

INTERTAPE POLYMER GROUP INC
Form 40-F
April 02, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12
OF THE SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year ended **December 31, 2006**

Commission file number: **1-10928**

INTERTAPE POLYMER GROUP INC.

(Exact name of Registrant as specified in its charter)

Canada

(Jurisdiction of incorporation or organization)

Not Applicable

(I.R.S. Employer Identification Number)

Primary Standard Industrial Classification Code Number: **2670**

9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada H4M 2X5 (514) 731-7591

(Address and telephone number of Registrant's principal executive offices)

Burgess H. Hildreth, 3647 Cortez Road West, Bradenton, Florida, 34219 (941) 739-7500

(Name, address and telephone number of Agent for service in the United States)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each Exchange on which registered:
Common Shares, without nominal or par value	New York Stock Exchange Toronto Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Not Applicable

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Not Applicable

For annual reports, indicate by check mark the information filed with this form:

ý Annual Information Form ý Audited Annual Financial Statements

The number of outstanding shares of each of the issuer's classes of capital stock as of December 31, 2006 is:

40,986,940 Common Shares

-0- Preferred Shares

Indicate by check mark whether the registrant by filing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the Exchange Act). If Yes is marked, indicate the file number assigned to the registrant in connection with such rule.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The information contained in this 40-F and the exhibits attached hereto are incorporated by reference into Registration Statement No. 333-109944.

Controls and Procedures

Disclosure Controls and Procedures. Intertape Polymer Group Inc. maintains disclosure controls and procedures designed to ensure not only that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, but also that information required to be disclosed by Intertape Polymer Group Inc. is accumulated and communicated to management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Based on the annual evaluation made by management as of December 31, 2006 of Intertape Polymer Group Inc.'s disclosure controls and procedures, with the participation of the principal executive officer and principal financial officer, the principal executive officer and principal financial officer have concluded that Intertape Polymer Group Inc.'s disclosure controls and procedures were adequate and effective to accomplish the purposes for which they were designed.

Internal Control Over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company's financial reporting as well as the preparation of financial statements for external reporting purposes in accordance with Canadian generally accepted accounting principles, including a reconciliation of accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect the Company's transactions; providing reasonable assurance that transactions are recorded as necessary for the preparation of the Company's financial statements; providing reasonable assurance that receipts and expenditures of the Company are made under the authorization of management and directors of the Company; and providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on the Company's financial statements would be prevented or detected on a timely basis. Management, with the participation of the principal executive officer and principal financial officer, conducted an annual evaluation of the effectiveness of the Company's internal control over financial reporting as at December 31, 2006 based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2006. Further, it was concluded that there have been no changes in Intertape Polymer Group Inc.'s internal controls over financial reporting that occurred during 2006 that has materially affected, or is reasonably likely to materially affect, Intertape Polymer Group Inc.'s internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, and even when determined to be effective, can only provide reasonable assurance with respect to financial statements preparation and presentation. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of completeness with policies or procedures may deteriorate.

Blackout Period Notices

During 2006, Intertape Polymer Group Inc. was not required to send its directors and executive officers notices pursuant to Rule 104 of Regulation BTR concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR. Intertape Polymer Group Inc.'s blackout periods are regularly scheduled and a description of such periods, including their frequency and duration and plan transactions to be suspended or affected are included in the documents under which Intertape Polymer Group Inc.'s plans operate and is disclosed to employees before enrollment or within thirty (30) days thereafter.

Audit Committee Financial Expert

The Board of Directors of Intertape Polymer Group Inc. has determined that it has at least one audit committee financial expert serving on its audit committee. Mr. John E. Richardson, having been a senior partner of Clarkson Gordon & Co. (now Ernest & Young), and having the attributes set forth in Paragraph 8(b) of General Instruction B to Form 40-F, has been determined to be an audit committee financial expert. Further, Mr. Richardson is independent as that term is defined by the New York Stock Exchange's corporate governance standards applicable to Intertape Polymer Group Inc.

The Securities and Exchange Commission has stated that the designation of Mr. Richardson as an audit committee financial expert does not make him an expert for any purpose, including, without limitation, for purposes of Section 11 of the Securities Act of 1933. Further, such designation does not impose any duties, obligations or liability on Mr. Richardson greater than those imposed on members of the audit committee and Board of Directors not designated as an audit committee financial expert, nor does it affect the duties, obligations or liability of any other member of the audit committee or Board of Directors.

