Intertape Polymer Group Inc
2nd Quarter 2007 Conference Call
August 13, 2007. 10:00am

Presentation of Melbourne F Yull, Executive Director

"Thank you operator. Good morning everyone and thank you for joining us for our second quarter 2007 conference call. With me are Vic DiTommaso, Vice President, Finance, and Andrew Archibald, our former CFO, now assisting us as a special consultant.

Even though one must respect the former Board's decision to seek strategic alternatives, there were many who were unable to accept the offer as presented. Shareholders were clearly convinced that this Company had more to offer than what was on the table. This was evident at the June 28th annual and special meeting where, by a vote of 70%, shareholders rejected the special resolution calling for the sale of the Company.

At that same meeting Eric Baker, Mel Yull and Dale McSween were elected to the Board. At a subsequent board meeting, Eric Baker was elected Chairman, George Bunz was also elected to the Board and named Chairman of the Audit Committee. I was named Executive Director.

- *Eric brings an immense amount of experience to the company. He has been instrumental in managing a multitude of companies.*
- *George brings extensive expertise to a multiple manufacturing operation like Intertape.*

This Board will be further strengthened with two additional members to be named during a special meeting on September 5th. I am confident that Intertape will have the experience necessary on the Board to provide this Company with the right direction and maximize the opportunities we see ahead of us.

The Board has already identified a clear strategy and in my capacity as Executive Director, my focus since June has been on the following key areas:

Financial

- *Secure required banking arrangements*
- *Improve the balance sheet with an equity injection*

Operations

- *Re-establish sales growth*
- *Improve employee morale*
- *Restore customer confidence*
- *Grow margins and improve working capital.*

I am pleased to report we have made progress on all fronts. Last week we announced that we obtained an amendment to our Credit Agreement. This amendment was necessary because of the costs of the strategic alternatives program that the Company undertook in 2006 and 2007. We did not require or request any changes in our covenant ratios.

Last Thursday we announced the filing of a final prospectus in connection with a shareholder rights offering. If fully subscribed, it will provide the Company with approximately $86 million in new equity funding. As a clear sign of confidence, the Company has firm commitments from several major shareholders, members of the board, and senior officers, including one former senior officer, that guarantee that the rights offering will yield the Company proceeds of at least $62.6 million. The net Proceeds of this offering will be used to reduce long-term debt. We anticipate the Rights Offering will be concluded by the end of September of this year, and will result in the Company receiving a minimum of $62.6 million, which will permit it to operate comfortably under its Credit Facilities

.

It is important to note that these financial issues were driven by the results of the Company's performance for Q3 and Q4 of 2006, as well as the approximately $6.2 million which was expensed in pursuing the strategic alternatives process.

Another important and immediate objective is to restore employee morale and customer relations. We've lost some considerable ground at the Company due to the uncertainties created by the strategic alternatives process. We've moved quickly to rebuild our employees' faith in Intertape, many of whom felt demoralized and looked for direction. There were serious questions surrounding the Company's future for too many months. Intertape's Board has been proactive in setting a new course for the Company. With this clear guidance and led by a revitalized management team, the Company is seeking to recover sales lost as focus was diverted by the strategic alternatives process. We've now set realistic objectives with an achievable list of priorities. We will work diligently to regain sales volumes.

Since late June, Management has been focused on a number of priorities to grow margins and improve working capital. We have identified and have started to implement these initiatives and expect they will be fully in place by year-end and are sustainable. Let me give you some highlights:

1. *Logistics. The combined product shipment for our Industrial Distributors is an excellent program that benefits both Intertape and our customers. However, there are some products that do not lend themselves to this program primarily as we cannot cover the cost of double shipping and inventory. Those products are now being shipped direct to customers from the plants eliminating the double and triple handling, extra freight and double inventory. This change will be completed in the third quarter and will improve our bottom line significantly and reduce our working capital requirements. Customer service will not be adversely affected.*
2. *Finishing. The final stage of our tape manufacturing process is the most labor intensive. Two of our plants are well below our standards in-so-far-as output per hour. This improvement will be complete during the fourth quarter.*

3. *Capacity utilization. Intertape's gross margins are related to some extent to capacity utilization. We produce the best financial returns when our equipment runs seven days per week. We have identified two product lines where the market will support moving some areas to seven days and this is now being implemented.*
4. *Flexia. Due to the turmoil during the strategic process, Intertape's IT systems were not integrated with those of Flexia. This has led to many cost duplications. They will be integrated by the end of the fourth quarter.*
5. *Additional production. The company was purchasing in excess of 12MM pounds of film from third parties. The spread between resin and film costs makes this a very attractive move. We own a previously mothballed extruder which can make this film in house. It is now being commissioned. Production will begin late in this quarter.*
6. *Selling prices.*

Each of these initiatives is expected to have two - fold results :

1. *Increase our profitability*
2. *Reduce our working capital requirements*

We do not anticipate any one time charges against earnings as we complete these projects.

