

## Intertape Polymer Group Inc. Announces Fourth Quarter and Annual Results for 2004

- Fourth quarter sales were up 14.6% over last year
- Adjusted pretax earnings were up 16.9% over last year

**Montréal, Québec and Bradenton, Florida – March 11, 2005** – Intertape Polymer Group Inc. (NYSE, TSX: ITP) today released results for the fourth quarter and year ended December 31, 2004. “Our sales growth for the fourth quarter was particularly strong, and we exceeded our revenue growth target of 10% for the year,” said Intertape Polymer Group Inc. (IPG) Chairman and Chief Executive Officer, Melbourne F. Yull. “We made progress in recovering raw material cost increases through price increases to our customers. Additionally, during the fourth quarter we announced the closure of two facilities, which should have a positive effect on our cost structure going forward. Improvements in our financial and selling, general and administrative cost structures also helped to offset the pressure of raw material cost increases, resulting in a 16.9% increase in our adjusted pretax earnings compared to the same period last year. Net income was up even more significantly, mainly driven by an adjustment for income taxes recoverable in future periods.”

### Operating Results

Sales for the fourth quarter were \$180.7 million, up 14.6% compared to the corresponding quarter last year. The increase was due to unit growth, price increases, and acquisition-related revenues. Sales for the year were \$692.4 million, up 11.4% compared to 2003.

Gross margin for the fourth quarter was 19.9% compared to 22.0% for the same quarter last year. The Company was successful in achieving sales price increases during the fourth quarter of 2004. Raw material cost increases contributed to the decline in the gross margin. Nonetheless, gross profit increased by 3.9% compared to the same period in 2003. Gross margin for the year decreased to 20.7% from 22.4% in the prior year.

Selling, general and administrative (“SG&A”) expenses were \$25.8 million in the fourth quarter of 2004, compared to \$24.8 million for the fourth quarter of 2003. The increase relates to higher sales within the retail distribution channel, which carries a more expensive selling structure than other sales channels. “While SG&A expenses increased slightly compared to the same period last year, as a percent of sales, they were down from 15.8% in 2003 to 14.3% in 2004,” said IPG’s Chief Financial Officer, Andrew M. Archibald, C.A. SG&A expenses were \$94.2 million, or 13.6% of sales, for the year, compared to \$89.9 million, or 14.5% of sales, for 2003.

Financial expenses in the fourth quarter were \$4.3 million, a 23.0% decrease compared to \$5.6 million for the fourth quarter last year. “The reduction in financial expenses is the result of the various debt restructuring activities over the past year,” commented Mr. Archibald. “Assuming interest rates and our outstanding debt remain constant, we would expect financial expenses for 2005 to be in the range of \$17.0 million to \$18.0 million.” Financial expenses for the year were \$24.3 million, excluding the \$30.4 million cost of refinancing, compared to \$28.5 million for last year. The lower financial expenses for the year were also partly the result of a substantial debt repayment at the end of the third quarter of 2003, which was accomplished with the proceeds of the \$40.8 million common stock issuance in late September 2003.

The Company is including adjusted pretax earnings, a non-GAAP financial measure, in this discussion of results because it believes the measure permits more meaningful comparisons of its performance between the periods presented. See the table below for a reconciliation of adjusted pretax earnings to net earnings. Adjusted pretax earnings were \$4.6 million for the quarter, up 16.9% from \$3.9 million for the same quarter last year. Adjusted pretax earnings were \$19.4 million for the year, compared to adjusted pretax earnings of \$17.1 million for the previous year.

## Reconciliation of Net Earnings to Adjusted Pretax Earnings

Periods ended December 31, (in millions of US dollars)	Three months		Twelve months	
	2004	2003	2004	2003
	\$	\$	\$	\$
Net earnings – As reported	17.7	5.2	11.4	18.2
Add back:				
Income taxes (recovery)	(20.5)	(4.3)	(29.7)	(4.1)
Pretax earnings	(2.8)	0.9	(18.4)	14.1
Add back:				
Refinancing expense	-	-	30.4	-
Manufacturing facility closure costs	7.4	3.0	7.4	3.0
Adjusted pretax earnings	<u>4.6</u>	<u>3.9</u>	<u>19.4</u>	<u>17.1</u>

For the fourth quarter, the Company recorded an income tax recovery of \$20.5 million, of which \$19.0 million was due to a reduction in the Company's valuation allowance for future income tax benefits. This adjustment was a result of the Company's periodic assessment of its ability to realize future income tax assets. For the same period in 2003, the Company booked an income tax recovery of \$4.2 million. For the year, the Company recorded an income tax recovery of \$29.7 million, compared to an income tax recovery of \$4.1 million for the year 2003, reflecting primarily the impact of the valuation allowance adjustment in the fourth quarter of 2004 and the tax effect of the \$30.4 million of refinancing expenses incurred in the third quarter of 2004. For 2005, the Company expects its effective tax rate to be in the range of 20.0% to 23.0% and cash taxes to be less than \$2.0 million for the year.

Net earnings for the fourth quarter of 2004 were \$17.7 million, or \$0.43 per share (basic and diluted), compared to net earnings of \$5.2 million or \$0.13 per share (basic and diluted) for the fourth quarter of 2003. Net earnings were \$11.4 million for the year, or \$0.27 per share (diluted), compared to net income of \$18.2 million, or \$0.50 per share (diluted), for the year 2003.