Code of Ethics

Intertape Polymer Group Inc. has adopted a code of ethics entitled Intertape Polymer Group Inc. Code of Business Conduct and Ethics, which is applicable to all of its employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, and all persons performing similar functions. During the 2006 fiscal year, Intertape Polymer Group Inc. did not amend its Code of Business Conduct and Ethics and did not grant a waiver from any provision of its Code of Business Conduct and Ethics. Intertape Polymer Group Inc. will provide, without charge, to any person upon written or oral request, a copy of its Code of Business Conduct and Ethics. Requests should be directed to Burgess H. Hildreth, Intertape Polymer Group Inc., 3647 Cortez Road West, Bradenton, Florida 34210. Mr. Hildreth may be reached by telephone at (941) 739-7500.

Principal Accountant Fees and Services

A table setting forth the fees billed for professional services rendered by Raymond Chabot Grant Thornton LLP, Chartered Accountants, Intertape Polymer Group's principal

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accountant, for the fiscal years ended December 31, 2006 and December 31, 2005, is set forth in Item 17.5 of Intertape Polymer Group's Annual Information Form attached hereto as Exhibit 1.

Intertape Polymer Group Inc.'s Audit Committee pre-approves all audit engagement fees and terms of all significant permissible non-audit services provided by independent auditors. With respect to services other than audit, review or attest services set forth in the table referenced above, none were approved pursuant to the *de minimus* exception provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Off-Balance Sheet Arrangements

Through June 2005, Intertape Polymer Group Inc. maintained no off-balance sheet arrangements, except for certain letters of credit issued and outstanding. As of December 31, 2006 and 2005, the Company had \$2.5 million and \$7.0 million, respectively, of outstanding letters of credit, which decrease the available balance under the Company's credit facility. In June 2005, Intertape Polymer Group Inc. entered into an interest rate swap agreement for a notional principal amount of \$50.0 million maturing in June 2010. In July 2005, Intertape Polymer Group Inc. entered into a second interest rate swap agreement for a notional principal amount of \$25.0 million maturing in July 2010. Under the terms of these interest rate swap agreements, the Company receives, on a quarterly basis, a variable interest rate and pays a fixed interest rate of 4.27% and 4.29%, respectively, plus the premium of 2.75% (2.25% prior to November 8, 2006 and in 2005) applicable on its term loan. The increase in the premium rate is as a result of the November, 2006 Amendment to the Company's Credit Agreement. As of December 31, 2006, the effective interest rate on \$75,000,000 was 7.03%, (6.53% in 2005), and the effective interest rate on the excess was 8.04% (6.74% in 2005).

Tabular Disclosure of Contractual Obligations

The information required by Paragraph (12) of General Instruction B to Form 40-F is located on Page 21 of Management's Discussion and Analysis for 2006 attached hereto as Exhibit 2 and made a part hereof by this reference.

Identification of the Audit Committee

Intertape Polymer Group Inc. has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee is comprised of four of the seven directors of Intertape Polymer Group Inc.: John E. Richardson, L. Robbie Shaw, Gordon R. Cunningham, and Thomas E. Costello. For additional information with respect to the Company's Audit Committee, see Item 17 of the Company's

Annual Information Form attached hereto as Exhibit 1.

Undertaking

Intertape Polymer Group Inc. undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Securities and Exchange Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating

to the securities in relation to which the obligation to file an annual report on Form 40-F arises, or transactions in said securities.

[SIGNATURE ON FOLLOWING PAGE]

Signature

Pursuant to the requirements of the Exchange Act, Intertape Polymer Group Inc. certifies that it meets all of the requirements for filing on Form 40-F, and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized.

INTERTAPE POLYMER GROUP INC.

(Registrant)

By: /s/ Andrew M. Archibald

(Signature)

Name:

Andrew M. Archibald, C.A.

Title:

Chief Financial Officer

Date: April 2, 2007

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EXHIBIT 1

Item 1.

INTERTAPE POLYMER GROUP INC.

ANNUAL INFORMATION FORM

For the Year ended December 31, 2006

Dated: April 2, 2007

INTERTAPE POLYMER GROUP INC.

