2019 2nd quarterly report

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

	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
	$	$	$	$
Revenue	**295,609**	277,823	287,656	279,062
Cost of sales	**230,915**	220,027	231,015	221,719
Gross profit	**64,694**	57,796	56,641	57,343
Gross margin	**21.9%**	20.8%	19.7%	20.5%
Selling, general and administrative expenses	**36,433**	32,683	31,460	34,230
Research expenses	**3,023**	3,168	2,644	2,926
	39,456	35,851	34,104	37,156
Operating profit before manufacturing facility closures, restructuring and other related charges	**25,238**	21,945	22,537	20,187
Manufacturing facility closures, restructuring and other related charges	**3,875**	304	1,583	5,777
Operating profit	**21,363**	21,641	20,954	14,410
Finance costs (income)				
Interest	**8,565**	7,693	6,713	3,952
Other expense (income), net	**798**	(655)	2,854	(1,497)
	9,363	7,038	9,567	2,455
Earnings before income tax expense (benefit)	**12,000**	14,603	11,387	11,955
Income tax expense (benefit)				
Current	**5,977**	1,175	(323)	(496)
Deferred	**(439)**	2,896	1,093	2,742
	5,538	4,071	770	2,246
Net earnings	**6,462**	10,532	10,617	9,709
Net earnings (loss) attributable to:				
Company shareholders	**6,566**	10,491	10,634	9,663
Non-controlling interests	**(104)**	41	(17)	46
	6,462	10,532	10,617	9,709
Earnings per share attributable to Company shareholders				
Basic	**0.11**	0.18	0.18	0.16
Diluted	**0.11**	0.18	0.18	0.16
Weighted average number of common shares outstanding				
Basic	**58,760,473**	58,652,366	58,831,432	58,817,410
Diluted	**58,955,643**	58,924,107	59,055,824	59,081,293

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

	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
	$	$	$	$
Revenue	249,072	237,229	237,404	243,444
Cost of sales	194,625	186,777	183,381	192,575
Gross profit	54,447	50,452	54,023	50,869
Gross margin	21.9%	21.3%	22.8%	20.9%
Selling, general and administrative expenses	27,653	29,123	34,125	18,776
Research expenses	3,233	3,221	2,889	3,091
	30,886	32,344	37,014	21,867
Operating profit before manufacturing facility closures, restructuring and other related (recoveries) charges	23,561	18,108	17,009	29,002
Manufacturing facility closures, restructuring and other related (recoveries) charges	(407)	107	466	216
Operating profit	23,968	18,001	16,543	28,786
Finance costs (income)				
Interest	3,945	2,462	2,525	2,290
Other expense (income), net	1,328	1,125	(4,693)	593
	5,273	3,587	(2,168)	2,883
Earnings before income tax expense (benefit)	18,695	14,414	18,711	25,903
Income tax expense (benefit)				
Current	765	988	(1,064)	2,253
Deferred	2,901	2,132	(1,405)	4,378
	3,666	3,120	(2,469)	6,631
Net earnings	15,029	11,294	21,180	19,272
Net earnings (loss) attributable to:				
Company shareholders	15,097	11,359	21,319	19,244
Non-controlling interests	(68)	(65)	(139)	28
	15,029	11,294	21,180	19,272
Earnings per share attributable to Company shareholders				
Basic	0.26	0.19	0.36	0.33
Diluted	0.26	0.19	0.36	0.32
Weighted average number of common shares outstanding				
Basic	58,811,586	58,801,327	58,831,518	59,171,255
Diluted	59,103,899	59,146,693	59,154,509	59,527,823

This Management's Discussion and Analysis ("MD&A") is intended to provide the reader with a better understanding of the business, strategy and performance of Intertape Polymer Group Inc. (the "Company"), as well as how it manages certain risks and capital resources. This MD&A, which has been prepared as of August 7, 2019, should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and notes thereto as of and for the three and six months ended June 30, 2019 and 2018 ("Financial Statements") and "Item 5 Operating and Financial Review and Prospects (Management's Discussion & Analysis)" located in the Company's annual report on Form 20-F for the year ended December 31, 2018 and the other statements contained in the Company's filings with the Canadian securities regulators and the US Securities and Exchange Commission. It should also be read together with the text below on forward-looking statements in the section entitled "Forward-Looking Statements".

For the purposes of preparing this MD&A, the Company considers the materiality of information. Information is considered material if the Company believes at the time of preparing this MD&A that: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the common shares of the Company; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; and/or (iii) it would significantly alter the total mix of information available to investors. The Company evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Except where otherwise indicated, all financial information presented in this MD&A, including tabular amounts, is prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS" or "GAAP") and is expressed in US dollars ("USD"). Variance, ratio and percentage changes in this MD&A are based on unrounded numbers and therefore can give rise to rounding differences.

Overview

The Company reported an 18.7% increase in revenue for the second quarter of 2019 compared to the second quarter of 2018 and a 17.9% increase in revenue for the first six months of 2019 compared to the same period in 2018. The increase in revenue in both periods was primarily due to the Polyair[(1)], Maiweave[(2)], and Airtrax[(3)] acquisitions and an increase in volume/mix in product categories mainly related to the Company's recent strategic investments.

Gross margin was 21.9% in the second quarter of both 2019 and 2018 primarily because the increase in spread between selling prices and combined raw material and freight costs was offset by the dilutive impact of the Polyair, Airtrax and Maiweave acquisitions. Gross margin decreased to 21.4% in the first six months of 2019 compared to 21.6% in the first six months of 2018 primarily due to the dilutive impact of the Polyair, Maiweave, and Airtrax acquisitions, partially offset by an increase in spread between selling prices and combined raw material and freight costs.

Net earnings attributable to the Company's shareholders ("IPG Net Earnings") for the second quarter of 2019 decreased to $6.6 million ($0.11 basic and diluted earnings per share) from $15.1 million for the second quarter of 2018 ($0.26 basic and diluted earnings per share). The decrease was primarily due to (i) an increase in selling, general and administrative expenses ("SG&A") mainly due to additional SG&A from the Polyair and Maiweave acquisitions as well as an increase in share-based compensation driven primarily by the change in fair value of cash-settled awards, (ii) an increase in manufacturing facility closures, restructuring and other related charges mainly resulting from the Johnson City, Tennessee and Montreal, Quebec facility closures, (iii) an increase in finance costs mainly driven by an increase in interest expense and (iv) an increase in income tax expense mainly driven by a Proposed Tax Assessment[(4)]. These unfavourable impacts were partially offset by an increase in gross profit.

IPG Net Earnings for the first six months of 2019 decreased to $17.1 million ($0.29 basic and diluted earnings per share) from $26.5 million for the same period in 2018 ($0.45 basic and diluted earnings per share). The decrease was primarily due to increases in (i) SG&A, (ii) finance costs, (iii) manufacturing facility closures, restructuring and other related charges and (iv) income tax expense. These unfavourable impacts were partially offset by an increase in gross profit.

Adjusted net earnings[(5)] for the second quarter of 2019 decreased to $14.6 million ($0.25 basic and diluted adjusted earnings per share)[(5)] from $15.8 million ($0.27 basic and diluted adjusted earnings per share) for the same period in 2018. The decrease was primarily due to an increase in finance costs and income tax expense, partially offset by organic growth in gross profit.

Adjusted net earnings for the first six months of 2019 decreased to $26.8 million ($0.46 basic and diluted adjusted earnings per share) from $29.0 million ($0.49 basic and diluted adjusted earnings per share) for the same period in 2018. The decrease was primarily due to increases in (i) finance costs, (ii) income tax expense and (iii) SG&A mainly resulting from an increase in variable

compensation. These unfavourable impacts were partially offset by organic growth in gross profit and adjusted net earnings contributed by the Maiweave and Polyair acquisitions.

Adjusted EBITDA[5] for the second quarter of 2019 increased to $44.2 million from $34.6 million for the second quarter of 2018 primarily due to (i) adjusted EBITDA contributed by the Polyair and Maiweave acquisitions, (ii) organic growth in gross profit, and (iii) the favourable impact of operating lease payments totalling $1.8 million that were capitalized in the second quarter of 2019 in accordance with new lease accounting guidance implemented on January 1, 2019.

Adjusted EBITDA for the first six months of 2019 increased to $82.5 million from $64.8 million for the same period in 2018. The increase in adjusted EBITDA was primarily due to (i) adjusted EBITDA contributed by the Polyair and Maiweave acquisitions, (ii) organic growth in gross profit, and (iii) the favorable impact of operating lease payments totalling $3.4 million that were capitalized in accordance with new lease accounting guidance. These favourable impacts were partially offset by an increase in SG&A mainly resulting from an increase in variable compensation.

(1) "Polyair Acquisition" refers to the acquisition by the Company of 100% of the outstanding equity value in Polyair Inter Pack, Inc. ("Polyair") on August 3, 2018.

(2) "Maiweave Acquisition" refers to the acquisition by the Company of substantially all of the operating assets of Maiweave LLC ("Maiweave") on December 17, 2018.

(3) "Airtrax Acquisition" refers to the acquisition by the Company of substantially all of the assets and assumption of certain liabilities of Airtrax Polymers Private Limited (doing business as "Airtrax") on May 11, 2018.

(4) "Proposed Tax Assessment" refers to a proposed state income tax assessment and the related interest expense recognized in the second quarter of 2019 totalling $2.3 million resulting from the denial of the utilization of certain net operating losses generated in tax years 2000-2006. Excluding the Proposed Tax Assessment, the effective tax rate would have been 28.7%.

(5) Non-GAAP financial measure. For definitions and reconciliations of non-GAAP financial measures to their most directly comparable GAAP financial measures, see “Non-GAAP Financial Measures” below.

Other Highlights:

Normal Course Issuer Bid ("NCIB")

The Company renewed its NCIB under which the Company is entitled to repurchase for cancellation up to 4,000,000 common shares of the Company at prevailing market prices over a twelve-month period starting on July 23, 2019. As of August 7, 2019, no shares have been repurchased under the NCIB.

Dividend Declaration

On August 7, 2019, the Board of Directors amended the Company's quarterly policy to increase the annualized dividend by 5.4% from $0.56 to $0.59 per common share. The Board's decision to increase the dividend was based on the Company's strong financial position and positive outlook. Accordingly, on August 7, 2019, the Company declared a quarterly cash dividend of $0.1475 per common share payable on September 30, 2019 to shareholders of record at the close of business on September 16, 2019.

Outlook

The Company's expectations for the fiscal year remain unchanged from those set out in the Company's MD&A as of and for the year ended December 31, 2018 (“2018 MD&A”), except for an additional exclusion related to the Proposed Tax Assessment, and are as follows:

- Revenue in 2019 is expected to be between $1,180 and $1,220 million, excluding the impact of any merger and acquisitions activity that takes place in 2019, and any significant fluctuations in selling prices caused by unforeseen variations in raw material prices.

- Adjusted EBITDA for 2019 is expected to be between $164 and $174 million. As in previous years, the Company expects adjusted EBITDA to be proportionately higher in the second, third and fourth quarters of the year relative to the first quarter due to the effects of normal seasonality. This estimate includes the expected impact of new accounting guidance for leases whereby operating lease rent expense will be classified as amortization of the right-of-use asset and interest expense on the related lease obligation, both of which are items excluded from the non-GAAP measure adjusted EBITDA,

estimated to be between $6 and $7 million for the year ended December 31, 2019. For the year ended December 31, 2018, rent expense included in adjusted EBITDA was $4.6 million related to operating leases that will be accounted for as right-of-use assets as of January 1, 2019.

- Total capital expenditures for 2019 are expected to be between $45 and $55 million.

- Excluding the potential impact of changes in the mix of earnings between jurisdictions and the Proposed Tax Assessment, the Company expects a 25% to 30% effective tax rate for 2019 and cash taxes paid in 2019 to be two thirds of the income tax expense in 2019, due to the elimination of certain tax benefits as a result of the Tax Cuts and Jobs Act related to intercompany debt.

