipment (Note 6)               | 188,238  | 188,146                                 |
| Goodwill (Note 13)                                   | 6,078  |   |
| Intangible assets (Note 7)                           | 10,230   | 1,581                                   |
| Deferred tax assets                                  | 39,263   | 60,078                                  |
| Other assets   | 3,248  | 3,158                                   |
| Total assets   | <b>473,680</b>                                       | 466,676                                 |
| <b>LIABILITIES</b>                                   |  |   |
| Current liabilities                                  |  |   |
| Accounts payable and accrued liabilities             | 68,636   | 77,049                                  |
| Provisions (Note 10)                                 | 2,605  | 2,770                                   |
| Installments on long-term debt (Note 9)              | 5,589  | 5,669                                   |
|  | <b>76,830</b>  | 85,488                                  |
| Long-term debt (Note 9)                              | 152,057  | 117,590                                 |
| Pension and other post-retirement benefits (Note 15) | 31,720   | 31,713                                  |
| Other liabilities                                    | 1,992  | 845                                     |
| Provisions (Note 10)                                 | 2,803  | 3,540                                   |
|  | <b>265,402</b>                                       | 239,176                                 |

**SHAREHOLDERS EQUITY**

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|  |                  |           |
|--|------------------|-----------|
| Capital stock (Note 11)                    | <b>345,597</b>   | 357,840   |
| Contributed surplus (Note 11)              | <b>21,771</b>    | 24,493    |
| Deficit                                    | <b>(139,598)</b> | (146,720) |
| Accumulated other comprehensive loss       | <b>(19,492)</b>  | (8,113)   |
|  | <b>208,278</b>   | 227,500   |
| Total liabilities and shareholders' equity | <b>473,680</b>   | 466,676   |

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

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**Intertape Polymer Group Inc.**

**Notes to Interim Condensed Consolidated Financial Statements**

September 30, 2015

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

(Unaudited)

**1 GENERAL BUSINESS DESCRIPTION**

Intertape Polymer Group Inc. (the *Parent Company*), incorporated under the *Canada Business Corporations Act*, has its principal administrative offices in Montreal, Québec, Canada and in Sarasota, Florida, U.S.A. The address of the *Parent Company*'s registered office is 800 Place Victoria, Suite 3700, Montreal, Québec H4Z 1E9, c/o Fasken Martineau DuMoulin LLP. The *Parent Company*'s common shares are listed on the Toronto Stock Exchange (*TSX*) in Canada.

The *Parent Company* and its subsidiaries (together referred to as the *Company*) develop, manufacture and sell a variety of paper and film based pressure sensitive and water activated tapes, polyethylene and specialized polyolefin films, woven coated fabrics and complementary packaging systems for industrial and retail use.

Intertape Polymer Group Inc. is the *Company*'s ultimate parent.

**2 ACCOUNTING POLICIES**

**Basis of Presentation and Statement of Compliance**

The unaudited interim condensed consolidated financial statements (*Financial Statements*) present the *Company*'s consolidated balance sheets as of September 30, 2015 and December 31, 2014, as well as its consolidated earnings, comprehensive income and cash flows for the three and nine months ended September 30, 2015 and 2014, and the changes in shareholders' equity for the nine months ended September 30, 2015 and 2014.

These *Financial Statements* have been prepared in accordance with International Accounting Standard (*IAS*) 34 *Interim Financial Reporting* and are expressed in United States (*US*) dollars. Accordingly, certain information and footnote disclosures normally included in annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (*IFRS*), as issued by the International Accounting Standards Board (*IASB*), have been omitted or condensed. These *Financial Statements* use the same accounting policies and methods of computation as compared with the *Company*'s most recent annual audited consolidated financial statements, except for (i) the estimate of the provision for income taxes, which is determined in these *Financial Statements* using the estimated weighted average annual effective income tax rate applied to the earnings before income tax expense (benefit) of the interim period, which may have to be adjusted in a subsequent interim period of the financial year if the estimate of the annual income tax rate changes and (ii) the re-measurement of the defined benefit liability, which is required at year-end and if triggered by plan amendment or settlement during interim periods.



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These Financial Statements reflect all adjustments which are, in the opinion of management, necessary to present a fair statement of the results for these interim periods. These adjustments are of a normal recurring nature.

These Financial Statements were authorized for issuance by the Company's Board of Directors on November 11, 2015.

## **Table of Contents**

### **Critical Accounting Judgments, Estimates and Assumptions**

The preparation of these Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these estimates on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The judgments, estimates and assumptions applied in these Financial Statements were the same as those applied in the Company's most recent annual audited consolidated financial statements other than (as noted above) the accounting policies and methods of computation for the estimate of the provision for income taxes and the re-measurement of the defined benefit liability.

### **Changes in Accounting Policies**

On January 1, 2015, the Company adopted and implemented IFRS 9 (2013) *Financial Instruments*. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and previous versions of IFRS 9. IFRS 9 (2013) includes revised guidance on the classification and measurement of financial assets and liabilities and introduces a new general hedge accounting model which aims to better align a company's hedge accounting with risk management.

Previously, the Company classified financial assets when they were first recognized as fair value through profit or loss, available for sale, held to maturity investments or loans and receivables. Under IFRS 9 (2013), the Company classifies financial assets under the same two measurement categories as financial liabilities; amortized cost or fair value through profit and loss. Financial assets are classified as amortized cost if the purpose of the Company's business model is to hold the financial assets for collecting cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. All other financial assets are classified as fair value through profit or loss. All of the Company's financial assets and financial liabilities as at December 31, 2014 will continue to be classified and measured at amortized cost with the exception of derivative financial instruments disclosed below. The adoption of this standard has not resulted in any changes to comparative figures.