ANNUAL INFORMATION FORM

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Item 2.

Corporate Structure

2.1

Name, Address and Incorporation

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

Intertape Polymer Group's corporate headquarters is located at 9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada H4M 2X5 and the address of its registered office is 1155 René-Lévesque Blvd. West, Suite 4000, Montreal, Quebec, Canada H3B 3V2, c/o Stikeman Elliott LLP.

2.2

Intercorporate Relationships

Intertape Polymer Group is a holding company which owns various operating companies in the United States and Canada. Intertape Polymer Inc., incorporated under the *Canada Business Corporations Act*, is the principal operating company for the Company's Canadian operations. Intertape Polymer Corp., a Delaware corporation, is the principal operating company for the Company's United States and international operations.

The table below lists for each of the subsidiaries of the Company their respective place of incorporation or constitution, as the case may be, and the percentage of voting securities beneficially owned or over which control or direction is exercised directly or indirectly by Intertape Polymer Group. Certain subsidiaries, each of which represents not more than ten percent of consolidated assets and not more than ten percent of consolidated sales and operating revenues of the Company, and all of which, in the aggregate, represent not more than twenty percent of total consolidated assets and total consolidated sales and operating revenues of the Company at December 31, 2006, have been omitted.

Corporation	Place of Incorporation or Constitution	Percentage of Ownership or Control
Intertape Polymer Group Inc.	Canada	Parent
Intertape Polymer Inc.	Canada	100%
ECP GP II Inc.	Canada	100%
ECP L.P.	Province of Ontario	100%
Spuntech Fabrics Inc.	Canada	100%
IPG Financial Services Inc.	Delaware	100%
IPG Holding Company of Nova Scotia	Nova Scotia	100%
Intertape Polymer Corp.	Delaware	100%
Intertape Woven Products Services S.A. de C.V.	Mexico	100%
IPG Holdings LP	Delaware	100%
Polymer International Corp.	Virginia	100%
IPG (US) Inc.	Delaware	100%
IPG (US) Holdings Inc.	Delaware	100%
Intertape Polymer US Inc.	Delaware	100%
Fibope Portuguesa-Filmes Biorientados S.A.	Portugal	100%

Item 3.

General Development of the Business

3.1

General Three Year History

Overview of prior periods

The Company commenced operations in 1981 and since has evolved into a recognized leader in North America in the development and manufacture of tapes, films and engineered coated and laminated products. Intertape Polymer Group is the second largest tape manufacturer in North America, the leader in the markets for many engineered coated

products, and a significant producer of films in the North American industry. For several years, Intertape Polymer Group's business strategy was primarily one of growth. Commencing in the mid-1990's, the Company made several strategically important acquisitions to further its business plan to either develop or acquire new products to complete the basket of products approach to the Company's markets.

Following this period of rapid expansion through acquisitions, the Company entered a period of integration, cost reduction, and facility consolidation. The Company focused on implementing improvements aimed both at realizing the benefits of past acquisitions and optimizing the Company's cost base, the quality of its products and the cost and effectiveness of its supply chain operations. As part of its supply chain optimization, the Company announced in 2003 that it would consolidate three Regional Distribution Centers (RDCs) into a new facility adjacent to its existing manufacturing operations in Danville, Virginia.

2004-2005

The new RDC became operational in February 2004 and the continuous improvement of this operation has allowed the Company to lower warehousing costs and enhance service levels to its customers. In 2006, the Company established a dedicated consumer products distribution center in Columbia, South Carolina, utilizing a third party provider. This RDC will improve service to this customer base.

Over the last three years, the Company has invested approximately \$69.5 million in capital expenditures principally to purchase more efficient production equipment, expand capacity and permit the manufacture of new product offerings, and to enhance information systems capabilities. One of the benefits of these investments has been the Company's ability to reduce the number of its production and distribution facilities, while maintaining its existing capacities. In the fourth quarter of 2004, as part of the Company's ongoing review of the efficiency and effectiveness of its production and distribution network, the Company announced and substantially completed the closure of two of its manufacturing facilities, one in Cumming, Georgia and the second in Montreal, Quebec, as well as the closure of its distribution center in Cumming, Georgia.