Results of Operations

Revenue

Revenue for the second quarter of 2019 totalled $295.6 million, a $46.5 million or 18.7% increase from $249.1 million for the second quarter of 2018, primarily due to:

- Additional revenue of $40.8 million from the Polyair, Maiweave, and Airtrax acquisitions;
- An increase in volume/mix of approximately 2.4% or $6.0 million. The Company experienced continued growth in films, certain carton sealing tapes, and water activated tape which are each product categories directly related to the Company's recent strategic investments. This growth was partially offset by a decline in a retail tape product line and certain industrial tapes; and
- The impact of higher selling prices of approximately $1.1 million primarily in certain tape products.

Partially offset by:

- An unfavourable foreign exchange impact of $1.5 million.

Revenue for the first six months of 2019 totalled $573.4 million, an $87.1 million or 17.9% increase from $486.3 million for the same period in 2018, primarily due to:

- Additional revenue of $81.6 million from the Polyair, Maiweave, and Airtrax acquisitions;
- An increase in volume/mix of approximately 1.0% or $5.0 million. The company experienced continued growth in films, certain carton sealing tapes, water activated tape, and woven products which are each product categories directly related to our recent investments. This growth was partially offset by a decline in a retail tape product line and certain industrial tapes; and
- The impact of higher selling prices of approximately $4.0 million primarily in certain tape products.

Partially offset by:

- An unfavourable foreign exchange impact of $3.5 million.

Gross Profit and Gross Margin

Gross profit totalled $64.7 million for the second quarter of 2019, a $10.2 million or 18.8% increase from $54.4 million for the second quarter of 2018. Gross margin was 21.9% in the second quarter of both 2019 and 2018.

- Gross profit increased primarily due to additional gross profit from the Polyair and Maiweave acquisitions, an increase in spread between selling prices and combined raw material and freight costs, and an increase in organic sales volume. These favourable impacts were partially offset by an unfavourable product mix.
- Gross margin was unchanged primarily because the increase in spread between selling prices and combined raw material and freight costs was offset by the dilutive impact of the Polyair, Airtrax and Maiweave acquisitions.

Gross profit totalled $122.5 million for the first six months of 2019, a $17.6 million or 16.8% increase from $104.9 million for the same period in 2018. Gross margin was 21.4% in the first six months of 2019 and 21.6% in the same period in 2018.

- Gross profit increased primarily due to additional gross profit from the Polyair, Maiweave, and Airtrax acquisitions, an increase in spread between selling prices and combined raw material and freight costs, and an increase in organic sales volume. These favourable impacts were partially offset by an unfavourable product mix.
- Gross margin decreased primarily due to the dilutive impact of the Polyair, Maiweave, and Airtrax acquisitions, partially offset by an increase in spread between selling prices and combined raw material and freight costs.

Selling, General and Administrative Expenses

SG&A for the second quarter of 2019 totalled $36.4 million, an $8.8 million or 31.8% increase from $27.7 million for the second quarter of 2018. SG&A for the first six months of 2019 totalled $69.1 million, a $12.3 million or 21.7% increase from $56.8 million in the same period in 2018. The increase in both periods was primarily due to additional SG&A from the Polyair and Maiweave acquisitions, and an increase in share-based compensation, driven primarily by an increase in the fair value of cash-settled awards, of $3.7 million and $1.9 million in the second quarter and first six months of 2019, respectively.

The following table presents M&A Costs included in SG&A:

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
	$	$	**$**	$
M&A Costs included in SG&A	**0.7**	1.3	**2.3**	2.8

Manufacturing Facility Closures, Restructuring and Other Related Charges (Recoveries)

Manufacturing facility closures, restructuring and other related charges for the second quarter of 2019 totalled $3.9 million, a $4.3 million increase from recoveries of $0.4 million for the second quarter of 2018.

Manufacturing facility closures, restructuring and other related charges for the first six months of 2019 totalled $4.2 million, a $4.5 million increase from recoveries of $0.3 million in the same period in 2018.

As part of a plan to realize operational synergies gained from the acquisition of Canadian Technical Tape Ltd. ("Cantech "), which was completed in July 2017 ("Cantech Acquisition"), the Company closed its Johnson City, Tennessee manufacturing facility at the end of 2018 and subsequently sold the facility in June 2019. In the first quarter of 2019, the Company announced that it will close its Montreal, Quebec manufacturing facility and expects to transfer production to its other existing manufacturing facilities by the end of 2019. The Company estimates the closure of these Cantech facilities will generate annual cost savings of between $2.5 and $3.5 million. These synergies are included in the estimate of total annual synergies gained from the Cantech Acquisition of between $3.5 and $6.0 million by the end of 2019 and the Company remains confident in this range. The charges incurred in the three and six months ended June 30, 2019 were primarily due to charges in the second quarter for non-cash impairments of inventory and property, plant and equipment related to both facilities totalling $2.3 million, as well as cash costs of $1.1 million mainly for termination benefits related to the closure of the Montreal, Quebec manufacturing facility. The Company expects to incur additional cash costs of approximately $1.4 million in 2019 as it relates to the Montreal, Quebec manufacturing facility closure.

The recoveries incurred in the three and six months ended June 30, 2018 were primarily due to a reduction in the environmental provision related to the closure of the Columbia, South Carolina manufacturing facility.

Finance Costs

Finance costs for the second quarter of 2019 totalled $9.4 million, a $4.1 million increase from $5.3 million in the second quarter of 2018, primarily due to an increase in interest expense, partially offset by the non-recurrence of debt issue costs written off in the second quarter of 2018 as a result of refinancing and replacing one of the Company's debt facilities, as discussed in the section entitled "Liquidity and Borrowings" in the Company's 2018 MD&A.

Finance costs for the first six months of 2019 totalled $16.4 million, a $7.5 million increase from $8.9 million in the same period in 2018, primarily due to an increase in interest expense, partially offset by (i) foreign exchange gains in 2019 compared to losses in 2018 and (ii) the non-recurrence of debt issue costs written off in the second quarter of 2018 as discussed above.

The increase in interest expense for both periods was primarily due to (i) higher average cost of debt as a result of the Senior Unsecured Notes (defined later in this document) bearing interest at a fixed rate of 7.00% per annum, (ii) higher average debt outstanding due to additional borrowings to fund business acquisitions and strategic capital projects, (iii) incremental interest due to capitalizing operating leases in accordance with new lease accounting guidance implemented on January 1, 2019 and (iv) interest expense resulting from the Proposed Tax Assessment.

Income Taxes

The Company is subject to income taxation in multiple tax jurisdictions around the world. Accordingly, the Company's effective tax rate fluctuates depending on the geographic source of its earnings. The Company's effective tax rate is also impacted by tax planning strategies that the Company implements. Income tax expense is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The table below reflects the calculation of the Company's effective tax rate (in millions of US dollars):

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
	$	$	**$**	$
Income tax expense	**5.5**	3.7	**9.6**	6.8
Earnings before income tax expense	**12.0**	18.7	**26.6**	33.1
Effective tax rate	**46.2%**	19.6%	**36.1%**	20.5%

The increase in the effective tax rate in the three and six months ended June 30, 2019 as compared to the same periods in 2018 was primarily due to the Proposed Tax Assessment and the elimination of certain tax benefits as a result of the Tax Cuts and Jobs Act related to intercompany debt. Excluding the Proposed Tax Assessment, the effective tax rate would have been 28.7%.

IPG Net Earnings

IPG Net Earnings for the second quarter of 2019 totalled $6.6 million, a $8.5 million decrease from $15.1 million for the second quarter of 2018. IPG Net Earnings for the first six months of 2019 totalled $17.1 million, a $9.4 million decrease from $26.5 million for the same period in 2018. The decrease in both periods was primarily due to increases in SG&A, finance costs manufacturing facility closures, restructuring and other related charges and income tax expense, partially offset by an increase in gross profit.

Non-GAAP Financial Measures

This MD&A contains certain non-GAAP financial measures as defined under applicable securities legislation, including adjusted net earnings (loss), adjusted earnings (loss) per share, EBITDA, adjusted EBITDA, and free cash flows (please see the "Adjusted Net Earnings (Loss)" section below for a description and reconciliation of adjusted net earnings (loss) and adjusted earnings (loss) per share, "EBITDA and Adjusted EBITDA" section below for a description and reconciliation of EBITDA and adjusted EBITDA, and the "Cash Flows" section below for a description and reconciliation of free cash flows). In determining these measures, the Company excludes certain items which are otherwise included in determining the comparable GAAP financial measures. The Company believes such non-GAAP financial measures improve the period-to-period comparability of the Company's results and provide investors with more insight into, and an additional tool to understand and assess, the performance of the Company's ongoing core business operations. As required by applicable securities legislation, the Company has provided definitions of those measures and reconciliations of those measures to the most directly comparable GAAP financial measures. Investors and other readers are encouraged to review the related GAAP financial measures and the reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures set forth below and should consider non-GAAP financial measures only as a supplement to, and not as a substitute for or as a superior measure to, measures of financial performance prepared in accordance with GAAP.

Adjusted Net Earnings (Loss) and Adjusted Earnings (Loss) Per Share

A reconciliation of the Company's adjusted net earnings (loss), a non-GAAP financial measure, to IPG Net Earnings, the most directly comparable GAAP financial measure, is set out in the adjusted net earnings (loss) reconciliation table below. Adjusted net earnings (loss) should not be construed as IPG Net Earnings as determined by GAAP. The Company defines adjusted net earnings (loss) as IPG Net Earnings before (i) manufacturing facility closures, restructuring and other related charges (recoveries); (ii) advisory fees and other costs associated with mergers and acquisitions activity, including due diligence, integration and certain non-cash purchase price accounting adjustments ("M&A Costs"); (iii) share-based compensation expense (benefit); (iv) impairment of goodwill; (v) impairment (reversal of impairment) of long-lived assets and other assets; (vi) write-down on assets classified as

held-for-sale; (vii) (gain) loss on disposal of property, plant, and equipment; (viii) other discrete items as shown in the table below; and (ix) the income tax effect of these items. The term “adjusted net earnings (loss)” does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted net earnings (loss) is not a measurement of financial performance under GAAP and should not be considered as an alternative to IPG Net Earnings as an indicator of the Company’s operating performance or any other measures of performance derived in accordance with GAAP. The Company has included this non-GAAP financial measure because it believes that it permits investors to make a more meaningful comparison of the Company’s performance between periods presented by excluding certain non-operating expenses, non-cash expenses and, where indicated, non-recurring expenses. In addition, adjusted net earnings (loss) is used by management in evaluating the Company’s performance because it believes it provides an indicator of the Company’s performance that is often more meaningful than GAAP financial measures for the reasons stated in the previous sentence.

Adjusted earnings (loss) per share is also presented in the following table and is a non-GAAP financial measure. Adjusted earnings (loss) per share should not be construed as IPG Net Earnings per share as determined by GAAP. The Company defines adjusted earnings (loss) per share as adjusted net earnings (loss) divided by the weighted average number of common shares outstanding, both basic and diluted. The term “adjusted earnings (loss) per share” does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted earnings (loss) per share is not a measurement of financial performance under GAAP and should not be considered as an alternative to IPG Net Earnings per share as an indicator of the Company’s operating performance or any other measures of performance derived in accordance with GAAP. The Company has included this non-GAAP financial measure because it believes that it permits investors to make a more meaningful comparison of the Company’s performance between periods presented by excluding certain non-operating expenses, non-cash expenses and, where indicated, non-recurring expenses. In addition, adjusted earnings (loss) per share is used by management in evaluating the Company’s performance because it believes it provides an indicator of the Company’s performance that is often more meaningful than GAAP financial measures for the reasons stated in the previous sentence.