The Company has not yet adopted IFRS 9 (2014) *Financial Instruments* that incorporates the new impairment model that assesses financial assets based on expected losses rather than incurred losses as applied in IAS 39. This final standard will replace IFRS 9 (2013) and is effective for annual periods on or after January 1, 2018.

### **Derivative Financial Instruments and Hedging**

When the requirements for hedge accounting are met at inception, the Company's policy is to designate each derivative financial instrument as a hedging instrument in a cash flow hedge relationship. Upon designation, the Company documents the relationships between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, and the methods that will be used to assess the effectiveness of the hedging relationship.

At inception of a hedge relationship and at each subsequent reporting date, the Company evaluates if the hedging relationship qualifies for hedge accounting under IFRS 9 (2013), which includes the following conditions to be met:

There is an economic relationship between the hedged item and the hedging instrument;

The effect of credit risk does not dominate the value changes that result from that economic relationship; and

The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

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Hedge accounting is discontinued prospectively when a derivative instrument ceases to satisfy the conditions for hedge accounting, or is sold or liquidated. If the hedged item ceases to exist, unrealized gains or losses recognized in OCI ( other comprehensive income ) are reclassified to earnings.

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

Certain new standards, amendments and interpretations, and improvements to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the relevant pronouncements will be adopted in the first reporting period following the date of application. Information on new standards, amendments and interpretations, and improvements to existing standards, which could potentially impact the Company's consolidated financial statements, are detailed as follows:

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. Management has yet to assess the impact of this new standard on the Company's consolidated financial statements.

IFRS 9 (2014) *Financial Instruments* was issued in July 2014 and differs in some regards from IFRS 9 (2013) which the Company adopted effective January 1, 2015. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. Management has yet to assess the impact of this new standard on the Company's consolidated financial statements.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

**3 INFORMATION INCLUDED IN CONSOLIDATED EARNINGS**

|  | Three months ended<br>September 30, |        | Nine months ended<br>September 30, |         |
|--|-------------------------------------|--------|------------------------------------|---------|
|  | 2015                                | 2014   | 2015                               | 2014    |
|  | \$                                  | \$     | \$                                 | \$      |
| Employee benefit expense   |                                     |        |                                    |         |
| Wages, salaries and other short-term benefits                          | <b>36,262</b>                       | 34,835 | <b>108,150</b>                     | 103,526 |
| Termination benefits   | <b>223</b>                          | 65     | <b>380</b>                         | 684     |
| Stock-based compensation expense (benefit)                             | <b>(1,226)</b>                      | 3,225  | <b>901</b>                         | 3,194   |
| Pensions and other post-retirement benefits defined benefit plans      | <b>887</b>                          | 2,104  | <b>2,098</b>                       | 3,579   |
| Pensions and other post-retirement benefits defined contribution plans | <b>951</b>                          | 985    | <b>2,926</b>                       | 2,991   |
|  | <b>37,097</b>                       | 41,214 | <b>114,455</b>                     | 113,974 |



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|   | Three months ended |       | Nine months ended |        |
|---|--------------------|-------|-------------------|--------|
|   | September 30,      |       | September 30,     |        |
|   | 2015               | 2014  | 2015              | 2014   |
|   | \$                 | \$    | \$                | \$     |
| <b>Finance costs – Interest</b>                       |                    |       |                   |        |
| Interest on long-term debt                            | 977                | 978   | 2,639             | 2,970  |
| Amortization of debt issue costs on long-term debt    | 110                | 153   | 331               | 460    |
| Interest capitalized to property, plant and equipment | (168)              | (264) | (453)             | (868)  |
|   | <b>919</b>         | 867   | <b>2,517</b>      | 2,562  |
| <b>Finance costs – Other (income) expense, net</b>    |                    |       |                   |        |
| Foreign exchange (gain) loss                          | (891)              | 316   | (1,561)           | 342    |
| Other costs, net                                      | 240                | 110   | 664               | 806    |
|   | <b>(651)</b>       | 426   | <b>(897)</b>      | 1,148  |
| <b>Additional information</b>                         |                    |       |                   |        |
| Depreciation of property, plant and equipment         | 6,261              | 6,610 | 19,553            | 18,950 |
| Amortization of intangible assets                     | 352                | 190   | 733               | 542    |
| Reversal of impairment of long-term assets            | (86)               | (34)  | (226)             | (257)  |

**4 MANUFACTURING FACILITY CLOSURES, RESTRUCTURING AND OTHER RELATED CHARGES**

The following table describes the charges incurred by the Company in connection with its manufacturing facility closures and restructuring initiatives, which are included in the Company's consolidated earnings under the caption manufacturing facility closures, restructuring and other related charges:

|   | Three months ended |       | Nine months ended |       |
|---|--------------------|-------|-------------------|-------|
|   | September 30,      |       | September 30,     |       |
|   | 2015               | 2014  | 2015              | 2014  |
|   | \$                 | \$    | \$                | \$    |
| Reversal of impairment of property, plant and equipment | (103)              | (1)   | (240)             | (292) |
| Impairment (reversal) of parts and supplies             | (15)               |       | (56)              | 77    |
| Equipment relocation                                    | 59                 | 1,078 | 130               | 2,134 |
| Write-down of inventories to net realizable value       | 3                  | 15    | 81                | 74    |
| Severance and other labor related costs                 | 72                 | 377   | 753               | 1,474 |
| Idle facility costs                                     |                    | 90    |                   | 475   |
| Other costs   | 165                | 1     | 315               | 22    |
|   | <b>181</b>         | 1,560 | <b>983</b>        | 3,964 |

The charges incurred in the table above are the incremental costs of: (i) the ongoing relocation of the Columbia, South Carolina manufacturing facility; (ii) the Richmond, Kentucky manufacturing facility closure; and (iii) other smaller restructuring initiatives.