Beginning in 2004, the Company, along with the industry, has experienced rising raw material costs. In 2005, not only was the Company, as well as the industry, faced again with rising raw material costs, certain key raw materials also became in short supply. In the first half of 2005, the shortage was in synthetic rubber, an essential ingredient in the formulation of certain of the Company's tape adhesives. After two major hurricanes hit the Gulf Coast of Louisiana and Texas during the third quarter, prices for petroleum-based resins, which are key raw materials for several of the Company's products, rose dramatically. However, as a result of the creation of smaller business teams within the Company and a global sourcing group, the Company was able to manage the rising raw material costs through a series of timely sales price increases to its industrial and specialty distributors, and to a lesser extent, its retail customers, and was able to aggressively pursue and secure resin supplies from worldwide sources.

During 2005, in response to increasing sales prices and product shortages that were negatively impacting Intertape Polymer Group's customer profitability, Intertape Polymer Group implemented its Full Truck concept which was and is designed to allow the Company's customers to consolidate their purchases through the ordering of multiple products in single shipments. Under the Full Truck strategy, customers are offered truckload pricing being

required to purchase full truckloads of each product line. This inventory management system is designed to permit the Company's customers to operate their businesses with a lower cash investment. The Full Truck concept is an extension of Intertape Polymer Group's basket of products strategy which provides the Company's customers with a one-stop shopping opportunity, and which is an essential element of Intertape Polymer Group's value proposition to its customers. The Company's value proposition is meant to provide economic benefit for customers in these ways:

1.

Inventory optimization achieved through more frequent inventory turns.

2.

New business development resulting from Intertape Polymer Group's field sales force making end-user calls with distributors.

3.

Business growth through the Company's National Accounts Program.

In December, 2005, the Company announced it was investigating the possibility of selling a portion of its interest in the combined engineered coated products operations and FIBC business through an initial public offering of the combined business using a Canadian Income Trust. On May 24, 2006 the Company announced that it had indefinitely deferred the decision to proceed with this offering.

2006

In May of 2006, it was announced that Mr. Melbourne F. Yull, the Company's founder Chairman and CEO would retire effective on June 14, 2006. In connection with Mr. Yull's retirement, the Company recorded charges totaling \$9.9 million (predominantly in the second quarter of 2006), including \$1.5 million in stock-based compensation expense and \$2.4 million related to the recognition of the balance of Mr. Yull's pension.

Following Mr. Yull's retirement, Mr. Michael Richards was elected as the non-executive Chairman of the Board. The Board of Directors also appointed Mr. Dale McSween as Interim CEO until such time as a successor to Mr. Yull is appointed. As discussed in further detail below, due to the Company's on-going strategic alternatives process, the appointment of a new CEO has been put on hold.

During the first quarter of 2006, petroleum-based resin prices started decreasing. Accordingly, in order to remain competitive, the Company reduced sales prices for certain of its products. This, combined with inventories of higher cost raw materials purchased in the fourth quarter of 2005, resulted in a decrease in the Company's gross margin for the first quarter of 2006. Demand for the Company's products remained relatively weak throughout 2006 and consequently the margin decline continued during the remaining quarters of 2006.

During 2006, the Company also was successful in reducing the amount of working capital required to run its business by \$44 million as a result of reducing inventories and improving terms and collections in the area of accounts receivable. The Company also invested in manufacturing equipment and IT infrastructure to add capacity, improve productivity and to expand certain of its operations. The capital investment program for 2006 included adding three

film lines for expanded production of heat shrinkable films and stretch wrap. These lines were installed in the Danville, Virginia, Tremonton, Utah, and Porto, Portugal plants. The Company also successfully improved inventory management through investment in third party inventory planning software.

2006-2007

The Company's business underwent significant change in 2006 necessitating, in Management's view, making several revisions to its business model. In spring 2006, the Company began importing general purpose acrylic tape for sale to its distributors though it continues to manufacture more value-added acrylic tape products. In March 2006, the Company closed its FIBCs manufacturing facility in Piedras Negras, Mexico, substantially reducing its manufacturing capacity for this product group. The Company's revised business model also includes its almost exclusive reliance on imported bags to meet customers' demand except for a limited manufacturing capability in the Company's Hawkesbury, Ontario facility where the Company manufactures specialty bags and provides customers with emergency product fulfillment.