The same uncertainties brought on by the strategic alternatives process have impacted our customer base. We have moved very quickly in re-establishing their importance to Intertape and are modifying some of our marketing programs to make sure we satisfy their needs.

The Board is dedicated to continue stabilizing operations at the Company. As I've said, we'll be augmenting out the Board on September 5th and are moving aggressively and rapidly to put Intertape's financial house in order. All of this is designed to provide a platform from which a new CEO will be able to move the Company forward.

In terms of our second quarter results, Vic will fully detail the numbers in just a moment. I do want to point out that the $18.4 million adjusted EBITDA for the second quarter was the highest level of adjusted EBITDA since the second quarter of 2006. This is a 12.2% improvement over the adjusted EBITDA of the $16.4 million reported in the first quarter this year and a 64.3% improvement over the adjusted EBITDA of $11.2 million reported in the fourth quarter of 2006.

The upward trend of Intertape's EBITDA and the initiatives that I have gone through justify why our shareholders rejected the Little John offer.

I will now ask Vic to discuss our financials."

Presentation by Victor DiTommaso – Vice President Finance

"Thank you Mel and good morning everyone.

Net loss for Q2 was $8.1 million or $0.20 per share, basic and diluted, compared to a net loss of $18.2 million or $0.44 per share for the same period in 2006. Net loss for the six months was $8.6 million, or $0.21 per share, compared to a net loss of $28.2 million, or $0.69 for this same period in 2006. Except for unusually high income tax expense, which I will address in further detail later in the call, the underlying earnings of the Company also continue to improve.

Pretax earnings before manufacturing facility closure, strategic alternatives and other charges for the second quarter totaled $4.1 million, a substantial improvement compared to $1.4 million for first quarter of 2007. The pretax earnings on the same basis for the three months ended June 30, 2006 was $5.0 million. Adjusted net earnings per share exclusive of the tax valuation allowance would have been a profit of $0.05 in the second quarter and $0.07 year to date. This compares to adjusted net earnings reflecting losses for the third and fourth quarter of 2006 of $0.06 and $0.21, respectively.

Second quarter sales were $187.1 million, down 14% from the $217.7 million a year ago, but a slight improvement over sales for the first *quarter of 2007 of $186.8 million. The year-over-year decrease includes a 12.1% decrease in sales volume with the balance of the decline being attributable to selling price decreases.*

Sales for the first six months were $374 million compared to $430 million for the same period in 2006. This 13% decrease includes a 10.9% decline in sales volume with the balance of the decline attributable to selling price decreases. The year-to-date decrease in sales is primarily due to a decline in commercial activity within key markets for the our engineered coated products, including the real estate construction market; a decline in the sale of North American tape products; consumer customer account rationalization; as well the uncertainties surrounding the Company.

During the second quarter of 2007, we were able to build on the improvements we achieved during the first quarter of 2007. The second quarter adjusted EBITDA of $18.4 million was the Company's strongest operating performance since the second quarter of 2006, when we reported adjusted EBITDA of $19.5 million. It also marks the second consecutive quarter of meaningful improvement from the third and fourth quarters of 2006 when adjusted EBITDA was between $11.0 and $12.0 million in each quarter. This improved adjusted EBITDA is the result of the cost reduction program we completed in the first quarter of 2007. As a result of these cost reductions, we were able to achieve the second quarter's adjusted EBITDA on sales levels comparable to the levels in the third and fourth quarters of 2006.

The Company's financial position will be further strengthened by the proceeds from the rights offering, which is expected to close in mid-September. As reported, we intend to use the net proceeds to reduce our long-term debt, specifically our Term Loan B, thereby significantly reducing the Company's financial leverage.