Adjusted Net Earnings Reconciliation to IPG Net Earnings
(In millions of US dollars, except per share amounts and share numbers)
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
	$	$	**$**	$
IPG Net Earnings	**6.6**	15.1	**17.1**	26.5
Manufacturing facility closures, restructuring and other related charges (recoveries)	**3.9**	(0.4)	**4.2**	(0.3)
M&A Costs	**0.9**	1.7	**4.0**	3.2
Share-based compensation expense (benefit)	**3.0**	(0.7)	**1.6**	(0.3)
Impairment of long-lived assets and other assets	**0.1**	—	**0.1**	0.0
(Gain) Loss on disposal of property, plant and equipment	**(0.0)**	0.1	**0.1**	0.2
Other item: special income tax events[1]	**2.3**	—	**2.3**	—
Income tax effect of these items	**(2.2)**	0.1	**(2.5)**	(0.3)
Adjusted net earnings	**14.6**	15.8	**26.8**	29.0
IPG Net Earnings per share				
Basic	**0.11**	0.26	**0.29**	0.45
Diluted	**0.11**	0.26	**0.29**	0.45
Adjusted earnings per share				
Basic	**0.25**	0.27	**0.46**	0.49
Diluted	**0.25**	0.27	**0.46**	0.49
Weighted average number of common shares outstanding				
Basic	**58,760,473**	58,811,586	**58,706,718**	58,806,485
Diluted	**58,955,643**	59,103,899	**58,902,830**	59,123,977

[1] Represents the Proposed Tax Assessment.

Adjusted net earnings totalled $14.6 million for the second quarter of 2019, a $1.2 million or 7.7% decrease from $15.8 million for the second quarter of 2018, primarily due to an increase in finance costs and income tax expense, partially offset by organic growth in gross profit.

Adjusted net earnings totalled $26.8 million for the first six months of 2019, a $2.2 million or 7.5% decrease from $29.0 million for the same period in 2018, primarily due to increases in (i) finance costs, (ii) income tax expense and (iii) SG&A mainly resulting from an increase in variable compensation. These unfavourable impacts were partially offset by organic growth in gross profit and adjusted net earnings contributed by the Maiweave and Polyair acquisitions.

EBITDA and Adjusted EBITDA

A reconciliation of the Company's EBITDA, a non-GAAP financial measure, to net earnings (loss), the most directly comparable GAAP financial measure, is set out in the EBITDA reconciliation table below. EBITDA should not be construed as earnings (loss) before income taxes, net earnings (loss) or cash flows from operating activities as determined by GAAP. The Company defines EBITDA as net earnings (loss) before (i) interest and other finance costs (income); (ii) income tax expense (benefit); (iii) amortization of intangible assets; and (iv) depreciation of property, plant and equipment. The Company defines adjusted EBITDA as EBITDA before (i) manufacturing facility closures, restructuring and other related charges (recoveries); (ii) advisory fees and other costs associated with mergers and acquisitions activity, including due diligence, integration and certain non-cash purchase price accounting adjustments ("M&A Costs"); (iii) share-based compensation expense (benefit); (iv) impairment of goodwill; (v) impairment (reversal of impairment) of long-lived assets and other assets; (vi) write-down on assets classified as held-for-sale; (vii) (gain) loss on disposal of property, plant and equipment; and (viii) other discrete items as shown in the table below. The terms "EBITDA" and "adjusted EBITDA" do not have any standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA and adjusted EBITDA are not measurements of financial performance under GAAP and should not be considered as alternatives to cash flows from operating activities or as alternatives to net earnings (loss) as indicators of the Company's operating performance or any other measures of performance derived in accordance with GAAP. The Company has included these non-GAAP financial measures because it believes that they allow investors to make a more meaningful comparison between periods of the Company's performance, underlying business trends and the Company's ongoing operations. The Company further believes these measures may be useful in comparing its operating performance with the performance of other companies that may have different financing and capital structures, and tax rates. Adjusted EBITDA excludes costs that are not considered by management to be representative of the Company's underlying core operating performance, including certain non-operating expenses, non-cash expenses and, where indicated, non-recurring expenses. In addition, EBITDA and adjusted EBITDA are used by management to set targets and are metrics that, among others, can be used by the Company's Human Resources and Compensation Committee to establish performance bonus metrics and payout, and by the Company's lenders and investors to evaluate the Company's performance and ability to service its debt, finance capital expenditures and acquisitions, and provide for the payment of dividends to shareholders. The Company experiences normal business seasonality that typically results in adjusted EBITDA that is proportionately higher in the second, third and fourth quarters of the year relative to the first quarter.

EBITDA and Adjusted EBITDA Reconciliation to Net Earnings
(In millions of US dollars)
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
	$	$	**$**	$
Net earnings	**6.5**	15.0	**17.0**	26.3
Interest and other finance costs	**9.4**	5.3	**16.4**	8.9
Income tax expense	**5.5**	3.7	**9.6**	6.8
Depreciation and amortization	**14.9**	10.0	**29.5**	20.1
EBITDA	**36.2**	34.0	**72.5**	62.0
Manufacturing facility closures, restructuring and other related charges (recoveries)	**3.9**	(0.4)	**4.2**	(0.3)
M&A Costs	**0.9**	1.7	**4.0**	3.2
Share-based compensation expense (benefit)	**3.0**	(0.7)	**1.6**	(0.3)
Impairment of long-lived assets and other assets	**0.1**	—	**0.1**	0.0
(Gain) Loss on disposal of property, plant and equipment	**(0.0)**	0.1	**0.1**	0.2
Adjusted EBITDA	**44.2**	34.6	**82.5**	64.8

Adjusted EBITDA totalled $44.2 million for the second quarter of 2019, an $9.6 million or 27.6% increase from $34.6 million for the second quarter of 2018. The increase was primarily due to (i) adjusted EBITDA contributed by the Polyair and Maiweave acquisitions, (ii) organic growth in gross profit, and (iii) the favourable impact of operating lease payments totalling $1.8 million

that were capitalized in the second quarter of 2019 in accordance with new lease accounting guidance implemented on January 1, 2019.

Adjusted EBITDA totalled $82.5 million for the first six months of 2019, a $17.6 million or 27.2% increase from $64.8 million for the same period in 2018, primarily due to (i) adjusted EBITDA contributed by the Polyair and Maiweave acquisitions, (ii) organic growth in gross profit, and (iii) the favorable impact of operating lease payments totalling $3.4 million that were capitalized in accordance with new lease accounting guidance. These favourable impacts were partially offset by an increase in SG&A mainly resulting from an increase in variable compensation.

Off-Balance Sheet Arrangements

There have been no material changes with respect to off-balance sheet arrangements since December 31, 2018 outside of the Company's ordinary course of business. Reference is made to the section entitled "Off-Balance Sheet Arrangements" in the Company's 2018 MD&A.

Working Capital

The Company experiences some business seasonality that results in the Company's efforts to effectively manage its working capital resources. Typically, a larger investment in working capital is required in quarters during which accounts receivable increase due to a higher level of sales invoiced toward the end of the quarter and inventory builds in anticipation of higher future sales, both of which typically occur in the first, second and third quarters and unwind in the fourth quarter. Furthermore, certain liabilities are accrued for throughout the year and are paid only during the first quarter of the following year.

The Company uses Days Inventory to measure inventory performance. Days Inventory increased to 72 for the second quarter of 2019 from 70 for the second quarter of 2018. Days Inventory increased to 70 for the six months ended June 30, 2019 from 66 for the same period in 2018. Inventories increased $10.0 million to $200.7 million as of June 30, 2019 from $190.7 million as of December 31, 2018, primarily due to planned inventory builds related to the ramp up of the woven products greenfield manufacturing facility in India, seasonal inventory builds and favourable plant performance that resulted in higher than planned inventory levels.

The calculations are shown in the following table:

	Three months ended			Six months ended	
	June 30, 2019	December 31, 2018	June 30, 2018	**June 30, 2019**	June 30, 2018
Cost of sales [(1)]	**$ 230.9**	$ 231.0	$ 194.6	**$ 450.9**	$ 381.4
Days in period	**91**	92	91	**181**	181
Cost of sales per day [(1)]	**$ 2.5**	$ 2.5	$ 2.1	**$ 2.5**	$ 2.1
Average inventory [(1)]	**$ 182.6**	$ 166.0	$ 150.7	**$ 175.2**	$ 139.7
Days inventory	**72**	66	70	**70**	66

Days inventory is calculated as follows:

Cost of sales ÷ Days in period = Cost of sales per day

(Beginning inventory + Ending inventory) ÷ 2 = Average inventory

Average inventory ÷ Cost of goods sold per day = Days inventory

For purposes of this calculation inventory excludes items considered parts and supplies

(1) In millions of US dollars

The Company uses Days Sales Outstanding (“DSO”) to measure the performance of its trade receivables. DSO increased to 44 in the second quarter of 2019 from 41 in the second quarter of 2018. DSO increased to 45 for the for the six months ended June 30, 2019 from 42 for the same period in 2018. Trade receivables increased $14.4 million to $143.7 million as of June 30, 2019 from $129.3 million as of December 31, 2018, primarily due to the timing and amount of revenue invoiced later in the second quarter of 2019 as compared to the fourth quarter of 2018.

The calculations are shown in the following tables:

	Three months ended			Six months ended	
	June 30, 2019	December 31, 2018	June 30, 2018	**June 30, 2019**	June 30, 2018
Revenue [(1)]	**$ 295.6**	$ 287.7	$ 249.1	**$ 573.4**	$ 486.3
Days in period	**91**	92	91	**181**	181
Revenue per day [(1)]	**$ 3.2**	$ 3.1	$ 2.7	**$ 3.2**	$ 2.7
Trade receivables [(1)]	**$ 143.7**	$ 129.3	$ 113.1	**$ 143.7**	$ 113.1
DSO	**44**	41	41	**45**	42

DSO is calculated as follows:

Revenue ÷ Days in period = Revenue per day

Ending trade receivables ÷ Revenue per day = DSO

(1) In millions of US dollars

Accounts payable and accrued liabilities decreased $36.8 million to $118.1 million as of June 30, 2019 from $154.8 million as of December 31, 2018, primarily due to the timing of payments for inventory as well as SG&A.

Liquidity and Borrowings

The Company's total outstanding borrowings increased $83.8 million to $590.9 million ($584.1 million net of unamortized debt issue costs of $6.8 million) as of June 30, 2019 from $507.1 million ($500.0 million net of unamortized debt issue costs of $7.1 million) as of December 31, 2018. The increase is primarily due to the capitalization of operating leases in accordance with new lease accounting guidance implemented on January 1, 2019 and additional borrowings to support the Company's seasonal working capital increase. On June 30, 2019, total borrowings included lease liabilities totalling $46.8 million compared to $5.7 million on December 31, 2018.

Senior Unsecured Notes

The Company's $250 million Senior Unsecured Notes, issued in October 2018, are due October 15, 2026 and bear interest at a fixed rate of 7.00% per annum, payable semi-annually in cash in arrears on April 15 and October 15 of each year, beginning on April 15, 2019. As of June 30, 2019, the Senior Unsecured Notes outstanding balance amounted to $250.0 million ($245.4 million net of $4.6 million in unamortized debt issue costs).

2018 Credit Facility

Pursuant to a credit agreement executed in June 2018 with a syndicated lending group, and a subsequent amendment executed in July 2019, the Company has a five-year $600.0 million credit facility ("2018 Credit Facility") comprised of a $400.0 million revolving credit facility (“2018 Revolving Credit Facility”) and a $200.0 million term loan (“2018 Term Loan”). The 2018 Term Loan amortizes $65.0 million until March 2023 ($5.0 million in 2018, $10.0 million in 2019, $12.5 million in 2020, $15.0 million in 2021, $17.5 million in 2022, and $5.0 million in 2023), and the remaining balance of the 2018 Credit Facility is due upon maturity in June 2023. The 2018 Credit Facility also includes an incremental accordion feature of $200.0 million, which enables the Company to increase the limit of this facility (subject to the credit agreement's terms and lender approval) if needed. The 2018 Credit Facility bears an interest rate based, at the Company’s option, on the London Inter-bank Offered Rate, the Federal Funds Rate, or Bank of America’s prime rate, plus a spread varying between 25 and 250 basis points depending on the debt instrument's benchmark interest rate and the consolidated secured net leverage ratio (175 basis points as of June 30, 2019 and 250 basis points as of December 31, 2018).