2006 was also marked by declining sales volumes and narrower gross margins as compared to 2005. As discussed below, there were a variety of factors contributing to both the sales volume decline and the narrowing of gross margins, but one of the most significant factors was the Company's customer account rationalization process, which accounted for approximately forty percent of the sales volume decline experienced by the Company in 2006. The Company exited several unprofitable customer accounts and streamlined its product offering, particularly with respect to products sold to its consumer accounts.

While some of the sales volume decline was the result of deliberate account rationalization, and other factors were temporary in nature, markets for several of the Company's products did demonstrate sustained gross margin compression during 2006. In recognition of changes in the underlying business, the Company conducted an interim test of its goodwill for possible impairment as at September 30, 2006. As a result of the impairment test, the Company recorded an impairment of goodwill charge in the amount of \$120.0 million. The Company performed its annual impairment test at December 31, 2006 and concluded that no additional impairment charge was necessary.

Throughout 2006, the Company continually sought ways to restructure its business and reduce costs to levels more commensurate with near term anticipated sales volumes and gross margins. The Company estimates that through certain cost-cutting measures it implemented in 2006, it has reduced its annual operating costs by approximately \$28.0 million. Many of the cost reduction measures undertaken by the Company required the recognition of significant one-time costs. Details of the Company's reductions of annual operating costs in 2006, as well as the significant one-time costs incurred by the Company in connection therewith, are described in more detail in Management's Discussion & Analysis incorporated herein by reference.

In 2006, the Company closed its Piedras Negras, Mexico, Brighton, Colorado, and Cap-de-la Madeleine, Quebec plants. The facility in Piedras Negras, Mexico was closed as the

Company changed its FIBC business model, eliminating most domestic manufacturing and relying almost exclusively on import fulfillment. Though the implementation of the import sourcing model resulted in a reduction in revenue, it permitted the Company to increase gross margins and improve profitability in its FIBC product line.

Production from the Company's Brighton, Colorado plant was shifted late in 2006 to the Company's Danville, Virginia, and Richmond, Kentucky facilities. This consolidation was made possible by productivity increases at the Danville, Virginia facility and the commercialization of a new rubber compounding technology at the Richmond, Kentucky facility. Additionally in 2006, the Company transferred the production at its Cap-de-la Madeleine facility to its Brantford, Ontario facility. The consolidation of a large percentage of the Company's paper packaging products provided a base for the Company's investment in a ten color printing press for its Brantford, Ontario facility.

Lastly, as previously announced, during 2006 TD Securities Inc. was engaged to work with management in order to carry out a detailed financial and operational review of the Company. Additionally, in October 2006, the Board of Directors decided to explore what strategic alternatives may be available to the Company to enhance shareholder value. TD Securities Inc. was also engaged to work with the Board and management in this strategic alternatives review process. This process is continuing.

3.2

Credit/Debt Information

Indebtedness

Intertape Polymer Group reduced indebtedness associated with long-term debt instruments by \$50.2 million during 2002, and a further \$64.3 million during 2003. Long-term debt increased during 2004 as a result of the capital lease entered into at that time for the new RDC in Danville, Virginia, and by the \$325.0 million that was borrowed by the Company in connection with the refinancing completed in August 2004.

In 2005, the Company's indebtedness increased by \$10.0 million due to the Company's borrowing in connection with its acquisition of Flexia Corporation and Fib-Pak Industries, Inc. This was offset by a reduction in long-term debt of \$3.0 million in accordance with the Company's debt amortization schedule. In 2006, the Company reduced its long-term debt by an additional \$3.0 million and its revolving credit facility by \$15.0 million.

Credit Agreements and Notes

On July 28, 2004, the Company entered into a new senior secured credit facility consisting of a US\$200.0 million seven-year delayed draw Term Loan B facility, a US\$65.0 million five-year revolving credit facility, and a US\$10.0 million five-year revolving credit facility to be issued in Canadian dollars. The credit facility is secured by a first priority security interest in substantially all of the tangible and intangible assets of, and is guaranteed by, the Company and substantially all of its subsidiaries. Further, on July 28, 2004, the Company completed an offering of US\$125.0 million 8-½% Senior Subordinated Notes due 2014. The

proceeds from the refinancing were used to repay the Company's then existing bank credit facility, redeem all three series of its then existing senior secured notes, pay related make-whole premiums, accrued interest and transaction fees and provide cash for general working capital purposes.