As Mel noted, we have received firm financial commitments from several major shareholders, directors, officers and a former officer that assure us at least $60 million in net proceeds from the rights offering. These firm commitments were an essential factor during recent discussions with our lenders that resulted in an amendment to our Credit Facility to accommodate the costs of the strategic *alternatives process. It should be noted that we did not request changes to the financial covenant ratios. We believe that at our current performance level and with the additional equity proceeds from the rights offering, that we will not need additional covenant relief going forward. The Company paid a $2.3 million loan amendment fee which will be capitalized and amortized over the remaining term of the credit facility and will pay an additional 150 basis point spread on its Credit Facility. The spread increase will decrease to 125 basis points once we pay down the debt with the net proceeds from the rights offering. The Company has now successfully addressed the two key short-term financial consequences that had been identified in the May 25, 2007 Management Information Circular as needing to be addressed if the shareholders chose not to sell the Company at the June shareholder meeting.*

The recent loan amendment includes a reduction in the maximum borrowing under the revolving credit agreement from $75.0 million to $60.0 million. Since this facility was originally put in place back in 2004, borrowings under the revolver have never exceeded $5.0 million except when we acquired Flexia at the end of the third quarter of 2005 and we quickly paid those borrowings down. Accordingly, we believe we have adequate liquidity with a $60.0 million cap. One of the reasons that we have not historically used the revolver to any significant extent is the strong cash flow of the business. In 2006, largely through working capital initiatives the second half of the year, the Company generated cash flows from operations of $53.6 million, despite spending $19.5 million cash that year on one-time charges. For the first six months of 2007, cash flows from operations were $12.2 million despite spending $8.6 million in one-time charges. Over the last eighteen months the Company has expended just over $28 million cash on one-time charges. On the June 30, 2007 balance sheet, there is approximately $5.6 million in accrued one-time charges that will be paid out principally over the next twelve months. We do not expect any significant new cash-based one-time charges in the third quarter but as noted in our MD&A, we will have accelerated amortization of prior debt issue costs in the third quarter due to the early repayment of $60.0 million of debt. We estimate this accelerated amortization to approximate $1.4 million.

As I noted, we achieved significant cash flow improvement in the second half of 2006 due to working capital initiatives. We have experienced some retrenchment in this area, particularly in inventories. Part of the increase in inventories was in anticipation of plant summer shutdowns during the third quarter. As Mel noted, working capital improvement is a priority going forward and be believe that several of the initiatives that Mel detailed will provide working capital benefits as well as the expected profitability improvements.

The Company has tax net operating losses in both the United States and Canada, many of which do not expire until well into the future. However, there are some substantial Canadian net operating losses that expire in 2008. The Company had previously anticipated generating sufficient taxable income in Canada to realize the full benefit of these tax losses but continued softness in the Company's engineered coated products coupled with only modest expectations for improvement through 2008 necessitated that the Company place a $6.3 million valuation allowance against these tax assets. Should the Company generate sufficient Canadian profits to utilize all or most of these tax net operating losses, then the benefit will be recognized at that time in the form of lower tax expense. This is a non-cash item.

The cost reduction program has resulted in the Company reporting five consecutive quarters of lower SG&A expense. Part of the reduction in the SG&A is the favorable comparison of public company costs in 2007 compared to 2006. For the first six months of 2007, the Company has spent $1.1 million on the costs of being a public company compared to $1.8 million in 2006.

With that, I am turning the call back over to Mel for some concluding remarks."

Final comments by Melbourne F Yull – Executive Director

"A word on the housing and construction industry. While we can't change the slowness affecting this area, we can definitely boost the performance of our ECP Division once things return to normal. We have developed a number of new, excellent products including house

wrap and roof underlay, and along with our structure fabrics, we believe we are in a position to grow in those markets regardless of conditions in the housing industry. Then, whenever the construction industry regains momentum, we will be back with our traditional products.

We have seen continued improvement in the second quarter and our EBITDA performance is a clear indication that we are moving forward in a positive fashion. With the disruptions of the strategic alternatives process now behind us, our management team and employees are keen to restore customer confidence and regain lost sales. Our sales staff is already reporting tangible positive reaction from our customers now that the uncertainty surrounding the Company has been put to rest. We are encouraged by these early signs of support.

We will also continue our focus on lowering our working capital requirements. Thank you and have a good day.

Thank you again for joining us."