The 2018 Credit Facility has two financial covenants, a consolidated secured net leverage ratio and a consolidated interest coverage ratio. In July 2019, the Company and its syndicated lending group amended the 2018 Revolving Credit Facility to, among other things, revise the two financial covenant thresholds to account for the associated impacts of new lease accounting guidance implemented on January 1, 2019 requiring operating leases to be accounted for as debt (with corresponding interest payments). The amendment provides that the consolidated secured net leverage ratio must not be more than 3.70 to 1.00 (previously 3.50 to 1.00), with an allowable temporary increase to 4.20 to 1.00 (previously 4.00 to 1.00) for the quarter in which the Company consummates an acquisition with a price not less than $50 million and the following three quarters, and the consolidated interest coverage ratio must not be less than 2.75 to 1.00 (previously 3.00 to 1.00). The Company was in compliance with the consolidated secured net leverage ratio and consolidated interest coverage ratio, which were 1.93 and 5.59, respectively, as of June 30, 2019. In addition, the 2018 Credit Facility has certain non-financial covenants, such as covenants regarding indebtedness, investments, and asset dispositions. The Company was in compliance with all covenants as of and for the twelve months ended June 30, 2019.

As of June 30, 2019, the 2018 Term Loan's outstanding principal balance amounted to $190.0 million and the 2018 Revolving Credit Facility's outstanding principal balance amounted to $72.5 million, for a total gross outstanding principal balance under the 2018 Credit Facility of $262.5 million (net outstanding principal balance of $260.4 million, net of unamortized debt issue costs of $2.1 million). Outstanding letters of credit totalled $3.4 million resulting in total utilization under the 2018 Credit Facility of $265.9 million. Accordingly, unused availability under the 2018 Credit Facility as of June 30, 2019 amounted to $324.1 million. The Company's capacity to borrow available funds under the 2018 Credit Facility may be limited because of the secured net leverage ratio covenant and other restrictions as defined in the Company's credit agreement.

Other Borrowings

As of June 30, 2019, the Company's credit facilities denominated in Indian Rupee ("INR") had a gross outstanding balance of INR 1,806.8 million ($26.2 million) and net outstanding balance of INR 1,802.5 million ($26.1 million), net of unamortized debt issue costs of INR 4.3 million ($0.1 million). Including INR 47.8 million ($0.7 million) in outstanding letters of credit, total utilization under these credit facilities amounted to INR 1,854.6 million ($26.9 million). Accordingly, unused availability under these credit facilities as of June 30, 2019 amounted to INR 395.8 million ($5.7 million). All availability was uncommitted.

Liquidity

The Company relies upon cash flows from operations and funds available under its credit facilities to meet working capital requirements, as well as to fund capital expenditures, business acquisitions, dividends, share repurchases, obligations under its other debt instruments, and other general corporate activities.

The Company's liquidity risk management processes attempt to (i) maintain a sufficient amount of cash and (ii) ensure that the Company has financing sources for a sufficient authorized amount. The Company establishes budgets, cash estimates and cash management policies with a goal of ensuring it has the necessary funds to fulfill its obligations for the foreseeable future.

The Company believes it has sufficient cash on hand, and that it will generate sufficient funds from cash flows from operating activities, to meet its ongoing expected capital expenditures, working capital and discretionary dividend payment funding needs for at least the next twelve months. In addition, funds available under the borrowings may be used, as needed, to fund more significant strategic initiatives.

As of June 30, 2019, the Company had $12.6 million of cash and $329.8 million of loan availability (comprised of committed funding of $324.1 million, subject to the secured net leverage ratio covenant defined in the Company's credit agreement with its syndicated lending group, and uncommitted funding of $5.7 million), yielding total cash and loan availability of $342.4 million compared to total cash and loan availability of $393.9 million as of December 31, 2018.

Cash Flows

Cash flows from operating activities increased in the second quarter of 2019 by $4.2 million to $31.9 million from $27.7 million in the second quarter of 2018 primarily due to an increase in gross profit, partially offset by an increase in income taxes paid mainly as a result of the non-recurrence of a US tax refund received in 2018. Additionally, the Company's working capital contained fluctuations that largely offset each other primarily due to timing difference in payments and cash receipts.

Cash flows from operating activities increased in the first six months of 2019 by $5.8 million to $13.4 million from $7.6 million in the same period in 2018 primarily due to an increase in gross profit partially offset by an increase in income taxes paid as

discussed above, plus a year over year increase in cash flows used in working capital primarily due to timing difference in payments and cash receipts.

Cash flows used for investing activities decreased in the second quarter of 2019 by $5.9 million to $10.7 million from $16.6 million in the second quarter of 2018. Cash flows used for investing activities decreased in the first six months of 2019 by $6.0 million to $29.1 million from $35.1 million in the same period in 2018. The change in both periods was primarily due to a decrease in capital expenditures to support initiatives discussed in the section entitled "Capital Resources" and the receipt of proceeds from the sale of the Johnson City, Tennessee manufacturing facility in the second quarter of 2019, as discussed in the section entitled "Manufacturing Facility Closures, Restructuring and Other Related Charges (Recoveries)".

Cash flows used for financing activities increased in the second quarter of 2019 by $19.4 million to an outflow of $20.6 million from an outflow of $1.2 million in the second quarter of 2018. Cash flows from financing activities decreased in the first six months of 2019 by $25.8 million to an inflow of $8.6 million from an inflow of $34.3 million in the same period in 2018. The change in both periods was primarily due to a decrease in net borrowings as well as an increase in interest paid which was largely the result of the semi-annual recurring interest payment on the Senior Unsecured Notes in the second quarter of 2019. Additional discussion on borrowings is provided in the section entitled "Liquidity and Borrowings".

The Company is including free cash flows (a non-GAAP financial measure as defined and reconciled below) because it is used by management and investors in evaluating the Company's performance and liquidity. Free cash flows does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. Free cash flows should not be interpreted to represent the total cash movement for the period as detailed in the Company's Financial Statements, or to represent residual cash flow available for discretionary purposes, as it excludes other mandatory expenditures such as debt service. The Company experiences normal business seasonality that typically results in cash flows from operating activities and free cash flows that are proportionately higher in the second, third and fourth quarters of the year relative to the first quarter in line with required working capital investments discussed in the section entitled "Working Capital".

Free cash flows, defined by the Company as cash flows from operating activities less purchases of property, plant and equipment, increased in the second quarter of 2019 by $9.1 million to $20.5 million from $11.3 million in the second quarter of 2018 primarily due to a decrease in capital expenditures and increase in cash flows from operating activities. Included in free cash flows in the second quarter of 2019 was the favourable impact of operating lease payments totalling $1.8 million that are now presented in cash flows from financing activities in accordance with new lease accounting guidance implemented on January 1, 2019.

Free cash flows increased in the first six months of 2019 by $11.3 million to negative $15.9 million from negative $27.2 million in the same period in 2018 primarily due to an increase in cash flows from operating activities and decrease in capital expenditures. Included in free cash flows in the first six months of 2019 was the favourable impact of operating lease payments totalling $3.4 million that are now presented in cash flows from financing activities in accordance with new lease accounting guidance implemented on January 1, 2019.

A reconciliation of free cash flows to cash flows from operating activities, the most directly comparable GAAP financial measure, is set forth below.

Free Cash Flows Reconciliation to Cash Flows from Operating Activities
(In millions of US dollars)
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
	$	$	**$**	$
Cash flows from operating activities	**31.9**	27.7	**13.4**	7.6
Less purchases of property, plant and equipment	**(11.4)**	(16.4)	**(29.2)**	(34.7)
Free cash flows	**20.5**	11.3	**(15.9)**	(27.2)

Capital Resources

Capital expenditures totalled $11.4 million and $29.2 million in the three and six months ended June 30, 2019, and were funded by borrowings and cash flows from operations. The Company had commitments to suppliers to purchase machinery and equipment totalling approximately $13.1 million as of June 30, 2019 that are expected to be paid out in the next twelve months and will be funded by borrowings and cash flows from operations. These capital expenditures and commitments are primarily to support the greenfield manufacturing facilities in India and other smaller scale strategic and growth initiatives discussed in the section entitled "Capital Resources" in the Company's 2018 MD&A.

Indian Greenfield Manufacturing Facilities

The Company has been ramping up its woven products production in the Capstone greenfield manufacturing facility in India and transiting product to our North American manufacturing facilities for use in production and order fulfillment. Given the extended supply chain, the Company does not expect the associated contribution to results to begin until the second half of 2019. Minimal expenditures remain and total project expenditures are expected to be at the lower end of the $28 to $32 million range at completion.

The Company has commercialized certain carton sealing tape products in the Powerband greenfield manufacturing facility in the first half of this year as expected and the commissioning of production processes is expected to be completed by the end of 2019. Subsequent production ramp up to optimal operating efficiency and order book generation is expected to occur gradually later in 2019 and into 2020. As a result, the Company does not expect sales from this manufacturing facility to make a significant contribution to results in 2019. The total project expenditures are expected to be $21 to $23 million with approximately $1.5 million remaining to be spent in 2019.

Contractual Obligations

There have been no material changes with respect to contractual obligations since December 31, 2018 outside of the Company's ordinary course of business. Reference is made to the section entitled "Contractual Obligations" in the Company's 2018 MD&A.

Capital Stock and Dividends

As of June 30, 2019, there were 58,877,185 common shares of the Company outstanding.

The Company's share-based compensation plans include: stock options, Performance Share Units ("PSU"), Restricted Share Units ("RSU") and Deferred Share Units ("DSU").

The table below summarizes share-based compensation activity that occurred during the following periods:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Equity-settled				
Stock options granted [(1)]	**—**	—	**392,986**	242,918
Stock options exercised	**(209,375)**	(10,000)	**(226,875)**	(17,500)
Stock options cancelled	**(10,000)**	—	**(10,000)**	—
Cash-settled				
DSUs granted	**60,764**	36,204	**60,764**	43,203
DSUs settled	**—**	(37,668)	**—**	(37,668)
PSUs granted	**—**	—	**291,905**	284,571
PSUs forfeited/cancelled	**—**	(1,513)	**—**	(1,513)
PSUs cancelled by performance factor [(2)]	**—**	(2,125)	**(371,158)**	(2,125)
PSUs settled [(2)]	**—**	(117,605)	**—**	(335,465)
RSUs granted	**—**	—	**120,197**	113,047
SARs exercised	**—**	40,000	**—**	147,500
Cash settlements (in millions of US dollars)	**$ —**	$ 2.8	**$ —**	$ 7.9

(1) The Company's prior Executive Stock Option Plan ("ESOP"), which was adopted in 1992 and last ratified on June 4, 2015, elapsed on June 4, 2018. No further grants of stock options have been made under the ESOP since June 4, 2018. On March 12, 2019, the Board of Directors adopted a new Executive Stock Option Plan ("2019 ESOP") and on June 6, 2019, shareholders approved the plan at the Company's Annual Meeting of Shareholders.

(2) The table below provides further information regarding the PSUs settled and adjusted by performance factor included in the table above. The number of "Target Shares" reflects 100% of the PSUs granted and the number of PSUs settled reflects the performance adjustments to the Target Shares:

Grant Date	Date Settled	Target Shares	Performance	PSUs settled
March 14, 2015	March 21, 2018	217,860	100%	217,860
May 14, 2015	May 22, 2018	115,480	100%	115,480
May 20, 2015	May 28, 2018	4,250	50%	2,125
March 21, 2016	March 21, 2019	371,158	—%	—

As of June 30, 2019, $7.2 million was recorded in share-based compensation liabilities, current, and $3.4 million was recorded in share-based compensation liabilities, non-current.

The table below presents the share-based compensation expense (benefit) recorded in earnings in SG&A by award type (in millions of US dollars):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Equity-settled	**0.3**	0.1	**0.4**	0.2
Cash-settled	**2.7**	(0.8)	**1.2**	(0.5)
Total	**3.0**	(0.7)	**1.6**	(0.3)

The Company paid cash dividends of $0.14 per common share on June 28, 2019 to shareholders of record at the close of business June 14, 2019, respectively, for an aggregate amount of $8.4 million.

On August 7, 2019, the Board of Directors amended the Company's quarterly policy to increase the annualized dividend by 5.4% from $0.56 to $0.59 per common share. The Board's decision to increase the dividend was based on the Company's strong financial position and positive outlook. Accordingly, on August 7, 2019, the Company declared a quarterly cash dividend of $0.1475 per common share payable on September 30, 2019 to shareholders of record at the close of business on September 16, 2019.