The credit agreement governing the senior secured credit facility and the indenture governing the outstanding Senior Subordinated Notes each contain restrictive covenants that, among other things, limit the Company's ability to incur additional indebtedness, make restricted payments, make loans or advances to subsidiaries and other entities, invest in capital expenditures, sell its assets or declare dividends. In addition, under its Senior Secured Credit Facility, the Company is required to maintain certain financial ratios, including a maximum total leverage ratio, a minimum interest coverage ratio and a minimum fixed charge ratio.

In 2006, the Company amended its credit agreement on two occasions, the first being in the second quarter to obtain a waiver for certain non-recurring costs, and the second in the fourth quarter to amend the financial covenants in the agreements due to the changes in the Company's business model.

For additional information regarding the Company's Senior Secured Credit Facility and Senior Subordinated Notes, see Item 14, **Material Contracts**.

3.3

Significant Acquisitions

While the Company made no acquisitions in 2006, historically acquisitions have played a significant role in the Company's strategy for growth and entry into new product markets.

In June 2003, the Company acquired the remaining fifty percent of the issued and outstanding common shares of Fibope Portuguesa-Filmes Biorientados S.A. (**Fibope**). Intertape Polymer Group acquired Fibope in order to provide a viable platform from which to introduce its North American made products into European markets. In 2006, the Company completed a building expansion and added a third extrusion line and associated converting equipment to the Fibope facility.

In February 2004, the Company completed the purchase for a cash consideration of \$5.5 million plus contingent consideration (dependent on business retention), of the assets relating to the masking and duct tape operations of tesa

tape, inc. The Company also finalized a three-year agreement to supply duct tape and masking tape to tesa. The production of the acquired business was integrated into the Company's Columbia, South Carolina manufacturing facility. This acquisition provided the Company's retail business with access to several large retail chains not previously serviced by the Company.

The Company's last significant acquisition was closed on October 5, 2005, when Intertape Polymer Group's wholly owned subsidiary, Intertape Polymer Inc., for an aggregate consideration of approximately \$30.0 million (after purchase price adjustments which occurred in 2006), acquired all of the issued and outstanding shares of Flexia Corporation Ltd., being the body corporate that resulted from the amalgamation of Flexia Corporation and Fib-Pak

Industries, Inc. These companies produce a wide range of engineered coated and laminated products, and polypropylene fabrics, and this production was complementary to the Company's existing coated products business based in Truro, Nova Scotia, as well as its FIBC business. The Company believes that this acquisition increased its market share in certain product groups and provided the Company with an enhanced geographic proximity to its customers and suppliers.

The Company has integrated Flexia and Fib-Pak and their operations are now organized and operated under a wholly-owned limited partnership, ECP L.P. The combination of ECP L.P. operations along with the Company's existing coated products business based in Truro, Nova Scotia, has resulted in certain synergies and cost savings to the Company as a result of head count reductions, purchasing cost reductions, manufacturing cost reductions and global sourcing opportunities.

The Flexia and Fib-Pak acquisition met the definition of a significant acquisition, as that term is understood with reference to Part 8 of the Canadian National Instrument 51-102-*Continuous Disclosure Obligations*. A Business Acquisition Report on Form 51-102F4 was filed by the Company on December 20, 2005, and is incorporated herein by reference.

Set forth below is a summary of the Company's acquisitions since 1996.

Completed Acquisitions

Year	Annual Cost of Acquisitions (US\$ in millions)	Company	Location	Products
1996	\$5.3	Tape, Inc.	Green Bay, Wisconsin	Water-activated packaging tapes
1997	\$42.9	American Tape Co.	Marysville, Michigan Richmond, Kentucky	Pressure-sensitive tapes, masking tapes
1998	\$103.9	Anchor Continental, Inc.	Columbia, South Carolina	Pressure-sensitive tapes, masking and duct tapes
1998	\$9.3	Rexford Paper Company	Milwaukee, Wisconsin	Pressure-sensitive and water-activated tapes
1999	\$111.3	Central Products Company	Menasha, Wisconsin Brighton, Colorado	Pressure-sensitive and water-activated carton sealing tapes
		and		

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		Spinnaker Electrical Tape Company		Pressure-sensitive electrical tapes
2000	\$38.4	Olympian Tape Sales, Inc.	Carbondale, Illinois Cumming, Georgia	Distribution of packaging products

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2003	\$7.2	Fibope Portuguesa-Filmes Biorientados S.A.	Portugal	Manufacture and distribution of shrink film
2004	\$5.5	tesa tape inc.	Columbia, South Carolina	Masking and duct tape
2005	\$30.0	Flexia Corporation Ltd. (now operating as ECP L.P.)	Brantford, Ontario Hawkesbury, Ontario Langley, British Columbia	Engineered coated products, polyethylene scrims, polypropylene fabrics and FIBCs

Item 4.