**Table of Contents****5 INVENTORIES**

|                 | <b>September 30,<br/>2015</b> | December 31,<br>2014 |
|-----------------|-------------------------------|----------------------|
|                 | \$                            | \$                   |
| Raw materials   | <b>28,522</b>                 | 25,358               |
| Work in process | <b>19,448</b>                 | 18,354               |
| Finished goods  | <b>50,372</b>                 | 53,070               |
|                 | <b>98,342</b>                 | 96,782               |

During the three and nine months ended September 30, 2015 and 2014, the Company did not record a write-down or reversal of write-down of inventories to net realizable value, except for the amounts recorded in earnings in manufacturing facility closures, restructuring and other related charges. Refer to Note 4 for more information.

**6 PROPERTY, PLANT AND EQUIPMENT**

|  | Three months ended<br>September 30, |       | Nine months<br>ended<br>September 30, |        |
|--|-------------------------------------|-------|---------------------------------------|--------|
|  | 2015                                | 2014  | 2015                                  | 2014   |
|  | \$                                  | \$    | \$                                    | \$     |
| Acquisitions of property, plant and equipment                          | <b>10,639</b>                       | 9,102 | <b>25,787</b>                         | 33,648 |
| Additions to property, plant and equipment due to business acquisition |                                     |       | <b>632</b>                            |        |
| Net book value of property, plant and equipment disposals              | <b>354</b>                          | 1,546 | <b>394</b>                            | 1,827  |
| Gain on disposals  | <b>(970)</b>                        | (194) | <b>(973)</b>                          | (86)   |
| Impairments on idle assets   | <b>17</b>                           | 35    | <b>17</b>                             | 35     |
| Reversals of impairments on idle assets                                |                                     |       | <b>(3)</b>                            |        |

|   | <b>September 30,<br/>2015</b> | December 31,<br>2014 |
|---|-------------------------------|----------------------|
|   | \$                            | \$                   |
| Commitments to purchase machinery and equipment | <b>20,857</b>                 | 2,696                |

**7 INTANGIBLE ASSETS**

The Company has a trademark and goodwill which are identifiable intangible assets for which the expected useful life is indefinite. The trademark represents the value of a brand name acquired in a business acquisition which management expects will provide benefit to the Company for an indefinite period. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business acquisition. Intangible assets with indefinite useful lives that are acquired separately are carried at cost.



When intangible assets are purchased with a group of assets, the cost of the group of assets is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. When intangible assets are purchased separately, the cost comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

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Intangible assets are carried at cost less accumulated amortization and are amortized using the straight-line method, over their estimated useful lives as follows:

|  | <b>Years</b> |
|--|--------------|
| Goodwill and trademark                     | Indefinite   |
| Customer lists                             | 5 to 15      |
| Distribution rights and customer contracts | 6            |
| License agreements and software            | 5            |
| Non-compete agreement                      | 3            |

The amortization methods, useful lives and residual values related to intangible assets are reviewed and adjusted if necessary at each financial year-end. Amortization begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortization expense is recognized in earnings in the expense category consistent with the function of the intangible asset.

|                | <b>September 30,<br/>2015</b> | December 31,<br>2014 |
|----------------|-------------------------------|----------------------|
|                | \$                            | \$                   |
| Customer lists | <b>7,233</b>                  | 257                  |
| Trademark      | <b>1,700</b>                  |                      |
| Other          | <b>1,297</b>                  | 1,324                |
|                | <b>10,230</b>                 | 1,581                |

**8 INCOME TAXES**

The calculation of the Company's effective tax rate is as follows:

|                                    | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |           |
|------------------------------------|-------------------------------------|-----------|------------------------------------|-----------|
|                                    | <b>2015</b>                         | 2014      | <b>2015</b>                        | 2014      |
| Income tax expense                 | <b>\$ 6,268</b>                     | \$ 6,867  | <b>\$ 15,424</b>                   | \$ 21,764 |
| Earnings before income tax expense | <b>\$ 21,922</b>                    | \$ 12,878 | <b>\$ 54,604</b>                   | \$ 51,523 |
| Effective tax rate                 | <b>28.6%</b>                        | 53.3%     | <b>28.2%</b>                       | 42.2%     |

**9 LONG-TERM DEBT**

|  | <b>September 30,<br/>2015</b> | December 31,<br>2014 |
|--|-------------------------------|----------------------|
|  | \$                            | \$                   |
| Revolving Credit Facility <sup>(1)</sup> | <b>136,583</b>                | 97,936               |

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|                                      |                |         |
|--------------------------------------|----------------|---------|
| Finance lease liabilities            | <b>20,957</b>  | 25,217  |
| Other Loans                          | <b>106</b>     | 106     |
|                                      | <b>157,646</b> | 123,259 |
| Less: Installments on long-term debt | <b>5,589</b>   | 5,669   |
|                                      | <b>152,057</b> | 117,590 |

(1) The Revolving Credit Facility is presented net of unamortized related debt issue costs totalling \$1.8 million (\$2.1 million as of December 31, 2014).

On November 18, 2014, the Company entered into a five-year, \$300 million revolving credit facility ( Revolving Credit Facility ) with a syndicate of financial institutions.