The dividends paid and payable in 2019 by the Company are "eligible dividends" as defined in subsection 89(1) of the *Income Tax Act* (Canada).

The Company renewed its NCIB under which the Company is entitled to repurchase for cancellation up to 4,000,000 common shares of the Company at prevailing market prices over a twelve-month period starting on July 23, 2019 and ending on July 20, 2022. As of August 7, 2019, no shares have been repurchased under the NCIB.

Financial Risk, Objectives and Policies

Interest Rate Risk

The Company is exposed to a risk of change in cash flows due to the fluctuations in interest rates on its variable rate borrowings. To minimize the potential long-term cost of floating rate borrowings, the Company entered into interest rate swap agreements.

The terms of the interest rate swap agreements are as follows as of June 30, 2019:

Effective Date	Maturity	Notional Amount $	Settlement	Fixed interest rate paid %
Qualifying cash flow hedges:				
June 8, 2017	June 20, 2022	40.0	Monthly	1.7900
July 21, 2017	July 18, 2022	CDN$36.0 [(1)]	Monthly	1.6825
August 20, 2018	August 18, 2023	60.0	Monthly	2.0450
Non-qualifying cash flow hedges:				
March 18, 2015	November 18, 2019	40.0	Monthly	1.6100

(1) The notional amount will decrease by 18.0 million Canadian dollars ("CDN") on the 18th of July 2021 and 2022.

Hedge of net investment in foreign operations

A foreign currency exposure arises from Intertape Polymer Group Inc.'s net investment in its USD functional currency subsidiary, IPG (US) Holdings Inc. The risk arises from the fluctuations in the USD and Canadian dollar current exchange rate, which causes the amount of the net investment in IPG (US) Holdings Inc. to vary. The Company currently uses its Senior Unsecured Notes to hedge the Company's exposure to the USD foreign exchange risk on this investment.

The change in value related to the Senior Unsecured Notes designated as a hedging instrument, in the hedge of a net investment, are as follows for the three and six months ended June 30, 2019 (nil for the three and six months ended June 30, 2018):

	Three months ended June 30,	Six months ended June 30,
	2019	2019
	$	$
Gains from decrease in value of hedging instrument used for calculating hedge ineffectiveness	4,490	9,830
Gains from the decrease in value of hedging instrument recognized in other comprehensive income	3,927	8,608
Gains from hedge ineffectiveness recognized in earnings in finance costs in other expense, net	552	1,199
Foreign exchange gains recognized in cumulative translation adjustment	11	23

The change in value used for calculating hedge ineffectiveness related to the net investment in IPG (US) Holdings, Inc., designated as the hedged item in the hedge of a net investment is $3.9 million and $8.6 million for the three and six months ended June 30, 2019, respectively (nil for the three and six months ended June 30, 2018).

The cumulative loss included in the foreign currency translation reserve recognized in other comprehensive income related to the net investment in IPG (US) Holdings, Inc., designated as the hedged item in the net investment hedge, is $0.8 million for the six months ended June 30, 2019 ($9.4 million as of December 31, 2018).

Legal Matters

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 external 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 material amounts have been recorded as of June 30, 2019.

Critical Accounting Judgments, Estimates and Assumptions

The preparation of the Company's Financial Statements 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 the Financial Statements were the same as those applied in 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 the Financial Statements using the estimated weighted average annual effective income tax rate applied to the earnings before income tax expense 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, (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 and (iii) the measurement of lease liabilities under IFRS 16 - *Leases,* discussed below, which requires judgment as to the certainty of renewal options to be exercised and the discount rates applied. The Financial Statements should be read in conjunction with the Company's 2018 annual audited consolidated financial statements.

New Standards adopted as of January 1, 2019

IFRS 16 - *Leases* ("IFRS 16"), which replaced IAS 17 - *Leases* along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'), introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees, as well as new disclosure requirements. IFRS 16 became effective for annual reporting periods beginning on or after January 1, 2019. The new standard has been applied using the modified retrospective approach and as a result, prior periods have not been restated. The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease and the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before January 1, 2019 ("the date of initial application"). For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application. The Company has applied recognition exemptions across its complete portfolio of leased assets for short-term leases and leases of low value items. Furthermore, the Company has used certain relevant practical expedients available under the modified retrospective approach. Specifically, these include (i) applying a single discount rate to a portfolio of leases with reasonably similar characteristics, (ii) relying on the assessment of whether leases are onerous applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review, (iii) excluding leases for which the lease term ends within 12 months of the date of initial application, (iv) excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application, and (v) using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. The Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of initial application.

The adoption of this new guidance resulted in changes to the balance sheet as of January 1, 2019, including (i) recognition of $31.1 million in right-of-use assets included in property, plant and equipment, (ii) the recognition of $31.5 million in lease liabilities

included in borrowings, current and non-current, (iii) decrease of $0.1 million in accounts payable and accrued liabilities and (iv) decrease of $0.3 million in other liabilities.

Other pronouncements and amendments

In the current year, the Company has applied a number of other amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after January 1, 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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 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 Financial Statements, are detailed as follows.

On March 29, 2018, the IASB issued its revised *Conceptual Framework for Financial Reporting ("Conceptual Framework")*. This replaces the previous version of the *Conceptual Framework* issued in 2010. The revised *Conceptual Framework* will be effective on November 1, 2020. Management is currently assessing but has not yet determined the impact of the *Conceptual Framework* on the Company's financial statements.

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

Internal Control Over Financial Reporting

In accordance with the Canadian Securities Administrators' National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"), the Company has filed interim certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on the design of disclosure controls and procedures and design of internal control over financial reporting. With regards to the annual certification requirements of NI 52-109, the Company relies on the statutory exemption contained in section 8.1 of NI 52-109, which allows it to file with the Canadian securities regulatory authorities the certificates required under the Sarbanes-Oxley Act of 2002 at the same time such certificates are required to be filed in the United States.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP (as derived in accordance with IFRS) in its consolidated financial statements. The CEO and CFO of the Company have evaluated whether there were changes to the Company's internal control over financial reporting during the Company's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. As a result of the Polyair Acquisition on August 3, 2018, the internal control over financial reporting utilized by the Company prior to the acquisition became the internal control over financial reporting of Polyair, and the Company is currently in the process of evaluating and integrating Polyair's historical internal controls over financial reporting with the Company's. During the three and six months ended June 30, 2019, other than continuing changes to internal control processes resulting from the Polyair Acquisition, there have been no material changes to the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management's assessment of internal control over financial reporting as of June 30, 2019 did not include the Polyair Acquisition. Polyair is included in the Company's Financial Statements and represents 19.0% of total assets as of June 30, 2019 and 11.0% of revenues for the three and six months then ended. Subject to the foregoing, the CEO and CFO have concluded that the Company's internal control over financial reporting as of June 30, 2019 was effective.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Additional Information

Additional information relating to the Company, including its Form 20-F filed in lieu of an Annual Information Form for 2018, is available on the Company's website (www.itape.com) as well as under the Company's profile on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Forward-Looking Statements

Certain statements and information included in this MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (collectively, "forward-looking statements"), which are made in reliance upon the protections provided by such legislation for forward-looking statements. All statements other than statements of historical facts included in this MD&A, including statements regarding the Company's industry and the Company's outlook, prospects, plans, financial position, future transactions, acquisitions and partnerships, capital expenditures, sales and financial results, inventory, income tax and effective tax rate, availability of funds and credit, expected credit spread, level of indebtedness, payment of dividends, capital and other significant expenditures, working capital requirements, liquidity, selling prices, fluctuations in costs, the Company's closure of its Johnson City, Tennessee and Montreal, Quebec manufacturing facilities and the related cost savings, the Company's cost synergies from the Cantech Acquisition, the Company's production at its greenfield manufacturing facilities and the associated contributions, the impacts of new accounting standards, including the expected impact of new accounting guidance for leases, judgments, estimates, assumptions, litigation and business strategy, may constitute forward-looking statements. These forward-looking statements are based on current beliefs, assumptions, expectations, estimates, forecasts and projections made by the Company's management. Words such as "may," "will," "should," "expect," "continue," "intend," "estimate," "anticipate," "plan," "foresee," "believe" or "seek" or the negatives of these terms or variations of them or similar terminology are intended to identify such forward-looking statements. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, these statements, by their nature, involve risks and uncertainties and are not guarantees of future performance. Such statements are also subject to assumptions concerning, among other things: business conditions and growth or declines in the Company's industry, the Company's customers' industries and the general economy; the impact of changes to tariffs and other international trade developments; the anticipated benefits from the Company's greenfield projects and manufacturing facility expansions; the impact of selling price increases; the impact of fluctuations in raw material prices and freight costs; the anticipated benefits from the Company's acquisitions and partnerships; the expected financial performance and benefits, including annual cost savings and annual synergies, of the acquisitions including the Cantech, Polyair and Maiweave acquisitions; the Company's growth strategy and the strength of the Company's competitive position moving forward; the anticipated benefits from the Company's capital expenditures; the quality, and market reception, of the Company's products; the Company's anticipated business strategies; risks and costs inherent in litigation; the Company's ability to maintain and improve quality and customer service; anticipated trends in the Company's business; anticipated cash flows from the Company's operations; anticipated changes in the tax treatment of intercompany debt; availability of funds under the Company's 2018 Credit Facility; changes to accounting rules and standards; and the Company's ability to continue to control costs. The Company can give no assurance that these statements and expectations will prove to have been correct. Actual outcomes and results may, and often do, differ from what is expressed, implied or projected in such forward-looking statements, and such differences may be material. Readers are cautioned not to place undue reliance on any forward-looking statement. For additional information regarding some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements and other risks and uncertainties, and the assumptions underlying the forward-looking statements, you are encouraged to read "Item 3. Key Information - Risk Factors," "Item 5 Operating and Financial Review and Prospects (Management's Discussion & Analysis)" and statements located elsewhere in the Company's annual report on Form 20-F for the year ended December 31, 2018 and the other statements and factors contained in the Company's filings with the Canadian securities regulators and the US Securities and Exchange Commission. Each of the forward-looking statements speaks only as of the date of this MD&A. The Company will not update these statements unless applicable securities laws require it to do so.

Intertape Polymer Group Inc.

Unaudited Interim Condensed Consolidated Financial Statements
June 30, 2019

Unaudited Interim Condensed Consolidated Financial Statements

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Intertape Polymer Group Inc.
Consolidated Earnings
Periods ended June 30,
(In thousands of US dollars, except per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Revenue	**295,609**	249,072	**573,432**	486,301
Cost of sales	**230,915**	194,625	**450,942**	381,400
Gross profit	**64,694**	54,447	**122,490**	104,901
Selling, general and administrative expenses	**36,433**	27,653	**69,116**	56,776
Research expenses	**3,023**	3,233	**6,192**	6,454
	39,456	30,886	**75,308**	63,230
Operating profit before manufacturing facility closures, restructuring and other related charges (recoveries)	**25,238**	23,561	**47,182**	41,671
Manufacturing facility closures, restructuring and other related charges (recoveries) (Note 4)	**3,875**	(407)	**4,179**	(300)
Operating profit	**21,363**	23,968	**43,003**	41,971
Finance costs (Note 3)				
Interest	**8,565**	3,945	**16,258**	6,407
Other expense, net	**798**	1,328	**143**	2,453
	9,363	5,273	**16,401**	8,860
Earnings before income tax expense	**12,000**	18,695	**26,602**	33,111
Income tax expense (benefit) (Note 5)				
Current	**5,977**	765	**7,152**	1,753
Deferred	**(439)**	2,901	**2,457**	5,033
	5,538	3,666	**9,609**	6,786
Net earnings	**6,462**	15,029	**16,993**	26,325
Net earnings (loss) attributable to:				
Company shareholders	**6,566**	15,097	**17,056**	26,458
Non-controlling interests	**(104)**	(68)	**(63)**	(133)
	6,462	15,029	**16,993**	26,325
Earnings per share attributable to Company shareholders (Note 6)				
Basic	**0.11**	0.26	**0.29**	0.45
Diluted	**0.11**	0.26	**0.29**	0.45

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

Intertape Polymer Group Inc.
Consolidated Comprehensive Income
Periods ended June 30,
(In thousands of US dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net earnings	**6,462**	15,029	**16,993**	26,325
Other comprehensive income (loss)				
Items that will be subsequently reclassified to net earnings:				
Change in fair value of interest rate swap agreements designated as cash flow hedges [(1)] (Note 9)	**(2,058)**	515	**(3,161)**	2,247
Reclassification adjustments for amounts recognized in earnings related to interest rate swap agreements (Note 9)	**(86)**	—	**(171)**	—
Change in cumulative translation adjustments	**(1,004)**	(3,781)	**(4,649)**	(4,367)
Net gain arising from hedge of a net investment in foreign operations (Note 9)	**3,927**	—	**8,608**	—
Total other comprehensive income (loss)	**779**	(3,266)	**627**	(2,120)
Comprehensive income for the period	**7,241**	11,763	**17,620**	24,205
Comprehensive income (loss) for the period attributable to:				
Company shareholders	**7,283**	12,289	**17,610**	24,797
Non-controlling interests	**(42)**	(526)	**10**	(592)
	7,241	11,763	**17,620**	24,205

(1) Presented net of deferred income tax benefit of $78 and $357 for the three and six months ended June 30, 2019, respectively, and deferred income tax expense of $53 and $345 for the three and six months ended June 30, 2018, respectively. Refer to Note 9 for additional information on the Company's cash flow hedges.