Narrative Description of the Business

4.1

General

Intertape Polymer Group is a leader in the specialty packaging industry. Management believes the Company is the second largest manufacturer of tape products in North America and is recognized for its development, manufacture and sale of adhesive tapes, specialty tapes, plastic packaging films, and engineered coated products for use in industrial and retail applications. The Company's products include carton sealing tapes, including Intertape® pressure-sensitive and water-activated tapes; industrial and performance specialty tapes, including masking, duct, electrical and reinforced filament tapes; Exlfilm® shrink film; Stretchflex® stretch wrap, and engineered coated fabric products.

The Company has approximately 2,100 employees with operations in 17 locations, including 14 manufacturing facilities in North America and one in Europe.

Intertape Polymer Group has assembled a broad range of products by leveraging its manufacturing technologies, its research and development capabilities, global sourcing expertise and its strategic acquisition program. Since 1995,

the Company has made a number of strategic acquisitions in order to offer a broader range of products to better serve its markets. The Company's extensive product line permits Intertape Polymer Group to offer tailored solutions to a wide range of end-markets including food and beverage, consumer, industrial, building and construction, oil and gas, water supply, automotive, medical, agriculture, aerospace and military applications.

4.2

Products, Markets and Distribution

The Company manufactures a variety of specialized polyolefin plastic and paper based products, as well as complementary packaging systems for use in industrial and retail applications. These products include Intertape® pressure sensitive and Central™ water-activated

carton sealing tapes; industrial and performance specialty tapes including paper, duct, electrical and reinforced filament tapes; Exlfilm® shrink film and StretchFLEX® stretch wrap. The Company's products are manufactured and sold under the Intertape® family of brands to industrial distributors, retailers and to third parties under private brands. For the years ending December 31, 2006, and December 31, 2005, tapes and films accounted for 77% and 83%, respectively, of the Company's sales.

The Company's tape and film products are manufactured and sold under Intertape brands including Intertape®, Central™, Exlfilm® and StretchFLEX® to industrial distributors and retailers, and are manufactured for sale to third parties under private brands.

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

On October 5, 2005, Intertape Polymer Inc., a subsidiary of the Company, acquired all of the issued and outstanding shares of Flexia Corporation Ltd., being the body corporate that resulted from the amalgamation of Flexia Corporation and Fib-Pak Industries, Inc. The businesses of such companies are now operating under a wholly-owned limited partnership, ECP L.P. ECP L.P. is a producer of a wide range of engineered coated and laminated products with facilities located in Langley, British Columbia, Brantford, Ontario, and Hawkesbury, Ontario.

The Company's tape and film products consist of four main product groups: (A) Carton Sealing Tapes, (B) Industrial & Specialty Tapes, (C) Films and (D) Protective Packaging.

The Company's engineered coated products are categorized in six markets: (E) Building and Construction, (F) Agro-Environmental, (G) Consumer Packaging, (H) Specialty Fabrics, (I) Industrial Packaging, and (J) FIBCs. For the years ended December 31, 2006 and December 31, 2005, engineered coated products accounted for 23% and 17%, respectively, of the Company's sales.

A.

Carton Sealing Tapes

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

Hot Melt Tape

Hot melt carton sealing tape is a polypropylene film coated with a synthetic rubber adhesive which offers a wide range of application flexibility and is typically used in carton

sealing applications. Primary competitors are 3M Co., Shurtape Technologies LLC and Vibac Group.

Acrylic Tape

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

Natural Rubber Tape

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

Water Activated Tape

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

B.

Industrial & Specialty Tapes

The Company produces seven primary industrial and specialty products: Paper Tape, Flatback Tape, Duct Tape, Filament Tape, Stencil Products, Electrical Tape, and Double-Coated Tape.