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|   | <b>September 30,<br/>2015</b> | December 31,<br>2014 |
|---|-------------------------------|----------------------|
| Effective interest rate on borrowings under the Revolving Credit Facility | <b>2.44%</b>                  | 2.01%                |
| Unused availability under the Revolving Credit Facility                   | <b>\$ 159,566</b>             | \$ 197,936           |

**10 PROVISIONS AND CONTINGENT LIABILITIES**

|                                    | Environmental<br>\$ | Restoration<br>\$ | Severance<br>and other<br>provisions<br>\$ | Total<br>\$  |
|------------------------------------|---------------------|-------------------|--|--------------|
| Balance, December 31, 2014         | 2,518               | 917               | 2,875                                      | 6,310        |
| Additional provisions              |                     | 58                | 969  | 1,027        |
| Amounts used                       | (12)                |                   | (1,772)                                    | (1,784)      |
| Amounts reversed                   |                     |                   | (71)                                       | (71)         |
| Net foreign exchange differences   |                     | (58)              | (16)                                       | (74)         |
| <b>Balance, September 30, 2015</b> | <b>2,506</b>        | <b>917</b>        | <b>1,985</b>                               | <b>5,408</b> |
| Amount presented as current        | 711                 |                   | 1,894                                      | 2,605        |
| Amount presented as non-current    | 1,795               | 917               | 91   | 2,803        |
| <b>Balance, September 30, 2015</b> | <b>2,506</b>        | <b>917</b>        | <b>1,985</b>                               | <b>5,408</b> |

On July 3, 2014, the Company was informed of a complaint filed on June 27, 2014 by its former Chief Financial Officer with the Occupational Safety and Health Administration of the US Department of Labor ( OSHA ) alleging certain violations by the Company related to the terms of his employment and his termination. The Company aggressively contested the allegations and, it believes, demonstrated that the former Chief Financial Officer's assertions are without merit.

In a letter dated July 16, 2015, OSHA informed the Company that the former Chief Financial Officer had withdrawn his OSHA complaint in order to file a complaint against the Company in US federal district court. The withdrawal occurred prior to any determination by OSHA regarding the complaint.

On November 5, 2015, the former Chief Financial Officer filed a lawsuit in the United States District Court for the Middle District of Florida. The lawsuit is premised on essentially the same facts and makes essentially the same allegations as asserted in his OSHA complaint; the lawsuit seeks unspecified money damages and a trial by jury. The Company is not currently able to predict the probability of a favourable or unfavourable outcome, or the amount of any possible loss in the event of an unfavourable outcome. Consequently, no material provision or liability has been recorded for these allegations and claims as of September 30, 2015. As of September 30, 2015, approximately \$0.4 million in severance and other provisions is recorded as an estimated amount relating to the former Chief Financial Officer based on the employment letter agreements entered into with him on October 30, 2009 and November 17, 2009.

The Company is engaged from time-to-time in various legal proceedings and claims that have arisen in the ordinary course of business. The outcome of all of the proceedings and claims against the Company is subject to future

resolution, including the uncertainties of litigation. Based on information currently known to the Company and after consultation with outside legal counsel, management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company, taken as a whole, and accordingly, no amounts have been recorded as of September 30, 2015.

**Table of Contents****11 CAPITAL STOCK AND EARNINGS PER SHARE****Common Shares**

The Company's common shares outstanding as of September 30, 2015 and December 31, 2014 were 58,917,885 and 60,435,826, respectively.

**Dividends**

On August 12, 2015, the Company's Board of Directors approved a change in the quarterly dividend policy by increasing the dividend from \$0.12 to \$0.13 per share. The details of dividends declared during the year are as follows:

| Declared Date   | Paid date          | Per common share amount | Shareholder record date | Common shares issued and outstanding | Aggregate payment |
|-----------------|--------------------|-------------------------|-------------------------|--------------------------------------|-------------------|
| March 9, 2015   | March 31, 2015     | \$0.12                  | March 19, 2015          | 60,355,638                           | \$7.3 million     |
| May 11, 2015    | June 30, 2015      | \$0.12                  | June 15, 2015           | 59,621,238                           | \$7.2 million     |
| August 12, 2015 | September 30, 2015 | \$0.13                  | September 15, 2015      | 59,502,185                           | \$7.7 million     |

**Share Repurchases**

On July 7, 2014, the Company announced a normal course issuer bid ( NCIB ) effective on July 10, 2014. This NCIB expired on July 9, 2015. The Company renewed its NCIB effective July 10, 2015 under which the Company is entitled to repurchase for cancellation up to 2,000,000 common shares. This renewed NCIB expires on July 9, 2016.

|  | Three months ended<br>September 30, |             | Nine months ended<br>September 30, |             |
|--|-------------------------------------|-------------|------------------------------------|-------------|
|  | 2015                                | 2014        | 2015                               | 2014        |
| Common shares repurchased                            | <b>1,153,500</b>                    | 588,100     | <b>2,120,588</b>                   | 588,100     |
| Average price per common share including commissions | <b>CDN\$ 14.38</b>                  | CDN\$ 14.30 | <b>CDN\$ 15.73</b>                 | CDN\$ 14.30 |
| Total purchase price including commissions           | <b>\$ 12,490</b>                    | \$ 7,678    | <b>\$ 25,969</b>                   | \$ 7,678    |
| Carrying value of the common shares repurchased      | <b>\$ 7,726</b>                     | \$ 3,176    | <b>\$ 16,028</b>                   | \$ 3,176    |
| Share repurchase premium <sup>(1)</sup>              | <b>\$ 4,764</b>                     | \$ 4,502    | <b>\$ 9,941</b>                    | \$ 4,502    |

Since inception of NCIB on:

July 10, 2015

July 10, 2014

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|  |    |             |    |             |
|--|----|-------------|----|-------------|
| Common shares repurchased                            |    | 1,153,500   |    | 1,564,588   |
| Average price per common share including commissions |    | CDN\$ 14.38 |    | CDN\$ 16.20 |
| Total purchase price including commissions           | \$ | 12,490      | \$ | 21,301      |
| Carrying value of the common shares repurchased      | \$ | 7,726       | \$ | 11,527      |
| Share repurchase premium <sup>(1)</sup>              | \$ | 4,764       | \$ | 9,774       |

- (1) The excess of the purchase price paid over the carrying value of the common shares repurchased is recorded in deficit in the consolidated balance sheet and in the statement of consolidated changes in shareholders' equity.