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

Intertape Polymer Group Inc.
Consolidated Changes in Equity
Six months ended June 30, 2018
(In thousands of US dollars, except for number of common shares)
(Unaudited)

	Capital stock			Accumulated other comprehensive loss						
	Number	Amount	Contributed surplus	Cumulative translation adjustment account	Reserve for cash flow hedges	Total	Deficit	Total equity attributable to Company shareholders	Non-controlling interests	Total equity
		$	$	$	$	$	$	$	$	$
Balance as of December 31, 2017	58,799,910	350,759	17,530	(15,057)	1,588	(13,469)	(106,687)	248,133	6,589	254,722
Transactions with owners										
Exercise of stock options (Note 8)	17,500	163						163		163
Change in excess tax benefit on exercised share-based awards		7	(7)					—		—
Change in excess tax benefit on outstanding share-based awards			(568)					(568)		(568)
Share-based compensation (Note 8)			195				(284) [1]	(89)		(89)
Share-based compensation expense credited to capital on options exercised (Note 8)		48	(48)					—		—
Dividends on common shares (Note 8)							(16,467)	(16,467)		(16,467)
	17,500	218	(428)				(16,751)	(16,961)		(16,961)
Net earnings (loss)							26,458	26,458	(133)	26,325
Other comprehensive income (loss)										
Change in fair value of interest rate swap agreements designated as cash flow hedges [2] (Note 9)					2,247	2,247		2,247		2,247
Change in cumulative translation adjustments				(3,908)		(3,908)		(3,908)	(459)	(4,367)
				(3,908)	2,247	(1,661)		(1,661)	(459)	(2,120)
Comprehensive income (loss) for the period				(3,908)	2,247	(1,661)	26,458	24,797	(592)	24,205
Capital transactions with non-controlling shareholders of Capstone [3]							2,485	2,485	10,915	13,400
Balance as of June 30, 2018	58,817,410	350,977	17,102	(18,965)	3,835	(15,130)	(94,495)	258,454	16,912	275,366

(1) Presented net of income tax benefit of $96 for the six months ended June 30, 2018.
(2) Presented net of deferred income tax expense of $345 for the six months ended June 30, 2018.
(3) As part of the acquisition of Airtrax Polymers Private Limited ("Airtrax") through the Company's controlled subsidiary, Capstone Polyweave Private Limited ("Capstone"), the minority shareholders of Capstone contributed in kind certain assets and liabilities valued at approximately $13 million that were formerly attributed to Airtrax's woven product manufacturing operations in exchange for newly-issued shares of Capstone. As a result of the in-kind contribution, the Company recorded a $10.9 million increase to equity attributable to non-controlling interest as well as a $2.5 million credit to deficit in the consolidated changes in equity for the six months ended June 30, 2018.

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

Intertape Polymer Group Inc.
Consolidated Changes in Equity
Six months ended June 30, 2019
(In thousands of US dollars, except for number of common shares)
(Unaudited)

	Capital stock			Accumulated other comprehensive loss						
	Number	Amount	Contributed surplus	Cumulative translation adjustment account	Reserve for cash flow hedges	Total	Deficit	Total equity attributable to Company shareholders	Non-controlling interests	Total equity
		$	$	$	$	$	$	$	$	$
Balance as of December 31, 2018	58,650,310	350,267	17,074	(24,170)	2,490	(21,680)	(95,814)	249,847	11,581	261,428
Transactions with owners										
Exercise of stock options (Note 8)	226,875	2,063						2,063		2,063
Change in excess tax benefit on exercised share-based awards		42	(42)					—		—
Change in excess tax benefit on outstanding share-based awards			202					202		202
Share-based compensation (Note 8)			387				(50) [1]	337		337
Share-based compensation expense credited to capital on options exercised (Note 8)		599	(599)					—		—
Dividends on common shares (Note 8)							(16,456)	(16,456)		(16,456)
	226,875	2,704	(52)				(16,506)	(13,854)		(13,854)
Net earnings (loss)							17,056	17,056	(63)	16,993
Other comprehensive income (loss)										
Change in fair value of interest rate swap agreements designated as cash flow hedges [2] (Note 9)					(3,161)	(3,161)		(3,161)		(3,161)
Reclassification adjustments for amounts recognized in earnings related to interest rate swap agreements (Note 9)					(171)	(171)		(171)		(171)
Change in cumulative translation adjustments				(4,722)		(4,722)		(4,722)	73	(4,649)
Net gain arising from hedge of a net investment in foreign operations (Note 9)				8,608		8,608		8,608	—	8,608
				3,886	(3,332)	554		554	73	627
Comprehensive income (loss) for the period				3,886	(3,332)	554	17,056	17,610	10	17,620
Balance as of June 30, 2019	**58,877,185**	**352,971**	**17,022**	**(20,284)**	**(842)**	**(21,126)**	**(95,264)**	**253,603**	**11,591**	**265,194**

(1) Presented net of income tax benefit of $18 for the six months ended June 30, 2019.
(2) Presented net of deferred income tax benefit of $357 for the six months ended June 30, 2019.

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

Intertape Polymer Group Inc.
Consolidated Cash Flows
Periods ended June 30,
(In thousands of US dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
OPERATING ACTIVITIES				
Net earnings	**6,462**	15,029	**16,993**	26,325
Adjustments to net earnings				
Depreciation and amortization	**14,872**	9,992	**29,541**	20,051
Income tax expense	**5,538**	3,666	**9,609**	6,786
Interest expense	**8,565**	3,945	**16,258**	6,407
Non-cash charges (recoveries) in connection with manufacturing facility closures, restructuring and other related charges	**2,257**	(1)	**2,009**	(2)
Share-based compensation expense (benefit)	**3,022**	(714)	**1,586**	(304)
Loss (gain) on foreign exchange	**558**	921	**(642)**	1,690
Pension and other post-retirement expense related to defined benefit plans	**525**	700	**1,041**	1,426
Other adjustments for non-cash items	**178**	256	**588**	920
Income taxes (paid) received, net	**(3,486)**	385	**(3,973)**	363
Contributions to defined benefit plans	**(447)**	(1,004)	**(747)**	(1,516)
Cash flows from operating activities before changes in working capital items	**38,044**	33,175	**72,263**	62,146
Changes in working capital items				
Trade receivables	**(9,866)**	(1,025)	**(14,490)**	(5,836)
Inventories	**4,379**	(1,432)	**(10,479)**	(24,762)
Other current assets	**5,840**	(1,604)	**8,273**	(1,686)
Accounts payable and accrued liabilities and share-based compensation liabilities, current	**(6,480)**	(676)	**(41,691)**	(21,471)
Provisions	**(36)**	(743)	**(494)**	(825)
	(6,163)	(5,480)	**(58,881)**	(54,580)
Cash flows from operating activities	**31,881**	27,695	**13,382**	7,566
INVESTING ACTIVITIES				
Purchases of property, plant and equipment	**(11,394)**	(16,352)	**(29,244)**	(34,748)
Other investing activities	**743**	(199)	**147**	(355)
Cash flows from investing activities	**(10,651)**	(16,551)	**(29,097)**	(35,103)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
FINANCING ACTIVITIES				
Proceeds from borrowings	**39,970**	372,392	**114,769**	473,715
Repayment of borrowings	**(40,910)**	(360,712)	**(74,325)**	(415,949)
Payments of debt issue costs	**—**	(2,618)	**—**	(2,618)
Interest paid	**(13,282)**	(2,179)	**(17,259)**	(4,529)
Proceeds from exercise of stock options	**1,904**	93	**2,063**	163
Dividends paid	**(8,352)**	(8,140)	**(16,541)**	(16,473)
Other financing activities	**88**	—	**(154)**	1
Cash flows from financing activities	**(20,582)**	(1,164)	**8,553**	34,310
Net increase (decrease) in cash	**648**	9,980	**(7,162)**	6,773
Effect of foreign exchange differences on cash	**1,067**	(1,127)	**1,107**	(1,935)
Cash, beginning of period	**10,881**	5,078	**18,651**	9,093
Cash, end of period	**12,596**	13,931	**12,596**	13,931

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

Intertape Polymer Group Inc.
Consolidated Balance Sheets
As of
(In thousands of US dollars)

	June 30, 2019	December 31, 2018
	(Unaudited)	(Audited)
	$	$
ASSETS		
Current assets		
Cash	**12,596**	18,651
Trade receivables	**143,720**	129,285
Inventories	**200,659**	190,675
Other current assets	**18,228**	24,395
	375,203	363,006
Property, plant and equipment	**424,782**	377,076
Goodwill	**108,560**	107,714
Intangible assets	**119,601**	122,389
Deferred tax assets (Note 5)	**27,056**	25,069
Other assets	**8,081**	9,586
Total assets	**1,063,283**	1,004,840
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**118,062**	154,838
Share-based compensation liabilities, current (Note 8)	**7,229**	5,066
Provisions, current	**1,999**	2,262
Borrowings, current	**21,775**	14,389
	149,065	176,555
Borrowings, non-current	**562,318**	485,596
Pension, post-retirement and other long-term employee benefits	**15,281**	14,898
Share-based compensation liabilities, non-current (Note 8)	**3,357**	4,125
Non-controlling interest put options (Note 9)	**10,648**	10,499
Deferred tax liabilities (Note 5)	**45,361**	42,321
Provisions, non-current	**4,013**	4,194
Other liabilities	**8,046**	5,224
Total liabilities	**798,089**	743,412
EQUITY		
Capital stock (Note 8)	**352,971**	350,267
Contributed surplus	**17,022**	17,074
Deficit	**(95,264)**	(95,814)
Accumulated other comprehensive loss	**(21,126)**	(21,680)
Total equity attributable to Company shareholders	**253,603**	249,847
Non-controlling interests	**11,591**	11,581
Total equity	**265,194**	261,428
Total liabilities and equity	**1,063,283**	1,004,840

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

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, protective packaging, engineered coated products 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 June 30, 2019 and December 31, 2018, as well as its consolidated earnings, comprehensive income and cash flows for the three and six months ended June 30, 2019 and 2018 and the changes in equity for the six months ended June 30, 2019 and 2018.

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, except for the adoption of the new standard described below, and use the same 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 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.

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 August 7, 2019.

Critical Accounting Judgments, Estimates and Assumptions

The preparation of these financial statements 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, the re-measurement of the defined benefit liability, and the measurement of lease liabilities under IFRS 16 - *Leases,* discussed below, which requires judgment as to the certainty of renewal options to be exercised and the discount rates applied.