Paper Tape

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

Flatback Tape

Flatback tape is manufactured using a smooth kraft paper substrate coated with a natural rubber/SIS blended adhesive. Flatback tape is designed with low elongation and is widely used in applications such as splicing where the tape should not be distorted. Typical applications for

flatback tape include printable identification tapes, label products and carton closure. Primary competitors of the Company for this product are Shurtape Technologies, LLC, and 3M Co.

Duct Tape

Duct tape is manufactured from a polyethylene film that has been reinforced with scrim and coated with natural/synthetic rubber blend adhesive or speciality polymer adhesives. Duct tape is primarily used by general consumers for a wide range of applications. Duct tapes are also used in maintenance, repair and operations, in the heating, ventilation and air conditioning markets, construction and in the convention and entertainment industries.

Primary competitors of the Company for this product are Covalence Specialty Materials Corp., 3M Co. and Shurtape Technologies, LLC.

Filament Tape

Filament tape is a film or paper adhesive tape with fiberglass strands or polyester fibers embedded in the adhesive to provide high tensile strength. Primary applications for filament tape include appliance packing, bundling and unitizing, and agricultural applications. Primary competitors of the Company for this product are 3M Co., TaraTape, Inc. and Shurtape Technologies, LLC.

Stencil Products

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

Electrical and Electronic Tapes

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

Performance Plastics.

Double-Coated Tapes

Double-coated tapes are manufactured from a paper, foam, or film substrate and are coated on both sides with a variety of adhesive systems. Double-coated tapes also use a release liner made from paper or film, that prevents the tape from sticking to itself. Double-coated tapes are typically used to join two dissimilar surfaces. The Company's double-coated tape products are used in the manufacture and regripping of golf clubs, with smaller sales to the carpet installation and the graphics industries. Primary competitors of the Company for this product are 3M Co., Avery Dennison Corp., tesa tape, inc., and Scapa Group plc.

C.

Films

The Company primarily produces two film product lines: Exlfilm® Shrink Film and StretchFLEX® Stretch Wrap.

Exlfilm® Shrink Film

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

StretchFLEX® Stretch Wrap

Stretch wrap is a single or multi-layer plastic film that can be stretched without application of heat. It is used industrially to wrap pallets of various products ensuring a solid load for shipping.

The Company uses state-of-the-art multi-layer technology for the manufacturing of its StretchFLEX® stretch wrap. This technology has allowed the Company to focus on the introduction of a high performance product while reducing manufacturing costs. The Company introduced Genesys™ in 2005, which is a light gauge high performance film created for wrapping irregularly shaped packages. Primary competitors of the Company for this product include Sigma Plastics Group, Covalence Specialty Materials Corp., Atlantis Plastics Inc., Pliant Corp. and AEP Industries, Inc.

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

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

D.

Protective Packaging

Air Pillows

Air pillows are manufactured by the Company from polyethylene film and are inflated at the point of use with an air pillow machine. Air pillows are used as packaging material for void fill and cushioning applications. Typical end-use markets for air pillows include fulfillment houses, contract packagers, and mail order pharmacies. Primary competitors of the Company for

this product are Pregis Corp., Sealed Air Corp., Storopack, Inc., Free-Flow Packaging International Inc. and Polyair Inter Pack Inc.

E.

Building and Construction Products

The Company's building and construction product group includes protective wrap for kiln dried lumber and a variety of other membrane barrier products such as house wrap, window and door flashing and insulation facing, which are used directly in residential and commercial construction. The Company also supplies packaging over-wrap sleeves for unitizing multiple bags of fiberglass insulation. Intertape's lumber wrap is used to package, unitize, protect and brand lumber during transportation and storage. The product is available in polyethylene or polypropylene coated fabrics and polyethylene films printed to customer specifications. Lumber wrap is produced at the Company's plants in Langley, British Columbia; Brantford, Ontario; and Truro, Nova Scotia.

F.

Agro-Environmental Products

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

NovaShield™ Membrane Structure Fabrics

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

AquaMaster® Geomembrane Fabrics

The Company's AquaMaster® line of geomembrane fabrics is used as an irrigation canal liner, golf course and aquascape pond liner, and in aquaculture operations. Primary competitors of the Company for this product include Gundle/SLT Environmental, Inc., Poly-America LP and Firestone Building Products.

Poultry Fabrics

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