The Company is including earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA, non-GAAP financial measures, in this discussion of results because it believes these measures permit more meaningful comparisons of its performance between the periods presented. In addition, the Company's covenants contained in the loan agreement with its lenders require certain debt to Adjusted EBITDA ratios be maintained, thus EBITDA and Adjusted EBITDA are used by management and the Company's lenders in evaluating the Company's performance. A reconciliation of the Company's EBITDA and Adjusted EBITDA, non-GAAP financial measures, to GAAP net earnings (loss) is set out in the EBITDA and Adjusted EBITDA reconciliation table below. The Company's EBITDA for the fourth quarter of 2004 was \$9.1 million compared to \$13.9 million for the fourth quarter of 2003. The adjusted EBITDA was \$16.5 million in the fourth quarter of 2004 as compared to \$16.9 million in the fourth quarter of 2003. EBITDA was \$65.0 million for 2004 compared to \$70.2 million for 2003. The adjusted EBITDA was \$72.4 million for 2004 compared to \$73.2 million in 2003.

## EBITDA and Adjusted EBITDA Reconciliation to Net Earnings

Periods ended December 31, (in millions of US dollars)	Three months		Twelve months	
	2004	2003	2004	2003
	\$	\$	\$	\$
Net earnings – As reported	17.7	5.2	11.4	18.2
Add back:				
Financial expenses, net of amortization	4.1	5.1	23.0	26.7
Refinancing expense	-	-	30.4	-
Income taxes	(20.5)	(4.2)	(29.7)	(4.1)
Depreciation and amortization	7.8	7.8	29.9	29.4
EBITDA	9.1	13.9	65.0	70.2
Add back:				
Manufacturing facility closure costs	7.4	3.0	7.4	3.0
Adjusted EBITDA	<u>16.5</u>	<u>16.9</u>	<u>72.4</u>	<u>73.2</u>

## Cash Flows

Cash flows from operating activities were a net \$1.7 million for the fourth quarter of 2004, compared to \$9.2 million for the fourth quarter 2003. While cash from operating activities before non-cash working capital items was up significantly in 2004, non-cash working capital items used more cash in 2004 because of higher raw material costs included in inventories and the planned build-up of inventories to facilitate the closing of the Montreal, Quebec and Cumming, Georgia plants at year-end. Cash flows used by operating activities in 2004 were \$4.1 million compared to cash flows from operating activities for 2003 of \$40.4 million. The decline in cash flow on an annual basis was also partly attributable to the make-whole payment of \$21.9 million made in the third quarter of 2004.

Cash used in operating and investing activities totaled \$5.0 million in the fourth quarter of 2004 and was funded by cash on hand at the beginning of the period. Cash used in operating and investing activities for the year totaled \$41.6 million and was funded by a net increase in debt.

## Balance Sheet

While total debt, net of cash, was increased by 17.4% over the course of 2004, the Company expects the benefits of the debt restructuring undertaken in the third quarter of 2004 to be reflected in lower annual financial expenses in future years and an improved repayment schedule which should provide greater financial flexibility to the Company over the next few years. As of December 31, 2004, the Company had cash and a temporary investment of \$22.4 million, as well as a committed revolving credit facility of \$75.0 million that remained undrawn. Mr. Archibald also noted that the Company recently completed a registered exchange offer for its senior subordinated notes.

## Outlook

"We continue to target 10% sales growth for 2005 and are pleased with our sales so far this year," said Mr. Yull. "Our ability to make significant bottom line improvement is dependent on our ability to improve our gross margin. This should occur if we are able to achieve product price increases, as well as planned cost reductions."

Capital expenditures are expected to be between \$23.0 million and \$27.0 million for 2005 as the Company continues to invest in equipment to improve its productivity and expand certain operations vertically, which at the same time will create new product capabilities.

(All figures in U.S. dollars, unless otherwise stated; December 31, 2004, exchange rate: Cdn \$1.2062 = U.S.\$1.00)

Click below to view IPG Fourth Quarter and Annual Financials  
[IPG Fourth Quarter and Annual Financials](#)

## **Conference Call**

A conference call to discuss IPG's fourth quarter results will be held Monday, March 14, 2005 at 10:00 A.M. Eastern Standard Time. Participants may dial 1-877-209-0397 (U.S. and Canada) and 1-612-332-1025 (International). The conference call will also be simultaneously webcast on the Company's website at <http://www.intertapepolymer.com>.

You may access a replay of the call by dialing 1-800-475-6701 (U.S. and Canada), or 1-320-365-3844 (International), and entering the passcode 771687. The recording will be available from Monday, March 14, 2005 at 5:00 P.M. until Monday, March 21, 2005 at 11:59 P.M, Eastern Standard Time.

## **About Intertape Polymer Group**

Intertape Polymer Group is a recognized leader in the development and manufacture of specialized polyolefin plastic and paper based packaging products and complementary packaging systems for industrial and retail use. Headquartered in Montreal, Quebec and Sarasota/Bradenton, Florida, the Company employs approximately 2,600 employees with operations in 15 locations, including 10 manufacturing facilities in North America and one in Europe.

## **Safe Harbor Statement**

*Certain statements and information included in this release constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied in such forward-looking statements. Additional discussion of factors that could cause actual results to differ materially from management's*

*projections, estimates and expectations is contained in the Company's SEC filings. The Company undertakes no duty to update its forward-looking statements, including its earnings outlook. This release contains certain non-GAAP financial measures as defined under SEC rules, including adjusted net earnings, EBITDA, and adjusted EBITDA. The Company believes such non-GAAP financial measures improve the transparency of the Company's disclosure, provide a meaningful presentation of the Company's results from its core business operations, excluding the impact of items not related to the Company's ongoing core business operations, and improve the period-to-period comparability of the Company's results from its core business operations. As required by SEC rules, the Company has provided reconciliations of those measures to the most directly comparable GAAP measures.*

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