New Standards Adopted as of January 1, 2019

IFRS 16 - *Leases* ("IFRS 16"), which replaced IAS 17 - *Leases* along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'), introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees, as well as new disclosure requirements. IFRS 16 became effective for annual reporting periods beginning on or after January 1, 2019. The new standard has been applied using the modified retrospective approach and as a result, prior periods have not been restated. The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease and the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before January 1, 2019 ("the date of initial application"). For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application. The Company has applied recognition exemptions across its complete portfolio of leased assets for short-term leases and leases of low value items. Furthermore, the Company has used certain relevant practical expedients available under the modified retrospective approach. Specifically, these include (i) applying a single discount rate to a portfolio of leases with reasonably similar characteristics, (ii) relying on the assessment of whether leases are onerous applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review, (iii) excluding leases for which the lease term ends within 12 months of the date of initial application, (iv) excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application, and (v) using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. The Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of initial application.

The adoption of this new guidance resulted in changes to the balance sheet as of January 1, 2019, including (i) recognition of $31.1 million in right-of-use assets included in property, plant and equipment, (ii) the recognition of $31.5 million in lease liabilities included in borrowings, current and non-current, (iii) decrease of $0.1 million in accounts payable and accrued liabilities and (iv) decrease of $0.3 million in other liabilities.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognized was 6.6%. These rates are based on market rates as of January 1, 2019 for a BB- rated industrial company issuing debt for maturities ranging from 3 months to 10 years.

The following is a reconciliation of total operating lease commitments as of December 31, 2018 to the lease liabilities recognized as of January 1, 2019:

	Lease details
	$
Total operating lease commitments disclosed as of December 31, 2018	35,544
Recognition exemptions:	
Leases of low value assets	(226)
Leases with remaining lease term of less than 12 months	(2,093)
Other minor adjustments relating to commitment disclosures	(670)
Operating lease liabilities before discounting	32,555
Discounted using incremental borrowing rate	(5,754)
Reasonably certain extension options	4,683
Operating lease liabilities recognized under IFRS 16 as of January 1, 2019	31,484
Finance lease liabilities	5,712
Total lease liabilities recognized under IFRS 16 as of January 1, 2019	37,196

Lease liabilities are presented in the consolidated balance sheet under the caption borrowings as follows:

	June 30, 2019	December 31, 2018
	$	$
Lease liabilities (current)	**5,800**	1,441
Lease liabilities (non-current)	**40,961**	4,271
	46,761	5,712

Rent expense relating to payments not included in the measurement of a lease liability was approximately $1.2 million and $2.6 million for the three and six months ended June 30, 2019.

Included in the net carrying amount of property, plant and equipment presented in the consolidated balance sheet are right-of-use assets as follows:

	June 30, 2019	January 1, 2019
	$	$
Buildings	**37,376**	27,960
Manufacturing equipment	**2,583**	1,914
Furniture, office equipment and other	**1,046**	1,180
Right-of-use assets	**41,005**	31,054

Accounting policy applicable from January 1, 2019

Contracts entered into on or after January 1, 2019 that meet the definition of a lease are recognized on the balance sheet as a right-of-use asset and a lease liability, unless they are determined to be low value or short-term leases. At the lease commencement date, the lease liability is measured at the present value of the lease payments unpaid at that date, including non-lease components, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments are apportioned between the finance cost and the liability. The finance charge is recognized in earnings in finance costs and is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

At the lease commencement date, the right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is remeasured to reflect any reassessment or modification and the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already fully depreciated.

The classification of a short-term lease is re-assessed if the terms of the lease are changed. Lease payments related to low value and short-term leases are recognized in earnings on a straight-line basis over the lease term.

Other pronouncements and amendments

In the current year, the Company has applied a number of other amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after January 1, 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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 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 financial statements, are detailed as follows:

On March 29, 2018, the IASB issued its revised *Conceptual Framework for Financial Reporting ("Conceptual Framework")*. This replaces the previous version of the *Conceptual Framework* issued in 2010. The revised *Conceptual Framework* will be effective on November 1, 2020. Management is currently assessing but has not yet determined the impact of the *Conceptual Framework* on the Company's financial statements.

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

3 - *INFORMATION INCLUDED IN CONSOLIDATED EARNINGS*

The following table describes the charges incurred by the Company which are included in the Company's consolidated earnings:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Employee benefit expense				
Wages, salaries and other short-term benefits	**56,740**	46,271	**111,124**	92,972
Share-based compensation expense (benefit) (Note 8)	**3,022**	(714)	**1,586**	(304)
Pension, post-retirement and other long-term employee benefit plans:				
Defined benefit plans	**541**	719	**1,075**	1,464
Defined contributions plans	**1,636**	1,253	**4,054**	3,014
	61,939	47,529	**117,839**	97,146
Finance costs - Interest				
Interest on borrowings	**8,794**	3,280	**16,946**	5,764
Amortization of debt issue costs on borrowings	**289**	1,279	**587**	1,469
Interest capitalized to property, plant and equipment	**(518)**	(614)	**(1,275)**	(826)
	8,565	3,945	**16,258**	6,407
Finance costs - Other expense, net				
Foreign exchange loss (gain)	**558**	921	**(642)**	1,690
Other costs, net	**240**	407	**785**	763
	798	1,328	**143**	2,453
Additional information				
Depreciation of property, plant and equipment	**12,330**	8,953	**24,465**	17,980
Amortization of intangible assets	**2,542**	1,039	**5,076**	2,071
Impairment of assets	**2,446**	207	**2,657**	553

4 - *MANUFACTURING FACILITY CLOSURES, RESTRUCTURING AND OTHER CHARGES (RECOVERIES)*

As part of a plan to realize operational synergies gained from the acquisition of Canadian Technical Tape Ltd., which was completed in July 2017, the Company closed its Johnson City, Tennessee manufacturing facility at the end of 2018 and subsequently sold the facility in June 2019. In April 2019, the Company announced that it will close its Montreal, Quebec manufacturing facility and expects to transfer production to its other existing manufacturing facilities by the end of 2019. The charges incurred in the three and six months ended June 30, 2019 totalled $3.9 million and $4.2 million, respectively, and were primarily due to charges incurred in the second quarter for non-cash impairments of inventory and property, plant and equipment related to both facilities totalling $2.3 million, as well as cash costs of $1.1 million mainly for termination benefits related to the Montreal, Quebec manufacturing facility.

The recoveries incurred in the three and six months ended June 30, 2018 totalled $0.4 million and $0.3 million, respectively, and were primarily due to a reduction in the environmental provision related to the Columbia, South Carolina manufacturing facility.

5 - *INCOME TAXES*

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Income tax expense	**$ 5,538**	$ 3,666	**$ 9,609**	$ 6,786
Earnings before income tax expense	**$ 12,000**	$ 18,695	**$ 26,602**	$ 33,111
Effective tax rate	**46.2%**	19.6%	**36.1%**	20.5%

The increase in the effective tax rate in the three and six months ended June 30, 2019, as compared to the same periods in 2018 was primarily due to a proposed state income tax assessment recognized in the second quarter of 2019 related to net operating losses generated in tax years 2000-2006 and the elimination of certain tax benefits as a result of the Tax Cuts and Jobs Act related to intercompany debt.

6 - *EARNINGS PER SHARE*

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Basic	**58,760,473**	58,811,586	**58,706,718**	58,806,485
Effect of stock options	**195,170**	292,313	**196,112**	317,492
Diluted	**58,955,643**	59,103,899	**58,902,830**	59,123,977

For the three and six months ended June 30, 2019 and 2018, the number of stock options that were anti-dilutive and not included in diluted earnings per share calculations were 242,918 for all periods.

7 - *COMMITMENTS*

The following table summarizes information related to commitments to purchase machinery and equipment:

	June 30, 2019	December 31, 2018
Commitments to purchase machinery and equipment	**$ 13,090**	$ 16,256

8 - *CAPITAL STOCK*

Common Shares

The Company's common shares outstanding as of June 30, 2019 and December 31, 2018 were 58,877,185 and 58,650,310, respectively.

Dividends

The cash dividends paid during the period were as follows:

Declared Date	Paid date	Per common share amount	Shareholder record date	Common shares issued and outstanding	Aggregate payment [1]
March 12, 2019	March 29, 2019	$0.14	March 22, 2019	58,665,310	$ 8,189
May 8, 2019	June 28, 2019	$0.14	June 14, 2019	58,877,185	$ 8,352

(1) The aggregate dividend payment amount presented in the table above has been adjusted for the impact of foreign exchange rates on cash payments to shareholders.

Share Repurchases

Under the Company's normal course issuer bid ("NCIB"), the Company has the ability to repurchase for cancellation up to 4,000,000 common shares of the Company at prevailing market prices over the twelve-month period ended July 22, 2019.

There were no shares repurchased during the three and six months ended June 30, 2019 and 2018. As of June 30, 2019 and 2018, there were 3,782,900 and 3,512,700 shares, respectively, available for repurchase under the NCIB.

The NCIB which expired on July 22, 2019 was renewed for a twelve-month period starting July 23, 2019. There were no shares repurchased under the renewed NCIB as of August 7, 2019.

Stock Options

The following tables summarize information related to stock options (in Canadian dollars ("CDN") where indicated):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Stock options granted [1]	**—**	—	**392,986**	242,918
Weighted average exercise price per stock option granted	**—**	—	**CDN$17.54**	CDN$21.76
Stock options exercised	**(209,375)**	(10,000)	**(226,875)**	(17,500)
Weighted average exercise price per stock option exercised	**CDN$12.23**	CDN$12.04	**CDN$12.22**	CDN$12.04
Stock options cancelled	**(10,000)**	—	**(10,000)**	—
Weighted average exercise price per stock option cancelled	**CDN$12.04**	—	**CDN$12.04**	—

(1) The Company's prior Executive Stock Option Plan ("ESOP"), which was adopted in 1992 and last ratified on June 4, 2015, elapsed on June 4, 2018. No further grants of stock options have been made under the ESOP since June 4, 2018. On March 12, 2019, the Board of Directors adopted a new Executive Stock Option Plan ("2019 ESOP") and on June 6, 2019, shareholders approved the 2019 ESOP at the Company's Annual Meeting of Shareholders.

	June 30, 2019
Stock options outstanding	1,165,904
Weighted average exercise price per stock option outstanding	CDN$16.07

The weighted average fair value of stock options granted was estimated using the Black-Scholes option pricing model, taking into account the following weighted average assumptions:

	Six months ended June 30,	
	2019	2018
Expected life	4.9 years	4.8 years
Expected volatility [(1)]	29.79%	32.09%
Risk-free interest rate	1.44%	2.05%
Expected dividends	4.27%	3.30%
Stock price at grant date	CDN$17.54	CDN$21.76
Exercise price of awards	CDN$17.54	CDN$21.76
Foreign exchange rate USD to CDN	1.3380	1.2809

(1) Expected volatility was calculated by applying a weighted average of the daily closing price change on the TSX for a term commensurate with the expected life of each grant.

Restricted Share Units

The following tables summarize information related to restricted share units ("RSUs"):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
RSUs granted	**—**	—	**120,197**	113,047
Weighted average fair value per RSU granted	**—**	—	**$ 13.74**	$ 16.29

	June 30, 2019
RSUs outstanding	232,016
Weighted average fair value per RSU outstanding	$ 13.66

Deferred Share Units

The following tables summarize information related to DSUs:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
DSUs granted	**60,764**	36,204	**60,764**	43,203
Weighted average fair value per DSU granted	**$ 14.01**	$14.50	**$ 14.01**	$ 14.94
DSUs settled	**—**	(37,668)	**—**	(37,668)
Weighted average fair value per DSU settled	**—**	$14.50	**—**	$14.50
Cash payments on DSUs settled	**—**	$546	**—**	$546

	June 30, 2019
DSUs outstanding	259,757
Weighted average fair value per DSU outstanding	$ 13.66

Performance Share Units

The following table summarizes information about performance share units ("PSUs") during the period:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
PSUs granted	—	—	**291,905**	284,571
Weighted average fair value per PSU granted	—	—	**$14.28**	$17.84
PSUs forfeited/cancelled	—	(1,513)	—	(1,513)
PSUs cancelled by performance factor [1]	—	(2,125)	**(371,158)**	(2,125)
PSUs settled [1]	—	(117,605)	—	(335,465)
Weighted average fair value per PSU settled	—	$14.50	—	$15.87
Cash payments on PSUs settled [2]	—	$1,895	—	$5,863

(1) The following table provides further information regarding the PSUs settled and adjusted by performance factor included in the table above. The number of "Target Shares" reflects 100% of the PSUs granted and the number of PSUs settled reflects the performance adjustments to the Target Shares.