**Table of Contents****Earnings Per Share**

The weighted average number of common shares outstanding is as follows:

|                                   | Three months ended<br>September 30, |            | Nine months ended<br>September 30, |            |
|-----------------------------------|-------------------------------------|------------|------------------------------------|------------|
|                                   | 2015                                | 2014       | 2015                               | 2014       |
| Basic                             | <b>59,785,871</b>                   | 60,790,184 | <b>59,992,401</b>                  | 60,804,653 |
| Effect of stock options           | <b>865,156</b>                      | 1,438,997  | <b>924,375</b>                     | 1,027,522  |
| Effect of performance share units | <b>228,750</b>                      | 228,750    | <b>228,750</b>                     | 93,008     |
| Diluted                           | <b>60,879,777</b>                   | 62,457,931 | <b>61,145,526</b>                  | 61,925,183 |

Stock options that were anti-dilutive and not included in diluted earnings per share calculations 32,500 32,500

The effect of performance share units included in the calculation of weighted average diluted shares outstanding includes 152,000 units which met the performance criteria as of September 30, 2015 and 2014.

**Stock Options**

|                                    | Three months ended<br>September 30, |            | Nine months ended<br>September 30, |            |
|------------------------------------|-------------------------------------|------------|------------------------------------|------------|
|                                    | 2015                                | 2014       | 2015                               | 2014       |
| Stock options exercised            | <b>443,750</b>                      | 2,500      | <b>596,250</b>                     | 235,427    |
| Weighted average exercise price    | <b>CDN\$ 2.47</b>                   | CDN\$ 1.80 | <b>CDN\$ 2.66</b>                  | CDN\$ 3.19 |
| Cash proceeds                      | <b>\$ 849</b>                       | \$ 4       | <b>\$ 1,253</b>                    | \$ 694     |
| Stock options expired or forfeited |                                     |            | <b>2,500</b>                       | 140,000    |

|  | September 30,<br>2015 |
|--|-----------------------|
| Stock options outstanding  | 1,761,250             |
| Weighted average exercise price per stock option outstanding           | CDN\$ 8.48            |
| Weighted average fair value at grant date per stock option outstanding | \$ 2.59               |

**Performance Share Unit Plan**

|  | Three months ended<br>September 30, |      | Nine months ended<br>September 30, |      |
|--|-------------------------------------|------|------------------------------------|------|
|  | 2015                                | 2014 | 2015                               | 2014 |



|                                     |                 |          |
|-------------------------------------|-----------------|----------|
| PSUs granted                        | <b>363,600</b>  | 152,500  |
| Weighted average fair value per PSU | <b>\$ 13.64</b> | \$ 11.38 |

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The weighted average fair value of PSUs granted was estimated based on a Monte Carlo simulation model, taking into account the following weighted average assumptions:

|  | Three months ended<br>September 30, |      | Nine months ended<br>September 30, |             |
|--|-------------------------------------|------|------------------------------------|-------------|
|  | 2015                                | 2014 | 2015                               | 2014        |
| Expected life                                    |                                     |      | <b>3 years</b>                     | 3 years     |
| Expected volatility <sup>(1)</sup>               |                                     |      | <b>35%</b>                         | 38%         |
| Risk-free interest rate                          |                                     |      | <b>1.07%</b>                       | 0.91%       |
| Expected dividends <sup>(2)</sup>                |                                     |      | <b>0.00%</b>                       | 0.00%       |
| Performance period starting price <sup>(3)</sup> |                                     |      | <b>CDN\$ 17.86</b>                 | CDN\$ 12.74 |
| Stock price at grant date                        |                                     |      | <b>CDN\$ 17.53</b>                 | CDN\$ 12.72 |

- (1) Expected volatility was calculated based on the daily dividend adjusted closing price change on the TSX for a term commensurate with the expected life of the grant.
- (2) A participant will receive a cash payment from the Company upon PSU settlement that is equivalent to the number of shares issued or delivered to the participant multiplied by the amount of cash dividends per share declared by the Company between the date of grant and the third anniversary of the grant date. As such, there is no impact from expected future dividends in the Monte Carlo simulation model. As of September 30, 2015 and December 31, 2014, the Company accrued less than \$0.1 million in the consolidated balance sheets in other liabilities.
- (3) The performance period starting price is measured as the five day volume weighted average trading price for the common shares of the Company on the grant date.

The PSUs granted in 2014 and 2015 are earned over a three-year period with vesting at the third anniversary of the grant date. The number of shares earned can range from 0% to 150% of the grant amount based on entity performance criteria, specifically the total shareholder return (TSR) ranking versus a specified peer group of companies.

As of September 30, 2015, the Company's TSR ranking was such that if the awards granted in 2014 and 2015 were to be settled at September 30, 2015, the number of shares earned would be 150% and 0%, respectively, of the grants awarded.

|                | Three months ended<br>September 30, |      | Nine months ended<br>September 30, |      |
|----------------|-------------------------------------|------|------------------------------------|------|
|                | 2015                                | 2014 | 2015                               | 2014 |
| PSUs forfeited | <b>1,770</b>                        |      | <b>1,770</b>                       |      |

|                                     | <b>September 30,<br/>2015</b> |
|-------------------------------------|-------------------------------|
| PSUs outstanding                    | 514,330                       |
| Weighted average fair value per PSU | \$ 12.97                      |

**Deferred Share Unit Plan**

|  | Three months<br>ended<br>September 30, |          | Nine months ended<br>September 30, |          |
|--|--|----------|------------------------------------|----------|
|  | 2015                                   | 2014     | 2015                               | 2014     |
| DSUs granted   | <b>9,345</b>                           | 15,901   | <b>46,142</b>                      | 36,901   |
| Weighted average fair value per DSU  | <b>\$ 11.42</b>                        | \$ 12.55 | <b>\$ 15.09</b>                    | \$ 12.04 |
| Stock-based compensation expense recognized for DSUs received in lieu of cash for directors fees not yet granted | <b>\$ 65</b>                           | \$ 79    | <b>\$ 65</b>                       | \$ 79    |

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|  | Three months ended<br>September 30, |      | Nine months ended<br>September 30, |      |
|--|-------------------------------------|------|------------------------------------|------|
|  | 2015                                | 2014 | 2015                               | 2014 |
| Shares issued upon DSU settlement                          |                                     |      |                                    |      |
| DSUs settled   |                                     |      | <b>16,460</b>                      |      |
| Less: shares withheld for required minimum tax withholding |                                     |      | <b>10,063</b>                      |      |
| Shares issued  |                                     |      | <b>6,397</b>                       |      |

|                                     | September 30,<br>2015 |
|-------------------------------------|-----------------------|
| DSUs outstanding                    | 66,583                |
| Weighted average fair value per DSU | \$ 13.61              |

**Stock Appreciation Rights**

|   | Three months ended<br>September 30, |            | Nine months ended<br>September 30, |            |
|---|-------------------------------------|------------|------------------------------------|------------|
|   | 2015                                | 2014       | 2015                               | 2014       |
| Expense (income) recorded in earnings in selling, general and administrative expenses | (\$ 2,059)                          | \$ 2,527   | (\$ 1,841)                         | \$ 1,312   |
| SARs exercised  | 20,000                              | 58,750     | 52,500                             | 100,000    |
| Exercise price  | CDN\$ 7.56                          | CDN\$ 7.56 | CDN\$ 7.56                         | CDN\$ 7.56 |
| Cash payments   | \$ 143                              | \$ 390     | \$ 462                             | \$ 569     |
| SARs forfeited  |                                     |            |                                    | 123,750    |

|  | September 30,<br>2015 | December 31,<br>2014 |
|--|-----------------------|----------------------|
|  | \$                    | \$                   |
| Outstanding amounts vested and expected to vest in the next twelve months, recorded in the consolidated balance sheets in accounts payable and accrued liabilities | 2,462                 | 7,232                |
| Outstanding amounts expected to vest in greater than twelve months, recorded in the consolidated balance sheets in other liabilities                               |                       | 539                  |
| Aggregate intrinsic value of outstanding vested awards, including awards exercised but not yet paid  | 1,834                 | 4,386                |

**12 FINANCIAL INSTRUMENTS**

The Company is exposed to a risk of change in cash flows due to the fluctuations in interest rates applicable on its variable rate Revolving Credit Facility and other floating rate debt. The Company's overall risk management objective is to minimize the long-term cost of debt, taking into account short-term and long-term earnings and cash flow volatility. The Company's risk strategy with respect to its exposure associated with floating rate debt is that the Chief

Executive Officer, Chief Financial Officer and Treasurer monitor the Company's amount of floating rate debt, taking into account the current and expected interest rate environment, the Company's leverage and sensitivity to earnings and cash flows due to changes in interest rates. The Company's risk management objective at this time is to mitigate the variability in 30-day LIBOR-based cash flows from the first \$100,000,000 through August 20, 2018 and the first \$40,000,000 through November 18, 2019 of such variable rate debt due to changes in the benchmark interest rate.

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To help accomplish this objective, the Company entered into interest rate swap agreements designated as cash flow hedges. The terms of the interest swap agreements are as follows:

| Effective Date  | Maturity          | Notional amount | Settlement | Fixed interest rate paid |
|-----------------|-------------------|-----------------|------------|--------------------------|
| March 18, 2015  | November 18, 2019 | \$40,000,000    | Monthly    | 1.610%                   |
| August 18, 2015 | August 20, 2018   | \$60,000,000    | Monthly    | 1.197%                   |

The interest rate swap agreements involve the exchange of periodic payments excluding the notional principal amount upon which the payments are based. These payments were recorded as an adjustment of interest expense on the hedged debt instruments. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

Additionally, the Company elects to use the Hypothetical Derivative methodology to measure the ineffectiveness of its hedging relationships in a given reporting period to be recorded in earnings. Under the Hypothetical Derivative method, the actual interest rate swaps would be recorded at fair value on the balance sheet, and accumulated OCI would be adjusted to a balance that reflects the lesser of either the cumulative change in the fair value of the actual interest rate swaps or the cumulative change in the fair value of the hypothetical derivatives. The determination of the fair values of both the hypothetical derivative and the actual interest rate swaps will use discounted cash flows based on the relevant interest rate swap curves. The amount of ineffectiveness, if any, recorded in earnings in finance costs in other expense, net, would be equal to the excess of the cumulative change in the fair value of the actual interest rate swaps over the cumulative change in the fair value of the hypothetical derivatives. Amounts previously included as part of OCI are transferred to earnings in the period during which the hedged item impacts net earnings.

The change in fair value of the derivatives used for calculating hedge effectiveness was \$1.5 million as of September 30, 2015.

The carrying amount and fair value was a liability, included in other liabilities in the consolidated balance sheet, amounting to \$1.5 million as of September 30, 2015.

The Company categorizes its interest rate swap as Level 2 within the fair value measurement hierarchy as the fair value is estimated using a valuation technique based on observable market data, including interest rates, as a listed market price is not available.

**13 BUSINESS ACQUISITION**

On April 7, 2015, a subsidiary of the Parent Company, Intertape Polymer Corp. ( IPC ), under a Stock Purchase Agreement (the Agreement ) dated the same day, purchased 100% of the issued and outstanding common shares of BP Acquisition Corporation ( Better Packages ) (which wholly-owns a subsidiary, Better Packages, Inc.) (the Acquisition ), a leading supplier of water-activated tape dispensers.