Grant Date	Date Settled	Target Shares	Performance	PSUs settled
March 14, 2015	March 21, 2018	217,860	100%	217,860
May 14, 2015	May 22, 2018	115,480	100%	115,480
May 20, 2015	May 28, 2018	4,250	50%	2,125
March 21, 2016	March 21, 2019	371,158	—%	—

(2) Cash payments on PSUs settled include the fair value of the PSUs plus the cash dividends per common share declared and paid by the Company from the date of grant of the PSUs to the settlement date.

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

	Six months ended June 30,	
	2019	2018
Expected life	**3 years**	3 years
Expected volatility[1]	**25%**	30%
US risk-free interest rate	**2.36%**	2.43%
Canadian risk-free interest rate	**1.60%**	1.96%
Expected dividends[2]	**0%**	0%
Performance period starting price[3]	**CDN$16.36**	CDN$21.13
Closing stock price on TSX as of the estimation date	**CDN$18.06**	CDN$20.59

(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 receives a cash payment from the Company upon PSU settlement that is equivalent to the number of settled PSUs multiplied by the amount of cash dividends per share declared by the Company between the date of grant and the settlement date. As such, there is no impact from expected future dividends in the Monte Carlo simulation model.

(3) The performance period starting price is measured as the VWAP for the common shares of the Company on the TSX on the grant date.

The following table summarizes information about PSUs outstanding as of:

		June 30, 2019
PSUs outstanding		954,986
Weighted average fair value per PSU outstanding	$	12.62

Based on the Company's current performance adjustment factors, the number of PSUs earned if all of the outstanding PSUs were to be settled at June 30, 2019 would be as follows:

Grant Date	Performance
December 20, 2016	0%
March 20, 2017	50%
March 21, 2018	124%
March 21, 2019	82%

Stock Appreciation Rights

There were no stock appreciation rights ("SARs") outstanding as of June 30, 2019 and there was no activity during the six months ended June 30, 2019. The following tables summarize SARs activity during the three and six months ended June 30, 2018:

	Three months ended June 30,	Six months ended June 30,
	2018	2018
SARs exercised	40,000	147,500
Base price	CDN$7.56	CDN$7.56
Cash payments on exercise, including awards exercised but not yet paid	$323	$1,481

Summary of Share-based Compensation Expense and Share-based Compensation Liabilities

The following table summarizes share-based compensation expense (benefit) recorded in earnings in selling, general and administrative expense:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Stock options	**277**	135	**387**	195
PSUs	**1,615**	(1,122)	**(374)**	(750)
RSUs	**309**	162	**539**	221
DSUs	**821**	184	**1,034**	127
SARs	**—**	(73)	**—**	(97)
	3,022	(714)	**1,586**	(304)

The following table summarizes share-based compensation liabilities, including dividend equivalents accrued, recorded in the consolidated balance sheets as of:

	June 30, 2019	December 31, 2018
	$	$
Share-based compensation liabilities, current		
PSUs[1]	**3,496**	2,563
RSUs[1]	**173**	86
DSUs[2]	**3,560**	2,417
Total share-based compensation liabilities, current	**7,229**	5,066
Share-based compensation liabilities, non-current		
PSUs[1]	**2,542**	3,764
RSUs[1]	**815**	361
Total share-based compensation liabilities, non-current	**3,357**	4,125

(1) Includes dividend equivalents accrued.

(2) Includes dividend equivalent grants and effect of DSUs received in lieu of cash for directors' fees not yet granted.

9 - *FINANCIAL INSTRUMENTS*

Classification and Fair Value of Financial Instruments

The carrying amounts of the following financial assets and liabilities are considered a reasonable approximation of fair value given their short maturity periods:

- cash
- trade receivables
- supplier rebates and other receivables
- accounts payable and accrued liabilities
- call option redemption liability
- Amounts due to former shareholders of Polyair[1] included in other liabilities

(1) Represents amounts payable to the former shareholders of Polyair Inter Pack, Inc. ("Polyair") relating to estimated income tax benefits as a result of the Company's payment of certain deal-related costs on behalf of Polyair.

Borrowings

The fair value of the Company's $250 million senior unsecured notes issued in October 2018 ("Senior Unsecured Notes") is based on the trading levels and bid/offer prices observed by a market participant. As of June 30, 2019 and December 31, 2018, the Senior Unsecured Notes had a carrying value, including unamortized debt issuance costs, of $245.4 million and 245.3 million, respectively, and a fair value of $258.3 million and $248.7 million, respectively.

The Company's borrowings, other than the Senior Unsecured Notes, consist primarily of variable rate debt. The corresponding fair values are estimated using observable market interest rates of similar variable rate loans with similar risk and credit standing. Accordingly, the carrying amounts are considered to be a reasonable approximation of the fair values.

As of June 30, 2019, and December 31, 2018, the Company categorizes its borrowings as Level 2 on the three-level fair value hierarchy.

Interest Rate Swaps

The Company measures the fair value of its interest rate swap agreements using discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of a reporting period) and contract interest rates, discounted as a rate that reflects the credit risk of various counterparties.

As of June 30, 2019, and December 31, 2018, the Company categorizes its interest rate swaps as Level 2 on the three-level fair value hierarchy, meaning that the fair value is estimated using a valuation technique based on unobservable market data, either directly or indirectly.

Non-Controlling Interest Put Options

In connection with the acquisition of Airtrax on May 11, 2018, the Company, through its partially owned subsidiary, Capstone, is party to a shareholders' agreement that contains put options, which provide each of the non-controlling interest shareholders of Capstone with the right to require the Company to purchase their retained interest at a variable purchase price following a five-year lock-in period following the date of acquisition. The agreed-upon purchase price is equal to the fair market valuation as determined through a future negotiation or, as needed, a valuation to be performed by an independent and qualified expert at the time of exercise. During the six months ended June 30, 2019, the obligation was remeasured due to changes in exchange rates resulting in a $0.1 million increase in the liability and a corresponding loss recorded in finance costs in other expense, net. As of June 30, 2019 and December 31, 2018, the amount recorded on the consolidated balance sheet for this obligation is $10.6 million and 10.5 million, respectively.

The Company categorizes its non-controlling interest put options as Level 3 of the fair value hierarchy, meaning that the fair value is estimated using a valuation technique based on unobservable market data. Details of inputs used in this valuation technique have been disclosed in the Company's audited consolidated financial statements and notes thereto as of December 31, 2018.

A reconciliation of the carrying amount of financial instruments classified within Level 3 follows for the years ended:

	Non-controlling interest put options
	$
Balance as of December 31, 2018	10,499
Net foreign exchange differences	149
Balance as of June 30, 2019	10,648

Interest Rate Swap Agreements

The Company is exposed to a risk of change in cash flows due to the fluctuations in interest rates on its variable rate borrowings. To minimize the potential long-term cost of floating rate borrowings, the Company entered into interest rate swap agreements.

The terms of the interest rate swap agreements are as follows as of June 30, 2019:

Effective Date	Maturity	Notional Amount $	Settlement	Fixed interest rate paid %
Qualifying cash flow hedges:				
June 8, 2017	June 20, 2022	40,000	Monthly	1.7900
July 21, 2017	July 18, 2022	CDN$36,000 (1)	Monthly	1.6825
August 20, 2018	August 18, 2023	60,000	Monthly	2.0450
Non-qualifying cash flow hedges:				
March 18, 2015	November 18, 2019	40,000	Monthly	1.6100

(1) The notional amount will decrease by CDN$18.0 million on July 18, 2021 and 2022.

The following tables summarize information regarding interest rate swap agreements designated as hedging instruments:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	**2018**
	$	$		
(Decrease)/increase in fair value of the hedging instrument recognized in OCI [(1)]	**(2,136)**	568	**(3,518)**	2,592
Decrease/(increase) in deferred tax expense recognized in OCI	**78**	(53)	**357**	(345)
Amounts reclassified from cash flow hedging reserve to earnings [(2)]	**(86)**	—	**(171)**	—

(1) The hedging (loss)/gain recognized in other comprehensive income ("OCI") before tax is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognized in earnings.

(2) Reclassification of unrealized gains from OCI as a result of the discontinuation of hedge accounting for the interest rate swap agreement not qualifying as a cash flow hedge are included in interest expense under the caption finance costs in earnings.

	June 30, 2019	December 31, 2018
	$	$
Carrying amount included in other assets	**22**	2,266
Carrying amount included in other liabilities	**1,275**	—
(Debit)/credit balance in cash flow hedge reserve, included in OCI, for continuing hedges	**(984)**	2,177
Credit balance remaining in cash flow hedge reserve, included in OCI, from hedging relationship for which hedge accounting no longer applies	**142**	313

Hedge of net investment in foreign operations

A foreign currency exposure arises from the Parent Company's net investment in its USD functional currency subsidiary, IPG (US) Holdings Inc. The risk arises from the fluctuations in the USD and Canadian dollar current exchange rate, which causes the amount of the net investment in IPG (US) Holdings Inc. to vary. The Company currently uses its Senior Unsecured Notes to hedge the Company’s exposure to the USD foreign exchange risk on this investment.

The changes in value related to the Senior Unsecured Notes designated as a hedging instrument, in the hedge of a net investment, are as follows for the three and six months ended June 30, 2019 (nil for the three and six months ended June 30, 2018):

	Three months ended June 30,	Six months ended June 30,
	2019	2019
	$	
Gains from decrease in value of hedging instrument used for calculating hedge ineffectiveness	4,490	9,830
Gains from hedging instrument recognized in OCI	3,927	8,608
Gains from hedge ineffectiveness recognized in earnings in finance costs in other expense, net	552	1,199
Foreign exchange gains recognized in cumulative translation adjustments in the statement of changes in equity	11	23

The notional and carrying amounts of the Senior Unsecured Notes are as follows:

	June 30, 2019	December 31, 2018
	$	$
Notional amount	**250,000**	250,000
Carrying amount	**245,386**	245,252

The amounts related to the net investment in IPG (US) Holdings, Inc., designated as the hedged item in the hedge of a net investment, are as follows for the three and six months ended June 30, 2019 (nil for the three and six months ended June 30, 2018):

	Three months ended June 30,	Six months ended June 30,
	2019	2019
	$	
Decrease in value used for calculating hedge ineffectiveness	3,927	8,608

The cumulative amounts included in the foreign currency translation reserve related to the net investment in IPG (US) Holdings, Inc., designated as the hedged item in the hedge of a net investment, is as follows:

	June 30, 2019	December 31, 2018
	$	$
Debit balance included in foreign currency translation reserve in OCI	**(813)**	(9,421)

10 - *POST REPORTING EVENTS*

Non-Adjusting Events

- On July 18, 2019, the Company and its syndicated lending group, led by Bank of America, N.A., amended the Company's five-year $600.0 million credit facility agreement, dated June 14, 2018, to, among other things, revise the two financial covenant thresholds to account for the associated impacts of new lease accounting guidance implemented on January 1, 2019 requiring operating leases to be accounted for as debt (with corresponding interest payments). The amendment provides that the consolidated secured net leverage ratio must not be more than 3.70 to 1.00 (previously 3.50 to 1.00), with an allowable temporary increase to 4.20 to 1.00 (previously 4.00 to 1.00) for the quarter in which the Company consummates an acquisition with a price not less than $50 million and the following three quarters, and the consolidated interest coverage ratio must not be less than 2.75 to 1.00 (previously 3.00 to 1.00).

- On August 7, 2019, the Board of Directors amended the Company's quarterly policy to increase the annualized dividend by 5.4% from $0.56 to $0.59 per common share. The Board's decision to increase the dividend was based on the Company's strong financial position and positive outlook. Accordingly, on August 7, 2019, the Company declared a quarterly cash dividend of $0.1475 per common share payable on September 30, 2019 to shareholders of record at the close of business on September 16, 2019. The estimated amount of this dividend payment is $8.7 million based on 58,877,185 of the Company’s common shares issued and outstanding as of August 7, 2019.

No other significant adjusting or non-adjusting events have occurred between the reporting date of these financial statements and the date of authorization.

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