IPC paid in cash, funded primarily from the Company's Revolving Credit Facility, a purchase price of \$15.9 million. There are no additional contingent consideration arrangements in the Agreement. In addition, IPC and the former shareholders of Better Packages each made customary representations and warranties and covenants in the Agreement and the Agreement contains customary indemnification provisions. The former shareholders of Better Packages have deposited in escrow \$2.9 million related to these items as of September 30, 2015.



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The net cash consideration paid on the closing date was as follows:

|                              | April 7,<br>2015<br>(Unaudited)<br>\$ |
|------------------------------|---------------------------------------|
| Consideration paid in cash   | 15,867                                |
| Less: cash balances acquired | 534                                   |
|                              | 15,333                                |

The Acquisition was accounted for using the acquisition method of accounting. The Acquisition further extends the Company's product offering and global presence in the rapidly growing e-commerce market, resulting in the recognition of goodwill of \$6.1 million. The Company does not expect any of the goodwill to be deductible for income tax purposes. The fair value of net identifiable assets acquired and goodwill at the date of acquisition are as follows:

|   | April 7,<br>2015<br>(Unaudited)<br>\$ |
|---|---------------------------------------|
| <b>Current assets</b>                                 |                                       |
| Cash  | 534                                   |
| Trade receivables <sup>(1)</sup>                      | 1,310                                 |
| Inventories   | 2,489                                 |
| Other current assets                                  | 99                                    |
| Property, plant and equipment                         | 632                                   |
| <b>Intangible assets</b>                              |                                       |
| Customer list   | 7,343                                 |
| Trademark   | 1,700                                 |
| Non-compete agreement                                 | 198                                   |
| Other intangibles                                     | 21                                    |
| Other assets  | 22                                    |
|   | 14,348                                |
| <b>Current liabilities</b>                            |                                       |
| Accounts payable and accrued liabilities              | 1,165                                 |
| Deferred tax liability                                | 3,483                                 |
| Provisions  | 10                                    |
|   | 4,658                                 |
| <b>Fair value of net identifiable assets acquired</b> | <b>9,690</b>                          |



|  | April 7,<br>2015<br>(Unaudited)<br>\$ |
|--|---------------------------------------|
| Cash consideration transferred                       | 15,768                                |
| Less: fair value of net identifiable assets acquired | 9,690                                 |
| Goodwill   | 6,078                                 |

- (1) As of September 30, 2015 the Company has collected the fair value of the trade receivables of \$1,310. The gross contractual amounts receivable were \$1,324.

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The Acquisition's impact on the Company's consolidated earnings for the three and nine months ended September 30, 2015, was as follows:

|              | Three months ended<br>September 30,<br>2015<br>\$ | April 7, 2015 through<br>September 30,<br>2015<br>\$ |
|--------------|---|--|
| Revenue      | 4,791   | 9,125  |
| Net earnings | 565   | 899  |

Had the Acquisition been effective as of January 1, 2015 the impact on the Company's consolidated earnings would have been as follows:

|                             | Three months ended<br>September 30,<br>2015<br>\$ | Nine months ended<br>September 30, 2015<br>\$ |
|-----------------------------|---|---|
| Revenue                     | 4,791   | 12,717  |
| Net earnings <sup>(1)</sup> | 565   | 959   |

(1) The adjustments to arrive at net earnings included (i) the alignment of accounting policies to IFRS, (ii) the removal of acquisition costs incurred by the acquiree, (iii) the amortization of recorded intangibles and other acquisition method accounting adjustments and (iv) the effect of income tax expense using the effective tax rate of Better Packages post-closing.

The acquisition-related costs are excluded from the consideration transferred and are included in the Company's consolidated earnings as follows:

|  | Three months ended<br>September<br>30, 2015<br>\$ | Nine months ended<br>September 30, 2015<br>\$ |
|--|---|---|
| Selling, general and administrative expenses | 1   | 383   |

**14 RELATED PARTY**

In June 2014, the Company engaged with a relocation management company to facilitate the purchase of the then-newly appointed Chief Financial Officer's home in Montreal, Québec, Canada to assist in his relocation to Sarasota, FL, U.S.A. The Company provided funding to the relocation management company to purchase the home for \$0.9 million. The sale of the home was completed on April 15, 2015 and the Company was reimbursed for the purchase funding.

**15 PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS**

Effective September 30, 2011, the defined benefit plan associated with the former Brantford, Ontario manufacturing facility sponsored by the Company was wound-up. Pursuant to applicable legislation, benefits for this plan were required to be settled within the five-year period following the wind-up effective date. Effective July 31, 2014, the Company purchased a group annuity buy-out policy to settle the majority of its obligations to plan participants. During the three and nine months ended September 30, 2014, the Company recognized settlement losses of \$1.3 million for both periods resulting from the difference between the accounting liability and the cost to settle the obligations. The settlement losses were included in the statement of consolidated earnings under the caption cost of sales. The Company was required to re-measure the plan's assets and liabilities as of the settlement date resulting in \$1.5 million flowing through other comprehensive income, net of income tax expense, and in deficit. The remaining obligation was settled in its entirety prior to December 31, 2014.

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**16 COMMITMENTS AND CONTINGENCIES**

**Commitment Under Service Contract**

On November 12, 2013, the Company entered into a ten-year electricity service contract at a manufacturing facility. The service date of the contract commenced in August 2014. The Company is committed to monthly minimum usage requirements over the term of the contract. The Company was provided installation at no cost and is receiving economic development incentive credits and maintenance of the required energy infrastructure at the manufacturing facility as part of the contract. The credits are expected to reduce the overall cost of electricity consumed by the facility over the term of the contract. Effective August 1, 2015, the Company entered into an amendment lowering the minimum usage requirements over the term of the contract. In addition, a new monthly facility charge will be incurred by the Company over the term of the contract. The Company estimates that service billings will total approximately \$1.7 million annually in 2016 through 2020 and \$6.2 million as the total billings expected over the remainder of the contract up to 2023.

Certain penalty clauses exist within the contract related to early cancellation after the service date of the contract. The costs related to early cancellation penalties include termination fees based on anticipated service billings over the term of the contract and capital expense recovery charges. While the Company does not expect to cancel the contract prior to the end of its term, the penalties that would apply to early cancellation could total as much as \$7.6 million as of September 30, 2015. This amount declines annually until the expiration of the contract.

**17 POST REPORTING EVENTS**

*Adjusting Events*

No adjusting events have occurred between the reporting date of these Financial Statements and the date of authorization.

*Non-Adjusting Events*

On November 11, 2015, the Company declared a cash dividend of \$0.13 per common share payable December 31, 2015 to shareholders of record at the close of business on December 15, 2015. The estimated amount of this dividend payment is \$7.6 million based on 58,646,285 of the Company's common shares issued and outstanding as of November 11, 2015.

On October 4, 2015, the Columbia, South Carolina manufacturing facility was damaged by significant rainfall and subsequent severe flooding. The damages sustained were considerable and resulted in the facility, which was already in the process of having certain operations transferred to the Blythewood facility and was previously scheduled to close by the end of the second quarter of 2016, being shut down permanently.

At this time, the Company estimates loss on damaged inventory to be approximately \$4 million and impairment of property, plant and equipment to be approximately \$1 million. In addition, the Company expects, but is currently unable to provide a reliable estimate for losses related to: business interruption (including, but not limited to, lost revenue), site clean-up and environmental remediation, and professional fees related to the insurance claim process.

The Company believes that it has sufficient property and business interruption insurance coverage, and expects that the losses exceeding the \$0.5 million deductible will be substantially covered by those insurance policies.

On November 2, 2015, a subsidiary of the Parent Company, Intertape Polymer Corp. ( IPC ), under a Stock Purchase Agreement (the Agreement ) dated the same day, purchased 100% of the issued and outstanding common shares of RJM Manufacturing, Inc. (d/b/a TaraTape ) (the

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Acquisition ), a manufacturer of filament and pressure sensitive tapes. IPC paid in cash, funded primarily from the Company's Revolving Credit Facility, a purchase price of \$11.0 million, subject to a post-closing working capital adjustment. There are no additional contingent consideration arrangements in the Agreement. In addition, IPC and the shareholder and warrant holders of TaraTape each made customary representations and warranties and covenants in the Agreement and the Agreement contains customary indemnification provisions.

The Company expects the acquisition to strengthen its market position and provides opportunities to realize operational synergies. The Acquisition will be accounted for using the acquisition method of accounting. The Company expects a significant portion of the Acquisition purchase price to be assigned to goodwill and intangible assets. Management is not yet able to provide a breakout of the purchase price allocation due to the timing of the Acquisition and the post-closing working capital adjustment. The Company expects the goodwill to be deductible for income tax purposes.

On November 11, 2015, the TSX approved an amendment to the Company's NCIB as a result of which the Company will be entitled to repurchase for cancellation up to 4,000,000 common shares. The previous maximum was 2,000,000 common shares.

No other significant non-adjusting events have occurred between the reporting date of these Financial Statements and the date of authorization.

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**Form 52-109F2**

**Certification of Interim Filings**

**Full Certificate**

I, Gregory A.C. Yull, Chief Executive Officer of **INTERTAPE POLYMER GROUP INC./LE GROUPE INTERTAPE POLYMER INC.**, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the interim filings ) of **INTERTAPE POLYMER GROUP INC./LE GROUPE INTERTAPE POLYMER INC.** (the **Issuer** ) for the interim period ended September 30, 2015.
2. **No misrepresentation:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the Issuer, as of the date and for the periods presented in the interim filings.
4. **Responsibility:** The Issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52 - 109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the Issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.1 and 5.2, the Issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings:
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the Issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - (ii) information required to be disclosed by the Issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Issuer's Issuer's GAAP.

5.1 **Control framework:** The control framework the Issuer's other certifying officer(s) and I used to design the Issuer's ICFR is the 2013 Internal Control – Integrated Framework published by the Committee of Sponsoring Organization of the Treadway Commission (COSO).



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5.2 N/A

5.3 N/A

6. **Reporting changes in ICFR:** The Issuer has disclosed in the interim MD&A any change in the Issuer's ICFR that occurred during the period beginning on July 1, 2015 and ended on September 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Issuer's ICFR.

DATED the 12<sup>th</sup> day of November, 2015.

By:  /s/ Gregory A.C. Yull  
Gregory A.C. Yull  
Chief Executive Officer

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**Form 52-109F2**

**Certification of Interim Filings**

**Full Certificate**

I, Jeffrey Crystal, Chief Financial Officer of **INTERTAPE POLYMER GROUP INC./LE GROUPE INTERTAPE POLYMER INC.**, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the interim filings ) of **INTERTAPE POLYMER GROUP INC./LE GROUPE INTERTAPE POLYMER INC.** (the **Issuer** ) for the interim period ended September 30, 2015.
2. **No misrepresentation:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the Issuer, as of the date and for the periods presented in the interim filings.
4. **Responsibility:** The Issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52 - 109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the Issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the Issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings:
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the Issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - (ii) information required to be disclosed by the Issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Issuer's GAAP.

5.1 **Control framework:** The control framework the Issuer's other certifying officer(s) and I used to design the Issuer's ICFR is the 2013 Internal Control - Integrated Framework published by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

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5.2 N/A

5.3 N/A

6. **Reporting changes in ICFR:** The Issuer has disclosed in the interim MD&A any change in the Issuer's ICFR that occurred during the period beginning on July 1, 2015 and ended on September 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Issuer's ICFR.

DATED the 12<sup>th</sup> day of November, 2015.

By:           /s/ Jeffrey Crystal  
Jeffrey Crystal  
Chief Financial Officer